Basic information

2010/2151(DEC) DEC - Discharge procedure	Procedure completed
2009 discharge: Eighth, Ninth and Tenth European Development Funds EDF **Subject** 8.70.03.07 Previous discharges	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	STAES Bart (Verts/ALE)	23/03/2010
	Shadow rapporteur HOHLMEIER Monika (PPE) BERMAN Thijs (S&D) SCHMIDT Olle (ALDE) SØNDERGAARD Søren Bo (GUE/NGL)	

Committee for opinion	Rapporteur for opinion	Appointed
DEVE Development	BERMAN Thijs (S&D)	26/10/2010
BUDG Budgets	The committee decided not to give an opinion.	

European Commission

Commission DG	Commissioner
Budget	ŠEMETA Algirdas

Key events

Date	Event	Reference	Summary
28/07/2010	Non-legislative basic document published	COM(2010)0402	Summary
07/10/2010	Committee referral announced in Parliament		

28/03/2011	Vote in committee		Summary
07/04/2011	Committee report tabled for plenary	A7-0140/2011	
10/05/2011	Decision by Parliament	T7-0201/2011	Summary
10/05/2011	Results of vote in Parliament		
10/05/2011	Debate in Parliament		
10/05/2011	End of procedure in Parliament		
27/09/2011	Final act published in Official Journal		

Technical information

Procedure reference	2010/2151(DEC)
Procedure type	DEC - Discharge procedure
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	CONT/7/03688

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE450.681	08/02/2011	
Committee opinion	DEVE	PE456.781	08/02/2011	
Amendments tabled in committee		PE460.802	09/03/2011	
Committee report tabled for plenary, single reading		A7-0140/2011	07/04/2011	
Text adopted by Parliament, single reading		T7-0201/2011	10/05/2011	Summary

Council of the EU

Document type	Reference	Date	Summary
Supplementary non-legislative basic document	05469/2011	07/02/2011	Summary
Supplementary non-legislative basic document	05472/2011	07/02/2011	Summary
Supplementary non-legislative basic document	05473/2011	07/02/2011	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2010)0402	28/07/2010	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CofA	Court of Auditors: opinion, report	N7-0084/2010 OJ C 303 09.11.2010, p. 0243	09/09/2010	Summary

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

Final act	
Decision 2011/0564 OJ L 250 27.09.2011, p. 0111	Summary

2009 discharge: Eighth, Ninth and Tenth European Development Funds EDF

2010/2151(DEC) - 09/09/2010 - Court of Auditors: opinion, report

PURPOSE: presentation of the Court of Auditors' report on the activities funded by the 8th, 9th and 10th European Development Funds (EDF).

CONTENT: pursuant to the provisions of the Treaty on the functioning of the European Union, the Court of Auditors submits to the European Parliament and Council, in the framework of the discharge procedure, a statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions of each institution, agency and organ of the EU, on the basis of an independent external audit.

This audit also includes the financial management of the EDF.

The main conclusions of the Court are set out in a "statement of assurance" the main points of which may be summarised as follows:

Statement of assurance:

1. **Reliability of the accounts:** the Court concludes that the final annual accounts of the eighth, ninth and tenth EDFs present fairly, in all material respects, the financial position of the EDFs as of 31 December 2009. Without qualifying this opinion, the Court draws attention to **an understatement of the amount of guarantees received in respect of prefinancing** and to an overstatement of the amount of retention guarantees disclosed in the notes to the financial statements.
2. **Legality and regularity of the transactions underlying the accounts:** in the Court's opinion the revenue, commitments and payments underlying the accounts of the eighth, ninth and tenth European Development Funds for the year ended 31 December 2009, in all material respects are legal and regular. However, the Court draws attention to the high frequency of non-quantifiable errors affecting commitments and payments albeit not included in the estimation of total error. **With regard to commitments**, the errors detected concerned compliance with tendering rules, legal deadlines for the signature of contracts and provisions regarding mandatory guarantees. **With regard to payments**, the Court's audit of payments did not find material error. The main types of quantifiable errors detected on project payments were the following: (a) accuracy: calculation errors; (b) occurrence: absence of invoices or other supporting documents for services rendered or goods supplied; (c) eligibility: expenditure incurred outside the implementation period or related to items not foreseen in the contract, undue payment of VAT or non-application of mandatory penalties.
3. **Control systems:** the Court assessed overall that EuropeAid's supervisory and control systems as partially effective when it comes to preventing, detecting and correcting errors.

The Court's recommendations: the Court of Auditors makes a number of recommendations in order to improve EuropeAid's supervisory and control systems. In the context of its planned review of its overall control strategy, EuropeAid should:

- develop a key indicator for the estimated financial impact of residual errors after all ex- ante and ex-post controls have been implemented;
- **assess the cost-effectiveness of the various controls**,
- finalise and disseminate the financial management toolkit targeting the high inherent risk of errors at the level of implementing organisations, contractors and beneficiaries to ensure adequate knowledge of financial management and eligibility rules;
- continue its efforts to ensure that the Delegations record data in a comprehensive and timely manner. .

The Court also makes some technical recommendations with regard to implementation of budget support.

The report also includes the figures establishing the amounts regarding the **financial implementation** of the EDF in 2009. In particular, it confirms the following figures:

- total commitments: EUR 3.406 billion;
- individual legal commitments: EUR 4.14 billion;
- payments: EUR 3.069 billion;
- outstanding payments: EUR 12.49 billion.

2009 discharge: Eighth, Ninth and Tenth European Development Funds EDF

2010/2151(DEC) - 10/05/2011 - Final act

PURPOSE: to grant discharge to the Commission in respect of the implementation of the budget of the 8th, 9th and 10th European Development Funds for the financial year 2009.

NON-LEGISLATIVE ACT: Decision 2011/564/EU of the European Parliament on discharge in respect of the implementation of the budget of the 8th, 9th and 10th European Development Funds for the financial year 2009.

CONTENT: with the present decision, the European Parliament grants discharge to the Commission in respect of the implementation of the budget of the 8th, 9th and 10th European Development Funds for the financial year 2009 and approves the closure of the accounts of the EDFs in question.

This decision is in line with the European Parliament's resolution adopted on 10 May 2011 and comprises a series of observations that form an integral part of the discharge decision (please refer to the summary of the opinion of 10/05/2011).

2009 discharge: Eighth, Ninth and Tenth European Development Funds EDF

2010/2151(DEC) - 07/02/2011 - Supplementary non-legislative basic document

Council Recommendation: 8th EDF

Having examined the revenue and expenditure account and the balance sheet relating to the operations of the eighth EDF as at 31 December 2009, and the Annual Report of the Court of Auditors on the activities funded by the eighth, ninth and tenth European Development Funds (EDFs), concerning the financial year 2009, together with the Commission's replies contained in that Annual Report, 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 2009.

This recommendation is not accompanied by any further observations. The Council considers that the overall implementation of the budget has been satisfactory.

2009 discharge: Eighth, Ninth and Tenth European Development Funds EDF

2010/2151(DEC) - 07/02/2011 - Supplementary non-legislative basic document

Council Recommendation: 10th EDF

Having examined the revenue and expenditure account and the balance sheet relating to the operations of the tenth EDF as at 31 December 2009 and the Annual Report of the Court of Auditors on the activities funded by the eighth, ninth and tenth European Development Funds (EDFs), concerning the financial year 2009, together with the Commission's replies contained in that Annual Report, 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 2009.

This recommendation is not accompanied by any further observations. The Council considers that the overall implementation of the budget has been satisfactory.

2009 discharge: Eighth, Ninth and Tenth European Development Funds EDF

2010/2151(DEC) - 07/02/2011 - Supplementary non-legislative basic document

Council Recommendation: 9th EDF

Having examined the revenue and expenditure account and the balance sheet relating to the operations of the ninth EDF as at 31 December 2009 and the Annual Report of the Court of Auditors on the activities funded by the eighth, ninth and tenth European Development Funds (EDFs), concerning the financial year 2009, together with the Commission's replies contained in that Annual Report, 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 2009.

This recommendation is not accompanied by any further observations. The Council considers that the overall implementation of the budget has been satisfactory.

2009 discharge: Eighth, Ninth and Tenth European Development Funds EDF

2010/2151(DEC) - 10/05/2011 - Text adopted by Parliament, single reading

The European Parliament adopted by 530 votes to 106, with 16 abstentions, a decision to grant the Commission discharge in respect of the implementation of the budget of the Eighth, Ninth and Tenth European Development Funds (EDFs) for the financial year 2009.

Parliament also approved the closure of the accounts of these EDFs for 2009 and approved by 563 votes to 77, with 11 abstentions a resolution containing a number of observations that must be taken into consideration when granting discharge.

Parliament recalls that the EDF (EUR 22.682 billion for the current, tenth, EDF for 2008-2013) is still not integrated in the Union budget, while being the main instrument for providing Union development aid to the people of the ACP countries. Recalling its historic attachment to the **budgetisation of the EDF**, Parliament underlines that its eventual incorporation in the EU's budget must not lead to any overall reduction in development spending with respect to the Union's two current funding instruments. It urges the Council and the Member States to respond positively to the Commission's proposal and to agree that the **EDF will be fully incorporated in the Union's budget from 2014 onwards** as part of the next financial framework - a measure that is long overdue.

Development priorities: Parliament recalls the Commission's commitment to ensuring 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. In this context, it calls on the Commission to prioritise support to strengthen health systems by focusing especially on targeting the poorest people and to improve the quality of learning. It calls on the Commission to increase this share to 25% in the future.

Parliament underlines, once again, that the Tenth EDF should focus on a limited number of areas, while involving non-governmental organisations (NGOs), whether European or local, that are effective at local level and that are properly audited, in order to avoid the harmful effects arising from the proliferation of objectives. It calls on the Commission to make merit-based **use of local- and European-based NGOs, in particular in cases where the management of projects and programmes by NGOs and international organisations (Multi-Donor Trust Funds) is more efficient and cost-effective than management by the Commission**. Parliament also asks the Commission to provide it with clear information on the composition of NGOs' own resources for specific projects which are partly financed by the EDF and by the NGOs themselves. Among the other main development priorities, Members highlight support for SMEs and wealth creation. Parliament recalls in passing that EUR 800 billion is lost annually from developing countries through illicit capital flows. Action in this area is therefore also needed.

Financial management of the EDFs: noting the fact that the Court of Auditors judged the financial management of the EDFs positively, Parliament, however, identifies certain weaknesses as regards the management of implementing organisations, ex ante checks and the functionalities of certain audit activities. It therefore calls on the Commission to keep it informed of steps taken to remedy these issues. It also expresses concern regarding certain weaknesses in regard to public procurement procedures, ex ante controls in delegations and partner countries' internal control systems. Parliament also regrets that, for reasons of accountability, the Investment Facility is not covered by the Court of Auditors' Statement of Assurance or by Parliament's discharge procedure (which reduces the scope of Parliament's powers, especially considering that EDF resources are derived from public money contributed by European taxpayers and not by the financial markets).

Statement of Assurance: Parliament welcomes the Court's positive statement of assurance regarding the EDF annual accounts in 2009.

- **Regularity of transactions**: Parliament welcomes the fact that the Court of Auditors considers that the revenue, commitments and payments underlying the accounts of the Eighth, Ninth and Tenth European Development Funds for the year ended 31 December 2009 are in all material respects legal and regular even if there was a **high frequency of non-quantifiable errors affecting commitments and payments**. It urges the Commission to strengthen its *ex ante* controls to avoid these types of errors as well as possible losses due to non-compliance with the bank guarantee rules (the main problem mentioned in the Court of Auditors' report). It also recalls that, even if the supervisory and control systems of EuropeAid have significantly improved year after year, that, overall, the Court of Auditors assessed EuropeAid's supervisory and control systems as only partially effective. Improvements are expected in this regard. Parliament still observes errors concerning compliance with tendering rules, legal deadlines for the signature of contracts and provisions regarding mandatory guarantees.
- **EuropAid**: Parliament welcomes the efforts of EuropeAid and of the Delegations in addressing the various weaknesses which still exist in the financial procedures and controls of implementing organisations, supervisors and National Authorising Officers (NAOs). EuropeAid is invited to further strengthen its efforts in this regard. Parliament is also concerned regarding the **shortcomings in delegations' financial procedures and controls on implementing organisations due to resource constraints and lack of capacity**.

Court of Auditors' Special report No 18/2009: Parliament deplores the results highlighted b the Court of Auditors in Special Report 18/2009 on the Effectiveness of EDF support for Regional Economic Integration in East Africa and West Africa. It deplores, in particular, the lack of complementarity between the Commission's regional and national cooperation strategies, as well as the poor absorption capacity of regional organisations. It calls on

the Commission to take the situation regarding regional cooperation into account in the context of the mid-term review foreseen for the first half of 2011. **It considers it completely unacceptable that the Court of Auditors through a lack of proper reporting, was "unable to assess" a number of projects financed.**

Parliament underlines that, in its Special Report No 18/2009, the Court of Auditors assessed EDF support for regional economic integration in East Africa and West Africa, to which a considerable proportion – over 50 % – of EDF funding was allocated, as only partially effective. It awaits information on this matter before the beginning of the discharge procedure for 2010. Parliament regrets that the assistance granted by the EDF to regional integration is not yet wholly effective, mainly due to African authorities' lack of capacity, overlapping membership of African regional economic organisations leading to the duplication of efforts and dispersion of resources, as well as inadequate support and coordination from Commission Delegations, principally due to lack of resources. **It calls, accordingly, on the Commission to step up capacity-building for East African and West African regional economic organisations and their institutions.**

EPAs: as regards EPAs, Parliament insists that the Union should not pressure African states to sign up to Economic Partnership Agreements (EPAs) any faster or which cover a greater range of issues than they want to.The Union should also avoid undermining existing regional groupings by agreeing EPAs with individual countries. Parliament insists that smaller states' fund allocation, especially for the least-developed countries, should be more focused on sustainable economic development, such as through wealth creation mechanisms, so as to reduce the dependency on regional economic 'giants', such as Nigeria in West Africa.

Use of accrued interest: Parliament does not agree with the use of accrued interest on EDF treasury accounts (including transfers from the period 2001-2007), which is estimated at EUR 34 million, to cover staff expenditure but considers that it should only be used for expenditure for projects and programmes. It asks the Commission to make proposals in regard to this issue.

Budget support: Parliament is aware that **budget support is a controversial development tool** offering the advantage of low transaction costs, increased ownership and enhanced dialogue between partners and donors, while at the same time, involving the risk of misappropriation and unwanted use of funds when public finance management by recipient countries does not prove sufficiently transparent. Parliament stresses that **budget support is not the right answer to every situation and should not be perceived to be the sole option**. Other measures proposed to counter the inefficiency of budgetary support include: i) better justification of decisions regarding eligibility for budget support to ensure that all financing agreements include a complete and clear reference framework; ii) strengthening the eligibility criteria for budgetary support; iii) strengthening audits and control and monitoring systems.

Parliament also urges the Commission to evaluate the budget support payments with even greater rigour. It calls on it to take all necessary measures in order to **combat corruption in the beneficiary states** by taking a pro-active approach. It believes that the provision of funds should be reconsidered if such cooperation is not forthcoming and if no guarantee as to the basic effectiveness of the systems to tackle corruption can be obtained. It reiterates its view that the involvement of national parliaments, civil society and local authorities in partner countries is indispensable in order to achieve genuine ownership of the process. It urges the Commission to ensure better visibility for Union-funded activities overseas.

Disclosure statement by beneficiary countries: Parliament calls once more 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** and signed by its finance minister, concerning selected issues that affect the governance and accountability structure of a beneficiary country.

Human resources: Parliament is extremely concerned that vacancy rates in third-country Delegations are considered as a 'critical risk' and that resource constraints, staff shortages and high staff turnover significantly hamper the Commission's effective implementation of EDF funds. It consequently expects the European External Action Service to make it a priority to equip all Delegations with adequate levels of qualified staff, notably experts in the field of development.

The Investment Facility: Parliament welcomes the fact that, during the discharge procedure for the financial year 2009, the EIB presented, for the first time, its annual report on the implementation of the Investment Facility to Parliament's Committee on Budgetary Control. It invites it to conclude a framework agreement with Parliament's committee responsible for the discharge procedure for the coming years, including the information to be provided by the EIB.

Parliament expects the EIB to confirm that there is no overlap between projects it finances and those financed by the Commission and makes a number of observations on this issue calling on the EIB to:

- apply stringent enhanced due diligence concerning the fight against money laundering and the financing of terrorism;
- present complete, relevant and objective information as regards outcomes, objectives set, objectives achieved and reasons for possible deviation, as well as evaluations carried out and a summary of evaluation results;
- present a report that is less theoretical and more practical, in particular on the results obtained by the various programs and actions financed by the Investment Facility;
- provide information on the blacklist of fraudsters, whilst preserving the customary confidentiality of open cases;
- conduct an overall audit of all projects financed by the EIB, which should not be restricted to major projects, but should also review all appropriations and guarantees the EIB must write off.

2009 discharge: Eighth, Ninth and Tenth European Development Funds EDF

2010/2151(DEC) - 28/07/2010 - Non-legislative basic document

PURPOSE: to present the final accounts of the 8th, 9th and 10th European Development Funds (EDF) for the financial year 2009.

CONTENT: this Communication presents the final accounts of the 8th, 9th and 10th EDF which, in accordance with the relevant provisions of the EDF, must be submitted to the European Parliament, the Council, and the Court of Auditors.

The annual accounts for 2009 are comprised of :

1. an introduction recalling the main objectives of the EDF;
2. the 1st section discussing the funds managed by the Commission in the framework of the EDF;
3. the 2nd section discussing the Funds managed by the European Investment Bank.

The document also includes a note accompanying the accounts in which the accounting officer in charge of the EFD audit certifies that the accounts present a true and fair view of the financial position of the European Development Funds in all material aspects (**signed declaration of assurance**).

1. EDF objectives and implementation: the Communication recalls that the EDF is the main instrument for providing European Union aid for development cooperation to the African, Caribbean and Pacific (ACP) States and Overseas Countries and Territories (OCTs). It was created in 1957 under the Treaty of Rome. The EDFs are governed by their own financial regulation and managed by a specific committee. The Commission is responsible for the financial implementation of operations funded with resources of the EDFs. Within the Commission, almost all the EDF programmes are managed by the EuropeAid Cooperation Office (EuropeAid) which is also responsible for the management of most of the External Relations and Development expenditure financed by the General Budget of the EU. A small proportion of the EDF projects relates to humanitarian aid and is managed by the Directorate-General for Humanitarian Aid (DG ECHO). The European Investment bank (EIB) manages the Investment Facility, which is not covered by the Court's Statement of Assurance or the European Parliament's discharge procedure.

The EDFs are managed under three main arrangements: (i) centralised, (ii) joint and (iii) decentralised management. Under centralised management (40% of payments in 2009), the Commission implements the aid activities directly; this relates mainly to budget support. Under joint management (14% of payments in 2009), international organisations are responsible for implementing Community funded actions, provided that the accounting, audit, control and procurement procedures of the organisations offer guarantees equivalent to internationally accepted standards. EuropeAid's main partners are the United Nations' agencies and the World Bank. Under decentralised management (46% of payments in 2009), the Commission entrusts the management of certain tasks to the authorities of the beneficiary countries.

2. Financial implementation of the EDF in 2009: in 2009, the 8th, 9th and 10th EDFs were implemented simultaneously. Each EDF agreement is usually concluded for a period of around 5 years, whereby the programming cycles generally follow the partnership agreement/convention cycles. Although funds for each EDF are committed over a period of five years, payments can be made over a longer period.

- Total contributions from Member States: EUR 3 296 million received in 2009. Contributions are still being called up from the 9th EDF;
- Amounts for 10th EDF: the 10th EDF covers the period from 2008 to 2013. It provides for Community aid worth EUR 22 682 million and entered into force on 1 July 2008. Of this amount, EUR 21 966 million is allocated to the ACP countries and EUR 286 million to the OCTs. These amounts include EUR 1 500 million and EUR 30 million for the Investment Facility managed by the EIB for the ACP and OCT countries respectively. Lastly, EUR 430 million is earmarked for the Commission's expenditure for programming and implementation of the EDF.

In 2009, the financial implementation forecasts set by the Commission for global commitments, and individual commitments were exceeded, reaching EUR 3 406 million for global commitments and **a record level of EUR 4 140 million for individual commitments**.

Net payments amounted to EUR 3 069 million which represented 92% of the initial forecast. This shortfall is explained by the lower than forecast payments in countries subject to the consultation procedure laid down in article 96 of the Cotonou Agreement or other dialogue measures, countries that had not yet ratified the Cotonou Agreement and countries where budget support payments were not made due to the fact that no confirmation had been provided as to the fulfilment of general or specific conditions.

Outstanding payments increased by 3%, which is reasonable, given the gap between the level of global commitments and the net payments reached during the year. At the same time, old and dormant outstanding payments increased by 23%, which is explained by the high level of global commitments made in 2007 so as to use up the remaining resources of the ninth EDF, but which did not lead to the same level of individual commitments.

The document contains a table showing the cumulative use of EDF resources at 31 December 2009, which are as follows :

Cumulative use of EDF resources at 31 December 2009:

- 8th EDF: EUR 10 786.7 million;
- 9th EDF: EUR 16 632.8 million;
- 10th EDF: EUR 21 326.7 million.

This comes to a global amount for all the EFS totalling EUR 48 746.1 million of which EUR 35 590.7 millions (73%) were financial commitments and EUR 23 100.4 million were payments (47.4% of the total amount).

The report also gives details, in a series of tables, of the way in which these amounts were spent during the year 2009 (project, country, type of action).

3. Investment Facility: the 3rd part of the report recalls that the Investment Facility ("the Facility") has been established within the framework of the Cotonou Agreement on co-operation and development assistance negotiated between the ACP States and the EU and its Member States on 23 June 2000 and revised on 25 June 2005. Financing under the Agreement is provided from EU Member States' budgets and is disbursed according to financial protocols defined for successive five- to six-year periods. Within the framework of the Agreement and following the entry into force of a 2nd financial protocol on 1st July 2008 (covering the period 2008-2013), referred to as the 10th EDF, the European Investment Bank ("EIB") is entrusted with the management of:

- the Facility, a EUR 3 137 million risk-bearing revolving fund geared to fostering private sector investment in ACP countries;
- grants for the financing of interest rate subsidies worth EUR 400 million, of which up to EUR 40 million can be used to fund project-related technical assistance.

The financial statements in the document present, through a series of tables, the situation of the Facility as at 31.12.2009 and of the utilisation of the grants.