2005 discharge: 6th, 7th, 8th and 9th European Development Funds EDF

2006/2169(DEC) - 24/04/2007 - Text adopted by Parliament, single reading

The European Parliament adopted the resolution drafted by Mogens N.J. **CAMRE** (UEN, DK), approving the position of its budgetary control committee, and granted the Commission discharge for implementation of the budget for the Sixth, Seventh, Eighth and Ninth European Development Funds for the financial year 2005. It approved the accounts for the 4 EDFs for 2005 and recalled that the implementation rate stood at 87% for financial commitments and at almost 64% for payments. At the same time, Parliament indicated that the RAL (reste à payer) remained very high with an average of 23.2% for a global amount of EUR 10.3 billion in 2005. Parliament noted that, in 2006, the RAL was reduced for the first time and that the "old" RAL, i.e. commitments which are over 5 years old, had been reduced from EUR 1.62 billion to EUR 867 million. The dormant commitments, i.e. those for which no contract has been signed and for which no payments have been made over the last two years, have been reduced from EUR 350 million to EUR 285 million, but remain very high.

Parliament made a number of observations and recommendations, which accompanied the discharge. It welcomed the fact that the share of EU funding spent on the basic health and basic education sectors was raised from 4.98% to 6.83%, but regretted the fact that this share is still far removed from the 20% target which it set in the 2005 budget. It could not accept the fact that the Commission is using the legitimate and necessary objective of better donor coordination and work-sharing between donors as an excuse for too low a level of investment in the basic health and basic education sectors and urged it to adopt measures forthwith to achieve the 20% target and inform Parliament in writing at least twice a year about the progress of implementation and about the factors taken into account in the calculation. Parliament also regretted that the Commission had not so far developed any comprehensive strategy together with the beneficiary countries for making the health and education sectors priorities in the new country strategy papers, and that the latter currently under preparation generally lack a clear Millennium Development Goal (MDG) profile.

The statement of assurance: notwithstanding IT problems and incomplete information on bank guarantees, Parliament noted that the ECA was of the opinion that the revenue, EDF allocations, commitments and payments are, taken as a whole, legal and regular. It recalled that about half of the total allocations consist of programmable aid, where the ECA observed an increased risk of errors affecting transactions that fall within the responsibility of the National Authorising Officers. As regards individual legal commitments, the errors detected concerned, for example, the use of appropriate tendering procedures, in particular under the programme estimates and grant agreements, banking guarantees and the failure to meet deadlines for starting the implementation of programmes. With regard to payments, errors concerned the amounts of payments and other errors such as non-compliance with contractual obligations. Parliament recognised, however, the Commission's efforts to build the NAOs' management capacity and asked the Commission to refine its support strategy as regards problematic cases.

Enhancing accountability in the Commission's management of EDF funds: Parliament recalled that, in the previous discharge resolution, it called upon the Commission to clarify the breakdown of the Commissioners' responsibilities as regards the EDF and external aid. Whilst aware that the Commission's position is that the division of responsibilities works well in practice, Parliament called upon the Commission to reflect on possible ways to simplify the current management structure in order to minimise the risk of ambiguities as regards responsibilities.

Stepping up democratic control over EDF funds managed by the European Investment Bank : Parliament noted that, out of the total initial allocation of the Ninth EDF, which amounts to EUR 13. 8 billion, the European Investment Bank (EIB) is responsible for EUR 2.2 billion, which is spent through the EDF investment facility, which is not covered by the ECA's statement of assurance or by the Parliament's discharge procedure. It proposed that the EIB give an account of its management of the EDF investment facility before Parliament's Committee on Budgetary Control.

Tackling resource constraints: Parliament concluded once again that integration of the EDF into the EU budget would enhance the overall consistency of European development cooperation, ensure greater transparency and effectiveness and facilitate democratic scrutiny. In line with the ECA, Parliament requested that the Commission, in its financial management report for 2006, indicate the priorities which had been established as a result of the existing resource constraints and the impact on the implementation of the EDFs. The Commission was asked to consider closer cooperation with national experts from the Member States' administrations in the financial management of EDF funds in general and the extended use of well known and highly reputable private enterprises from the Member States in the execution of programmes and individual projects.

Ensuring sound financial management with regard to budget support: Parliament observed that the Commission considered budget support granted to the beneficiary countries to be an ever more important tool for efficient delivery of development policies, and that the share of EDF commitments in the field of general and sectoral budget support rose considerably, from 18% in 2004 to 32% in 2005. However, it pointed out that the ECAs' control powers in the field of budget support are limited, and asked for greater powers of control.

Supervisory and control systems: Parliament noted he ECAs' view that a coherent overall control strategy with regard to the management of EDF funds and external aid has yet to be established, and it welcomed the ECAs' concrete recommendations for elements to be included in this strategy. Whilst welcoming the fact that the ECA has recorded an improvement in the Commission's supervisory and control systems, Members regretted the fact that this improvement does not extend to supervision, control and audit of the implementing institutions. It was unacceptable that, as a result, such a large number of material errors continue to occur at a central point in the chain between the European taxpayer and the final beneficiary in the developing country. Parliament called on the Commission to develop a comprehensive approach towards supervision, control and audit of the implementing organisations, to ensure that EuropeAid provides better support for the operational financial personnel in delegations and central services, arranges for better risk analysis focusing on particularly high-risk sectors and more monitoring visits, achieves better central supervision of performance and follow-up of external audits initiated by delegations and central services and initiates fewer ex post verifications while at the same time improving their scope, timing and quality control. In general, Parliament strongly supported the ECA’s request that the Commission set out in detail how it has followed up the ECAs' audit findings.