Basic information

2003/2189(DEC) DEC - Discharge procedure	Procedure completed
2002 discharge: 6th, 7th and 8th European Development Funds (EDF) **Subject** 6.30.03 European Development Fund (EDF) 8.70.03.07 Previous discharges	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	SJÖSTEDT Jonas (GUE/NGL)	10/09/2002

Committee for opinion	Rapporteur for opinion	Appointed
BUDG Budgets	The committee decided not to give an opinion.	
DEVE Development and Cooperation	KINNOCK Glenys (PSE)	25/11/2004

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	2569	2004-03-09

European Commission

Commission DG	Commissioner
Budget	

Key events

Date	Event	Reference	Summary
06/08/2003	Non-legislative basic document published	COM(2003)0475	Summary
05/11/2003	Committee referral announced in Parliament		
17/03/2004	Vote in committee		Summary
17/03/2004	Committee report tabled for plenary	A5-0183/2004	

20/04/2004	Debate in Parliament		
21/04/2004	Decision by Parliament	T5-0338/2004	Summary
21/04/2004	End of procedure in Parliament		
21/04/2004	Final act published in Official Journal		

Technical information

Procedure reference	2003/2189(DEC)
Procedure type	DEC - Discharge procedure
Legal basis	Rules of Procedure EP 102
Stage reached in procedure	Procedure completed
Committee dossier	CONT/5/20232

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, single reading		A5-0183/2004	17/03/2004	
Text adopted by Parliament, single reading		T5-0338/2004 OJ C 104 30.04.2004, p. 0424-0680 E	21/04/2004	Summary

Council of the EU

Document type	Reference	Date	Summary
Supplementary non-legislative basic document	06850/2004	09/03/2004	Summary
Supplementary non-legislative basic document	06851/2004	09/03/2004	Summary
Supplementary non-legislative basic document	06852/2004	09/03/2004	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2003)0475	06/08/2003	Summary
Supplementary non-legislative basic document	COM(2003)0491	07/08/2003	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CofA	Court of Auditors: opinion, report	N5-0019/2003 OJ C 286 28.11.2003, p. 0325-0361	08/10/2003	Summary

Additional information		
Source	Document	Date
European Commission	EUR-Lex	

Final act	
Budget 2004/0721 OJ L 330 04.11.2004, p. 0123-0124	Summary

2002 discharge: 6th, 7th and 8th European Development Funds (EDF)

2003/2189(DEC) - 09/03/2004 - Supplementary non-legislative basic document

PURPOSE: to present the Council Recommendation concerning the discharge to be given to the Commission in respect of the implementation of the operations of the 8th European Development Funds for the 2002 financial year.

CONTENT: having examined the revenue and expenditure account and the balance sheet relating to the three EDFs as at 31 December 2002 and the Court of Auditors' report relating to the financial year 2002, the Council recommends that the European Parliament should give discharge to the Commission in respect of the implementation of the operations of the 8th EDF for the financial year 2002.

It should be noted that this recommendation is not accompanied by any particular comments. The Council considers that, for its part, the overall implementation by the Commission of the operations of the budget has been satisfactory.

2002 discharge: 6th, 7th and 8th European Development Funds (EDF)

2003/2189(DEC) - 09/03/2004 - Supplementary non-legislative basic document

PURPOSE: to present the Council Recommendation concerning the discharge to be given to the Commission in respect of the implementation of the operations of the 7th European Development Funds for the financial year 2002.

CONTENT: having examined the revenue and expenditure account and the balance sheet relating to the three EDFs as at 31 December 2002 and the Court of Auditors' report relating to the financial year 2002, the Council recommends that the European Parliament should give discharge to the Commission in respect of the implementation of the operations of the 7th EDF for the financial year 2002.

It should be noted that this recommendation is not accompanied by any particular comments the Council considers that for its part the overall implementation by the Commission of the operations of the budget has been satisfactory.

2002 discharge: 6th, 7th and 8th European Development Funds (EDF)

2003/2189(DEC) - 07/08/2003 - Supplementary non-legislative basic document

PURPOSE : to present financial information on the 6th, 7th and 8th EDF for the year 2002. CONTENT : this documents consists of a general overview of the EDF's use of its resources in 2002. As regards the situation of commitments and payments, the report states that new commitments in 2002 amounted to EUR 2 115 million (just over the EuropeAid target of EUR 2000 million). Payments reached EUR 1 902 million. The new commitments level of EUR 2 115 million is slightly above the 2001 figure of EUR 1 920 million. Approximately EUR 790 million of the 2002 total was taken from the general reserves of the 8th EDF on the base of transitional measures, given that the ratification of the Cotonou agreement was not completed in 2002 and the 9th EDF could not therefore be made available. The Commission has also succeeded in freeing up EUR 346 million in unused moneys which had previously been committed but not subsequently used in the projects for which it was earmarked ('de-commitments')- will now be reallocated within the respective national and regional programmes in 2003. This brings the 'net' level of new commitments in 2002 to EUR 1 768 million compared with EUR 1 554 million in 2001. As a result of these decommitments, the level of funds which has been committed to programmes but not yet paid out - commonly knows as 'Reste a Liquider' (RAL) - stabilised (and even slightly reduced) by the end of 2002 (EUR 8 469 million at the close of 2001 and EUR 8 385 million at the close of 2002). Concerning payments, some delays have been observed concerning the instrument 'Structural Adjustment Facility' (EUR 130 million) and as well for the Indicative Programmes (NIP/RIP: EUR 100 million). On the other side, the Commission has been able to pay out EUR 98 million on the A and B envelopes (transitional measures) and another EUR 87 million on Sysmin resources. Furthermore, since the

start of the EuropeAid Co-operation Office (January 2001) the capacity for implementation has increased (25-35%): the level of contracts (EUR 2 200 million) and payments (EUR 2 000 million) in the last two years is well above the average of the 12 preceding years: both around EUR 1 600 million. The Commission also highlights the effective availability of the use of EDF resources, the report states that the total figure for EDF moneys allocated to ACP countries and OCTs until the end of 2002 (6th, 7th and 8th EDFs) is EUR 32 840 million. Of this figure, EUR 29 921 million has been formally committed, i.e. decisions have been taken to go ahead on specific projects. Of these allocations and commitments, EUR 21 536 has been paid. This means that there is a theoretical gap between moneys originally earmarked for ACP countries in the long-term programming process and amounts paid out (for the last three EDFs combined) until close 2002, of EUR 11 304 million. This is made up of the EUR 2 919 million allocated but not committed, and the remaining EUR 8 385 million committed but not yet paid. The report also highlights that EUR 2.9 million were allocated but not committed. Countries are allocated or earmarked money 'in theory' while actual cooperation may be subsequently suspended with a given country by decision of the EU Member States for political or practical reasons (civil wars, security situation, etc), which means that no commitments (specific projects) can then be approved (e.g. Zimbabwe and Liberia). Among the EUR 8 400 million of unspent commitments, the Commission has identified two types of 'abnormal' or problematic unspent commitments: the 'sleeping' commitments, on which we have seen no financial movements (i.e. contracts or payments) on the project in the last two years and the 'historic' outstanding unpaid moneys committed to projects some time ago (i.e. commitments made before 1997, which remain unpaid). The total amount of 'abnormal' unspent commitments (EUR 1 205 million) represents 14.4 % of the total RAL. Commitments identified as problematic occur, for the large part, in countries where projects have been decided on, but then cooperation has been temporarily suspended or delayed (for reasons of security, civil war etc, or when more generally conditions are not fulfilled for effective implementation). For example, in Madagascar due to the political crisis 2001/2002 or the freezing of payments to respect basic financial probity. Government Poverty Reduction programmes being supported by the EC in Namibia, Zambia, Senegal, Niger, Sierra Leone and Congo. The Commission also includes details on the measures taken to speed up expenditure of commitments. The use of the global allocations by the different EDFs indicates still rather low levels of contracts and payments for the 8th EDF, which is mainly caused by the National and Regional Indicative Programmes and in some extent by the OCTs. Forecasts for new commitments in 2003 may be situated in a range between EUR 2 500 million and EUR 2 700 million and payments will be in the order of EUR 2 100 million. For the coming years, forecasts indicate that the available resources should be committed within the time-span of the Cotonou Agreement (5 years). The commitments have been front loaded for this period, while it is foreseen as well that contracting and payments will increase during the second year (2004) of the implementation period. Furthermore, there is a substantial effort going on to speed up the expenditure of commitments and to reduce both of the 'sleeping' and 'historic' unspent commitments so that moneys can be 'decommitted' for the defunct project and immediately reprogrammed for the countries for which they were earmarked: in 2002 the total amount was reduced by EUR 310 million and estimations for the year 2003 indicate a further reduction by EUR 470 million. In 2002, work continued on a large number of programmes and projects provided for by the Partnership Agreements with the ACP countries in various areas. Details of some of the most noteworthy are given below. - 30 budget support programmes ongoing in 2002 of which Burkina Faso, Zambia and Tanzania benefited. Payments were suspended in Senegal, Malawi, Gabon and the Central African Republic. - support for private sector development : EUR19 million for 863 projects in 55 ACP countries. - in the field of health : a firm commitment was made to combating HIV/AIDS and poverty-related diseases. - in terms of capacity building, the decentralised cooperation programme with Zimbabwe provides an example of successful cooperation in a politically difficult environment. In Rwanda, the Commission has also financed a programme to support efforts at grass-roots level to rebuild local infrastructure (e.g. schools, health centres, bridges andmarkets). - road construction and road repairs were amongst the most significant infrastructure projects, in sub-Saharan Africa, for example. - current water projects cover the whole range of water-related issues: resource management, distribution networks, sewerage, institutional support and water policy. Successes included: projects to supply water to a number of regions in Ghana (EUR 56 million), supply and sewerage for three towns in Uganda with a combined population of 100 000 (EUR 18 million). - the education programmes approved in 2002 cover all levels: primary and secondary education and vocational training and higher education. With other donors, the Commission is helping Tanzania and Namibia to devise new sectoral approaches. In Botswana, Ethiopia, Fiji and Papua New Guinea, cooperation took the form of assistance in developing infrastructure, from the rehabilitation of primary schools to the building of universities. - 70 transport and infrastructure projects were completed. New major routes include: the Gitarama-Kibuye road in Rwanda (EUR 41 million), the only asphalted connection to Kibuye; the Magta Lahjar-Djouk road in Mauritania (EUR 17 million) and the Ramu road in Papua New Guinea, to which significant improvements have been made.

2002 discharge: 6th, 7th and 8th European Development Funds (EDF)

2003/2189(DEC) - 08/10/2003

PURPOSE : to present the Annual Report form the Court of Auditors on the implementation of the 6th, 7th and 8th European and Development Funds for the financial year 2002 and the Statement of Assurance concerning the EDF. CONTENT : this annual report concentrates on the implementation of the 6th, 7th and 8th EDFs in 2002. In its report, the court recalls that the EDFs are the result of international conventions between the Member States of the European Union and 77 ACP countries (after the ninth EDF) as well as 24 overseas countries and territories. The Commission is responsible for the management of the EDFs in association with the ACP states. The Court has noted both a growing delay in the entry into force of the conventions and agreements, resulting in a corresponding delay in the start of the EDFs, and the very long duration of the implementation of the latter. Although signed in June 2000, the Cotonou Agreement did not enter into force until 1 April 2003, due to the signatory States' lengthy ratification procedures. Concerning the reliability of the accounts, the court is of the opinion that the financial statements at 31 December 2002 and the revenue and expenditure accounts for the financial year 2002 reliably reflect the revenue and expenditure relating to the sixth, seventh and eighth EDFs for the financial year and their financial situation at the end of the year: - transfers of funds amounting to EUR 184,5 million are recorded as payments, overstating the level of implementation of aid; - budgetary aid committed (about EUR 550 million in primary commitments in 2002), paid and remaining to be paid, is difficult to identify in the accounts as it is drawn from several financial instruments; - the level of aid committed but not yet paid (EUR 8 385 million) is not reliable as an indicator of future payments, as the accounts frequently continue to record commitments when no further payments will be made; - the accounts do not identify amounts due for recovery; - the amount of outstanding advances reported in the accounts (EUR 1 070 million) is not reliable. As regards the implementation rate, the report states that compared to the previous year, the implementation rate of the EDFs in 2002 was characterised by: - an accelerated rate of adoption of new financing decisions giving rise to primary commitments, due in particular to the advance implementation of the Cotonou Agreement; - a slight slowdown in secondary commitments and payments, which can be explained, in part, by the persistence of problems in a considerable number of ACP States. During 2002 the three current EDFs entered their 17th, 12th and 5th years of implementation. At the end of the fifth year of implementation, the eighth EDF had been committed at a rate of 85 % but only disbursed at a rate of 38 %. Excluding the debt reduction operations for heavily indebted poor countries, implementation of the EDFs is still slow. The Court notes the difficult

transition between the 8th and 9th EDFs. Generally speaking, the complicated situation arising from the implementation of the Cotonou Agreement in advance (because the agreement has not yet entered into force), using allocations belonging to the eighth EDF, is an argument in favour of perhapsseeking a different legal framework. This alternative legal framework should try to avoid the transitional problems associated with the setting-up of new EDFs and allow uninterrupted implementation of the agreements reached with ACP States. One solution might be to include the EDFs in the budget. The Court of Auditors has recommended on several occasions that the ACP States' supreme audit institutions should be involved in audits of EDF-funded operations. In the discharges for financial years 1999 and 2001, Parliament and the Council followed up these Court recommendations by stressing how important the support and creation of strong, effective and independent supreme audit institutions can be towards improving the quality of the management of public finances in the recipient countries. The audit conclusion on the legality and regularity of the underlying transactions is based partly on the analysis of the supervisory systems and controls and complemented by the audit of a number of transactions. On that basis, the Court is of the opinion that the revenue entered in the accounts, the amounts allocated to the EDFs, the commitments and the payments of the financial year are, taken as a whole, legal and regular. However, in the absence of monitoring information and of performance indicators on the evolution of the quality of public finance management in ACP States, the Court cannot give an opinion on the use of direct budgetary aid by the ACP States, which is spent and controlled according to national, rather than EDF, control procedures.

2002 discharge: 6th, 7th and 8th European Development Funds (EDF)

2003/2189(DEC) - 21/04/2004 - Text adopted by Parliament, single reading

The European Parliament has adopted a report by Mr Jonas SJOSTEDT (GUE/NGL, S) relating to the European Commission’s implementation of the budget for the sixth, seventh and eighth European Development Funds for the financial year, 2002.

By and large, the European Parliament agrees with the findings of the European Court of Auditors that, with certain exceptions, the accounts for the financial year 2002 reliably reflect the revenue and expenditure at the end of the financial year 2002. Further, Parliament notes that on the basis of the documentation examined, the revenue entered into the accounts, the amounts allocated to the EDF’s commitments and the payments made are, taken as a whole, both legal and regular. Where there is criticism, however, this is mostly directed at EuropAid (AIDCO). Parliament notes that the coverage and findings of external audits were neither quantified nor analysed and that the external audits were still not included within the scope of Internal Control Standard No 21 on audit reports. Moreover, the amounts to be recovered were not entered in the accounts and, thus, could not always be identified. There was no guarantee that advances were correctly cleared. The Parliament, therefore, calls on the Director-General of AIDCO to address these weaknesses. That being said, the Parliament also recognises that the Director-General of AIDCO in 2002 did not yet have all the requisite information concerning the reality, legality and regularity of on-the-spot transactions.

Regarding the question of whether or not the Commissioner for Development and Humanitarian Aid is responsible for ensuring that AIDCO includes a reliable declaration in the annual activity report, the Parliament concludes that failure to include a report would be against the Code of Conduct for Commissioners and Departments. The Code clearly states that, “Director-Generals shall be answerable to their Commissioner for the sound implementation of the policy guidelines laid down by the Commission and the Commissioner”.

On other matters, the Parliamentary Report makes the following observations:

1. Budgetary support: Parliament recognises that budgetary support is necessary for achieving poverty reduction as well as improving the management of public finances in beneficiary countries. It notes that, direct budgetary assistance in support of macroeconomic or sectoral reforms should only be granted in cases where public expenditure management is sufficiently transparent, accountable and effective, where national macroeconomic or sectoral policies agreed by the donor countries are in place and where public procurement is open and transparent. Under the heading of budgetary support, Parliament acknowledges that when budgetary support funds have been released to ACP countries, these funds should be spent and controlled according to national and not EDF control procedures. Lastly, the Parliament invites the Commission to continue its co-operation with other donor countries to ensure a harmonised approach among donors toward the ACP States.

2. Supreme Audit Institutions. Parliament asks the Commission to include information on funds spent on projects involving supreme audits institution in a communication on financial information on the EDF’s financial year, 2003. It also invites the Commission to consider setting the condition that an ACP State must agree to introduce multiannual programmes for creating and/or strengthening a Supreme Audit Institution before budgetary support can be granted.

3. Decentralisation of management of aid and support. Parliament supports the devolution of resources and decision-making powers to the delegations. There is, however, an insistence on maintaining accountability and transparency of accounts. The Report’s author regrets that the Commission does not systematically collect audits and evaluations from all delegations – to such an extent that requests from the rapporteur to receive a number of audit and evaluation reports were not forwarded in a timely manner – leaving the rapporteur to conclude that Headquarters are not always in control of audit activities. The Report, therefore, asks the Commission to present the Parliament with a list of audits and evaluations performed in 2003 by the delegation, in which information is provided on how audits and evaluations have been followed up.

4. Implementation of RAL and budgetisation. Parliament considers it regrettable that the level of unspent EDF resources should stand at EUR 11.3 billion, given that the Fund is designed to assist many of the poorest countries in the world. Whilst accepting that there are bureaucratic reasons holding up the release of the Fund, the Report’s authors suggest that many of these problems would be resolved if the EDF were to be brought within the Community budget. Were the EDF to be integrated into the overall EU budget, it would be subject to the acquis communautaire thus eliminating the current democratic deficit. The Report, therefore invites the Commission to enter into a dialogue with the ACP States on how to eliminate the RAL. On a last point, the Report stresses that the budgetisation of the EDF must not lead to a decrease in total funds available to the ACP States.

The Report also makes note of the EDF’s main objective, namely poverty reduction. The Report highlights the Commission’s and Member States’ commitment to the Millennium Development Goals (MDGs) as a means for realising this objective. The Parliament proposes that careful monitoring of whether appropriate resources are going to health and education at a national level should continue.

On the matter of CESD contracts the Report comments on the fact that financial contracts have been signed with one of the companies at the centre of the Eurostat scandal in the context of the Common Market of Eastern and Southern Africa. The author regrets that Eurostat's consistent advice in favour of using CESD did not raise concern within AIDCO despite what was known internally about the company.

As far as the ACP Secretariat is concerned, the Report makes mention of the on-going court case within the Belgian Courts regarding a former employee. The Parliament concludes that it is not appropriate for the ACP Secretariat to seek diplomatic immunity and that diplomatic immunity should not make it impossible for the ACP secretariat to honour its responsibilities as an employer. The ACP Secretariat also comes in for strong criticism regarding its EUR 18 million financing agreement for the years 2000-2004 and which was signed by the Commission on 9 March 2000.

Finally, the Parliament welcomes the creation of a EUR 250 million Peace Facility for Africa. In a bid to prevent the money from being squandered on non peaceful activities, the rapporteur asks the Commission to enter into a dialogue with Parliament on the use of funding for the African Peace Facility.

2002 discharge: 6th, 7th and 8th European Development Funds (EDF)

2003/2189(DEC) - 09/03/2004 - Supplementary non-legislative basic document

PURPOSE : to present the Council Recommendation concerning the discharge to be given to the Commission in respect of the implementation of the operations of the European Development Funds (6th, 7th and 8th) for the financial year 2002. CONTENT : having examined the revenue and expenditure account and the balance sheet relating to the three EDFs as at 31 December 2002 and the Court of Auditors' report relating to the financial year 2002, the Council recommends that the European Parliament should give discharge to the Commission in respect of the implementation of the operations of the 6th, 7th and 8th EDF for the financial year 2002. It should be noted that this recommendation is not accompanied by any particular comments, the Council considers that for its part the overall implementation by the Commission of the operations of the budget has been satisfactory.

2002 discharge: 6th, 7th and 8th European Development Funds (EDF)

2003/2189(DEC) - 06/08/2003 - Non-legislative basic document

PURPOSE : to present the balance sheets and accounts of the 6th, 7th and 8th European Development Funds for the financial year 2002. CONTENT : the balance sheets and revenue and expenditure were drawn up in accordance with the Financial Regulations applicable to the 6th, 7th and 8th EDFs. The relevant documents must be presented to the European Parliament, the Council and the Court of Auditors as provided for in Article 71 of the Financial Regulation applicable to the 7th EDF and Articles 66, 67 and 68 of the Financial Regulation applicable to the to the 8th EDF. These Financial Regulations stipulate that the accounts be kept according to the following principles: - Universality : All operations pertaining to each Fund are recorded. Each country has a separate record. There is a single treasury. - Justification : All operations are substantiated by supporting documents. - No set-off policy : There is no set-off between revenue and expenditure. - Calendar year : The accounts are kept by calendar year. All expenditure and revenue is registered according to the value date given on the bank statement. The balances thus established are not adjusted at the year-end. - Double-entry bookkeeping : Each operation is registered to the debit of one or more accounts and to the credit of one or more accounts, so that the total amount registered on the debit side is equal to the total amount registered on the credit side. - Unity of currency : The accounts for the various EDFs are kept in euro. The other currencies are converted at the rates in force on 31 December 2002. - Revenue : Financial contributions are paid either in euro or, where Member States show due reason, in national currencies into special accounts opened with the treasuries of the Member States. The Commission makes transfers from the above accounts to operational accounts held in euro or a Member State's currency to meet the cash requirements of projects and programmes. In addition, the Member States' contributions for an EDF must be used up before the contributions relating to the following EDF are called in. - Expenditure : Expenditure takes into account all payment orders executed by banks up to 31 December 2002. However, in the case of local expenditure in the ACP States and for those payments for which information was not communicated to the Commission's accounting departments before the end of the financial year, payments are based on the information received for the latest period prior to 31 December. The amounts of payments in question not included in the 2002 accounts are not considered to be material. Expenditure by delegations is not finally entered into the EDF accounts until validated by the authorising officer and the financial controller. Expenditure not yet validated is shown under the heading "expenditure to be regularised". - Payments on account/Advances : Payments on account (any amount paid on the basis of supporting documents pending final payment) and advances paid within the framework of the implementation of the contracts are included in the expenditure of the year and donot appear under assets in the balance sheet. However, advances for study awards and advances for technical assistance are regarded as a receivable and consequently appear under assets in the balance sheet. - Recording of operations : EDF appropriations are not subject to any time limit. Once granted, they are available until they are used up or reassigned. Consequently, expenditure and revenue are booked at the time of payment or actual receipt. In addition, the financial statements are drawn up on the basis of the balances as at 31 December of each year without recourse to year-end adjustment. The obligation under the rules to present a balance sheet of the EDF's assets and liabilities means that the entitlements due from the Member States (mainly contributions for which payment has been deferred or interest on late payment) must be entered in the accounts. These headings are contained in the balance sheets for the various EDFs. - Single treasury : For reasons of efficiency, there is a single treasury for all the EDFs being implemented; this leads to operations between the various EDFs, which are balanced out in the liaison accounts between the various balance sheets.

2002 discharge: 6th, 7th and 8th European Development Funds (EDF)

2003/2189(DEC) - 21/04/2004 - Final act

PURPOSE: Granting the Commission discharge of the 6th, 7th and 8th EDF Funds for the year 2002.

LEGISLATIVE ACT: Decision of the European Parliament of 21 April 2004 concerning the discharge to the Commission in respect of the implementation of the budget of the sixth, seventh and eighth European Development Funds for the 2002 financial year

CONTENT: In this Decision, the European Parliament gives discharge to the Commission in respect of the implementation of the sixth, seventh and eighth European Development Funds for the financial year 2002 and to finalise the procedure. The resolution accompanying the procedure is in conformity with the European Parliament’s resolution of 21 April 2004.