

2000 discharge : 6th, 7th and 8th European Development Funds EDF

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PURPOSE : to present the Annual Report from the Court of Auditors on the activities of the 6th, 7th and 8th European Development Funds for the financial year 2000. **CONTENT** : this Annual Report concentrates on the activities of the 6th, 7th and 8th EDF for the financial year 2000. The Court recalls that the European Development Funds (EDFs) are the outcome of international agreements between the Member States of the European Union and 71 African, Caribbean and Pacific (ACP) States and of Council decisions concerning the association of 24 overseas countries and territories (OCT). The Commission is responsible for administering the EDFs in association with the ACP countries, without prejudice to the responsibilities entrusted to the European Investment Bank (EIB) as regards the implementation of certain financial instruments. In 2000, the sixth, seventh and eighth EDFs were implemented in parallel since, although in principle they last five years, the appropriations from them may be called down at any time. Only when the Commission considers that a fund has been sufficiently advanced does it transfer the balance to a later fund. The Cotonou Agreement, which sets out the rules for the ninth EDF, was concluded on 23 June 2000 and the ACP-EC Council subsequently decided, on 27 July 2000, that, in anticipation of its ratification, the agreement would apply as of 2 August 2000. By virtue of that decision the Commission was authorised to undertake the programming of the ninth EDF, to apply the new procedures to most of the unallocated funds from current EDFs and to continue to finance non-programmable aid and the institutions and bodies put in place by the Fourth Lomé Convention. More specifically, with regard to the Annual Report, the Court highlights the fact that the low payments rate is minimised and is essentially presented as a short-term problem resulting from a low level of commitments in 1999 which is expected to resolve itself in 2001 and 2002, thanks to the level of commitments in 2000. The underlying structural causes of this low level of payments (project designs and programmes that are sometimes defective, cumbersome procedures, weaknesses in national administrations) are linked to the problems of implementing the Lomé Conventions and are mentioned briefly, or not at all. In this connection the translation of decisions into contracts is described as particularly positive, whereas, in terms of the amount of net resources or the amount of programmable aid allocations, the rate of secondary commitments (global and for NIPs) still gives cause for concern, for both the seventh and the eighth EDFs. There is no comment on the deferred implementation of financial instruments such as the Stabex mutual obligations frameworks and the protocols of agreement for the mobilisation of budget aid related to structural adjustment support. The Court has on many occasions made comments on presentation, some of which have been adopted by the Commission. During the production of the accounts for the financial year 2000 a study was commissioned by the Commission with a view to improving and modernising the presentation of the EDF accounts, following a similar study for the budgetary accounts of the Commission. It should be noted that the payments for the financial year 2000 totalled 1 548 million euro, compared with 1 275,4 million euro in 1999. After deduction of decommitments, commitments for the financial year 2000 amounted to 3 758 million euro. The figure for 1999 was 2 692,8 million euro. Despite a substantial increase in financing decisions, principally under the eighth EDF, implementation of the EDFs progresses slowly. This is demonstrated by, amongst other things, the level of payments effected during the financial year 2000, well below the targets announced by the Commission. The weak rate of execution was apparently not always sanctioned on the occasion of the mid-term review of the eighth EDF which adopted other criteria for the grant of the second instalment and the supplementary funds. Improved execution of the EDFs is foreseeable only in as far as the Commission succeeds in meeting the double challenge with which it is confronted: to complete successfully the reform of its own external aid management methods and structures to which it committed itself in 2000 and 2001 and, in association with other donors, to increase the recipient governments' management and absorption capacities. As regards the wider responsibilities which the Lomé Conventions and the Cotonou Agreement bestow on national authorising officers as regards the management of resources, reinforcing these capabilities must

be treated as an absolute imperative if the effects of the reforms are to have any impact in the immediate future. Lastly, with regard to the legality and regularity of the underlying transactions, the Court believes that these are overall legal and regular. It should however be noted that, as with last year, the payments made in the ACP States under the responsibility of national and regional authorities in the framework of certain programmes or financial instrument, showed discrepancies.