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DRAFT REPORT

on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section X – European External Action Service
(2020/2149(DEC))

Committee on Budgetary Control

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1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section X – European External Action Service (2020/2149(DEC))

The European Parliament,

– having regard to the general budget of the European Union for the financial year 2019[1],

– having regard to the consolidated annual accounts of the European Union for the financial year 2019 (COM(2020)0288 – C9-0229/2020)[2],

– having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2019 (COM(2020)0268),

– having regard to the Court of Auditors' annual report on the implementation of the budget concerning the financial year 2019, together with the institutions' replies[3],

– having regard to the statement of assurance[4] as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2019, pursuant to Article 287 of the Treaty on the Functioning of the European Union,

– having regard to Article 314(10) and Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,

– having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012[5], and in particular Articles 59, 118 and 260 to 263 thereof,

– having regard to Rule 100 of and Annex V to its Rules of Procedure,

– having regard to the opinion of the Committee on Foreign Affairs,

– having regard to the report of the Committee on Budgetary Control (A9-0000/2021),

1. Grants the High Representative of the Union for Foreign Affairs and Security Policy discharge in respect of the implementation of the budget of the European External Action Service for the financial year 2019 / Postpones its decision on granting the High

[1] OJ L 67/1, 7.3.2019.
[2] OJ C 384, 13.11.2020., p. 1.
[3] OJ C 377, 9.11.2020, p. 13.
[4] Annual report on the implementation of the EU budget for the 2019 financial year, p. 11.
[5] OJ L 193, 30.7.2018, p. 1.

Representative of the Union for Foreign Affairs and Security Policy discharge in respect of the implementation of the budget of the European External Action Service for the financial year 2019;

2. Sets out its observations in the resolution below;

3. Instructs its President to forward this decision and the resolution forming an integral part of it to the European External Action Service, the European Council, the Council, the Commission, the Court of Justice of the European Union, the Court of Auditors, the European Ombudsman and the European Data Protection Supervisor, and to arrange for their publication in the *Official Journal of the European Union* (L series).

2. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

with observations forming an integral part of the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section X – European External Action Service
(2020/2149(DEC))

The European Parliament,

– having regard to its decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section X – European External Action Service,

– having regard to Rule 100 of and Annex V to its Rules of Procedure,

– having regard to the opinion of the Committee on Foreign Affairs,

– having regard to the report of the Committee on Budgetary Control (A9-0000/2021),

A. whereas all Union institutions are accountable to European citizens for the use of public funds while ensuring the greatest transparency in order to ensure effective democratic control;

B. whereas Union strategic communication is becoming a high priority on the European agenda, requiring the Union to provide objective and robust narratives to fight disinformation and to ensure greater resilience of the Union;

C. whereas gender mainstreaming and gender equality need to be reflected in all Union institutions' internal organisational and management systems, as well as in the designing and implementation of the policies in their remit;

European Court of Auditors' observations

1. Notes that, according to the observations of the Court of Auditor's ('the Court's') annual report related to Chapter 9 'Administration - MFF heading 5', no specific issues were identified in the sample of transactions concerning the EEAS for the third consecutive year and no material level of error was identified in the EEAS's annual activity report;

2. Notes the Court's general observations on the increase in the number of contract staff and the related budget appropriations from 2012 to 2018; observes that for the EEAS, such an increase was due to new tasks reflecting the placing of new operational and political responsibilities on the EEAS, in particular in the areas of the common security and defence policy, the implementation of the action plan against disinformation as well as the urgent priority to reinforce physical and IT security in EU Delegations; observes for the EEAS an overall increase in contract staff from 322 to 444 (i.e. a growth of 38 %);

3. Calls on the Court to explore other ways of providing more information on the

administrative expenditure of other Union institutions in the context of the discharge;

4. Reiterates that the overall audit approach deserves further auditing work and better targeted assessment; repeats its call for a more dedicated review of the administrative expenditure and support activities of the EEAS, specifically on topics that are becoming of higher relevance or even critical for the EEAS, such as the strategic communication capacity and information technology (e.g. cybersecurity), the performance of the global security package for delegations, infrastructures or the financial management and administrative support of mission support platform to the civilian common security and defence policy;

Human Resources

5. Observes that at the end of 2019, the proportionof Member State diplomats in the total administrator population amounted to 33,37 %, representing a slight decrease compared to 33,76 % in 2018 with; notes the following slight fluctuations between 2014-2017: 32,83 % end 2017, 31,7 % end 2016, 32,9 % in 2015 and 33,8 % in 2014; invites the EEAS to stay in line with the staffing formula as set out in Decision 2010/427/EU[1], namely a ratio of one third of staff from Member States and two thirds from Union's institutions;

6. Notes the geographical imbalances in the composition of the EEAS staff; stresses that the EEAS, like all European institutions, must ensure that all Member States are proportionally represented while at the same time respecting the competences and merits of the candidates; calls on the EEAS to enhance the geographical balance in order to have a proper representation of nationals from all Member States, reflecting the diversity of Member States;

7. Observes that the number of seconded national experts from Member States started to slightly increase after two years of stabilisation, from 449 in 2017-2018 to 461 in 2019, while noting an evolution towards more specialised profiles for civilians SNEs;

Gender policy

8. Notes the upward trend with regard to the proportion of women reaching management positions with 30,3 % (or 81 positions) compared to 27,1 % in 2018 and 24,5 % in 2017; takes also note of the increasing trend of the share of women posted as Heads of Delegation from 19,5 % in 2015 to 27,7 % in 2019 (or 38 postings out of 137); reiterates its support for the EEAS in continuing its efforts with Member States to introduce more women candidates; notes that overall women represented 47,7 % of EEAS staff; recalls that gender balance should also be considered with regard to the EU special representatives, two out of eight EU special representatives being women;

Budgetary and financial management

9. Acknowledges the operational difficulties encountered by the EEAS in the financial management of the EU network of Delegations due to various crisis situations;

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[1] Council Decision 2010/427/EU of 26 July 2010 establishing the organisation and functioning of the European External Action Service (EEAS) (OJ L 201, 3.8.2010, p. 30).

recognises that those difficult situations can lead to significant budgetary impact, namely in the management of certain administrative expenditure and costs such as security and evacuation costs, and further logistical costs linked to the COVID 19 pandemic;

10. Notes that the total budget of the EEAS for 2019 amounted to EUR 694,8 million (i.e. an increase of 2,4 % compared to 2018) with the following split, namely EUR 249,7 million for EEAS headquarters and EUR 445,2 million for the Delegations;

11. Observes that, for the 2019 EEAS budget exercise, the main budgetary trends concern reinforcement to deal with the impact of the UK leaving the Union, the strengthening of the Regional Security Officer and Delegations networks, additional staff for the European Union Military Staff (EUMS) and Crisis Management and Planning Directorate (CMPD), IT capacity information and secure communications;

12. Observes that the headquarters' budget amounted to EUR 250 million out of which EUR 161,8 million (i.e. 64,8 %) concerned the payment of salaries and other entitlements of statutory and external staff, EUR 32 million (i.e. 13 %) were for buildings and associated costs, and EUR 35,3 million (i.e. 14 %) were related to IT computer systems including classified information systems, equipment and furniture;

13. Notes that the Delegations' budget of EUR 445,1 million was divided between EUR 129,2 million (29 %) for the remuneration of statutory staff, EUR 161,7 million (36,3 %) for buildings and associated costs, EUR 71,6 million (16,1 %) for external staff and outside services, EUR 37,8 million (8,5 %) for other expenditure related to staff and EUR 44,7 million (10 %) for other administrative expenditure;

14. Notes also that a contribution of EUR 215,8 (compared to EUR 196,4 million in 2018) was transferred by the Commission for covering the administrative costs of the Commission's staff working in the Union's delegations and was split between the Commission's Heading V with EUR 49,6 million (similar to 2018), the administrative lines of operational programmes with EUR 103,1 (compared to EUR 91,8 million in 2018), and the EDF and trust funds with EUR 63,1 million (55 million in 2018);

15. Observes that in 2019, the common overhead costs relating to all delegations' offices (rent, security, cleaning and other overheads), including European Development Fund (EDF) delegations, were financed entirely from the budget lines of the EEAS for the fourth consecutive year;

16. Notes with appreciation the overall improvement in the execution of the 2019 EEAS budget with 99,94 % in commitments (compared to 99,9 % in 2018) and 87,9 % in payments (compared to 84,8 % in 2018);

17. Notes that the value of all transfers made within the EEAS administrative budget amounted to EUR 20,8 million (30,8 in 2018), reducing the EEAS Delegations' budget by EUR 1,6 million and increasing the Headquarter budget by the corresponding amount;

18. Acknowledges that the number of budget lines used to finance the operations related to Commission staff in the delegations (34 different lines originating in various Headings

of the Commission budget, plus the EDF Funds) increases the complexity of budget management;

19. Encourages the EEAS therefore to continue discussing with the European Commission ways to streamline the budget nomenclature and lines when possible in order to facilitate the overall EEAS budget management; is of the opinion that the upcoming MFF and the related evolution in their design and structure should speed up this process of budgetary simplification and rationalisation; considers that such an evolution is likely to improve budgetary costs control and minimize the risk of error;

20. Notes with appreciation all the initiatives taken to progressively improve the management of various EEAS administrative processes, which is also reflected in the adaptation of the EEAS organizational chart; reiterates its support for the 'Innovative 2019" initiative and encourages the EEAS also to continue refining its various risks mapping exercises and the related mitigating actions, as well as the mapping of all existing legal bases with the aim to ensure more efficient corporate decision-making;

21. Calls on the EEAS to better illustrate its results-based management framework in the next annual activity report, based on a set of adequate key performance indicators (KPIs) for its different administrative areas, including the related number of human resources, in order to better assess the achievements of EEAS policy objectives;

22. Observes that the EEAS decided to recentralise the management of certain process for the purpose of homogeneity of application among Delegations and mitigate recurrent operational weaknesses and optimise the management of financial transactions; welcomes these efforts and pragmatic initiatives and responses of the EEAS, echoing former concerns expressed by the Budgetary Control authority;

23. Considers that, above all, the setting-up of a central entity dealing with high value procurement procedures and the use of global procurement for Delegations are appropriate management patterns and responses, considering the high workload in certain delegations with limited staffing available and the need to focus on political work;

24. Believes that digitalisation of procurement and budget management is key; recalls that 'Document management' one of the weakest components identified in the previous internal control survey, deserves regular attention from all EEAS stakeholders for the benefit of institutional memory and the traceability of management operations;

25. Supports the EEAS's efforts to optimise its financial management within the framework of the Financial Regulation and provisions; understands the need for certain operational flexibilities namely in relation to the management of Delegations in order to avoid any discontinuity in the running of Delegations; recalls, however, that any operational temporary arrangements, namely the possibility for deputy heads of delegation to act as sub-delegated authorising officers in order to ensure an effective business continuity in Delegations and the implementation of the operational budget of the Commission, shall however remain strictly supervised by Headquarters;

Control effectiveness as regards legality and regularity

26. Notes the rate of anomalies detected in *ex ante* verifications of commitments and payments (respectively, 308 errors out of 1193 and 394 out of 2119); is concerned that in both cases errors are of an administrative nature i.e. incorrect amounts for commitments or missing supporting documents for payments presented for *ex-ante* financial verification;

27. Acknowledges the progress and ongoing refinement of the EEAS *ex-post* methodology developed since 2018 based on internal random sampling, and also the provision of error rates by main domain of running costs staff expenditure, i.e. infrastructure and other operating expenditure, security and IT and telecommunications;

28. Notes that there is still a variation of interpretation between the EEAS and the Court on the quantification of procedural errors in procurement; considers that it should be further followed-up in the next financial year in order to refine the assessment of the financial materiality of errors which occurred in the management of the EEAS administrative budget;

Strategic communication activities

29. Notes with appreciation the reinforcement of the EEAS's strategic communication capacity and toolkit in order to tackle disinformation threats and hybrid threats, with the setting-up of three task forces for the East, Western Balkans and South and the EEAS';s participation in the rapid alert system established among the Union institutions and Member States; invites the EEAS to pursue the development of such a policy with the Parliament's new special committee on foreign interference in order to refine its capacity response;

30. Underlines that the spread of deliberate, large-scale systematic disinformation is an acute strategic challenge for the Union's public diplomacy for which adequate financial, IT and human resources should be devoted in the short-to-medium term;

Management assurance

31. Notes that only two delegations provided motivated reservations, i.e. the Delegation to Syria (since 2017) and the Delegation in Djibouti in relation to the management of their administrative expenditure, in particular linked to procurement issues;

32. Calls on the EEAS to provide further information in the EEAS annual activity report on the Inspections programme in order to get an overview of the performance and the functioning of the EU Delegations; considers also that it will be useful to better illustrate the articulation of inspections of Delegations with the EEAS assurance framework and to show how the use of the outcomes and recommendations of inspections contributed to greater coherence, homogeneity and efficiency in the Delegations' working methods;

Fraud prevention and detection

33. Welcomes the fact that the EEAS is continuously adapting its anti-fraud strategy in conjunction with all the RELEX directorates general and with a dedicated format with OLAF; believes that all necessary efforts have to be made to share and exchange

information on their operational challenges to better identify risky areas in their activities and programmes;

34. Notes with appreciation the definition of common guidelines which were formalised in a specific anti-fraud strategy for external relations, which constitutes an important improvement; recalls that these guidelines have to be disseminated to all Heads of Delegations and regularly assessed within the survey on the state of play of the internal control framework and in-depth risk mapping; notes that in 2019 there was no reported case of alleged whistleblowing;

35. Observes that the EEAS has notified two cases to OLAF and informed of the results of five OLAF's investigations in 2019; invites the EEAS to clearly identify the policy fields at risk and potentialities of conflict of interests and to raise the Head of Delegations' awareness in relation to them; notes that 12 % of delegations reported having detected changes with regard to fraud risk and that there was a growing demand for training on fraud detection (46 % of the delegations and 35 % of Headquarters' divisions);

36. Invites the EEAS to start building its future bilateral cooperation with EPPO and to integrate it as a component of its general anti-fraud strategy; recalls that article 123 of the Financial Regulation provides for the establishment of an internal audit progress committee to ensure the independence of the EEAS internal auditor, the monitoring of the internal audit function as well as the effective follow-up of recommendations issued;

Ethical framework

37. Invites the EEAS to improve the staff's awareness and perception of its ethical framework and culture through adequate communication on ethics matters; considers that particular attention should be paid to whether members of staff know how to report any issues related to unethical behaviour, as well as to increasing their sense of security; highlights the importance to identify, assess and manage risks related to ethics in its annual risk management exercise;

38. Considers also that ethical standards have to be taken into account to avoid potential conflicts of interests and leakage of internal sensitive working information; supports the EEAS' definition of ethics guidelines, taking into account the specificities of work in Delegation to mitigate reputational risk for the Union and the EEAS, particularly for Heads of Delegation;

Conflict of interests

39. Underlines that post-public employment and 'revolving door' conflict of interests situations is a recurring issue in the EU institutions; calls for the EEAS for the effective and consistent application of the Staff Regulations, in particular Article 16 thereof, in order to prevent conflicts of interests, in particular – but not only – concerning senior officials;

40. Insists in this regard that the EEAS publishes annually its decisions on occupational activities of former senior officials and that it monitors on a constant basis whether they adhere to the conditions imposed on them and, if appropriate, take decisive action to

enforce compliance with these conditions;

41. Notes that the EEAS applies a ban for the first twelve months of the two-years cooling off period for senior management after their termination of office; recalls that the obligation of confidentiality is a key principle to be respected by former staff;

Building policy

42. Welcomes the positive trend in the field of co-location, reaching 7 % of the delegations' total office surface; notes with appreciation the fact that the EEAS has established 22 new co-location projects in 2019 concerning 68 delegations, (resulting in a total of 115 colocation agreements); notes that currently colocations mainly concern Member States and partner countries (43), DG ECHO (20), other EU agencies, e.g. EUIPO, EASA and Frontex (17) (), the EIB (15), EUSRs (10) and CSDP missions -EUBAM and EUCAP- (10);

43. Encourages the EEAS to continue in this direction of pooling of means with Member States in the management of buildings and to further developing local co-operation, with specific attention to be devoted to best value for money, security issues and the Union's image and visibility;

44. Notes with appreciation that this increase in colocations has been coupled with a consolidation and standardisation of the system of recovery of costs through further centralisation of incurred colocations' revenues and the application of administrative fees in the agreed service level agreements; observes that approximately EUR 10 million of revenues were generated in 2019;

45. Notes that the EEAS share of owned offices remained stable at 19 % of its delegations' offices with further prospects of purchasing in Argentina and Democratic Republic of Congo; notes that EUR 72,8 million are spent in renting office buildings and residences in the delegations' network and EUR 19,1 million on renting offices in Headquarters;

46. Welcomes the review of the housing policy and requests that Parliament be informed in due course on its main outcome in terms of renewed benchmarking compared to Member States' existing ones and other international organisations;

47. Notes with appreciation that the action plan established by the EEAS to follow-up the recommendations issued in the Court's special report of 2016 on the Real Estate policy of the EEAS enabled progress to be made, such progress being acknowledged by the Court;

48. Invites the EEAS to make further progress in relation to the remaining open recommendations on the need to obtain a portfolio overview by monitoring market rates for offices and residences and to start designing a medium-long-term plan in addition to its current Annual Working Document; recalls that the 35m^2 office space per member of staff should remain and serve as a recurrent benchmark in upcoming building planning or relocations; calls on the EEAS to keep Parliament informed about any further improvements;

Working environment

49. Regrets the fact that there is an increase in cases reported to the mediation service, reaching 183 in 2019 (compared to 135 cases in 2018);

50. Regrets the fact that there are still unpaid trainees in EU delegations; encourages the EEAS to take step to assure that trainees have means to support themselves;

Environmental dimension

51. Notes with appreciation that in 2019 the EEAS adopted a mandate to set up an environmental management system for EEAS headquarters with the intention to extend it to the network of delegations.