COURT OF AUDITORS

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on the management by the Commission of European Union support for the development of human rights and democracy in third countries, together with the Commission’s replies

(pursuant to Article 248(4) second subparagraph, EC)

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EXECUTIVE SUMMARY

The main audit findings have been regrouped into three categories. First, in respect of programming, the Court identified the following weaknesses:

(a) generally there is a need for the Commission to improve the way in which measures to support human rights and democracy are defined in country strategies (paragraphs 20 to 24);

(b) in many cases, projects were proposed by local communities and organisations, and then appraised and decided on by the Commission; although such a demand-driven approach is appropriate in this area in order to enhance ownership, it should be applied within a more clearly defined framework of priorities and selection criteria. For central and east European programmes procedures were the most systematic with calls for expressions of interest on a regular basis (paragraphs 25 to 28);

(c) when selecting projects, the Commission did not pay sufficient attention to assessing the capacity of implementing bodies. The procedures of the Commission in this area, however, have been improved in the call for proposals in June 1999 (paragraphs 29 to 31).

The Court further examined the outcome of the programmes and found that:

(a) projects were too thinly spread over too many intervention areas which limited their impact on the democracy and human rights situation in third countries (paragraphs 34 and 46);

(b) individual projects were relevant as such, i.e. they addressed human rights and democracy issues in the countries concerned, but there was a lack of predefined indicators to measure their effectiveness and impact (paragraphs 35 to 39 and 46);

(c) insufficient attention was paid to the continuity of the activities, which limited the long-term effects of the Commission’s support (paragraphs 47 to 49);

(d) a strategy on how to obtain greater visibility for the European Union’s involvement in supporting human rights and democracy was not always carefully thought out (paragraph 50);

(e) although the general findings of the evaluation of the programmes are positive, some of them confirmed the Court’s findings concerning the broad nature of the objectives, weak impact and the lack of management resources (paragraphs 45 to 46).

Throughout the audit the Court also identified an important number of shortcomings in respect of programme management by the Commission:

(a) in order to overcome the insufficient staff resources allocated by the Commission to the management of the different programmes, each of the implementing DGs had recourse to the subcontracting of additional external management resources. Each of the solutions adopted was found to be weak and unacceptable (paragraphs 54 to 63);

(b) in a significant number of cases, the contractual conditions applied were those for grants; in reality, however, the relationship between the implementing body and the Commission was a service one, which requires different contractual conditions (paragraph 64);

(c) contract provisions and finance mechanisms were not standard (paragraphs 65 to 66);

(d) financial monitoring of contracts was weak, which led to the payment of non-eligible expenditure (paragraphs 70 to 71);

(e) recommendations of evaluation reports were not implemented (paragraphs 73 to 74).

The above findings show that the approach of the Commission to the management of the programmes was inappropriate. The inadequate staff resources and systems mean that the Commission is not able to follow in detail the implementation of large numbers of frequently small contracts. The Commission should therefore adopt a different approach which focuses more on what is achieved by partners with the funds received, while obtaining reasonable assurance that the funds are used correctly for the purpose for which they are granted (see conclusions and recommendations).

INTRODUCTION

The growth in importance of policy on human rights and democracy

1. Since the latter part of the 1980s, as democratic transitions spread through various parts of the world, there has been a rapid and significant expansion in programmes of assistance financed by the European Union and other major donors to support the development of human rights and democracy. The overall purpose of these programmes is twofold:

(a) to promote human rights and democracy for their own sake, as a political good that will improve the lives of citizens by bringing more freedom, political representation and government accountability;

(b) to support the idea that the promotion of human rights and democracy is an essential part of the process of furthering sustainable social and economic development.
2. At the Copenhagen European Council in June 1993 it was specified, as one of the conditions required of the countries applying to join the European Union, that these countries had to have achieved stability of institutions guaranteeing democracy, the rule of law, and human rights and respect for and protection of minorities. The guidelines which the Commission decided in October 1999 for the implementation of the Phare programme for the period 2000 to 2006 (1) emphasise that these criteria are still relevant with regard to the granting of pre-accession aid.

3. The European Union has also been at the forefront in declaring protection and promotion of human rights and democracy to be priorities of its development programmes. It has operated on two fronts:

(a) firstly, by applying political pressure on governments (establishing agreements which require governments that receive EU assistance to respect the principles of liberty, democracy, human rights, fundamental freedoms and the rule of law, freezing assistance when such principles are flouted);

(b) secondly, by funding measures through public authorities and institutions, and through NGOs and voluntary bodies.

4. The importance attached by the political authorities of the Union to the protection of democracy and human rights is reflected in the Treaties. Article 177 of the Treaty establishing the European Community states that 'Community policy in the area of development cooperation shall contribute to the general objective of developing and consolidating democracy and the rule of law, and to that of respecting human rights and fundamental freedoms'. Further, Article 11 of the Treaty on European Union provides, as part of the Union's objectives for its common foreign and security policy, that it aims 'to develop and consolidate democracy and the rule of law'. Also, Article 5 of the revised fourth Lomé Convention deals extensively with human rights and democracy.

5. Community initiatives to define overall strategy and priorities in the area of human rights and democracy have developed over time, in the light of experience and the growing interest of the authorities of the Union. Among such initiatives are research commissioned with the European University Institute in 1989 to identify priority themes for Community human rights programmes, a communication of 1995 proposing that in all cooperation agreements there should be a clause recognising that the promotion and safeguarding of human rights constitutes an essential element in external relations (2), and in 1998 a study analysing from legal, political, institutional and philosophical points of view the current role of the Union in this area.

Complexity of the legal and budgetary framework

6. To further the overall policy objectives set out in the Treaties, most of the Council Regulations adopted in the area of external aid include human rights and democracy related objectives. Each of the mainstream geographic regulations (Phare, Tacis, PVDALA, MEDA), and other cross-cutting regulations such as the integration of gender issues in external aid, makes provision for the financing of measures to develop and consolidate democracy and the rule of law, and to promote respect for human rights and fundamental freedoms. Also, the Council Regulation on co-financing operations with European non-governmental organisations pays particular attention to operations connected with the strengthening of civil society and the promotion and defence of human rights and democracy. The Regulation on decentralised cooperation aims to contribute to the diversification and reinforcement of civil society and grassroots democracy in developing countries.

7. Each Council Regulation, with its specific definition of objectives in the area of human rights and democracy, and its own procedures, is the legal basis for expenditure from different, specific budget headings. As a consequence, there are several different sources of budgetary funds from which human rights and democracy measures can be financed.

8. In 1994, at Parliament's request, the European initiative for democracy and the protection of human rights was launched, designed to ensure consistent and effective action in this area by gathering together into budget Title B7-7 resources explicitly earmarked for the promotion of human rights and democratic principles.

9. However, the objectives of the underlying Council Regulations governing the European initiative, proposed by the Commission in 1997 and decided on in April 1999 (3), are ambitious and exhaustive (see Table 1) and cover a wide range of activities which are also eligible under the other Regulations. In paragraph 75 the Court proposes a simplification of the legal and budgetary framework.

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(2) COM(96) 672 final of 17 January 1997.
Table 1

Objectives of the Council Regulations governing expenditure under the European initiative for democracy and the protection of human rights

Measures aimed to promote and defend human rights and other fundamental freedoms

— the promotion and protection of civil and political rights,
— the promotion and protection of economic, social and cultural rights,
— the promotion and protection of the human rights of those discriminated against, or suffering from poverty or disadvantage, which will contribute to reduction of poverty and social exclusion,
— support for minorities, ethnic groups and indigenous people,
— supporting local, national, regional or international institutions, including NGOs, involved in the protection, promotion or defence of human rights,
— support for rehabilitation centres for torture victims and for organisations offering concrete help to victims of human rights abuses or help to improve conditions in places where people are deprived of their liberty in order to prevent torture or ill-treatment,
— support for education, training and consciousness-raising in the area of human rights,
— supporting measure to monitor human rights, including the training of observers,
— the promotion of equality of opportunity and non-discriminatory practices, including measures to combat racism and xenophobia,
— promoting and protecting the fundamental freedoms mentioned in the International Covenant on Civil and Political Rights, in particular the freedom of opinion, expression and conscience, and the right to use one’s own language.

Supporting the process of democratisation

— promoting and strengthening the rule of law, in particular upholding the independence of the judiciary and strengthening it, and support for a humane prison system; support for constitutional and legislative reform; support for initiatives to abolish the death penalty;
— promoting the separation of powers, particularly the independence of the judiciary and the legislature from the executive, and support for institutional reforms,
— promotion of pluralism both at political level and at the level of civil society by strengthening the institutions needed to maintain the pluralist nature of that society, including non-governmental organisations, and by promoting independent and responsible media and supporting a free press and respect for the rights of freedom and of association and of assembly,
— promoting good governance, particularly by supporting administrative accountability and the prevention and combating of corruption,
— promoting the participation of the people in the decision-making process at national, regional and local level, in particular by promoting the equal participation of men and women in civil society, in economic life and in politics,
— support for electoral processes, in particular by supporting independent electoral commissions, granting material, technical and legal assistance in preparing for elections, including electoral censuses, taking measures to promote the participation of specific groups, in particular women, in the electoral process, and by training observers,
— supporting national efforts to separate civilian and military functions, training civilian and military personnel and raising their awareness of human rights.

Support for measures to promote respect for human rights and democratisation by preventing conflict and dealing with its consequences, in close collaboration with the relevant competent bodies

— supporting capacity-building, including the establishment of local early warning systems,
— supporting measures aimed at balancing opportunities and at bridging existing dividing lines among different identity groups,
— supporting measures facilitating the peaceful conciliation of group interests, including support for confidence-building measures relating to human rights and democratisation, in order to prevent conflict and to restore civil peace,
— promoting international humanitarian law and its observance by all parties to a conflict,
— supporting international, regional or local organisations, including the NGOs, involved in the prevention, resolving and dealing with the consequences of conflict, including support for establishing ad hoc international criminal tribunals and setting up a permanent international criminal court, and support and assistance for the victims of human rights violations.
EU measures in support of democracy and for the defence of human rights

10. Because of the broad nature of the policy objectives and the spread of activities throughout the different budgetary external aid chapters, the Court has not sought to present an overall picture of the total amounts of expenditure on human rights and democracy measures as any such picture would necessarily involve somewhat arbitrary judgements on what to include or exclude.

11. Annex 1 provides information on commitments entered into and payments made under budget Title B7-7 (EIDHR) for the period 1994 to 1998. Actual commitments totalled EUR 397.1 million and payments EUR 264.4 million. In the following paragraphs, a short description is given of the programme strategies followed by the Commission in each of the main geographical areas.

12. Within the Phare and Tacis programmes, formal democracy is furthered by the funding of programmes, agreed with each State, for the strengthening of democratic institutions (e.g. Parliament, the civil service, the Courts).

13. With regard to the development of open civil society, by funding proposals from NGOs and voluntary bodies, two main instruments were used:

(a) the LIEN programme (financed within the mainstream Phare and Tacis budget headings) under the framework of which the Commission co-finances NGO measures in favour of disadvantaged groups. This programme is on the borderline between overall and social development programmes and core human rights and democracy measures;

(b) the PHARE and TACIS democracy programmes (set apart in the B7-7 budget Title) under which macro- and micro-projects were financed.

14. The Court has drawn together for the period 1993 to 1998 financial information for the programmes examined in central and east European countries, which is presented in Annex 2. Payments over this period totalled EUR 243.9 million. The notes presented there on the limitations of these data should be borne in mind.

15. For Asia, Latin America and the Mediterranean countries, the Commission department concerned used the available B7-7 funds mainly to co-finance small pilot measures (for example, courses for policemen on human rights issues, electoral education, legal aid), for the strengthening both of formal democracy (institutional building) and civil society. Further, larger projects with a human rights and democracy emphasis (electoral support, support to public authorities such as police forces and justice systems, street children projects, etc.) were also financed under the mainstream financial and technical cooperation programmes.

16. For cooperation activities in ACP countries, a similar approach was used, i.e. small pilot measures (for example, human rights observers, electoral support), were financed from B7-7 funds and, where necessary, main human rights and democracy projects were financed under the national indicative programmes of the European Development Funds (EDF). A significant part of the B7-7 funds was used to provide complementary finance to EDF funds to finance interventions such as the observation of elections, the support of peace processes and the sending of human rights observer missions, which are the kind of measures that elsewhere, in other circumstances, have been financed under the common foreign and security policy.

Scope of the audit

17. For each of the main geographical regions (1), countries were selected primarily on the basis of the importance of human rights issues affecting them, and the volume of Community-financed measures. The EU’s overall policy on human rights in those countries was reviewed. In each country, a number of projects were selected, the planning and implementation of which was examined in detail. These projects, which cover the period 1994 to 1998, were mainly from the European initiative on democracy and the protection of human rights, but some large projects and programmes financed from the mainstream budget headings were also included. Several regions and countries were visited (2), and for others the audit was carried out at the Commission departments only (3).

18. The Commission has taken action on the detailed audit findings, notably where the Court recommended that further investigations of management weakness and irregularities were needed (see paragraph 71).

19. The findings presented in this report are general, and cover all the various forms of assistance, as well as most of the countries in which the measures are carried out. Where the observations concern particular programmes, this is noted.

(1) Central and eastern Europe, the new independent States, South America, Central America, Asia, the Mediterranean and Middle East, Africa, the Caribbean and Pacific.
(2) Argentina, Brazil, Bulgaria, Chile, Peru, Romania, Russia, Slovakia and Ukraine.
(3) El Salvador, Guatemala, Haiti, Mozambique, Nicaragua, Palestine, Panama, Rwanda and Turkey.
STRATEGY OF THE PROGRAMMES

Country strategies

20. Within each of the cooperation programmes, it is the policy of the Commission to develop country strategies to provide a framework for its interventions. Such a strategy should, among other things, assess the current situation of the country, define priority areas in which the Commission aims to intervene and set out a framework within which individual measures can be identified, selected and implemented. The local democracy and human rights situation and policies should be an integral part of such a country strategy, particularly when democracy and the protection of human rights are central issues for the country concerned (1).

21. A particular situation exists for the applicant countries for EU membership. The Europe Agreement which each of them has signed enshrines a commitment to a pluralist democracy based on the rule of law, human rights and fundamental freedoms, a multiparty system involving free democratic elections, to the principle of a market economy and to social justice, which constitutes the basis for the association (2). This has led to the Commission focusing on human rights and democracy issues as specific accession requirements.

22. Although practices varied for the other countries, the Court found little evidence that the Commission had effectively assessed the democracy and human rights situation and needs of the beneficiary countries and that it had developed a strategy specifically tailored to the requirements of the country (identifying key problems and proposing solutions). Even in those countries where support for human rights and democracy was mentioned in the overall country strategy papers, as was the case in some Latin American countries, definitions were vague and too general to allow a focused approach. In most of the country strategy papers for the Asian and Latin American countries examined by the Asia and Latin America (ALA) Committee in 1998 and 1999, there was either little or no mention of human rights and democracy issues.

Project selection

25. In all areas covered by this report, in many cases, local communities and organisations proposed projects, these projects were then appraised and decided upon by the Commission. Although a demand-driven approach is appropriate in this area in order to enhance ownership, it should be applied within a more clearly defined framework of priorities and selection criteria.

26. The Commission department responsible for implementing programmes in central and eastern Europe called for expressions of interest on a regular basis and used standardised selection procedures. This approach allowed the needs of civil society to be identified through the project proposals of the local NGOs. In practice, most of the projects thus selected concerned human rights, NGO development, independent media and parliamentary practice.

27. With the publication of its opinion on the accession of certain central and east European States to the EU (4), the Commission acknowledged that it is now more appropriate for the selection procedures for the human rights and democracy programme to be more focused on accession issues.

Project identification and selection procedures used by the Commission departments responsible for Latin American and Mediterranean and ACP countries were much more informal, for

28. One delegation, in commenting on the observations of the auditors in a sector letter, argued that although no strategy had been written down, it could be seen to exist from the portfolio of projects financed, all of which were in human rights and democracy areas of major concern.

(1) The Commission’s approach to country strategy papers is that they cover essentially the mainstream financial, technical, and economic cooperation programmes of assistance, but not all aspects of the Commission’s cooperation with a given country. Separate strategy documents are to be prepared on other aspects, such as human rights and democracy. The Court, however, considers that there should be one strategy document which covers all significant areas of cooperation.

(2) Applicant States are required to satisfy the Copenhagen criterion for stable institutions to guarantee democracy, the rule of law, and respect for human rights, particularly for those of minorities; and to address the issues raised by the Commission in its Agenda 2000 series of published analyses of the progress achieved towards a pluralist economy.

no apparent reason other than the different working methods of the services. For these regions, the Delegations were asked to publicise the programmes by informing NGOs and government agencies of their existence but there were no calls for expression of interest. Projects were mostly identified and appraised by short-term expert missions or were the result of direct contacts between local organisations and Delegation/central departments. Although the projects approved reflected priorities as seen by these local organisations, such a procedure does not ensure that all key needs were identified and covered.

Selection of implementing bodies

29. In central and eastern Europe, the Commission departments initially found that support of local civil society always required the use of European Union partner NGOs in project implementation. In many cases, however, the role of these partners was limited and unclear and their added value in the projects was not commensurate with the costs incurred. Therefore, and also because local NGOs have matured with experience, the direct intervention of EU NGOs should now be reduced.

30. The Commission departments responsible for Latin American and Mediterranean countries chose to work directly with local NGOs. This could have enabled the Commission to create a strong direct relationship with local civil society and to participate actively in its strengthening the capacity of the organisations with which it worked. It does not seem, however, to have succeeded in this for the following reasons:

(a) little or no information could be found in the project files that the Commission departments had sufficiently examined the administrative, organisational, financial, personnel and technological strengths and weaknesses of its partners;

(b) the administrative guidelines (budgetary and reporting requirements) and procedures (decisions, payments) specified by the Commission department more often put an extra burden on the partners rather than helping to strengthen them.

31. In June 1999, the Commission published an overall call for proposals (1) for most of the budget headings under the EIDHR. This is a major improvement. The overall transparency of the selection procedures is enhanced. The Commission departments have established guidelines in which are defined eligibility criteria relating both to project content (thematic areas), with a first effort at fixing priorities, and to the implementing bodies (statute, financial solidity, etc.).

OUTCOME OF THE PROGRAMMES

Effectiveness, relevance and impact of the measures

32. To assess effectiveness, i.e. whether the goals and objectives set for the programmes and projects are achieved, it is necessary that they are clearly set out in a way that can be evaluated. The links between the different levels have to be identified, showing how the results of a project contribute to the achievement of the programme goals. The monitoring, control, and information systems should then provide the information needed for the assessment.

33. Paragraphs 1 and 22 point to the wide definition of programme goals, and the lack of adequate strategies defined in operational terms. This makes the assessment of the effectiveness at the programme or country level difficult.

34. Nevertheless, in most of the Commission's documents, the impact of its human rights and democracy programmes is seen as a success because of their contribution to the growth of civil societies which played a crucial role in the democratisation processes of the countries involved. While some credit for this can be given to the EU programmes, one of the main findings of the audit, which is supported by evaluations which the Commission has arranged of its programmes (2), is that the Commission's project portfolios have been spread too thinly over the different intervention areas, thus diluting their impact.

35. For the individual projects, objectives and results were not clearly defined and quantified, and the way in which impact could


be assessed was not specified. Frequently, project activities were presented as the purpose of the project. In none of the projects examined were the criteria for judging success made explicit, nor were any mechanisms proposed for evaluating this. Although the Commission introduced the use of logical framework analysis for its cooperation programmes during this period, this project management tool was not used for most of the projects under the European initiative for democracy and the protection of human rights (1).

36. In the case of conferences, meetings and seminars, it is insufficient to consider that simply organising and holding them means that the measures are effective. First of all, it is necessary to build into such activities elements which assess their quality. More emphasis should also be placed on trying to identify ways of assessing whether such events are effective.

37. It is fully recognised that it is not easy to define and draw up such indicators in this area of cooperation and that it is not always possible to quantify them. Further, it is acknowledged that it is not because impact can only be quantified with considerable difficulty, or even not at all, that one has to be sceptical. It is also recognised that project effects can often only be observed in the medium and long term.

38. None the less, the Court considers that the Commission needs to strengthen its efforts to define criteria and benchmarks by which the outcome of activities can be assessed and introduce them in project definitions. If it does not, external aid in this area risks ending up as the financing of apparently relevant measures, which are considered, on a subjective basis, to be effective and to have a positive impact, without there being any objective evidence to support this.

39. The lack of clearly defined project outputs and purposes means that an assessment of project effectiveness is extremely difficult. As a consequence, the different monitoring instruments did not provide information on effectiveness:

(a) most of the progress reports presented by the project managers were a chronological description of activities achieved with little qualitative evaluation. Little or no attention was paid to comparing achievements with what was planned, and relevance and impact were not considered;

(b) in the reports of the monitoring/evaluation missions sent by the Commission to check on its outstanding portfolio, insufficient objectively verifiable information was found on the effectiveness of projects.

40. Nevertheless, the Court found that most of the B7-7 projects examined were relevant in that they addressed existing needs of the countries concerned. This is perhaps not surprising, given the very broad definition of what constitutes an intervention in the area of democracy and support for human rights, and the fact that the principal areas of need in the countries concerned were quite clear.

41. The larger projects examined which were financed from mainstream budget headings also responded clearly to priorities in the countries concerned. At the time of the audit, however, they had not reached a sufficient stage of implementation to enable conclusions concerning their effectiveness to be drawn.

42. The effectiveness and impact of many of the projects examined were adversely affected by slow implementation at various stages. In the Latin American programme, for instance, although the programme mainly financed short-term one-off operations, administrative procedures were rigid and inefficient, leading to major delays. For most of the projects, several months elapsed between the date of proposal and the date of contract signature and there were even cases where the contracting procedure took more than one year.

43. After the contracts were signed, these projects in the Latin American programme were further delayed because the Commission departments took several months to transfer the initial advances while the organisations did not have the capacity to pre-finance the activities. In some cases, planned activities were no longer relevant or had been implemented by other means by the date that EU funds finally arrived.

44. Similar problems to the above were also experienced in the Phare and Tacis programmes examined during the audit.

Evidence from programme evaluations

45. The Commission has funded several evaluations of its human rights and democracy programmes (2), all of which have in one way or another examined the effectiveness of the programmes. The general findings of these evaluations are positive: they find

(1) It was applied for the Phare democracy programme, and for the mainstream projects financed under financial and technical cooperation.

(2) See footnote 2 on page 8.
that the activities of the EC have been appropriate and necessary, and that they have made a significant contribution to the process of supporting democracy and protecting human rights in the different areas of the world. These evaluations confirm that, with few exceptions, the projects financed were relevant in the context of the problems facing the countries concerned. They also found that the Community programmes played an important role in supporting and strengthening NGOs. The evaluation of the Phare and Tacis democracy programmes from 1992 to 1997, and the evaluation of EC measures supporting human rights and democracy during the period 1991 to 1993 went on to find that these NGOs had also played an important role in furthering democratic reform and respect for human rights.

46. The evaluations, however, also confirm some of the criticisms made by the Court, for example:

(a) the evaluation of the Central American programme found that for the human rights and democracy programmes as a whole, the objectives, which are ambitious, are defined too generally, and imprecisely, and priorities amongst them have not been established. This evaluation also found that the large — excessive — number of budget headings made implementation confusing and uncertain;

(b) two evaluations point to the difficulty of assessing effectiveness because of the lack of indicators and information on outputs and results at project level;

(c) there are too many small projects, the impact of which is diluted: the Central American evaluation found that, although the projects may have helped to strengthen NGOs, and reinforce their role, which is in itself a positive result, there is little evidence of impact on wider society;

(d) the lack of management resources, unsatisfactory systems, concentration on operational aspects and the fine detail of contracts rather than on policy and strategy, and delays in implementation and disbursements have adversely affected the implementation of the programmes.

48. There are also examples of NGOs which have performed well (1), which, for example, fulfil an important role as human rights watchdogs, and yet are unable to obtain non-EU funds to continue their work. These are often acclaimed initiatives, and the issue is whether the EU should, from the point of view of achieving improvements in the human rights field, end its financial contribution after one or two years.

49. Also in the cases where the Commission finances NGOs which repair deficiencies in State provision, the dilemma for the Commission is whether or not to continue to provide substantial funding if the State is unable to take over. In such cases, the Commission should aim to obtain a commitment from the authorities progressively to take over an increasing share of the costs. Otherwise, Commission short-term support for such projects is a humanitarian response rather than a considered step to improve the human rights situation by achieving a structural improvement.

Visibility

50. Although visibility is a common goal of the Commission’s external aid policy, the objective of greater visibility needs to be followed up by a carefully thought out strategy on how to obtain it. In the case of the human rights and democracy programmes, the Commission’s approach towards visibility was in the main limited to trying to get organisations to give credit for EU financing in publicity material.

51. The Commission did not pay sufficient attention to its image as an important, creative donor who actively supports the democratisation processes in the countries concerned, and it often presented an image of disorganisation and inefficiency. Absence of a coordinated and uniform approach between the EU programmes in a given country, slow and heavy administrative procedures and the involvement of many Commission managers dealing with project matters at different times are all situations which have created frustration for partner organisations.

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(1) For example, Grazhdansky Kontrol — citizens’ watch, and the soldiers’ mothers of St. Petersburg, an NGO defending the legal rights of conscripts in the Russian army.
52. Many of the organisations visited expressed clearly their frustration with the Commission. Whether or not the reasons the organisations give for their frustration are justified, the important thing from the viewpoint of the visibility of the EU and the Commission is that the positive visibility resulting from interventions in this area is quickly diminished by the negative perception of the Commission as an inflexible and disorganised donor.

PROGRAMME MANAGEMENT BY THE COMMISSION

Organisation and management resources

53. During the period covered by the audit, the management of the human rights and democracy programmes was spread across several departments of the Commission. A department in DG I. A (1) was responsible for the programmes in central and eastern Europe and the new independent States and provided overall coordination through an interdepartmental group. DG VIII had a unit responsible for these measures in the ACP States, and, for most of the period covered, was also responsible for human rights and democracy measures in Asia. DG I. B managed the programmes for Latin America and the Mediterranean, and in 1998 took over from DG VIII responsibility for the human rights and democracy measures in Asia.

54. The staff resources financed from administrative appropriations (Part A of the general budget) devoted by the Commission to these programmes, both in Commission headquarters in Brussels and at the Delegations, were limited (for example, for the Latin American programme there was at times only one official with specific responsibility for it), and considerably below operational needs. As a result, the Commission made extensive use of external organisations as TAOs for various administrative, financial and management functions.

55. For the Phare and Tacis programmes, a large part of the management and monitoring of the LIEN and Democracy macro-projects was subcontracted to the Centre Européen du Volontariat (CEV) (2) and the European Human Rights Foundation (EHRF) respectively. These organisations were in charge of the preselection process, the preparation of contracts, the monitoring and the pre-approval of progress and final formal reports. The Commission kept responsibility for the selection decision, the signature of contracts and the making of payments after approval of the reports.

56. Between 1994 and 1997 the EHRF received EUR 7.8 million to carry out four major tasks on behalf of the Commission:

(a) granting small subsidies to associations of all countries tackling the human rights issue;

(b) management of the ‘democracy’ macro-projects under the Phare and Tacis programmes;

(c) making office accommodation and support staff available to the Commission departments;

(d) payment of subsidies to NGOs which were active in the field of human rights in Bosnia-Herzegovina.

57. All the contracts with the EHRF for this period were made without following any invitation-to-tender procedure, even where they involved services of a more or less commercial nature. The Commission did not perform any audit of the EHRF’s administrative expenditure, even though the latter’s legal situation remained muddled, in particular as regards the systems it used for recruiting and remunerating its staff, and its mechanisms for presenting its accounts, especially to the Belgian authorities. Lastly, between 1994 and 1998, the statutory administrative bodies of the EHRF, which acts virtually solely on behalf of the Commission, were not subjected to any regular supervision, thus allowing its management too much leeway.

58. In November 1997 a contract was signed between the Commission and a consulting company, IBF, for technical assistance for three horizontal programmes under Phare and Tacis (3). The tasks of IBF include concluding co-financing contracts with grant recipients, making payments to them, the administrative follow-up of projects, and the production of information material. Most of the tasks contracted to IBF are thus similar to those entrusted to the Joint Service for External Relations (SCR).

59. The Commission also established Civil Society Development Foundations (CSDFs) in most Phare countries as independent in-country funders. The CSDFs have, as their main activity, the delivery of grants to local NGOs. The board of the Foundation is typically composed of people active in civil society, and each member is approved by the government. In Slovakia and Bulgaria, the respective Delegations of the Commission have subcontracted the management of the Democracy and LIEN micro-project schemes to the CSDFs.

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(1) As part of the reorganisation of the Commission departments in 1999, a part of DG I. A and DG I. B became part of DG external relations and DG VIII became DG Development.

(2) International association, established to coordinate, at a European level, national organisations of volunteers for development aid.

(3) Phare and Tacis democracy programme, Phare and Tacis LIEN programme, Phare partnership programme.
60. An evaluation of the CSDFs (1) found that these organisations typically had not developed strategies for achieving their mission, nor provided a showcase for the output of the projects that they have funded. Initiative and momentum have come mainly from outside. The Directors of the CSDFs also need management training.

61. In the case of Central America, the 'Instituto Relaciones Latino-Americanas' (IRELA) was awarded several contracts for studies and various activities of coordination, project identification and monitoring covering the Commission's human rights and democracy programme. The resources of these contracts, which totalled more than EUR 1 million, were used to fund during the period 1992 to 1998 what in practice was a coordination and monitoring unit based in the Costa Rican Delegation of the Commission.

62. For South America, the Commission signed two service contracts with a non-profit-making organisation which provided for the production of studies and press bulletins and the organisation of expert meetings and a seminar. In practice, however, the main subject of these contracts was to conduct on-the-spot project identification and monitoring missions and to assist the Brussels-based programme unit.

63. The subcontracting of additional resources helped the implementation of the Latin American, Phare and Tacis programmes. However, there are a number of areas of concern relating to the Commission’s subcontracting practices:

(a) by these practices the Commission was able in effect to convert budget appropriations for the programmes into staff and other operating resources which it was denied by budgetary constraints. In some cases, the budgetary remarks on the headings concerned were not compatible with the terms of the contracts;

(b) these contracts were awarded by private treaty. The Commission incorrectly applied Articles 112 to 118 of the Financial Regulation to justify not submitting the contracts to the ACPC;

(c) persons engaged under the contracts were frequently presented to the organisations concerned by the Commission departments. Some of them had previously been working on temporary contracts in the departments concerned (2);

(d) by contracting out the tasks of project identification preparation and monitoring over a long period, the Commission departments risk not acquiring a sufficient depth of knowledge of the implementation of the programmes, and becoming dependent on the knowledge and expertise of external personnel;

(e) because of the lack of competitive pressure and the dependence of partners on Commission financing, there is a risk of overpricing. Indeed, in certain cases, amounts were claimed by these organisations and paid on a lump-sum basis without the partner providing the necessary supporting documents, and it was found that ineligible expenses were claimed and paid. The Commission is carrying out a detailed review of one of these organisations (IRELA) as a result of the Court’s findings.

Administrative rules, guidelines and procedures

Grants versus service contracts

64. The human rights and democracy programmes were mainly implemented by means of grants awarded to civil society organisations. However, during the period covered by the Court’s audit, Commission rules on grant management were not well defined, and it was found that in many cases the Commission had used grants in circumstances where other mechanisms would have been more correct, notably when goods or services were being procured:

(a) many human rights and democracy projects involved the organisation of conferences, meetings and training courses and the production of studies. These are all areas in which it is difficult to distinguish between grants and service contracts. However, the Commission departments were insufficiently aware of the need to distinguish between different contractual and procedural forms;

(b) in its Special Report on the Palestinian elections (3), the Court criticised the award by private treaty of contracts for the logistical support of electoral observer missions. When reviewing a sample of contracts for human rights and democracy projects in Mozambique, Rwanda and Haiti, the Court found that six out of the nine contracts examined were in reality service contracts but, in all cases, contracts had been awarded by private treaty;

(c) some of the projects examined had been given to NGOs because it was considered that only NGOs have the appropriate vocation for projects in this area. While this may well be true for many human rights and democracy measures, it is not necessarily the case when the measures consist of the provision of goods (such as office equipment) and services (such as training and administration).

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c(1) Charities Aid Foundation (CAF), February 1997.

(c2) Similar procedures were criticised by the Court in its Special Report No 2/97 on humanitarian aid (OJ C 143, 12.5.1997).

(c3) Special Report No 4/96 on the accounts of the European electoral unit set up by the joint common foreign and security policy action concerning the observation of the Palestinian elections (OJ C 57, 24.2.1997, paragraphs 24 to 25).
Contracting and co-financing

65. Contract formats and provisions were diverse. Each Commission department applied its own requirements to its partners (accounting and reporting requirements, payment arrangements, etc.). In some cases different contract types were used within a Commission department to cover the same type of measures.

66. Each Commission department applied its own rules for assessing the eligibility of costs and whether to provide core funding to organisations. In general, however, the departments sought too often to fund what they considered to be discrete projects, even when in practice the activities were the normal activities of the organisation and would have been more appropriately financed as institutional support. This led to inappropriate earmarking of the Commission contribution and to budget and financial reporting requirements which shifted the focus from controls on output to input oriented controls.

67. Within the human rights and democracy support programme for ACP countries, the Commission made substantial financial contributions to international operations in which several donors participated. The Court has already highlighted the difficulties for the Commission in the design of its projects when it is not the sole provider of funds and has recommended that it should avoid inappropriate earmarking (1). The cases examined during this audit confirm the Court’s previous observations.

68. The Commission department responsible explained its reluctance to participate in UN trust funds because it finds such participation’s difficult to monitor and not visible. The case of the UN trust funds for the elections in Mozambique gave ground for such reluctance: the financial reports were not sent until three years after the end of the Onumoz mission and the financial statements produced were summary and showed unspent balances without indicating what would happen to unused funds. No narrative report on the implementation of the elections was provided to the Commission.

69. Despite this particularly bad case of poor performance and failure to respect contractual obligations, the Commission should not abandon this type of funding mechanism. As a major source of funds for such operations, the Commission should use its financial leverage — supported by the Member States — to ensure that the UN establish appropriate reporting, accountability, and auditing mechanisms with which it can be satisfied. Co-financing operations through a single structure and organisation should, if done properly, be a more economic, efficient and effective way of implementing an internationally funded operation than parallel operations.

Financial monitoring

70. A number of significant weaknesses were identified in the financial monitoring of the contracts by the Commission. The rather paradoxical situation was found that, while one of the most common and strongly expressed criticisms of the Commission by the implementing partners concerned the heavy administrative and financial management burden imposed on them by the Commission’s procedural requirements, these same procedures failed to avoid the following weaknesses:

(a) project budgeting was poor and did not follow standard formats or definitions: this rendered monitoring and control more difficult for the Commission departments;

(b) the rules on subcontracting and procurement were insufficiently clear; for example, the contracts managed by the departments responsible for the Latin American and Mediterranean programmes referred only to the need to obtain three offers for the purchase of goods and equipment, which was a marginal component for most contracts. No rules were specified for engaging experts or project staff, or subcontracting such matters as printing. Several examples of unsatisfactory staff engagement policies and subcontracting were found (2);

(c) budgeted amounts were treated by partners as flat rates or lump sums for which no supporting documentation other than declarations of expenditure needed to be supplied to the Commission. Neither the central departments of the Commission nor the delegations, nor consultants hired by the Commission to monitor the implementation checked whether expenditure had in fact been incurred as declared. In Central America, for instance, the Court’s auditors identified eight projects (out of 14 examined) where final payments were erroneous or could not be explained;

(d) financing of ineligible expenditure: the Commission financed expenditure incurred before the date of signature of the contract, expenditure on items not provided for under the contract.


(2) For example, in one country, it was found that the same individuals were office holders in one beneficiary organisation and were engaged as project staff in another. One project concluded a contract with a printer for the full budgeted amount for printing (ECU 45 000), without obtaining any competitive quotes or specifying what was to be provided under the contract. This was not identified by the Commission.
71. In response to the Court’s findings in respect of the above irregularities in the Central American programme, the Commission promised to re-examine the final claims approved by the monitoring unit. Further, in respect of a number of contracts with one organisation, it also started in March 1999 an in-depth audit of all the contracts awarded to this organisation, and of the subsidy which the organisation had received to support its administrative expenditure.

72. The above findings highlight the inappropriateness of the approach of the Commission in trying to manage the implementation of a large number of small and medium-sized contracts by means of relatively detailed controls focused on inputs. The Commission had neither the staff resources nor the systems to do this effectively.

Feedback

73. The Commission has carried out a number of evaluations of its human rights and democracy measures (see paragraph 45). The evaluation of the Central American programme formed the basis for the Commission's revision of its approach in this area, which resulted in the adoption of a multiannual programme at the end of 1998. However, it is not yet clear whether the important criticisms in this evaluation concerning the lack of prioritisation, the confusing nature of the large number of budget headings under which human rights and democracy measures can be financed, the lack of performance indicators, and the many problems resulting from the insufficient management resources and inappropriate administrative and financial rules, have been effectively addressed.

74. The Court found no evidence that the evaluation of the Phare and Tacis democracy programme published in March 1998 had a major impact on the policy review undertaken by the Commission at the same time.

CONCLUSIONS AND RECOMMENDATIONS

Simplify the legal and budgetary framework

75. The Commission should propose to the Council and the European Parliament a simplification of the current budgetary and regulatory framework for external aid. It would, for example, be possible to have a limited number of ‘mainstream’ regulations for the major programmes (e.g. MEDA, ALA, Tacis) which include such aspects as the promotion of human rights and democracy, both as an item of conditionality and as an area of intervention, with, if necessary, additional more detailed guidelines outside the regulation.

Improve the selection of projects and partners

76. The European Union has been at the forefront in declaring protection and promotion of human rights and democracy as priorities of its development programmes and has confirmed this by introducing these objectives within its Treaties. It needs, however, to take further steps to put this into practice.

77. First, soundly based country assessments are needed in order to define clear country strategies that lay down a framework for a balanced and targeted project portfolio. Secondly, priorities need to be defined to avoid scattering resources too thinly. Thirdly, improved project and partner selection procedures need to be consistently applied. As regards the fixing of priorities, the call for proposals in July 1999 for the 1999 programme is an important step in the right direction.

Define programme and project success indicators and follow up their achievement

78. The Commission should establish objective monitoring systems both at programme and project level. For this purpose, it should determine how it will judge whether the measures it finances are successful or not, and develop appropriate and quantifiable indicators. Progress should then be measured on a regular basis.

Emphasise the long-term impact of the EU support by ensuring that measures are sustainable

79. Programmes that promote and protect human rights and democracy need a medium- or long-term commitment. The Commission should, therefore, move from its current practice of financing individual, annual measures and provide a more continuing and long-term support to organisations which have the potential to improve effectively the human rights and democracy situation of the country.

80. When approving and implementing grants, the Commission should also ensure that the beneficiary bodies strengthen their organisational, administrative, financial and technical structures sufficiently to allow them to continue their activities in an effective way after the EU's financial support has stopped.
81. Further, the Commission should continue to follow up the activities of organisations after its financial support has ended. This not only allows the Commission to evaluate the sustainability of its support but can also provide direct local information on the human rights and democracy situation.

Adopt appropriate procedures to manage the grant programmes

82. The human rights and democracy programmes consist mainly of a relatively large number of small and medium-sized contracts with a wide variety of organisations all over the world. By their nature, many of the implementing partners have relatively undeveloped financial management and control systems. While the Commission is responsible, under the terms of the Financial Regulation, for ensuring that regular and sound use is made of the funds it grants, it is not feasible for it to exercise detailed control over financial implementation. Nor is a solution which relies on the use of TAOs satisfactory.

83. The Commission needs to adopt procedures which focus more on what is achieved by the partners with the funds received, and which provide reasonable assurance that the funds are used correctly for the purpose for which they were granted. For medium and larger projects, the supervision, monitoring and control functions should be primarily decentralised to the delegations, which should have the authority to contract local auditors with appropriate mandates to check financial implementation.

84. For micro-grant programmes the Commission should make use of local bodies, with the participation of the delegation for their management. These bodies, which would have a good understanding of the local situation, would appraise applications and award grants. The beneficiary organisation would report on its use of the funds, and if the body was not satisfied, it would not grant it funds in the future. The Civil Society Development Foundations in most Phare countries provide a good example which, if the weaknesses noted in paragraph 60 are overcome, can be replicated elsewhere.

85. Finally, where the Commission participates in international operations co-financed by several donors, it should encourage the use of unified financing structures and organisation. It should use its financial leverage, preferably supported by the Member States, to ensure that sufficient unified reporting, accounting and auditing mechanisms are built in.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 18 May 2000.

For the Court of Auditors

Jan O. KARLSSON
President
## ANNEX 1

### Overview of external human rights and democracy support measures of the EU in the period 1994 to 1998

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### Evolution of payments relating to the commitments of each year (1994 to 1998)

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<p>| New independent States             | 10 000 000    | 10 000 000    | 11 000 000    | 10 000 000    | 7 623 789     |
| Paid in 1994                       | 279 647       | 494 001       |               |               |               |
| Paid in 1995                       | 4 019 488     |               |               |               |               |
| Paid in 1996                       | 2 746 705     | 3 541 192     |               |               |               |
| Paid in 1997                       | 1 142 503     | 3 491 015     | 3 543 570     | 420 368       | 6 048 244     |
| Paid in 1998                       | 446 710       | 920 332       | 4 428 431     | 6 048 244     |               |
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<td>Paid in 1994</td>
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<td>3 765 776</td>
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<td>Paid in 1996</td>
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<td>1 671 127</td>
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<td>Paid in 1996</td>
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<td>92 %</td>
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<td>84 %</td>
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<td><strong>Total</strong></td>
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<td>2 123 333</td>
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Source: Sincom.
ANNEX 2
Analysis of measures to support democracy and human rights financed from the Phare and Tacis programmes (1993 to 1998)

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<tr>
<th>Activity</th>
<th>Phare Ad hoc</th>
<th>Phare Macro</th>
<th>Phare Micro</th>
<th>Phare Mainstream</th>
<th>Phare Management</th>
<th>Phare Total</th>
<th>Tacis Ad hoc</th>
<th>Tacis Macro</th>
<th>Tacis Micro</th>
<th>Tacis Mainstream</th>
<th>Tacis Management</th>
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<td>6 487</td>
<td>7 568</td>
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<td>Support to trade unions</td>
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<td>3 110</td>
<td>6 970</td>
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<td>4 789</td>
<td>232</td>
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<td>430</td>
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<td>7 400</td>
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<td>Micro projects</td>
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<td>2 401</td>
<td>1 748</td>
<td>2 401</td>
<td>8 602</td>
</tr>
</tbody>
</table>

(1) This category includes programmes comprising interventions in different subsectors.
Source: Court of Auditors.
ANNEX 3

**Glossary of acronyms**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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</thead>
<tbody>
<tr>
<td>ACP</td>
<td>African Caribbean and Pacific States party to the Lomé Convention</td>
</tr>
<tr>
<td>ACC</td>
<td>Advisory Committee on Procurements and Contracts</td>
</tr>
<tr>
<td>CEV</td>
<td>Centre Européen du Volontariat</td>
</tr>
<tr>
<td>CSDF</td>
<td>Civil Society Development Foundations</td>
</tr>
<tr>
<td>DG</td>
<td>Directorate-General</td>
</tr>
<tr>
<td>EDF</td>
<td>European Development Fund</td>
</tr>
<tr>
<td>EHRF</td>
<td>European Human Rights Foundation</td>
</tr>
<tr>
<td>EIDHR</td>
<td>European initiative for democracy and the protection of human rights</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>IBF</td>
<td>Institut belge de formation</td>
</tr>
<tr>
<td>IRELA</td>
<td>Instituto Relaciones Latino-Americanas</td>
</tr>
<tr>
<td>LIEN</td>
<td>Link Inter European NGOs</td>
</tr>
<tr>
<td>MEDA</td>
<td>Mediterranean partnership</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental organisation</td>
</tr>
<tr>
<td>Onumoz</td>
<td>UN mission in Mozambique</td>
</tr>
<tr>
<td>Phare</td>
<td>Community aid programme for central and east European countries</td>
</tr>
<tr>
<td>PVDALA</td>
<td>Pays en voie de développement Amérique Latine et Asie</td>
</tr>
<tr>
<td>SCR</td>
<td>Service Commun Relex</td>
</tr>
<tr>
<td>Tacis</td>
<td>Technical assistance to the Commonwealth of Independent States</td>
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<td>TAO</td>
<td>Technical assistance office</td>
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<td>UN</td>
<td>United Nations</td>
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THE COMMISSION'S REPLIES

EXECUTIVE SUMMARY

The Commission considers the Court's report on European Union support for human rights and democracy in third countries to be very helpful in assessing whether Community action is justified and identifying obstacles which will have to be overcome in order to ensure that such action is both more transparent and more consistent.

— Achieving greater consistency:

(a) The Commission shares the view of the Court that there should be more systematic assessment of the human rights and democracy situation of each beneficiary country and reference to this in each country strategy: a fresh framework for this to be done more systematically is being prepared. (See also the response to paragraphs 20 to 24).

Until now, in some parts of the world the Commission has developed country strategies in relation to human rights and democracy. Particular attention has been given to:

— the applicant countries for EU membership (Europe Agreements focusing on human rights and democracy issues as specific accession requirements),

— the ACP countries (EDF-financed human rights projects as part of country-specific strategies and indicative programmes).

(b) A variety of complementary methods are used for project identification to take account of the diversity of human rights needs and the multiplicity of situations. These methods aim to match Commission priorities with NGO demands, given that demand-driven projects are more likely to match the real needs of the beneficiaries (provided that the demands are presented by actual and genuine stakeholders) than supply-driven projects and have, therefore, better chances of sustainability. (See also the response to paragraphs 25 to 28).

(c) The Commission always tries to evaluate the capacities of the organisations selected for project funding. Sometimes, the choice of NGOs is very limited. (See also the response to paragraphs 29 to 31).

— Achieving greater transparency:

(a) The human rights programmes which have the greatest impact are rarely those set up by the major European NGOs, but tend to be small-scale projects implemented by local NGOs. In this way, local civil society is able to grow in strength and build up the social fabric necessary for democracy.

(b) The Commission takes a keen interest in the use of indicators to measure aspects other than merely the impact and success of human rights projects. In March 1998, it presented a communication entitled 'Democratisation, the rule of law, respect for human rights and good governance: the challenges of the partnership between the European Union and the ACP States', which identified a number of features which could serve as indicators.

Since then, it has sought to take this research further. However, it should be noted that analogous research carried out by other organisations such as the OECD and the High Commissioner's Office has not so far produced any definitive results.

When the Commission first tried to evaluate human rights projects in the ACP countries, it was faced with a serious problem posed by the lack of appropriate indicators. It was only over the course of many years and through conducting many evaluation exercises that it was able to identify a number of suitable criteria. (See also the response to paragraphs 32 to 39).

(c) Certain actions cannot be assessed in terms of their sustainability, as they are, or should be, temporary. Where circumstances permit, Community-supported projects will seek to hold discussions with the government so as to draw up a joint strategy for improving the human rights situation. In such cases, the aim is that projects concerning democracy, the rule of law and even human rights should gradually come to be funded by the budget of the government in question, in so far as that is feasible. To this end, a number of instruments are provided, budget headings, financial incentives, national indicative programmes and political dialogue, which require the collaboration of both parties. (See also the response to paragraphs 47 to 49).

(d) The Commission agrees with the Court's comments on the need to increase the visibility of EU action in this domain. (See also the response to paragraph 50.)

(e) The evaluations undertaken by the Commission were generally positive and confirmed the significant contribution made to the process of supporting democracy and protecting human rights. (See response to paragraph 46).
Improving management:

(a) The Commission always tries to take appropriate steps to meet its needs in terms of skills and resources. Working groups have been set up to study the various options available for outsourcing these functions.

(b) The Commission notes the insufficient distinction which exists between grants and other types of contracts, and has shown its intention to clarify the distinction by introducing rules for grants in the planned modifications of the Financial Regulation. (See also response to paragraph 64).

(c) The Commission is now taking action to standardise contract provisions and financial mechanisms. (See response to paragraphs 65 and 66).

(d) Recent simplified standard rules for procurement provide for payments of eligible real expenses only. (See response to paragraphs 70 and 71).

(e) Since the Court conducted its audit, the conclusions from the evaluation of projects implemented as part of the Phare and Tacis democracy programmes have been incorporated into the new Regulations (EC) No 975/1999 and (EC) No 976/1999 (OJ L 120, 8.5.1999) which were subsequently adopted. The call for proposals launched in July 1999 also takes these conclusions into account in the context of the new regulatory framework.

The Court proposes that the Commission should pay greater attention to what is achieved by its partners and obtain reasonable assurance as to the use of the funds for the purpose for which they were granted. The approach proposed by the Court will require changes in management methods; this is currently under examination as part of the reform of the Commission. The key issue is the mismatch between funds and human resources.

The European Commission has been highly active in this field. We should mention certain decisions of strategic significance, which have helped define overall objectives.

— In 1995, the Commission adopted two communications:

— one which set out to summarise achievements to date and identify priorities for future action (The European Union and the external dimension of human rights policy: from Rome to Maastricht and beyond (COM(95) 567 final)),

— another proposing that every agreement should contain a clause recognising the promotion and protection of these rights as an essential constituent of external relations.

— In March 1998, the Commission adopted a communication entitled 'Democratisation, the rule of law, respect for human rights and good governance: the challenges of the partnership between the European Union and the ACP States', which sought to identify possible indicators in this domain.

— Two research projects were launched, which were carried out by the European University Institute:

— one in 1998, which produced the first overview of the European Union's role in the field of human rights, and sketched out a strategy for future action,

— the other in 1989, which analysed the legal, political, institutional and philosophical dimensions of the Union's actions, both internal and external, so as to identify the most urgent matters which a Community action programme on human rights should address.

The European Commission is preparing a new communication on this subject for the second half of 2000.

The growth in importance of policy on human rights and democracy

1 to 5. Community policy on human rights has developed gradually over the years. Initially, it was virtually non-existent. The notion of human rights is entirely absent from the Treaty of Rome. It first appears in the preamble to the Single European Act, and was subsequently incorporated into the text of the Maastricht Treaty. With the Amsterdam Treaty, the whole range of the Union's activities was made answerable to these values. At the same time, references to human rights began to appear not only in declara-

As a result, projects often functioned as experiments to determine whether the thinking behind them was sound and whether they were capable of meeting needs.
Complexity of the legal and budgetary framework

6 to 9. In view of the importance of these issues, there has been an increasing tendency for there to be provision on human rights and democracy in geographically-based regulations, reflecting the need to mainstream these issues in Community policies, and improving the cooperation with the States in human rights activities. This cooperation in support of human rights and democracy is an essential part of the strategy to be negotiated with each country or region for Community support.

The Commission distinguishes between the use of the budget of Chapter B7-7 and the use of geographical cooperation programmes not in terms of the theme but the nature of the intervention. In particular where there are large scale interventions, where the role of the State as partner in the implementation of an activity is significant, when a pilot project has to be followed up in the context of Chapter B7-7 and exceptional results justify the project's continuing, or where there is a carrying forward on a larger scale of prior pilot activity, then it is entirely appropriate that the geographically-based budget lines be called on in the framework of their regulations. Where, in contrast, there are relatively small activities and where non-governmental organisations are central to the activity, then it is more appropriate to draw on Chapter B7-7.

Following the entry into force of Regulations (EC) No 975/1999 and (EC) No 976/1999, it has become clear that all future election assistance and observation will be funded under the first pillar. This will be done on the basis of complementarity: funding of action in favour of a specific country should come mainly from cooperation instruments (Lomé Convention, PVDALA, Obnova, Phare, Tacis, etc.). Funding of thematic actions, like training, media, civic and voter education, should come from Chapter B7-7 0. Despite the inclusion in this chapter of a specific budget line in support of democratic transition and the supervision of electoral processes (B7-7 0 9), the funds allocated are not sufficient to cover all electoral assistance and observation commitments the Community is expecting to face in each financial year. The continued use of funds allocated to cooperation instruments is thus an imperative. Furthermore, grants from Chapter B7-7 0 are primarily intended to support NGOs as well as international organisations. Additional funding may of course be provided by Member States.

EU measures in support of democracy and for the defence of human rights

10. The Commission notes that the Court accepts the broad nature of the policy objective and the wide variety of situations in which such nations need to be financed.

16. Human rights cooperation with ACP countries deserves special consideration. Over the years, a successful approach has evolved which seeks to promote democratisation on a country-by-country basis using B7-7 budget funds as a top-up. This use of top-up funding has become particularly common for elections. An April 2000 communication to the Parliament and the Council summarises past experience in this domain, and proposes new guidelines for future action.

Scope of the audit

18. The Commission notes that the Court recognises the action taken in response to earlier comments relating to programmes.

STRATEGY OF THE PROGRAMMES

Country strategies

20 to 24. The Commission agrees with the Court's proposals regarding the need to include an assessment of the local human rights and democracy situation in those documents which define national priority areas for intervention. A model strategy document is currently being drafted which could be used by all departments involved with external relations.

Project selection

25 to 28. People's needs relating to 'human rights and democracy' are many and varied. To try and meet them all, a number of project selection procedures should be used, which will vary not
only according to the country in question (its history, culture, etc.), but also according to the objectives pursued, which may be conceived as short-medium- or long-term.

25. It is important to give local communities the opportunity to express their needs and priorities, within the context of a general framework which embodies both the objectives of the relevant Community regulations and the national priorities of the country in question.

26. The method of calling for proposals works well in those regions where there are many different forms of possible intervention, from micro-projects to direct cooperation with national authorities. In this context, the call for proposals allows projects which focus on especially sensitive themes relating to the democratic context, the media and parliamentary government to be identified now, even though their implementation is envisaged only in the medium and long term.

27 to 28. The aim may be the same, whether in the candidate countries, the nations of Latin America, the ACP countries or the Mediterranean countries, namely, to help improve the human rights situation. Yet the methods of intervention must be those most appropriate to conditions on the ground, which will vary widely. That is why the expert mission was chosen as the method for identifying the particular needs of each particular situation.

Selection of implementing bodies

29 to 31. The call for proposals is a very useful approach. However, given the time required for preparation, publication, selection and approval, it is most appropriate when the projects identified are to be implemented over the medium or long term. Other methods are also used to respond to human rights needs, especially when urgent, even immediate action is required.

With reference to central and eastern Europe in particular, the new Phare access programme takes the development of local NGOs into account, and requires the lead organisations with main responsibility for the supported projects to be based in the Phare candidate countries. European NGOs may be involved as complementary partners only.

OUTCOME OF THE PROGRAMMES

Effectiveness, relevance and impact of the measures

32 to 39. The Commission accepts that the quality of projects and programmes may be improved by setting objectives and targets at the outset, and using verifiable indicators as a management tool. Indeed a significant effort was made for most of the budget lines of Chapter B7-7 in 1999 to introduce log-frame analysis into financing proposals, in order to facilitate subsequent project management.

Whatever the value attached to verifiable indicators, it should be emphasised that human rights projects are intrinsically difficult to quantify.

A further virtue of focusing on project results is the bringing together of the different partners in project implementation. It is by discussing the project objectives between all the different stakeholders that the ownership of the project design may be widened.

42 to 43. The Commission agrees that project implementation, particularly in Latin America, has been slow. The problem has been the shortage of human resources, and a failure to adapt procedures to the specific needs of the NGOs which worked on human rights programmes.

Evidence from programme evaluations

46. The Court notes that the evaluations funded by the Commission have been generally positive; that they made a significant contribution to the process of supporting human rights, and that the projects were relevant and that they played an important role in strengthening NGOs.

Sustainability

47 to 49. In general, the Commission has a keen interest in seeing activities continue into the future, even after Community funding has come to an end. It should be remembered that the B7-7 budget line is intended for the implementation of strictly limited interventions; only in exceptional cases would it provide direct funding for a project’s ongoing running costs.

The Commission should certainly avoid creating situations in which the work of grassroots organisations comes to be dependent on Community action. Since the aim is to develop creativity and support local actions in their early stages, the continued existence of such ‘pilot projects’ may best be ensured through other more appropriate frameworks, such as cooperation.
These problems could be examined further in the near future in the context of country strategies, and if necessary, solutions could be formulated for the most worthwhile projects.

50. The Commission agrees with the Court that steps need to be taken to raise public awareness of the Union’s activities in this domain. These steps should include:

— firstly, harmonising the way these activities are presented, so as to avoid confusion caused by the names of the different programmes (Phare, Tacis, Obnova, etc.) and instead simply referring to the European Union,

— secondly, making sure that there is a systematic strategy for foregrounding the role of the Union in place while projects are being negotiated and contracts drawn up, and also later on when they are being implemented.

PROGRAMME MANAGEMENT BY THE COMMISSION

Organisation and management resources

53. The Commission agrees with the Court’s analysis of the problems created in the past by the way in which the departments dealing with human rights issues were organised. For this reason, the Commission had already decided to create a single hierarchy which would be responsible for all B7-7 budget lines, by fusing the former Human Rights and ACP unit with the Human Rights and Democratisation unit, within the framework of DG RELEX.

The problem of support for delegations will be examined in the context of programming for Chapter B7-7 budget lines, and in the communication on human rights strategy which the Commission plans to adopt during the first half of the year.

54. The Commission fully agrees with the Court’s observations on the insufficiency of staff resources. In September 1999, the Commission decided to bring together in a single unit responsibilities and human resources relating to Chapter B7-7, along with those relating to human rights and democracy projects.

55 to 57. The Commission is currently studying the best practicable solutions which might enable sustainable externalisation of certain types of assistance in the field of human rights which are not the direct responsibility of the public authorities.

58. The tasks described as assigned to IBF were contracted before the creation of the SCR. Since then, IBF’s contract has been modified, and the Commission, through the SCR, has taken responsibility for concluding contracts and making payments.

59. The boards of civil society development foundations should, by definition, be independent of government, and the members are not approved by the government (although the government could nominate one of the board members).

60. Within the priorities identified by the Commission for Civil Society Development Foundations, the programme is demand-driven. Management training is already taking place but more is certainly needed.

As fund-channelling mechanisms established by the Commission, the CSDFs have mainly implemented civil society development programmes approved by the Commission, for which reason it is logical that ‘initiative and momentum have come mainly from outside’.

62. Staff shortages led the Commission to make extensive use of technical assistance contracts, and in general these were judged useful for project identification, follow up and evaluation.

63. In order to implement projects despite the shortage of human resources, the Commission has always sought to make full use of those means that are available to it, while taking care to comply with all relevant rules.

The risk exists that excessive use of external consultants reduces the extent to which the Commission services are involved in project identification, preparation and monitoring, and that the degree of dependence relates to the type and quantity of tasks which have been externalised. The question is addressed in the White Paper on reforming the Commission.

The Commission is currently carrying out an audit of IRELA (Instituto de Relaciones Europeas). (See the response to paragraphs 70 to 72).

Administrative rules, guidelines and procedures

Grants versus service contracts

64. The Commission notes, as does the Court, that the distinction which exists between grants and other types of contracts is
not clear. It has shown its intention to clarify the distinction by introducing rules for grants in the planned modifications of the Financial Regulation.

Many projects carried out by NGOs in the various fields of external aid, including human rights, require a certain proportion of inputs in the form of purchases, services and/or works. Precisely for that reason, the Commission generally included in grant contracts with beneficiary NGOs obligations on procedures to be followed in that respect.

(a) The Commission has generalised such procedures in the standard grant contract adopted by its services in November 1999 and, at the same time, brought those rules into line with the new rules on contract procedures for supplies, services and works contracts in the field of external aid, adopted by the Commission on 10 November 1999. Contracts with BATs for the LIEN and partnership programmes have been concluded as regular service contracts, following a competitive tendering procedure.

(b) It is true that logistical support for human rights observers in Rwanda was provided by GTZ, on a private treaty basis. This decision was justified by GTZ’s quality as an organisation. Not only was GTZ already working in Rwanda, but they had the skills required to carry out the operation successfully. This judgment was vindicated by the evaluations conducted both by the Commission and by the Office of the High Commissioner for Human Rights.

In addition, the need for the observers to be in place as soon as possible, and the fact that the length of the mission (initially planned for three months) could not be accurately forecast, both militated in favour of the selection method employed.

Contracting and co-financing

65 and 66. The Commission recognises the fact that contract provisions and the financial mechanisms contained therein were not sufficiently standardised. It has put an end to that situation by introducing in November 1999 the abovementioned standard grant contract, which became mandatory for its services from 1 January 2000.

As for core funding, the Commission is actively considering this issue in the more general context of its relations with NGOs and the financing of their activities, and will proceed to the necessary clarification on that basis. There is a reference to this in paragraph 3.1 of the discussion paper submitted to the Commission by the President and Mr Kinnock on 18 January 2000, entitled ‘The Commission and non-governmental organisations: building a stronger partnership’.

The services concerned will seek for standard contract forms to be used to cover the same type of measures. Standard rules for assessing the eligibility of costs will be established.

68 and 69. The Commission is considering new procedures for its participation in international operations, such as the UN trust funds. These procedures will cover the use of unified financing structures and organisation with unified reporting, accounting and auditing mechanisms.

Financial monitoring

70 to 72. The Commission is trying to manage a large number of contracts without the requisite staff resources and systems, and suggests that it would have been better not to rely on controls focused on inputs. There are some occasions when it may be more difficult to focus on outputs, especially if these are not easily quantifiable.

In the light of the Court’s observations, the Commission is now carrying out an audit, the results of which will be available at a later date.

Feedback

73. This evaluation inspired the extension to other regions of some of the instruments applied in central and eastern Europe under such programmes. It also inspired the modalities of their implementation. It contributed to the design of the Access programme and the assessment of the LIEN programme.

CONCLUSIONS AND RECOMMENDATIONS

Simplify the legal and budgetary framework

75. The Commission does not share the view that a simplification of the current budgetary and regulatory framework should limit the regulatory basis for human rights activity to that
provided by the geographical regulations alone. Nor does it believe that a regulation for human rights and democracy activities provides adequate cover for the efforts in this field which the Treaty envisages. Both are required to give full effect to the Treaty provisions. (See also the response to paragraphs 6 to 9).

**Improve the selection of projects and partners**

76 and 77. The Commission agrees with the Court that the country-specific strategic approach should be extended. This could be achieved by an ongoing dialogue with both government and civil society in the case of democratic countries, following on from an *ex ante* study of the situation.

Calls for proposals should, as far as possible, be conceived within the context of a country-specific strategy.

The Commission believes that there is a delicate balance to be struck between selection of projects on the basis of their priority, and the use of calls for proposals as a way to improve project and partner selection procedures. It is for this reason that it believes that there should be a complementary set of instruments for the use of Chapter B7-7. The call for proposals offers a transparent way to mesh the priorities of the Community with the selection of good projects 'owned' by the implementing partners. But the projects selected can only be medium and long-term. This implies that such projects should never be designed to meet short-term needs.

For particularly urgent activities, the selection of targeted projects remains desirable: to take an example from ACP cooperation, the allocation of funds from Chapter B7-7 may be used as an incentive for larger amounts to be programmed for the same ends from mainstream geographical programmes.

It would be difficult for the Commission to follow the Court's suggestion and apply the procedure of competitive tendering to civil society projects proposed by small organisations working in emerging democracies. This procedure is more suitable for large-scale projects.

**Define programme and project success indicators and follow up their achievement**

78. Creating reliable analytical indicators is a complex task, and one which is currently exercising not only the Commission, but the OECD and the Office of the High Commissioner for Human Rights as well. It will require much careful thought, as the aim is not simply to measure the impact and effectiveness of a particular project, but also the evolution of the overall situation throughout a given country.

As previously stated, the Commission accepts that the quality of projects and programmes may be improved by setting objectives and targets at the outset, and using verifiable indicators as a management tool.

The costs in terms of management of systemic monitoring can be very great. The Commission believes that sound sampling systems are part of an appropriate monitoring system.

**Emphasise the long-term impact of the EU support by ensuring that measures are sustainable**

79 to 81. The Commission agrees on the desirability of following up the activities of organisations after EC financial support has ended. In so far as resources permit, this will be borne in mind in future.

Community policy vis-à-vis non-member States emphasises the capacity of organisations to help create democratic structures. If a contribution is made through a European NGO working in partnership with local actors (co-financing), this can create opportunities both to build capacities and to provide training. This is the Commission's preferred mode of intervention, and we believe its use should be extended further.

**Adopt appropriate procedures to manage the grant programmes**

83. The Commission is considering further decentralisation of supervision, monitoring and control functions to Delegations in respect of medium and larger projects. The Delegations will be able to obtain the authority to contract local auditors with appropriate mandates to check the financial implementation of the projects.

84. The Commission is considering further measures to allow Delegations to manage micro-grant programmes through local organisations.

85. The Commission is considering new procedures for EU participation in international operations.
82 to 85. The Commission believes that a varied approach has been unavoidable in the circumstances, and has indeed been a means of ensuring more fitting responses in particular circumstances.

There is no doubt that the Financial Regulation needs updating as a tool for management of such projects.

The Court recognises that the Commission should focus more on what has been achieved by its partners with the funds received. Results-focused management, along with greater decentralisation, may well be the way forward. However, the mismatch between funds and human resources, in the face of the tasks undertaken, remains a key constraint.