2018 Discharge to the EDF

***

WRITTEN QUESTIONS TO COMMISSIONER MIMICA

Hearing of 28 November 2018

---

1. EDF's Follow-up on the Commission's, ECA's and the EP's Recommendations

1.1 Based on ECA annual report:

a) To which conditions must International Organisation currently abide before receiving EDF funding in relation to transmitting documents to ECA?

The agreements signed with international organisations contain comprehensive access rights for the Commission, the European Court of Auditors and OLAF and make the eligibility of costs for EU funding subject to the availability of supporting documents. Any refusal of partner organisations to provide such documents is qualified as a breach of a substantial contractual obligation.

If a partner organisations refuses to provide supporting documents, the Commission can take the following contractual sanctions

- declare the concerned costs ineligible for EU funding,
- suspend further payments,
- suspend the agreement and/or
- terminate the agreement.

If the partner organisation's breach of obligation in one agreement has a material impact on other agreements, the latter may also be suspended and/or terminated.

In addition to these contractual rights, the Commission may also exclude an organisation from future funding and/or impose financial penalties, inter alia, if the organisation's breach of obligation has led to the early termination of an agreement.

b) To what extent do you believe that the error rates estimated by ECA could be reduced if international organisations provided documents which currently fall under "absence of essential supporting documents"?

According to Commission's assessment, errors identified in contracts with International Organisations contributed around one third to the overall error, which more or less corresponds to their share in the value of the overall DG DEVCO portfolio. Errors related to absence of supporting documents on transactions with international organisations amount to 23% of the overall error rate (1.24 percentage points). It is not possible to determine the exact extent to which the error rate estimated by the European Court of Auditors (ECA) could have been reduced if all documents had been available on time.

The errors related to absence of essential supporting documents are partly due to the limited time available in the framework of the ECA's audits in the framework of the statement of assurance. The Commission is taking steps to mobilise the resources of international organisations concerned as early as possible in the process.

c) In its 2017 action plan, DG DEVCO continued its efforts in reducing the error rate by taking measures targeting current or previously identified high-risk areas. What were those measures ?

The 2018 action plan following the reservation concerning the error rate in DG DEVCO's 2017 Annual Activity Report (AAR) included the following measures:

- Simplify and clarify procedures and contractual conditions for grants.
- Maintain awareness on frequently occurring errors in financial and document management for the implementation of grant contracts.
- Promotion of alternatives to Programme Estimates and reinforcements of controls under Programme Estimates.
- Work towards use of Terms of Reference (ToR) for Expenditure Verifications for verification of expenditure incurred by International Organisations (IOs) under indirect management.
- Continue and reinforce cooperation with International Organisations in view of sustainable reduction of errors.

Increase consistency and coherence of the functioning of audit and verification tasks by means of centralisation.

d) ECA has identified several errors where the Commission had sufficient information to prevent, or detect and correct, errors before accepting expenditure. ECA also identified weaknesses in ex-ante checks. Do you believe this could be linked to understaffing?

Part of the error rate estimated by the European Court of Auditors could be the consequence of very high workload for insufficient staff numbers, in particular in hardship Delegations.

e) Could you give us some examples of simplified cost options applied to the EDFs, which the Commission is promoting?

> Currently, two types of simplified cost options are in use:
>
> - Volunteer work
>
> Daily rate per volunteer: Unit cost for declaring personnel cost for the work carried out by volunteers under an action or a work programme in accordance with Commission Decision C(2019) 2646. The decision lists daily rates per volunteer per country in which the activity takes place. These daily rates may be converted into hourly rates by dividing them by eight.
>
> - Per diem rates applicable to EU-funded external aid contracts
>
> These per diem rates cover accommodation, meals, local travel within the place of mission and sundry expenses. Per diem rates used in the framework of EC-funded external aid contracts must not exceed the rates published on DEVCO's Internet site.

f) A reservation was issues in 2017 and maintained in 2018 concerning programmes managed by the African Union Commission. What has been done to solve the issue at steak?

> The 2017 reservation was limited to programmes managed by the African Union Commission with a significant level of procurement, as opposed to all African Peace Facility programmes. This reflected considerable progress achieved by the African Union Commission with regard to the implementation of the pillar assessment roadmap, a document that was agreed with DG DEVCO to address weaknesses identified by the failed 2015 pillar assessment of the African Union Commission. The only remaining weaknesses indeed concerned procurement processes.
>
> DG DEVCO has continued to monitor the progress achieved by the African Union Commission in that respect, and the latest external review of the pillar assessment roadmap concluded in March 2018 that the African Union Commission had addressed its institutional weakness related to procurement and is in a position to pass a new pillar assessment, provided that it carries out an asset valuation. The asset valuation was finalised in December 2018. DG DEVCO therefore launched the pillar assessment in March 2019 and preliminary results indicate that the African Union Commission should pass all pillars.

g) In 2015, ECA recommended to apply appropriate sanctions to entities that do not comply with their obligation to provide essential supporting documentation for the Court's audit. What is the array of possible sanctions used by the Commission ?

> The agreements signed with international organisations contain comprehensive access rights for the Commission, the European Court of Auditors (ECA) and OLAF and make the eligibility of costs for EU funding subject to the availability of supporting documents. Any refusal of partner organisations to provide such documents is qualified as a breach of a substantial contractual obligation.

If a partner organisation refuses to provide supporting documents, the Commission can take the following contractual sanctions:

- declare the concerned costs ineligible for EU funding,
- suspend further payments,
- suspend the agreement and/or,
- terminate the agreement. If the partner organisation's breach of obligation in one agreement has a material impact on other agreements, the latter may also be suspended and/or terminated.

In addition to these contractual rights, the Commission may also exclude an organisation from future funding and/or impose financial penalties, inter alia, if the organisation's breach of obligation has led to the early termination of an agreement.

It should, however, be noted that very often the reason for insufficient documentation is not a refusal by the partner organisation, but more logistical or organisational issues. The difficulty to provide adequate documentation in the given timeframe can, for instance, be related to office moves, the fact that several offices are in charge at beneficiary level that are geographically dispersed or to the closure of a country office, followed by an incomplete transfer of files.

To avoid recourse to sanctions in its important and sensitive relations with international organisations, the Commission continues and reinforces cooperation with International organisations in view of sustainable reduction of errors. Specifically with regard to the audits of the ECA, 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 ECA.

J The level of error for expenditure for the EDFs in the year 2018 was 5.2%, an increase from a level of 4.5% in 2017. According to the ECA, the Commission could have reduced the level of error for expenditure by 1.3%, had it made proper use of all the information at its disposal. What measures does the Commission plan to introduce to reduce the level of error in the future?

The 1.3% figure cited refers to 9 cases of quantifiable errors identified on final payments. It must be noted that the Commission also conducts checks after the final payment, at contract closure.

Therefore, the Commission is able to collect and analyse the information, and make corrections after final payment. To reduce the level of error, the Commission will continue to implement recommendations received from the European Court of Auditors (ECA) and take into account in its wider action plans all relevant findings from other control processes.

- The level of error in transactions relating to programme estimates, grants, contribution agreements with international organisations and delegation agreements with EU Member States cooperation agencies has been consistently high and in fact, the estimated level of error has increased in 2018 from the level reported in 2017. (In 2018, 54% of 61 such transactions sampled by the ECA contained quantifiable errors; in 2017 36% of 75 such transactions sampled contained quantifiable errors; in 2016 34% of 67 such transactions sampled contained quantifiable errors). What is the reason for this increase and how does the Commission propose to reverse this trend?

The error rate is influenced by several factors. Reasons include beneficiaries not following complex procedures and the tight timeframe of European Court of Auditors (ECA) audit. In addition, changes made in 2017 to the ECA's sampling methodology might have had an effect on subsequent error rates.

DG DEVCO is operating in a difficult context in challenging and unstable geo-political, social, institutional and administrative environments. Activities are spread over 86 different EU Delegations, implemented in cooperation with a wide array of different types of partners. Implementing partners change constantly and so do staff members concerned both within the Commission and in partner organisations.

For this reason, the Commission's efforts to reduce the error rate and to further improve its management system also have to be perpetual. The Commission is implementing the recommendations made by the ECA in its 2018 report, and has already implemented most of the recommendations made in previous years. DG DEVCO continuously works on keeping its management systems in shape and improving them through dedicated action plans updated annually on the basis of its Annual Activity Reports.

- The ECA has suggested there are some weaknesses in DG DEVCO´s ex ante control system and it is noted in the ECA Annual Report that DG DEVCO has adopted revised Terms of Reference for expenditure verifications in March 2018. Can you provide an update on the implementation of the revised ToRs? Can we expect that these new measures will result in a more favourable assessment by the ECA in future reports?

Revised Terms of Reference (ToRs) are now systematically used for expenditure verifications contracted by DG DEVCO's under its annual verification plans as well as for those contracted by beneficiaries and contractors under grant and fee-based service contracts. These ToRs have introduced a stronger focus on legality and regularity and detailed information in verification reports on substantively verified expenditure items. As a consequence, they are expected to increase both the likelihood of detection of errors and a strong incentive on the part of beneficiaries to prevent them.

h) ECA's recommendations:

- Could you prepare a table showing the main recommendations from ECA's 2016 and 2017 EDF audits and specially note which recommendations were implemented and how, which of those are still being implemented and which of those weren't taken on board and the reasons for it?

Please see the requested table below:

ECA EDF 2016 and
2017 recommendatic

- The ECA's 2018 report on the EDF contains a reservation issued in 2017 and is maintained for 2018. It concerns indirect management through international organizations and explicitly targets programs managed by the African Union Commission. Can you give us a detailed information about this reservation and why is it maintained for 2018?

The African Union Commission failed its pillar assessment in 2015, which highlighted weaknesses in its accounting, sub-delegation and procurement processes. DG DEVCO and the African Union Commission agreed a pillar assessment roadmap to monitor progress achieved to address those weaknesses.

In 2017, the African Union Commission had progressed considerably as regards the implementation of the pillar assessment roadmap; only issues related to procurement processes remained. Therefore, DG DEVCO introduced a reservation in 2017 on programmes managed by the African Union Commission with a significant level of procurement.

The latest external review of the pillar assessment roadmap in March 2018 concluded that the African Union Commission is now in a position to pass a new pillar assessment. The Commission therefore launched the pillar assessment in March 2019 and preliminary results indicate that the African Union Commission should pass all pillars. Since the results of the pillar assessment are not yet final, DG DEVCO decided to maintain the reservation in 2018. If the final report confirms the positive outcome of the pillar assessment, DG DEVCO intends to lift the reservation.

i) Commission's EDF audits:

- Could you prepare a table showing the main recommendations from Commission's 2016 and 2017 EDF audits and specially note which recommendations were implemented and how, which of those are still being implemented and which of those weren't taken on board and the reasons for it?

There are no overall EDF audits by the Commission. But EDF operations are covered by DG DEVCO's system of annual plans for expenditure verifications and by DG DEVCO's residual error rate study. While neither of these control processes lead to recommendations, they can result in findings concerning the eligibility of expenditure and sound financial management. The main types of findings relate to missing documentation, incorrect procurement procedures and expenditure outside the contractual period or not for project purpose. The follow up of findings starts with a contradictory exchange between DG DEVCO and the fund recipients concerned which ends with the determination by the Commission of the amount of ineligible expenditure. Ineligible expenditure is either recovered or deducted from future payments. Findings and follow-up by DG DEVCO are recorded for each expenditure verification.

As concerns the Commission's Internal Audit Service (IAS), there were three internal audits related to the EDF finalised in the period mentioned. In the audit on the Management of the African Peace Facility, for which the final audit report was issued in January 2016, the IAS issued 7 recommendations, all of them were accepted and implemented, except for the activity of the audit action plan: "Analysis of results of the new pillar assessment" related to recommendation 1 of the audit report. The implementation of this recommendation is currently ongoing. DG DEVCO expects that it will be fully implemented by 31 December 2019.

In the audit on Direct Management of Grants in DG DEVCO (DCI and EDF), for which the final audit report was issued in January 2017, the IAS issued three recommendations, all of which were accepted. Only the following two recommendations remain to be implemented: sub-recommendation 2.1 will be addressed through the revision of the DG DEVCO Monitoring Guidelines and recommendation 3 will be implemented with updates to DEVCO's new operational system (OPSYS).

In the audit on Management of Investment Facilities (financial instruments), for which the final audit report was issued in January 2018, the IAS issued five recommendations, all of which were accepted. The four recommendations that remain to be implemented are: sub-recommendation 1.1 Monitoring and supervision at HQ level, recommendation 2 Pre-financing, recommendation 3 Blending project cycle: pre-contract signature phase and recommendation 4 Procedures and guidance for blending operations. DG DEVCO expects that all of them will be fully implemented by 31 December 2019 through the new EU Guidelines on Blending operations.

More details in the attached excel file.

IAS audits on
EDF_2016, 2017.xlsx

j) EP's recommendations formulated in its EDF 2016 and 2017 discharge reports:

- Could you prepare a table showing the main recommendations from Parliaments' Resolutions on the EDF 2016 and 2017 Discharge reports and specially note which calls for a change or improvements, recommendations or demands were implemented and how, which of those are still being implemented and which of those weren't taken on board and the reasons for it?

Please see the requested table below.

EP EDF 2016 and
2017.xls

1.2 Based on EC AAR:

a) Concerning Member States' contributions, the called in capital by MS does not seem proportional to MS total uncalled capital. According to what principle do Member States contribute?

According to the 11th EDF Internal Agreement (Art.7) the Commission establishes and communicates to the Council by 20 October of each year a statement of the commitments, payments and the annual amount of the calls for contributions to be made in the current and the following two budget years. These annual amounts correspond to the EDF's actual needs during the financial year.

Once the Council approves these amounts, the Member States then pay, in three instalments, their annual contributions. Art.1§2a of the Internal Agreement establishes the contribution keys (%) to be applied for each Member State.

b) Once Member State capital is called in, does its national provenance remain earmarked? If this is the case, what governs the decision of attributing specific nationally marked funds to a specific project?

According to the 11th EDF Financial Regulation (Art.7) the total revenue covers the total estimated payments (i.e the funds are not earmarked). The only exception that this article provides for is the case of assigned revenues (Art.8). Member States, third countries or international organisations may provide the Commission with voluntary contributions for specific projects or programmes.

c) The share of UK funds not committed or decommitted under the 11th EDF after 31st December 2020 shall not be reused (as well as for the 10th EDF and previous EDFs by the date of entry into force of the withdrawal agreement). Will these amounts be recovered by the UK? Will they be proportionate to their initial contributions or how will the amounts be otherwise calculated?

According to the 11th EDF Financial Regulation (Art 55), unless decided otherwise by the Council unanimously, the amounts not committed or decommitted shall reduce that part of Member States' contributions to the EDF. The impact on the contribution of each Member State shall be calculated in proportion to their initial contribution to the EDF.

d) Considering the decommitted funds from projects under the 10th EDF are transferred to the performance reserve of the 11th EDF, will the UK withdrawal create any treasury issue in this regard?

According to the 11th EDF Financial Regulation (Art.55) the decommitted funds reduce the debt of the Member States to the 11th EDF (in proportion to their initial contribution). Therefore, this reduction is neutral in terms of cash flow and has no impact on the treasury.

e) DG DEVCO´s Annual Activity Report 2018 is subject to two reservations concerning the error rate being above 2% for Grants in direct management (concerning funds managed by DG NEAR on behalf of DG DEVCO)

- Could you give us an overview of the latest state of play regarding the implementation of the proposed corrective actions?

The Commission has ensured a follow-up of this reservation throughout 2019. The actions implemented until end of October 2019 include:

- Revision of the terms of reference for expenditure verifications to include the option to add systems audit to an expenditure verification. These terms of reference are now in use.
- The 2019 Residual Error Rate (RER) exercise is being conducted with a revised methodology to increase checks on grant award procedures. The calculation of specific residual error rate for grants only (the grant rate) will be possible.
- The Commission has implemented several training courses and awareness-raising actions for its staff in EU Delegations and at headquarters. The aim was to improve scrutiny of both operational and financial reports, thus reducing financial risk for the Commission.
- Reduction of pre-financing is also considered, in case of weaker capacity of the organisation.

f) According to DG DEVCO´s Annual Activity Report 2018 - one of the Recommendations contained in the IAS audit report of January 2016 (dealing with the African Union Commission (AUC) managed funds involving a significant level of procurement during year 2018) remains to be fulfilled.

- DG DEVCO expected that the pillar assessment and roadmap on the AUC would become available in the course of 2019. Can you provide an update on the current status of this report and perhaps share the conclusions of the report, if already available?

The pillar assessment was launched in March 2019 and the draft report was received in October. The preliminary conclusions indicate that the African Union Commission should pass all pillars. DG DEVCO expects to receive the final report before the end of the year.

2. Investment (where does the EU money go?)

a) General : The EU is the biggest Development donor in the world. The EU and its Member States have invested more than 74 billion € in development aid in 2018, this is more than half of global development efforts:

- What can the EU do to improve the political credit it gets being a first global donor?

EU action on development is based on the EU treaties and on the 2017 European Consensus on Development, which commits the European Parliament, the Council, the Commission and the Member States to a common vision in assisting partner countries to achieve the Sustainable Development Goals enshrined in the 2030 Agenda consistent with the EU's Global Strategy.

The EU was a leading actor in the formulation of the 2030 Agenda, which is a transformative universal Agenda applicable to all countries. The EU now must be in the lead to "walk the talk" and this is what would reaffirm its credibility enhancing its political credit Worldwide: Leading by example is the answer.

That is how the EU can improve its political credit for being the first largest global donor by leading in the implementation of the SDGs, climate change etc.

On the external front, the EU has already aligned its development policy to the 2030 Agenda through the 2017 European Consensus on Development. The Consensus is the compass for the EU and its Member States in assisting partner countries achieving the SDGs.

On the EU domestic front, the EU is also moving forward on SDGs. The Reflection Paper 'Towards a Sustainable Europe by 2030" (adopted by the Commission in January 2019) provides the key policy foundations for a sustainability transition within the EU. Furthermore, leading by example has been confirmed by President-elect Ursula von der Leyen who has already expressed her commitment to the SDGs: first by calling for a re-focusing of the European Semester to integrate the SDGs and second through the fact that each Commissioner has been tasked to ensure the delivery of the SDGs within their policy area.

Furthermore, the European Green Deal will be a further demonstration of ensuring that the Green Deal and other policy priorities of the Commission are well anchored in the 2030 Agenda and SDG Implementation.

The EU is working on improving the political credit it gets even at country level. Efforts are ongoing to deliver on the Lisbon treaty promises of more joint working and "whole of Europe" approaches. Through Joint Programming for example, the EU and Member States join up to provide a coherent, integrated European response to a country context. Joint Programming is a way for the EU and Member States to increase overall influence in their relations with the various countries. It helps increase the leverage of the EU in its political and policy dialogue with partner countries by ensuring coordinated positions and joint approaches to a country's challenges. It also gives the EU as a whole greater visibility. Joint programming is taking place or should be taking place soon in more than 80 countries and Joint Programming should become the "preferred" approach for country programming under the next long term budget.

J The current international framework for development aid, including the SDGs, rests on the optimistic assumption that all countries will support such aid as a public good. But this should not be a given. Aid can be a political tool that major powers use to buy proxies.

The EU and its Member States provide more than half of the global development aid. Yet European leadership in this area is not only about aid volumes but also about its willingness to push for contributions from other donors. To this end, the EU and its Member States were crucial in shaping the global 2030 Agenda for Sustainable Development in 2015.

United Nations Members signed up unanimously to the 2030 Agenda which in sharp contrast to the Millennium Development Goals, is a universal transformative global Agenda and the main responsibility to achieving the goals lies with the national governments. This global Agenda is a recognition that poverty eradication and global challenges cannot be tackled individually, but rather require the concerted efforts of everyone in leaving no-one behind through effective multilateralism.

The EU has been at the forefront towards the implementation of the 2030 Agenda. In 2017, the EU and its Member States adopted the new European Consensus on Development, which aligns the EU's development policy with the global 2030 Agenda. The European Consensus provides a common development policy framework for the EU institutions and Member States to support all developing countries in their implementation of the 2030 Agenda and its Sustainable Development Goals.

Development assistance is an important tool in the EU's external policy toolbox, through which the EU promotes its core interest, principles and values. Therefore, leveraging aid to shape policies for mutual benefit, though international partnerships, is an important way in attempting to make the Sustainable Development Goals a reality globally by 2030.

It is an EU priority to lead the way in the implementation of our common Agenda, consistent with the EU commitment to promote the rules-based global order with multilateralism as its key principle and the UN at its core. Building partnerships for the acceleration of the implementation of our common Agenda is a natural step. This means cooperating closely with Member States and other partners such as the civil society, the United Nations, the World Bank, International Monetary Fund and other international financial institutions to accelerate the implementation of our shared Agenda.

- In the context of growing Chinese and Russian influence as a donors and investors in Africa, what can the EU do to avoid the "aid wars" with China and its fellows in the countries where the EDF is actively involved?

The economic and political engagement of emerging donors and actors', such as China and Russia, in third countries increased significantly in recent years, notably in Africa. While this can help addressing Africa's development gaps, there are considerable concerns about sustainability, transparency and coordination that the EU aims to address.

All in all, the EU is by far the largest donor and investor in Africa. The EU has significant assets in terms of know-how, country presence and networks that it needs to use to full potential and under a coherent strategy. The Africa-Europe Alliance for Sustainable Investment and Jobs or the recent Connectivity Strategy for example provide frameworks for stronger and coordinate impact for the EU and its Member States.

The EU should aim for constructive engagement with emerging donors and pursuit of an approach of partnership for the implementation of the 2030 Agenda on Sustainable Development and the achievement of the Sustainable Development Goals, putting our joint commitment to Africa's development first. The aim should be to improve the quality and transparency of emerging donors' action and promote a complementary, rather than competitive or conflictual, relationship with them.

A key element of this strategy is to promote the alignment of international cooperation with the partner country's own development priorities. Where this happens there is much less opportunity for conflict or competition between different 'providers'. Benefits for the partner country are greater and such alignment essential to help them achieving the SDGs. In this context, development effectiveness in partner countries is a key mechanism for influencing and responding to emerging donors' cooperation and promoting a level playing field.

One example is the Global Partnership for Effective Development Cooperation, which involves and reaches out to non-OECD donors encouraging them, through political dialogue and good practice, to participate in collaborative development cooperation relationships led by partner Governments at country-level, including the dedicated co-ordination mechanisms that the Government uses.

At the same time, a better understanding is needed of the new actors roles, intention and capacities, a strengthening of our analytic capacities and outreach to them to identify where we can cooperate, where we diverge, as well as reinforce EU visibility, political engagement, narrative and tool box. This is also the approach highlighted in the recent EU Connectivity Strategy. The proposed new Neighbourhood, Development and International Cooperation Instrument (NDICI) also goes in that direction.

Those principles should be pursued in the policy dialogues that the European Commission engages with emerging donors as well as potential options identified for joint-cooperation in sectors and countries of common interests, including by using, where appropriate, triangular cooperation tools. Moreover, the EU uses multilateral fora where emerging donors play a role, such as G20, as well as the Organisation for Economic Co-operation and Development, the United Nations, the World Bank and the International Monetary Fund to promote these views and principles.

b) Direct budgetary support:

) A substantial part of the EDF's financing is directly transferred to the beneficiary countries' authorities. How do you controls/make sure that the transferred funds are effectively spent on the selected programmes or projects? Do you have an overview on how and to what extend a direct budgetary support truly helps the steering of the recipient government's policies?

EU budget support delivers direct assistance in support of partner countries' reforms and progress towards the Sustainable Development Goals. It consists of a transfer of funds to the national treasury for the implementation of a development strategy or a sector policy, conditional upon the achievement of defined results by the partner country. EU budget support uses country systems as prescribed by the international development effectiveness agenda. It contributes to the country's budget resources in a fungible way.

One of the basic conditions is, however, that public finance management improves towards more reliability, more effectiveness and more accountability. This involves budget transparency and oversight (e.g. the publication of budget statements and of supreme audit institution's reports). Budget support also requires stability-oriented macroeconomic policies, monitored in coordination with the International Monetary Fund. These general conditions allow for increased domestic revenue, for appropriate budget allocations to fund national priorities and for more effective spending ultimately.

When designing a new budget support programme and before disbursing, the Commission specifically assesses whether the national or sector policy at stake is adequately financed and therefore is credible in view of its objectives. The Commission also monitors the reforms undertaken and the results achieved in the context of this policy, when necessary with specific performance indicators. For that purpose, the Commission often supports statistical and monitoring systems to fuel the discussion on results in the domestic context. The steady policy dialogue allows the Commission, and primarily the EU Delegations on-site to provide the required feedback, should the policy deviate overly from its initial objectives. Budget support is an investment in countries' public policies and systems, which pays off. Results can be highlighted for all Sustainable Development Goals (see the latest Budget Support - Results and Trends for more details, https://ec.europa.eu/europeaid/budget-support-trends-and-results_en).

With this contribution, the share of people living in poverty in countries receiving EU budget support has dropped from more than 26 % of the population in 2002 to less than 14 % in 2017. In the fight against corruption, countries receiving EU budget support perform on average better than other developing or emerging countries. Although progress may not be even across countries, overall trends speak for themselves and external evaluations confirm them, too. Budget support does secure results over time. It allows sustained policy dialogue with partner countries. In 2018, the Development Assistance Committee of the Organisation for Economic Co-operation and Development's Peer Review praised the EU for the use of budget support.

c) Value for Money (achieving results and broader impacts)

- How could the EDF improve the effectiveness of its investment on the ground? Would you agree that downscaling the investments could in fact improve the effectiveness?

Strengthening the effectiveness of EU cooperation and that of other partners is a key strategy for achieving the Sustainable Development Goals (SDGs). This is why the EU implements the internationally agreed Busan effectiveness principles (Ownership by partner countries, Results focus, Inclusiveness, Transparency & accountability).

In practice, EU interventions become more effective by providing budget support, by strengthening and using our partners' public expenditure systems, by aligning our efforts with their development priorities and by supporting the policy processes that formulate them. This improves the developmental impact of EU aid.

This also implies working with Member States and other providers to try to increase the proportion of external support that uses these approaches in partner countries. This is done for example through co-ordination and dialogue at headquarters level, internationally through the Global Partnership for Effective Development Cooperation, and through EU Joint Programming at country-level.

Getting other 'providers' on-board strengthens the impact of their support, but also has a beneficial multiplier effect on ours. Joined-up assistance reduces duplication and incoherence, and concentrates resources behind a common purpose.
Effectiveness strengthens partner countries' own development capacities and processes. This improves the environment for development cooperation, enables our partners to sustain the positive impacts of assistance, increases the returns to future EU support and, over time, reduces dependency.

There is no evidence that reducing funding leads to increased effectiveness. In fact, the effect of development assistance is to "crowd-in" other forms of finance – not displace them.

Resources are scarce. Many, if not most, of partner governments have to attempt to spread scarce resources across multiple priority areas of expenditure. In such situations, not reaching minimum levels of expenditure in one area often negatively affects the effectiveness of expenditures in another. The EU's use of Budget Support is critical in assisting partners to target resources where such critical gaps exist. Strengthening the targeting our expenditure on policy objectives is an ongoing priority, which will be increasingly important as new partnerships and modalities for development cooperation under the new financing framework are developed.

- As there is a growing demand for Micro-loans coming from African countries, has the EDF (in cooperation with the EIB) considered introducing a pilot project including Micro-loans?

Financial inclusion and microfinance are key factors of economic and social progress and are high on the inclusive growth agenda. They have a proven impact on small business growth, local economic activity and job creation. The European Development Fund supports financial inclusion in Africa through a number of instruments.

For example, the European Development Fund contributed EUR 400 million to the European Fund for Sustainable Development (EFSD) Guarantee Fund for the purpose of investing in partner countries in Sub-Saharan Africa. The European Fund for Sustainable Development provides guarantees to de-risk private investment and uses blending mechanisms to attract further investment in key sectors. The EFSD Guarantee aims at addressing bottlenecks to private investment, such as Small and Medium-Sized Entreprises (SME) loan guarantees (including micro-loans). The European Commission established a dedicated investment window for SME financing and 12 out of 28 guarantee programmes have been approved for this purpose.

The following three SME-related agreements have already been signed: NASIRA Risk-Sharing Facility - Financing for underserved entrepreneurs with the Dutch Development Bank (Financierings-Maatschappij voor Ontwikkelingslanden (FMO), Archipelagos - One Platform for Africa - Supporting African SMEs throughout their lifecycle and developing capital markets with Cassa Depositi e Prestiti - CDP; and guarantee agreement concerning Ventures Programme - Empowering entrepreneurs for sustainable development (also with the FMO).

Micro-loans will also be accessible though other European Commission blending activities funded under the EDF such as Huruma Fund, Boost Africa and African Gurantee Fund, aiming among others to provide micro-loans and Technical Assistance to underserved farmers in Africa, enable and enhance entrepreneurship and innovation across Africa and to boost access to finance by supporting lending to SMEs.

Although not being part of the Commission's discharge, through the ACP investment Facility financed from the EDF and managed by the European Investment Bank, the EU is contributing towards microfinance credit lines with a total value of EUR 139 million. This shoiuld result in around 26,300 loans to microenterprises and individuals, at an average size of EUR 697. In addition microfinance investment vehicles are intended to support 16 different microfinance institutions – and support 588,000 loans to final beneficiaries.

- Could you give us some examples and share experiences of cooperation with the small and medium size organisations/NGOs?

In Ethiopia the Commission works on Scaling-Up Local Climate Adaptation and Mitigation Efforts with Addis Development Vision (ADV). The EU contribution is EUR 212,500. As part of this intervention 100 model farmers were trained on a farmer-to-farmer approach, who in turn trained 4,500 fellow farmers. The training topics included soil conservation; watershed management; fodder preparation for livestock fattening; book-keeping; terracing and contour farming for environmental protection. Thanks to the support, farmers are now practicing agricultural methods that protect biodiversity and are rehabilitating degraded land, thereby complementing the environment and making their communities more resilient to the impact of climate change.

The Zanzibar Non-State Actors Support Programme was established by the EU and the Government of Zanzibar with the goal of strengthening democratisation and good governance through support to civil society initiatives on accountability, participatory development and policy advocacy in Zanzibar. Since then it has worked to strengthen the leadership and advocacy of Civil Society and to increase their engagement in the formulation, monitoring and evaluation of poverty reduction strategies and programmes. A total of 7 large grants (of up to EUR 100,000) and 11 small grants (of up to EUR 10,000) were awarded to Civil Society Organisations of varying capacity. The projects addressed a wide range of issues, including civic education, women's rights, youth empowerment, access to justice, and sustainable community management of natural resources. A common feature was their strong focus on strengthening citizens' participation in national and, most notably, local governance and improving access to essential services. During the programme, multiple opportunities were created for improved participation of Non State Actors (NSA) in advocacy, participatory development processes and policy dialogue. Within the grant-funded projects there was very effective engagement with local government authorities and service providers, strengthening the role of NSAs and delivering tangible benefits to target communities.

- How does the EDF check the mid and long-term results of its investments? What are the indicators used to evaluate this? Do you also use indicators such as: poverty eradication, access to education, access to health facilities (including reproductive health), access to clean water, protection of biodiversity, sustainable development, etc?

The indicators used to monitor the results achieved through interventions financed by DG DEVCO (including European Development Fund - EDF) are based upon the EU International Cooperation and Development Result Frameworks (SWD(2018) 444 final), which has been revised in 2018.

The EU Results Framework includes indicators at different levels. Examples of indicators that are used to measure outcomes and outputs from EU interventions include: (i) Number of individuals with access to improved drinking water source and/or sanitation facility with EU support; (ii) number of micro, small and medium enterprises applying sustainable consumption and production practices with EU support; (iii) greenhouse gas emissions avoided in terms of tonnes of CO_2 equivalent with EU support; (iv) hectares of land where integrated land management practices have been introduced; (v) areas of ecosystems with EU support under a) protection, b) sustainable management; (vi) number of people in food insecurity receiving EU assistance (disaggregated by sex).

These indicators are used to the extent possible in the project logical frameworks, depending on the specific focus and objectives of the action; and are complemented by other more specific output and outcome indicators and qualitative information to monitor and evaluate project performance and impacts. Most projects also include poverty-related indicators.

- Does the Commission control (on the spot) EDF financed or co-financed projects after its official end? When the EDF financed school 5 years ago, does the Commission checks if the school is still existing, active and contributes to the further development of the region?

Ensuring sustainability of operations is a shared responsibility of the EU and the partner government. It is therefore a key criterion during the design and implementation of EU projects and programmes, which is followed-up through Results-Oriented Monitoring exercises (ROM) and through mid-term and ex-post evaluations.

Furthermore, the policy dialogue and the design of new interventions are based on ample sector knowledge by the Delegation and DEVCO Headquarter Services, which includes the lessons learned from past interventions.

Beyond sector or country evaluations, in which the EU checks the track record of past and present interventions over a longer time span, no systematic formalized on-the-spot controls are carried-out after 5 years. However, ensuring the continued impact of past interventions is part of the broader sector monitoring work of the Delegation. Any concern regarding deficient performance or impact of past interventions will be brought to the attention of national counterparts in order to find appropriate solutions.

- Please present what share of EDF investment is directed to least developed countries (LDCs) and to developing countries?

In 2018, 54% of European Development Fund (EDF) total disbursements were directed to Least Developed Countries (LDCs). Practically all EDF disbursements (99%) were directed to developing countries.

- Does the EDF have any evaluation study showing how sometimes decades long presence on the ground with different investments helped some of the African countries' economies to develop? For example in case of a country like Cameroon?

DG DEVCO undertakes regular geographic evaluations to ensure overview of the results at outcomes and impacts levels of its development co-operation.

In 2018 and 2019 external evaluation reports were published for:

- The Central and West Africa Region covering the period 2008-2016, Strategic evaluation of EU cooperation with the Eastern and Southern Africa and Indian Ocean regions for the period 2008-2015 and for Cote d'Ivoire covering the period 2009-2016. While overall results are mixed underlying the difficult to operate in high risk fragile situations, the EU's regional cooperation was the main financial contributor to biodiversity and forest resource management issues in the Central African region and played a key role not only in preserving biodiversity in the 16 protected areas that it supports, but also in the strategies and approaches implemented in this sector and in the sustainable management of forest resources.

- Cameroon, a middle income country, was evaluated in 2014 covering the period 2007-2012. EU support was relevant in that it adequately reflects the government's priorities and population needs. In public finances, the EU played a leading role during the consultation between donors and the government on the elaboration of the Public Finance Management Modernisation Plan ("Plan de Modernisation des Finances Publiques – PMFP") of the Country. EU financial and technical assistance, as part of the "Special Assistance Frame- work", has contributed to productivity gains in the banana sector.

d) Were there any investigation carried out about potential misuse of the EU budget support programme for third countries?

EU budget support contributes to a 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, 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. Specific performance indicators can also be added to upgrade the institutional setup in this respect 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 the case 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.

3. Human Rights Due-Diligence

- When investing in countries governed by un-democratic regimes, how do you amend the risk that EU's money effectively helps the local population and not the regime?

In our development cooperation, the EU can work with and through governments, in which case a financing agreement is signed. There are also cooperation instruments which are independent from government consent and which primarily target civil society actors as implementing partners. Examples of these instruments are the European Instrument of Human Rights (EIDHR) and the CSO (Civil Society OrganisationsOrganizations) thematic budget line.

In the first case, whereby a financing agreement is signed between the Commission and the Government, this agreement includes a clause (art. 26.1 of the General conditions) that enables the Commission to suspend or to terminate the agreement in case of breach of an obligation relating to respect for human rights, democratic principles and the rule of law. Any such breach also disqualifies a country from being eligible for budget support (at inception or during implementation), pursuant to the general conditions of the instrument.

During implementation, the EU aims at close coordination in the assessment and monitoring of fundamental values, referring to the analysis and priorities of the Human Rights country strategy and feeding this follow-up into its political dialogue with the partner country. Finally, our contractual and financial procedures also seek to ensure value for money and prevent rent capture or embezzlement by specific interest groups.

- There is a growing concern in Europe concerning the current trend of channelling development assistance to programs that aim to reduce irregular migration (for example, the EU Emergency Trust Fund for Africa supports migration management in Libya with a budget of EUR 46.3 mio). How does such a program contribute to the main goal of the EU development policy - poverty eradication?

A large proportion of the funding under the North Africa window of the European Union Emergency Trust Fund (EU Trust Fund (EUTF)) in Libya is used in addressing poverty reduction. This is so by interventions aimed at protecting the most vulnerable and by improving the access to basic services of the migrants, the internally displaced people and the host communities. In particular, the EUTF has invested in the rehabilitation of social infrastructures such as hospitals, schools, water and electricity facilities. The EUTF is also providing constantly direct emergency assistance to vulnerable people in the form of blankets, clothes, hygiene kits and medical assistance.

The EUTF funding is implemented in line with the respective rules of its source of funding. For the case of the North of Africa window, the Strategic Board confirmed the focus on the following strands of actions: (i) Support to improved migration governance; (ii) Support to labour migration and mobility; (iii) Protection of vulnerable migrants, voluntary return and sustainable reintegration, as well as community stabilisation (including through support to municipalities along migration routes); and (iv) integrated border management. The sources of funding for the North Africa window of the EUTF are the EU budget and EU Member States or third countries' contributions. From the EU budget, the sources of funding are the European Neighbourhood Instrument (ENI), the Development Cooperation Instrument (DCI), the Humanitarian Aid Instrument and the Asylum, Migration and Integration Fund (AMIF).

J 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?

The EU is firmly committed to the fundamental values of human rights, democracy and rule of law, which are essential elements of all the EU's partnerships and cooperation agreements with third countries. Following the Consensus on Development, the EU and the EU Member States are committed to the application of a rights-based approach, encompassing all human rights, to all our development cooperation.

In its development cooperation, the EU can work with and through governments, in which case mostly a financing agreement is signed. This agreement includes a clause (art. 26.1 of the General conditions) that enables the Commission to suspend or to terminate the agreement in case of breach of an obligation relating to respect for human rights, democratic principles and the rule of law. During implementation, the EU aims at close coordination in the assessment and monitoring of fundamental values, referring to the analysis and priorities of the Human Rights country strategy and feeding this follow-up into its political dialogue with the partner country. Finally, contractual and financial procedures also seek to ensure value for money and prevent rent capture or embezzlement by specific interest groups.

There are also cooperation instruments which are independent from government consent and which primarily target civil society actors as implementing partners. One example is the European Instrument of Human Rights (EIDHR) where work takes place hand in hand with civil society in countries where human rights are violated, to support victims and human right defenders.

For Libya in particular, no financing agreement is signed. The EU has a system 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 type of exercise, the EU relies on the external view 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 international standards of human rights. Should human rights not be respected in the implementation of EU projects, the Commission can take the necessary steps and suspend or terminate projects, in line with contractual agreements.

Given the challenging situation on the spot, the EU is also planning to further increase 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.

- Please provide a table showing categories of migration-related projects financed by the EUTF. What are the guarantees that Commission can provide to demonstrate that migration-related EUTF projects are not supporting activities that violate fundamental Human Rights and International agreements like ECOWAS on free movement of people?

The protection and promotion of human rights and fundamental freedoms are at the core of The EU’s relations with all third-countries and addressed through dialogue with governments and through targeted development assistance. Human rights and fundamental principles are at the heart of all EU external action, including EU Trust Fund (EUTF) programmes, and the respect of human rights constitute standard clauses in all contracts. Migration management measures are accompanied by strong risk-mitigating mechanisms (including a risk matrix prepared by the EU Trust Fund, which is conflict-sensitive, rights-based and people-centred). Appropriate checks and balances are established, notably by ensuring close monitoring of the action and compliance with human rights standards.

EUTF actions are specifically supporting partner countries in tackling exploitation and human rights abuses against migrants as well as local populations within the context of conflicts and crisis. In the Sahel and Lake Chad regions, special attention was given to the upsurge of armed violence, multiplication of conflicts, and the perpetration of abuses against local populations. Specific actions focus on the respect of human rights in fragile zones. In addition, compliance with human rights standards and international humanitarian law is incorporated into all EU Trust Fund projects through technical assistance, training and mentoring. In addition, several actions focus on fighting against transnational trafficking and criminal networks and improving border management in order to prevent human right abuses.

In the Horn of Africa, two regional programmes support the fight against trafficking and smuggling: the Regional Operational Centre in support of the Khartoum Process (ROCK), and the Programme on disrupting criminal trafficking and smuggling networks through increased anti-money laundering and financial investigation capacity in the Greater Horn of Africa. In the Horn of Africa, the EU is also facilitating the free movement of persons in the IGAD region, by supporting the adoption of the IGAD Protocols on Free Movement of Persons and Transhumance. The Better Migration Management Programme aims at improving the protection of migrants within and between countries in the Horn of Africa and at preventing and tackling trafficking of people and smuggling of migrants in the region.

	Sahel/Lake Chad	**Horn of Africa**	**North of Africa**	**Total**	**% of total EUTF funding**
Improved migration management **-** Return and reintegration		184 433 333	643 867 500	1 211 834 033	30%

- Search & rescue - Refugee management (CRRF) - Sensitisation on the risks of irregular migration	383 533 200				
Improved governance and conflict prevention **-** Anti-trafficking and anti-smuggling measures - Border management - Capacity building to government authorities - Civil registry	602 300 000	332 479 000		934 779 000	23%
TOTAL ***	985 833 200	516 912 333	643 867 500	2 146 613 033	**53%**

e

in

***** -Figures as of 31/10/2019**

- The EU's role in Niger's new law assimilating assistance to any foreigner (including ECOWAS nationals) to the illegal trafficking of migrants is more and more pointed out. Please share your view on the issue.

Niger's law 2015-36, adopted four years ago, criminalises the trafficking of migrants, i.e. assistance provided with the aim to draw a profit from foreigners present illegally in Niger and/or with the intention to enter Niger or another country illegally. It does not criminalise assistance/services to an individual in possession of documents that allow them to travel legally across borders (including ECOWAS nationals). This law also foresees unconditional protection and assistance to victims of trafficking. This law was adopted by Niger in response to the increase in transiting through the country and the development of associated criminal networks (trafficking of migrants, drugs, arms, etc.), factors of destabilisation and insecurity. In this sense, the EU and Niger's interests are aligned.

The EU supports Niger in its efforts to maintain its stability and develop its resilience in the face of growing insecurity in the region and along its borders. This includes support to resilience, conflict prevention, and the creation of economic opportunities, including for people who used to rely on activities linked to migration for their livelihoods. This also includes support to the protection of migrants, search and rescue missions in the desert, and the provision of care and services to those who have been victims of traffickers, all foreseen by law 2015-36.

- How does the Commission make sure that EDF investment target/help the most deprived? Has the EDF anyhow included the gender mainstreaming in the EDF project selection? Please give us examples of EDF financed projects focused on woman empowerment?

When new investments and projects are being designed and formulated, the Commission ensures that key principles are respected. These principles are the application of a rights-based approach, encompassing all human rights, as a working methodology to our development cooperation; this also ensures reaching out to the most vulnerable and marginalised communities. Another key principle is the mainstreaming of gender equality and women empowerment in all actions. Before interventions and projects are put into the circuit for decision a quality support and review is carried out by Headquarters' services to ensure that these principles are taken on board from the identification phase, and that a correct OECD/DAC (the Organisation for Economic Co-operation and Development's Development Assistance Committee) gender marker is applied.

It is mandatory to justify all those actions that - based on the findings of a gender analysis - have not been found to target gender equality. It is actively encouraged that projects have (1) either gender equality and/or women empowerment as a **significant objective** and this in order to have a positive impact on advancing gender equality by reducing gender discrimination or inequalities (2) or to have gender equality and women empowerment as **the main objective** of the action and this in order to have a transformative impact.
The following are **examples** of projects which are funded under the EDF and which have gender equality and women empowerment as their **main objective**:

- Spotlight Initiative (EUR 350 million) with the objective to end violence against women and girls, including harmful practises, in Africa, Caribbean and Pacific.
- In Cameroun and Angola: project with the objective to secure land rights for women. A gender analysis done during the identification phase has enabled differentiated strategies for addressing gender inequality vis-à-vis land rights.
- In Burkina Faso: the EU funds a budget support programme which has gender equality as its main objective contributing to reinforce the role of the Ministry of Gender, Children and Social Protection with a stronger, more valued and more dynamic position in its coordinating role with the Ministry of Finance.
- In Zambia, a EUR 25 million programme is also ongoing to eradicate violence against women and girls in two provinces.

4. Joint projects:

a) Result ownership:

- When the EDF is one of many partners (investors) (such as Unicef, African Union, UNDP, EU national development agencies or EU Member States) in a joint-project - how does the EDF share the responsibilities and results ownership, manage the risks of double-payments and avoids the duplication of individual tasks?

Results of interventions funded are reported following a contribution approach, based on an agreed list of pre-determined, pre-agreed indicators among partners.

Expenditure controls follows the procedures established in the agreement and are both audited and evaluated using Commission procedures. Multi-partner interventions follow specific requirements in term of both strategic, financial and operational governance with systemic participation of Commission Services both at headquarters and EU Delegation levels to ensure visibility and sound management.

- Is the EDF in such joint projects responsible only for their part of the whole project?

Governance of these interventions foresee a leading Agency with some degree of autonomy. In case of Multi-Donor Trust Fund, the leading agency works on an indirect management approach with the Commission Services exercising a supervision role.