



**2019/2065(DEC)**

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## **DRAFT REPORT**

on discharge in respect of the implementation of the budget of the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2018  
(2019/2065(DEC))

Committee on Budgetary Control

Rapporteur: Michèle Rivasi

**CONTENTS**

	<b>Page</b>
1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION .....	3
2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION .....	6
3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION .....	9

## 1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

### **on discharge in respect of the implementation of the budget of the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2018 (2019/2065(DEC))**

*The European Parliament,*

- having regard to the financial statements and revenue and expenditure accounts for the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2018 (COM(2019)0317 – C9-0060/2019),
- having regard to the financial information on the European Development Funds (COM(2019)0258),
- having regard to the Court of Auditors' annual report on the activities funded by the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2018, together with the Commission's replies<sup>1</sup>,
- having regard to the statement of assurance<sup>2</sup> as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2018, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendations of ...February 2020. on discharge to be given to the Commission in respect of the implementation of the operations of the European Development Funds for the financial year 2018 (00000/2019 – C9-0000/2019, 00000/2019 – C9-0000/2019, 00000/2019 – C9-0000/2019, 00000/2019 – C9-0000/2019),
- having regard to the Commission's reports on the follow-up to the discharge for the 2018 financial year (COM(2019)0000), and to the accompanying Commission staff working document (SWD(2019)0000),
- having regard to the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States, of the one part, and the European Community and its Member States, of the other part, signed in Cotonou (Benin) on 23 June 2000<sup>3</sup> and amended in Ouagadougou, Burkina Faso, on 22 June 2010<sup>4</sup>,
- having regard to Council Decision 2013/755/EU of 25 November 2013 on the association of the overseas countries and territories with the European Union ('Overseas Association Decision')<sup>5</sup>,
- having regard to Article 33 of the Internal Agreement of 20 December 1995 between the representatives of the Governments of the Member States, meeting within the

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<sup>1</sup> OJ C 340, 8.10.2019, p. 269

<sup>2</sup> OJ C 340, 8.10.2019, p. 278

<sup>3</sup> OJ L 317, 15.12.2000, p. 3.

<sup>4</sup> OJ L 287, 4.11.2010, p. 3.

<sup>5</sup> OJ L 344, 19.12.2013, p. 1.

Council, on the financing and administration of the Community aid under the Second Financial Protocol to the fourth ACP-EC Convention<sup>6</sup>,

- having regard to Article 32 of the Internal Agreement of 18 September 2000 between Representatives of the Governments of the Member States, meeting within the Council, on the Financing and Administration of Community Aid under the Financial Protocol to the Partnership Agreement between the African, Caribbean and Pacific States and the European Community and its Member States signed in Cotonou (Benin) on 23 June 2000 and the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the EC Treaty applies<sup>7</sup>,
- having regard to Article 11 of the Internal Agreement of 17 July 2006 between the Representatives of the Governments of the Member States, meeting within the Council, on the financing of Community aid under the multiannual financial framework for the period 2008 to 2013 in accordance with the ACP-EC Partnership Agreement and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the EC Treaty applies<sup>8</sup>,
- having regard to Article 11 of the Internal Agreement of 24 and 26 June 2013 between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020 in accordance with the ACP-EU Partnership Agreement and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies<sup>9</sup>,
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Article 74 of the Financial Regulation of 16 June 1998 applicable to development finance cooperation under the fourth ACP-EC Convention<sup>10</sup>,
- having regard to Article 119 of the Financial Regulation of 27 March 2003 applicable to the 9th European Development Fund<sup>11</sup>,
- having regard to Article 50 of Council Regulation (EC) No 215/2008 of 18 February 2008 on the Financial Regulation applicable to the 10th European Development Fund<sup>12</sup>,
- having regard to Article 48 of Council Regulation (EU) 2015/323 of 2 March 2015 on the financial regulation applicable to the 11th European Development Fund<sup>13</sup>.
- having regard to Rule 99 and the third indent of Rule 100 of, and Annex V to, its Rules of Procedure,

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<sup>6</sup> OJ L 156, 29.5.1998, p. 108.

<sup>7</sup> OJ L 317, 15.12.2000, p. 355.

<sup>8</sup> OJ L 247, 9.9.2006, p. 32.

<sup>9</sup> OJ L 210, 6.8.2013, p. 1.

<sup>10</sup> OJ L 191, 7.7.1998, p. 53.

<sup>11</sup> OJ L 83, 1.4.2003, p. 1.

<sup>12</sup> OJ L 78, 19.3.2008, p. 1.

<sup>13</sup> OJ L 58, 3.3.2015, p. 17.

- having regard to the opinion of the Committee on Development,
  - having regard to the report of the Committee on Budgetary Control (A9-0000/2019),
1. Grants the Commission discharge in respect of the implementation of the budget of the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2018 / Postpones its decision on granting the Commission discharge in respect of the implementation of the budget of the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2018;
  2. Sets out its observations in the resolution below;
  3. Instructs its President to forward this decision and the resolution forming an integral part of it to the Council, the Commission, the Court of Auditors and the European Investment Bank, and to arrange for their publication in the *Official Journal of the European Union* (L series).

## 2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

### **on the closure of the accounts of the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2018 (2019/2065(DEC))**

*The European Parliament,*

- having regard to the financial statements and revenue and expenditure accounts for the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2018 (COM(2019)0317 – C9-0060/2019),
- having regard to the financial information on the European Development Funds (COM(2019)0000),
- having regard to the Court of Auditors' annual report on the activities funded by the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2018, together with the Commission's replies<sup>1</sup>,
- having regard to the statement of assurance<sup>2</sup> as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2018, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendations of ...February 2020 on discharge to be given to the Commission in respect of the implementation of the operations of the European Development Funds for the financial year 2018 (00000/2019 – C9-0000/2019, 00000/2019 – C9-0000/2019, 00000/2019 – C9-0000/2019, 00000/2019 – C9-0000/2019),
- having regard to the Commission's reports on the follow-up to the discharge for the 2018 financial year (COM(2019)0000), and to the accompanying Commission staff working document (SWD(2019)0000),
- having regard to the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States, of the one part, and the European Community and its Member States, of the other part, signed in Cotonou (Benin) on 23 June 2000<sup>3</sup> and amended in Ouagadougou, Burkina Faso, on 22 June 2010<sup>4</sup>,
- having regard to Council Decision 2013/755/EU of 25 November 2013 on the association of the overseas countries and territories with the European Union ('Overseas Association Decision')<sup>5</sup>,
- having regard to Article 33 of the Internal Agreement of 20 December 1995 between

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<sup>1</sup> OJ C 340, 8.10.2019, p. 269

<sup>2</sup> OJ C 340, 8.10.2019, p. 278

<sup>3</sup> OJ L 317, 15.12.2000, p. 3.

<sup>4</sup> OJ L 287, 4.11.2010, p. 3.

<sup>5</sup> OJ L 344, 19.12.2013, p. 1.

the representatives of the Governments of the Member States, meeting within the Council, on the financing and administration of the Community aid under the Second Financial Protocol to the fourth ACP-EC Convention<sup>6</sup>,

- having regard to Article 32 of the Internal Agreement of 18 September 2000 between Representatives of the Governments of the Member States, meeting within the Council, on the Financing and Administration of Community Aid under the Financial Protocol to the Partnership Agreement between the African, Caribbean and Pacific States and the European Community and its Member States signed in Cotonou (Benin) on 23 June 2000 and the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the EC Treaty applies<sup>7</sup>,
- having regard to Article 11 of the Internal Agreement of 17 July 2006 between the Representatives of the Governments of the Member States, meeting within the Council, on the financing of Community aid under the multiannual financial framework for the period 2008 to 2013 in accordance with the ACP-EC Partnership Agreement and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the EC Treaty applies<sup>8</sup>,
- having regard to Article 11 of the Internal Agreement of 24 and 26 June 2013 between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020 in accordance with the ACP-EU Partnership Agreement and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies<sup>9</sup>,
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Article 74 of the Financial Regulation of 16 June 1998 applicable to development finance cooperation under the fourth ACP-EC Convention<sup>10</sup>,
- having regard to Article 119 of the Financial Regulation of 27 March 2003 applicable to the 9th European Development Fund<sup>11</sup>,
- having regard to Article 50 of Council Regulation (EC) No 215/2008 of 18 February 2008 on the Financial Regulation applicable to the 10th European Development Fund<sup>12</sup>,
- having regard to Article 48 of Council Regulation (EU) 2015/323 of 2 March 2015 on the financial regulation applicable to the 11th European Development Fund<sup>13</sup>.
- having regard to Rule 99 and the third indent of Rule 100 of, and Annex V to, its Rules

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<sup>6</sup> OJ L 156, 29.5.1998, p. 108.

<sup>7</sup> OJ L 317, 15.12.2000, p. 355.

<sup>8</sup> OJ L 247, 9.9.2006, p. 32.

<sup>9</sup> OJ L 210, 6.8.2013, p. 1.

<sup>10</sup> OJ L 191, 7.7.1998, p. 53.

<sup>11</sup> OJ L 83, 1.4.2003, p. 1.

<sup>12</sup> OJ L 78, 19.3.2008, p. 1.

<sup>13</sup> OJ L 58, 3.3.2015, p. 17.

of Procedure,

- having regard to the opinion of the Committee on Development,
  - having regard to the report of the Committee on Budgetary Control (A9-0000/2019),
1. Approves the closure of the accounts of the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2018 / Postpones the closure of the accounts of the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2018;
  2. Instructs its President to forward this decision to the Council, the Commission, the Court of Auditors and the European Investment Bank, and to arrange for its publication in the *Official Journal of the European Union* (L series).



### 3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2018 (2019/2065(DEC))**

*The European Parliament,*

- having regard to its decision on discharge in respect of the implementation of the budget of the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2018,
  - having regard to the answers provided by the Commission to the written questions to Commissioner Mimica for the hearing before the CONT Committee on Nov 28th, 2019;
  - having regard to Rule 99 and the third indent of Rule 100 of, and Annex V to, its Rules of Procedure,
  - having regard to the opinion of the Committee on Development,
  - having regard to the report of the Committee on Budgetary Control (A9-0000/2019),
- A. whereas the primary objective of development cooperation is to reduce poverty and, in the long term, eradicate it as defined in article 208 to 210 of the TFUE;
- B. whereas the Union must put maximum efforts in assuring that, especially in cases when investing in countries governed by non-democratic regimes, its funds and actions always benefit the people in need and not the governing structures;
- C. whereas the overall objective remains to reach 0,7% of GNI to ODA and to leverage private funding;
- D. whereas integrating the Sustainable Development Goals as well as implementing the Paris Agreement on Climate are core objectives to be pursued in cooperation instruments;
- E. whereas sustainability is crucial for achieving the set goals and results and especially the long-term impacts of development aid;
- F. whereas the principle of ‘leaving no one behind’ is key in the 2030 agenda for sustainable development;
- G. whereas the European Consensus on Development, adopted in 2017 provides a common development policy framework for the EU institutions and Member States;
- H. whereas the alignment of the EU development cooperation with the partner countries own development priorities is the key element of the 2030 agenda for Sustainable Development;

- I. whereas policy coherence and complementarity of various external policies should be steadily looked at, especially when several ones are being implemented in a single partner country, with the view to promote synergies, reduce trade-offs between these existing policies and to avoid as much as possible unnecessary administrative burdens;
- J. whereas good cooperation and coordination with other donors and international financial institutions is of paramount importance to avoid duplication, ensure efficient controls, risk sharing, results ownership reflecting true inputs and aid effectiveness and foster the capacity to build development aid in beneficiary countries;
- K. whereas the Commission is ultimately responsible for the legality and regularity of the transactions underlying the EDF accounts and for overseeing the EDFs financial monitoring and reporting process;
- L. whereas transparency, accountability and Human rights due-diligence are prerequisites for democratic scrutiny, as well as effective development aid;
- M. whereas the Union's external interventions are channelled through international organisations which either implement Union funds or co-finance projects together with the Union including challenges in terms of oversight and governance;
- N. whereas a wide range of implementation methods, reflecting the intergovernmental nature of the EDFs, are used in 79 countries with complex rules and procedures with regard to tendering and awarding contracts;
- O. whereas budget support, while playing a key role in driving change and in addressing the main development challenges, carries a considerable fiduciary risk and should be granted only if the beneficiary state is able to demonstrate a sufficient level of transparency, traceability, accountability, respect for the Rule of Law and Human rights and effectiveness prior to receiving budget support assistance;
- P. whereas fostering transparency and fighting corruption and fraud are key for the success of the Union's budget support operations;
- Q. whereas EDF activities are implemented in challenging contexts by facing recurrent high-risk exposure either geo-political or institutional;
- R. whereas external factors to the proper implementation of the EDF may mitigate or annihilate the efforts made in terms of development;
- S. whereas Union governance support is a key component of the development aid to generate effective governance reforms;
- T. whereas the current migratory crises must not overshadow migration waves linked to demographic upheavals and which call for different responses on the long term;
- U. whereas the simplification of implementation processes is a driver for enhancing the effectiveness of the delivery of aid;
- V. whereas it is of fundamental importance to promote Union visibility, to ensure a strategic use of EU external financial aid instrument, to communicate on Union

funding and to project Union values in all forms of development aid.

### ***Statement of assurance***

#### *Financial and project implementation of the EDFs (Eight to 11<sup>th</sup> EDF) in 2018*

1. Observes that the 11th EDF represents 65% of DG DEVCO portfolio; takes note that EDF commitments reached EUR 4 959 million in 2018, exceeding the annual target of EUR 4 537 million (or 109,3% of the initial target compared to 95% in 2017) while EDF payments amounted to EUR 4 124 (i.e. an execution rate of 98,2% million of the annual target of EUR 4 200 million (compared to 98,89 in 2017); In addition, notes that the European Investment Bank (EIB) commitments were EUR 880 million (of which EUR 800 million concerning the Investment facility) while the EIB payments amounted EUR 555 million in 2018 (out of which EUR 525 million via the Investment facility);
2. Welcomes the regular efforts of the Commission's Directorate-General for International Cooperation and Development (DG DEVCO) to reduce old pre-financing, old unspent commitments with a target of 25 %; notes that DG DEVCO exceeded its 25% target by reducing EDF old pre-financing by 40,33% (43,79% for other domains of aid) and by 37,10% for EDF old unspent commitments (39,71% for other aid areas);
3. Encourages DG DEVCO to pursue its efforts with regard to EDF old expired contracts as the target value below 15% was not achieved like in 2017 regardless the new procedure set up by DEVCO (with 17,27%, a slight but unsatisfactory improvement compared to 18,75% in 2017); notes that this KPI target value below 15% was achieved for the rest of DEVCO's operation with 13,88% ;
4. Regrets overall that the reduction exercise is less performing with reduction levels that are lower for old EDF prefinancing and unspent commitments or not reached for EDF old expired contracts compared to other DEVCO's areas of intervention and responsibility; acknowledges however that the operational complexity of the EDFs can hamper the achievement of KPI targeted values in particular for closing procedures, and thereby makes it more difficult to issue recovery orders;
5. Calls on DG DEVCO as a matter of priority to close at short term the remaining operations from the eighth and ninth EDF;

### ***Reliability of the accounts***

6. Welcomes the fact that the Court of Auditors (the "Court"), in its annual report on the activities funded by the eighth, ninth, tenth and eleventh EDFs for the financial year 2018, finds that the final annual accounts present fairly, in all material respects, the EDFs' financial position at 31 December 2018 and that the results of their operations, their cash flows and the changes in their net assets for the year then ended are in accordance with the provisions of the EDF Financial Regulation and with accounting rules based on internationally accepted accounting standards for the public sector;

### ***Legality and regularity of the transactions underlying the accounts***

7. Welcomes the Court's opinion, according to which the revenue underlying the accounts

for the year 2018 is legal and regular in all material aspects;

8. Expresses its growing concern on the adverse opinion stated by the Court on the legality and regularity of expenditure insofar as the expenditure underlying the accounts are materially affected by increasing level of error;
9. Is deeply concerned that the estimated level of error increased again for a second year in a row to 5,2% for expenditure accepted in the accounts for the eighth, ninth, tenth and eleventh EDF (compared to 4,5% in 2017, 3,3 % in 2016, 3,8 % in 2014 and 2015, 3,4 % in 2013 and 3 % in 2012); expects the Commission to reflect on the reasons and to take the necessary steps to reverse the trend of growing error rate;
10. Believes it crucial, when reaching such level of estimated errors, to further invest in the staff awareness and training; calls the Commission to find the ways to solve the problem of understaffing, in particular in hardship Delegations;
11. Observes that the United Kingdom's withdrawal from the European Union has no impact on the 2018 EDFs financial management and that the 2018 EDF accounts correctly reflect the state of the withdrawal process;
12. Stresses the importance of the fact that out of 125 payment transactions reviewed by the Court, 51 (or 41%) were affected by errors, and in particular of the 39 payments with quantifiable errors, 9 (23%) were final transactions authorised after all ex ante checks had been performed; calls on the Commission to substantially improve on legality and regularity of the transactions and makes sure the ex-ante checks are properly followed-up;
13. Regrets the fact that despite the successive corrective action plans implemented by DG DEVCO, the typology of errors identified is, to a large extent, similar to previous years, namely a lack of essential supporting documents (36,6%), serious failure to comply with public procurement rules (27,1%), expenditure not incurred (22,7%), RER adapted from DG DEVCO study (5,4%), ineligible expenditure (4,3%) and other types of error (3,9%); non-compliance by beneficiaries with procurement provisions and ineligible expenditure;
14. Observes that errors were mainly related to transactions linked to programme estimates, grants and contribution agreements with international organisations and delegation agreements with EU national cooperation agencies than other aid instruments;
15. Is deeply concerned about this recurrent situation, despite the successive corrective action plans set up by DG DEVCO, especially when quantifiable errors point to shortcomings in the checks by international organisations; urges the Commission not to under-estimate the seriousness of such errors which could indicate irregularities such as fraud and to address the aforementioned recurrent shortcomings as a matter of urgency, to report clearly on the specific difficulties encountered in the implementation of the action plan and duly cooperate with both the Court and OLAF when necessary;

#### *Effectiveness of the monitoring and assurance systems*

16. Expresses concern that the Commission had sufficient information to prevent, detect

and correct the quantifiable errors before validating and accepting the expenditure, and that using the information available would have reduced the estimated level of error rate by 1,3 percentage points lower; stresses also that the certain transactions with errors were not detected by external auditors and representing 1,1 percentage point;

17. Expects DG DEVCO to be more rigorous in its use of the management information available and in the consistent running of its overall control system (ex-ante checks and external audit or expenditure verification); stresses the importance of and calls on DG DEVCO's continuous efforts to improve the implementation of its preventive controls, in particular the targeting of high-risk areas related to funds under indirect management through international organisations and development agencies and grants under direct management;
18. Takes note of the DG DEVCO's seventh 'Residual Error Rate' study resulting in a RER of 0,85% below the 2% materiality threshold fixed by the Commission; notes however, since several years, that the methodology used was based on very few on the spot checks on transactions, incomplete checks on public procurement procedures and calls on the DG DEVCO to work closely with the Court to improve on the reliability of assessing the error rates;
19. Observes however that the results of external audits for operations implemented in the two following domains 'grants in direct management' and 'indirect management with beneficiaries countries' show that respectively 4,64% and 3,77% of the total amount audited were identified as non-eligible, this situation has not led to the issuance of a differentiated reservations; asks DG DEVCO to bring further detailed explanations on the underlying rationale used in these two cases;
20. Recalls that reservation is a keystone in the accountability construction and therefore constitutes a preventive and transparency instrument within the building of the DEVCO assurance chain reflecting ongoing challenges or remaining and occurred weaknesses faced at Headquarters or within Union delegations;
21. Calls on DG DEVCO to progressively reinforce its assurance chain in line with the new set of internal control standards putting more emphasis both on the individual competences and accountability for their role in materialising controls and on the risk of fraud;
22. Notes that the RER study has become a building block of the DG DEVCO risk assessment, control and auditing strategy (and assurance chain) but invites the DG DEVCO to ensure better consistency in the methodological standards used in its RER assessment and, when needed, consult the Court on such issues;
23. Notes the different approaches used by the Court and DG DEVCO, the first one focusing on ongoing operations (or provisional error rates at payment level) and the second one dealing with closed operations; considers and underlines that this duality of estimation methodology should not lead to a equivocal vision of the regularity and legality of operations, which would also prevent the comparability of results over several years;
24. Expects all stakeholders to avoid competing justifications on methodologies of

assessing estimated error levels, in order to present a reliable and more realistic picture of the situation and to increase confidence and fairness both in the control work performed and in the general control systems; underlines also that the concept of estimated amounts at risk at closure used in the various reporting such as the DG DEVCO's annual activity report or the Commission's annual management performance report should be duly reconsidered;

25. Calls on DG DEVCO's to continue efforts to improve the efficient implementation of its control framework and Key Performance Indicators (KPIs), in particular KPI 21 on undue payments prevented by ex-ante controls and KPI 25 on ineligible amounts identified by external audits; takes notes that recovery orders were issued for an amount of EUR 18,22 million for the reimbursement of undue payments;
26. Believes that targeting of high-risk areas related to funds under indirect management through international organisations and national development agencies and grants under direct management is key and that the level of risks associated to these two domains of operations should be upgraded;
27. Notes that two reservations were issued in 2018, in particular the reconduction of the reservation on the African Peace Facility (APF) initially issued in 2015 and reflecting the ongoing institutional and management weaknesses, the APF being not sufficiently effective for protecting the legality and regularity of the EDF expenditure;
28. Notes that 19 fraud investigations were ongoing in 2018;

***Cooperation with international organisations, EU development agencies and non-governmental organisations***

29. Notes that the payments in 2018 from EDFs for projects implemented via indirect management with international organisations and development agencies amounted respectively to EUR 1.074 million and EUR 201 million (out of which EUR 347 million was through the United Nations); 2,6 billion from the general budget;
30. Notes with concern that for the operations with international organisations, 33 out of 61 transactions audited (or 54%) have quantifiable errors, representing 62,5% of the 2018 estimated level of errors;
31. Expresses its deep concern on the fact that international organisations did not provide again supporting documentation on time;
32. Notes with concern that the large number of EDF contracts are awarded to a very limited number of national development agencies, with the attendant risk of re-nationalisation of EU policy contrary to the interests of greater integration of EU external policy;
33. Calls on the Commission, to strengthen and consolidate the monitoring of the tendering and contracting procedures to avoid any risk that very few number of public or semi-private Agencies monopolising substantial shares of the EDF projects implemented in developing countries and gain a growing influence on the EU development, cooperation and neighbourhood policies which might endanger the EU policy

independence; calls on the Commission to strengthen and broaden its cooperation also with other public and private entities, such as several NGOs working in the field of development;

34. Recalls that entities entrusted with the implementation of Union funds shall as a general principle respect the principles of sound financial management, transparency; stresses that any entity shall fully cooperate in the protection of the financial interests of the Union and shall, as a condition for receiving the funds, grant the necessary rights and access required for that the authorising officer responsible, for the Court of Auditors and Olaf;
35. Calls on the Commission to:
- (i) strictly respect and make apply in contributions and framework agreements the aforementioned responsibilities of an entity implementing Union funds and the obligation to provide to the Court and OLAF any requested document needed for audit completion;
  - (ii) pay regular attention to the pillar assessments requirements and reports of the international organisations and NGOs concerned by this lack of cooperation to review the appropriateness of their accountability tools; calls on to reconsider related provisions or terms of reference when Pillar Assessment methodology will be reviewed to comply with the financial regulation provisions; calls for an adaptation if need be of the existing delegation agreements in force with these international entities;
  - (iii) Notes that there is still a need for a more systematic approach to the communication of Union's grant-funded activities to enhance Union's visibility, and to strengthen transparency, accountability and human rights due-diligence along the chain of funding; calls on the Commission to introduce in the framework agreements the obligation for the leading Agency to ensure the visibility of the Union in multi-donor projects; calls on the Commission to carry out sample-based on-the-spot controls years after the completion of the co-financed projects to check the continued impact of the EDF interventions and to take the necessary steps to ensure the long-term impacts of its operations; .

### ***EU budget support***

36. Notes that the EDF contribution to budget support activities reached EUR 881,9 million in 2018 out of which EUR 858,6 million were new commitments (with a geographical coverage of 56 partner countries representing 96 budget support contracts); observes that for OCTs EUR 92,9 million were disbursed through EDF for 14 countries and representing 18 budget support contracts;
37. Notes with appreciation that sub-Saharan Africa is the largest recipient of budget support with a share of 41% and that related contracts concerned state resilience and building contracts; observes also that the share of low income countries increased to 38% compared to 31% in 2015 and that lower middle income countries with 47% of the total ongoing commitments are the largest beneficiaries of budget support;
38. Recalls that budget support is an investment in the EU partner countries' public policies

and systems and that its core principles are to implement reforms and contribute to the achievement of Sustainable Development Goals; notes that the EU budget support shall be guided by the internationally agreed Busan effectiveness principles such as Ownership by partner countries, Results focus, Inclusiveness and accountability;

39. Is worried by the reports that in some cases EU budget support promotes liberalisation of trade and economy of recipient countries even when these reforms contradict local development strategies (Eurodad discussion paper 2016);
40. Notes that in the ACP countries and OCTs disbursements are mainly done by fixed tranches; considers however that variable tranches might provide a better leverage for deepening the policy and political dialogue with partner countries on main reforms to be carried out; believes that the disbursement modalities via fixed and variables tranches should be results based and rely on sufficient qualitative data to evaluate the progress achieved; considers the disbursement performance criteria to be a core factor in the management of budget support activities;
41. Calls for a close monitoring and thorough policy dialogue with partner countries regarding objectives, progress towards agreed results and performance indicators; recalls the Commission to better define and measure the expected development impact and especially to improve the control mechanism with regard to the conduct of the beneficiary state in the areas of corruption, respect of human rights, rule of law and democracy; remains deeply concerned about the use that can be made of the EU budget support in recipient countries where there is no or only limited democratic control;
42. Observes a slight overall decrease in risks perception related to budget support in 2018; points out however that corruption, public finance and developmental risks remain the most important ones while the macroeconomic risk has an increasing trend;
43. Supports the focus on progress achieved in public finance management, budgetary transparency and democratic control and oversight bodies, and macro conditionality in partner countries in order to optimise the capacity development; calls on the Commission to systematically monitor the reforms undertaken and results achieved, demonstrating that the EU budget support has effectively contributed to the recipient countries' own development agenda and strengthened its democratic ownership;
44. Points out that appropriate monitoring tools have to be reinforced to assess the way budget support contributed to improve domestic revenue mobilisation and related reforms; notes with appreciation that domestic revenue mobilisation accounted in 2018 for 19% of the value of variable tranches (compared to 33% in 2014); encourages DG DEVCO to continue providing regular information in its budget support reports concerning the use of budget support contracts for domestic revenue mobilisation;
45. Calls on DG DEVCO, however, to strictly assess in its policy dialogue the risks related to corporate tax avoidance, tax evasion and illicit financial flows affecting particularly developing countries; encourages DG DEVCO to assess the fiscal impact and to help to the definition of oriented investment objectives;

### ***Risks and challenges related to the EDF aid implementation***



46. Highlights the risk that EDF will be pushed into responding to agendas that distance it from its primary objective of poverty alleviation, which are difficult to reconcile with the EDF's core values with a risk to compromise what was done well; expresses concern at the risk of diversion and invites the Commission to take this into account in the generation of projects and programs in line with policy coherence for development;
47. Underlines that the EDFs should not go beyond its scope and that new nexus to face new challenges should not undermine the achievement of other development goals;
48. Stresses the importance of the risks to sustainability, transparency and good coordination that the Union aims to address with its development aid funding in the face of significant increase of emerging donors and new actors such as Russia and China in Africa; calls on the Commission to promote a complementary, rather than competitive or conflictual relationship with the new donors and work towards a better alignment of international cooperation with the partner country's own development priorities;
49. Considers that the relation between the migration issue and the development aid is one of the most important nexus to manage alongside the security-development and humanitarian-development nexus; acknowledges however that peace building and addressing root causes of migration are fundamental aspects of sustainable development;
50. Recalls that the effectiveness of aid, the partner country ownership of development results and the reliance on partner's countries governance frameworks are guiding principles to be regularly refined; highlights further that good governance, the rule of law and the respect for human rights are unavoidable preconditions concurring to the effectiveness of aid;
51. Stresses that sustainability is crucial for increasing the overall effectiveness of development aid by steadily tracking impacts through all aid delivery modes; recalls that the Agenda 2030 and Sustainable Development Goals put a lot of emphasis on data and indicators, considering that a robust monitoring is key for an effective and operational strategy;
52. Reiterates its call on the Commission to include in the next annual activity report a structured assessment of the impact of the activities of the EDFs, with a particular focus on human rights and environmental results achieved;
53. Asks the Commission to carry out an evaluation on country by country approach of the long time on-going EDF financed projects, in order to demonstrate the true impacts of decades long EU investment on the ground and how it effectively helped beneficiary countries' economic, social and sustainable development;
54. Believes that the focus on local SMEs, private sector and Civil Society Organisations should be a core axis of cooperation in the management of the Union Delegations' pipelines of projects; stresses that, given the funding gap required to reach the ambitious Sustainable Development Goals, strategic dialogue with the private sector and CSOs might play a crucial role for the development of local economies;
55. Believes that financial inclusion and microfinance are key factors of economic and

social progress, having a proven impact on local economic activity and job creation; notes with satisfaction that the EDF supports financial inclusion in Africa through a number of instruments: European Fund for sustainable Development (EFSD) Guarantee Fund, Nasira risk-Sharing Facility, Huruma Fund, Boost Africa and African Guarantee Fund, aiming among others to provide micro-loans to underserved farmers in Africa;

56. Takes note of the Internal Audit service's audit on 'EC-EEAS coordination' and notes with appreciation the audit conclusion that the coordination activities between the Commission services (DG DEVCO, NEAR and FPI) and the EEAS are overall effective and efficient; notes however the need for defining a non-fragmented view of the overall EU external assistance to a given country and the need to reinforce, in coordination with DEVCO and NEAR, risk assessment and management in order to developing a common view on uncertainty and mitigating strategies;

### ***Effectiveness of the European Union Trust Fund for Africa***

57. Notes that the resources allocated to the EUTF end 2018 reached EUR 4,2 billion, of which EUR 3,7 billion were coming from EDFs and EUR 489,5 million from EU Member States and other donors (Switzerland and Norway); notes that 187 projects were implemented in 2018; welcomes the enlargement of the EU-IOM Joint initiative for Migration Protection and Reintegration Development from 14 to 26 African countries end 2018;
58. Recalls that trust funds were designed to provide a rapid political response in the context of a lack of resources to certain critical situations or major crises, such as the migration crisis; recognizes that they also tend to provide the flexibility and the ability to respond quickly to an emergency situation, and to mobilize the necessary amounts of aid from different sources and actors;
59. Recalls Parliament's regular stance that the Commission should ensure that any trust fund established as a new development tool shall always be in line with the Union's overall strategy and development policy objectives i.e. the reduction and eradication of poverty and shall in particular ensure that the security interests of the European countries do not override the needs of the recipient populations;
60. Stresses that the EUTF shall address the root causes of destabilisation, forced displacement and irregular migration by promoting resilience, economic opportunities, equal opportunities, security of populations, and human and social development; notes that the concept and characteristics of the root causes of irregular migration are protean and should be thoroughly adapted and analysed to better design the rationale and added value of the projects' interventions and to better present the results achieved;
61. Notes that the Court of Auditors concluded that the EUTF for Africa is a flexible tool for providing assistance in areas such as food, education, health, security and sustainable development, but considering the unprecedented challenges that it faces, its design should have been more focused in terms of objectives considered as too broad to efficiently steer action across the African regions and for measuring impact;

62. Notes with concern that the numerous concerns of the Court<sup>1</sup> and the authors of the eleventh EDF mid-term evaluation on the implementation of the EUTF are largely unaddressed;

Reiterates its concerns regarding:

- the absence of a documented criteria for selecting project proposals for the Northern Africa and Horn of Africa windows,
- the absence of the specific risk assessment framework,
- serious flaws in the measurement of performance of the EUTF projects,
- the effectiveness and sustainability of EUTF projects and over the ability of the Union to closely monitor their implementation;

Considers that given such findings, the added value of the EUTF is highly questionable;

63. Recalls that a majority of the EUTF funding comes from the EDF which inevitably implies that development aid is put at the service not of the EU partner countries' development plans, but of the short-term objectives of the European Union's migration policy, which is contrary to the Lisbon Treaty and the Paris Declaration on Aid Effectiveness; points out that the EUTF was more an instrument focusing on quick fix projects aiming at stemming migratory mix-flows instead of tackling long term drivers of migration in line with principles of development aid;
64. Points out that pooling resources from the EDF, the Union Budget and other donors in trust funds should not have as consequence that money flagged for development and cooperation policy does not reach the normal beneficiaries or pursues their original objectives; In this regards, deplores the fact that while the EU contribution to the EUTF will be made mostly using Official Development Assistance (ODA) resources, the EUTF is not focused exclusively on development-oriented objectives; points out that the migration management thematic window got the biggest share of funds in 2018, rising from 17.3% in 2016 to 30.8% of EUTF funds in 2018;
65. Notes that not only migration management increased as a share in all EUTF approved projects, but funds have also increasingly prioritised North African countries, from 23% of total migration management funds in 2016 to 52% in 2018; deplores the fact that while the EU aims to support “vulnerable and marginalised population” at the forefront of the EUTF, 55% of the funding from migration management window was going to projects that aimed to “restrict and discourage irregular migration through migration containment and control in 2017; warns that using development aide as a means of addressing migration and security is not only undermining EU development priorities but can create more poverty and instability that forces people to leave their communities;
66. Recalls that regional and local authorities, civil society organisations and NGOs are

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<sup>1</sup> Special report 32/2018, ‘European Union Emergency Trust Fund : Flexible but lacking focus’

natural partners for an effective development policy, and that a constant dialogue with national authorities and local communities is essential in order to define common strategies and priorities; calls on the Commission to ensure that the EDF and the EU budget does not finance projects through the EUTF implemented by the governmental and local forces (militias) that are involved in serious human rights violations, especially in countries such as Libya and Sudan;

67. Recalls that EUTF funding coming from development budget lines must not be used for security measures jeopardising migrants' rights; calls the Commission to put in place tangible guarantees that migration-related EUTF projects are not used by the implementing authorities to violate migrants basic human rights, and that in the long term the EUTF migration-related projects do not contribute to the destabilisation of countries and sub-regions, as it is more and more pointed out by the NGOs and local people in northern Niger; stresses, that EUTF projects must integrate human rights at the core of programming and contribute to the realisation of human rights in the countries concerned;
68. Calls on the Commission to include clear and transparent human rights clauses in its Contribution Agreements concluded with Implementing partners (UN agencies, Member State development agencies) in order to avoid situations where the EU could indirectly finance projects that violate human rights; points out in this regard the project "Reconnecting Eritrea and Ethiopia through rehabilitation of the main arterial roads in Eritrea", funded by the EUTF and managed by the UNOPS, financing Eritrean national construction companies using forced labour via the National Service;
69. Is concerned that the Court found examples of projects addressing similar needs to other EU instrument with the risk of duplicating other forms of EU support; In order ensure that the main focus is on development, and not on border control and security to the detriment of migrants, calls on the Commission to take particular care to ensure that its actions are consistent and coordinated with the Regional Development Programmes (RDPs) and to maximise the impact and effectiveness of global aid;
70. Notes that the Commission recognises the need to further enhance the common monitoring system; welcomes the adoption of a set of 41 common output indicators during the second quarter of 2018 and that a technical assistance has been put in place; notes that the three operational windows of the EUTF for Africa are working to better identify specific objectives and baselines at project level;
71. Considers that due care is needed to ensure better communication among the Commission, the Parliament and Member States concerning the implementing of EUTF and sufficient public reporting, oversight and audit of their operations and performance; invites the Court to consider an audit of the impact of the implementation of the EUTF for Africa on EU development policy both from budgetary and results points of view;

### *The African Peace and Security Architecture*

72. Notes with concern that the APSA suffers from a strong dependency on external financial sources (due to the Member States' low contribution to the Peace Fund and limited additional funding attracted by the APSA from alternative sources of finance);

73. Acknowledges that the EEAS and the Commission are facing highly complex situations in Africa with numerous political and operational challenges and constraints in many domains, notably the cooperation of main stakeholders, the funding and shortcomings of the institutions, the political willingness to intervene, prevent and manage conflicts;
74. Regrets that this absence of African ownership and financial sustainability with a high dependency on donors and international partners leads to operational shortcomings; Invites the Commission to foster African Union ownership of the APSA in order to achieve financial independence and refocus EU support away from supporting operational costs towards capacity-building measures.
75. Regrets that both the EU support for the APSA has had a poor effect and needed refocusing and that EU support had mainly been focusing on contributing to APSA's basic operational costs and that the APSA has been heavily dependent on donor support for many years;
76. Is seriously concerned by the insufficiencies of monitoring systems with regard to its capability to provide adequate data on the results of activities; asks the Commission to increase the evaluation system's capability of activities and performance to clearly show that EU contributions can be mostly linked to tangible and positive effects on peace and security on the ground; asks the Commission's services to launch a 'Results-Oriented Monitoring' mission (ROM) and to report to Parliament as soon as possible;

#### ***External Investment Plan and the European Fund for Sustainable Development***

77. Recalls the target financial objective to leverage EUR 44 billion in investment; notes that the EU allocated EUR 2,2 billion for 94 blending projects under the European Fund for Sustainable Development (Pillar 1 of the External Investment Plan) and EUR 1,54 billion for EFSD guarantees to 28 investment programmes;
78. Encourages DG DEVCO to further increase the awareness on the leverage possibilities offered by the External Investment Plan by attracting private sector investment in development partnerships; recalls however that specific attention should be given to its additionality but also to the criteria applied in its management in order to avoid any diversion of development funding to private investors, or to interest or profit outcomes;
79. Observes that through 21 blending projects, the EU also allocated EUR 547 million in sub Saharan Africa expected to unlock EUR 4 billion for transport, energy, private sector and agriculture; expresses its support for fostering the local dimension of blended finance;
80. Points out that the EU regional cooperation was the main financial contributor to biodiversity and forest resource management projects and played a key role in preserving in the sixteen protected areas in the Central and West Africa Region;

#### ***EIB ACP investment facility***

81. Encourages the EIB to further support the local private sector development as a key driver of sustainability and resilience, to support basic social and economic infrastructure of immediate interest for the beneficiaries as well as the search for new

local and regional partners in the specific domain of micro-finance; invites the EIB to increase additionality through better justification of the use of the funds;

82. Welcomes the EU contribution through the ACP Investment Facility towards microfinance credit lines of 139 mio EUR that should result in around 26.300 loans to microenterprises and individuals;
83. Believes that it is crucial for the EIB to continuously invest time in due diligence policy combined with results assessment tools in order to get a better knowledge of the profile of financial intermediaries and beneficiaries and to also better evaluate the impact of projects on final beneficiaries;

#### *Future of the EU Africa relations*

84. Notes the ongoing reflection on the long-term EU Africa upcoming strategy and partnership while considering this opportunity to bring forward more efficiency in the aid delivery modes; considers there is a need to move beyond a traditional aid-centered relation towards a more strategic and integrated one;
85. Stresses that the European Development Fund should be incorporated into the EU budget, as already stated in Parliament's resolutions and in the new 2021-2027 multiannual financial framework proposal, in order to avoid budget's fragmentation; points out that including the EDF will enhance the discharge authority's ability to scrutinise spending in the EU.