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“LA” ITEM NOTE

From: Working Party on Development Cooperation
To: COREPER/Council
No. prev. doc.: 6957/11
Subject: Special report No 11/2010: The Commission’s management of General Budget Support in ACP, Latin American and Asian Countries
- Draft Council Conclusions

1. On 23 February 2011, the General Secretariat of the Council received Special Report No 11/2010 concerning the Commission’s management of General Budget Support in ACP, Latin American and Asian Countries.¹

2. Pursuant to the rules laid down in the Council Conclusions on improving the examination of special reports drawn up by the Court of Auditors², the Permanent Representatives Committee instructed the Working Party on Development Cooperation to examine this report and to draw the relevant conclusions.³

¹ Doc. 6957/11 FIN 115 DEVGEN 47 ACP 48 PTOM 9 COLAT 2 COASI 37.
² Doc. 7515/00 FIN 127 + COR 1.
³ Doc. 6958/11 FIN 116 DEVGEN 48 ACP 49 PTOM 10 COLAT 3 COASI 38.
3. The Working Party reached agreement on the draft Council Conclusions at annex.

4. The Permanent Representatives Committee is invited to recommend that the Council adopt these Conclusions as an "A" item of the agenda at a forthcoming meeting.
DRAFT

COUNCIL CONCLUSIONS

on

Special report No 11/2010: The Commission's management of General Budget Support in ACP, Latin American and Asian Countries

I. Introduction

1. The Council welcomes the Court of Auditors’ Special Report No 11/2010 concerning the Commission’s management of General Budget Support (GBS) in African, Caribbean and Pacific (ACP), Latin American and Asian, countries.

2. The Council recalls that the objective of the Court’s audit is to assess the effectiveness of the Commission’s management of GBS. The Council calls on the Commission to reflect all the recommendations of the audit in the preparation of the forthcoming Communication on EU Budget Support scheduled for the second half of 2011, which will also address political and policy aspects related to the eligibility, use, design, monitoring and evaluation of all types of EU budget support.
3. The Specific objective of the Court’s audit is to assess whether the Commission manages its GBS programmes effectively. In particular, the Court focuses on four key questions:
   • Does the Commission appropriately select and formulate the objectives and expected results of its GBS programmes?
   • Does the Commission appropriately manage the risks to the effectiveness of GBS programmes?
   • Does the Commission design and implement its GBS programmes effectively?
   • Does the Commission report in a clear, exhaustive and accurate manner on whether GBS is meeting its objectives?

4. The Council notes the Court’s assessment that whilst the Commission has made considerable efforts to develop and improve its approach to budget support, there are still weaknesses in the methodology and management of GBS programmes, which are thus less likely to reach their full potential. In particular, the Council welcomes the fact that the Commission accepts the Court's recommendations and that it has already begun to take a number of measures to act upon them, including the immediate improvement of its internal guidelines and the further strengthening of its budget support policy in 2011.

II. Recommendations and Conclusions

5. The Council agrees with and welcomes the Court's recommendations and invites the Commission to:
   a. continue to include macroeconomic stability and improved public financial management as important objectives of GBS while better tailoring GBS objectives and expected results that are sufficiently precise, measurable and time-bound to the specific circumstances of the partner country;
b. strengthen its risk management framework by performing a structured and explicit assessment of risks at the outset of GBS programmes, in coordination with other donors, updating it regularly during implementation and adopting where and when necessary appropriate risk mitigation measures;

c. strengthen its resource allocation criteria to determine the amounts to be allocated to individual GBS programmes in a better supported more transparent manner, that takes account of all available evidence;

d. strengthen capacity building support linked to GBS and focusing more on country-specific priorities, with more emphasis given to oversight bodies and accountability and anti-corruption mechanisms;

e. strengthen its management of performance-related conditions;

f. strengthen its approach and its capacity to conduct policy dialogue in countries already receiving GBS and countries that could receive GBS, including through improving monitoring and on-going risk assessment;

g. improve its reporting on the effectiveness of its GBS programmes.

6. As the Commission, the Council underlines that policy dialogue is central to any budget support programme. Such dialogue is typically based on multi-donor frameworks and requires working with other donors and a degree of coordination, harmonisation and flexibility. A more strategic approach to the management and documentation of such policy dialogue is required.

7. The Council recalls that strengthening domestic accountability is one of the objectives of budget support. In order to meet that objective, measures in favour of strengthening parliaments, courts and auditors and civil society (including the private sector) need to be considered for all GBS operations of the Commission.
8. Furthermore, the Council agrees that the Commission should strengthen its management of performance-based conditions for disbursing GBS, which reflects a growing emphasis on results and impact. While emphasizing the importance of predictability, the Council calls on the Commission to further improve its approach with regard to strengthening design, monitoring and management of performance related conditions and linking disbursement with actual progress on GBS objectives.

9. As the Court, the Council underlines the importance of moving beyond reporting on inputs and potential benefits of GBS towards communication on the actual effectiveness and concrete results achieved based on evidence, taking into account the best practices of other actors. It calls on the Commission to provide to external stakeholders a complete, clear and accurate picture of its GBS programmes, notably with respect to the risks involved, how these risks are managed, progress made in the implementation of the programmes and the achievement of results.

10. The Council recognises the leading role that the Commission is playing in establishing a generally accepted evaluation approach and urges the Commission, together with its partners, to progressively apply the approach with a view to assessing the impact of budget support programmes, taking particular account of the importance of poverty reduction.

11. In conclusion, the Council considers the court’s report to be a timely input for the on-going debate on the future of EU budget support. The recommendations of the report provide further input to the review of existing Commission policies and management tools related to budget support. Furthermore, the Council calls on the Commission to reflect all the findings and recommendations of the Court’s report in the forthcoming Communication on EU budget support.
12. The Council notes the recognition by the Court of the potential advantages of GBS if applied under the right circumstances and managed properly, including its potential to strengthen ownership and domestic accountability in partner countries as well as aid predictability, increased alignment and prioritisation of results. The Council invites the Commission to put forward policy recommendations regarding structured and rigorous assessments of risk and GBS eligibility. The Council intends to return to these issues in specific council conclusions on the future of EU budget support.