

## I

*(Information)*

## COURT OF AUDITORS

## SPECIAL REPORT No 1/91

on

the European Development Fund Rehabilitation and Revival Plan accompanied by the replies of  
the Commission

*(91/C 83/01)**(Observations pursuant to Article 206 (a) paragraph 4 of the EEC Treaty)*

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## 1. DESCRIPTION AND IMPLEMENTATION

### INTRODUCTION

1.1. In June 1985 the European Council decided to grant special relief to the countries of Africa which had suffered worst from drought in 1984 and 1985. Consequently, on 4 November 1985, the Council of Ministers approved a 100 Mio ECU rehabilitation and revival plan (RRP) for six countries (Ethiopia, Mali, Mauritania, Niger, Sudan and Chad). This was known as the Natali Plan. The plan was to be funded to the extent of 75 Mio ECU from the fourth EDF and, to the extent of 25 Mio ECU, from the fifth EDF. Subsequently, four other countries (Botswana, Burkina Faso, Cape Verde and Somalia) were added to the list of recipients without any other amendment to the overall package (see *table 1*). The Rehabilitation and Revival Plan (RRP) took effect from the signature of the financing agreement on 26 January 1986.

1.2. The RRP was assigned a double objective:

- (a) to reinforce the existing structures in the recipient countries intended to deal with drought situations;
- (b) to support the rural areas which have suffered from the drought by reviving agriculture there.

The RRP was thus not intended to concern itself with the setting-up of new structures but, rather, to support measures which would allow economic activity to recover or to improve the countries' abilities to overcome further catastrophes. It was therefore to establish an intermediary link between emergency aid and the long-term development plans of the third Lomé Convention (sixth EDF).

1.3. As the Plan was to be jointly financed and executed by the Community and the Member States (initially 100 Mio ECU to be financed by the EDF and at least 100 Mio ECU by the Member States) the Council stressed that the Commission should coordinate its actions with those financed under bilateral aid programmes.

Between December 1985 and July 1986, the Commission organized four coordination meetings between the Commission and donors of bilateral aid, during which information was exchanged, and, at local level, a number of attempts were made to organize joint EDF/Member State actions. However, mainly because of a lack of effective response by the Member States, it was only rarely possible to integrate EDF measures with bilateral aid. The

cooperation hardly went beyond the level of an exchange of information and more comprehensive coordination occurred in only three cases :

- (a) a fleet of vehicles in Ethiopia (4,7 Mio ECU) (FRG);
- (b) road and rail in Sudan (4,5 Mio ECU) (NL and UK);
- (c) rice marketing in Niger (2,0 Mio ECU) (F).

### CONSISTENCY OF MEASURES WITH OBJECTIVES

1.4. The Court's examination covered the operations in favour of the six countries originally designated for relief, involving a total of 96,4 Mio ECU. Visits were made to four of these countries (Ethiopia, Mauritania, Sudan and Chad). The great majority of the measures chosen corresponded to the objectives of the RRP, among which one of the most important was that the actions should be executed urgently and have immediate effects. Only in four cases were the measures financed concerned with longer-term development operations rather than immediate revival:

- (a) in Ethiopia :
  - (i) irrigation projects (2,9 Mio ECU);
  - (ii) soil erosion control (2,1 Mio ECU);
- (b) in Mauritania :
  - (i) road infrastructure (2,0 Mio ECU);
  - (ii) irrigation (2,0 Mio ECU).

1.5. In most of the countries, the appropriations available were distributed among the largest possible number of beneficiaries in order to augment the psychological impact of the aid. The consequent dispersal of effort was a considerable burden on the logistical and administrative organization of the Plan and diluted the intended impact. This was particularly so in Ethiopia. Those problems could have been avoided if the aid had been concentrated on a smaller number of actions as in Mali (see paragraph 1.9 and *table 2*).

1.6. In accordance with the financing agreements, the measures which were financed under the RRP had to be carried out quickly, and it was therefore essential to approach bodies or institutions which were carefully

chosen because of their experience and their organizational abilities. In practice, however, in most cases, aid was automatically directed to the national departments with administrative responsibility for the areas of activity concerned. In several cases, those departments had great difficulty in implementing the aid. This was particularly the case:

(a) in Ethiopia :	Mio ECU
(i) the irrigation projects	2,9
(ii) the distribution of inputs	3,0
(iii) the construction of small stores	0,7
(b) in Mauritania :	
(i) the propagation of seeds	0,4
(ii) the irrigation projects	2,0
(c) in Niger :	
(i) the market-garden crops	0,3
(d) in Sudan :	
(i) the supply of agricultural inputs	$\frac{3,6}{12,9}$

In Ethiopia and Sudan, the execution of RRP programmes was long delayed by the national authorities, who were preoccupied with forwarding and coordinating emergency aid. In Mauritania, administrative sluggishness caused delays and led to funds from the RRP being directly channelled into long-term development projects already under way.

1.7. When choosing intermediaries, better account ought to have been taken of the real organizational abilities of the national departments. Drawing more on the experience of the Commission delegations, commitments should only have been entered into with bodies with proven track records. However, in several cases, calling on competent technical assistance allowed at least partial compensation for the shortcomings of some of the public or semi-public bodies.

#### IMPLEMENTATION OF MEASURES

1.8. Within the Commission, responsibility for the implementation of the RRP was assigned, from November 1985 to December 1987, to a task force which was responsible, on the one hand, for drawing up guidelines and instructions for the preparation and execution of the Plan, and, on the other hand, for the coordination and follow-up of the measures. It was to set up a reporting system which would regularly produce an overall analysis and an assessment of the state of progress of the Plan. The task force was also to have responsibility for providing a permanent link with the delegations, the Member States, the other donors and the embassies of the recipient ACP States. In order to help the Commission departments in these tasks, a technical assistance contract for a sum of

560 000 ECU was drawn up, over and above the 100 Mio ECU programme ceiling.

1.9. The plan of action laid down by the Commission in October 1985 basically provided for measures which could be urgently implemented in order to produce immediate results in the framework of 1986-1987 agricultural campaign. To this end the Commission intended that each country would concentrate on one or two types of action so as to avoid dispersal of effort. In view of the urgent nature of the measures to be undertaken, certain EDF procedures were amended. There were three significant amendments:

- (a) the Chief Authorizing Officer of the EDF (the Director General for Development) had himself to take the financing decisions, by virtue of a delegation of powers from the governments of the recipient States;
- (b) the procedures for choosing the successful tenderers to whom contracts would be awarded had to be made more flexible in the interests of expediting the rehabilitation and revival plan;
- (c) wherever possible, the National Authorizing Officer was required to delegate powers, so that the decisions could be taken at a level closer to that of the measure itself.

1.10. From the outset, it was clear that accelerated implementation would call for devolution of decisions in favour of the Commission delegations. However, instructions they received to this effect, were not precise enough, so that delegations often had to improvise and gradually persuade the Commission's central departments to allow more flexibility in the decision-making system. Whereas the consistency of such a system can only be maintained if a rigorous reporting procedure is set up to allow overall guidance of the measures, in practice, no real reporting system was instituted and the degree of information going to the central departments remained insufficient throughout the operation.

1.11. In view of the multiplicity of parties involved (beneficiary administrations, Member States, other donors, contractors, technical assistance staff etc.), a coordination structure was also called for in the beneficiary country. But even in cases where a coordinator had been appointed, he was not given sufficient authority to be able to exercise any real influence over the course of events. Finally, with the exception of Mali, the RRP operations, due to overall organizational weaknesses, experienced delays which were significant in the case of an operation where urgency was to be of the essence (agricultural campaign 1986/87). This was one of the reasons why the deadline for approval of the secondary commitments was initially set at 1 July 1986. Less than half of the amount had been committed in that sense by that date as a consequence of which the deadline was put back to 30 June 1987. Even on this date, the

Commission's accounts showed only 85 Mio ECU of commitments, with 15 Mio ECU still pending.

1.12. At end 1989, the financial situation of the RRP was as shown in *Table 1*. Four years after the launch of the Plan, intended to be executed in two years, five measures had still not been completed:

- (a) irrigation (2,9 Mio ECU) and rural technology (3,5 Mio ECU) in Ethiopia: 6,4 Mio ECU;
- (b) Mali/Senegal railway (regional programme): 1,7 Mio ECU;
- (c) the hydraulic project in the East of Niger: 1,1 Mio ECU;
- (d) agricultural inputs in Sudan: 3,6 Mio ECU.

However, in spite of the initial delays, most of the measures were carried out in three years, i.e. before the end of the financial year 1988. In Mauritania, this was possible only because the bulk of the operations which were being financed were part of EDF projects already under way, and the RRP funds thus came as a kind of top-up to the financing provided under the sixth EDF.

## 2. COUNTERPART FUNDS

2.1. Although the Court has referred to counterpart funds in relation to the Rehabilitation and Revival Plan in its 1989 Annual Report, its observations are repeated here so as to present in one document a complete picture of the Plan.

2.2. For several operations, amounting to 7 Mio ECU, the measures launched were to be prolonged by the establishment and use in the recipient country of counter-

Table 1 — Financial situation of Rehabilitation and Revival Plan at 31 December 1989

Country	Financing Decisions Mio ECU (a)	Commitments Mio ECU (b)	% (b) of (a)	Payments Mio ECU (c)	% (c) of (a)
<b>INITIAL BENEFICIARIES</b>					
Ethiopia	37,1	36,8	99	36,2	98
Mali	12,5	12,4	99	12,1	97
Mauritania	7,9	7,6	96	7,6	96
Niger	10,6	10,4	98	10,0	94
Sudan	14,8	14,7	99	13,5	91
Chad	11,0	10,9	99	9,5	86
	93,3	92,8	99	88,9	95
<b>ADDITIONAL BENEFICIARIES</b>					
Botswana	2,9	2,9	100	2,8	97
Burkina Faso	0,1	0,1	100	0,1	100
Cape Verde	1,0	0,9	90	0,9	90
Somalia	1,3	1,3	100	1,3	100
	99,2	98,0	99	94,0	95
All ACP <sup>(1)</sup>	0,5	0,4	80	0,4	80
	99,7	98,4	99	94,4	95
4th EDF	74,9	74,3	99	72,1	96
5th EDF	24,8	24,1	97	22,3	90
	99,7	98,4	99	94,4	95

<sup>(1)</sup> Miscellaneous expenditure

Table 2 — Revival and Rehabilitation Plan (Analysis by sector of activity: ceiling amounts)

(Mio ECU)

	Ethiopia	Mali	Mauri- tania	Niger	Sudan	Chad	Additional countries	Reserve	Total
<i>Support measures Logistics</i>									
Railways	2,7	4,2	—	—	2,1	—	—	—	9,0
Roads and bridges	—	3,4	2,0	2,5	2,4	4,8	—	—	15,1
Air transport	—	—	—	—	0,8	—	—	—	0,8
Fleets of heavy vehicles	4,7	—	—	—	—	—	—	—	4,7
Ports	—	—	0,1	—	—	—	1,0	—	1,1
Early warning systems	—	1,6	—	—	—	1,0	—	—	2,6
Medical projects	—	2,3	0,6	—	—	0,1	—	—	3,0
Resettlement of displaced persons	—	—	—	—	—	2,4	—	—	2,4
Storage facilities	1,8	—	—	2,5	—	—	—	—	4,3
<i>Agricultural revival projects</i>									
Hydraulics	4,7	—	—	1,1	—	2,0	4,2	—	12,0
Irrigation	2,9	0,4	1,9	—	—	—	—	—	5,2
Crop protection	4,3	0,5	0,2	—	0,8	0,5	—	—	6,3
Rural technology	3,4	—	—	—	—	—	—	—	3,4
Reafforestation	2,1	—	—	—	—	—	—	—	2,1
Farm inputs	4,2	—	1,5	—	0,3	—	—	—	6,0
Agricultural techniques and production	1,0	0,1	1,3	2,3	—	—	—	—	4,7
Marketing of agricultural products	—	—	—	2,0	—	—	—	—	2,0
Loan facilities for farmers	—	—	—	—	3,6	—	—	—	3,6
Non-governmental facilities	4,3	—	—	—	3,9	—	—	—	8,2
Other projects	0,3	—	—	0,1	—	—	0,1	0,5	1,0
Technical assistance	0,7	—	0,3	0,1	0,9	0,2	—	—	2,2
<b>Total</b>	<b>37,1</b>	<b>12,5</b>	<b>7,9</b>	<b>10,6</b>	<b>14,8</b>	<b>11,0</b>	<b>5,3</b>	<b>0,5</b>	<b>99,7</b>

part funds. The special conditions governing the granting of aid specified that the counterpart funds were to be deposited in separate bank accounts, that the funds could be used for specific operations only and that the Community had to be kept regularly informed of the accounting situation.

2.3. The counterpart funds were specifically to come from:

(a) in Ethiopia:	Mio ECU
(i) a programme for the transport and distribution of fertilizers	2,5
(b) in Mauritania:	
(i) the sale of agricultural inputs	0,5
(c) in Niger:	
(i) rice marketing	2,0
(ii) the sale on credit of cattle	0,4
(d) in Sudan:	
(i) the institution of a system of agricultural credit	<u>1,6</u>
	7,0

2.4. In Ethiopia (2,5 Mio ECU), no checks on the establishment of the counterpart funds were organized. The Ethiopian authorities considered that the funds initially paid over were meant simply to cover the cost of the transport of the fertilizers. No moves to account for the counterpart funds were made subsequently. Closer follow-up by the delegation would have allowed the situation to be rectified in time. In Mauritania, there are no indications that specific accounts were kept for the counterpart funds, and the delegation was not given any information in this respect. Moreover, it appears doubtful whether there were any real possibilities of creating counterpart funds there. The Court found that:

- (a) the management of the agricultural input stocks left much to be desired, due to precarious storage conditions which exposed the fertilizers to hardening, and because the quantities being held in stock represented around five years' use;
- (b) the prices at which seeds were sold were between 10 % and 35 % below cost price because of the system of subsidies to farmers in force in the country.

2.5. In both cases, it was clear that the expected value of counterpart funds would diminish rapidly. In Niger, in the case of rice marketing support (2 Mio ECU), the system was that RRP funds financed the purchase of rice by the local marketing body in the first instance. This was then delivered into storage alongside similar rice financed from other sources. Thus when subsequent sales took place it was not possible to identify the RRP financed rice as such. Even though it had been agreed that the proceeds of sales would be put into a revolving counterpart fund as they took place it was not practicable to do so. In these circumstances it would have been preferable to ask for funds to be deposited according to a pre-established timetable and to require certified accounts to be forwarded from the marketing office. No information has been provided on sales of cattle in Niger since the technical assistance left in November 1987. Only in Sudan (1,6 Mio ECU) was it possible to establish the precise situation of the counterpart funds.

2.6. The difficulties in following up the counterpart funds under the RRP are due to the ambiguous attitude adopted by the Commission and the lack of instructions to the delegations in this respect. The funds were granted subject to acceptance by the recipients of strict conditions of supervision, but in practice, both the central departments and the Commission delegations were reluctant to carry out rigorous follow-up of the establishment and use of counterpart funds. With the multiplication of these funds generated by Community aid (food aid, sectoral import programmes, special debt programme, supplies and procurement in the context of traditional projects), it is time that a clear and realistic policy on counterpart funds was drawn up by the Community and strictly implemented by the Commission.

### 3. FOLLOW-UP OF RESULTS

#### ON-THE-SPOT MONITORING OF MEASURES

3.1. Generally speaking, the follow-up of the RRP measures by the Commission delegations was adequate for the purpose of arriving at an overview of how they had been implemented. Only in Ethiopia was the multiplicity and the widely scattered nature of the measures undertaken, along with the number of parties involved (national administrations and NGOs), such as to constitute a real obstacle to the transparency of the operations. The situation there was rendered all the more difficult because:

- (a) the national authorities refused most offers of technical assistance;

- (b) the national departments submitted few implementation reports, and those submitted were usually of low quality.

In April 1989 the information available on four large projects accounting for 13,5 Mio ECU (36 % of the total) was clearly inadequate:

- (a) crop protection (4,3 Mio ECU): information was incomplete as to the actual distribution of 57 % of pesticides delivered;
- (b) afforestation (2,1 Mio ECU): the proportion of shoots which had rooted had not been measured;
- (c) information concerning allocation of supplies and equipment, in particular as regards smallholdings (2,9 Mio ECU);
- (d) agricultural inputs (4,2 Mio ECU): there was no indication of the results obtained as a result of the application of fertilizers.

#### CENTRAL MONITORING OF MEASURES

3.2. The financing decisions and the financial commitments remained constantly under the control of the task force, which has generally monitored the total appropriations and the reallocation of appropriations well. On the other hand, the Commission's central services were, to a large extent, unaware of the way in which the measures were actually being implemented in the field and did not have regular information about measures involving expenditure of 72 Mio ECU (i.e. 72 % of the programme).

3.3. The Commission disbanded the task force after its final report had been published in December 1987, despite the fact that only 70 % of the RRP funds had been disbursed. On that date, the situation of about 40 % of the RRP measures was unclear, either because the operations had still not been completed or because the managing bodies had not submitted any activity reports. Having been disbanded at this stage, the task force was unable to carry out one of its main tasks, the overall evaluation of the measures implemented and of the lessons to be drawn from them for the future, in terms of procedures and the nature of the measures carried out. It would not in fact have been possible to make a worthwhile assessment of this kind until the end of 1988, i.e. one year later.

*ACCOUNTS AS A MONITORING INSTRUMENT*

3.4. The financial structure of the RRP has proved to be rather cumbersome because of fluctuations in the volume of total appropriations, the existence of a reserve, exceptional administrative procedures and the high number of operations to be monitored (about a hundred measures split up into 320 commitments). Moreover, for the countries of the franc area, it was only after long delays that many of the payments made locally could be entered in the project accounts by the Commission's central departments.

3.5. As for the other EDF measures, the accounts of the RRP were kept by the Finance Directorate of DG VIII. In 1987 the Commission lost control of the reserve account as evidenced by expenditure exceeding total appropriations by 2 Mio ECU. This resulted in a reorganization of the accounting, under which different accounts were opened for each country. After this reorganization had been completed, new defects in the organization became apparent:

- (a) it was no longer possible to monitor globally the various measures carried out in the same country;
- (b) the fact that commitments were not recorded in the accounts project by project but only in chronological order prevented individual monitoring of measures;
- (c) some measures were split between different accounts;
- (d) the commitments for some contracts were spread over several accounts;
- (e) some commitments covered several measures; and
- (f) in one case an RRP measure was partially charged to a standard EDF project.

3.6. Despite a reorganization within the Finance Directorate of DG VIII the accounting for the operations of four French-speaking countries came to a halt for eight months because of inadequate staffing procedures.

3.7. The shortcomings in the RRP's accounting arrangements have had serious consequences in terms of the regularity of entries:

- (a) many payments were made without any prior commitments; the final adjustments for these payments were not made until the first six months of 1989;

- (b) booking errors were found for both commitments and payments, resulting in overruns of total appropriations which had not been immediately rectified;

- (c) for a long time, delays in the regularization of local payments distorted the estimates of the utilization of appropriations, making them lower than was actually the case, which resulted in cases where appropriations were transferred to other measures even though the appropriations transferred were no longer available;

- (d) many files did not contain the documents proving that the measures had been carried out (contracts; estimates; accounting statements; supporting documents for payments; acceptance certificates).

There is no evidence in the Commission files that the Financial Controller took a stand on these various anomalies and inconsistencies.

3.8. The Commission's central EDF accounting has not made it possible to ascertain the real situation of each RRP measure. For this reason, it could not be used as an instrument of management by the Chief Authorizing Officer, the task force or the delegations. In the case of Mauritania and Niger, staff from Brussels had to go to the delegations in November 1988 and June 1989 in order to reconstruct the accounts for these two countries.

#### 4. CONCLUSION

4.1. With a few exceptions (8,9 Mio ECU), the measures selected within the framework of the RRP did correspond to the programme's requirements, but in some countries, such as Ethiopia, the number and geographic dispersion of the measures made it difficult to monitor them (paragraph 1.5).

4.2. The initial aim of supporting the preparation of the 1986-1987 agricultural campaign was not achieved because of delays during the first year of implementation. This aim was not realistic in the first place. However, despite the initial delays most of the measures were completed by the end of 1988 (paragraph 1.12). In comparison with the pace of execution of the more classic type of aid, these measures could thus be considered as having been speedily executed.

4.3. Coordination of the EDF projects with the Member States' aid measures was extremely limited. In this respect, the Community and its member states failed to act in a coherent fashion (paragraph 1.3).

4.4. The structure and procedures for implementing the RRP were not made sufficiently clear at the outset and this resulted in delays in decision-making (lack of regional coordination) and, above all, it meant that the task force responsible for coordinating the plan was not fully informed concerning the actual state of progress of the projects (paragraphs 1.10, 1.11 and 3.2).

4.5. The Commission's attitude to the counterpart funds generated by various measures was ambiguous and it is only in Sudan that, thanks to effective technical assistance, the actual situation and utilization of the counterpart funds is known (paragraphs 2.4, 2.5 and 2.6).

4.6. The plan's accounting organization was defective and it has not been possible to use the accounts as an instrument of management; on the contrary, its inconsistencies have been the reason behind losses of control

(Mauritania and Niger) and irregularities not detected by the Financial Controller (paragraphs 3.7 and 3.8).

4.7. The task force set up in the Commission's central services basically concentrated on the definition of measures and the commitment of funds. It only minimally monitored the payments situation and the actual execution of the measures (paragraph 3.2). It did not carry out any systematic assessment of the impact of the measures either by country or in relation to the overall plan. In mid-1989, because of a significant gap in the availability of implementation reports and in view of the fact that the measures were dispersed over a wide area, it was not possible to pronounce on the impact of the RRP in the countries concerned.

4.8. The task force was disbanded too early to be able to draw true lessons for this pilot programme as regards both the simplification of procedures and the measuring of the impact of the measures carried out. It would have been preferable, in the context of a pilot experiment, to have had an independent assessment made of the programme. In the absence of such an assessment a rare opportunity for evaluating an accelerated aid scheme has thus been lost (paragraph 3.3).

The present report was adopted by the Court of Auditors in Luxembourg at its meeting of the 7th February 1991.

*For the Court of Auditors*

Aldo ANGIOI

*President*

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## COMMISSION REPLY

### 1. INTRODUCTION

1.3. The four meetings in Brussels with the Member States were complemented by routine contacts with other bilateral and multilateral aid agencies.

As regards coordination on the spot, the Commission gave instructions to its delegations in February 1986 concerning the identification and implementation of the programme, which included coordination with the National Authorizing Officers, the local administrations concerned, the representatives of the Member States on the spot, and any other major donors involved.

The three cases mentioned by the Court concern projects where there was integration of EDF actions with those of bilateral aid, which is a much more comprehensive notion than coordination; such integration could only be ensured for a limited number of projects considering the urgency of the programme and the time available.

### CONSISTENCY OF MEASURES WITH OBJECTIVES

1.4. The Commission notes the Court's view that 'the great majority of the measures chosen corresponded to the objectives of the RRP' but believes that the four measures cited as exceptions by the Court also corresponded to the objectives mentioned in paragraph 1.2 of reinforcing the existing structures in the recipient countries and supporting the rural areas which have suffered from the drought by reviving agriculture there.

1.5. The whole concept of the operation was to distribute the aid among the widest range of beneficiaries possible, and not to concentrate on a smaller number of actions.

1.6-1.7. In each of the target countries, there was already a working system of administration set up in order to manage normal EDF projects. This system, which is based on the appointment of a National Authorizing Officer and a Commission delegate in the recipient country, is foreseen in the various Lomé Conventions and functions well under normal circumstances.

The administrative coordination of the programme at the national level was therefore foreseen by the relevant National Authorizing Officer. As the Court notes in 1.7, it

was also possible to supplement the management of the aid in many cases by appointing technical assistance.

### IMPLEMENTATION OF MEASURES

1.10. As mentioned in point 1.3, the Commission gave precise instructions to its delegations in February 1986 concerning the identification, decision and implementation of the actions under the RRP. Any reporting omissions by the delegations to the central departments were due to the pressures caused by the overload of work on staff; with the RRP work in addition to normal implementation of the Lomé Conventions, written reports could not always be made, although the central services were informed of the situation directly on a regular basis.

1.11. As stated in the reply to paragraphs 1.6-1.7, a coordination structure already existed in each beneficiary country, centred on the National Authorizing Officer, whose powers are defined in article 30 of protocol 2 of the Lomé I Convention and article 122 of the Lomé II Convention.

Thus, although delays were experienced with the implementation of the RRP, these were not caused by any lack of authority vested in the national coordinators, but rather by the over-burdening of these coordinators in an emergency situation.

On 17 April 1986, the Commission informed the Development Council of a total of 60 schemes approved for 78 Mio ECU; by the beginning of July 1986, 79 schemes had been approved for 90,7 Mio ECU. The postponement of the deadline for commitments by one year to 30 June 1987 was made necessary by the cancellation of a number of schemes which turned out to be infeasible in practice and their replacement by new projects. The reserve of 15 Mio ECU remaining on 30 June 1987 was left as a precaution against project over-runs which are always possible with this type of operation. This reserve was used for supplementary decisions before the end of 1987.

1.12. As shown in the Court's table 1, the RRP was 99 % committed and 95 % paid at the end of 1989. Indeed, as the Court points out, most of the measures had already been carried out by the end of 1988.

As regards the five projects mentioned by the Court, the payments still outstanding now amount to a total of 2,1 Mio ECU (2 % of the programme), and it is expected that most of the contract commitments will be closed shortly.

## 2. COUNTERPART FUNDS

2.4. Local currency counterpart funds are set up by the recipient country as a 'quid pro quo' for ECU transfers from the Commission, for example by the local sale of food aid. As stated in paragraph 13.45 of the Commission's replies to the Annual report of the Court for 1989, these counterpart funds cannot be considered as belonging to the Commission like normal aid credits. See also point 2.5-2.6.

It is true that the setting up of counterpart funds was at first overlooked in Ethiopia, although this was rectified later; as regards Mauritania, the counterpart funds were not placed in specific accounts as they were merged with counterpart funds arising from other donors.

- (a) As regards the storage of agricultural inputs (fertilizers) in Mauritania, the poor conditions were due largely to the fact that the department responsible was confronted at the time with major gifts from other donors, such as Canada which required the inputs to be stored for several years. Since the beginning of 1990, these old stocks have been completely used up.
- (b) The sale of rice seeds at below market price was necessary to be able to sell them at all. Even during normal times, the small rice-growers in Mauritania did not then recognise the value of the improved seeds, and refused to pay for them at prices much above that of normal paddy rice.

2.5 – 2.6. The complex subject of counterpart funds has been the subject of much consideration and discussion within the Commission, in conjunction with other donors (especially the IMF and the World Bank) and recipient countries. A policy paper was transmitted to the Council in October 1990, and instructions will shortly be issued to the Commission's delegations. A copy will be addressed to the Court.

## 3. FOLLOW-UP OF RESULTS

### CENTRAL MONITORING OF MEASURES

3.2. See reply to paragraph 1.10.

3.3. The task force was disbanded in December 1987 because its objectives had been achieved, and its members were required for other priority development activities. The essential work of the task force was the identification and putting into operation of the RRP; once the projects were under way, their progress was monitored by the delegations and the central geographical units, and the accounting was the responsibility of the finance directorate. By the end of 1987, all projects were under implementation, so there was no further need for the existence of the task force.

Its report of December 1987 did indeed draw various conclusions for the future, particularly concerning the modifications made to the internal financial procedures of the European Development Fund, and the need for flexibility in this type of action.

The conclusions of this report will be most useful as a guide should a similar operation prove to be necessary in the future.

### ACCOUNTS AS A MONITORING INSTRUMENT

3.5. It was felt at the outset that the accounting system normally used for EDF operations, which is based on primary commitments at project level and secondary commitments at contract level, would be too heavy for the emergency situation in which the RRP was placed.

To counter this, primary commitments were made at the level of the plan itself rather than for individual projects or schemes in order to speed up implementation. This meant that the secondary commitments, based on contracts, often covered more than one scheme, which gave rise to difficulties in following the implementation of specific schemes. Nevertheless, control of the overall financial situation was ensured.

3.6. The difficulty in keeping the accounting up-to-date was caused by a shortage of staff rather than by any inadequacy in the staffing procedures.

3.7. (a) See paragraph 13.20 of the replies of the Commission to the Annual report of the Court for 1989.

(b) – (c) Both booking errors and delays in regularization of local payments are the result of the combination of the extra burden of work caused by the RRP and the shortage of staff in the authorizations and accounting unit, rather than the result of the particular accounting arrangements adopted for the RRP.

(d) The detailed justifying documents were held by the delegations and were available at the request of the central services. As regards the Financial Controller's position, see reply to paragraphs 14.26-14.28 of the Annual report of the Court for 1989.

#### 4. CONCLUSIONS

Overall, the RRP was clearly a successful operation, with a positive impact on the target countries concerned. The Commission is pleased to note the Courts' comments in its conclusions (paragraphs 4.1 and 4.2) that the measures selected corresponded to the programme's requirements, and that by comparison with the more classic type of aid, they could be considered as having been speedily executed.

As mentioned in its reply to paragraph 1.3, the Commission believes that effective coordination was ensured with other donors, and (paragraph 1.10) that the central services were largely informed of the progress of the projects.

It agrees that its policy regarding counterpart funds had not been fully worked out at the time of the RRP, but this has now been rectified by a policy paper transmitted to the Council in October 1990, which will be followed up by detailed instructions to its delegations shortly.

It also agrees that the current computerized accounting system for the EDF is not sufficiently flexible to be able to be adapted to an unusual situation like that in which the RRP was made necessary, but it is being replaced by a more modern and flexible computerized system in 1991.

Finally, it agrees that the prime objective of the task force set up in the central services was the definition of measures and commitment of funds; the subsequent monitoring of the project implementation was for the delegations and central units normally responsible for the projects in the target countries concerned. The final report of the task force in December 1987 makes a valuable summary of the successes and difficulties of the RRP. It is unlikely that a supplementary evaluation of the programme would have significantly added to the operational conclusions drawn.

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