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

2007/2064(DEC) - 22/04/2008 - Text adopted by Parliament, single reading

The European Parliament adopted, by 599 votes in favour, 14 against and 36 abstentions, a Decision to 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. The decision to grant discharge also constitutes closure of the accounts for the 4 EDFs currently being implemented.

At the same time, the Parliament adopted, by 581 votes in favour, 15 against and 37 abstentions, a Resolution containing the comments which form part of the decision giving discharge. The report had been tabled for plenary by Christofer **FJELLNER** (EPP-ED, SE) (ex-Alexander STUBB report).

The main observations made by the Parliament can be summarised as follows:

Statement of Assurance: the Parliament welcomes 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. It regrets, however, that the Court noted a material incidence of error in transactions carried out by the Delegations of the Commission in third countries. Noting that a new standard contract for expenditure verifications by beneficiaries entered into force on 1 February 2006, the Parliament states that it intends to monitor the application of these procedures more closely in future.

Modernisation of the accounting system: the Parliament notes 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. For this reason, the Parliament calls on the Commission to specify the measures it will take to clarify the discharge procedures for 2007 and 2008.

Budgetise the EDF: **an old request by the Parliament that has been pushed back several times**: once again, the Parliament calls for **the budgetisation of the EDF**, a demand that has been repeatedly made. The Parliament believes that this budgetisation should be a priority objective in the multiannual financial framework following 2013. In the meantime, the Parliament insists on simplification of the management of the EDF, notably by closing previous EDFs as early as possible. In fact, with the start of the Tenth EDF in 2008, the Commission will continue to manage 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).

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, the Parliament speaks out against this oversight deficit and calls on the representatives of the EIB to present to the Committee on Budgetary Control an annual report on the funds in question.

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

On the issue of **budget support**, the Parliament recalls 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, it notes the initiative taken by the Commission to interpret the eligibility criteria for budget support in a “dynamic” way. It calls for greater clarity regarding this interpretation where this scope for interpretation would increase risks. For the Parliament, 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, the Parliament reiterates its view that the Commission should cooperate with the national audit institutions in the countries receiving budget aid.

Furthermore, the Parliament welcomes 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, the Parliament highlights 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.