

2016 discharge: 8th, 9th, 10th and 11th European Development Funds (EDFs)

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The Committee on Budgetary Control adopted the report by Barbara KAPPEL (ENF, 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 2016.

On the basis of the statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors, the committee called on the European Parliament to **grant the Commission discharge** in respect of implementation of the budget of the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2016.

Members made a series of observations which form an integral part of the discharge decision:

Statement of Assurance: the report welcomed the continuous efforts made by the Commission's services to **ameliorate the overall financial management of the EDFs** with regard to old outstanding pre-financing commitments and payments.

The efforts of the Commission services to improve the overall financial management of the EDFs with regard to the old outstanding pre-financing payments and commitments. It regretted, however, that, according to the Court of Auditors, the supervisory and control systems were still assessed as only partially effective;

Members reiterated their concern about the Court's assessment of the legality and regularity of payments underlying the accounts, which are materially affected by error. They were concerned by the **recurrence and persisting typology of errors, in particular in the area of public procurement**. The Commission should refine its existing corrective action plan, in particular when quantifiable errors point to shortcomings in the checks by international organisations on compliance with contractual provisions.

While acknowledging that development aid is often implemented in difficult, unstable or critical contexts which are error-prone, Members called for unwavering attention to be paid to the **recurrent weaknesses observed within the running of key control steps**, namely the vulnerability of *ex ante* checks carried out before project payments are made and external audit verifications on expenditure.

Members welcomed the fact that a **residual error rate (RER)** study was carried out for the fifth year in compliance with the RER methodology, thus constituting henceforth a building block of DG DEVCO's assurance building.

They reiterated their support for the **shift to the issuance of differentiated reservations** as requested by Parliament to progressively reinforce the assurance mapping of the different operational processes. They supported the fact that the Commission has maintained its reservation concerning the Africa Peace Facility related to governance and reporting on corrective measures in the management of funds.

The Commission was called upon to:

- improve significantly its **monitoring and performance reporting arrangements** to ensure that key indicators established in the different performance systems are systematically monitored;

- further develop its **communications strategy and tools** by highlighting the main results achieved, and to further strengthen the overall visibility of EDF-supported projects;
- ensure that programmes are calibrated and not overly ambitious, and report immediately on the specific **remedial actions** taken when a project has been classified as ‘red’ for two consecutive years.

Union trust funds: Union trust funds were designed to provide a rapid political response in the context of a lack of resources to certain critical situations or major crises, such as the migration crisis, or the need to link relief, rehabilitation and development.

Members stressed the need to:

- ensure that such trust funds **add value** to existing actions, contribute to increased visibility of the Union’s external action and soft powers, and avoid duplication of other financial tools;
- implement comprehensive control mechanisms to ensure political scrutiny from Parliament on the governance, management and implementation of these new instruments in the context of the discharge procedure;
- develop specific **supervision strategies** for Union trust funds, with specific objectives, targets and reviews.

The report welcomed the establishment of the **Bêkou trust fund** and its contribution to the international response to the crisis in the Central African Republic, recognising that this first trust fund can be considered as a major pilot project.

Budget support: the report noted that budget support payments financed by the EDFs in 2016 corresponded to **EUR 644 million** and that the number of ongoing budget support operations in the EDFs was 109 in 2016 with 56 disbursements.

While being a key driver for change and addressing the main development challenges, budget support carries a significant fiduciary risk and should only be granted if it provides sufficient **transparency, traceability and accountability** and is accompanied by a clear commitment from partner countries to reform policies;

The Commission should ensure that budget support and disbursement of funds is revised, withheld, reduced or cancelled when clear and initial objectives and commitments are not achieved and/or when the Union’s political and financial interests are at stake.

Addressing new global development priorities: Members recognised the necessity to develop new patterns for designing development assistance instruments and related conditionalities, in line with the **commitments of the Sustainable Development Goals** and the new European Consensus on Development, in order to respond to new critical features such as the development and humanitarian nexus, the development, migration and mobility nexus, the climate change nexus and the peace and security nexus. In this context, the Commission was strongly urged to fulfil its commitments based on the Paris Agreement to **strengthen the climate conditionalities** of Union funding. Members also supported increasing the ACP impact financing envelope, a separate window of the ACP investment facility, by EUR 300 million to reach a total capacity amount of EUR 800 million to deal with targeted projects directly tackling the **root causes of migration**.

Lastly, Members reiterated their call for the inclusion of the EDF Funds in the general budget of the Union.