

# 2014 discharge: 8th, 9th, 10th and 11th European Development Funds

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The Committee on Budgetary Control adopted the report by Claudia SCHMIDT (EPP, AT) on discharge in respect of the implementation of the budget of the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2014. Thereafter, Parliament approved the discharge in respect of the implementation of the budget of these Funds for the financial year 2014. They make several observations to take into account at the moment of budget discharge.

Members chiefly recalled that the 'budgetisation' of the EDF remains a priority for Parliament, not only as the inclusion of the EDF in the general budget would allow Parliament to have a say in the setting up and allocation of EDF funding whilst enhancing policy coherence and democratic scrutiny.

**Statement of Assurance:** Members acknowledge the low level of commitments in 2014 (EUR 621 million) compared to 2013 (EUR 3,923 million) and 2012 (EUR 3,163 million), this being related to the late entry into force of the 11<sup>th</sup> EDF and the limited transitional resources available under the bridging facility (EUR 1616 million). They note moreover the very high level of payments (EUR 3,516 million) compared to that for 2013 (EUR 2,963 million) thanks to the EUR 595 million from the bridging facility affected to budget support disbursements and advances for operations under the African Peace Facility in the Central African Republic and Somalia.

Members express deeply concern that the Court's estimated error rate for EDF expenditures has increased for three years in a row, from 2012 to 2014, from 3.0 to 3.8% although this error rate is still substantially lower than the error rates of Union expenditures managed by Member States.

Members welcome the efforts carried out by EuropeAid to decrease the high level of outstanding commitments (often referred to by the French term *reste à liquider*) from EUR 12.5 billion at 31 December 2013 to EUR 9.7 billion at 31 December 2014, representing a decrease of 23%.

Overall, Members welcome the Court's opinion that the final annual accounts of the 8th, 9th, 10th and 11th European Development Funds for the year 2014 present fairly, in all material respects, the financial position of the EDFs as of 31 December 2014, and that the results of their operations, their cash flows and the changes in net assets for the year then ended are in accordance with the provisions of the EDF financial regulations and with accounting rules based on internationally accepted accounting standards for the public sector.

However, they express concern that the legality and regularity of payments are materially affected by error and at the fact that supervisory and control systems at EuropeAid's Headquarters and Union delegations are assessed as only being partially effective in ensuring the legality and regularity of payments. Thus, among sampling of 165 payments transactions, 54 (or 33%) were affected by error. They therefore expect DG DEVCO to be more rigorous in the running of its overall control system and in its use of the information available.

**Supervision of operations:** Members reiterate Parliament's stance that it would be useful to clearly identify which activity-based budgeting or sectors of intervention present the most weaknesses and errors and the highest level of vulnerability. Members consider it necessary that the cost of **controls is kept**

**reasonable and that information related to the cost-effectiveness of controls is refined.** In that context, account needs to be taken of the appropriate balance between control and responsibility, along with that between oversight and attractiveness of Union funding.

Members call on the Commission, as in previous years, to further enforce the accountability of **Union delegations** staffed by the European External Action Service (EEAS), in addition to the preparation of the external assistance management reports (EAMR). Members call on EuropeAid and the EEAS to reinforce the supervision of the heads of delegations in their capacity as authorising officers by Sub-Delegation for the Commission with a view to increasing their accountability by providing qualitative, comprehensive and exhaustive reporting.

**Implementing the new development policy framework:** Members call for a higher level of ambition in the strategy, management and accountability of EDF funds. They underline the fact that policy coherence for development (PCD) is a requirement enshrined in the Treaty, implying that expenditure in all relevant policy areas should be in line with development cooperation objectives. This coherence should therefore become a regular element in the preparation, monitoring, reporting, evaluation and auditing of expenditure in all relevant policy areas, including trade, agriculture and fisheries policy, as well as reporting on these expenses.

**Overseeing of Union trust funds and blending facilities:** Members welcome the creation of the EU emergency trust fund for Africa and its funding allocation (amounting to EUR 1,8 billion) with the aim of enabling a comprehensive response to the refugees crisis and of addressing the root causes of irregular migration and displaced persons in Africa. They also welcome the creation of the Bêkou EU Trust Fund and its contribution to the international response to the crisis in the Central African Republic as well as the creation of the Madad EU Trust Fund for dealing with consequences of the conflict in Syria.

They note that trust funds are part of an ad hoc response which shows that the EDF, the Union budget and the Multiannual Financial Framework lack the resources and flexibility needed for a rapid and comprehensive approach to major crises. In addition, they result in the **bypassing of the budgetary authority and the undermining of the unity of the budget**. They believe also that particular attention should be paid to the effectiveness and political governance of trust funds and in particular the EU Emergency Trust Fund for Africa, as well as to oversight of the final use of the allocated funds. They reiterate the call for regular reporting to Parliament on the use of the blending facilities and results to allow Parliament to exercise its power of scrutiny.

In addition, Members analysed the **performance of the ACP Investment Facility** managed by the EIB as well as the question of **managing budget support**, which presents recurrent fiduciary risks related to the partners' effectiveness and risk of corruption and fraud.

**Cooperation with international organisations:** Members note that the payments in 2014 from EDFs for projects implemented by international organisations amounted to EUR 908.6 million. They call on the relevant Union and UN institutions to respect and implement fully the Financial and Administrative Framework Agreement (FAFA). They encourage the UN and relevant UN institutions to continue deepening their cooperation with the Union through continuous development of exhaustive monitoring and reporting systems. They regret that reporting to the Commission by its partner organisations entrusted with implementing the Union budget under indirect management is often incomplete or insufficiently results-oriented. Members consider it fundamental to ensuring the **Union's visibility**, also as regards results ownership, especially in co-financed and multi-donor initiatives, that regular information is swiftly provided on the pooling of funds to ensure traceability of Union funds.

**Evaluation and results-oriented monitoring systems:** Members are seriously concerned by the insufficient reliability of EuropeAid evaluation and results-oriented monitoring (ROM) systems, because of the inadequate level of supervision and monitoring of programme evaluation and also by the fact that

EuropeAid cannot ensure that staff and financial resources are appropriate and efficiently allocated to the various evaluation activities. They underline that it is indispensable to provide Parliament, as the budgetary control authority, with a clear view of the **real extent to which the Union's main objectives have been achieved**. Members consider transparency to be urgently necessary and call on the Commission, therefore, using electronic means, to provide Parliament, annually, with a list of all signed contracts in Excel format.

Members make a series of comments on the implementation of the FLEGT Action Plan with a view to improving forestry in third countries, energy projects in Africa, Union support in Haiti as well as joint programming and monitoring between the EEAS and the Commission on human rights issues.

**The EDF in relation to the 2014-2016 migration crisis:** finally, Members are seriously concerned about the current flow of refugees and are of the opinion that development aid needs to be disbursed much more efficiently and that it needs to fulfil 'added value' criteria. Members stress that this is the only way to provide people with adequate living conditions and to avoid an increase in flows of economic migration. They call for a more targeted approach towards the use of EDF funds as well as a more flexible disbursement strategy in line with Union needs to master the migration crisis.