2004 discharge: 6th, 7th, 8th and 9th European Development Funds (EDF)

2005/2157(DEC) - 07/07/2005 - Document attached to the procedure

PURPOSE: presentation of the Commission's Financial Management Report on the 6th, 7th, 8th and 9th European Development Funds for the year 2004.

CONTENT: This Report fulfils the Commission's obligations under Articles 96, 102 and 135 of the Financial Regulation applicable to the 9th European Development Fund. Article 96, paragraph 2 requires that the EDF accounts shall be accompanied by a report on financial management containing an accurate description of the achievement of the objectives for the preceding financial year, in accordance with the principle of sound financial management and of the financial situation and the events that had a significant influence on the activities carried out.

The Communication focuses on the following main points:

1) Achievement of objectives for the 2004 financial year: In 2004 the Commission made global commitments from the EDF of €2 648m – just below (the €2 850m) target – and paid out a record €2 464m, continuing its recent year-on-year acceleration in disbursements. New individual commitments (contracts) for an amount of €3 038m were concluded on the EDF instruments managed by the Commission. This contracts performance over 2003-2004 (€6 100m) is unprecedented and should contribute to a continued upward trend in disbursements over the coming years.

- **Fight against poverty**: The Commission devoted the greatest share of EDF commitments in 2004 to regional integration and institutional support. This covers programmes to promote respect for human rights, the principles of democracy, the rule of law and responsible, accountable government, and to strengthen the institutions on which these conditions depend. Other programmes seek to prevent conflict by supporting nascent peace processes, democratic reforms, and efforts to create political and social stability (e.g. the Commission launched the €250m African Peace Facility in 2004, through which the EC funds non-military aspects of peace-keeping operations by the African Union). The Commission also continued to devote considerable resources to infrastructure, in which it has many years' experience, notably launching the ACP-EU Water Facility for which a first allocation of €250m was made available immediately out of the €1 000m unreleased funds of the 9th EDF. General budget support and sectoral policy support programmes continued as the Commission's preferred development cooperation strategies - where conditions allow - encouraging partner government-led initiatives to tackle poverty. General budget support programmes constituted 18% of new programmes approved in 2004, supporting ten countries. In addition, eight sectoral policy support programmes were launched to a total global commitments value of €242m.

- Improving operational performance:The Commission completed projects and responded to emerging needs and emergencies with greater speed than in the past,e.g. Darfur (Sudan). To raise the quality of programmes, headquarters staff undertook in-depth quality reviews on all new project proposals early in the design process. One in four proposals was also selected for further review at a later stage. The Commission also leveraged the skills and expertise of its staff to replicate examples of best practice in different sectors (e.g. 40% of EuropeAid's (non secretarial) officials participated in best practice networks). To improve programme design, the Commission consolidated its independent results-oriented monitoring of EDF-funded programmes launched in 2002,6 raising the ACP budget by 30% (to €4.6m).

The Commission also made substantial efficiency gains, by for example, formally devolving responsibility for programmes from its headquarters to its offices in 24 more ACP countries (at the end of 2004, 79% of ongoing EDF-funded programmes were managed by in-country officials).

2) Financial situation at the end of 2004: At the close of 2004, the Commission had allocated in total €43 802m net to ACP countries under the 6-9th EDFs. This comprised €29 898m from the 6-8th EDFs (all committed, since €2 990m in uncommitted balances had been transferred into the 9th EDF) and €13 904m from the 9th EDF.7 Of the total allocated (€43 802m), the Commission has committed €35 692m and paid €25 914m. The unspent €17 888m comprises uncommitted funds of €8 110m and unspent commitments (Restes à Liquider) of €9 779m.

3) Events that had a significant influence on activities carried out in 2004: 2 types of events affected the smooth operation of 2004 funding:

- **Payment delays due to treasury shortages**: The Commission had difficulty in making timely payments in May-June and, to a lesser degree, at the end of 2004. This was largely because it had paid an

unprecedented amount in the year to June, and the EDF treasury system relies on a rather inflexible 'just in time' contribution system from Member States. Prudent cash management (including the bringing-forward of the second call for contributions) meant that priority payments were made in time, but overall payments were delayed considerably.

- **Political instability and other crises**: The Commission estimates that around 20% of ACP countries are in crisis or post-crisis at any one time, and in 2004 political uncertainty continued to affect cooperation in several states, and added significant complexity to the running of regional programmes. (e.g., in Côte d' Ivoire). Several delegations found dialogue difficult with local authorities, especially with Somalia, Togo, Haiti, Liberia, Sudan, Zimbabwe, Guinea, Equatorial Guinea and Côte d'Ivoire, as well as with the Central African Republic).