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**EUROPEAN PARLIAMENT****SESSION DOCUMENTS**

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A3-0070/91

**R E P O R T**

of the Committee on Budgetary Control

on the granting of discharge to the Commission in respect of the financial management of the fourth, fifth and sixth European Development Funds for the 1989 financial year

Rapporteur: **Mrs Barbara SIMONS**

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On 11 May 1990 the Commission forwarded to the European Parliament the financial statements and accounts of the European Development Funds for the 1989 financial year (COM(90) 148 final).

On 22 March 1991 the Council forwarded to Parliament the recommendations concerning the discharge to be given in respect of the management of the European Development Funds for the 1989 financial year.

At the sitting of 15 April 1991 the President of Parliament announced that he had referred these documents to the Committee on Budgetary Control as the committee responsible and to the Committee on Development and Cooperation for its opinion.

At its meeting of 29 October 1990 the Committee on Budgetary Control appointed Mrs Simons rapporteur.

At its meeting of 21 March 1991 it considered the draft report.

At the latter meeting it adopted the proposals for decisions and the motion for a resolution unanimously.

The following were present for the vote: Price, chairman; Wynn, vice-chairman; Simons, rapporteur; Goedmakers, Kellett-Bowman, Lo Giudice, Sarlis, Schodruch, Tomlinson and Wettig.

The opinion of the Committee on Development and Cooperation is attached.

The report was tabled on 22 March 1991.

The deadline for tabling amendments will appear on the draft agenda for the part-session at which the report is to be considered.

A

I.

PROPOSAL FOR A DECISION

giving discharge to the Commission in respect of the financial management of the fourth European Development Fund for the 1989 financial year

The European Parliament,

- having regard to the EEC Treaty,
  - having regard to the first ACP-EEC Convention<sup>1</sup>,
  - having regard to the balance sheets and administrative accounts of the fourth, fifth and sixth European Development Funds for the 1989 financial year (COM(90) 148 final),
  - having regard to the report of the Court of Auditors for the 1989 financial year, and the replies of the institutions<sup>2</sup>,
  - having regard to the recommendation of the Council of 18 March 1991 concerning the granting of this discharge (C3-0171/91),
  - whereas the Treaty of 22 July 1975 empowers the European Parliament to give discharge in respect of the financial management of the Community,
  - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Development and Cooperation (A3-0070/91),
1. Gives discharge to the Commission in respect of the financial management of the fourth European Development Fund for the 1989 financial year on the basis of the following amounts:
    - payments: ECU 32 177 343.70;
  2. Records its observations in the resolution which forms part of this decision;
  3. Instructs its President to forward this decision and the resolution containing its observations to the Commission, the Council, the Court of Auditors and the European Investment Bank and to have them published in the Official Journal (L series).

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<sup>1</sup> OJ No. L 25, 30.1.1976

<sup>2</sup> OJ No. C 313, 12.12.1990

II.

PROPOSAL FOR A DECISION

giving discharge to the Commission in respect of the financial management of the fifth European Development Fund for the 1989 financial year

The European Parliament,

- having regard to the EEC Treaty,
  - having regard to the second ACP-EEC Convention<sup>1</sup>,
  - having regard to the balance sheets and administrative accounts of the fourth, fifth, and sixth European Development Funds for the 1989 financial year (COM(90) 148 final),
  - having regard to the report of the Court of Auditors for the 1989 financial year, and the replies of the institutions<sup>2</sup>,
  - having regard to the recommendation of the Council of 18 March 1991 concerning the granting of this discharge (C3-0172/91),
  - whereas the Treaty of 22 July 1975 empowers the European Parliament to give discharge in respect of the financial management of the Community,
  - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Development and Cooperation (A3-0070/91),
1. Gives discharge to the Commission in respect of the financial management of the fifth European Development Fund for the 1989 financial year on the basis of the following amounts:
    - revenue: ECU 400 979 417.30
    - payments: ECU 240 684 140.15;
  2. Records its observations in the resolution which forms part of this decision;
  3. Instructs its President to forward this decision and the resolution containing its observations to the Commission, the Council, the Court of Auditors and the European Investment Bank and to have them published in the Official Journal (L series).

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<sup>1</sup> OJ No. L 347, 22.12.1990

<sup>2</sup> OJ No. C 313, 12.12.1990

III.

PROPOSAL FOR A DECISION

giving discharge to the Commission in respect of the financial management of the sixth European Development Fund for the 1989 financial year

The European Parliament,

- having regard to the EEC Treaty,
  - having regard to the third ACP-EEC Convention<sup>1</sup>,
  - having regard to the balance sheets and administrative accounts of the fourth, fifth and sixth European Development Funds for the 1989 financial year (COM(90) 148 final),
  - having regard to the report of the Court of Auditors for the 1989 financial year, and the replies of the institutions<sup>2</sup>,
  - having regard to the recommendation of the Council of 18 March 1991 concerning the granting of this discharge (C3-0173/91),
  - whereas the Treaty of 22 July 1975 empowers the European Parliament to give discharge in respect of the financial management of the Community,
  - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Development and Cooperation (A3-0070/91),
1. Gives discharge to the Commission in respect of the financial management of the sixth European Development Fund for the 1989 financial year on the basis of the following amounts:
    - revenue: ECU 895 211 025.02
    - payments: ECU 1024 161 799.46
  2. Records its observations in the resolution which forms part of this decision;
  3. Instructs its President to forward this decision and the resolution containing its observations to the Commission, the Council, the Court of Auditors and the European Investment Bank and to have them published in the Official Journal (L series).

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<sup>1</sup> OJ No. L 86, 31.3.1986

<sup>2</sup> OJ No. C 313, 12.12.1990

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IV.

MOTION FOR A RESOLUTION

containing the comments which form part of the decisions giving discharge to the Commission in respect of the financial management of the fourth, fifth and sixth European Development Funds for the 1989 financial year

The European Parliament,

- having regard to Articles 137 and 206b of the EEC Treaty,
- having regard to Articles 67, 70 and 73 of the Financial Regulations applicable respectively to the fourth, fifth and sixth EDF, under which the Commission is required to take all appropriate steps to act on the observations appearing in the discharge decisions,
- noting that, under these Articles, the Commission is also required, at Parliament's request, to produce a report on the steps taken as a result of Parliament's observations and, in particular, on the instructions given by the Commission to the services responsible for managing the European Development Funds,
- having decided to express the observations referred to in Articles 67, 70 and 73 in this resolution, which forms part of the respective decisions giving discharge in respect of the financial management of the European Development Funds for the 1989 financial year,
- also adopting this resolution in the exercise of the powers which are essential for it to carry out its monitoring function, with a view to remedying the shortcomings noted in the study relating to the discharge and to improving the management of the European Development Funds,
- having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Development and Cooperation (A3-0070/91),

Priority attached to development policy

1. Points out that Community development policy has long been a high priority for the European Parliament; that Parliament has played an active role in the implementation of the policy and the introduction of certain measures; that it has regularly contributed to improving the Commission's measures and stressed the positive results thereof;

Rate of utilization of EDF appropriations

2. Notes that, at the end of the fourteenth year of implementation, 98.6% of the fourth EDF as a whole had been committed (98.5% in 1988) and 95% had been paid out; calls once again on the Commission to close the fourth EDF before the fourth Lomé Convention comes into force;

3. Notes that, at the end of the ninth year of implementation, the rate of payment of the fifth EDF has further decreased (79%) and is about 5% lower than that of the fourth EDF at the same point in time;
4. Feels obliged once again to express its concern regarding the delay in making payments in respect of planned projects; is aware of the problems arising from the new procedure for semi-direct payments; repeats its request (previously expressed in respect of the 1983 discharge) for the Commission to submit a report on the reasons for the slow rate of payments from the EDF;

#### Inadequacy of budget management and accountancy practices

5. Notes that the Court of Auditors makes the same criticisms every year regarding the management of the budget and accountancy practices, and that Parliament itself has very often had to repeat the same criticisms in its observations on the discharge;
6. Notes that the Commission has stated its intention to implement the following measures by 1 October 1991:
  - (a) Elimination of administrative practices on the part of the delegations and the authorizing officer by means of which payments are made without prior commitment;
  - (b) Amendment of internal procedures so that the endorsement of the financial controller can be given before the commitment is entered in the books;
  - (c) Introduction into the computerized accounting system of precise accounting instructions and of effective reliability tests;
  - (d) Preparation and introduction of the long-awaited handbook on financing and accounting procedure;
  - (e) Entry into force of the new general schedules of conditions for employment, delivery and service contracts;
  - (f) Reorganization of the Commission's offices to ensure an effective division between the functions of the accounting officer and the authorizing officer;
  - (g) Creation of a unit to monitor accountancy in the Finance Directorate of Directorate-General VIII, so as to lighten the workload of the financial controller;
  - (h) Improvement in the presentation of the financial statements;
7. Draws the Commission's attention to the fact that it is the Commission's responsibility to allocate staff resources in such a way as to enable itself to fulfil its obligations appropriately; stresses once again that it attaches a high political priority to the effective administration of the EDF;



8. Calls on the Commission to submit a report by 1 October 1991 on the implementation of the measures listed in paragraph 6;
9. Notes that the Commission describes the misuse of transfer payments for Benin under the STABEX as a mistake; also notes that this was an isolated case, but calls on the Commission to inform Parliament of such cases as a matter of course;
10. Repeats, with regard to the case described by the Court of Auditors under 14.14 and 14.15, its request for improved monitoring of the European Investment Bank's activity in connection with the EDF;
11. Draws the Commission's attention to the fact that, on the basis of the Court of Auditors' special reports 6/87 and 7/87, it has made recommendations regarding the administration of food aid counterpart funds, and these should be taken into consideration by the Commission in its current reflexions on the matter;
12. Instructs its President to forward this decision and the resolution containing its observations to the Commission, the Council, the Court of Auditors and the European Investment Bank and to have them published in the Official Journal (L series).

EXPLANATORY STATEMENTDEVELOPMENT IN RECENT YEARS OF THE COMMUNITY'S DEVELOPMENT AID POLICY

1. The development aid policy has always been one of Parliament's priorities since it expresses the Community's solidarity with developing countries. Accordingly, Parliament, as one of the two arms of the budgetary authority, has always supported the Commission's requests for increased staff and resources to enable the various forms of development aid to be suitably administered.

In recent years, Parliament has similarly urged the Commission to ensure effective management of the financial resources made available by the Community to developing countries.

2. In 1989, the Community as a body provided ECU 2 360.4 million in development aid: ECU 1 297.1 million from the European Development Funds (EDFs) and ECU 1 063.3 million from Title 9 of the general budget of the European Communities.

These figures mean that Community development aid as a whole increased by only 5.5% in monetary terms over 1988 levels, and this slight increase in total development aid in terms of payments made masks considerable differences in the performance of the various sources:

- payments from the EDF increased by 8.5% during 1989, which represents a level of expenditure 55% greater than that in 1987.
- on the other hand, payments under Title 9 of the Community budget increased by only 2% in monetary terms, which represents a decrease in real terms. If we extend the period of comparison, it should be pointed out that the level of payments in 1989 is similar to that in 1984 and 1985, which highlights the fact that the level of payments from the Community budget to the developing countries has stagnated in monetary terms and declined in real terms.
- lastly, it should be pointed out that 1989 represents a turning point in the gradual decrease, over the last few years, in the relative importance of the development aid policy in the Community budget. In other words, available commitments in 1984 represented 4.4% of the Community's budgetary expenditure, but, five years later, in 1989, this figure had dropped to 3.1% and went as low as 2.8% in 1988.

This set of figures confirms the greater importance, both relative and absolute, of the aid channelled through the EDF, which, although under the direction of the Commission, is not always implemented and monitored in accordance with strictly Community criteria but often with reference to the considerations of the individual Member States.

The rapporteur considers that the Community's development aid policy should be formulated, directed and assessed as a single entity, irrespective of the fact that its resources come, for the moment, from a dual source: the Community budget and the European Development Funds. The joint presentation in one

report of the two sources of development aid should therefore be interpreted as a clear political signal of Parliament's determination to secure, within the shortest possible time, a development aid policy which is financed exclusively by the Community budget.

#### THE NEED FOR A QUALITATIVE CHANGE IN THE FINANCIAL MANAGEMENT AND AUDITING OF THE EUROPEAN DEVELOPMENT FUND (EDF)

3. Over the last decade, the Court of Auditors has repeatedly criticized many aspects of the financial management and auditing of the EDF by the Commission. Amongst other things, the Court has reported certain anomalies relating to accounting practices (such as, for example, the lack of transparency in the presentation of the financial statements, the entry of commitments in the accounts on the basis of variable concepts, deficiencies in recording the payment of imprests and monitoring the use thereof, inadequate monitoring of payment procedures, availability of and access to supporting documents, etc.) and other financial management practices (such as the incorrect application of rules concerning the currencies in which payments are made and the revision of contract prices, inadequacies in the use of completion guarantees, generally excess finances, etc.).

Through its resolutions giving discharge to the Commission in respect of its management of the EDFs, Parliament has drawn attention to such shortcomings and has called on the Commission to take all necessary steps to improve the effectiveness of management and monitoring procedures and, thereby, the socio-economic impact of Community aid.

Unfortunately, however, the political mandate included in any resolution giving discharge to the financial management has not been duly fulfilled by the Commission, with the result that Parliament's resolutions have not brought about any substantial improvement in the Commission's financial management of the EDFs.

4. The weaknesses in the Commission's financial management and auditing system and the lack of political effectiveness of the current procedure for monitoring the management of the EDFs acquire a new dimension with the entry into force of the Fourth Lomé Convention and the discussions on the new financial regulation for the seventh EDF, which will provide the financial basis of the new Convention. It must be remembered that the annual level of funding allocated to cooperation with the ACP States will double over the next five years. It is obvious that this considerable increase in cooperation with the countries in question will of necessity require a more effective allocation of Community resources than in the past and, consequently, a considerable improvement in the management of the EDF, so as to maximize the socio-economic impact of Community aid. This requirement is all the more urgent in view of the serious economic situation of the countries in question.

This is the background against which the requests made by the Committee on Budgetary Control must be viewed, particularly the request for a 'programme of minimum exchange rates' referred to in paragraph 6 of its resolution. This programme is one which the Commission should apply with a minimum of delay, so as to break with the inertia of the past and bring to a close a long period which has been characterized by the persistence of serious shortcomings in the financial management and auditing of the EDF.

5. Parliament is responsible for monitoring Community policies and cannot allow its resolutions to be ignored. To remedy this situation, it is essential for Parliament's procedure for overseeing the management of the EDF to be harmonized with the existing procedure relating to the general budget. This explains the significance of the amendments proposed by the Committee on Budgetary Control in its report on the Financial Regulation for the Seventh EDF with a view to establishing effective monitoring and continuous assessment of the economic and financial management carried out by the Commission.

The Commission's current practice of notifying Parliament of the steps taken in the Annex to the revenue and expenditure account for the financial year n+2 does not allow for the effective monitoring of the way in which the Commission has complied with Parliament's comments included in the decisions giving discharge in respect of management. This wish to monitor closely the way in which the Lomé Convention is managed is the reason behind the request contained in paragraph 8 of the resolution.

6. The Committee on Budgetary Control has already expressed its support in previous reports for the form of development aid based on the use of counterpart funds obtained by means of the sale of the assistance granted by the Community. It is clear that, with the growing importance of methods involving the rapid payment of aid (the special debt programme, sector-based import programmes), the use of counterpart funds comes to play a major role in the integration of Community aid into the development process of the receiver countries.

The rapporteur therefore believes that it is essential for Parliament to be involved in the current reflexions on the Community's counterpart funds policy. In this respect, the rapporteur has considered it appropriate spell out the principles by which the establishment, use and monitoring of such funds should be guided, so as to ensure the greater effectiveness thereof. The Committee on Budgetary Control accordingly requests the Commission to submit specific practical proposals and stresses once again the need for the Commission, along with the Member States and other donors, to coordinate the principles and requirements concerning the establishment, management and use of such funds.

7. Finally, the rapporteur considers that technical and administrative assistance must be significantly increased in the near future if the success of the financial aid to the structural adjustment programmes under Lomé IV is to be guaranteed. Since we are still far from finalizing this technique with regard to the policies and programmes designed to assist the structural adjustment of the receiver countries' economies, it is essential for the Commission to monitor the implementation of such programmes and assume ultimate responsibility for them.

It should be recalled that, in its resolution giving discharge in respect of the management of the EDF for the 1988 financial year, Parliament called on the Commission to assess the effectiveness of such programmes and to submit a report. Needless to say, such a report would be of greater value if the Commission included in it a comparative study of monitoring procedures in respect of import programmes managed by international development aid organizations (the World Bank, the IMF, the UNDP). The aim is to maximize the impact and monitor the effectiveness of the 55% of the money paid out in 1989 under the Sixth EDF.

IMPLEMENTATION OF THE DEVELOPMENT AID APPROPRIATIONS IN THE GENERAL BUDGET:  
THE CASE OF BANGLADESH

8. With regard to the budgetary implementation of the general budget appropriations allocated to development aid in 1989, this policy underwent considerable improvement, particularly with regard to payments: as shown in Table 1, the implementation rate increased by almost 10 points (to 81%) compared with the previous year. This improvement should, however, be seen in perspective, since the appropriations available in 1989 were 9.6% less than in 1988. In other words, the level of payments made is similar in both financial years.

It should be pointed out that there were inadequate implementation rates in the following budget headings: 929 (Food projects in place of food aid), 9281 (Community participation in storage programmes and early warning systems), 954 (AIDS control in developing countries), 9651 (Third Financial Protocols with the southern Mediterranean countries) and 990 (Operations under commercial and economic cooperation agreements with third countries).

It should also be pointed out that, during 1989, cancellations of appropriations (ECU 164.4 million) continued to represent a high level (12.6%) of payment appropriations available during the financial year. As in 1988, the rigorous application of the principle of budgetary annuality and the difficulties of implementing cooperation with the countries of the Mediterranean region (ECU 68 million cancelled), food aid (ECU 49 million) and financial and technical aid to the DCALA (ECU 24 million) account for the continued cancellation of payment appropriations. Needless to say the combination of a high level of commitments contracted and the cancellations of payment appropriations has resulted in a higher-than-average increase in the commitments awaiting settlement ('burdens from the past') which, at the end of 1989, had reached ECU 2394.4 million, i.e. 14.4% of the total commitments awaiting settlement in the Community budget.

9. With regard to commitment appropriations, the 1989 financial year continued improving, to reach appropriation consumption levels close to 100% (99.6%).

If account is taken of the Commission's non-differentiated management practices with regard to food aid, the optimism engendered by the above figures should be tempered somewhat. As stated by the Court of Auditors in paragraph 1.55 of its 1989 Annual Report, the Commission often administers Chapter 92 as though it were an overall appropriations ceiling and without observing the principle of the individualization of appropriations, a practice which is also accompanied by adjustments (cancellation, release of funds, carry-overs, renewals) which alter the data on implementation in previous financial years.

This phenomenon, the numerical significance of which is shown in Table 1.1 of the Court of Auditors' Annual Report, serves as a warning that care should be taken when assessing the results in terms of the rates at which appropriations are used.

In short, the Committee on Budgetary Control takes the view that effective management of appropriations does not just mean improving the rate of utilization thereof to 100%, to comply with the instructions from the budgetary authority, but also using the most appropriate methods to ensure

that the Community expenditure programmes have the greatest possible impact on the attainment of the objectives set, and that these are achieved with the minimum resources necessary.

10. 1989 was the second financial year in which the new system for mobilizing food aid, introduced by means of Regulation 2200/87, was fully applied. In its resolution giving discharge in respect of the 1988 management, Parliament called on the Commission to submit an analysis of the effects of the new system within six months.

The Commission's report to Parliament and the Council on Community food aid and its administration in 1987 and 1988 (SEC(90) 2243 final), submitted at the end of January 1991, is only a partial response to Parliament's request since, although it provides complete and detailed information on the administration of food aid in its various forms (direct, via NGOs, via international organizations, storage programmes, triangular operations, etc.), it restricts itself to describing, rather than assessing, the impact of the alterations made by means of the new system of mobilization. As was foreseeable, application of the new regulation has resulted in a considerable increase in the effectiveness in the mobilization of aid, i.e. in the quantity of each of the main products of food aid mobilized at the end of the financial year and, from this point of view, the Commission report provides convincing statistical information.

However, Parliament's request was for something wider in scope. Its objective was focused more on the quality of the results achieved through application of the new system in highly important areas such as the functioning of the system of monitoring the operations by means of authorized agents (monitoring firms), the results of checks on quantity and quality, experience regarding tolerance limits, the development of delivery periods and the time taken to process operations within the Commission.

The checks undertaken by the Court of Auditors in Bangladesh all seem to indicate that the multi-annual programming of food aid - i.e. the undertaking to provide a quantity of aid each year over a certain period - is one of the areas of management policy in which the Commission should step up its efforts with a view not only to integrating food aid appropriately within the receiver countries' development strategy but also to prevent the overestimation of the food shortage which is often the object of the receiver countries' requests (paragraphs 10.8 to 10.10 of the Court of Auditors' Annual Report).

It goes without saying that, in the opinion of the Committee on Budgetary Control, the administration of food aid requires speed and flexibility in the methods of implementation, together with strict monitoring of delivery operations and of the criteria for distributing the aid to the population. Parliament therefore shares the Court's concern that most of the food aid delivered to Bangladesh did not reach the poorest sections of the population but was channelled at subsidized prices towards the most prosperous section of the urban population and the population dependent on the public sector (paragraph 10.21). It should be remembered that the basic aim of financial and technical aid to the DCALA, as established in Article 3(1) of Regulation 442/81 is to help improve living conditions in the neediest sectors of the population.

Unless the aims of the aid policy are to be seriously compromised, the Commission should step up the degree of monitoring to ensure efficient distribution of the aid delivered. It would be useful if this fundamental aspect of aid could be included in the Commission's periodic reports on implementation, so that Parliament would be in a position to assess the extent to which the redistribution objectives allocated to this Community action have been achieved.

11. The problems relating to the implementation of the Chapter 93 appropriations are many and complex on account of the great variety of beneficiaries and forms of cooperation. In the discharge procedure in respect of the 1988 management and, in particular, in its working document on development aid, the Committee on Budgetary Control tackled in depth the essential factors affecting the budgetary management of this policy and made various recommendations aimed at improving the effectiveness thereof.

Chapter 10 of the Court of Auditors' report for 1989 provides a valuable overall analysis of Community aid to Bangladesh, one of the receiver countries which receives most assistance from the Community. Unfortunately, this report, like other previous reports aimed at monitoring aid - to the Andean Pact countries (in 1987) or Pakistan (in 1988) - confirm, in many respects, the conclusions reached by Parliament in its discharge in respect of the management for 1988.

The following are features which have consistently emerged from the successive checks carried out by the Court of Auditors: the relative ineffectiveness of the projects financed as regards attainment of the main objectives; the lack of realism in the timetables drawn up for the implementation of projects; weaknesses in technical and administrative assistance; the 'sprinkler' effect of Community funds in the joint financing of projects with international development organizations; the lack of coordination with the Member States; the low level of involvement of the authorities in the receiver country and, on occasion, the non-fulfilment of agreements.

All these shortcomings are closely related to the fact that the Commission's monitoring of the projects continues to be insufficient and inadequate, particularly with regard to technical content. The attitude of the Commission's management services therefore needs to be changed with a view to increasing dialogue and synergetic cooperation with the local authorities during the planning stage, in the monitoring of the implementation and in the monitoring and assessment of the results. Needless to say, this new approach, with a view to closer and more effective cooperation, requires the abandonment of the approach to development cooperation as 'supply operations or project construction' (point 10.63).

Parliament is not unaware that many of the weaknesses in the Community's cooperation with the DCALA stem from the inadequacy of the administrative means available to the Commission for the direct administration of projects. Parliament is therefore prepared to support the Commission's request for an increase in the human resources allocated to this policy. In exchange, the Commission will have to demonstrate that the results of its administration are reflected in an appreciable qualitative increase in the socio-economic impact of the Community's development aid policy.

12. In accordance with the points made in the above paragraphs, the general rapporteur for the discharge in respect of the management of the general budget of the European Communities is requested to include in his resolution the following conclusions:

1. That the Court of Auditors should assess the effects of the alterations made as a result of the new system of mobilizing food aid. The Court's assessment should concentrate on the results achieved by the new system in areas such as: the monitoring of operations by authorized agents; the results of quality and quantity checks; experience regarding tolerance limits, the development of delivery periods and of the time taken for operations to be processed by the Commission.
2. The Commission should increase its efforts in two key aspects of the food aid management policy: multi-annual programming and the monitoring of the distributive effectiveness thereof by means of distribution criteria. Improved management in both these areas would enable the aid to be more suitably matched to the development needs of the receiver countries in general and to the needs of the poorest sections of the population in particular.
3. The Commission should improve the selection and monitoring of the aid programmes and projects in the DCALA, from the point of view of technical management as well as financial. Such an improvement requires the Commission's management services to increase dialogue and synergetic cooperation with the authorities in the receiver countries, beginning at the planning phase and going right through to the monitoring and assessment of the results.



DEVELOPMENT AID APPROPRIATIONS AVAILABLE,  
AND USE THEREOF, IN 1989\*  
 (ECU millions and percentages)

Budget chapter	COMMITMENTS			PAYMENTS		
	Appropriations available in 1989 (1)	Commitments made in 1989 (2)	Rate of utilization (2/1) in % (2/1) in %	Appropriations available in 1989 (3)	Payments made in 1989 (4)	Rate of utilization (4/3) in % (4/3) in %
<u>Chapter 92</u> Food aid	679.7	677.3	99.6	689.2	586.3	85.1
<u>Chapter 93</u> Cooperation with Asian and Latin American developing countries	370.3	369.1	99.7	247.1	221.3	89.6
<u>Chapter 94</u> Specific measures for cooperation with developing countries	96.1	96.1	100	85.3	80.9	94.8
<u>Chapter 95</u> Exceptional measures to assist developing and other third countries	89.4	89.4	100	122.3	86.4	70.6
<u>Chapter 96</u> Cooperation with Mediterranean countries	201.1	200.5	99.7	139.0	71.0	51.1
<u>Chapter 98</u> Activities of the Commission's delegations in developing countries	1.5	1.5	100	1.5	1.5	100

**DEVELOPMENT AID APPROPRIATIONS AVAILABLE,  
AND USE THEREOF, IN 1989\***  
(ECU millions and percentages)

Budget chapter	COMMITMENTS			PAYMENTS		
	Appropriations available in 1989 (1)	Commitments made in 1989 (2)	Rate of utilization (2/1) in %	Appropriations available in 1989 (3)	Payments made in 1989 (4)	Rate of utilization (4/3) in %
<u>Chapter 99</u>						
Cooperation with third countries	21.7	20.7	95.4	25.0	15.9	63.6
<b>TITLE TOTAL</b>	1 459.8	1.454.6	99.6	1 309.4	1 063.3	81.2

\*Including transfers and existing or carried-over appropriations

O P I N I O N

(Rule 120 of the Rules of Procedure)

of the Committee on Development and Cooperation  
Draftsman: Mr VERHAGEN

At its meeting of 19 December 1990, the Committee on Development and Cooperation appointed Mr VERHAGEN draftsman.

At its meeting of 28 January 1991 it considered the draft opinion.

At its meeting of 30 January 1991 it unanimously adopted the conclusions as a whole.

The following took part in the vote: Mr Saby, Chairman; Mrs Bindi, Vice-chairman; Mrs Aulas, Vice-Chairman; Mrs Belo, Vice-Chairman; Mr Verhagen, draftsman; Mr Andrews, Mr Arbeloa Muru (deputising for Mr Rupert de Ventos), Mrs Daly, Mrs Ernst de la Graete (deputising for Mrs Santos), Mr Christopher Jackson, Mr Lagakos, Mr Langer (deputising for Mr Melandri), Mr Mendes Bota, Mrs Napoletano, Mr Pons Grau, Mrs Ruiz Gimenez, Mrs Sandbaek (deputising for Mrs Ewing), Mr Tindemans, Mrs Van Putten.

## INTRODUCTION

The development assistance afforded by the industrialised countries to developing countries is being increasingly questioned as attention becomes focussed on the dramatic changes which have taken place in Eastern Europe and its own requirement for financial and other assistance.

The last decade as far as developing countries is concerned has been described as a lost decade given the very limited positive evolution in their economic and social development - in spite of considerable international financial assistance.

In such circumstances as these the European Parliament must ensure that everything is being done which can be done to prevent the waste of development resources and to improve the efficiency of the development effort.

Moreover, the Intergovernmental Conference, which started its work in December 1990, is considering an increase in Community competence covering development and cooperation policy in the context of European Political Union. Both Chancellor KOHL and President MITTERRAND have proposed this and it is therefore likely that development and cooperation policy will have a much larger place in the future European Treaty.

Because of this fact, the ability to control the legitimacy, the efficiency and the quality of EEC development policy becomes more important than ever as criticism of Community development policy may undermine the chances of integrating it within the new political framework. The European Parliament therefore has a particular duty to consider closely the part of the Court of Auditors' Report devoted to development and cooperation.

### The 1989 Report of the Court of Auditors

Firstly, it must be borne in mind that development and cooperation policy has many successes to its credit even if the general situation appears depressing. The Community must always be willing and prepared to learn from its mistakes in order to bring about a positive change in the quality of its policies. The European Commission and its staff should not take the Court's criticisms personally. The integrity of Commission officials and their devotion to their work, as well as its high quality are not in question. Everyone is interested in making an even greater contribution to the economic and social development of the world's poorest countries. The European Community and notably the Commission, has a strong responsibility when it comes to the application of development policy, and therefore should be ready to question their own procedures in order that resources are used efficiently.

#### Bangladesh

The Court of Auditors' Report looks in some detail at the situation within Bangladesh. It is a pessimistic report which indicates that for example, non of the Community financed projects have succeeded in reaching their objectives. However, because the report covers nearly a decade of activity it is difficult to gauge where very real improvements have been made in the Commission's administration and execution of resources, particularly when one bears in mind that it is in the last two years only that a Commission Delegation has been operational in the country.

The Court of Auditors questions both the food needs and the food security stocks within Bangladesh. It considers that the 1981 census figures are not reliable nor are the current crop statistics.

This is unfortunate, yet until the donor community publishes the results of its inquiries on food security stocks, the Commission is obliged to operate using all available statistical information. The amount of cooperation and consultation between donors within Bangladesh should not be underestimated.

A more serious criticism voiced by the Court of Auditors concerns the fact that Community food aid has not reached its designated target population, namely, the poorest parts of the country. In 1981 the Court of Auditors reported that food aid had benefitted government employees more than the population at large. In early 1989 when the Court visited Bangladesh to establish its current report, it discovered that only 38% of EC direct food aid reaches the least prosperous part of the population. The rest was issued at subsidised prices via the Public Foodgrain Distribution System largely to civil servants, the armed forces and employees of para-statal organisations. A quarter of these subsidised sales reached the poorest sectors of society.

Given that less than half of the total amount of available food aid reached the poorest people, the Court of Auditors are quite correct in their criticism and much greater consideration must be given to the targeting of such aid. It would appear that the European Commission Delegation in cooperation with the authorities in Bangladesh, has taken steps to ensure that the food distribution system corresponds better to the real needs of the poorer sectors of the population. The Development Committee welcomes such efforts and is confident that they will bring about a real improvement in food targeting particularly if all other donors are associated.

Future food aid agreements between the Community and Bangladesh should be agreed by the European Parliament's Development Committee. In this way, Parliament would exercise its control function to ensure correct distribution. Guarantees should be sought where necessary within aid agreements in order to ensure proper food aid distribution.

#### Counterpart Funds

This year's report of the Court of Auditors returns to one of its frequent subjects of criticism namely the use of counterpart funds. More efficient structures of management of such resources have been established since the Community Delegation became operational in Bangladesh. Nevertheless the situation appears to remain rather complicated.

#### Feasibility studies

The Development Committee considers that given the fact that few if any of the major development projects have achieved their objectives, it may be appropriate to pay more attention to project feasibility studies before the project proper gets under way. Although it is likely that projects are reviewed from time to time, a proper system of verification may need to be established if the success rate of projects is to improve. This entails the

creation of a Community Inspection Service whose responsibility should be independent from established hierarchy.

#### Staffing

There is a staff deficit at Commission headquarters and also in the field services given the demands and requirements of the two Directorates-General currently sharing responsibility for development issues. Article 10.44 of the Court of Auditor's Report points out for example that one official was responsible for 65 infrastructure projects in various countries of the region, but was unable to visit Bangladesh. It would be useful for the Development Committee to be informed by the Director-Generals of DG VIII and DG I what their staffing requirements are. The Director-General of DG I should be asked why posts accorded originally for development sectors were later transferred to other external affairs sectors without the knowledge or authorisation of the European Parliament which voted the credits for the personnel involved. In response to previous criticisms by the court of Auditors, some re-organisation has taken place within the Commission. However, in voting the discharge of the 1988 budget, the Committee on Development and Cooperation concluded that it could not share the Court's proposals for separating the functions and duties of the Authorising Officer and the Accounting Officer, as sufficient statutory safeguards exist enabling them to conduct their activity in a responsible and efficient manner.

Coordination between DG VIII and DG I is already established on a wide basis yet it would appear that it does not operate as well as it might. Every attempt should be made to avoid the duplication of effort.

Communications between Brussels and the various Commission Delegations in the field must be improved as a matter of urgency. It is astonishing, for example, that Commission technical staff in Asia and Latin America were not informed of the Commission report on 13 years of development cooperation with Asia and Latin America.

Similarly, greater coordination could take place between the Community and some of its Member States who have so far been less than cooperative in the sharing of experiences, particularly in the field. The Development Committee notes the Court of Auditors' statement in this respect.

The staff of the Court of Auditors could itself be reinforced in order to allow more on-the-spot inspections in developing countries to be carried out.

#### The EDF

The Development Committee cannot but reiterate its disappointment that disbursement of EDF resources is so slow. It urges the Commissioner responsible, by way of a circular to the ACP States' Governments and to Commission Delegates, to draw attention to the need to accelerate and simplify procedures used currently, provided this not create injustices, which have proved to be time consuming and frequently inefficient. Part of the difficulties of disbursement are, of course, caused by the lack of administrative efficiency in many developing countries. Frequent delays are caused either by over-bureaucratic procedures or, simply, lack of qualified personnel. Emphasis is already placed in Lome IV (as it was in previous Conventions) on the need for more and better-suited administrative training

possibilities for ACP States' officials. Extensive use is already made of consultants. Training seminars, organized by the Commission in Brussels can be most useful if properly organized and, followed up.

Whereas the Court of Auditors Report is more concerned with quantitative criteria and efficiency rates, one should not lose sight of the fact that the qualitative aspects of development and cooperation are also of great significance. Development projects, in order to be worthwhile, must be qualitatively of a high standard and properly suited for the objectives sought, bearing in mind the environment in which they are placed. It is better to spend longer on a project to obtain the desired quality result, than to speed things up merely to accelerate disbursement.

#### CONCLUSIONS

1. Considers that the well-founded criticisms and constructive proposals of the Court of Auditors should be taken into account by the Commission, and urges the Court of Auditors to pay close attention that this is done.
2. That all food aid agreements be brought to the attention of the Development Committee.
3. In the light of the comments by the Court of Auditors concerning food aid in Bangladesh, requests the Commission exceptionally, to submit the next draft food aid agreement relating to Bangladesh to the Development Committee for examination.
4. That a European Community Inspectorate should be created (as proposed in paragraph 69 of the Perschau Report, adopted by the ACP-EEC Joint Assembly on 28.9.1990).
5. Given that few of the major development projects checked in Bangladesh have achieved their objectives, asks the Commission to increase the proportion of projects subject to pre-feasibility studies and to report to Parliament's Development Committee on the relationship between project success, measured against objectives, and whether or not a pre-feasibility study has been carried out.
6. That the specific staff requirements for DG I and DG VIII in the context of the 1992 establishment plan be brought to the early attention of the Development Committee.
7. That the Commission should report to Parliament, in the light of the Court of Auditors report on the utilisation in DG VIII and DG I of additional posts voted by Parliament for those DGs in 1989.
8. That the results of the joint ACP-EEC study on programming and project procedures, currently being undertaken, be made available to the Development Committee.
9. Bearing in mind the above, the Development Committee believes that discharge should nevertheless be granted for the 1989 financial year.
10. It requests the Committee on Budgetary Control to incorporate the main recommendations contained in this opinion in their motion for a resolution.

