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REPORT

drawn up on behalf of the Committee on Budgetary Control

on certain aspects of technical cooperation financed by
Community development aid
(special report of the Court of Auditors of the European
Communities No. 3/85)

Rapporteur: Mrs Y. FUILLET

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PE 109.088/fin.
Or. Fr.

By letter of 13 December 1985, the Committee on Budgetary Control requested authorization to draw up a report on certain aspects of technical cooperation financed by Community development aid (in the light of the special report of the Court of Auditors No. 3/85).

As specified in the minutes of 17 January 1986, the committee was authorized to draw up a report on this subject. The Committee on Development and Cooperation was asked to deliver an opinion.

At its meeting of 17 September 1986 the Committee on Budgetary Control appointed Mrs Y. FUILLET rapporteur.

The committee considered the draft report at its meetings of 19 November 1986 and 3 February 1987. It unanimously adopted the motion for a resolution as a whole on 3 February 1987.

The following took part in the vote: Mr AIGNER, chairman; Mr BATTERSBY, Mrs BOSERUP and Mr GARCIA RAYA, vice-chairmen; Mrs FUILLET, rapporteur; Mr ARNDT (deputizing for Mr Mavros), Mr BARDONG (deputizing for Mr Schön), Mr BONDE (deputizing for Mr Klöckner), Mr CANO PINTO, Mrs HOFF (deputizing for Mr Gallo), Mr McMAHON, Mr MARCK (deputizing for Mr Wawrzik), Mr REMACLE, Mrs SCRIVENER (deputizing for Mr Wolff) and Mr TOMLINSON (deputizing for Mr Massari).

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

The report was tabled on 11 February 1987.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

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The Committee on Budgetary Control hereby submits to the European Parliament the following motion for a resolution together with explanatory statement :

A
MOTION FOR A RESOLUTION

on certain aspects of technical cooperation financed by Community development aid

The European Parliament,

- having regard to the special report of the Court of Auditors No. 3/85,
 - having regard to the report by the Committee on Budgetary Control and the opinion of the Committee on Development and Cooperation (Doc. A 2-231/86),
1. Emphasises the importance of technical cooperation for the success of development aid measures and projects from the point of view of both the preparation and the implementation, supervision and running of projects;
 2. Agrees with the Court of Auditors that this is an aspect of development aid which is difficult to organize and implement and that, despite the Commission's efforts, the same faults and mistakes can reoccur;
 3. Emphasizes that Community development aid has important economic implications for undertakings based in the Community, particularly in the service sector;
 4. Notes that this aspect of Community technical cooperation has given rise to problems concerning distortion of competition between Member States and that an attempt has been made to solve these problems by means of a system of national quotas;
 5. Considers that the idea of national quotas is, as a matter of principle, incompatible with the structure of the Community; considers that Community provisions concerning the conclusion of contracts with consultants and remuneration for services must be harmonized; calls on the Commission to submit an amendment to the general Financial Regulation to this effect;
 6. Calls on the Commission not to give a single firm of consultants responsibility for several different stages of the same project unless this is entirely justified by the specific nature of the project or the required technical skills;
 7. Urges the Commission to push ahead with the computerization of data concerning the evaluation of the aid provided and to step up the work of the delegations in this area;
 8. Considers that this computerization will, inter alia, enable it to assess more thoroughly its register of consultants according to the criteria of efficiency and competence;
 9. Calls on the Commission to give greater attention, when drafting contracts with consultants, to clauses concerning non-performance or inadequate quality of services;

10. Considers that the recruitment of experts by the EAC offers the advantage of better supervision by the Commission of the quality of services and in some cases permits considerable savings;
11. Instructs its President to forward this resolution and the report of its committee to the Council and the Commission and, for information, to the Court of Auditors.

B
EXPLANATORY STATEMENT

The Community's development aid measures have led to the creation of an important economic sector, largely based on services. The special report of the Court of Auditors No. 3/85 studied a problem which has often been a cause of concern to Parliament, that of the efficiency and fair remuneration of consultants and experts called in by the Commission for the preparation and implementation of its development aid projects and for technical cooperation.

The report was adopted in July 1985. It deals with a subject which is crucial to development policy and the monitoring thereof, since the success of projects is very often dependent on technical cooperation. It is often the case that a project fails because of poor preparation, i.e. inaccurate assessment of the conditions governing its implementation, the needs of the population concerned or the socio-economic environment. Either that or there is insufficient technical back-up and support after the implementation of a project.

The amount allocated to technical cooperation is relatively small but the effects can be far reaching. This was recognized by the Court of Auditors in its report. Not content with simply analysing the situation, the Court also made specific and precise proposals for improvements in the services rendered by consultants and rationalization of the recruitment and remuneration systems. It must be acknowledged that the Commission reacted to this report in a positive and constructive manner. It admitted that things were not perfect and that, in particular, the procedures applied at the time did not ensure that the best consultants would be recruited, priority been given to other, somewhat more political, criteria. It also admitted that the work entrusted to experts was sometimes not clearly defined. The Commission also recognized that there was room for substantial improvement in the assessment of technical cooperation measures.

Nor did the Commission simply acknowledge the shortcomings. In its replies to the Court of Auditors it made promises, gave undertakings and stated that reforms were already underway. It added that in general it was still too early to come to any conclusions on the effects of these reforms.

For this reason it seemed preferable to allow a certain lapse of time before delivering an opinion on the report. The Commission's replies were, for the most part, promises of reforms, and it was not possible at that stage to verify their impact or even, in many cases, their existence.

After this interval of time it is now possible to obtain more complete information and to regard certain criticisms as having been dealt with and certain situations as having been superseded. In other areas it is clear that the problems have not been solved and are just as acute as before. It has also been necessary in some cases to obtain additional information from the Commission before coming to any conclusions.

I. CONCLUSION AND TERMS OF CONTRACTS

One of the points which has been dealt with and does not seem to need any further comment is the awarding of contracts by the restricted invitation-to-tender procedure, at least as far as the EDF section is concerned, since the new Lomé Convention lays down provisions which take account of the particular nature of development aid while guaranteeing a reliable procedure.

There are no further remarks to be made regarding the terms of contracts which, it should be remembered, are concluded by the beneficiary states with the firm of consultants or experts concerned. The variations in the individual terms are in general entirely justified even if they seem disturbing at first sight. It is in any case difficult to avoid them. The standard form itemizing charges for service contracts provides the Commission with a remarkable amount of information.

II. THE QUOTA SYSTEM

Among the problems which do not seem to have been resolved and which are not being dealt with, mention should be made first of the quota system, which was introduced to ensure a balanced distribution of the technical cooperation contracts among the Member States. The original intention, undoubtedly commendable, was to prevent a situation in which one Member State could create for itself a monopoly of certain categories of services, either by taking advantage of its links with the beneficiary countries - a hangover from the colonial period - or by making full use of the competitive position of its undertakings in the area concerned. However, the initial reasoning behind the quota system now seems to have been forgotten and its continued application is the result of force of habit and the fact that it is second nature to national officials working in the Council to use a calculator when deciding on any measure and to work out the profit to the national economy.

The outcome of the system now is that the best firm of consultants or the best qualified experts may be eliminated because the quota for their nationality has been used up. There is also the absurd fact that the experts recruited by the consultancy firms often do not have the same nationality as the firm. It can be claimed that there is some justification for the quota system all the time the EDF is not included in the budget and is financed by national contributions.

Once the EDF is included in the budget, however, the quota system will have to be abolished, along with the constant violation of the rules of competition which it represents. The only possibly criterion for selection is value for money.

III. RECRUITMENT OF CONSULTANTS AND EXPERTS

The Commission, like the Court of Auditors, proposes ad hoc rules for the section of technical cooperation which is covered not by the Lomé Convention but by the provisions of the general Financial Regulation. It wants this system to come into effect when the Financial Regulation is revised. Given that the revision has been in abeyance for six years, the Commission will have to come to terms with the fact that the rules are not conducive to effectiveness. There is little transparency in the procedures followed by the states concerned, even though the Commission gives preference to the restricted invitation-to-tender procedure.

IV. PERFORMANCE OF A NUMBER OF TASKS BY THE SAME FIRM OF CONSULTANTS OR THE SAME EXPERTS

This is a criticism which has been made on a number of occasions by the Court of Auditors and by Parliament, to which the Commission has always given the same reply. The consultants who have prepared a project and are responsible for its implementation may take unfair advantage of this situation, for

example by over-estimating the costs of the project which they are going to be paid to implement. The Commission points out that it is sometimes sensible to make use of the knowledge of an expert for both the preparation and the implementation of a project and that it can be useful to be able to invoke the responsibility of the consultancy firm which carried out the preparatory study when difficulties arise during the execution of the work. It adds that it is common practice for international development aid organizations to use the same firm of consultants for the various stages of a project.

It is nonetheless important to ensure whenever possible that firms of consultants are not put in a situation where there is a conflict of interests.

V. REASONS FOR USING CONSULTANCY FIRMS AND EXPERTS

It is not always easy to determine the needs of the beneficiary countries as regards technical assistance, studies and supervision of work. Sometimes the national administrations require assistance because they do not always have the necessary human resources for the implementation of a programme or because special skills are required.

The Court of Auditors points out, however, that technical cooperation is not always entirely justified. This inadequate justification becomes apparent at the moment of implementation when it becomes clear that a project has been badly prepared or that the tasks of the consultants must be redefined.

However, evaluation of the services rendered is often inadequate and does not always allow the Commission to judge the effectiveness of the assistance provided. The Commission entrusts this evaluation to its local delegations which, although they generally monitor carefully the implementation of the contracts, provide the Commission with only fragmentary information of which little use can be made. The Commission is currently revising its information system and introducing computerized procedures.

This evaluation is absolutely essential, not only to ensure more efficient management by providing complete and precise information on the outcome of programmes, but also to draw attention, where necessary, to the responsibilities of a defaulting contracting party. The Commission sometimes has to face such situations but claims that it takes sufficient precautions by including clauses concerning unsatisfactory performance and insurance.

The fact remains that unsatisfactory performance of a contract or inadequate quality of services can have a determining influence on the success of a project and that the quality of this preparatory stage determines the effectiveness of the Community's development aid policy. The criticisms made in paragraphs 1.13 and 1.14 of the Court of Auditors' report indicate the amount of progress which must still be made in this area.

OPINION OF THE COMMITTEE ON DEVELOPMENT AND COOPERATION

Letter from the committee chairman to Mr Heinrich AIGNER, chairman of the Committee on Budgetary Control

24.3.1986

Subject: Special report by the Court of Auditors on certain aspects of technical cooperation financed by Community development aid

Dear Mr Aigner,

At its meeting of 18, 19 and 20 March the Committee on Development and Cooperation considered

the special report by the Court of Auditors on certain aspects of technical cooperation financed by Community development aid

which had been referred to it for an opinion.

At the end of its discussion the committee instructed me to forward the following opinion to you.

The Committee on Development and Cooperation notes that the shortcomings and loopholes in the technical cooperation sector are very similar in nature, cause and effect to those criticized by the Court of Auditors in the development cooperation sector in general.

As regards more specific aspects, the committee hopes that the Committee on Budgetary Control will pay particular attention to the following points in its report:

- the definition of criteria for drawing up lists of consultancy bureaux to which projects could be assigned,
- the difficulties created by the system of national quotas when awarding contracts,
- strengthening control by the Commission, and especially its delegations, of the type and quality of services provided by consultancy bureaux,
- the problem of drawing up contracts with such bureaux, and clauses covering payment, revision and proceedings in the event of default.

Lastly, the committee notes from the Commission's replies to the Court of Auditors report that new procedures for awarding contracts have been introduced under Lomé III that should afford greater safeguards when selecting consultancy bureaux.

Yours sincerely,

(sgd) Katharina FOCKE

Present: Mrs FOCKE; chairman; Mr de COURCY LING, vice-chairman; Mr BAGET BOZZO, Mr BEYER de RYKE, Mr COHEN, Mrs DALY, Mr DURAN, Mrs GARCIA ARIAS, Mr GUERMEUR, Mr LUSTER, Mr MCGOWAN, Mrs RABBETHGE and Mr VERBEEK.