2013 discharge: 8th, 9th and 10th European Development Funds

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The Committee on Budgetary Control adopted the report by Martina DLABAJOVÁ (ADLE, CZ) recommending that Parliament grant the Commission discharge in respect of the implementation of the budget of the eighth, ninth and tenth European Development Funds for the financial year 2013. It called on Parliament to approve the closure of the accounts of the Funds for the financial year 2013, and made a number of observations to be taken into account regarding the discharge.

Statement of Assurance: Members welcomed the Court of Auditors' opinion that the final annual accounts of the Development Funds for the year 2013 present fairly, in all material respects, the financial position of the EDFs as of 31 December 2013, and that the results of their operations for the year-end, are in accordance with the provisions of the EDF financial regulation and with internationally accepted accounting standards for the public sector. They were satisfied about the improvement achieved as regards the number and value of recoveries increased compared to 2012, with **24 recoveries totaling EUR 4.7 million in 2013** compared to 13 recoveries amounting EUR 1.3 million in 2012. They were concerned, however, that authorising officers in sub-delegations still did not systematically comply with the rule that for pre-financing payments over EUR 750 000 and the Commission was required to recover interest on an annual basis.

Efficacy of the system: whilst Members welcomed the Court’s opinion, according to which revenue and commitments underlying the accounts for the year 2013 were legal and regular in all material aspects, they expressed concern about the Court of Auditors' assessment related to the legality and regularity of payments underlying the accounts whereby the supervisory and control systems at EuropAid’s Headquarters and Union delegations were only partially effective in ensuring the legality and regularity of payments. According to the Court of Auditors' estimation, the most likely error rate for expenditure transactions from the Eighth, Ninth and Tenth EDF was **3.4 %,** which indicated a slight increase compared to 2012 (3 %).

The committee also regretted the fact that despite the corrective action plan which was set up in May 2013, the typology of errors identified was, to a large extent, similar to previous years, namely a **lack of supporting documents, non-compliance by beneficiaries with procurement provisions and ineligible expenditure**. It observed that these errors were also related to transactions linked to the following activities (i) programme estimates, (ii) grants and (iii) contribution agreements between the Commission and international organisations.

It urged the Commission to intensify its efforts in these specific areas of cooperation.

Errors: Members took note that for both budget support (with EUR 718 million of payments made from the EDF in 2013) and Union contributions to multi-donor projects carried out by international organisations such as the United Nations (payments from the EDFs amounted to EUR 458 million in 2013), the nature of the instrument and the payment conditions limited the extent to which transactions were prone to errors. They were worried by the recurring issue that errors concerning final claims had been continuously found, despite external audits and expenditure verifications.

Strategy and priorities: the report emphasised that all EDFs activities had to accurately follow the general strategy and priority areas based on political preferences, as well as economic and financial efficiency criteria, consequently reflected in management performance, including risk-management and controlling activities.

At the same time, Members felt that an intensification of efforts was needed in order to accelerate the achievement of the MDGs in Africa by the target date of 2015 and called on the Commission to take the Post-2015 Development Agenda and the negotiations on the Sustainable Developments Goals (SDG) once adopted into account. They welcomed the fact that the EDFs, which were the main instrument for providing Union aid for development cooperation to the ACP States, accounted for as much as 45 % of the total value of new contracts concluded by DG DEVCO in 2013.

Budget support: the committee welcomed the implementation of the Commission's new budget support approach, noting that in 2013, a total of EUR 660 million was allocated to new budget support operations in Africa. Considering the aim of budget support, with contributions directly transferred to a recipient countries' general budget or to a budget devoted to a specific general policy or objective, Members insisted that the budget support strictly linked the general eligibility conditions **with substantial progress achieved by partner countries, in particular in public finance management**.

Members again stressed that focus should be put on the differentiation principle in order to avoid a widened interpretation of budget support disbursement conditionality. They also underlined the need to **strengthen anti-corruption measures**. They criticised the fact that the funds made available by the Union were ultimately combined with the partner country's own budget resources and that as a result, **Union funds could not be traced**. Members called for detailed reports to be published on the way funds were used in order to increase transparency and to ensure that the funds were readily traceable. They strongly supported stopping transfers of funds to recipient countries when ex-ante conditionalities, in particular the required macro-economic conditions, were not met.

Cooperation with international organisations: the committee suggested that, during the new parliamentary term, further steps towards a better exchange of information with the World Bank and UN institutions should be found to optimise the cooperation. It recalled Parliament's support for the definition and exchange of good practices in order to set up similar and sustainable core principles of assurance and compliance with Union financial regulations. It supported the enhanced **disclosure of the audit reports of UN institutions** to get a better stewardship of Union funding.

Blended finance: Members acknowledged the increased interest in blending, leading to the development of new financial resources combining Union grant aid and non-grant resources. By blending grants with additional public and private resources, the substantial leverage effect of grants and the development and impact of stronger Union policies could be achieved in order to unlock additional financing. Members stressed that any new financial instruments and blending had to remain in line with Union development policy objectives. They demanded the introduction of common standards of implementation for such financial activities, as well as the definition of best practices and eligibility and evaluation criteria.

The committee also made some observations on Union aid in Haiti.

Future of EDF: the committee recommended that the strategies and priorities of future EDF activities be precisely defined and that a system of financial instruments be built on that basis, respecting the principles of efficiency and transparency. It regretted again that the EDFs had not been included in the general budget of the European Union. Members recalled that Parliament, the Council and the Commission agreed that the financial rules would be revised in order to include amendments made necessary by the outcome of the negotiations on the multiannual financial framework for the years 2014 to 2020, including the issue of the possible inclusion of the EDFs in the Union budget. They repeated their call on the Council and

Member States to agree to the **full incorporation of the EDFs in the Union's budget**. Members were of the opinion that the integration of the EDFs in the general budget would strengthen democratic scrutiny of the allocation of funds and lead to a reduction of the risk of errors and inefficiencies.