



EUROPEAN PARLIAMENT

2009 - 2014

Committee on Budgets

2010/2300(INI)

1.4.2011

OPINION

of the Committee on Budgets

for the Committee on Development

on the future of EU budget support to developing countries
(2010/2300(INI))

Rapporteur: Anne E. Jensen

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SUGGESTIONS

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

1. Is surprised by the modest provision of data and figures relating to budget support in the Commission Green Paper, and wonders how the parties and interested stakeholders can contribute fully to this consultation without shared, available data relating to figures and trends in the area of budget support;
2. Is of the opinion that EU aid should generate real quality change in the partner countries and recognises budget support as an effective tool for achieving this goal, provided that, as well as implying conditionality, it is used alongside effective political and policy dialogue;
3. Considers budget support, if used correctly, to be a very important tool for development, strengthening ownership of development strategies in partner countries, enhancing governments' accountability and making aid more predictable; emphasises, however, that budget support must not be merely a financial transfer, but rather part of a package including policy dialogue, performance assessment, capacity building and other supporting interventions;
4. Recalls that clearly defined, widely supported and closely monitored indicators are essential in order to demonstrate the concrete effects of budget support in third countries, and that the relevant budgetary authorities should be updated regularly on the indicators and guidelines that shape the decision-making process in relation to budget support; emphasises that these indicators must be better tailored to the specific needs of partner countries in order to avoid the 'one size fits all' approach taken by the Commission, which is potentially counterproductive;
5. Takes the view that financing decisions on budget support must be driven not only by expected benefits but also by the short-term and long-term risks incurred in both donor and partner countries; notes that the Court of Auditors, in its Special Report¹, is in full agreement with this assessment, highlighting the fact that a sound risk-management framework is still to be developed and implemented;
6. Considers the predictability of aid flows to be one of the most important factors for ensuring the quality of spending, as it enables the partner countries to undertake long-term expenditure planning and to sustain improvements in sectoral policies; advocates that such an approach be reinforced by partner countries' fiscal policies and mobilisation of domestic revenue which, in the long term, should reduce aid dependency;
7. Considers effective mutual accountability to be a cornerstone of budget support and a prerequisite for its sustainability; considers not only that governments in both donor and partner countries should be fully accountable domestically, but also that it is equally

¹ European Court of Auditors Special Report No 11/2010: 'The Commission's management of general budget support in ACP, Latin American and Asian countries'.

important for governments, parliamentarians and citizens on both sides to be accountable to their respective counterparts; takes the view, in this connection, that further efforts should be made to enhance public awareness in donor and partner countries of the scope and results of budget support;

8. Emphasises that the accountability of a partner government to its citizens is a key driver in achieving development outcomes; notes that, to this day, there have been only modest improvements in domestic accountability, partly because civil society and parliaments in many countries lack capacity for advocating and monitoring policy choices as part of a transparent budget process; calls, therefore, for the introduction of systematic involvement of national parliaments and civil society in the political dialogue on poverty reduction and in annual reviews of budget support;
9. Emphasises the need to tackle fraud and corruption, considering these factors as a particularly serious threat to development targets and to the effectiveness of budget support, with the potential to undermine the legitimacy of recourse to it;
10. Is firmly convinced that a thorough analysis of the future of EU budget support to third countries must address the issue of budgetisation of the European Development Fund; is aware of the historical and institutional background to the current situation but believes that the time has come for the Council, the Member States and the ACP countries to acknowledge that this situation is detrimental to the efficiency, transparency and accountability of EU budget support; emphasises, however, that budgetisation must not entail a decrease in the overall financial envelope for development policies;
11. Points out that the EU carries more weight at international level than the sum of its individual Member States; calls on the Member States, the Commission and the European External Action Service (EEAS), in line with the practice established in other policy fields, to improve the coordination of their respective budget support to third countries in order to avoid and/or eliminate overlap, inconsistencies and incoherencies; deplores the reviews showing that, at sectoral level, weak policies, institutions and service delivery systems have prompted donors to use their own systems to implement projects, and to act bilaterally rather than in a coordinated manner, a situation which is all the more unacceptable in a context of scarce funding and which also makes it very hard for the EU to live up to its promises on making aid more predictable; maintains that a focus on specific areas offering the greatest added value should drive EU budget support throughout all phases of preparation and delivery;
12. Emphasises that the aims of improved coordination are to optimise the allocation of resources, enhance the exchange of best practices and boost the efficiency of budget support;
13. Considers that the Union should recognise and utilise the added value generated by its huge political weight and the potentially broad scope of its action, ensuring political influence proportional to the financial support given.

BUDGET SUPPORT FROM EUROPEAN DEVELOPMENT FUND

**COMMITMENTS AND PROGRAMMING
IN ACP COUNTRIES UNTIL END 2009**

Country	9th EDF (2003-2007) commitments		10th EDF (2008-2013) programming		10th EDF (2008-2013) commitments	
	GBS	SBS	GBS	SBS	GBS	SBS
Barbados		10 500 000		8 300 000		
Burkina Faso	197 000 000	2 000 000	320 000 000	75 000 000	325 620 000	50 000 000
Burundi	84 120 000		90 000 000		68 700 000	
Benin	92 580 000	97 000 000	100 000 000	75 600 000	76 900 000	25 000 000
Bahamas			4 200 000			
Botswana		51 416 000		62 000 000		60 000 000
Belize				10 000 000		
Congo (RDC)	106 000 000				22 620 000	
Central African Republic	18 530 000		34 000 000		29 210 000	
Congo (Brazzaville)	30 450 000					
Cape Verde	21 225 000		33 000 000		16 300 000	11 500 000
Dominica		10 780 000	4 600 000			
Dominican Republic	38 000 000	48 200 000	91 300 000	53 700 000		
Ethiopia	58 273 703	162 464 024	195 000 000	200 000 000		200 000 000
Falkland Islands		4 547 116				
Gabon				10 000 000		
Grenada		10 000 000		5 000 000	5 290 000	
Ghana	111 000 000	5 000 000	175 000 000	83 000 000	216 020 000	8 000 000
Gambia			22 000 000			
Guinea-Bissau	18 100 000		32 000 000		32 950 000	
Guyana	41 196 379		30 200 000	14 800 000		
Haiti	36 200 000		48 000 000	10 000 000	64 580 000	
Jamaica	32 550 000	12 250 000	60 500 000	33 000 000	41 900 000	33 000 000
Kenya	125 000 000		126 800 000	66 400 000		
Comoros		16 465 000			7 270 000	
Saint Lucia				6 900 000		
Liberia	3 500 000		20 200 000		27 000 000	

Country	9th EDF (2003-2007) commitments		10th EDF (2008-2013) programming		10th EDF (2008-2013) commitments	
	GBS	SBS	GBS	SBS	GBS	SBS
Lesotho			53 800 000		26 000 000	
Madagascar	129 500 000		170 000 000	160 000 000	90 000 000	
Mali	156 530 000	87 000 000	150 000 000	106 500 000	155 700 000	
Mauritania			38 000 000	29 000 000		
Montserrat		17 200 000				
Mauritius	28 552 531	44 357 000	43 500 000		44 990 000	16 600 000
Malawi	85 500 000		175 000 000	60 000 000	123 890 000	
Mozambique	149 922 000	92 700 000	311 000 000	181 200 000	315 110 000	30 000 000
Namibia		85 000 000		60 200 000		
New Caledonia		21 500 000				
Niger	181 000 000		150 000 000	135 000 000	93 000 000	15 000 000
Saint Pierre and Miquelon		12 810 000				
Rwanda	101 764 000		175 000 000	35 000 000	184 440 000	78 800 000
Seychelles			7 500 000		15 500 000	
Saint Helena		15 590 000				
Sierra Leone	62 000 000		90 000 000	10 000 000	64 820 000	
Senegal	53 000 000		133 000 000	25 000 000	75 000 000	
São Tomé and Príncipe				13 300 000		
Turks and Caicos Islands	14 635 000					
Chad	23 800 000					
Togo	5 000 000		32 000 000		32 500 000	
Trinidad and Tobago		27 300 000		24 300 000		
Tanzania	201 000 000	43 500 000	305 000 000	139 000 000	314 840 000	70 000 000
Uganda	92 000 000	17 500 000	175 000 000	55 000 000	175 000 000	
Saint Vincent and Grenadines				6 200 000		
Vanuatu	4 750 000		8 600 000			
Samoa				25 500 000		15 300 000
Zambia	179 000 000	93 000 000	232 000 000	136 000 000	255 000 000	35 000 000
TOTAL	2 481 678 612	988 079 139	3 636 200 000	1 914 900 000	2 900 150 000	648 200 000

GBS: general budget support (support for a country's national development strategy)

SBS sector budget support (support for a particular sector)

Source: European Court of Auditors Special Report No 11/2010.

**BUDGET SUPPORT
FROM DEVELOPMENT COOPERATION INSTRUMENT
COMMITMENTS IN ASIAN AND LATIN AMERICAN COUNTRIES
2002-2009**

Country	GBS	SBS	TOTAL
Bangladesh	0	105 000 000	105 000 000
Bolivia	0	96 500 000	96 500 000
Ecuador	0	54 600 000	54 600 000
Guatemala	0	33 800 000	33 800 000
Honduras	60 500 000	34 000 000	94 500 000
Indonesia	0	145 000 000	145 000 000
India	0	340 000 000	340 000 000
Kyrgyzstan	0	65 000 000	65 000 000
Cambodia	23 100 000	30 000 000	53 100 000
Laos	16 200 000	0	16 200 000
Nicaragua	75 500 000	92 900 000	168 400 000
Nepal	0	38 000 000	38 000 000
Peru	0	60 800 000	60 800 000
Philippines	0	59 000 000	59 000 000
Pakistan	0	109 000 000	109 000 000
Paraguay	24 000 000	54 000 000	78 000 000
El Salvador	37 000 000	37 100 000	74 100 000
Tajikistan	0	43 000 000	43 000 000
Uruguay	0	8 000 000	8 000 000
Vietnam	102 000 000	16 000 000	118 000 000
TOTAL	338 300 000	1 421 700 000	1 760 000 000
			breakdown as follows:
			2002-2006, from ALA: 810 125 000
			2007-2009, from DCI: 949 875 000

GBS: general budget support (support to a country's national development strategy)

SBS: sector budget support (support for a particular sector)

Source: European Court of Auditors Special Report No 11/2010

BUDGET SUPPORT PAYMENTS IN 2009
FROM EDF AND EU BUDGET (DCI)

million EUR

REGION	Total budget support	GBS		SBS	
		Amount	% of total BS	Amount	% of total BS
ACP as % of BS to all regions	1 009.0 61%	755.1 97%	75%	253.9 29%	25%
LATIN AMERICA as % of BS to all regions	121.8 7%	6.5 1%	5%	115.3 13%	95%
ASIA as % of BS to all regions	112.0 7%	16.0 2%	14%	96.0 11%	86%
ENPI as % of BS to all regions	415.0 25%	0.0 0%	0%	415.0 47%	100%
TOTAL as % of BS to all regions	1657.8 100%	777.6 100%	47%	880.2 100%	53%

GBS: general budget support (support for a country's national development strategy)

SBS: sector budget support (support for a particular sector)

Source: DEVCO, European Commission

**LINK BETWEEN GBS ALLOCATIONS AND THE COMMISSION'S ASSESSMENT
OF RISK OF NON-UTILISATION OF GBS DUE TO THE NON RESPECT OF THE
ELIGIBILITY CRITERIA**

		LOW RISK	MEDIUM RISK	HIGH RISK
Number of ACP countries <i>with budget support programmes</i> planned in their national indicative programme for the 10th EDF		20	14	8
Number of ACP countries <i>with no budget support programmes</i> planned in their national indicative programme for the 10th EDF		0	8	18
Budget support as % of the national indicative programme for the 10th EDF	Average	73.0 %	63.2 %	35.0 %
	Lowest	48.1 %	39.6 %	19.9 %
	Highest	89.4 %	95.3 %	84.7 %

Source: European Court of Auditors Special Report No 11/2010

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	31.3.2011
Result of final vote	+: 25 -: 3 0: 0
Members present for the final vote	Marta Andreasen, Francesca Balzani, Reimer Böge, Lajos Bokros, Giovanni Collino, Jean-Luc Dehaene, James Elles, Göran Färm, José Manuel Fernandes, Carl Haglund, Lucas Hartong, Monika Hohlmeier, Sergej Kozlik, Jan Kozłowski, Alain Lamassoure, Giovanni La Via, Vladimír Maňka, Claudio Morganti, Nadezhda Neynsky, Miguel Portas, László Surján, Angelika Werthmann, Jacek Włosowicz
Substitute(s) present for the final vote	Maria Da Graça Carvalho, Gerben-Jan Gerbrandy, Jan Olbrycht, Peter Šťastný
Substitute(s) under Rule 187(2) present for the final vote	Ivo Vajgl