# 2006 discharge: 6th, 7th, 8th and 9th European Development Funds (EDF)

2007/2064(DEC) - 27/04/2007 - Document attached to the procedure

PURPOSE: to present the annual report from the Commission on the financial management of the 6th – 9th European Development Funds in 2006.

CONTENT: this report fulfils Articles 96 and 102 of the 9th European Development Fund (EDF) Financial Regulation which require the Commission to report each year on the EDF's financial management.

**Significant events in 2006 and highlights the main challenges for 2007**:

- **Financial objectives 2006**: the Commission met all its objectives, surpassing its target for contracts and payments, which were the highest ever. It also stabilised approved but unspent funds, with significant reductions in "old" and "dormant" commitments. In addition, it closed the 6th EDF by transferring all remaining funds to the 9th EDF;
- **9th EDF end-of-term review**: this was carried out in 2006, resulting in some final adjustments to the allocation of funds between countries and regions, which requires completing the corresponding commitments of the remaining 9th EDF funds in 2007, the 9th EDF's last year;
- **Internal controls and processes**: the Commission took further measures to reinforce controls, but EDF integration into the Common Relex Information System (CRIS) was delayed to 2008 so as to prioritise the Commission's Accrual-Based Accounting (ABAC) system;
- **Staffing**: staff turnover, high vacancy rates in some Delegations and declining staffing levels relative to amounts managed still affect some priorities. In 2006, the Commission continued to work within these tight constraints, by making sound financial management and quality its top priorities
- **10th EDF**: a major risk for EC support to ACP states is ratification of the 10th EDF by EU states in time to start committing 10th EDF funds from January 2008, when 9th EDF funds will no longer be available
- **Aid-for-trade**: the Commission continued to provide substantial support to promote growth and jobs in ACP countries. To lift themselves out of poverty permanently, ACP countries must be able to grow their economies and trade more. That's why since 2001 the Commission has provided:
    1. over EUR 850 million to help ACP regions integrate, boost trade and play a bigger part in world markets; this includes negotiation of Economic Partnership Agreements(EPAs);
    2. over EUR 35 million to enable ACP states to negotiate better with the EU and at the WTO;
    3. a further EUR 60 million to enable ACP states to draw up more effective trade policies.

The Commission is also providing over EUR 160 million in programmes to help make it easier to set up and expand businesses in ACP countries.

**Financial situation of the 6th- 9th EDFs at the end of 2006**: an amount of EUR 3.16 billion was uncommitted. This, together with decommitted funds, will all be committed before end 2007.

- Funds allocated (all EDFs): EUR 44.609 billion;
- Funds committed: EUR 41.446 billion
- Funds spent: EUR 31.165 billion;
- Commitments unspent (RAL): **EUR 10.281 billion**;
- Total remaining funds unspent: EUR 13.444 billion.

As regards the unspent commitments (or ‘RAL’, for reste à liquider), the report states that for 2006, the Commission’s objective was to stabilise overall RAL at the 2005 level: EUR 10.3 billion. Despite a high level of new commitments in 2005 and 2006**, RAL was kept stable**, thanks to the record level of payments entered in 2006.

The Commission also paid close attention to "old" (funds committed more than 5 years ago still unspent) and "dormant" (funds committed but neither contracted nor spent in more than 2 years) commitments.

Timely implementation is critical to achieving programmes’ objectives. In ACP countries this can be difficult, since government institutions are often weak. However, the Commission’s recent efforts to improve project design and planning, streamline procedures and strengthen delegations are now yielding results. For example, the time taken to implement projects - measured by the ratio of RAL to annual payments – fell by over 30% between 2000 and 2006.