



EUROPEAN PARLIAMENT

2014 - 2019

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*Committee on Development*

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**2014/2075(DEC)**

22.1.2015

# **OPINION**

of the Committee on Development

for the Committee on Budgetary Control

on discharge in respect of the implementation of the general budget of the European Union for the financial year 2013, Section III - Commission and executive agencies  
(2014/2075(DEC))

Rapporteur: Linda McAvan

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## SUGGESTIONS

The Committee on Development calls on the Committee on Budgetary Control, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Welcomes the increased focus of the discharge process on improving performance in order to achieve the best possible results with Union taxpayers' money; encourages the Commission, in this regard, to redouble its efforts to improve the feedback loop of the evaluations cycle, so that lessons learnt from past practice and evaluation recommendations contribute to an even greater extent to better decision-making, programming and implementation of Union aid in the future;
2. Is gravely concerned that in the 2013 budget, payment appropriations managed by the Commission's Directorate-General for Development and Cooperation (DG DEVCO) were short by EUR 293 million, and that the late approval of necessary reinforcements caused a roll-over to the following year, thus putting more pressure on the already tight payment appropriations for 2014;
3. Notes with concern the growing discrepancy between the Union's international commitments, its ambitious policy frameworks and new tools (such as the post-2015 development agenda and the External Financing Instruments for the period 2014-2020) on the one hand, and on the other hand its inability to honour the commitments it has taken vis-à-vis its global partners and other bodies, in particular with regard to humanitarian aid, due to the availability of insufficient payment credits;
4. Considers that this situation entails not only a high political and reputational risk for the Union's credibility as the world's first donor, but may also endanger the fiscal stability of partner countries by leaving financial gaps in their budgets; fears that this discrepancy may become very apparent in 2015, when the overall level of Official Development Aid (ODA) will largely undershoot the collective target of 0,7 % of Union GNI by year-end;
5. Underlines that 2013 was the second consecutive year that humanitarian aid through the Union budget exceeded EUR 1,3 billion in commitments due to the occurrence of a high number of humanitarian crises that caused immense human suffering; deplores the impact that the lack of payment appropriations had in this crisis year on DG ECHO's activities, which could only be maintained through rearranging payment schedules, resulting in a carry-over of EUR 160 million in payment arrears at year end; calls on the Council to comply with the payment plan agreed with Parliament;
6. Regrets the reputational damage already suffered due to these ad hoc measures and points to the paradox between the increase in humanitarian crises worldwide in recent years and the operational measures the Union has taken to deal effectively with sudden-onset crises (such as the opening of the Emergency Response Coordination Centre in May 2013) on the one hand and the lacking payment appropriations on the other hand; is alarmed that this situation may be aggravated in 2014 if adequate budget reinforcement is not ensured;

7. Notes an improvement in the Most Likely Error rate estimated by the European Court of Auditors for payments in the field of external action (from 3,3 % in 2012 to 2,6 % in 2013); regrets, nevertheless, that this figure is still above the materiality threshold, generating a reservation from the Director General of EuropeAid and making the occurrence of errors in payments in the area of external action a matter that continues to merit Parliament's closest attention and immediate follow-up by the Commission;
8. Looks forward to seeing the first results of DG DEVCO's Action Plan adopted in May 2013 to improve the implementation of its control systems; urges DG DEVCO in particular to accelerate its recovery orders management (with EUR 310 million still outstanding at the end of 2013, out of a total recoverable amount of EUR 550 million);
9. Notes with satisfaction that DG ECHO's RER has remained under the materiality threshold for several consecutive years (1,55 % in 2013);
10. Concurs with the recommendations of the European Court of Auditors' Special Report on EU support for rehabilitation following the earthquake in Haiti<sup>1</sup>, in particular on the adoption of a common DEVCO-ECHO strategy to ensure more effective linkage and synergy between their respective activities and urges the Commission to implement these recommendations in all its on-going and future operations in the context of a post-disaster or fragile situation; invites the Commission to inform the co-legislators of any budgetary or legal constraints that hindered effective implementation of EU support for rehabilitation in Haiti following the earthquake;
11. Notes that in 2013, the use of innovative financial instruments, in particular the blending of grants and loans, was further promoted, with a Union contribution of almost EUR 400 million across all regional blending facilities<sup>2</sup>, of which 55 % was allocated to the energy sector, notably to 52 investment projects with a total value of EUR 7,2 billion;
12. Notes with concern that the use of blending in energy sector primarily focuses on large projects with less emphasis on local energy solutions; urges the Union to refrain from developing a top-down approach on developing energy infrastructure to ensure universal access to energy for all by 2030, bearing in mind that large scale infrastructures may not suit the economic and social structure of the country and fail to provide energy access to the poor, for whom smaller, decentralised and off-grid energy sources are usually more appropriate and effective;
13. Points out that the European Court of Auditors' Special Report 16 (2014) on the use of blending concludes that for nearly half of the projects examined, there was insufficient evidence to conclude that the grants were justified, while in a number of these cases, there were indications that the investments would have been made without the Union

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<sup>1</sup> Special Report n° 13/2014: EU support for rehabilitation following the earthquake in Haiti: [http://www.eca.europa.eu/Lists/ECADocuments/SR14\\_13/QJAB14013ENC.pdf](http://www.eca.europa.eu/Lists/ECADocuments/SR14_13/QJAB14013ENC.pdf)

<sup>2</sup> The current EU blending facilities are: the Neighbourhood Investment Facility (NIF), the Investment Facility for Central Asia (IFCA), the Latin America Investment Facility (LAIF), the Asia Investment Facility (AIF), the Investment Facility for the Pacific (IFP), the Caribbean Investment Facility (CIF), the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), the EU-Africa Infrastructure Trust Fund (EU-AITF) and the Global Energy Efficiency and Renewable Energy Fund (GEEREF). The Energy for All Initiative is a global UN-led initiative with a significant blending component to which the EU contributed in 2013.

contribution; points out, in addition, that blending risks led to a debt bubble in some third world countries with limited revenues to service their debt, notably in Sub-Saharan Africa and the Caribbean; urges the European Commission accordingly, in a context where it has indicated its wishes to extend considerably the use of blending in future years, to implement the recommendations made by the European Court of Auditors' Special Report on the use of blending and to evaluate the mechanism of blending loans and grants, particularly in terms of development and financial additionality, transparency and accountability;

14. Recalls that Union blending should in no circumstances constitute an excuse for diminishing ODA; welcomes the participation of the Parliament in the EU Platform for Blending in External Cooperation (EUBEC) to provide recommendations and guidance with a view to further increase the effectiveness of aid delivered by the Union through blending operations in line with the internationally agreed objectives of the aid effectiveness agenda, particularly the key principles of ownership, alignment, harmonisation and mutual accountability; in particular, recommends, in a context where blending provides an opportunity to support the activities of big Union corporations operating abroad (thereby departing from development objectives), that Parliament should be duly informed on the project proposals financed by the blending facilities before decisions are taken by the operational boards; recalls that projects financed through blending should truly contribute to poverty reduction and respect development effectiveness principles; calls on the Commission to use blending only where its added value is demonstrated as highlighted by the Court<sup>1</sup>;
15. Notes that in 2013 budget support remained an important aid modality for implementing the Union's development policy, with a share of 27,3 % of total commitments; welcomes the fact that the creation of the Budget Support Steering Committee and the application of the new budget support policy<sup>2</sup> from 1 January 2013 appear to contribute positively to assurance on DG DEVCO's budget support transactions in 2013;
16. Is concerned that none of the Key Performance Indicators in the area of 'Efficiency of Audit System' were met in 2013; notes with concern that the percentage of financial audits contracted by the Commission that received an unqualified opinion from the external auditors decreased from 53 % in 2012 to 44 % in 2013; encourages DG DEVCO to take all necessary measures to improve the quality and effectiveness of its audit systems, in particular regarding data encoding and the implementation of audit plans;
17. Urges DG DEVCO to reduce the high number of critical and very important recommendations by the Internal Audit Service, the Internal Audit Capability and the European Court of Auditors that were still outstanding more than six months past the original deadline<sup>3</sup> and to bring this figure below the target of 15 % by the end of 2014;

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<sup>1</sup> European Court of Auditors, The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies, Special Report 16, 2014.

<sup>2</sup> Budget support guidelines, European Commission, September 2012.

[http://ec.europa.eu/europeaid/sites/devco/files/methodology-budget-support-guidelines-201209\\_en\\_2.pdf](http://ec.europa.eu/europeaid/sites/devco/files/methodology-budget-support-guidelines-201209_en_2.pdf)

<sup>3</sup> DG DEVCO Annual Activity Report 2013, page 114.

18. Looks forward to seeing the detailed results of the workload assessment in Headquarters to implement the staff cuts policy for the period 2014-2017; is concerned by the fact that lack of personnel and the suspension of posts were repeatedly cited as major factors behind the non-achievement of Key Performance Indicators in Delegations<sup>1</sup> and that 'Staff allocation and mobility' continued to be considered the least effective Internal Control Standard<sup>2</sup>; appeals to the Commission to ensure that the imposed staff cuts will not have a negative impact on the occurrence of errors in transactions, fiduciary risk, the length of payment periods, the number of projects visited and staff satisfaction rates;
19. Is concerned by the impact of DG DEVCO's stated collective goal of reducing the number of contracts managed, which results in a smaller number of larger-scale activities and clearly puts smaller and local non-governmental organisations at a disadvantage, which may have an important comparative advantage due to their level of specialisation and local expertise; is of the opinion that it is short-sighted and risks being detrimental to the effectiveness of the Union's development policy by reducing the diversity and specialisation of implementing partners.

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<sup>1</sup> See for example DG DEVCO Annual Activity Report 2013, Annexes, pages 633-636.

<sup>2</sup> DG DEVCO Annual Activity Report 2013, page 185.

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	21.1.2015
<b>Result of final vote</b>	+: 23 -: 2 0: 0
<b>Members present for the final vote</b>	Louis Aliot, Beatriz Becerra Basterrechea, Kostas Chrysogonos, Nirj Deva, Doru-Claudian Frunzulic , Nathan Gill, Heidi Hautala, Maria Heubuch, Teresa Jiménez-Becerril Barrio, Linda McAvan, Norbert Neuser, Maurice Ponga, Cristian Dan Preda, Lola Sánchez Caldentey, Elly Schlein, György Schöpflin, Pedro Silva Pereira, Davor Ivo Stier, Paavo Väyrynen, Bogdan Brunon Wenta, Rainer Wieland, Anna Záborská
<b>Substitutes present for the final vote</b>	Seb Dance, Louis-Joseph Manscour
<b>Substitutes under Rule 200(2) present for the final vote</b>	Rosa D'Amato