

Basic information	
2008/2109(DEC) DEC - Discharge procedure 2007 discharge: 7th, 8th and 9th European Development Funds EDF Subject 8.70.03.07 Previous discharges	Procedure completed

Key players				
European Parliament	Committee responsible		Rapporteur	Appointed
	CONT Budgetary Control		LIBERADZKI Boguslaw (PSE)	26/03/2008
	Committee for opinion		Rapporteur for opinion	Appointed
	DEVE Development		BERMAN Thijs (PSE)	25/06/2008
	BUDG Budgets		The committee decided not to give an opinion.	
Council of the European Union	Council configuration		Meetings	Date
	Economic and Financial Affairs ECOFIN		2922	2009-02-10
European Commission	Commission DG		Commissioner	
	Budget		KALLAS Siim	

Key events			
Date	Event	Reference	Summary
23/07/2008	Non-legislative basic document published	COM(2008)0490 	Summary
09/10/2008	Committee referral announced in Parliament		
16/03/2009	Vote in committee		Summary
20/03/2009	Committee report tabled for plenary	A6-0159/2009	
21/04/2009	Debate in Parliament		

23/04/2009	Decision by Parliament	T6-0290/2009	Summary
23/04/2009	Results of vote in Parliament		
23/04/2009	End of procedure in Parliament		
26/09/2009	Final act published in Official Journal		

Technical information	
Procedure reference	2008/2109(DEC)
Procedure type	DEC - Discharge procedure
Legal basis	Rules of Procedure EP 102
Stage reached in procedure	Procedure completed
Committee dossier	CONT/6/62403

Documentation gateway				
European Parliament				
Document type	Committee	Reference	Date	Summary
Committee draft report		PE416.449	21/01/2009	
Committee opinion	DEVE	PE416.692	18/02/2009	
Amendments tabled in committee		PE420.229	19/02/2009	
Committee report tabled for plenary, single reading		A6-0159/2009	20/03/2009	
Text adopted by Parliament, single reading		T6-0290/2009	23/04/2009	Summary
Council of the EU				
Document type	Reference	Date	Summary	
Supplementary non-legislative basic document	05042/2009	29/01/2009	Summary	
Supplementary non-legislative basic document	05044/2009	29/01/2009	Summary	
Supplementary non-legislative basic document	05045/2009	29/01/2009	Summary	
European Commission				
Document type	Reference	Date	Summary	
For information	COM(2008)0224 	24/04/2008		
For information	SEC(2008)0518 	24/04/2008		
Non-legislative basic document	COM(2008)0490 	23/07/2008	Summary	
Other institutions and bodies				

Institution/body	Document type	Reference	Date	Summary
CofA	Court of Auditors: opinion, report	N6-0002/2009 OJ C 286 10.11.2008, p. 0273	10/11/2008	Summary

Additional information		
Source	Document	Date
European Commission	EUR-Lex	

Final act	
Budget 2009/0641 OJ L 255 26.09.2009, p. 0096	Summary

2007 discharge: 7th, 8th and 9th European Development Funds EDF

2008/2109(DEC) - 23/04/2009 - Final act

PURPOSE: to grant discharge to the Commission for the implementation of the 7th, 8th and 9th European Development Funds (EDF) for the 2007 financial year.

LEGISLATIVE ACTS: Decision 2009/641/EC and 2009/642/EC of the European Parliament on the discharge for implementation of the budget for the Seventh, Eighth and Ninth European Development Funds for the financial year 2007 and closure of the EDF accounts for the financial year 2007.

CONTENT: with the present decisions, the European Parliament grants discharge to the Commission for the implementation of the budget of the seventh, eighth and ninth EDFs for the financial year 2007 and approves the closure of the 2007 accounts.

The accompanying resolution is in line with the European Parliament's opinion of 23 April 2009 (refer to the summary of the opinion dated 23 April 2009).

2007 discharge: 7th, 8th and 9th European Development Funds EDF

2008/2109(DEC) - 10/11/2008 - Court of Auditors: opinion, report

PURPOSE: to present the report of the Court of Auditors on the implementation of the 2007 budget of the 7th, 8th and 9th European Development Funds (EDFs).

CONTENT: the Court of Auditors has published its 31st annual report. In this context, it examined the accounts of the 7th, 8th and 9th EDFs as well as the underlying transactions for the financial year ending 31 December 2007. These accounts comprise the financial statements, the reports on financial implementation, and the financial statements and information supplied by the European Investment Bank (EIB).

Overall financial implementation: the EDFs are the result of international conventions or agreements between the Community and its Member States, on the one hand, and certain African, Caribbean and Pacific (ACP) States, on the other, and of Council Decisions on the association of overseas countries and territories (OCT). The Commission manages most of the expenditure in association with ACP countries, partly through EuropeAid and partly through Delegations in the recipient countries.

Roughly a third of expenditure in 2007 was on social infrastructure, including education, health, water and basic sanitation. A similar proportion of spending was directed to the transport, communication and energy sector.

Commodity and food aid and general programme assistance also presented a substantial part of spending, most of it as budget support programmes.

About a tenth of total aid payments in 2007 were implemented in close cooperation with UN organisations and the World Bank.

Financial implementation in figures for the financial year 2007:

- **financial commitments:** EUR 3.172 billion (compared to EUR 2.719 billion in 2006);
- **implementation rate:** 99.9%;

- **individual legal commitments:** EUR 3.347 billion (compared to EUR 3.073 billion in 2006);
- **payments:** EUR 2.874 billion (compared to EUR 2.762 billion in 2006);
- **outstanding payments** (financial commitments minus payments): overall amount: EUR 10.579 billion (i.e. 28.3%).

Statement of Assurance: the Court is required to provide the European Parliament and the Council with a Statement of Assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions in respect of the part of the EDF resources for whose financial management the Commission is responsible.

Therefore, the Court makes the following observations:

1. **Reliability of the accounts:** the Court concludes that the 2007 accounts of the EDFs present fairly, in all material aspects, the financial position of the EDFs. Without qualifying this opinion, the Court draws attention to certain weaknesses: there is an overstatement of guarantees, representing about 4% of their total value; the majority of the liabilities (83%) are based on statistical estimates, the validity of which has not been demonstrated, which may lead to an understatement of accrued expenditure;
2. **Legality and regularity of the underlying transactions:** the Court concludes that the transactions of the EDFs, except for those underlying payments, are free from material error. Its assessment of the supervisory and control systems for the EDFs is that they are partially effective. The Court concludes that the transactions underlying the revenue and commitments of the EDFs are free from material error, except for the effects of several cases of errors in project commitments and of several cases of incomplete or unclear provisions of financing agreements for budget support. The Court also draws attention to the high fiduciary risk of budget support programmes being launched in countries that do not already meet a minimum standard of public finance management.

The Court's recommendations: the Court gives a number of recommendations to improve EuropeAid's design and/or implementation of control systems, including further developing its control strategy, improving the processing of audit information and better supporting the management of implementing organisations. A review should also be carried out to assess whether EuropeAid's central services and the Delegations have the level and type of human resources required to ensure the quality of controls. For budget support, the Court recommends that compliance with the Cotonou Agreement, before budget support is granted, be benchmarked against minimum requirements, such as the availability of timely published and audited accounts. The Court also gives a number of other recommendations regarding performance indicators, well structured conclusions, clear and complete assessments and high quality financing agreements.

2007 discharge: 7th, 8th and 9th European Development Funds EDF

2008/2109(DEC) - 23/04/2009 - Text adopted by Parliament, single reading

The European Parliament adopted a decision which aims to give discharge to the Commission in respect of the implementation of the budget of the Seventh, Eighth and Ninth European Development Funds (EDFs) for the financial year 2007. The decision to grant discharge is also an approval of the closure of the accounts of the three EDFs.

The European Parliament also adopted by 447 votes to 17, with 19 abstentions, a resolution with observations which form an integral part of the decision to grant discharge.

The main observations made by the Parliament can be summarised as follows:

- § **Strengthen the control strategy and the Commission's intervention:** Parliament agrees with the Commission that weak administrations and weak governance in many beneficiary countries are significant risks affecting the sound management of the EDFs. It invites the Commission - when fine-tuning its control strategy - to identify the point where lack of results and the costs of control call for a policy change. The implementation strategy for the Tenth EDF should focus on areas of crucial importance for ensuring sustainable development. Parliament also points out that due attention must be paid to the sustainability of the Commission's interventions, including the formulation of a clear exit strategy and monitoring of implementation.
- § **Financial implementation:** Parliament welcomes the Commission's performance in 2007, and notes that payments increased by 12% and commitments by 9%, whereas the increase in outstanding commitments was kept down to 2.8%. It also welcomes the commitment of all available funding for the Ninth EDF in 2007, while stressing that speedy commitment of funds should not be carried out to the detriment of the quality of projects. Recalling the Commission's commitment to endeavour to ensure that a benchmark of 20% of its allocated assistance under the Development Cooperation Instrument (DCI) is dedicated to basic and secondary education and basic health, Parliament calls on the Commission to prioritise support to health systems and identify the most appropriate aid delivery instruments for this area.
- § **The Court of Auditors' Statement of Assurance:** overall, Parliament welcomes the Court of Auditors' conclusions. However, it regrets the lack of transparency for certain expenditure, particularly concerning budget support to developing countries. It also regrets the material level of errors affecting transactions underlying payments of the EDFs. Parliament regrets that the Commission is still not able to give full accounting information due to technical difficulties. It notes, in particular, that Europe Aid's supervisory and control systems for the EDFs are only "partially effective". It therefore calls on the Commission to **tighten up its controls** and to introduce a system of review of external audit reports to check their quality.
- § **Budget support:** Parliament notes the sometimes serious weaknesses highlighted by the Court in terms of budget support and calls on the Commission to provide evidence that the funds were granted effectively. It notes in particular that in seven out of 33 financing agreements examined, the Court found that the provisions of the financing agreements for budget support were incomplete or unclear. Parliament is concerned about the Court's findings in this area but are even more worried about the Commission's replies which show that the Commission is very reluctant to share the information on which its decisions on budget support are based. It therefore calls on the Commission to draw up an **annual report on the use of budget support**, including useful, comprehensive, reliable, analytical and evaluative,

and not only descriptive, information on expenditure. Moreover, it calls on the Commission to identify, with the utmost rigour, countries or issues in budgetary support implementation where particular parliamentary attention could prove useful in improving donor accountability. Parliament also call for technical measures to be taken to **assess and manage risks** in this area, as channelling funds through systems in developing countries which are weak creates a risk of inefficiency and wastage.

- § **Effective parliamentary oversight:** Parliament recalls that the ultimate aim of parliamentary oversight is to achieve aid effectiveness, which means the effective, economic, legal and regular use of aid to produce sustainable development. In this context, the oversight of budget support is a part of its general efforts in overseeing the effectiveness and the results of overall development spending. It therefore regrets that they do not have sufficient useful, comprehensive and reliable information in order to carry out an effective oversight of budget support results. It calls for the ending of the previous system of consecutive EDFs by means of the **full consolidation of the financing of EU/ACP cooperation in the EU budget** in order to ensure parliamentary oversight of the allocation of resources under the EDFs. Furthermore, Parliament calls for the establishment of direct contacts with their sister committees in selected recipient country parliaments in order to encourage and support their role in ensuring aid effectiveness through parliamentary oversight activities.
- § **Statement from Louis Michel, development Commissioner:** Parliament notes that, in a booklet entitled [Budget support - a question of mutual trust?](#), he states that "budget support and more of it is the only answer (and decided to increase the proportion of budget support from 20% of our funding to 50%)". Parliament invites the Commissioner to review these intentions until rhetoric has been replaced by reality and conclusive evidence, showing the extent to which budget support has given better value for money than other aid instruments or has had an impact on income poverty is available.
- § **Involvement of the ACP States:** Parliament is concerned about "the lack of involvement by the ACP States" in assuring effective control of EDF expenditure as well as "the lack of capacity and resources within NAO administrations". Given that there is a shortfall of human resources in this sector in the Commission delegations, Parliament calls on the Commission to explain how it envisages managing the tension - if not contradiction - between the need for additional human resources at delegations and its commitment to maintain stable staffing. It also calls on the Commission to take the necessary measures to increase the number of staff allocated to the EDF's management and control structures in view of the anticipated increase in the volume of commitments under the Tenth EDF.
- § **Reforming the approach to controlling budget support:** overall, Parliament is satisfied with Europe Aid's efforts to develop a control strategy and calls on the Commission to continue developing this strategy. It calls on the Commission to **grant budget support only where public expenditure management is sufficiently transparent, accountable and effective**, or is at least likely to be so with the implementation within a short time frame of a reform programme. Parliament also stresses that the recipient country's use of funds delivered as budget support is **outside the direct control of the Commission** (and other donors) since it is the sovereign right of the recipient country concerned to manage its budget in accordance with its own specific rules and national budgetary procedures. It recalls, in this respect, that public sector financial management, internal control and external audit functions in some recipient countries are often not sufficiently reliable to ensure that donors' funds are managed adequately and used for the intended purposes. The Commission therefore should have every interest in knowing the risks assumed when granting budget support and in sharing this knowledge with the discharge authority, to which it is accountable. In this context, Parliament takes the view that development aid in general and budget support in particular should be tied to an ex-ante **disclosure statement**, issued by the recipient country's government and signed by the finance minister, concerning selected issues that affect the governance and accountability structure of a beneficiary country. According to the Parliament, a recipient country's own assessment and understanding of control weaknesses will provide greater motivation for improvement. This same type of approach should be applied in other institutions, such as the World Bank.
- § **Integration of the EDF budget in the general budget of the European Union:** lastly, Parliament welcomes the Commission commitment to raise again its proposal to fully incorporate the EDF into the budget during discussions on the next financial framework. It reaffirms their support for the incorporation of the EDF into the general budget of the European Union, which it considers would make it possible to enhance the coherence, transparency and effectiveness of the EDF and to strengthen its oversight system.

2007 discharge: 7th, 8th and 9th European Development Funds EDF

2008/2109(DEC) - 23/07/2008 - Non-legislative basic document

PURPOSE: to present the final accounts of the 7th, 8th and 9th European Development Funds for 2007.

CONTENT: this communication presents the final accounts of the 7th, 8th and 9th EDFs, which, in accordance with the relevant provisions of the 3 EDFs, must be presented to the European Parliament, Council and Court of Auditors.

As was the case last year, these financial balance sheets apply the accounting principles used since 2005.

The annual accounts for 2007 are presented as follows:

1. part 1 - financial statements
2. part 2 - the financial implementation of the EDFs
3. part 3 - EIB projects.

1) Financial statements: as in previous years, the report details the main principles for the presentation of the accounts. The accounting system of the European Development Funds comprises general accounts and financial accounts. Both sets of accounts are kept in Euro on the basis of the calendar year. The **general accounts** allow for the preparation of the financial statements as they show all charges and income for the financial year and are

designed to establish the financial position in the form of a balance sheet at 31 December. The **financial accounts** give a detailed picture of the use of EDF resources. They are based on the cash accounting principle.

Details are also presented in the report on the accounting principles to be applied to establish the financial accounts, in accordance with the Financial Regulation.

In addition to the balance sheets and financial accounts of the EDFs, the document details the internal mechanism of the EDF in particular in terms of the consolidation of the funds.

The 2006 consolidated balance sheet for the EDFs at 31 December 2007 is as follows:

- total assets: **EUR 1 349.58 million** (compared to EUR 3 318.15 million at 31.12.2006)
- total liabilities: **EUR 703.98 million** (compared to EUR 2 095.84 million at 31.12.2006)
- net assets: **EUR 1 645.60 million** (compared to EUR 1 222.31 million at 31.12.2006)
- funds and reserves: EUR 1 292.89 million (compared to EUR 1 033.84 million at 31.12.2006).

The report gives details on the consolidated balance sheets of various funds capital for the EDFs (to recall, the **fund capital** represents the total amount receivable from the Member States for the relevant EDF fund as laid down in each of the Internal Agreement between the Member States and the beneficiary ACP States). At closure, the Funds capital amounted to **EUR 35 479.32 million** (net decrease compared to the previous years). Individual funds are as follows:

- 7th EDF : EUR 10 940 million; total net assets: EUR 300.11 million
- 8th EDF : EUR 12 840 million; total net assets: EUR 1 240.94 million
- 9th EDF : EUR 11 699.32 million; total net assets: EUR -895.45 million.

Closure of 6th EDF: the document shows that, given the state of progress of the 6th EDF, the Authorising Officer decided to close this fund on 31st July 2006. In the absence of a legal basis for the closure of EDFs, the remaining balance was transferred to the 9th EDF.

2) Financial Implementation: concerning the statement of expenditure, the document focuses on 2 main types of financial implementation: one on previous EDFs (7th – 8th EDF) and the other on the 9th EDF. For the 9th EDF in particular, the report shows that the total sum was set at EUR 13.8 billion, including EUR 13.5 billion allocated to the ACP States in accordance with the first Financial Protocol included in the Cotonou Agreement, EUR 175 million allocated to the OCT (provided for by the EU Council Decision on the association of the OCT) and EUR 125 million reserved for the European Commission to cover expenses in connection with implementing the 9th EDF resources. The total sum of the first financial protocol, including the transferred balances of previous EDFs, covers the period 2000-2007.

The long-term development budget for ACP States has two components: i) the **A allocation** for macroeconomic support, sectoral policies, and programmes and projects supporting Community aid, which corresponds to the allocation for the NIPs and structural adjustment in previous EDFs; ii) the **B allocation**, intended to cover unforeseen needs such as emergency aid, contributions to debt reduction initiatives and support to offset adverse fluctuations in export earnings.

Of the total 9th EDF budget for the ACP States, **EUR 1 billion was released in 2004 and 2005** after examination by the EU Council.

The breakdown of 9th EDF allocations for ACP States, including the “conditional billion” and allocations managed directly by the European Investment Bank (EIB), is as follows:

- long-term development budget: EUR 9 813.15 million
- regional budget: EUR 1 300 million
- investment facility: EUR 163 million (managed by the EIB)

Total: EUR 11 276.15 million

As a guide, the document also presents a consolidated table of the financial implementation of the EDFs at 31 December 2007 presented as follows:

Consolidated accounts of the 3 EDFs at 31 December 2007 – financial implementation:

- 7th EDF: 2007 closing balance: EUR 10 583.01 million;
- 8th EDF: 2007 closing balance: EUR 10 839.26 million;
- 9th EDF: 2007 closing balance: EUR 15 906.38 million.

The consolidated sum implemented for all the EDFs is **EUR 37.328 billion**, of which EUR 37.279 billion were subject to a payment decision and EUR 26.699 billion have, in fact, been paid (72% of the total amount).

Decision 1/2007 of the ACP-EC Council of Ministers of 25 May 2007 provides for reassigning part of the reserve of the 9th EDF envelope for long-term development to intra-ACP cooperation in the 9th EDF envelope for regional cooperation and integration. The funds transferred to the long-term development reserve on the basis of the end-of-term reviews of the national indicative programmes and the amounts available for intra-ACP cooperation have been mobilised in accordance with Decision 1/2007 as follows:

- one intra-ACP reserve of EUR 26.7 billion open to all ACP States for emergency assistance;
- five regionalised B-envelopes amounting to EUR 17.5 million for the Southern African region, EUR 48.9 million for the region of Eastern and Southern Africa and the Indian Ocean, EUR 31.9 million for the West African region, EUR 16.1 million for the Central African region and EUR

- 35.4 million for the Caribbean region, mobilised for contributions to internationally agreed debt relief initiatives and for humanitarian and emergency assistance in accordance with Articles 72 and 73 of the ACP-EC Partnership Agreement on the basis of regional solidarity;
- an intra-ACP FLEX programme of EUR 50 million for 2006 (application year 2005) and an intra-ACP FLEX programme of EUR 50 million for 2007 (application year 2006) in order to ensure minimum support to countries subject to the adverse effects of instability in export earnings;
 - replenishment of the African Peace Facility with EUR 100 million for various peace support, training and capacity-building activities;
 - institutional support to the ACP Secretariat in order to bridge the period until the entry into force of the 10th EDF and to contribute to the running costs of the ACP Secretariat for 2008 (EUR 1 million);
 - addition of EUR 2.5 million to the intra-ACP technical cooperation facility;
 - EUR 4 million as an urgent carry-over of the rinderpest eradication programme in Africa (PACE);
 - additional contribution of EUR 5 million to the Caribbean Knowledge and Learning Network (CKLN);
 - cover of EUR 14.87 million for new and unexpected needs that cannot be financed from the B envelopes (amount used for an additional contribution of EUR 3 million for the CTA and the financing of specific projects (African Outlook – EUR 1.3 million; Microfinances – EUR 2.8 million, Pesticides Programme – EUR 5 million; Investment Observatory – EUR 2.8 million);
 - additional support of EUR 38 million for the Global Fund against HIV/AIDS, Tuberculosis and Malaria (GFATM);
 - top-up of EUR 48.7 million for the EU-ACP Infrastructure Trust Fund as an advance on the allocations scheduled under the 10th EDF.

3) Communicated financial statements linked to EIB projects: the main instrument financed by the EIB is the Investment Facility established within the framework of the Cotonou Agreement. This Facility is managed by the European Investment Bank for a sum of EUR 2.2 billion for the ACPs and EUR 20 million for the OCTs. Within the framework of the Agreement, the EIB also manages loans granted from its own resources. All other financial resources and instruments under the Agreement are administered by the European Commission.

The balance sheet of the investment facility (ACP only) amounts to

- Assets: **EUR 1 077 418 million** (compared to EUR 710 544 million at 31.12.2006).
- Liabilities : EUR 150 939 million (compared to EUR 144 363 million at 31.12.2006).

2007 discharge: 7th, 8th and 9th European Development Funds EDF

2008/2109(DEC) - 29/01/2009 - Supplementary non-legislative basic document

Council Recommendation: 9th EDF

Having examined the revenue and expenditure account and the balance sheet relating to the Ninth EDF as at 31 December 2007 and the Court of Auditors' report concerning the financial year 2007, the Council recommends that the European Parliament give the Commission a discharge in respect of the implementation of the operations of the Ninth EDF for the financial year 2007.

Given that the Council considers that the overall implementation by the Commission of the operations of the Ninth EDF during the financial year 2007 has been satisfactory, this recommendation is not accompanied by any further observations.

2007 discharge: 7th, 8th and 9th European Development Funds EDF

2008/2109(DEC) - 29/01/2009 - Supplementary non-legislative basic document

Council Recommendation: 8th EDF

Having examined the revenue and expenditure account and the balance sheet relating to the Eighth EDF as at 31 December 2007 and the Court of Auditors' report concerning the financial year 2007, the Council recommends that the European Parliament give the Commission a discharge in respect of the implementation of the operations of the Eighth EDF for the financial year 2007.

Given that the Council considers that the overall implementation by the Commission of the operations of the Eighth EDF during the financial year 2007 has been satisfactory, this recommendation is not accompanied by any further observations.

2007 discharge: 7th, 8th and 9th European Development Funds EDF

2008/2109(DEC) - 29/01/2009 - Supplementary non-legislative basic document

Council Recommendation: 7th EDF

Having examined the revenue and expenditure account and the balance sheet relating to the Seventh EDF as at 31 December 2007 and the Court of Auditors' report concerning the financial year 2007, the Council recommends that the European Parliament give the Commission a discharge in respect of the implementation of the operations of the Seventh EDF for the financial year 2007.

Given that the Council considers that the overall implementation by the Commission of the operations of the Seventh EDF during the financial year 2007 has been satisfactory, this recommendation is not accompanied by any further observations.