2021 discharge: General budget of the EU - 8th, 9th, 10th and 11th EDFs

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The Committee on Budgetary Control adopted the report by José Manuel FERNANDES (EPP, PT) on the discharge for the implementation of the budget of the 8th, 9th, 10th and 11th European Development Funds for the financial year 2021.

The committee recommended that Parliament approve the closure of the accounts of the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2021.

Reliability of the accounts

The budget for the eighth EDF (1995-2000) was **EUR 12.8 billion**, for the ninth EDF (2000-2007) **EUR 13.8 billion**, for the tenth EDF (2008-2013) **EUR 22.7 billion** and for the eleventh EDF **EUR 30.5 billion** , of which EUR 29.1 billion went to the ACP countries, EUR 400 million to the OCTs, and EUR 1.1 billion to administrative costs.

Members welcome the fact that, in its annual report on the activities of the eighth, ninth, tenth and eleventh EDFs for the financial year 2021, the Court of Auditors considers that the accounts for the financial year ending 31 December 2021 present fairly the EDFs' financial position, the results of their operations, their cash flows and the changes in their net assets for the year then ended.

Legality and regularity of the transactions underlying the accounts

Members welcome the Court's opinion that the revenue underlying the accounts for the year ended 31 December 2021 is legal and regular.

The report notes with concern that of the 140 transactions examined by the Court, 54 (38.8%) were found to contain errors, compared with 36 (25.7%) in 2020 for the same total of transactions. The typology of errors found in 2021 follows the pattern of 2020, namely estimated error related to ineligible expenditure, serious failure to follow procurement rules, absence of essential supporting documents and expenditure not incurred.

Members are concerned that the **level of estimated error consistently exceeds the materiality threshold** (2%) at 4.6% of expenditure recorded under the eighth, ninth, tenth and eleventh EDFs for the year 2021. They reiterate that it is critical to effectively address the causes of this increase.

Transparency and effectiveness of control and assurance systems

The report calls on the Commission, given the high error rate each year, to review its *ex ante* and *ex post* audit strategy, and to further generalise digitisation for more systematic controls with a priority on the partner countries where the most errors have been identified.

Members note with concern that the Court's report found that in 15 cases of quantifiable errors and eight cases of non-quantifiable errors, the Commission had sufficient information to be able to prevent, or detect and correct, the errors before accepting the expenditure. They also note that, according to the

Court's assessment, if the Commission had made good use of all the information at its disposal, the estimated level of error would have been 2.4 percentage points lower, compared with 1.19 percentage points in 2020.

Members consider it unacceptable that, as in previous years, some international organisations have granted only limited access to documents, which hampers the planning and execution of the audit and leads to delays. They welcome the Commission's efforts to resolve the problem.

Fraud prevention, detection and correction

The report regrets that DG INTPA has only followed up 33% of OLAF's financial recommendations and that overall 20% of the financial recommendations (issued between 2017 and 2021) have been fully implemented, 20% have been partially implemented, 60% are in the process of being implemented or are still being analysed. It stressed the need to increase the rate of implementation of OLAF's recommendations.

As regards the possible impact of the UK's withdrawal from the EU on the 2021 accounts of the EDFs, the report welcomes the Court's conclusion that there is no financial impact to report on the 2021 accounts of the EDFs and that the accounts of the EDFs as at 31 December 2021 correctly reflect the state of the withdrawal process at that date.

EU budget support

Members note that payments for EDF budget support amounted to **EUR 340 million in 2021**. 25 ACP countries and 10 OCTs received EDF budget support in 2021.

EUR 1.2 billion in 2021 was used to support reforms in different sectors and avoid further economic and social setbacks. Political blockages and national crises have hampered the implementation of ongoing programmes in several countries.

Sub-Saharan Africa remains the main beneficiary of EU budget support (35%), followed by the European Neighbourhood (31%), Asia (16%), Latin America (6%), the Western Balkans (4%), the Caribbean (3%), the OCTs (3%) and the Pacific region (2%). By type of contract, sector reform performance contracts outweigh state-building and resilience contracts and Sustainable Development Goal (SDG) contracts.

The report stresses that EU budget support is a **means of delivering effective assistance**, including in crisis situations, and that it helps to strengthen national budget systems and processes to implement public policies and achieve sustainable results. It recalls the importance of ensuring the continuity of the COVID-19 Vaccines Global Access (COVAX) facility to maximise the chances of people in participating countries getting access to COVID-19 vaccines or other vaccines in the case of a new crisis situation.

Members draw attention to the fact that **eradicating poverty, promoting democratic values and combating environmental degradation** are among the greatest challenges faced today. They call for adequate financing to redirect the current trajectory, which is inconsistent with the Sustainable Development Goals (SDGs).

An estimated 64 million children in developing countries are not in primary school, with girls in particular having been particularly hard hit. Members reiterate that **education and training** are both human rights and the most powerful instruments for combating poverty, social exclusion and inequality.

The report also draws attention to the fact that all people, especially young people, should be able to **live, study and work in their own country and region**. Without effective measures against poverty,

simplified support for microfinance and small business development, economic migration, i.e. the brain drain, will continue to grow, raising multiple challenges for both destination and origin countries.

Members believe that each recipient country should present a **long-term plan, setting out its plans and objectives**, along the MFF calendar. This architecture could increase the transparency and predictability of EU development assistance, allowing for long-term objectives to be set by the European Commission, especially in areas that require forward planning, such as energy, health, water supply and the digital and green transition.

The report stresses that despite the many challenges facing the EU as a result of the COVID-19 pandemic and the Russian war of aggression against Ukraine and its geopolitical and economic consequences, there is a need to increase spending on development assistance.