Basic information

2009/2077(DEC) DEC - Discharge procedure	Procedure completed
2008 discharge: 7th, 8th, 9th and 10th European Development Funds EDF **Subject** 8.70.03.07 Previous discharges	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	AYALA SENDER Inés (S&D)	01/10/2009

Committee for opinion	Rapporteur for opinion	Appointed
DEVE Development	MITCHELL Gay (PPE)	04/02/2010
BUDG Budgets	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	2994	2010-02-16

European Commission

Commission DG	Commissioner
Budget	ŠEMETA Algirdas

Key events

Date	Event	Reference	Summary
20/07/2009	Non-legislative basic document published	COM(2009)0397	Summary
07/10/2009	Committee referral announced in Parliament		
22/03/2010	Vote in committee		Summary
25/03/2010	Committee report tabled for plenary	A7-0063/2010	
21/04/2010	Debate in Parliament		

05/05/2010	Decision by Parliament	T7-0135/2010	Summary
05/05/2010	Results of vote in Parliament		
05/05/2010	End of procedure in Parliament		
25/09/2010	Final act published in Official Journal		

Technical information	
Procedure reference	2009/2077(DEC)
Procedure type	DEC - Discharge procedure
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	CONT/7/00709

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE429.616	02/02/2010	
Amendments tabled in committee		PE439.337	02/03/2010	
Committee opinion	DEVE	PE438.506	05/03/2010	
Committee report tabled for plenary, single reading		A7-0063/2010	25/03/2010	
Text adopted by Parliament, single reading		T7-0135/2010	05/05/2010	Summary

Council of the EU

Document type	Reference	Date	Summary
Supplementary non-legislative basic document	05082/2010	05/02/2010	Summary
Supplementary non-legislative basic document	05084/2010	05/02/2010	Summary
Supplementary non-legislative basic document	05085/2010	05/02/2010	Summary
Supplementary non-legislative basic document	05086/2010	05/02/2010	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2009)0397	20/07/2009	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
	Document attached to the	N7-0036/2009		

CofA	procedure	OJ C 269 10.11.2009, p. 0001	10/11/2009	Summary

Additional information		
Source	**Document**	**Date**
European Commission	EUR-Lex	

Final act	
Decision 2010/0506 OJ L 252 25.09.2010, p. 0107	Summary

2008 discharge: 7th, 8th, 9th and 10th European Development Funds EDF

2009/2077(DEC) - 05/02/2010 - Supplementary non-legislative basic document

Council Recommendation: 10th EDF

Having examined the revenue and expenditure account and the balance sheet relating to the Tenth EDF as at 31 December 2008 and the Court of Auditors' report concerning the financial year 2008, the Council recommends that the European Parliament give the Commission a discharge in respect of the implementation of the operations of the Tenth EDF for the financial year 2008.

Given that the Council considers that the overall implementation by the Commission of the operations of the Tenth EDF during the financial year 2008 has been satisfactory, this recommendation is not accompanied by any further observations.

2008 discharge: 7th, 8th, 9th and 10th European Development Funds EDF

2009/2077(DEC) - 05/02/2010 - 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 2008 and the Court of Auditors' report concerning the financial year 2008, 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 2008.

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.

2008 discharge: 7th, 8th, 9th and 10th European Development Funds EDF

2009/2077(DEC) - 05/02/2010 - 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 2008 and the Court of Auditors' report concerning the financial year 2008, 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 2008.

Given that the Council considers that the overall implementation by the Commission of the operations of the Eighth EDF during the financial year 2008 has been satisfactory, this recommendation is not accompanied by any further observations.

2008 discharge: 7th, 8th, 9th and 10th European Development Funds EDF

2009/2077(DEC) - 05/05/2010 - Final act

PURPOSE: to grant discharge to the Commission for the implementation of the 7^{th}, 8^{th}, 9^{th} and 10^{th}

European Development Funds (EDF) for the 2008 financial year.

LEGISLATIVE ACTS: Decision 2010/506/EU and 2010/507/EU of the European Parliament on the discharge for implementation of the budget for the Seventh, Eighth, Ninth and Tenth European Development Funds for the financial year 2008.

CONTENT: with the present decisions, the European Parliament grants discharge to the Commission for the implementation of the budget of the 7th, 8 th, 9th and 10th European Development Funds (EDF) for the 2008 financial year and approves the closure of accounts for the year in question.

The accompanying resolution is in line with the European Parliament's opinion of 5 May 2010 (please refer to the summary of the opinion dated 5 May 2010).

2008 discharge: 7th, 8th, 9th and 10th European Development Funds EDF

2009/2077(DEC) - 20/07/2009 - Non-legislative basic document

PURPOSE: to present the final accounts of the 7th, 8th, 9th and 10th European Development Funds for 2008.

CONTENT: this communication presents the final accounts of the 7th, 8th, 9th and 10th EDFs, which, in accordance with the relevant provisions of the 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 2008 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: 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 2008 consolidated balance sheet for the EDFs at 31 December 2008 is as follows:

- total assets: **EUR 1 219.45 million** (compared to EUR 1 349.58 million at 31.12.2007)
- total liabilities: **EUR 709.29 million** (compared to EUR 703.98 million at 31.12.2007)
- net assets: **EUR 517.15 million** (compared to EUR 645.60 million at 31.12.2007).

The report gives details on the consolidated balance sheets of various funds capital for the 2008 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 45 693.72 million** (compared to EUR 35 479.32 million in 2007). Individual funds are as follows:

- 7th EDF : EUR 0 due to the transfer to the 9th EDF (closing of 7th EDF – see below)
- 8th EDF : EUR 12 840 million; total net assets: EUR 862.31 million
- 9th EDF : EUR 11 699.32 million; total net assets: EUR -423.57 million
- 10th EDF : EUR 21 154.40 million; total net assets: EUR 78.41 million.

2) Financial Implementation: concerning the statement of expenditure, the document focuses on 2 main types of financial implementation: one on previous EDFs (7th, 8th and9th EDF) and the other on the 10th EDF. With regard to the former EDFs, the report states that pursuant to Article 4 of Annex 1b of the ACP-EC Partnership Agreement concerning the Multiannual Financial Framework for the period 2008-2013, the remaining balance as well as the amounts disengaged under these funds from the 31.12.2007 until the entry into force of the 10th EDF, were transferred to the 9th EDF in order to ensure the operation of the administration of the European Union and to cover the running expenses related to the projects in progress until the entry into force of the 10th EDF. From the entry into force of the 10th EDF (1 July, 2008), the remaining balance as well as the amounts disengaged of the aforesaid funds were transferred towards the performance reserve from the 10th EDF. This reserve may only be mobilised under specific conditions.

The 9th EDF expired on the entry into force of the 10th EDF on 1 July 2008.

The 6th EDF was closed in 2006. The annual accounts do not contain any implementing tables relating to this EDF. On the other hand, the implementation of the transferred balances may be found in the 9th EDF.

Closure of the 7th EDF: the document notes that the Commission closed the 7th EDF on 31/08/2008. At this date, all amounts committed, contracted and paid, relating to contracts which were still open, were transferred to the 9th EDF accounts, and not only remaining balances as was the case for the 6th EDF. Therefore, amounts transferred in the framework of the closing of the 7th EDF are much more important than the ones transferred to close the 6th EDF. The RAL, transferred to the 9th EDF, was of EUR 177 577 860.57.

In addition, taking into account the transfer of the remaining balance of the 7th EDF, the updated amount of the **9th EDF** rises from EUR 15 907 435 336,39 to EUR 16 648 415 862,66.

With regard to the **10th EDF**, the report indicates that the total amount of the latter has been set **at EUR 22 682 million** of which:

- EUR 21 966 million allocated to ACP States, the multiannual financial framework included in Annex I b of the revised Cotonou Agreement;
- EUR 286 million allocated to the OCTs, in accordance with Annex II A(a) of the amended Council Decision on the association of the OCT to the European Community;
- EUR 430 million assigned to the Commission to finance the associated spending linked to the programming and the implementation of the resources of the 10th EDF.

From the entry into force of the 10th EDF, these amounts were supplemented by the remaining amounts and other funds released thereafter of the system aiming to guarantee the stabilisation of export earnings of agricultural based products (STABEX) under the former EDFs to the 9th EDF. The remaining amounts and funds must be used and managed in accordance with the provisions of the revised Cotonou Agreement.

The breakdown of the indicative amounts in favour of the ACP States and regions at the entry into force of the 10th EDF can be presented in the following manner:

- EUR 15 300 million available for the national indicative programs of which: a) EUR 13 500 million for the envelopes A (envelopes intended to cover the macroeconomic support and the support for programs and projects) and b) EUR 1 800 million for the envelopes B (intended to meet unforeseen needs such as emergency aid, debt reduction initiatives and the support intended to mitigate the harmful effects of the instability of export earnings);
- EUR 1 783 million available for the regional indicative programmes;
- EUR 683 million as a reserve to allocate to the national and regional indicative programmes following mid-term and final reviews.

As a guide, the document also presents a consolidated table of the financial implementation of the EDFs at 31 December 2008 presented as follows:

Consolidated accounts of the EDFs at 31 December 2008 – financial implementation:

- 7th EDF: 2008 closing balance: EUR 9 817.98 million, paid to the amount of 100%;
- 8th EDF: 2008 closing balance: EUR 10 785.85 million, paid to the amount of 94%;
- 9th EDF: 2008 closing balance: EUR 16 631.82 million, paid to the amount of 70%;
- 10th EDF: 2008 closing balance: EUR 21 260.07 million, paid to the amount of 69%.

The consolidated sum implemented for all the EDFs is **EUR 58.495,72 billion**, of which EUR 42.002,04 billion were subject to a payment decision and EUR 29.843,03 billion have, in fact, been paid (72% of the total amount).

The report outlines the state of expenditure by type of project financed and by ACP country concerned throughout 2008.

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 1 144 922 million** (compared to EUR 1 077 418 million at 31.12.2007).
- Liabilities: EUR 233 942 million (compared to EUR 150 939 million at 31.12.2007).

2008 discharge: 7th, 8th, 9th and 10th European Development Funds EDF

2009/2077(DEC) - 05/05/2010 - Text adopted by Parliament, single reading

The European Parliament adopted a decision which aims to grant the Commission discharge in respect of the implementation of the budget of the Seventh, Eighth, Ninth and Tenth European Development Funds (EDFs) for the financial year 2008.

The Parliament also adopted a resolution containing a number of observations which forms an integral part of the discharge decision. These observations can be summarised as follows:

General points: Parliament welcomes the implementation of the Lisbon Treaty, particularly the creation of the office of High Representative of the Union for Foreign Affairs and Security Policy and the creation of the European External Action Service (EEAS). Parliament is concerned that the

effectiveness of European development aid could be hindered by the fragmented way in which it is managed, and points out that improvements aimed at better management of the EDFs must be maintained and not be blocked. It calls on the Commission to give it a description and detailed explanation of the operation of the new system.

Once again, Members support the Commission's undertaking that it **will fully incorporate the EDF into the budget** during discussions on the next financial framework which would make it possible to enhance the coherence, transparency and effectiveness of the EDF and to strengthen its oversight system. It takes the view that the implementation strategy for the Tenth EDF should focus on a limited number of areas, **without excluding non-governmental organisations** (NGOs) that are effective at local level and are of crucial importance for sustainable development, in order to avoid the harmful effects arising from a proliferation of objectives. In this connection, the Commission is called upon to verify whether management by the respective NGOs in the field is in fact more efficient and cost-effective than management by the Commission.

Members wonder, in particular, whether management by the respective NGOs in the field is in fact more efficient and cost-effective than management by the Commission. Once again, Members look forward to receiving the Commission's report on the results of the tolerable risk/cost effectiveness studies on external action and the review of the EuropeAid control strategy, in good time for the 2009 discharge procedure.

Statement of assurance: Parliament notes that the Court of Auditors, with the exception of the Commission's method of estimating the provision for costs incurred, takes the view that the accounts reliably reflect the revenue and expenditure relating to the Seventh, Eighth, Ninth and Tenth EDFs. The main aspects of the statement of assurance may be summarised as follows:

- **underlying transactions:** noting that the revenue and commitments are free from material error, Parliament are, however, concerned about the high incidence of non-quantifiable errors in budget support commitments and assessments of a material level of error in the payments. It finds it unacceptable that the Court of Auditors was not able to obtain all the information and documentation concerning 10 sampled payments to international organisations and that consequently it is not able to express an opinion on the regularity of expenditure amounting to EUR 190 million, i.e. 6.7% of the annual expenditure. It calls on the Commission to take a sufficiently firm line with these organisations to obtain the necessary information;
- **reliability of the accounts:** noting that a part of EDF resources in not covered by the statement of assurance (DAS), Members welcome the fact that overall the Court of Auditors takes the view that the final annual accounts of the EDFs fairly present, in all material respects, the financial position of the EDFs as at 31 December 2008.

Financial implementation: Parliament notes that the Seventh EDF was closed on 31 August 2008 and that EUR 10 381 were disbursed, amounting to 98.3% of the EUR 10 559 million allocated and that the balance (EUR 178 million) was transferred to the Ninth EDF. It also notes that the Tenth EDF (for the period 2008-2013, for a total amount of EUR 22.682 million) entered into force on 1 July 2008.

Commission's financial management of the EDFs: praising the overall management of the EDFs by the Commission, the Parliament is particularly satisfied with the project management and payments. In fact, record levels of commitments were reached in 2008 and the implementation of the 10th EDF was timely. As regards the errors identified (e.g. lack of invoices or other supporting documents in Angola), Members underline that most of these errors can be explained by the particularly difficult conditions in which the audit was carried out in that country. However, 47% of the quantifiable errors relate to the eligibility of expenditure. Efforts need to be made to further reduce these errors. The revision of the Financial Regulation could, in this regard, present the opportunity to clarify procedural problems that the Commission has encountered during crises and to present an effective control procedure that is flexible enough not to harm the flow of funds and that ensures the transparency of the projects undertaken.

Monitoring of implementing organisations: as in previous years, Parliament criticises the significant weaknesses in the financial procedures and controls of implementing organisations. It calls for efforts to be stepped up in future to bring about the best results possible. It stresses that democracy and the right for people to live under conditions where their human rights are not violated must be integrated goals of the implementing organisations in countries where EDF support is distributed.

Budget support: Parliament notes the significant increase in the share of cumulative financing decisions accounted for by budget support and structural adjustment under the Tenth EDF (over 45 %) as compared with the Eighth and Ninth EDFs (around 15 %). However, it deplores the fact that the audit of budget support commitments and payments found them to be affected by a high level of non-quantifiable errors. It urges the Commission to evaluate those payments with even greater rigour and to tighten up its payment procedures as of now. The Commission must also continue its efforts to **substantiate its decisions on the eligibility of budget support** and to ensure that all financing agreements provide a comprehensive and clear basis for the assessment of compliance with payment conditions. The Commission is urged to keep Parliament better informed on these questions and to help partner countries develop parliamentary control and audit capacities in this area. Members recall Parliament's role in regard to budget support (which involves holding the Commission responsible for the results of expenditures made) and stress that this tool is an aid instrument that requires a paradigm shift in oversight behaviour, moving from control over inputs to the checking of results against indicators, thus ensuring that support spending benefits the population of the recipient country. They reiterate their request to the Commission **to identify the countries or issues in budgetary support implementation where particular parliamentary attention could prove useful** in improving donor accountability, in addition to the special guidance on how to manage budget support operations in countries in a situation of fragility promised in the Commission's replies of 2 December 2009 to the Committee on Budgetary Control's written questions to Commissioner Karel De Gucht. They also call on the Commission to ensure that budget support is reduced or **cancelled** when clear goals are not achieved.

Disclosure statement by beneficiary states: Parliament reiterates its 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**. It does not accept the Commission's argument that sufficient information on governance is obtained from analyses carried out with the cooperation of other parties and stakeholders. It awaits the Commission's proposals in this regard.

Human resources: Parliament is concerned at the risk of loss of institutional memory as a result of significant staff constraints (excessive turnover, and excessively high and increasing vacancy rates call for solutions to deal with a shortage or inadequate allocation of staff). It fully supports the intention expressed by the Commission to recruit additional external staff to increase numbers at headquarters and in the delegations for the management and control of the EDF.

Development priorities and visibility: Parliament calls for the Development Cooperation Instrument (DCI) benchmark allocating 20 % of spending to basic and secondary education and basic health to apply also to the EDF. It urges the Commission to place greater emphasis on maternal health and to ensure better visibility for EU-funded activities overseas.

The Investment Facility: Parliament notes that the EIB manages the investment facility (a risk-bearing instrument funded from the EDF that aims to foster private investment in the difficult economic and political context of the ACP countries) and recalls that the management of the Investment Facility by the EIB was excluded from the discharge. It also recalls that EDF resources are derived from public money contributed by European taxpayers and not by the financial markets. In this context, Members propose, once again, that the EIB presents, during the discharge procedure, its annual report on the implementation of the investment facility to Parliament's Committee on Budgetary Control and that the Committee on Budgetary Control invites the President of the EIB as soon as possible to discuss this possibility. Lastly, it calls on the Commission to provide more comprehensive information in this area with a view to achieving EU objectives relating to development, as well as on the efficiency of those procedures.

2008 discharge: 7th, 8th, 9th and 10th European Development Funds EDF

2009/2077(DEC) - 05/02/2010 - 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 2008 and the Court of Auditors' report concerning the financial year 2008, 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 2008.

Given that the Council considers that the overall implementation by the Commission of the operations of the Ninth EDF during the financial year 2008 has been satisfactory, this recommendation is not accompanied by any further observations.

2008 discharge: 7th, 8th, 9th and 10th European Development Funds EDF

2009/2077(DEC) - 10/11/2009

PURPOSE: to present the report of the Court of Auditors on the implementation of the 2008 budget of the 7th, 8th, 9th and 10th European Development Funds (EDFs).

CONTENT: the Court of Auditors has published its 32nd annual report. In this context, it examined the accounts of the 7th, 8th, 9th and 10th EDFs as well as the underlying transactions for the financial year ending 31 December 2008. 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. A small proportion of the EDF projects relates to humanitarian aid and is managed by the Directorate-General for Humanitarian Aid (DG ECHO). The EDF's investment facility has been fully managed by the European Investment Bank (EIB) since 1 April 2003. This facility is not covered by the Court's Statement of Assurance or the European Parliament's discharge procedure.

2008 financial implementation: in 2008, the financial implementation forecasts set by the Commission for global commitments, individual commitments and payments were all exceeded, reaching record levels for global commitments (EUR 4 723 million), individual commitments (EUR 2 649 million) and net payments (EUR 3 143 million). This is partly explained by the fact that the implementation of the 10th EDF got off to a quick start, and by the strong increase in budget support operations, with global commitments and payments reaching EUR 2 583 million and EUR 606 million respectively. Outstanding payments increased by 15%, which is reasonable, given the record level of commitments reached during the year. At the same time, old and dormant outstanding payments decreased by 33%.

In 2008, **the 7th, 8th, 9th and 10th EDFs were implemented simultaneously**. The Authorising Officer of the EDF closed the 7th EDF on 31 August 2008. At closure EUR 10 381 million had been paid (98.3% of the EUR 10 559 million allocated to aid measures). The balance of EUR 178 million was transferred to the 9th EDF.

In the interests of sound financial management of the EDF, the Commission has continued its efforts to wind down old projects. The 10th EDF covering the period from 2008 to 2013 and providing for Community aid of EUR 22 682 million entered into force on 1 July 2008. Of this amount, EUR 21 966 million is allocated to the ACP countries, EUR 286 million to the OCTs. These amounts include EUR 1 500 million and EUR 30 million to the Investment Facility managed by the EIB for the ACP countries and OCTs respectively. Lastly, EUR 430 million are foreseen for the Commission's expenditure for programming and implementation of the EDF.

Detailed recapitulative:

- **cumulative resources**: (4 EDFs – situation at the end of the financial year: EUR 48 768 million (compared to EUR 37 329 million in 2007).
- **financial commitments in 2008**: EUR 4 723 million
- **individual legal commitments**: EUR 2 649 million

- **net payments**: EUR 3 143 million
- **outstanding payments** (financial commitments minus net payments for all EDFs): EUR 12 159 million (that is 25%).

EDF – resources at 31.12.2008:

- 7th EDF: EUR 0, closed during the financial year
- 8th EDF: EUR 10 786 million (fully committed at 31.12.2008)
- 9th EDF: EUR 16 632 million (fully committed at 31.12.2008)
- 10 EDF: EUR 21 260 million (EUR 4 766 million committed at the end of the financial year).

Total committed at 31.12.2008: EUR 32 184 (a cumulated implementation rate of 66.1% for all the EDFs.

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.

The Court makes the following observations:

1. **Reliability of the accounts**: the Court concludes that the 2008 accounts of the EDFs present fairly, in all material aspects, the financial position of the EDFs. Without qualifying the opinion, the Court draws attention to the fact that the method used to estimate the provision for costs incurred is not valid for certain types of contracts and to the Commission's decision to refine it from the financial year 2009 onward.
2. **Legality and regularity of the underlying transactions**: in the Court's opinion the revenue and commitments of the seventh, 8th, 9th and 10th European Development Funds for the year ended 31 December 2008 were free from material error. The Court did not obtain all the necessary information and documentation concerning 10 transactions managed by international organisations. The Court is therefore not in a position to express an opinion on the regularity of these transactions. Therefore, the Court is unable to express an opinion on the regularity of expenditure amounting to EUR 190 million, i.e. 6.7% of the annual expenditure. The Court's audit revealed a material level of error affecting the amount of the payments audited.
3. **Control systems**: the Court has identified significant improvements in the Commission's supervisory and control systems. The Court notes that there is scope for clearer conclusions as to how the results of various controls contribute to the Director-General's assurance and for improving the design and/or implementation of certain systems. The Court also draws attention to the need for the Commission to pursue its efforts to substantiate its decisions on the eligibility of budget support. Based on its audit work, the Court concludes that the supervisory and control systems of EuropeAid are **partially effective** in ensuring the regularity of payments.

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. Ex-ante checks should be improved by focusing more on key risks. Annual audit plans should be prepared on the basis of more structured risk analysis and more realistic assessment of the resources available for the purpose. The implementation of annual audit plans should be closely monitored throughout the year in order to detect significant deviations and take corrective action in a timely manner.

EuropeAid should ensure that the Delegations record data in the audit management information system in a comprehensive and timely manner.

Budgetary support: EuropeAid should pursue its efforts to support its decisions on the eligibility of budget support with a structured and formalised demonstration that the recipient country has a **relevant reform programme** to address all significant weaknesses over a foreseeable timetable and that there is commitment on the country's part to implement it.

Lastly, EuropeAid should ensure that all future financing agreements provide a comprehensive and clear basis for the assessment of compliance with payment conditions.