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

2022/2135(DEC) - 10/05/2023 - Text adopted by Parliament, single reading

The European Parliament decided to **grant discharge** to the Commission in respect of the implementation of the budget of the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2021.

In its resolution, adopted by 542 votes to 74 with 2 abstentions, Parliament made the following observations:

***Budget implementation***

Parliament recalled the two events that marked the year 2021, namely that it was the first year following the sunset clause for the eleventh EDF (31 December 2020), meaning that in 2021 there were no further global commitments of projects under the eleventh EDF, and, in addition, in 2021, the financial implementation for the tenth and eleventh EDF contracts (individual commitments: EUR 2 118 million) and payments (EUR 3 393 million) was impacted by the prolonged COVID-19 crisis.

EDF represents 46.1 % of the portfolio of DG INTPA in terms of payments in 2021, which amounted to EUR 3 435 million (i.e., 91.27 % of the annual target). European Investment Bank (EIB) payments amounted to EUR 613 million.

Members deplored that due to the prolonged crisis in COVID-19, 50% of delegations in sub-Saharan Africa had not reached their minimum payment target (90%). They noted that the decrease in pre-financing of EUR 101 million, the significantly lower number of contracts outstanding at the end of 2021, and the overall decrease in expenditure on aid instruments of EUR 1 743 million can be explained both by the reduction in EDFs and by the negative impact of the current COVID-19 pandemic and geopolitical crises on the signing of new contracts.

***Reliability of the accounts, regularity of the transactions***

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.

Parliament welcomed the Court's opinion that the revenue underlying the accounts for the year ended 31 December 2021 is legal and regular. It noted 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***

Parliament called 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 noted with concern the fact that, as they did in 2020, the Commission and its implementing partners committed more errors in transactions relating to grants and to contribution and delegation agreements with beneficiary countries, international organisations and Member State agencies than they did with other forms of support (such as those covering works, supply and service contracts). Out of the 92 transactions of this type examined by the Court, 39 contained quantifiable errors, accounting for 81% of the estimated level of error.

Members considered 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 welcomed the Commission's efforts to resolve the problem.

***Fraud prevention, detection and correction***

Parliament regretted 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, Parliament welcomed 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***

Parliament pointed out the ever-growing gap between the funds needed and those available to respond to the deepening climate, hunger, debt, humanitarian and other crises. As a result, disparities between developed and less developed countries are widening, and poverty levels are rising for the first time in decades.

Nevertheless, Members believe that **greater transparency, accountability and due diligence with regard to respect for human rights**, as well as the fight against corruption and fraud, are essential to the success of EU budget support operations.

Parliament noted 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.

Over the past two years, EU budget support has helped countries make payments totalling EUR 4.2 billion, including EUR 3 billion in 2020 and EUR 1.2 billion in 2021, to support reforms in various sectors and prevent 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.

Parliament 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.

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) 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.

According to Members, 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 resolution 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.