2003 discharge: 6th, 7th, 8th and 9th European Development Funds EDF

2004/2049(DEC) - 30/09/2004 - Document attached to the procedure

PURPOSE : to present the Commission's report on the follow-up to 2002 discharges.

CONTENT : according to Article 276 of the EC Treaty and Article 180b of the EAEC, the Commission shall take all appropriate steps to act on the observations in the decisions giving discharge. This is the aim of this paper. Moreover, the Commission shall report on the measures taken in the light of these observations and comments and in particular on the instructions given to the departments which are responsible for the implementation of the budget. These reports shall also be forwarded to the Court of Auditors.

The Commission accepts the Parliament's recommendations and already has or is currently taking the necessary action. Furthermore, the Commission welcomes the Parliament's support to the proposal of budgetising the EDF, i.e. integrating the EDF into the general budget of the European Union. The proposal is currently under discussion in Council.

Among the recommendations made by Parliament, the Commission would like to highlight the following:

- *Budgetary support* : the Commission agrees that budgetary support funds, after having been released to an ACP State once the conditions set out in the financing agreement have been fulfilled, become part of the beneficiary State's budget, and therefore are managed and spent according to national (and not EDF) financial management procedures. The Commission has changed its supervision and control systems in order to take account of the particular challenges arising from increased use of the budgetary support instrument. Inter alia delegations in ACP States receiving budgetary support have been instructed to extensively report every six months on the quality of public finance management, using standards developed by the Commission Headquarters;

- *Audit and evaluation strategy* : Parliament has highlighted the need for the Commission to ensure coordination and cooperation between Delegations and Headquarters. The Commission supports this objective and has inter alia taken the necessary steps to ensure better coverage and quality of audits conducted by external auditors;

- *Financial Management Report* : Parliament has asked for several new issues to be included in the Financial Management Report. The Commission has taken all these recommendations on board in the Financial Management Report for 2003 on the 6th, 7th, 8th and 9th European Development Funds which was transmitted to the European Parliament on 22 June 2004.