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From:	General Secretariat of the Council
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To:	Delegations

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Subject:	European Court of Auditors' Special Report No 25/2019 on Budget Support data quality - Council conclusions (5 June 2020)
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Delegations will find in the annex the Council conclusions on the European Court of Auditors' Special Report No 25/2019 on Budget Support data quality, approved by written procedure on 5 June 2020.

European Court of Auditors' Special Report No 25/2019 on Budget Support data quality**Council conclusions**

1. The Council welcomes the European Court of Auditors' Special Report No. 25/2019 on data quality in budget support.¹ The European Union, through both the EU budget and the European Development Fund, is the largest global provider of budget support, with an average total contribution of 1.7 billion euros benefitting 90 countries and territories every year. The share of budget support in EU institutions' Official Development Assistance (ODA) commitments was 11.45% for the 2014-2017 period.
2. The Council reiterates the EU's strong commitment to the implementation of the 2030 Agenda on Sustainable Development and its 17 Sustainable Development Goals (SDGs), the Addis Ababa Action Agenda on Financing for Development and to the principles of development effectiveness. The Council recognises that budget support is a results-oriented aid modality, which can be used to strengthen partnership, political and policy dialogue, country ownership and mutual accountability and to enhance co-operation between the EU and partner countries in key sectors through coordinated and coherent action.
3. The Council stresses that budget support variable tranches, based on jointly agreed performance indicators, can provide incentives for partner countries to improve their performance on implementing policy reforms but also recognises the importance of ensuring adequate financing predictability through fixed tranches. The Council highlights the importance of an appropriate balance in this regard. The Council notes that in 2017, 44% of the Commission's payments for budget support contracts were related to variable tranches.

¹ [SR19_25/SR_Budget_support_data](#)

4. The Council welcomes the findings of the Court of Auditors' report and the Commission's detailed response. The Council is pleased that the indicators used to disburse budget support were deemed to be consistent with partner countries' sector strategies and generally provided the intended incentive effect. Furthermore, the Council notes the Court's observations that the relevance of variable tranche indicators was weakened by their design and that the quality of Commission's verification of indicator fulfilment varied and led to some insufficiently justified payments.
5. The Council underlines the importance of the Court's recommendations and calls on the Commission to continue its efforts to improve the design, monitoring and evaluation of budget support operations. In particular, it calls on the Commission to:
 - Increase the use and quality of outcome indicators in variable tranches, taking into consideration the discussions on indicators with partner countries and other budget support donors, in order to better measure longer-term results, while monitoring progress towards achieving the SDGs, in the framework of partner countries' national development plans;
 - Enhance quality control arrangements to improve the formulation of jointly agreed performance indicators, i.e. ensure that indicators are specific and measurable from a reliable baseline;
 - Safeguard the incentive effect of variable tranches to support meaningful progress, higher levels of ambitions and enhance accountability in partner countries, i.e. update and correct baseline values when necessary, and ensure that targets are not exclusively achieved through EU funded technical assistance;
 - Simplify the disbursement process for variable tranches, i.e. reduce the number of indicators and refrain from using sub-indicators, in line with the budget support guidelines, while focusing on achieving the main policy objectives of budget support contracts;

- Improve the quality of assessments of countries' statistical systems and their capacity to provide reliable performance data used in variable tranches, and ensure that the assessment includes an explicit conclusion before contracts are drawn up. Capacity development should accompany budget support if justified by the assessment.
 - Improve the verification of the performance data used to disburse variable tranches and agree on the means of verification with the partner beforehand.
6. The Council welcomes the Commission's commitment to implementing all of the Court of Auditors' recommendations, within the timeframe proposed, i.e. by the end of 2021. The Council encourages the Commission to report back to the Council within a year on the steps taken to this end and to integrate lessons learned into future budget support programmes.
 7. The Council recognises the importance of a common EU results-oriented approach that favours harmonised results reporting at partner country level, including through partner country results frameworks where they exist. It encourages the Commission to further promote the use of joint results frameworks and to work with Member States on improving harmonisation and alignment with partner country policies and strategies, in particular for measuring development results at country level.
 8. The Council commends the Commission for its informative annual reports on budget support, which provide a solid overall picture of the use of the instrument in a given year. However, the Council calls on the Commission to make further efforts to increase the transparency of the instrument by providing more information on variable tranche performance and multi-annual performance trends, as appropriate. In addition, the Commission should further encourage partner countries to share multi-annual performance data in the relevant sectors supported through budget support programmes.
 9. The Council highlights the importance of including a capacity development component in budget support operations, when necessary. The Council is of the view that the EU and its Member States should step up efforts to build the statistical capacities and monitoring systems of developing countries and to contribute to increasing the availability of high quality, timely and reliable data on development progress.

10. The Council encourages the Commission to deepen its research on outcome indicators.
 11. The Council stresses the need for the Commission, the High Representative and the Member States to continue to substantially improve the systematic collection and use of sex and age disaggregated data and gender-sensitive indicators in identification, planning, implementation, monitoring and evaluation of all processes in the EU's external action, in line with the Gender Action Plan.
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