

2018 Discharge to the Commission

WRITTEN QUESTIONS TO COMMISSIONER MIMICA

DEVCO

Hearing on 28 November 2019

Horizontal questions

1. Could the Commission list all error rates reported in DGs DEVCO's AAR and the AMPR and provide an explanation for the basis of calculation (how does the Commission arrive at these error rates, are they based on historical data or projections?)?

Commission's answer:

The Commission presents error rates for each of its departments in the Annual Activity Reports (AARs) and across policy areas in its Annual Management and Performance Report (AMPR). As EU spending programmes are multiannual by design, the related control systems and management cycles also cover multiple years (while errors may be detected in any given year, they are corrected in the current or in subsequent year(s)). Consequently, the risk is estimated at two key stages in the cycle: at payment and at closure.

The risk at payment quantifies those errors that might remain after preventive controls have been applied and payments have been made (see also reply to Question 5). It is estimated by each department in their annual activity report, typically based on the 'detected error rates' from their ex-post controls and audits. As part of this common methodology, some departments may also use more tailored terminology – in the case of the External Relations departments DG DEVCO and NEAR, the risk at payment is calculated by adding back the corrections to the global average error rate which results from the Residual Error Rate (RER) study (see below). To determine the risk at closure, the estimated future corrections are deducted from the risk at payment (see 2018 AMPR subsection 2.1 and Annex 2).

In addition, in the specific context of the overall assurance building process, the Commission's authorising officers by delegation qualify their declaration of assurance with a reservation when the so-called residual error rate (see 2018 AMPR subsection 2.5 and Annex 3) is above the materiality threshold. This rate takes into account corrections made up to the moment of reporting (i.e. March n+1). In the case of DG DEVCO and DG NEAR, the global average residual error rate is duly differentiated per segment, by using the risk indices per segment derived from the Residual Error Rate studies.

In the case of DG DEVCO, the concepts explained above are duly applied as follows:

The global error rate is representative for DG DEVCO. It is the result of the Residual Error Rate (RER) study, based on a sample of 219 transactions drawn from contracts closed between September 2017 and August 2018 (see 2018 DEVCO AAR, section 2.1.1):

2018 Global average error rate	0.85%
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Indicative error rates are also determined by segment of expenditure. This is done by multiplying the global error rate by the respective risk indexes per segment, derived from the study. The risk indexes are estimated by a risk analysis on the basis of the past RER and the European Court of Auditor's results for 2015, 2016 and 2017.

The error rate of 4.5% for 2017 mentioned in the Annual Activity Report (AAR) is an estimation of the error in the European Development Fund (EDF) contracts done by the European Court of Auditors, published as part of the Annual EDF Report on 4 October 2018.

No other error rates are reported for DG DEVCO in the Annual Management and Performance Report (AMPR).

2. Could the Commission provide a description of the auditing process, including the institutions involved, possibly with a timeline?

Commission's answer:

Where DG DEVCO is audited:

The European Court of Auditors is the Commission's external auditor. It issues recommendations in its Annual Reports on the EU Budget and on the European Development Fund (EDF) as well as in its Special Reports. The results for a specific reporting year are published in October of the following year.

The Internal Audit Service of the European Commission is the Commission's Internal Auditor. Apart from specific audits on various topics, it issues a limited conclusion on the state of Internal Control (based on the IAS audit work performed over the last three years) in February each year, on time to be taken account of in the Annual Activity Report.

Where DG DEVCO audits:

DG DEVCO establishes audit and verification plans on an annual basis. The planning exercise takes place between the end of October and mid-December and leads to the adoption of an Audit and Verification Plan (AVP). The approved AVP is the consolidation of analysis of contract portfolios by DG DEVCO Delegations and services managing them as well as a list of contracts for which audits or verifications are planned either due to contractual obligation or on the basis of the underlying risks for their legality and regularity (number of audits and verifications in AVP 2019: 621, AVP 2018: 562 and AVP 2017: 630). In the framework of its AVPs, DG DEVCO uses audit-related engagements to verify the reliability of reported expenditure, its compliance with contractual conditions and whether principles of sound financial management were respected.

DG DEVCO also performs, through an external consultant, an annual Residual Error Rate Study, in which a sample of transactions from closed contracts is analysed. The results of

the study are finalised in March every year, in time to feed into the Annual Activity Report (AAR).

3. What is the Commission's opinions about the idea of introducing centralised sampling where the Commission defines the sample for each Member State as the basis for the national audit authorities' checks?

Commission's answer:

Since shared management is not a management mode used in DG DEVCO, this question is not applicable to DG DEVCO.

4. Could the Commission provide a list of all studies paid for by DG DEVCO since 2009 indicating the topic/title, who conducted the study, clearly showing if it was published or not (if published, including date of publication) and the total cost of the study?

Commission's answer:

The list of contracts related to studies and signed by DG DEVCO over the period 2009 – 2018, is presented in annex 1. As regards information on whether the studies were published and the exact publication date, the Commission would need more time to compile and verify this information. In case the Honourable Members would like to have this information for particular studies, the Commission could provide more details on request.



Discharge 2018 -
Annex 1 to Question

In addition, since 2015, Annex 9 of the Annual Activity Report of DG DEVCO presents the list of the strategic evaluations and studies finalised or cancelled during the reporting year. The list includes a short description of the evaluation/study and the link to the website where it was published. The Honourable Members are referred to Annex 2 of the current replies where the available tables for the last four years are provided.



Discharge 2018 -
Annex 2 to Question 4

5. ECA uses a different methodology for calculating the error rate than the Commission. How does the Commissions methodology compare to ECA's methodology? Could the Commission explain why it uses its methodology and what its reasoning is for using this methodology rather than the methodology used by ECA?

Commission's answer:

The Commission's methodology and concepts have been developed to **fit the Commission's management context**, but they **largely converge with those used by the European Court of Auditors (ECA)** in its audit approach (see 2018 Annual Management and Performance Report (AMPR) p. 153 and Annex 2). Our "risk at payment" is closest to the European Court of Auditors' "most likely / estimated level of error". In recent years, the Court has recognised that the Commission figures are, in most cases, broadly in line with the Court's own estimates and/or within its range.

Under this approach, the **different roles and responsibilities of the two institutions** are respected. As manager of the EU Budget, the Commission's objective is to identify weaknesses and to take remedial action, wherever possible, on a multiannual basis. The objective of the error rates reported by the European Court of Auditors, as external auditor, is to provide an audit opinion on the legality and regularity of expenditure of one specific year.

As EU spending programmes are multiannual by design, the Commission's related control systems and management cycles also cover multiple years. This implies that while errors may be detected in any given year, they are corrected in the current or in subsequent year(s) until the very end of a programme's lifecycle. Consequently, the risk (both as % and in amount) is estimated at two key stages in the cycle: at payment and at closure, as per the terminology used in the AMPR.

In addition, in order to be able to provide bottom-up management assurance, and to identify and address issues in specific areas, the Commission calculates the error rates per programme (or other relevant segment). The Commission's error rates are based on a bottom-up approach, involving the results of thousands of checks on EU expenditure. This means that the Commission's information on error rates is more detailed than that of the Court. Without this level of detail, the Commission would not be able to take the appropriate remedial action, e.g. suspending a payment, asking a Member State or a beneficiary to pay back money, or asking a Member State to present a plan for improving its management and control system.

Cooperation

The ECA has reported that it was unable to carry out certain on-the-spot visits to projects, as it had not been provided with the necessary supporting documents by the international organisations involved within a reasonable time. The ECA recommends that, by 2020, the Commission take steps to reinforce the obligation on international organisations to forward to the ECA, at its request, any document or information necessary to carry out its task as foreseen in the TFEU.

6. What issues did the Commission encounter in the cooperation with international institutions, particularly in the auditing process (e.g. submission of documents, check-lists, declarations, etc)?

Commission's answer:

As soon as the European Court of Auditors (ECA) notified the Commission that it encountered problems in receiving necessary supporting documents from an international organisation, the Commission liaised with the international organisation concerned to speed up the process. The Commission did not encounter any unwillingness

to cooperate. However, the Commission did observe difficulties on the part of certain international organisations to provide the required information and documentation quickly enough for the purposes of the ECA's audit work. This is particularly the case where international organisations need to request documents from their local implementing partners.

7. Which institutions showed slow or lacking cooperation? In which countries were the projects concerned?

Commission's answer:

In its annual reports, the European Court of Auditors (ECA) refers to lack of cooperation by the World Food Programme, UNICEF, the World Bank Group, the African Union Commission, the Caribbean Development Bank and the United Nations Development Programme. The projects concerned were implemented in Barbados, Guinea, Mozambique, Turkey and as regional actions implemented by the World Bank Group and by the African Union Commission.

8. What concrete steps is the Commission proposing to take in this area to help facilitate the necessary audit work of the ECA?

Commission's answer:

The Commission now reaches out systematically to international organisations at a central level as soon as one of the operations they implement is singled out for audit work by the European Court of Auditors (ECA).

9. How does DG DEVCO select its implementing partners? How does it monitor its partner's (financial) management?

Commission's answer:

The Commission generally cooperates with international organisations by entrusting them with the implementation of projects and Union funds through indirect management. The selection of entities for specific indirect management operations is based on their added value for the implementation of specific operation as well as their financial and operational capacity. The systems, rules and procedures of the Commission's partners under indirect management is assessed ex-ante in order to ensure a level of protection of the financial interests of the Union equivalent to that under direct management. The financial management of operations under indirect management is monitored through financial reporting obligations in the relevant agreements and, on a sample basis, by means of expenditure verifications.

10. Are there any joint activities/projects with DG NEAR and/or DG ECHO? If yes, how is the cooperation organised?

Commission's answer:

There is close coordination between Commission services with regard to the cooperation with international organisations. An important element of this coordination are the inter-service consultations on the agreement templates used for the cooperation with international organisations, including the Financial Framework and Partnership Agreements. These agreements contain specific provisions on retention, provision and custody of documents. In addition, there are regular meetings on legal, contractual, financial and control matters between the services. In those meetings, specific problems in the cooperation with international organisations as well as possible solutions are discussed.

DG DEVCO's actions are often implemented in instable and fragile country and regional contexts

11. Given this volatile context, how does DG DEVCO ensure that the money is spent as planned?

Commission's answer:

DG DEVCO indeed implements numerous actions in unstable and fragile countries and regions. It is in these contexts that DG DEVCO's actions often make the biggest difference. DG DEVCO's audit and control mechanisms focus on ensuring that EU funds are used for the intended purpose. By means of monitoring and evaluation through own staff resources, partner entities or service providers, DG DEVCO permanently tries to ensure that planned actions continue to address evolving needs and priorities.

12. Does DG DEVCO ensure sound financial management and control in this volatile context?

Commission's answer:

It is indeed a challenge to achieve control objectives and sound financial management in unstable and volatile contexts. DG DEVCO has robust systems in place to confront this challenge through ex-ante and ex-post controls, verifications and audits as well as monitoring activities and evaluations. The challenges posed by fragility, instability and volatility are also a reason why the Commission has an interest in addressing their root causes. For instance in the case of implementation of EU funds by a partner country, the partner country follows the Commission's rules and procedures and is generally subject to the ex-ante control exerted by the Commission in all the important steps of the award procedure (e.g., the EU Delegation has to endorse every procurement contract and grant agreement prior to its signature). Depending on the amounts at stake for each of the contracts and grants to be awarded, the type of control exerted by the EU Delegation varies. Payments to contractors and grant beneficiaries are generally carried out by the Commission itself, on behalf and for the account of the partner country.

13. How does DG DEVCO cooperate with local stakeholders?

Commission's answer:

The active involvement of relevant local stakeholders is very important in fragile and unstable environments, including where the governments have limited capacity or legitimacy. DG DEVCO cooperates closely with them. Civil society organisations and the private sector can be key actors for the inclusive provision of basic services. Local civil society organisations are vital in strengthening recovery and in building local capacities and resilience in the longer term. Involvement of local stakeholders can also be more difficult in fragile and unstable environments as they change more frequently, may lack empowerment, and relations among them are more often characterised by lack of dialogue. Commission support in fragile contexts relies on special procedures granting certain flexibility for project selection (crisis situation).

ElectriFI

14. What have been the achievements of the ElectriFI initiative?

Commission's answer:

At the end of September 2019, the Commission had financed 27 private sector sustainable energy investments in the form of equity or debt for an amount of EUR 30 million (out of a total ElectriFI Global budget envelope of EUR 121 million). More than 90% of these investments were located in Sub-Saharan African countries.

These investments enable more than 500,000 people to gain access to electricity. Once completed - they are still in the starting phase - they are expected to provide access to electricity to more than nine million people, generate additional electricity from renewable energy for more than 1200 GWh per year, and reduce greenhouse gas emissions by almost one million tons of CO₂eq per year.

The above results are expected to more than double once the current pipeline of ElectriFI – i.e. investment projects still in the preparation phase and not contracted yet – will be fully implemented. The current ElectriFI pipeline includes 17 investment projects – this number is expecting to grow – for an estimated budget of EUR 60 million.

As an example, ElectriFI co-finances the implementation of a micro grid pilot project in Asrama, a village of 5 000 people in Togo, 27 km away from the electricity grid. The pilot project is planned to offer energy services to 370 households and 85 businesses, improving living conditions in this remote area for instance by contributing to the creation of new jobs. Moreover, the pilot will help to validate the business and financial assumptions related to the micro grid revenue stream before the project can be further scaled.

15. Of the expected 5 million direct and indirect connections, how many have already been created?
When do you expect to reach the mentioned 5 million connections?

Commission's answer:

ElectriFI started in January 2016 with a budget envelope of EUR 75 million and aimed at providing electricity access to six million people (by 2026). This budget was then increased to EUR 121 million, including almost EUR 20 million contributions from USAID, Sweden and Italy, de facto also increasing the expected number of people to connect to electricity.

To date, over 500 000 people benefit from access to electricity through the EUR 30 million of investment signed. Once the construction phase and the infrastructure related to these on-going investments has been completed, which requires some time, the number of people gaining access to electricity will increase. It is estimated that over five million people will have gained access to electricity by 2022.

Once all the on-going ElectriFI investments project are completed, it is expected that they will provide access to sustainable, affordable and reliable energy to more than nine million people. ElectriFI 's portfolio include investments with different timeline and duration, therefore projections grow yearly, five million in 2022 and nine million in 2026. This number could increase when ElectriFI's pipeline will materialise.

Recruitment challenges

According to the AAR, EU Delegations face difficulties in recruiting experienced and qualified staff, which results in several-months long vacancies

16. Is this due to security challenges, or what are the reasons for these difficulties?

Commission's answer:

DG DEVCO is indeed facing recruitment difficulties in hardship posts where the living and security conditions are at their worst and where in some cases family members are not allowed. Since the 2014 reduction of annual leave entitlement for staff in EU Delegations, remote duty stations have also become less attractive.

17. How does this impact the effectiveness of DG DEVCOs activities?

Commission's answer:

The lack of experienced and qualified staff in so-called 'hardship' delegations constitutes a risk for the effective implementation of DG DEVCO programmes, with a possible lack of training on and monitoring of projects.

18. How does DG DEVCO deal with these long vacancies?

Commission's answer:

DG DEVCO is fully aware of the situation, which is qualified as a critical risk and monitors this on a continuous basis.

In practice, colleagues in EU Delegations accept to work longer hours to cope with the extra workload generated by unfilled vacancies. Additional support is also provided by colleagues from DG DEVCO Headquarters through longer-term missions to Delegation. Furthermore, in the case of official positions remaining unfilled after several publications of the post, temporary agents are recruited, as recently done in the Central African Republic or Nigeria.

19. Does DG DEVCO have any measures in place (or planned) for improving this situation?

Commission's answer:

Measures for improving the situation are limited due to the regulatory constraints imposed by Annexe X of the Staff Regulations. However, DG DEVCO has put in place several initiatives to improve the situation within the set legal framework.

Mitigating measures in place include greater anticipation of upcoming vacancies and shortening of recruitment procedures, the creation , whenever possible, of incentives both for contract agents and civil servants and the allocation of appropriate financial and human resources to ensure the capacity of EU Delegations in conflict and unstable countries to operate safely and securely. Furthermore, more operational and financial deployable staff ("floaters") is made available to Delegations facing specific difficulties.

Other measures are currently under preparation for broadening the recruitment population, such as the organisation of a new competition *EPSO/AD/380/19 - Administrators (AD7 / AD 9) - International cooperation and managing aid to non-EU countries* which should foster the recruitment of officials with suitable profiles and experience on hardship postings (NB: reserve list not available before 2021). As part of the currently ongoing revision of the rotation/mobility decisions, it is envisaged to open the rotation to all DGs / Institutions and to decrease the duration of postings in countries having a 40% Living Conditions Allowance.

Legality and regularity of the transactions

Since 2012, DG DEVCO estimates an annual residual error rate by means of a Residual Error Rate (RER) study achieved by an external company. The most likely estimate of the representative RER was 0.85% in 2018.

20. What are the major sources of error found in the RER study (apart from insufficient documentation)?

Commission's answer:

Missing or inadequate documentation was indeed again the most important source of error (85.9%) in the 2018 Residual Error Rate (RER) study. The other sources were a non-recovery of previous audit findings (7.1%) and, to a much lesser extent, expenditure outside the contractual period (0.34%) and expenditure declared including VAT or other taxes (0.33%), all remaining error sources represent 6.33%.

21. How does DG DEVCO follow up on the errors identified in the RER study?

Commission's answer:

After the finalisation of the study the error findings are sent to all Authorising Officers in Delegations/Headquarter involved, accompanied by a request for follow-up (e.g. by issuing recovery orders). The findings are also encoded in DG DEVCO's "Audit Module" database where follow-up actions taken have to be recorded.

22. What consequences are imposed following the identification of an error?

Commission's answer:

The consequence is usually a recovery order for the ineligible expenditure, issued by the Authorising Officer, where appropriate

23. The large part of errors is due to missing or inadequate documentation. How will DG DEVCO improve the documentation? What are the main reasons for missing or inadequate documentation?

Commission's answer:

As the Residual Error Rate (RER) study follows a multi-annual approach, transactions sampled can date back a number of years. The likelihood of documentation issues usually increases with the number of years that the transaction dates back. Other reasons can be office moves, several offices in charge at beneficiary level that are geographically dispersed or the closure of a country office, followed by an incomplete transfer of files.

The action plans drafted as a follow-up to DG DEVCO's Annual Activity Reports in general and specific presentations at regional seminars organised for staff in EU Delegations or Headquarters in particular aim at avoiding future errors, including those related to

insufficient documentation. When communicating to Beneficiaries DG DEVCO also draws attention to the importance of documentation.

24. What is the error rate at payment and why is it not mentioned in the AAR? Why is it not included in the scope of the study (focussing only on the residual error rate)?

Commission's answer:

The 2018 average error rate at payment (0.97%) can be found in the 2018 AAR in the table “Estimated overall amount at risk at payment and at closure” on page 70. Given the multi-annual nature of the programmes, the European Commission (through audits, verifications, internal checks) still has the possibility to correct, to a certain extent, errors related to transactions at the time of payment afterwards. With the Residual Error Rate (RER) study, it estimates the error rate at closure for the purposes of measuring the performance of its internal control system, i.e. after all corrections have been made, hence the wording residual. Consequently, the error rate at payment compared to the one at closure shows that the European Commission has a capacity to correct errors between payments and contract closure.

25. The ECA in its Annual Report 2018 has identified limitations in the methodology used in the RER study, which resulted in a lower residual rate, not reflective of the real figures. The ECA has recommended improving the RER study's methodology and manual so that they give more comprehensive guidance on the issues identified in their report and, therefore provide appropriate support for DG DEVCO's risk assessment for the reservations. DG DEVCO has undertaken to “look into ways of introducing more comprehensive guidance” in respect of the RER manual. What steps have so far been taken by the Commission in this regard?

Commission's answer:

The Residual Error Rate (RER) manual and methodology have been adapted to take into account the recommendations by the European Court of Auditors. These changes concern, for instance, the guidance for the reliance on prior control work, the definition of the scope of procedures relating to procurement and the way estimations are performed.

26. How many transactions (and not closed contracts) made in 2018 have been considered in the sample of 2018?

Commission's answer:

23 transactions made in 2018 (invoices paid) have been considered in the sample for the 2018 Residual Error Rate (RER) study. In total there were 219 transactions in the sample. All transactions from a contract closed in the reference period (between September 2017 and August 2018) form part of the population from which the sample is drawn. The Residual Error Rate (RER) exercise therefore has a multi-annual perspective, measuring

the error remaining after all controls and audits, throughout the implementation of the contracts, have been finalised.

27. Which is the oldest transaction considered in the sample of this year?

Commission's answer:

An invoice paid in December 2006 relating to a first tranche of the contract “Sector Budget Support Component of the State Partnership Programme (SPP) with Chhattisgarh and Rajasthan.” As transactions from a contract closed in the reference period (between September 2017 and August 2018) form part of the population from which the sample is drawn, it can sometimes happen that an invoice dating back a number of years is sampled, particularly if it was a high amount. The Residual Error Rate (RER) exercise therefore has a multi-annual perspective, measuring the error remaining after all controls and audits, throughout the implementation of the contracts, have been finalised.

28. Why do DG DEVCO and NEAR use a materiality threshold of 2 % in their annual activity report when the error rate study presents error rate already corrected due to the ex-ante and ex post controls? Could DG DEVCO set a more ambitious threshold given its low RER?

Commission's answer:

The materiality threshold of 2% is set by the central Commission services, in line with the European Court of Auditors (ECA)'s. Although the overall result may be a residual error rate below 2%, there may be areas/segments of activity with a residual error rate above this threshold.

Special report 35/2018 “Transparency of EU funds implemented by NGOs: more effort needed

29. Would the Commission find it useful, if NGOs had a legal definition?

Commission's answer:

The legal frameworks in different European and non-European jurisdictions already include legal definitions or criteria of Non-Governmental Organisations (NGOs). These legal definitions and criteria are diverse. There is also currently no generally accepted definition at the international level, or at the EU level.

Any eventual development of a unified EU legal definition would require an EU level harmonisation of the concept of NGO, which should be agreed upon by the legislator.

While the Commission would welcome any such harmonization, it should however be informed by the following considerations: (1) Few Union basic acts foresee financing specifically to NGOs and the Financial Regulation does not make reference to NGOs as a specific category of beneficiaries. (2) When awarding financing, the primary focus of the Commission is on the project description and whether it matches the programme objectives and how it could contribute to their achievements. (3) Any attempt at defining an NGO is to be balanced against the need to protect the operating space of NGOs.

30. How could the transparency of EU funding for development aid channeled via NGOs be improved, according to the Commission?

Commission's answer:

In the Special report 35/2018, the Court finds that the information on development aid is generally disclosed in accordance with international transparency standards.

Nevertheless, the Commission considers that the following steps may further contribute to transparency on beneficiaries of Union funds, including Non-Governmental Organisations (NGOs): (1) In direct management, integration of data on all beneficiaries, not only the lead beneficiary, into the Commission's accounting system. In some policy areas (e.g. research), the breakdown per beneficiary is already available. In the field of external relations, this will depend on the features of the OPSYS project and the development of the corporate Model Grant Agreement. (2) In indirect management, the Commission will continue to actively monitor projects. It will also conduct the necessary checks on the fulfilment of bodies entrusted with the implementation of Union funds with their obligations on awarding financing to third parties, including NGOs. In addition, the Commission signed a revised framework agreement with the UN (UN FAFA) on 31 December 2018. The UN FAFA contains in article 12 the provisions that allow the Commission to do the necessary verifications. The commission is working on an update of the Terms of Reference for these verifications.

31. According to ECA, the assignment of NGO status in the Commission's accounting system, which is based on self-declaration, and the limited checks, make the classification of an entity as an NGO unreliable. Does the Commission plan to step up its checks? Do you consider self-declarations to be sufficiently reliable?

Commission's answer:

The recording of the Non-Governmental Organisations (NGOs) status of beneficiaries in the Commission's accounting system is not mandatory, given the absence of legal grounds for treating NGOs differently to other beneficiaries and in the absence of a common NGO definition. In addition, no financial transparency requirement specifically mentions that reporting on NGO funding is required. Therefore the Commission considers that the classification done in its accounting system cannot be considered as unreliable.

Nonetheless, the Commission has, on its own initiative, developed a system whereby organisations declare themselves as NGOs, under the pre-requisite that the legal entity concerned is flagged as both a private and not-for-profit organisation. These are generally accepted criteria, the compliance with which is verified by the Commission. Any changes to the system would require an EU level harmonisation of the concept of an NGO agreed by the legislator.

32. Furthermore, the Court also noted, that different Commission departments do not manage grants awarded by third parties in the same way. What would be advantages and disadvantages

of having a uniformed grant management across various Commission departments? Could the Commission explain the reasons for why there are different ways of management?

Commission's answer:

Article 204 of the Financial Regulation allows differentiated approaches to the extent that it expressly authorises the threshold of EUR 60 000 euro to be exceeded (notably in the case of grants awarded to third parties) where achieving the objectives of the actions concerned would otherwise be impossible or overly difficult. When this is the case depends on the specificities of the different operational contexts.

In the context of humanitarian aid, achieving the objectives of the actions concerned without exceeding the threshold of EUR 60 000 may become impossible or overly difficult for the following reasons: Under the Treaty (Article 214 TFEU), Union-funded humanitarian aid actions are to take place by definition outside of the Union – countries in five continents may be covered. Humanitarian aid characterises itself by a certain number of traits, such as, depending on the case, the need to ensure early action and/or ensuring access to final beneficiaries, including in hard-to-reach areas, in a culturally appropriate manner. In the same vein, it is widely recognised at international level that first line responders and local actors need to be supported further as they may be the best placed to take early action and/or build resilience and improve disaster risk management. Account also needs to be taken of the importance attached to ensuring high quality operations in an efficient and effective manner. It therefore appears that timing of intervention and presence in the field are usually of the essence to ensure quality humanitarian aid operations.

In parallel, for the purpose of ensuring an appropriate level of due diligence by grant beneficiaries in the management of Union funds in difficult and challenging operational contexts, the Humanitarian Aid Regulation (Council Regulation (EC) No 1257/96 of 20 June 1996) allows the award of grants only to Europe-based NGOs (i.e. not to non-European NGOs). Many of those European NGOs form part of international or even worldwide networks or confederations of NGOs. This specific context and background explains why it is usual for Union-funded humanitarian aid grants awarded to NGOs with which the Commission has signed a Framework Partnership Agreement (FPA) to involve other NGOs as Implementing Partners, without which the purported humanitarian aid objectives of the action would not be achieved as agreed with the Commission. In other words, short of ensuring the participation of the involved Implementing Partners, the related actions would in effect be substantially altered, notably with respect to their efficiency and effectiveness.

The same considerations may not apply - or at least not apply to the same extent - to other policy areas where the Union funds external actions.

The Commission services are designing a corporate model grant agreement applicable to all EU policies that will on one hand rationalise the grant management including the best cumulation of the simplifications provided by the FR and on the other hand will reduce complexity for recipients of EU funds while ensuring a more efficient services for the services and therefore reducing the error rate.

33. Information on EU funds used by NGOs is published in several systems, but the amount of detail disclosed is limited, according to ECA. Does the Commission plan to introduce an all comprehensive financial information system to increase transparency? Did you submit any proposal to improve the level of detail of disclosure?

Commission's answer:

Every year the Commission publishes data about the beneficiaries of EU funding under direct management in all policy areas in its Financial Transparency System (FTS). In publishing ex post information on recipients of EU funds in the FTS, the Commission complies with the requirements of the Financial Regulation. Pursuant to the Financial Regulation, the following information is disclosed: the name of the recipient, the locality of the recipient, the amount legally committed, and the nature and purpose of the measure.

With regard to the amount of detail disclosed in the different grant management systems, in particular by reference to the information on the amount of funding awarded to all beneficiaries of Union funds, it is to be noted that these systems reflect the specificities of set up for the different policies, including the modalities of contracting.

For projects implemented by several beneficiaries, in some policy areas (e.g. research) the Commission already has detailed information on all beneficiaries of Union funds.

For external relations, this will depend on the features of OPSYS, the new EU system for management and monitoring of EU actions from programming to evaluation and audit: As from end 2020, OPSYS should be in use and able to publish the information required by the Financial Regulation, with respect to the consortium leader. The publication of disaggregated information for each consortium member is envisaged in the course of 2021-22, subject to the adoption of e-grants for the management of grant contracts.

34. The Court also criticised the Commission for not having comprehensive information, particularly about networks of international NGOs and projects under indirect management with UN bodies. Does this hinder the Commission's ability to check the costs, add efficiency and goal-orientation, in your view?

Commission's answer:

No, this does not hinder the Commission's ability to check the costs, add efficiency and goal-orientation. Namely, the Financial Regulation obliges any entity receiving Union funds to fully cooperate in the protection of the financial interests of the Union.

Therefore, as a condition for receiving the funds, the entity must grant the necessary rights of access to the Commission, OLAF and the Court of Auditors for them to carry out checks, investigations, audits, in accordance with their competences. Access must be granted also by third parties which receive Union financing indirectly under indirect

management. This includes access to any locations where the action is implemented, and to all the necessary documents and information, including information in electronic format. These obligations are translated into specific contractual agreements concluded with recipients of Union funds.

In addition, the Commission actively monitors the implementation of projects and may request the beneficiaries to make available all financial information concerning the project, in accordance with the relevant legal framework.

35. What measures did the Commission take since the publication of the special report in last December in order to follow up the recommendations issued by the Court?

Commission's answer:

The Commission has taken the following steps:

- With regard to the recommendation of the Court concerning the various grant management systems enabling the recording of funding awarded and received by all beneficiaries of Union funds, in some policy areas (e.g. research), the breakdown per beneficiary is available. In the field of external relations, this will depend on the features of the OPSYS project. Development of OPSYS is ongoing in the Commission.
- With regard to the identification of entities which implement the actions funded by the Union when said actions are implemented by networks of international NGOs, the different Commission services may, in accordance with their respective basic acts and operational priorities, work with members of networks under a variety of arrangements, as foreseen under the Financial Regulation. Entities forming part of a network could constitute recipients of financial support to third parties. The information collected on EU funds implemented by NGOs cannot be uniform. The type of information required will depend on the context within which the EU funds are implemented. In the context of humanitarian aid, further instructions have been provided to ECHO Partners on the identification of entities implementing the actions.
- With regard to the recommendations of the Court on indirect management, the Commission continues to actively monitor projects. It also conducts the necessary checks on the fulfilment of bodies entrusted with the implementation of Union funds with their obligations on awarding financing to third parties, including NGOs. In addition, the Commission signed a revised framework agreement with the UN (UN FAFA) on 31 December 2018. The UN FAFA contains in article 12 the provisions that allow the Commission to do the necessary verifications. The commission is working on an update of the Terms of Reference for these verifications.

The Commission continues to work on meeting the highest international standards on aid transparency. The Commission started to publish International Aid Transparency Initiative (IATI) data on EU Trust Funds in October 2017 and data on results as of November 2017. Results are also included in the "Annual Report on the implementation of the European Union's instruments for financing external actions". The Commission has created a new

online EU Aid Explorer (<https://euaidexplorer.ec.europa.eu/>) this year that increases access to development assistance data of the EU and its Member States, as published to OECD-DAC as well as in IATI, with the aim to facilitate data use for transparency and informed decision-making.

Objectives

“DG DEVCO ensured that EU development policy contributes fully to the implementation of the Partnership Framework under the European Agenda on Migration and the Joint Valletta Action Plan through relevant programmes and policy dialogues at various levels. Concrete progress was made through closer partnership with developing countries and other stakeholders, including Member States, other donors, international organisations, civil society and the private sector.” AAR page 9.

Can the Commissioner explain:

36. to which extent the development policy has an impact on the migration phenomenon?

Commission's answer:

Proving with hard evidence a direct impact is challenging, for at least two reasons:

1. Migration as such is very diverse, from regular migration of highly skilled persons to irregular migration or flight for asylum of desperate victims of conflicts and disasters. There is, therefore, not one single migration phenomenon.
2. Many external factors play a role in fragile and instable developing countries marked with conflicts and disasters. Therefore, any impact may be easily thwarted by these external factors.

Notwithstanding all the above, the Commission has seen the evidence of EU development policy impacting positively on migration and on migrants, notably by improving migration management capacities of partner countries and by contributing to addressing some of the main root causes of irregular migration. Based on close partnership with countries in Africa, Asia and Latin America, EU development policy has for example contributed to prevent dangerous and exploitative migration journeys and to make migration a choice of aspiration rather than desperation (see more details under question 37).

37. to which extent can the Commission quantify that the development policy contributes to the stabilisation of the regions and reduction of causes of migration in the affected regions?

Commission's answer:

To quantify such contribution is challenging, but many positive examples exist.

In 2018, the EU Trust Fund for Africa (EUTF for Africa; ‘European Union Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa’), worked with its African and European partners to foster stability and better migration management in the Sahel and Lake Chad region, the Horn of Africa, and the North of Africa. It continued to tackle the root causes of destabilisation, forced displacement and irregular migration, including the fight against trafficking in human

beings and smuggling of migrants and the return and reintegration of irregular migrants to their countries of origin.

In the Sahel and Lake Chad region, the EUTF for Africa has offered a tailor-made response to specific challenges, including addressing constraints on the labour market including youth employability and fostering economic development in productive sectors. Approved actions are supporting 24,211 beneficiaries to increase their skills and employability through Technical and Vocational Education and Training (TVET) actions. Ongoing actions have made substantial progress to support job creation for young people through “quick win” actions in areas of origin and transit in Guinea and Niger. It is estimated that 10,825 new jobs have been created in the region.

In the Horn of Africa multiple actions on technical and vocational training and employment promotion are being implemented. For instance, in 2018 a EUR 50 million action “Ethiopia Job Compact – Sector Reform and performance Contract” was approved aiming at supporting Ethiopia’s industrialisation strategy and creating decent employment opportunities for Ethiopians and refugees. In 2018, more than 30,000 people have received training to help develop their professional skills. Also, around 30,000 jobs have been created through various incentives such as increased stipends.

Finally, As noted in the Progress report on implementing the European Agenda on Migration (16 October 2019), the EU’s External Investment Plan aims at supporting improved livelihoods and economies in Sub-Saharan Africa and the EU Neighbourhood, thereby contributing to tackle the root causes of irregular migration. To date EUR 1.54 billion for 28 guarantee programmes and EUR 2.6 billion for 121 blending projects have been approved. The support and de-risk of private investments through guarantees is expected to unlock up to EUR 17.5 billion in investment, in areas such as access to finance for micro, small and medium enterprises, energy and connectivity, cities, agriculture, and digital. Approved blending projects are also expected to unlock nearly EUR 24 billion. By 2020 the Plan is expected to meet its objective to leverage total investments of more than EUR 44 billion.

Error rates

Page 77 of the annual activity report the Director General states that in 2018, the ex-ante controls on payments have prevented the payment of a total amount of EUR 219.04 million of ineligible expenditure. This represents 3.35% of the total invoiced amount and is above the benchmark of 2% set by DEVCO for this indicator.

38. Why did DG DEVCO choose 2 % as benchmark?

Commission's answer:

Key Performance Indicator (KPI) 21 measures the total amount of undue payments that have been prevented by the ex-ante controls. The 2% benchmark chosen for this KPI is in line with the materiality threshold set by the central Commission services. The current

benchmark is also appropriate considering the historical evolution of the result of this KPI (1,76% in 2015, 2,46% in 2016 and 2,07% in 2017).

Furthermore, in 2018, the external audits contracted by the Commission have identified a total amount of EUR 98.8 million of ineligible expenditure. This represents 5.05% of the total audited amount and is above the benchmark of 2% set by DEVCO for this indicator.

39. Even if those figures, i.e. the amounts of ineligible expenditure detected before the payments are not considered as error rate, is it true that the ineligible expenditures amounted in 2018 to 8, 40%?

Commission's answer:

The Key Performance Indicator (KPI) "Undue payments prevented by ex-ante controls" showed in 2018 a value of 3.35%, and the KPI "Ineligible amounts identified by audits as a % of the audited amount" had in 2018 a value of 5.05%. Both indicators refer to DG DEVCO corrective capacity. However, it is not correct to state that ineligible expenditures amounted in 2018 to 8.4% since they refer to different populations of expenditures and their result cannot be added up.

The ex-ante controls refer to ineligible amounts detected before payment and it is the result of the ratio between undue and invoiced amounts. The findings of external audits contracted by the Commission refer to operations for which audits and verifications have been carried over in a given year regardless from the year when the payment was made. Moreover, the result is calculated as the ratio between the ineligible amounts detected by external audits and the total amount of the expenditure audited.

Page 79 of the AAR the DG refers to the fact that the Commission Internal Auditor concluded that there remains a significant weakness in the actual application of the concept of the estimated amounts at risk at closure. The IAS issued a "very important" recommendation concerning the implementation of the reporting, part of which was addressed to DG DEVCO.

40. What is the matter? What did DG DEVCO do to follow the recommendation of the IAS?

Commission's answer:

The Commission Internal Audit Service (IAS) issued in March 2018 a limited review on the reporting on the corrective capacity. The IAS recommended that DG DEVCO should base its estimated future recoveries and corrections and amount at risk at closure on a more recent, for example, two-year historical average unless better alternative indications for the future corrective capacity are available. It should also adequately disclose the change in methodology, the reasons for this change and the main underlying assumptions.

In line with the agreed action plan, since the 2017 Annual Activity Report, DG DEVCO bases its estimated future recoveries and corrections on the 3-years historic average of the recovery orders issued by the DG and disclosed the change in methodology, the reasons for the change and the main underlying assumptions in its Annual Activity Report (AAR). The Internal Audit Service has reviewed the actions taken, and notified DG DEVCO that they considered the recommendation had been adequately and effectively implemented.

DG DEVCO issued recovery orders for a total amount of EUR 18.22 million in 2018 for the reimbursement of undue payments (errors & irregularities).

41. Is it true that they should have been considered in the error rate at payment if DG DEVCO had calculated such error rate.

Commission's answer:

The 2018 average error rate at payment (0.97%) can be found in the 2018 Annual Activity Report (AAR) in the table “Estimated overall amount at risk at payment and at closure” on page 70. It is estimated by adding to the estimated amount at risk at closure the estimated future corrections, based on recovery data for the years 2016, 2017 and 2018. The recovery orders in 2018 (EUR 18.22 million) have therefore been taken into account for the estimation of the error rate at payment.

Reservations

On page 57 of its AAR, DG DEVCO points out, in particular, that as to the grants in direct management, 4.64% of the total amount audited in 2018 were identified as non-eligible by external auditors whilst on page 66 DG DEVCO mentions that in indirect management with beneficiary countries, 3.77% of the amount are not eligible.

42. Why did DG DEVCO Director General not issue a reservation for both above-mentioned cases?

Commission's answer:

DG DEVCO applies rules for reservations set by central Commission services, based on the Residual Error Rate (in the case of DEVCO/NEAR by analysing contracts after closure). Amounts identified as being ineligible in audits after payment but before contract closure can still be recovered through recovery orders or compensations with other contracts with the same entity and do therefore not constitute a residual error. The indicative residual error rate for grants in direct management and for indirect management with beneficiary countries were well below 2%.

DG DEVCO issues a reservation concerning the error rate relating to grants in Direct Management for funds managed by DG NEAR on behalf of DG DEVCO: EUR 58.3 million sub-delegated to DG NEAR.

The materiality criterion is based on the residual error rate study i.e. the level of errors that remain undetected and uncorrected by the end of the management cycle.

43. Why were those funds sub-delegated?

Commission's answer:

In accordance with the Internal Rules, each Directorate-General has the possibility to sub-delegate the management of funds towards another DG (the cross-sub delegations). For these funds, the DG receiving the cross-subdelegations has to report back to the DG on the implementation of these funds and potential reservations so that the latter could report in its Annual Activity Report on the totality of funds for which it was responsible. DG DEVCO subdelegated to DG NEAR the implementation of thematic programmes under the Development Cooperation Instrument (DCI) and the implementation of European Instrument for Democracy and Human Rights (EIDHR) in the geographic areas covered by DG NEAR.

44. Why did the DG decide on a reservation in referring to a materiality threshold of 2 % in terms of residual error rate and not in terms of error rate at payment? Is the decision of the DG based on the residual error rate study only or on audits on payments made in 2018?

Commission's answer:

See reply to Question 42

Reservation regarding programmes managed by the African Union Commission that involve a significant level of procurement: the corresponding amount of payments made is EUR 20.1 million. The respective amount at risk is estimated at EUR 5.0 million. The control system does not address adequately the identified weaknesses, having a material impact on sound financial management and legality and regularity aspects.

45. Could the Commission explain the reasons for this reservation in greater detail?

Commission's answer:

In 2015, DG DEVCO re-launched the pillar assessment of the African Union Commission (AUC) because the African Peace Facility (APF) allocations under the EDF had doubled over a period of 10 years and the majority of these funds transited via the AUC. The pillar assessment concluded that three pillars (accounting, procurement and sub-delegation) out of the six assessed were not compliant. DG DEVCO's services internal consulting report confirmed the weaknesses in the management and control systems put in place by AUC.

In this context, the DG DEVCO Director-General requested the Commission Internal Audit Service (IAS) to conduct an audit on the financial and operational management of the APF implementation. The results of the IAS' audit report submitted in 2016 identified a number of weaknesses.

In order to implement the audit recommendations, DG DEVCO adopted an Action Plan in April 2016.

DG DEVCO also decided to include a reservation regarding the management of the APF in its 2015 AAR, and subsequently the 2016 DG DEVCO Annual Activity Report (AAR) due to the lack of substantial progress achieved by the AUC.

The IAS assessed DG DEVCO's progress in implementing the Action Plan through three follow-up audits in February 2017, September 2017, and November 2018. The IAS concluded that the Action Plan has been successfully implemented in most areas (recommendations 2, 3, 4, 5, 6 and 7 were implemented), with the exception of recommendation 1, which can only be closed when a new pillar assessment of the AUC is finalised.

To prepare for the pillar assessment, the AUC and the EU established in May 2016 a pillar assessment roadmap, which contains the actions that the AUC needs to take in order to address the institutional weaknesses identified by the previous assessment in 2015.

The November 2017 review of the pillar assessment roadmap by the external consultants who have been in charge of the pillar assessment process since 2015 (Ernst & Young) highlighted significant progress in two of the non-compliant pillars (i.e. accounting and sub-delegation), but concluded that problems remained with procurement.

In addition, external audits found less than 1% ineligible expenditure for payments to troop contributing countries under the African Union Mission in Somalia in 2017, which amounted to 70% of the APF funds disbursed that year.

In the light of the elements mentioned under points 7 and 8, DG DEVCO decided to maintain a reservation in its 2017 AAR, but to shift it to those programmes managed by the AUC with a significant level of procurement (mainly related to the African Peace Facility and, to a lesser extent, to the Pan-African programme). This reduced the estimated amounts at risk from EUR 10.5 million in 2016 to EUR 5.5 million in 2017.

The March 2018 review of the pillar assessment roadmap concluded that the AUC made sufficient progress in strengthening their financial and administrative systems, including procurement, and was now ready to undergo a new pillar assessment. The AUC completed an asset valuation in December 2018 and requested a new pillar assessment in March 2019. As a prudent measure, DG DEVCO decided to maintain the reservation in the 2018 AAR, while waiting for the outcome of the assessment.

The pillar assessment took place from March to September 2019. The draft pillar assessment report was received on 9 October 2019. Preliminary results indicate that the AUC should pass all pillars. If the final report, expected before the end of 2019, confirms this, DG DEVCO will lift the reservation on EU funds managed by the AUC in its 2019 AAR. DG DEVCO will also then request the IAS to close the remaining open recommendation of the APF audit report (recommendation 1 on "overall partnership and the institutional framework with the African Union Commission").

46. Is it possible that EU money coming from the development and cooperation policy is used for other purposes than planned?

Commission's answer:

The African Peace Facility is part of the European Development Fund. Article 15 of the European Development Fund (EDF) regulation provides for its functioning (Council Regulation (EU) 2015/322 of 2 March 2015 on the implementation of the 11th European

Development Fund, OJ L 58, 3.3.2015). African Peace Facility money is used in accordance to the regulation, and therefore for the planned purposes.

47. Are there any cases of misuse of EU funds?

Commission's answer:

The Commission is not aware of any cases of misuse of EU funds related to this reservation.

48. Does the Commission agree with this use of EU development funds? If not, how can this be avoided?

Commission's answer:

The African Peace Facility is an integral part of the European Development Fund as per Art. 15 of the EDF implementing regulation. The Commission therefore sees no reason to avoid using European Development Funds moneys to finance the African Peace Facility.

External assistance and management reports

Those reports are issued by the EU Heads of delegation acting as authorising officers by sub delegation. They constitute one of the building blocks of the declaration of assurance made by the Directors general of DEVCO and NEAR in their annual activity reports.

The Parliament regretted last year once again that the external assistance management reports (EAMR) issued by the heads of delegations are not annexed to the annual activity report of DG DEVCO and NEAR as it was foreseen by Article 67(3) of the Financial regulation: article 76 3° of the “new” Financial regulation”.

The Parliament also regretted that the access of those reports de facto has become more cumbersome and looks forward to a facilitated access to those reports in the future (see paragraphs 132 and 201 of the Commission discharge for 2017).

By letters of 16.04.2019 the Commission has transmitted to CONT the EAMR for 2018, but once again the Commission did not attach the EAMR to the annual activity report and insisted on the confidentiality of the disclosed information

49. Could the Commission explain why it considers these reports confidential?

Commission's answer:

The European Commission considers that the widespread release of the content of the External Assistance Management Reports (EAMR) to the press or the public at large could harm the diplomatic relationship between EU Delegations and the authorities of partner countries putting some of its implementing partners, including from the civil society, at risk.

For this reason and in line with the Financial Regulation, the External Assistance Management Reports (EAMR) are listed in Annex 7 of the Annual Activity Report of DG DEVCO but are not published on the website of the European Commission.

However, the External Assistance Management Reports (EAMR) are transmitted each year to the European Parliament, the Council and the Court of Auditors in a transparent procedure and without any specific confidentiality constraints.

The Commission does not impose any rules of access or handling of these documents to the Parliament. The European Parliament itself defines these rules.

50. Could the Commission suggest how to facilitate access to these reports, given the provisions in the Financial regulation cited above?

Commission's answer:

The External Assistance Management Reports (EAMR) are transmitted each year to the European Parliament, the Council and the Court of Auditors in a transparent procedure and without any specific confidentiality constraints. In line with the Financial Regulation, the Commission informs the European Parliament in its transmission note that the widespread release of the content of these reports to the press or the public at large could harm the diplomatic relationship between our Delegations and the authorities of our partner countries, putting some of our implementing partners, including from the civil society, at risk. However, the Commission does not impose any rules of access or handling of these documents to the Parliament. The European Parliament itself defines these rules.

51. How will the Commission increase transparency regarding the EAMRs?

Commission's answer:

The Commission intends to continue providing the Budgetary Authority and the Court of Auditors with the External Assistance Management Reports (EAMR) in a transparent procedure without any confidentiality constraints. These documents can be shared among the Members and officials of the European Parliament, the Council and the Court of Auditors by any means (emails, copies) and there is no obligation to consult those documents in a secure room.

Additional questions

52. How does the Commission ensure that receivers of EU funds are maintaining the highest standards in respecting human rights, especially in areas such as Libya where due to the security risks auditors are often not able to go to the sites itself? What does the Commission do in case of reports regarding human rights violations?

Commission's answer:

Our projects are closely monitored. Our implementing partners are selected after careful review of their operational and financial capacity and their records of past operations. The respect of human rights is at the core of the EU cooperation with its partners.

As for projects in Libya, a system is in place for internal and external monitoring. The internal monitoring is led by the EU Delegation as well as the EU headquarters in close contacts with the implementing partners. Should there be any rights violations, those are reported to the EU by the implementing partners as per projects' legal provisions.

On top of this, the EU relies on external views following project monitoring missions undertaken by external experts, who report on whether the conditions on the ground are conducive to achieve the planned objectives, also in respect of human rights international standards. Should these not be respected in the implementation of EU projects, the Commission can take the necessary steps and suspend the projects, in line with contractual agreements.

In the particular challenging case of Libya due to difficult security conditions on the ground, the EU is planning to increase these efforts by putting in place a third-party monitoring system verifying all results achieved in Libya, including in respect of the "do no harm" principle.

53. -Were there any investigation carried out about potential misuse of the EU budget support programme for third countries?

Commission's answer:

EU budget support contributes to country's national budget as a whole, once disbursement conditions are fulfilled. Funds are not earmarked for any specific expenditures. Therefore, like domestic revenues, they are subject to external audits by the country's supreme audit institution, to oversight by the national parliament and to any investigation carried out in that context by judicial or police bodies, by anti-corruption agencies or any other entity.

In all its budget support programmes, the Commission promotes controls on the use of public money and the fight against corruption. This is done through the budget support eligibility criteria on public finance management and on budget transparency and oversight. The capacities of the relevant audit or control entities are directly strengthened with technical assistance and other dedicated contracts. In this respect, specific performance indicators can also be added to upgrade the institutional setup and to encourage improvements in the comprehensiveness, the quality and the timeliness of audits and investigations. The publication of findings is a key requirement as well as the due follow-up on these by the executive branch, be it through systemic reforms or when needed through disciplinary sanctions and legal proceedings.

When serious doubts arise on budget management following an audit or an investigation in a given country, budget support payments are put on hold, until the Commission has accessed all relevant information and corrective measures have been agreed with the authorities. If this does not lead to any agreed solution with the authorities, the budget support programmes can be suspended and closed (for example, recently in

Mozambique). Each budget support financing agreement provides for that possibility, in line with the article 236 of the Financial Regulation.

Moreover, budget support programmes, like all cooperation projects with third countries, are subject to audits by the European Court of Auditors and may be subject to OLAF investigations.
