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

2005/2157(DEC) - 27/04/2006 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution drafted by Rodi **KRATSA-TSAGAROPOULOU** (EPP-ED, EL) and granted discharge to the Commission for the implementation of the budget of the 6th, 7th, 8th and 9th European Development Funds for 2004. In its accompanying comments, Parliament agreed with the Court of Auditors on the need for objective, and comprehensive indicators to measure the output of aid, and trusted that these will be put in place for the period 2007-13.

Parliament noted that, in 2004, out of a total of EUR 2 723 million in funding provided by EuropeAid to ACP countries (EDF and EU general budget), 41 % (EUR 1 129 million) was committed for infrastructure and social services. It deplored the fact that only EUR 12 million (0.4%) was earmarked for basic education and EUR 74 million (2.7%) for basic health, despite the recommendation in its previous discharge resolution. The Commission was urged to increase funding for these sectors. Parliament called for the percentage of EU development cooperation spending earmarked for basic education and health in the developing countries to be substantially increased.

Accounts: Although EDF funds managed by the European Investment Bank (EIB) are not audited by the Court of Auditors or controlled by Parliament as part of the discharge procedure, they are included in the EDF accounts. Parliament considered that transparency would be enhanced if information on these funds (amounts by type of use, overview of results) were provided to the discharge authority which is responsible for signing off the EDF accounts. It called on the EIB and the Commission to provide such information and to include it in their reports on the EDF.

Statement of assurance: With the exception of certain problems, the Court of Auditors felt that the accounts reliably reflect the revenue and expenditure relating to the sixth, seventh, eighth and ninth EDFs. According to the Court of Auditors' annual report, the EuropeAid Director-General's activity report makes no mention of major internal control weaknesses. These weaknesses consist mainly of insufficient audits and follow-up. Weaknesses in national authorising officers' management capability result in a heavier workload for the delegations, and Parliament called on the Commission to take appropriate action.

Financial Management Report: Parliament welcomedthe improvement in the quantity and quality of information contained in the Financial Management Report but called on the Commission to provide more details in future reports, particularly so as to enable comparisons to be made of the amounts allocated to projects, budgetary support and non-programmable aid coming under the ninth EDF to those for previous EDFs and in order to have an overview of the related administrative expenditure.

Accountability: Parliament noted thatwhile the Commissioner for Development and Humanitarian Aid was responsible for EDF policy and for specific matters concerning the related projects and programmes managed by EuropeAid, the Commissioner for External Relations and European Neighbourhood Policy was responsible for all general policy and management matters concerning the functioning of EuropeAid, which implements the EDF. Parliament remained concerned that the lack of clarity over responsibility may create ambiguities and disrupt operations. It called on the Commission to clarify the breakdown of responsibilities for the EDF and external aid.

Implementation and RAL: EuropeAid quoted a figure as at the end of 2004 of EUR 9 776 million in outstanding commitments (reste à liquider - RAL) for the EDF and a figure of EUR 11 607 million for the budget lines which it manages. These figures are far too high and Parliament urged the Commission to speed up implementation of external aid.

Budgetary support for ACP countries: Parliament noted the increasing significance of budget support, with EUR 624 million disbursed in 23 ACP countries in 2004. It acknowledged that budget support could contribute effectively towards reducing poverty and improving public financial management in recipient countries, in particular by giving them a greater sense of 'ownership'. The Commission was asked to adjust its instruments to assess economic reforms and the quality of public financial management as conditions for eligibility for budget support. Parliament also urged the Commission to place on a more systematic footing its cooperation with supreme audit institutions and, where possible, to call on governments of beneficiary countries to secure more active parliamentary involvement in audit and the public finance reform process.

Supreme audit institutions: Parliament noted that the Commission was considering different modalities for supporting the role of the supreme audit institutions in the ACP states, and asked for an assessment of the various options under consideration.

Budgetisation: Parliament considered that budgetisation of the EDF would remove many of the complications and difficulties of implementing successive EDFs, help speed up disbursement and eliminate the current democratic deficit. However, Parliament drew attention to its resolution on the EDF of 8 June 2005, when it underlined that budgetisation was only acceptable if the overall ceiling of the financial framework brings additional resources into the general budget, and that the appropriations budgeted should be ring-fenced to avoid any negative effect on the ACP countries. Parliament regretted that the European Council in December 2005 did not agree to the budgetisation of the EDF, but welcomed the fact that the Member States did agree to allocate EUR 22 682 million at current prices to cooperation with the ACP states over the period 2008-2013. It called, nonetheless, on the Council and Commission to continue to work on incorporating the EDF into the general budget.

Devolution of management of aid and support: Parliament supported the Commission's devolution of resources and decision-making powers to the delegations of the Commission and expected that this new organisational structure would contribute to even swifter implementation of commitments and payments and to better project follow-up. It noted the risks of the process of devolution to the Commission delegations in ACP countries, such as difficulties in finding appropriate staff and the possibility of incoherent interpretation of rules between Commission delegations. There was a need to improve the rules and to find a balance between reinforced control mechanisms and the need for reporting on one hand, and efficient and speedy decision-making locating the main decisions on projects in the delegations on the other.

Stabex funds: The inventory of Stabex funds in 2004 showed that some ACP states did not supply the required financial statements and that, as a result, an unknown portion of the declared bank balance of EUR 832 million had not been certified by the Commission on the basis of reliable supporting documents. The Commission must work with the beneficiary countries to enhance monitoring and ensure that the outstanding funds are committed as rapidly as possible.

Internal control standards: Parliament expressed concern at the fact that the Commission was complying with only the minimum requirements for certain control standards.

Visibility and transparency: Parliament urged the Commission to clarify its reply to the request for additional explanations on key issues made by the Court of Auditors in its annual report covering the increase in resources for the ninth EDF, with specific reference to the item concerning aid granted to the

Democratic Republic of Congo. It acknowledged the progress made by the Commission in ensuring a higher profile for Community external aid action, but deplored the fact that the public is not aware of the EU's close involvement in many projects and programmes conducted jointly with the United Nations and other organisations. It asked the Commission to take action.