

Budget aid for developing countries

2006/2079(INI) - 15/02/2007 - Text adopted by Parliament, single reading

The European Parliament adopted by a show of hands a resolution based on the own-initiative report drawn up by Michael Gahler (EPP-ED, DE) on budget aid for developing countries. It called on the Commission and the Member States to use budget support only if the net benefits of such a mechanism could be demonstrated in the light of clearly objectifiable criteria, and only after a full assessment of the risks involved. Budget support must focus, as far as possible, on poverty reduction development priorities. Those priorities must be given a central role in the donor-recipient policy dialogue and parliamentary scrutiny must be ensured in respect of both the donor and the recipient.

Parliament was concerned about the decision to use budget support in Malawi, where there were considerable known risks, and Kenya, in regard to which all Member States have suspended budget support, thus calling into question the Commission's ability to use this instrument effectively. It was also concerned by the findings of the Court of Auditors that, in some cases, the Commission's reasons for granting budget support to countries with poor public financial management systems were insufficient.

Parliament expressed alarm that the Court of Auditors had found inadequacies in the Commission's overall coherence of the budget support instrument and in the controls and monitoring and support for the recipient countries' own budgetary scrutiny mechanisms, namely the parliaments and supreme audit institutions of the countries concerned. Technical assistance was being underused. All of these elements were indispensable to the instrument.

Whilst recognising that there could only be one macro-economic reform programme in any given country, which is usually directed by the international financial institutions, Parliament felt nevertheless that the Commission and Member States should seek to play an active role in an effort to influence policy.

It reaffirmed that 20% of total annual commitments should be allocated to activities in the sectors of basic and secondary education and basic health (including sexual and reproductive health). The Commission was asked to do the following:

- apply the new international performance measurement framework in order to assess a country's public financial management, as established by PEFA;
- react coherently and even-handedly when countries cease to respect the principles of democracy and human rights;
- assess the prevalence and risks posed by corruption, in line with the Cotonou Partnership Agreement;
- maintain its strong focus on equity and poverty reduction, concentrating on the most marginalised and poor amongst society;
- support capacity development in statistics, data collection, quality assessment and analysis. Parliament was concerned about the difficulty inherent in assessing the achievement of performance indicators and especially poverty impact results;
- verify at regular intervals that the economic policies of the recipient countries were in accordance with the objectives and principles of the development assistance and that its conditions are being fulfilled;

- assess the effectiveness of budget aid in combating poverty from the point of view of cost-effectiveness, and show progress made by the third-country beneficiaries in independently administering the budget aid;
- state how budget aid could be limited in time. Parliament noted that the ultimate aim of budget support must be to build up the self-sufficiency of the beneficiary country, so the Commission should state over what (reasonable) timescale this can be achieved.

The Commission, Member States and the beneficiary countries were asked to provide regular information to the general public in this sector, in order to make the impact of budget aid visible to the European taxpayer. Such information should raise awareness of the need for development cooperation in general and the effects of budget support in particular, and counter general allegations of misuse of funds.

Lastly, Parliament insisted that, in order to support the beneficiary countries' own budgetary control mechanisms, the parliament of any given beneficiary country should participate in adopting the budget, and the budget law should be published; insists further that budget aid should be evaluated annually by the parliament in terms of the progress achieved.