European Parliament
2019-2024

Committee on Budgetary Control

2019/2064(DEC)

9.12.2019

DRAFT REPORT

on discharge in respect of the implementation of the general budget of the European Union for the financial year 2018, Section X – European External Action Service
(2019/2064(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 2018, Section X – European External Action Service (2019/2064(DEC))

The European Parliament,

– having regard to the general budget of the European Union for the financial year 2018[1],

– having regard to the consolidated annual accounts of the European Union for the financial year 2018 (COM(2019)0316 – C9-0059/2019)[2],

– having regard to the Court of Auditors' annual report on the implementation of the budget concerning the financial year 2018, 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 2018, 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) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002[5], and in particular Articles 55, 99 and 164 to 167 thereof,

– 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[6], 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 (A9-0000/2019),

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

[1] OJ L 57, 28.2.2018.
[2] OJ C 327, 30.9.2019, p. 1.
[3] OJ C 340, 8.10.2019, p. 1.
[4] OJ C 340, 8.10.2019, p. 9.
[5] OJ L 298, 26.10.2012, p. 1.
[6] OJ L 193, 30.7.2018, p. 1.

Action Service for the financial year 2018;

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 Auditors, the Court of Justice of the European Union, and 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 2018, Section X – European External Action Service
(2019/2064(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 2018, 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 (A9-0000/2019),

A. whereas the effectiveness and efficiency of management systems and the use of resources in headquarters and Union delegations are key guiding principles for achieving the objectives of foreign policy, for responding to geopolitical challenges and for strengthening the role of the Union as a global actor;

B. whereas it is essential to promote a common management culture within the European External Action Service (EEAS) by reinforcing the European character and 'esprit de corps' of diplomatic staff;

1. Regrets, as an overall remark, that chapter 10 'Administration' of the Annual Report of the Court of Auditors (the 'Court') has a rather limited scope and conclusions, even if Heading 5 "Administration" of the Multiannual Financial Framework is considered low risk;

2. Considers that the audit work under chapter 10 of the Court's Annual Report should be better balanced among the Union institutions as well as going beyond compliance requirements;

3. Believes that more audit work should be dedicated on operating expenditure or issues that are becoming of high relevance or even critical for the EEAS such as strategic communication capacity and information technology (e.g. cybersecurity), the performance of the global security package for delegations or the financial management and administrative support of mission support platform to the civilian common security and defence policy;

4. Notes also that the Court did not report any specific issues for the EEAS for the second consecutive year;

5. Notes with appreciation that the Court did not identify material levels of error in the EEAS annual activity report and governance arrangement for the second consecutive year;

6. Notes that the total budget of the EEAS for 2018 amounted to EUR 678,5 million (i.e. an increase of 2,8 % compared to 2017) with an execution rate of 99,9 % for commitments and 84,8 % (slightly lower than 2017 with 86,7%) for payments as of the end of the year and with additional contributions from the Commission to cover the administrative costs of Commission's staff posted in Union delegations; takes note of the current budget breakdown, namely EUR 249,7 million for EEAS headquarters and EUR 428,8 million for the delegations;

7. Notes that a contribution of EUR 58,5 million was also received in 2018 from the European Development Fund and the trust funds compared to EUR 55 million in 2017;

8. Encourages the EEAS to possibly simplify the current budget nomenclature to allow for easier and more efficient management for the EEAS by progressively streamlining the 35 budget lines used to finance Commission staff operations in the delegations, reflecting geographical and various development instruments;

9. Notes with appreciation the simplification of budget management with the entire financing of the common overhead costs relating to all delegations' offices in 2018, (rent, security, cleaning and other overheads), including European Development Fund delegations, from the budget lines of the EEAS for the third consecutive year;

10. Observes that the headquarters' budget amounted to EUR 249,7 million out of which EUR 162,4 million (i.e. 65,5 %) concerned the payment of salaries and other entitlements of statutory and external staff, EUR 30,8 million (i.e. 12 %) were for buildings and associated costs, and EUR 34,9 million (i.e. 14 %) were related to IT computer systems, equipment and furniture;

11. Notes that the delegations' budget of EUR 428,8 million was divided between EUR 118,4 million (i.e. 27,6 %) for the remuneration of statutory staff, EUR 168 million (39,2 %) for buildings and associated costs, EUR 72,1 million (or 16,8 %) for external staff and outside services, EUR 27,6 million (6,4 %) for other expenditure related to staff and EUR 42,7 million (10 %) for other administrative expenditure; notes also that EUR 196,4 million (compared to EUR 185,6 million in 2016 and EUR 204,7 million in 2015) was received from the Commission for the administrative costs of the Commission's staff posted in the Union's delegations and was split between the Commission's Heading V with EUR 47,2 million, the administrative lines of operational programmes with EUR 93,2 million, and the European Development Fund and trust funds with EUR 58,5 million (compared to EUR 55 million in 2017 and EUR 45,4 million in 2016);

12. Notes with concern the irregularities on the building administration policy of the EEAS; stresses the need for sufficient explanation of accusations of EEAS being involved in corruptive cases related to its building administration policy when buying, renting or managing buildings; calls on the EEAS to provide eventually sufficient explanation on such tenders;

13. Calls on the EEAS to commit for the next discharge to send to the Budgetary Control Committee more information explaining the context and coverage of the building costs;

14. Notes that the EEAS has transferred EUR 30,8 million out of which the largest amount

was used to purchase a building in Washington, the latter reduced the final headquarters budget to EUR 239 million while increasing the delegation budget by EUR 10,7 million;

15. Recognizes the difficult operational area of the EEAS in which Union delegations evolve, as political and socio-economic conditions are often complex, unstable and associated high risks with potential significant budgetary and costs consequences mainly for staff and infrastructures' security;

16. Acknowledges, in that context, that the structure of certain EEAS costs, such as infrastructure costs, might be more difficult to manage due to exchange rate fluctuations or local specific market conditions, making the management and planning at the delegations level more difficult;

17. Notes that the new Financial Regulation under its Article 60 foresees new modalities of budget implementation powers for the delegations, namely the possibility for deputy heads of delegation to act as subdelegated authorising officers and to implement the operational budget of the Commission in order to ensure business continuity;

18. Welcomes in that context the EEAS adaptations of its internal rules accordingly but invites nevertheless the EEAS to carefully monitor such situations when this new provision will be used, namely in small-sized delegations; invites the EEAS in the framework of its internal control strategy to pay particular attention to the related potential risks by proceeding to intensified remote operations control on the adequacy of the financial workflows and/or by providing increased temporary support with relevant *ad hoc* monitoring and reporting of these periods; recalls that the internal control standard 'Business continuity' was one of the weakest components of the EEAS internal control system for several years, especially for delegations;

19. Considers as positive steps the creation of the risk assessment and management instrument with risks registers for headquarters and delegations as well as the adoption of a new internal control framework; invites however the EEAS to go beyond risk awareness as such by making sure that risk mitigation is effectively implemented and steadily reviewed;

20. Takes note of a rate of anomalies detected in ex ante verifications of commitments and payments (respectively 209 errors out of 1041 and 258 of 1841); regrets the recurrent nature of the errors detected, i.e. mainly the unavailability of supporting documents when financial operations are presented to ex ante financial verification; invites the EEAS also to continue providing specific support for all value public procurement in delegations;

21. Welcomes the alignment of the ex post methodology with the Court's methodology in 2018, enabling to provide error rate per principal domains of expenditure, i.e. staff expenditure, infrastructure, security and IT/telecommunications and based on random stratified samples of operations; considers that this positive evolution will provide the management and authorising officer by delegation a better overview of operational and overall financial amounts at risk based on a larger and exhaustive coverage of financial transactions; highlights that this methodology will provide more objective grounds for the issuance of dedicated action plans with mitigating measures or potential

reservations;

22. Reiterates the importance of providing a result-oriented support to delegations in all areas, namely for procurement support; considers that the experience, cooperation and outcomes of the Regional Centre Europe covering 27 delegations should be properly valued, in particular for the higher level of assurance provided, while possibly considering other equally effective means;

23. Calls on the EEAS to progressively reinforce its EEAS assurance chain in line with the new set of internal control standards putting more emphasis both on the individual competence and accountability for their role in materialising controls (as also reflected in the 2018 questionnaire on the implementation of the internal control principles namely in the area of control over technology a little less well scored) and on the risk of fraud;

24. Welcomes the EEAS efforts to foster the sense of accountability of newly appointed heads of delegation for the sound financial management of Union funds falling under their operational responsibilities alongside their political mandate; considers that this also concerns all the actors within foreign affairs such as EU special representatives, EU special envoys, heads of military operations and heads of civilian missions;

25. Recalls that reservation is a keystone in the accountability construction and therefore constitutes a preventive and transparency instrument within the building of the EEAS assurance chain reflecting ongoing challenges or remaining and occurred weaknesses faced by heads of delegation;

26. Notes that only two delegations provided reservations, i.e. Delegation to Syria, as in 2017, and the Delegation to the Council of Europe in Strasbourg for non-compliance of implemented contracts with procurement rules;

27. Observes that at the end of 2018, the population of Member States diplomats in the total administrator population amounted to 33,76 %, almost equivalent to the 2014 level of 33,8 %; notes the following slight fluctuations between 2014-2018: 32,83 % end 2017, 31.7 % end 2016, 32,9 % in 2015; invites the EEAS to stay in line with the staffing formula as set out in the Decision 2010/427/EU[1], namely a ratio of one third of staff from Member States and two thirds from Union's institutions;

28. Remains concerned at continuing imbalances in the staffing profile of the EEAS as regards nationality; notes that at the end of 2017 Member States' diplomats represented 32,83 % of the overall administrator staff of the EEAS (i.e. 307 persons), at the end of 2016, 31,7 % of the staff of the EEAS came from the Member States compared to 32,9 % in 2015 in comparison to 33,8 % in 2014;

29. Stresses that the EEAS, despite repeated calls, still does not meet the requirements for geographical balance and is significantly disproportionate while having heads of delegation from Belgium (9), Germany (15), France (16), Italy (21), Poland (5), Czech Republic (2); notes, in particular, the increased number of Italian heads of delegation over the last two

[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).

years;

30. Urges to enhance the geographical balance within the EEAS; reiterates the importance of appropriate and meaningful presence of nationals from all the Member States; stresses that the EEAS must ensure that all Member States are adequately represented by respecting the competences and merits of the candidates;

31. Notes that the overall numerical gender balance almost reached parity in the overall number of posts occupied with 47,4 % being women; invites however the EEAS to continue to further reduce existing qualitative imbalances at all levels, functions and in different categories, especially for administrator positions with currently 34,92 % being occupied by women;

32. Observes that gender and geographic balance should also be respected with regard to the EU special representatives, two out of eight EU special representatives being women; considers also that ethical standards have to be taken into account to avoid potential conflicts of interests;

33. Highlights the same situation in the staff overall distribution by gender in management posts, while noting an improvement in 2018 with 27,1 % compared to 24,5 % in 2017, representing 71 women, i.e. 60 out of 211 positions at middle management positions (or 28,4 % compared to 26 % in 2017) and 11 out of 51 senior management posts (or 21,57 % compared to 18 % in 2017);

34. Notes that out of 135 posts of heads of delegation, 34 are held by women; regrets also the low percentage of women candidates for management positions in the annual rotation exercise for delegations which remains low at only 18 %; encourages the EEAS to continue its work with Member States to introduce more women candidates;

35. Observes that the number of seconded national experts from Member States has been stabilised to 449 with the same number as 2017 and following a regular increase since 2011; notes that 87,31 % of seconded national experts are posted at EEAS headquarters with the rationale that they reply to very specialised needs within the EEAS structure; calls on also the EEAS to pay particular attention to the potential issue of conflict of interest in its recruitment policy for seconded national experts;

36. Observes that the interest and the number of co-location projects increased gradually due to their cost-effectiveness and synergies, and that they provide a mechanism to recover full-costs of co-locations;

37. Welcomes the increase in co-location arrangements of Union delegations with Member States with the signature of twenty-two new co-location agreements in 2018, concerning 65 delegations and leading to a total of 114 co-location projects; notes also the conclusion of two service level agreements with the European Union Intellectual Property Office and Commission’s Directorate-General for European Civil Protection and Humanitarian Aid Operations and welcomes that further service level agreements are under negotiation with the European Investment Bank, European Border and Coast Guard Agency and European Union Aviation Safety Agency;

38. Notes with appreciation that co-locations generated non-negligible new sources of

revenues for the EEAS amounting to EUR 52.1 million, providing room for manoeuvre to develop its real estate purchasing policy; notes that the EEAS owned 34 office buildings in delegations and rented 143;

39. Supports the permanent annual review mechanism as an effective workforce management instrument to better prioritise and to ensure a recurrent adaptation of EEAS human resources in the network of delegations to the evolving geopolitical priorities and the size of projects portfolios (e.g. the preparation of the opening of the United Kingdom Delegation, the closure of the Solomon Islands Delegation, the upgrading of the Panama Delegation and the opening of a Delegation in Mongolia); notes in 2018, as a first result of this rationalisation exercise of staff resources, that 8 posts have been transferred between delegations;

40. Reiterates that the Union took a step towards fair remuneration for all within its institutions; stresses that the EEAS should ensure its trainees to receive a decent remuneration in all types of internships (Blue Book, Bruges and Other);

41. Considers useful to improve the management tools of workload alongside an action plan to attract and retain people taking into account various professional needs, experience and nationalities; welcomes the human resources report and invites the EEAS to clearly state its institutional needs (or new required expertise) and identify its workforce risks at corporate level that could hinder the EEAS achievement of policies objectives;

42. Notes the 135 mediation cases treated in 2018 concerning delegations and headquarters; calls on the EEAS, in particular the mediation service now reporting directly to the secretariat general, to continue giving the highest priority to this issue in the resource management; reiterates the importance of developing a culture of zero tolerance towards harassment with a strict following up on reported cases;

43. Invites also, in this context, the EEAS to extend the network of confidential counsellors especially in the network of delegations by possibly increasing the number of trained volunteer counsellors in delegations; encourages the EEAS to foster the social dialogue regardless the origin of the staff and the different status of the staff;

44. Observes that the EEAS, after having updated its administrative arrangement with the European Anti-Fraud Office and reinforced its cooperation on fraud related issues with directorates-general acting in external affairs, such as Directorate-General for Foreign Policy Instruments (DG FPI), Directorate-General for European Neighbourhood Policy and Enlargement Negotiations (DG NEAR) and Directorate-General for International Cooperation and Development (DG DEVCO) in 2017, has continued its efforts to refine its anti-fraud strategy; stresses that further cooperation with the European Anti-Fraud Office and Commission (the directorates-general acting in external affairs, such as DG FPI, DG NEAR and DG DEVCO) should be implemented; notes with appreciation the awareness raising of the heads of delegation in agreement with DG DEVCO an DG NEAR on fraud prevention and reporting via its internal control principle ‘Prevention of fraud’;

45. Calls on the EEAS to indicate in its annual activity report the number of referred cases to European Anti-Fraud Office and ongoing investigations by the European Anti-Fraud Office related to potential conflict of interest in the EEAS;

46. Supports the launching of an internal audit on the recruitment and management of local agents to remedy certain weaknesses found by the Court in the recruitment procedures of local agents in delegations (i.e. a lack of transparency as regards certain steps of the procedure);

47. Takes note of the internal audit service's audit on 'EC-EEAS coordination' and notes with appreciation the audit conclusion that the coordination activities between the Commission services (DG DEVCO, DG NEAR and DG FPI) and the EEAS are overall effective and efficient; notes however the need for defining a non-fragmented view of the overall Union external assistance to a given country and the need to reinforce, in coordination with DG DEVCO and DG NEAR, risk assessment and management developing a common view on uncertainty and mitigating strategies;

48. Draws attention to the findings and recommendations of the Special Report 15/2018 'Strengthening the capacity of the internal security forces in Niger and Mali: only limited and slow progress'; calls on the EEAS (i) to take measures to improve the operational efficiency of the missions by providing adequate practical guidance and enough support, (ii) to improve the occupancy rate of staff posts in the missions, (iii) to set mandates and budgets to match operations and devise a common, comprehensive exit strategy clearly defining roles and responsibilities in the winding-up of the common security and defence policy missions, (iv) to increase the focus on sustainability aspects and (v) to improve performance indicators and the EEAS impact assessments to adequately monitor and evaluate the achievement of tasks;

49. Supports the reinforcement of the linkage between policy making, public diplomacy and strategic communication; notes, in that context, that EUR 3 million were allocated to the EEAS in 2018 (compared to EUR 1,1 million in 2017) for consolidating its Strategic Communication Plus action in order to counter disinformation and hybrid threats, to develop resilience to foreign interference while also noting the development of business intelligence services;

50. Supports the EEAS's efforts in order to reinforce the all range of physical and IT security issues from the staff and buildings security with the purchasing of new security equipment, to the training of regional security officers to preserve the EEAS's security interests and provide further security know-how by implementing a formal security risk management policy as well as the cybersecurity challenge;

51. Welcomes the first follow-up report of the discharge resolution on the EEAS for the financial year 2017 adopted by a majority of Parliament's Members and the EEAS's commitment to address the main recommendations and observations raised during the discharge procedure with the aim to further improving the management of Union funds;

52. Welcomes new initiatives to improve the communication in relation with Union citizens concerning the importance of public diplomacy and strategic communications as an integral aspect of the Union's external relations; commends that the EEAS started engaging multipliers to running Europe-wide public campaigns.