



**COUNCIL OF
THE EUROPEAN UNION**

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"I" ITEM NOTE

From: General Secretariat of the Council

To: Permanent Representatives Committee (Part 2)

Subject: European Court of Auditors' special report No 17/2013: EU climate finance in the context of external aid.

1. On 20 December 2013, the General Secretariat of the Council received the European Court of Auditors' special report No 17/2013 entitled "EU climate finance in the context of external aid"¹. That report was adopted by the Court of Auditors on 10 December 2013.
2. Under 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 subsequently³ the Economic and Financial Committee (EFC) to examine the report.

¹ See 5609/14 - the report is also available on: <http://eca.europa.eu>.

² 7515/00 FIN 127 + COR 1.

³ COREPER on 29 January 2014.

3. In its special report No 17/2013, the Court noted inter alia that the Commission had managed well the climate-related support from the EU budget and the European Development Fund (EDF)⁴. Among other issues, the Court also observed that the Commission had enhanced its efforts to scale up climate change support to developing countries, in particular the most vulnerable ones.
4. The Court's findings resulted in five recommendations, among others on a road map for scaling-up of climate finance towards the Copenhagen Accord 2020 target, improved transparency and accountability of the EU's climate finance, reporting on the 20% EU spending target (EU budget and EDF) on climate-related action, evaluation of the Global Climate Change Alliance and enhanced cooperation on the implementation of the EU Code of Conduct on Division of Labour in the field of climate finance⁵.
5. On 30 October 2013, the Commission and the European External Action Service were notified of those recommendations. The Commission and the EEAS responses are set out in the special report⁶.
6. The Economic and Financial Committee did not see a need to provide a concerted response to the report, for instance in the form a set of draft Council conclusions. Instead the committee agreed that the findings on the special report No 17/2013, as set out in the annex to the present note, were appropriate for a continued discussion, should such be required.
7. The Permanent Representatives Committee is therefore invited to:
 - take note of the findings of the Economic and Financial Committee on the Court of Auditors' special report No 17/2013, as those findings are set out in the annex.

⁴ EDF is an extra-budgetary fund.

⁵ The five recommendations are set out in the special report No 17/2013, in particular in paragraph 69.

⁶ See the special report No 17/2013, in particular page 48.

EFC findings on the special report No 17/2013

The Members made a number of comments on both the Report and its recommendations. The main issues raised related to the statement by the Court on FSF, coordination of climate finance, the proposed roadmap for scaling up of climate finance towards the Copenhagen Accord target of developed countries to collectively mobilise USD 100 billion per year by 2020, and joint programming. Some Members questioned whether the Court had gone beyond its mandate in relation to some of the recommendations. Some of the abovementioned issues are briefly outlined below:

- **Fast Start Finance** – Members disagreed with the Court's statement on FSF. They highlighted that the list of projects supplied was only intended to be an indicative list of examples and not exhaustive. In addition, some members highlighted that given that this was a list of examples, it was never the aim to itemise every FSF project. Members stressed that the EU and its Member States have fulfilled their FSF commitment. If the Court's statement will be taken up by recipient countries, e.g. during the upcoming climate negotiations, a coordinated response also by Member States may be necessary.
- **Coordination of climate finance** – With regard to the Court's statement on the inadequacy of coordination between the Commission and Member States with respect to climate finance, Members did not share this view, but did agree on the need for better information sharing. Some Members also stressed that while coordination can be a good thing, there is no formal requirement for this coordination to take place and therefore it should only be improved in areas where it can be seen to be of clear benefit to both the Commission and the Member States to do so.
- **Roadmap towards 2020** – Members expressed concerns about the Court recommendation that the Commission should propose a road map to the Council for the scaling-up of climate finance towards the Copenhagen Accord 2020 target. Members emphasised that it was not possible to map out a singular trajectory towards 2020, and also highlighted that there are many pathways to reaching the target. This view is enshrined in the explicit choice for – and use of – the plural term “pathways” in ECOFIN Conclusions to date. In addition, many members highlighted the difficulty in projecting public climate finance figures, especially beyond a one year horizon due to their budgetary cycles. Moreover, the manner in which such projections are communicated were viewed by certain Members as a matter of national competence. Some Members also stated that deciding on roadmaps/pathways was a Member State competence. Finally, some Members highlighted that the roadmaps/pathways discussion had to be seen in the international context. One Member showed some sympathy for a roadmap as an initial input but also recalled the Commission's commitment from last year to provide some analysis and proposals on roadmaps/pathways.

- **Reporting requirements** – Members emphasised the need for a harmonised MRV system in general. Members also generally supported the recommendation on improving the transparency and accountability of the EU’s climate finance reporting within the framework of the Monitoring Mechanism Regulation. However, some Members did highlight the importance of avoiding duplication and divergences between the internal EU reporting requirements on the one hand and the international reporting requirements (e.g. OECD DAC and UNFCCC) on the other.
- **Joint Programming** – Members in general supported the recommendation to intensify cooperation to implement the EU Code of Conduct on Division of Labour in the field of climate finance. However, some Members stated that joint programming in the field of climate finance should remain voluntary.

The Members broadly supported the Commission response to the ECA Report and its recommendations, while noting some of the above mentioned reservations. The Members did not see a need to provide a formal joint response to the ECA Report, but agreed that this "internal" report would be useful to outline the views of Member States, should external questions come up on components and recommendations of the ECA Report.