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NOTE

from: General Secretariat of the Council
to: Delegations
Subject: Summary record of the meeting of the European Parliament **Committee on Budgetary Control (CONT)**, held in Brussels on 11 December 2014

On 11 December CONT held two debates with Mr MIMICA, Commissioner responsible for international cooperation and development. The Commissioner expressed the view that budgetary support remained a key element for EU action in fragile countries. He confirmed his commitment to make a proposal for the European Development Fund (EDF) to be part of the EU budget.

A lively debate on wine promotion support followed, with diverging views brought forward by ECA and the Commission and some MEPs.

The meeting was chaired by Ms GRÄSSLE (EPP, DE).

1. Special Report No 13/2014 (2013 Discharge) "EU support for rehabilitation following the earthquake in Haiti"

Mr GEIER (S&D, DE), rapporteur, supported the conclusions drawn by Mr WESSBERG, the responsible member of the European Court of Auditors (ECA), that overall EU money had been well spent in Haiti, despite the difficulties operating in a fragile State after an earthquake. He shared the concerns expressed by the ECA that shortcomings had occurred in linking humanitarian intervention and sustainable development. The Commission was asked to clearly state the budgetary and legal constraints that had limited its action in Haiti in order to allow CONT to address them. Mr WESSBERG added that the EU should speak with one voice and that better coordination was needed before disasters struck. He complained that a lack of trained staff had prevented reinforcement planning from being launched, despite sufficient budget resources.

Mr GUERRERO SALOM (S&D, ES) stressed that the earthquake had highlighted administrative weaknesses of the government. The Commission representative said that EU was the only donor who had provided the Haitian government with budgetary support and that this had enabled fundamental state functions, such as road clearing, to be reactivated. Administrative capacity needed to be built.

The Commission representative acknowledged that cooperation between DG ECHO and DG DEVE had not been appropriate and that the strategy for linking relief, rehabilitation and development had only been partially effective because of the need to cooperate with the local government. She said that as France and Spain were the only two donor countries, no coordination issue had arisen.

Ms McAVAN (S&D, UK), the chair of DEVE, concluded that lessons learnt could be precious in addressing new crises, such as Ebola.

2. Discharge 2013: EU general budget - European Commission

A rather technical debate, focussed on budgetary support and pre-financing. Ms LAMARQUE, member of the ECA, complained that budgetary support did not allow a proper calculation of the error rate, while representing a large share of the EU budget. In his response, Mr MIMICA considered that budgetary support was an indispensable element of EU action. He acknowledged that ownership in countries receiving support was key and welcomed the ECA's help in order to lower the risk of error. More technical explanations were provided in relation to a case of pre-financing of an enlargement country that could have resulted in a considerable increase in the 2.6 % estimated error rate, if the ECA had taken account of it. In particular, Mr MIMICA and his staff assured Ms GRÄSSLE, the rapporteur, of the fact that the error consisted in the lack of alignment of internal accounting rules to the new financial regulation. The rules had now been adapted. Mr MIMICA also stated that he would seek cooperation with the ECA in order to establish a common methodology for the assessment of the residual error rate. The Commissioner also told the rapporteur that all contracts under delegated management with the International Management Group (IMG) had been suspended since February 2014 and that they would remain suspended until the end of the investigation into a potential conflict of interest involving two IMG staff members. Concerning the status and the activities of IMG, Mr MIMICA stated that detailed information in writing – to the utmost limits allowed by the protection of confidentiality and data protection – had already been provided to CONT. Mr MIMICA agreed with Mr LIBERADCKI (S&D, PL) that programmes should set measurable targets and be more results-oriented. Moreover, visibility was key, in particular when cooperating with the UN.

3. Discharge 2013: EU general budget - 8th, 9th and 10th EDFs

The Commission's and the ECA's views conflicted about the assessment of two public procurements which had contributed to the ECA's 3.4 % estimated error rate for this policy area. This prompted a long discussion on specifications for a procurement for the purchase of seven vehicles in Cameroon and the slicing of a concrete pipes contract in Congo. The Commissioner explained why, in his view, the specifications had not targeted a sole car-dealer and how transport costs justified slicing the concrete tubes contract.

The Commissioner told Ms DLABAJOVA (ALDE, CZ), the rapporteur, that setting priorities was not only a matter for the EU, since the Cotonou Agreement was a very specific and comprehensive mixture of trade and partnership arrangements. He explained that the financing of EIB financial instruments had in some cases allowed a leverage effect of up to 20 or even 25 times the grant. Concerning the reallocation of unused funding, he explained that such funding flowed into a performance reserve that was redistributed to certain countries, subject to the control of Member States and the EP.

He told Ms AYALA SENDER (S&D, ES) that he would keep his engagement to propose that the EDF be part of the EU budget. He said that this would have the advantage of harmonising financial regulations for programmes and allowing the EP to be fully involved. This might nevertheless result in changes in Member States' contributions, with some paying more and others less than at present. No precise calculation had so far been carried out by the Commission.

4. Special Report No 9/2014 (2013 Discharge) "Is the EU investment and promotion support to the wine sector well managed and are its results on the competitiveness of EU wines demonstrated?"

Mr KINST, a member of the ECA, fully supported by Ms DLABAJOVA, the rapporteur, highlighted that investment measures under the Common Organisation of the market in wine and the Rural Development Regulation overlapped, since they had the same goal, namely to improve competitiveness. This overlap had made the evaluation difficult for the ECA. Ms GRÄSSLE inquired about any possible double financing. Mr KINST replied that a dividing line between the two contributions had to be drawn by the Member States, which had delayed implementation of the scheme in some cases. Support to promotion was also inefficient in strengthening the reputation of EU wine. He felt that figures showing a 64 % increase in exports were not due to the scheme, as they mainly resulted from an increase of export to China.

Ms DLABAJOVA was critical of the funding for bigger enterprises, since in her view SMEs were the only ones in need. Success should be measured on the basis of a stable increase in exports rather than on indicators such as the number of enterprises attending promotion events. Mr ZELLER (EPP, DE) felt that wine was a luxury commodity that did not need to be supported. Ms AYALA SENDER vigorously opposed this view and considered that wine remained a cultural product that needed support. She also told Ms DLABAJOVA and the ECA representative that cooperatives associating small producers, in particular for exporting wines, should be treated as SMEs.

The Commission representative said that the reform in the wine sector had been successful and had saved the EU money previously spent on stocks and distillation.

The wine support programme that the ECA had examined was part of this success. The ECA's recommendations had nevertheless been taken into account when revising the implementing regulation in order to avoid any double funding. The selection criteria would now provide for priority to be given to SMEs, although the co-financing rate would remain the same as for bigger enterprises. There was a continuing dialogue with Member States to make sure that appropriate action was taken on the ECA's remarks.

He recalled that the new regulatory framework required the development of an evaluation tool, although only in a longer-term perspective. He told Mr ZDECHOVSKY (EPP, CZ) that such support had been approved by the co-legislator in a regulation confirmed in 2013, which had also extended the programme. Promotion envelopes were decided by Member States. Ms DLABAJOVA concluded the lively debate and assured that she was not against wine sector support, even though her country was more of a beer producer. She insisted that new markets needed to be found by means of effective and measurable actions.

Ms GRÄSSLE closed the meeting with an invitation – in keeping with the last debate – to a New Year's drink to follow the Committee's first meeting in January 2015.

5. Next meeting

- 8 January 2015, 9.00 – 12.30 (Brussels)