2006 discharge: 6th, 7th, 8th and 9th European Development Funds (EDF)

2007/2064(DEC) - 26/03/2008

The Committee on Budgetary Control adopted the report by Alexander **STUBB** (EPP-ED, FI) recommending that the Parliament grant the Commission discharge in respect of the implementation of the budget of the Sixth, Seventh, Eighth and Ninth European Development Funds (EDFs) for the financial year 2006.

It approves the closure of the accounts regarding the implementation of these EDFs for 2006 and makes a number of observations which should be taken into consideration when granting the discharge.

Statement of Assurance: MEPs welcome the fact that the Court granted a positive statement of assurance to the Commission on the reliability of the EDF's accounts and on the legality and regularity of underlying transactions. They regret, however, that the Court noted a material incidence of error in transactions carried out by the Delegations of the Commission in third countries, even though the Commission continues to question these errors. Noting that a new standard contract for expenditure verifications by beneficiaries entered into force on 1 February 2006, MEPs state that they intend to monitor the application of these procedures more closely to assess whether they reduce the level of errors discovered.

Modernisation of the accounting system: MEPs note that the Commission had to prepare the accounts of the EDFs by using accruals based accounting principles as of 2005, which was not done in 2005 or 2006. In fact, the implementation of this type of accounting implies a migration of the EDF-specific IT system (OLAS) to the Commission's central IT system (ABAC) and EuropeAid's local system (CRIS). This modification is not scheduled to be completed until the end of 2008. That is why MEPs call on the Commission to specify the measures it will take to clarify the discharge procedures for 2007 and 2008 and they expect the new IT system to be operational in time for the start of the financial year 2009.

Budgetise the EDF: **an old request by the Parliament that has been pushed back several times**: once again, MEPs refer to their main demand concerning the EDF, a demand that has been repeated over and over again, which is for the integration of the EDF in the general budget of the European Union, thus removing many of the complications of implementing successive EDFs, helping speed up disbursement and eliminating the current democratic deficit. Yet again, MEPs regret that the EDF was not budgetised under the financial perspective 2007 to 2013. In the meantime, MEPs insist on simplification of the management of the EDF, including by closing previous EDFs as early as possible and by simplifying the financial rules. In fact, with the start of the Tenth EDF in 2008, the Commission will continue to implement at least four EDFs simultaneously. It is therefore necessary to prioritise the closure of the Seventh, Eighth and Ninth EDFs (the Sixth was already closed).

At the same time, MEPs note with satisfaction that the Court of Auditors stated that the proposal for a Council Regulation on a Financial Regulation applicable to the 10th European Development Fund was "clear and straightforward" and they request the Council, the Member States and the ACP countries to ratify, as soon as possible, the legal bases for this EDF. They also support the idea proposed by the Court to introduce a single Financial Regulation applicable to all present and future EDFs.

Enhancing Parliament's oversight as regards EDF funds managed by the European Investment Bank: recalling that Parliament has insufficient oversight with regard to the part of the EDF funds managed by the European Investment Bank (EIB) (EUR 2.037 billion for the Ninth EDF and EUR 1.1

billion for the Tenth), funds which are not covered by the discharge procedure, MEPs speak out against this oversight deficit and call on the representatives of the EIB to present to the Committee on Budgetary Control an annual report on the funds in question.

Follow-up to the 2005 discharge: first of all, MEPs welcome the Commission's clear answer to the rapporteur's questionnaire that the Member of the Commission responsible for Development Cooperation, Louis Michel, bears full political responsibility for the Commission's implementation of the EDF. However, they call for greater clarity concerning the distribution of responsibilities within the Commission Directorates-General forming part of the "RELEX family".

In terms of the **RAL** (outstanding commitments of around EUR 10.3 billion, which represents a quarter of funds committed), MEPs urge the Commission to further reduce these funds, especially old and dormant commitments. While they welcome the reduction in the level of RAL dating from pre-2001 EDF commitments by 49%, MEPs request that they receive regular updates on changes in this area.

On the issue of **budget support**, MEPs recall that this shall only be granted to a beneficiary country where management is sufficiently transparent, accountable and effective. Understanding that the Commission takes its decisions in a difficult environment like the ACP countries, MEPs note the initiative taken by the Commission to interpret the eligibility criteria for budget support in a “dynamic” way. They call for greater clarity regarding this interpretation where this scope for interpretation would increase risks. For MEPs, budget support is and should only be granted to a beneficiary country where public expenditure is sufficiently transparent, as once the funds are granted, the Commission's and the Court of Auditor’s control powers are limited. In this context, MEPs reiterate their view that the Commission should cooperate with the national audit institutions in the countries receiving budget aid.

To further enhance controls on the funds granted, MEPs call for greater transparency and access to documentation relating to budget support actions, particularly by establishing agreements with beneficiary country governments analogous to the Financial and Administrative Framework Agreement between the European Community and the United Nations (FAFA).

Furthermore, MEPs welcome the decision taken by the Commission that 20% of geographical funding under the Development Cooperation Instrument should be allocated to basic and secondary education and basic health, as long requested by the Parliament. In addition, MEPs highlight that it is necessary to:

- increase the staff in delegations of the Commission in third countries;
- improve the monitoring of EuropeAid;
- improve the monitoring of Commission Technical Assistance projects and promote donor coordination in the area of technical assistance.