2002 discharge: 6th, 7th and 8th European Development Funds (EDF)

2003/2189(DEC) - 08/10/2003

PURPOSE : to present the Annual Report form the Court of Auditors on the implementation of the 6th, 7th and 8th European and Development Funds for the financial year 2002 and the Statement of Assurance concerning the EDF. CONTENT : this annual report concentrates on the implementation of the 6th, 7th and 8th EDFs in 2002. In its report, the court recalls that the EDFs are the result of international conventions between the Member States of the European Union and 77 ACP countries (after the ninth EDF) as well as 24 overseas countries and territories. The Commission is responsible for the management of the EDFs in association with the ACP states. The Court has noted both a growing delay in the entry into force of the conventions and agreements, resulting in a corresponding delay in the start of the EDFs, and the very long duration of the implementation of the latter. Although signed in June 2000, the Cotonou Agreement did not enter into force until 1 April 2003, due to the signatory States' lengthy ratification procedures. Concerning the reliability of the accounts, the court is of the opinion that the financial statements at 31 December 2002 and the revenue and expenditure accounts for the financial year 2002 reliably reflect the revenue and expenditure relating to the sixth, seventh and eighth EDFs for the financial year and their financial situation at the end of the year: - transfers of funds amounting to EUR 184,5 million are recorded as payments, overstating the level of implementation of aid; - budgetary aid committed (about EUR 550 million in primary commitments in 2002), paid and remaining to be paid, is difficult to identify in the accounts as it is drawn from several financial instruments; - the level of aid committed but not yet paid (EUR 8 385 million) is not reliable as an indicator of future payments, as the accounts frequently continue to record commitments when no further payments will be made; - the accounts do not identify amounts due for recovery; - the amount of outstanding advances reported in the accounts (EUR 1 070 million) is not reliable. As regards the implementation rate, the report states that compared to the previous year, the implementation rate of the EDFs in 2002 was characterised by: - an accelerated rate of adoption of new financing decisions giving rise to primary commitments, due in particular to the advance implementation of the Cotonou Agreement; - a slight slowdown in secondary commitments and payments, which can be explained, in part, by the persistence of problems in a considerable number of ACP States. During 2002 the three current EDFs entered their 17th, 12th and 5th years of implementation. At the end of the fifth year of implementation, the eighth EDF had been committed at a rate of 85 % but only disbursed at a rate of 38 %. Excluding the debt reduction operations for heavily indebted poor countries, implementation of the EDFs is still slow. The Court notes the difficult transition between the 8th and 9th EDFs. Generally speaking, the complicated situation arising from the implementation of the Cotonou Agreement in advance (because the agreement has not yet entered into force), using allocations belonging to the eighth EDF, is an argument in favour of perhapsseeking a different legal framework. This alternative legal framework should try to avoid the transitional problems associated with the setting-up of new EDFs and allow uninterrupted implementation of the agreements reached with ACP States. One solution might be to include the EDFs in the budget. The Court of Auditors has recommended on several occasions that the ACP States' supreme audit institutions should be involved in audits of EDF-funded operations. In the discharges for financial years 1999 and 2001, Parliament and the Council followed up these Court recommendations by stressing how important the support and creation of strong, effective and independent supreme audit institutions can be towards improving the quality of the management of public finances in the recipient countries. The audit conclusion on the legality and regularity of the underlying transactions is based partly on the analysis of the supervisory systems and controls and complemented by the audit of a number of transactions. On that basis, the Court is of the opinion that the revenue entered in the accounts, the amounts allocated to the EDFs, the commitments and the payments of the financial year are, taken as a whole, legal and regular. However, in the absence of monitoring information and of performance indicators on the evolution of the quality of public finance management in ACP States, the Court cannot give an opinion on the use of direct budgetary

aid by the ACP States, which is spent and controlled according to national, rather than EDF, control procedures.