Basic information

2013/2206(DEC) DEC - Discharge procedure	Procedure completed
2012 discharge: 8th, 9th and 10th European Development Funds **Subject** 8.70.03.07 Previous discharges	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	MULDER Jan (ALDE)	25/09/2013
	Shadow rapporteur GRÄSSLE Ingeborg (PPE) BERMAN Thijs (S&D) STAES Bart (Verts/ALE) CZARNECKI Ryszard (ECR) VANHECKE Frank (EFD) EHRENHAUSER Martin (NI)	

Committee for opinion	Rapporteur for opinion	Appointed
DEVE Development	GOERENS Charles (ALDE)	17/12/2013
BUDG Budgets	The committee decided not to give an opinion.	

European Commission

Commission DG	Commissioner
Budget	ŠEMETA Algirdas

Key events

Date	Event	Reference	Summary
16/07/2013	Non-legislative basic document published	COM(2013)0541	Summary

22/10/2013	Committee referral announced in Parliament		
17/03/2014	Vote in committee		
19/03/2014	Committee report tabled for plenary	A7-0176/2014	Summary
02/04/2014	Debate in Parliament		
03/04/2014	Decision by Parliament	T7-0290/2014	Summary
03/04/2014	Results of vote in Parliament		
03/04/2014	End of procedure in Parliament		
05/09/2014	Final act published in Official Journal		

Technical information

Procedure reference	2013/2206(DEC)
Procedure type	DEC - Discharge procedure
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	CONT/7/14044

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE521.736	24/01/2014	
Committee opinion	DEVE	PE526.228	12/02/2014	
Amendments tabled in committee		PE529.739	26/02/2014	
Committee report tabled for plenary, single reading		A7-0176/2014	19/03/2014	Summary
Text adopted by Parliament, single reading		T7-0290/2014	03/04/2014	Summary

Council of the EU

Document type	Reference	Date	Summary
Supplementary non-legislative basic document	05748/2014	12/02/2014	Summary
Supplementary non-legislative basic document	05750/2014	12/02/2014	Summary
Supplementary non-legislative basic document	05753/2014	12/02/2014	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2013)0541	16/07/2013	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CofA	Court of Auditors: opinion, report	N7-0053/2014 OJ C 331 14.11.2013, p. 0261	05/09/2013	Summary

Additional information

Source	Document	Date
European Commission	EUR-Lex	

Final act

Budget 2014/0559
OJ L 266 05.09.2014, p. 0145 Summary

2012 discharge: 8th, 9th and 10th European Development Funds

2013/2206(DEC) - 16/07/2013 - Non-legislative basic document

PURPOSE: to present the final accounts of the 8th, 9th and 10th European Development Funds (EDF) for the financial year 2012.

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

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: the EDF is the main instrument for providing Union aid for development cooperation to the African, Caribbean and Pacific (ACP) States and Overseas Countries and Territories (OCTs). The 1957 Treaty of Rome made provision for its creation with a view to granting technical and financial assistance, initially limited to African countries which at that time were still colonised and with which some Member States had historical links.

The EDF is not funded by the European Union's budget. It is funded by the Member States, subject to its own financial regulation and managed by a specific committee. The European Commission is responsible for the financial implementation of the operations carried out with EDF resources and the European Investment Bank (EIB) manages the Investment Facility.

During the period 2008-2013, the geographic aid granted to ACP States and OCTs will continue to be mainly funded by the EDF. Each EDF is usually concluded for a period of around five years. Since the conclusion of the first partnership convention in 1964, the EDF programming cycles have generally followed the partnership agreement/convention cycles. Each EDF is governed by its own Financial Regulation, which imposes the preparation of financial statements for each individual EDF. Accordingly, financial statements are prepared separately for each EDF in respect of the part that is managed by the European Commission. These financial statements are also presented in an aggregated way so as to provide a global view of the financial situation of the resources for which the European Commission is responsible.

The Investment Facility was established within the framework of the Cotonou agreement. This Investment Facility is managed by the European Investment Bank and is used to support private sector development in the ACP States by financing essentially – but not exclusively – private investments. As the Investment Facility is not managed by the European Commission, it is not consolidated in the Commission document. The financial statements of the Investment Facility are included as a separate part of the annual accounts to provide a full picture of the development aid of the EDF.

Funding of the EDF: unlike the European Union budget, **the EDF is a fund operating on the basis of multiannuality during a period of usually five years**. The EDF resources are “ad hoc” contributions from the EU Member States. Approximately every five years, Member State representatives meet at intergovernmental level to decide on an overall amount that will be allocated to the Fund and to oversee its implementation. The Commission then manages the fund. Since Member States have their own development and aid policies in addition to the Union wide policies, they must coordinate their policies with the EU to ensure they are complementary.

Until 2010, contributions were called from the 15 participating Member States. In 2011, the first contributions under the 10th EDF, in which the 27 Member States participate, were called.

While some funds of the 10th EDF have been set aside for unforeseen needs, most are being programmed in indicative multi-annual frameworks, mainly geographic but also thematic, currently set for the years 2008-2013. In this regard, the Commission communication gives details on how the EDF is managed technically by the Commission with respect to management which is centralised, decentralised or joint management with international organisations, and discusses the different financial actors involved in the financial and accounting processes.

Management of EDF resources: EDF operational expenditure takes different forms, depending on how the money is paid out and managed. In accordance with the Financial Regulation, the Commission implements the EDF resources using the following methods:

- **decentralised management**: these are the cases where the Commission delegates to third countries, more or less substantially according to the local situation of the beneficiary country concerned, certain tasks for implementation of the budget;
- **centralised management**: this is where the budget is implemented either directly by the Commission services or indirectly where the Commission confers tasks of implementation of the budget to bodies accountable under European Union law or national law, such as the European Union agencies;
- **joint management with international organisations**: under this method, the Commission entrusts certain implementation tasks to an international organisation.

Implementing the EDF resources: the vast majority of financial resources awarded to ACP States and OCTs through the EDF are **grants**. At the beginning of each EDF, the European Union informs the ACP States and the OCTs about the level of grants that should be available to them over the period of the fund. The beneficiary country develops a cooperation strategy while or after holding consultations with its development partners (donors). A National Indicative Programme (NIP) is then drawn up to implement the cooperation strategy. This contains the procedure for granting funds, for monitoring and accounting, which is detailed in the communication (expenditure, payments and, in certain cases, recovering undue payments).

Audit and discharge: the process of audit and discharge is detailed in the communication. **It is the Accounting Officer's responsibility to prepare the annual accounts and ensure that they present a true and fair view of the financial position of the EDF**.

The EDF annual accounts and resource management are overseen by its external auditor, the European Court of Auditors, which draws up an annual report for the Council and the European Parliament. The Court's main task is to conduct an external, independent audit of the EDF annual accounts. The final control is the discharge of the financial implementation of the EDF resources for a given financial year. The European Parliament is the discharge authority of the EDF. This means that following the audit and finalisation of the annual accounts it falls to the Council to recommend and then to the Parliament to decide whether to grant discharge to the Commission for the financial implementation of the EDF resources for the preceding financial year. This decision is based on a review of the accounts and the annual report of the Court of Auditors. The discharge represents the political aspect of the external control of financial implementation and is the decision by which the European Parliament, acting on a Council recommendation, "releases" the Commission from its responsibility for management of the financial implementation of a given financial year. This discharge procedure may produce one of two outcomes: the granting or postponement of the discharge.

2. Financial implementation of the EDF in 2012: in 2012, the 8th, 9th and 10th EDFs were implemented simultaneously. Although funds for each EDF are committed over a period of five years, payments can be made over a longer period.

The document contains a table showing the aggregated use of EDF resources at 31 December 2012, which are as follows:

Capital called as at 31 December 2012 for each EDF:

- 8th EDF: EUR 12.84 billion
- 9th EDF: EUR 11.699 billion
- 10th EDF: EUR 5.04 billion.

Total capital called as at 31.12.2012: EUR 29.579 billion.

The fund capital represents the total amount of contributions from the Member States for the relevant EDF fund as laid down in each of the internal agreements. Called fund capital represents the amount of the initial allocations which has been called up for transfer to the treasury accounts by Member States. The capital of the 8th and the 9th EDF has been called up and received in its entirety. The 10th EDF entered into force in 2008 with a fund capital amounting to EUR 21 152 million, according to the internal agreement applicable to the 10th EDF.

Funding of the EDF at 31 December 2012:

- 8th EDF: EUR 10.584 billion
- 9th EDF: EUR 16.45 billion
- 10th EDF: EUR 21.885 billion.

Total allocations EUR 48.920 billion.

The report sets out a series of tables showing how these resources were used during the financial year 2012, (by project, country and type of action).

It also sets out certain precise figures:

Amount of the 10th EDF: the 10th EDF covers the period 2008-2013 and has a total budget of **EUR 22.682 billion**. Of this amount, **EUR 21.966 billion** were allocated to ACP countries, EUR 286 million allocated to the OCT; EUR 430 million for the Commission to finance the costs arising from the programming and implementation of 10th EDF resources.

The European Commission manages the initial amount of EUR 21.152 billion as follows:

- EUR 15.3 billion for the national indicative programmes, comprising:

  - EUR 13.5 billion for the A envelope, of which EUR 13.345 billion have been opened. In addition, the A envelope was increased from transfer of reserves by EUR 341 million, increased by EUR 91 million from closure of stabex de-commitments and decreased by EUR 33 million following transfer to regional allocations (MTR region-PALOP). As a result the total available funds amount to EUR 13.744 billion in opened allocations and EUR 155 million still to be opened.
  - EUR 1.8 billion for the B envelopes, fully opened. In addition the B enveloppe was increased from reserves by EUR 148 million are open, bringing the total open funds to EUR 1.948 billion.
  - EUR 1.783 billion for the regional indicative programmes, together with a transfer of EUR 33 million from envelope A and a transfer to reserves of EUR 19 million, resulting in EUR 1.797 billion of open allocations.

- EUR 2.7 billion in Intra-ACP allocations, all are open, and together with a transfer of EUR 195 million from reserves, a total of EUR 2.895 billion of allocations are open.

- EUR 683 million as a reserve, of which EUR 664 million has been transferred leaving a balance of EUR 19 million.

- EUR 430 million for implementation costs, all open

- EUR 256 million OCT allocations.

RAL (outstanding commitments): at 31.12.2012, the outstanding budgetary commitments not yet paid amounted to EUR 5.642 billion. The amount disclosed as a future commitment to be funded is this outstanding budgetary commitment less related amounts that have been included as expenses in the 2012 economic outturn account, giving a total of EUR 4.928 billion.

2012 discharge: 8th, 9th and 10th European Development Funds

2013/2206(DEC) - 05/09/2013 - Court of Auditors: opinion, report

PURPOSE: presentation of the 2012 Annual Report of the Court of Auditors on the activities funded by the 8th, 9th and 10th European Development Funds (EDF).

CONTENT: in accordance with the tasks and objectives conferred on the Court of Auditors by the Treaty on the Functioning of the European Union, it provides under the discharge procedure, for both the European Parliament and Council, a statement of assurance (“DAS”) about the reliability of the accounts and the legality and regularity of the transactions of each institution, body or agency of the EU, based on an independent external audit.

The audit also focuses on the budget implementation of the EDF. To recall, the EDF is the main instrument for providing European Union aid for development cooperation to the African, Caribbean and Pacific (ACP) States as well as the Overseas Countries and Territories (OCTs), on the basis of the Cotonou Agreement of 2000. It is centred on the objective of reducing and eventually eradicating poverty, consistent with the objectives of sustainable development and the gradual integration of the ACP countries and OCTs in the world economy.

It is based on three complementary pillars:

- development cooperation;
- economic and trade cooperation;
- the political dimension.

The EDFs are funded by the Member States; they are governed by their own financial regulations and managed outside the framework of the EU general budget. The European Commission is responsible for the financial implementation of operations funded with resources from the EDFs.

The key conclusions of the Court are given in a “Statement of Assurance” (DAS) the main elements of which can be summarised as follows:

Statement of assurance:

Reliability of the accounts: the Court found that the the annual accounts of the 8th, 9th and 10th EDFs for the year ended 31 December 2012 present fairly, in all material respects, the financial position as at 31 December 2012, the results of their operations, their cash flows and the changes in net assets for the year then ended, in accordance with the EDF Financial Regulation and with internationally accepted accounting standards for the public sector.

Legality and regularity of the transactions underlying the accounts: on the basis of its audit, in the Court's opinion, **commitments** underlying the accounts for the year ended 31 December 2012 are legal and regular in all material respects. However, the Court states that the **supervisory and control systems are partially effective** in ensuring the legality and regularity of **payments** underlying the accounts. The Court’s estimate for the most likely error rate for expenditure transactions from the eighth, ninth and 10th EDFs is **3%**.

Type of errors identified: according to the Court, the types of errors affecting transactions relating to projects financed by the EDF concerned **eligibility.** Addition errors included those relating to activities not covered by the contract, non-compliance by the beneficiary with procurement procedures, and expenditure incurred outside the implementation period or exceeding budget set.

The Court also identified non-quantifiable errors: the Commission failed to demonstrate satisfactorily that recipients had complied with the general eligibility conditions for **budget support** payments.

Errors were also noted as regards **EU contributions to multi-donor projects carried out by international organisations such as the UN**.

Budget support: budget support is paid in support of a state's general budget or its budget for a specific policy or objective. The Court examines whether the Commission has respected the specific conditions for making budget support payments to the partner country concerned and has demonstrated that general eligibility conditions (such as progress in public sector financial management) have been complied with. However the Commission has considerable flexibility in deciding whether these general conditions have been met. **The Court's audit of regularity cannot go beyond the stage at which aid is paid to a partner country**. The funds transferred are then merged with the recipient country's budget resources.

EUROPAID: the EDFs are managed almost entirely by the Commission's Directorate-General for Development and Cooperation (EuropeAid), which also manages a wide range of expenditure from the EU budget. As in previous years, the Court frequently identified transactions that had been incorrectly recorded. A study carried out by EuropeAid in 2012 also found that the transactions were frequently recorded incorrectly in the Common RELEX Information System (CRIS).

While the Court did not find any material errors in this connection for the reliability of the accounts, these mistakes remain a source of concern as they affects the accuracy of the data used for the preparation of the annual accounts, in particular with respect to the cut-off exercise at the end of the year.

Recommendations of the Court: as a solution to the above-mentioned issues, the ECA recommends that the Commission:

- ensures the timely clearance of expenditure;
- promotes better document management by implementing partners and beneficiaries;
- takes effective measures in order to enhance the quality of expenditure verifications carried out by external auditors;
- ensures the correct application of specific conditions for budget support payments; and
- makes sure that recovery orders in respect of interest on pre-financing over EUR 750 000 are issued annually.

The report also contains a table establishing the totals for the **execution of the EDF budget** for 2012:

In particular, the report confirms the following amounts:

- cumulative EDF resources: EUR 48.920 billion;
- global commitments: EUR 43.991 billion, 89.9% implementation rate;
- individual commitments: EUR 35.059 billion, 77.8% implementation rate;
- net payments: EUR 32.417 billion, 66.3% implementation rate;
- payments still outstanding: EUR 11.574 billion, 23.7% implementation rate;
- available balance: EUR 4.929 billion, 10.1% implementation rate.

2012 discharge: 8th, 9th and 10th European Development Funds

2013/2206(DEC) - 12/02/2014 - Supplementary non-legislative basic document

Council Recommendation : 8th EDF

Having regard to the Internal Agreement between the Representatives of the Governments of the Member States on the financing and administration of the Community aid under the Second Financial Protocol to the fourth ACP-EC Convention setting up the 8th EDF and having examined the revenue and expenditure account and the balance sheet relating to the operations of the eighth EDF as at 31 December 2012, as well as the Annual Report of the Court of Auditors on the activities funded by the eighth, ninth and tenth EDFs, concerning the financial year 2012, **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 2012**.

This recommendation is not accompanied by any further observations. The Council considers that the overall budget implementation by the Commission of the operations of the eighth EDF during the financial year 2012 has been satisfactory.

2012 discharge: 8th, 9th and 10th European Development Funds

2013/2206(DEC) - 12/02/2014 - Supplementary non-legislative basic document

Council Recommendation : 10th EDF

Having regard to the Internal Agreement between the Representatives of the Governments of the Member States, meeting within the Council, on the financing of Community aid under the multiannual financial framework for the period 2008 to 2013 in accordance with the ACP-EC Partnership Agreement and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the EC Treaty applies setting up, amongst others, the 10th EDF and having examined the revenue and expenditure account and the balance sheet relating to the operations of the tenth EDF as at 31 December 2012 as well as the Annual Report of the Court of Auditors on the activities funded by the 8th, 9th and 10th European Development Funds concerning the financial year 2012, **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 2012**.

This recommendation is not accompanied by any further observations. The Council considers that the overall budget implementation by the Commission of the operations of the tenth EDF during the financial year 2012 has been satisfactory.

2012 discharge: 8th, 9th and 10th European Development Funds

2013/2206(DEC) - 12/02/2014 - Supplementary non-legislative basic document

Council Recommendation : 9th EDF

Having regard to the Internal Agreement between Representatives of the Governments of the Member States on the financing and administration of Community Aid under the Financial Protocol to the Partnership Agreement between the African, Caribbean and Pacific States and the European Community and its Member States signed in Cotonou (Benin) on 23 June 2000 and the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the EC Treaty applies (the "Internal Agreement"), setting up, amongst others, the 9th EDF and having examined the revenue and expenditure account and the balance sheet relating to the operations of the ninth EDF as at 31 December 2012 as well as the Annual Report of the Court of Auditors on the activities funded by the 8th, 9th and 10th European Development Funds concerning the financial year 2012, **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 2012**.

This recommendation is not accompanied by any further observations. The Council considers that the overall budget implementation by the Commission of the operations of the ninth EDF during the financial year 2012 has been satisfactory.

2012 discharge: 8th, 9th and 10th European Development Funds

2013/2206(DEC) - 19/03/2014 - Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the report by Jan MULDER (ADLE, NL) recommending to Parliament that it give discharge in respect of the implementation of the budget for the Eighth, Ninth and Tenth European Development Funds for the financial year 2012. The committee called on Parliament to approve the closure of these accounts on the implementations of the Funds for 2012. It made a number of recommendations that need to be taken into account when the discharge is granted.

Members recalled that global commitments, individual commitments and payments reached EUR 3 745 million, EUR 3 817 million and EUR 3 292 million respectively for the financial year 2012.

Statement of assurance: the report welcomed the Court of Auditors' opinion that the final annual accounts present fairly, the financial position of the EDFs, and the results of their operations and cash flows for the year 2012. It noted however, that in the domains of budget support and the Union’s contributions to multidonor projects implemented by international organisations, the nature of the instruments and payments conditions limited the extent to which transactions were prone to errors.

It observed that 1 153 nongovernmental organisations (57% of all NGOs) are operating in the field of EuropeAid and 152 (8 %) in the field of humanitarian aid (ECHO), receiving EUR 1 520 million and EUR 960 million respectively in Union funding. It also noted that Union funding of NGOs had doubled in 10 years. It called on the Commission to provide an **overview of the 30 largest and 30 smallest projects being implemented by NGOs using EDF funding.**

Members were concerned by certain irregularities on interest on pre-financing payments .

At the same time, they regretted that payments were materially affected by error due to the weaknesses identified in the supervision and control mechanisms (out of 167 interim and final expenditure transactions reviewed by the Court of Auditors, 44 (i.e. 26 %) were affected by errors).

Effectiveness of systems: Members noted with regret, as in the past, that EuropeAid's ex ante checks, carried out before the project payments were done, still remain vulnerable. Worried by the fact that errors had been found, they called on EuropeAid and Union delegations to focus more on the follow-up of external audits and expenditure verification reports, especially when the recovery of ineligible amounts is at stake. The Commission was called upon to:

- continue its efforts to strengthen its current control systems, and to report annually to Parliament on the corrective actions implemented;
- increase staff awareness and knowledge of control issues;

EuropeAid was called upon to:

- continue developing the appropriate tools and actions in order to improve the overall effectiveness of the control pyramid within EuropeAid's Headquarters and Union delegations;
- reinforce the supervision of the Heads of Union delegations in their capacity as authorising officers by sub-delegation for the Commission.

The committee regretted the fact that despite last year's recommendation, **no significant improvement could be observed in the functioning of the Internal Audit Capability,** which has a role to play in the improvement of the internal control system or in the cost-effectiveness analysis of the control architecture/mechanisms.

Budget support: Members noted that in 2012, EUR 891 million, representing 29 % of the overall EDF aid disbursement, was provided through budget support. They welcomed the stronger focus placed on accountability, transparency and reinforced risk management in the management of budget

support operations since the introduction of the new policy outlined in the Commission's communication of 13 October 2011 entitled "The Future Approach to EU Budget Support to Third Countries". However, they looked forward to the implementation of the Commission's commitment to align **democratic scrutiny of the EDFs to the scrutiny exercised by Parliament over the Development Cooperation Instrument (DCI).**

Members supported public disclosure of relevant budget information relating to budget support programmes in order to enhance domestic and mutual accountability, including to citizens. They called the Commission to ensure that the disbursement of funds through budget support was **withheld, reduced or cancelled when clear and initial objectives and commitments of partner countries were not achieved** and when the Union's political and financial interests were at stake.

The report welcomed the Commission's greater focus on the fight against fraud and corruption, in particular when assessing the Public Financial Management eligibility criterion in terms of budget support. It noted in this respect that corruption and fraud constituted one of the five risk categories identified by the Commission as part of its risk management framework developed for budget support programme. It recalled that the risk of resources being diverted away remained high and reiterated that stronger and constant attention should be paid to these risks by EuropeAid's Headquarters and by the Head of Union Delegation in the framework of the political and policy dialogue, especially to assess the responsiveness of the government concerned and its ability to enforce reforms.

Specific aid

1) Democratic Republic of the Congo (DRC): Members called on the Commission and the EEAS to pay increased attention to ensuring **an appropriate balance of aid between all provinces, especially the poorer ones.** They called for combined support at a central level for programmes at provincial level that link political and territorial decentralisation with improved natural resource management strategies and infrastructure rehabilitation and development.

Members called on the Commission and the EEAS to place greater emphasis, in its dialogue with the DRC government on:

- holding democratic elections;
- increased support to strengthen the capacity of national oversight institutions;
- the need to appraise the relevance and credibility of the country's policies and action plans for improving governance in relation to the available institutional and financial resources;
- focusing objectives on a limited number of priorities;
- insisting that EDF funding should support the **long-term restructuring of central judicial bodies in DRC** in order to ensure the sustainable establishment of the rule of law in the country;
- strengthening structured political and policy dialogue with the DRC, setting clear, relevant, realistic and time-bound targets and periodically assessing compliance.

Members invited the Commission to take a more active leadership role towards Member States by encouraging a coordinated policy dialogue and by increasing Union leverage over the DRC government.

2) Haïti: the committee took note of the fact that the Commission, notwithstanding Parliament's resolutions in the context of the 2010 and 2011 discharge procedures, had not yet made public exhaustive performance indicators on which the budget support to Haiti was based, nor the detailed assessments of the Government of Haiti's performance on which the decision to give budget support was based. It requested that the Commission explained to Parliament **what performance targets had been set for the Haitian government in return for budget support and the modalities for the assessment of these targets**, particularly in light of recent concerns about the deterioration of the rule of law in Haiti and persistent low scores on international corruption indices. It urged the Commission to ensure that the impact evaluation was completed as required by Parliament. Members regretted the lack of progress on accounts for Union funds received and accounting for Union spending.

Cooperation with international organisations and non-governmental organisations: Members reiterated the need for the reinforcement of the cooperation and contacts with international organisations on the errors found for transactions implemented by them and discussion on actions to be taken jointly in the future to prevent them. They encouraged all actions, furthermore, leading not only to a better mutual understanding of Union and World Bank methodologies but also reinforcing the overall quality and reliability of the control management with regard to the use of Trust funds. To that end, the European Commission's 7 Pillars Assessment constituted a real benchmark for providing adequate level of assurance.

Members asked the Commission to verify, when financing an NGO project, which part of the financing came from the organisation's own private funding and which part of the financing from government funding, be it national or European. They asked the Commission to publish a report each year about its findings.

The investment facility: the committee recalled that the funds allocated to the Investment Facility from the Ninth and Tenth EDF amounted to EUR 3,137 million. It deplored, as in previous years, the fact that the investment facility is not covered by the Court of Auditors' Statement of Assurance or Parliament's discharge procedure. It asked the Court of Auditors to **draw up a Special Report on the performance and alignment with Union development policies and objectives of EIB external lending activities**, and to differentiate its analysis between the guarantees granted by the general budget of the Union and by the Member States, the investment facility endowed by the EDF and the usage of reflows for these investments, and the EIB's use of the various forms of blending used in the EU-Africa infrastructural trust fund and the Caribbean investment facility.

Visibility of Union aid: Members took the view that it is imperative to ensure a more visible Union by projecting Union values in various domains of intervention such as promoting human rights and rule of law, raising environmental and social standards and overall support for sustainable development and inclusive economic growth. In the context of the Union's external policies, they supported the progressive development of **new financial products** with the Commission and Member States.

Budgetisation of the EDF: again, the committee regretted that the EDF had not been included in the general budget in the new financial rules applicable to the general budget of the Union (Regulation (EU, Euratom) No 966/2012). They recalled that Parliament, the Council and the Commission agreed that those financial rules would be revised in order to include amendments made necessary by the outcome of the negotiations on the multiannual financial framework for the years 2014 to 2020, **including on the issue of the possible inclusion of the EDF in the general budget**. It repeated its call on the Council and Member States to agree to the full incorporation of the EDF into the general budget.

Members underlined that budgetisation would reduce transaction costs and would simplify reporting and accounting requirements by having only one set of administrative rules and decision-making structures, instead of two.

While noting the commitment by the Commission to include the EDF in the general budget no later than when the Cotonou Agreement expires in 2020, Members stressed that it was the view of Parliament that it should happen as soon as possible.

2012 discharge: 8th, 9th and 10th European Development Funds

2013/2206(DEC) - 03/04/2014 - Text adopted by Parliament, single reading

The European Parliament adopted a decision granting discharge to the Commission on the implementation of the budget of the Eighth, Ninth and Tenth European Development Funds (EDFs) for the financial year 2012. Parliament also approved the closure of the accounts regarding these EDFs for 2012 (in accordance with Annex VI, Article 5, para 1 of Parliament's Rules of Procedure) and approved by 533 votes to 68, with 9 abstentions, a resolution in which it makes a number of observations that need to be taken into account when granting the discharge.

Parliament recalled that global commitments, individual commitments and payments reached EUR 3 745 million, EUR 3 817 million and EUR 3 292 million respectively for the financial year 2012.

Statement of assurance: Parliament welcomed the Court of Auditors' opinion that the final annual accounts present fairly, the financial position of the EDFs, and the results of their operations and cash flows for the year 2012. It noted however, that in the **domains of budget support and the Union's contributions to multidonor projects** implemented by international organisations, the nature of the instruments and payments conditions limited the extent to which transactions were prone to errors.

It observed that 1 153 nongovernmental organisations (57% of all NGOs) are operating in the field of EuropeAid and 152 (8 %) in the field of humanitarian aid (ECHO), receiving EUR 1 520 million and EUR 960 million respectively in Union funding. It also noted that Union funding of NGOs had doubled in 10 years. It called on the Commission to provide an **overview of the 30 largest and 30 smallest projects being implemented by NGOs using EDF funding**.

Parliament was concerned by certain irregularities on interest on pre-financing payments.

At the same time, it regretted that payments were materially affected by error due to the weaknesses identified in the supervision and control mechanisms (out of 167 interim and final expenditure transactions reviewed by the Court of Auditors, 44 (i.e. 26 %) were affected by errors).

Effectiveness of systems: Parliament noted with regret, as in the past, that EuropeAid's *ex ante* checks, carried out before the project payments were done, still remain vulnerable. Worried by the fact that errors had been found, it called on EuropeAid and Union delegations to focus more on the follow-up of external audits and expenditure verification reports, especially when the recovery of ineligible amounts is at stake. The Commission was called upon to:

- continue its efforts to strengthen its current control systems, and to report annually to Parliament on the corrective actions implemented;
- increase staff awareness and knowledge of control issues.

EuropeAid was called upon to:

- continue developing the appropriate tools and actions in order to improve the overall effectiveness of the control pyramid within EuropeAid's Headquarters and Union delegations;
- reinforce the supervision of the Heads of Union delegations in their capacity as authorising officers by sub-delegation for the Commission.

Audit of the EDFs: Parliament reiterated that the lack of (adequate) supporting documents and the incorrect application of the procurement procedures by contractors and beneficiaries are among the main weaknesses pointed out by the audit findings. It called on the Commission to further reinforce its control mechanisms and training policies in order to prevent the reoccurrence of those weaknesses in the future.

Parliament regretted that **no significant improvement could be observed in the functioning of the Internal Audit Capability** which has a role to play in the improvement of the internal control system or in the cost-effectiveness analysis of the control architecture/mechanisms.

Budget support: Parliament recalled that budget support, while playing a key role in driving change and in addressing the main development challenges, carries a considerable fiduciary risk and should be granted **only if the beneficiary state is able to demonstrate a sufficient level of transparency, traceability, accountability and effectiveness** prior to receiving budget support assistance.

Parliament noted that in 2012, EUR 891 million, representing 29 % of the overall EDF aid disbursement, was provided through budget support. It welcomed the stronger focus placed on accountability, transparency and reinforced risk management in the management of budget support operations since the introduction of the new policy outlined in the Commission's communication of 13 October 2011 entitled "The Future Approach to EU Budget Support to Third Countries". However, it looked forward to the implementation of the Commission's commitment to **align democratic scrutiny of the EDFs to the scrutiny exercised by Parliament over the Development Cooperation Instrument** (DCI).

Parliament supported public disclosure of relevant budget information relating to budget support programmes in order to enhance domestic and mutual accountability, including to citizens. It called the Commission to ensure that the disbursement of funds through budget support was **withheld, reduced or cancelled when clear and initial objectives and commitments of partner countries were not achieved** and when the Union's political and financial interests were at stake.

Parliament welcomed the Commission's greater focus on the fight against **fraud and corruption**, in particular when assessing the Public Financial Management eligibility criterion in terms of budget support. It noted in this respect that corruption and fraud constituted one of the five risk categories identified by the Commission as part of its risk management framework developed for budget support programme. For example, Parliament notes that evaluations of on-going EDF projects in Sub-Saharan countries concluded in 2012 indicate improvements in project design and relevance, impact and sustainability on the one hand but also continued problems relating to efficiency and effectiveness.

Parliament recalled that the risk of resources being diverted away remained high and reiterated that stronger and constant attention should be paid to these risks by EuropeAid's Headquarters and by the Head of Union Delegation in the framework of the political and policy dialogue, especially to assess the responsiveness of the government concerned and its ability to enforce reforms.

Specific aid: Parliament referred to aid granted to two specific countries:

1) Democratic Republic of the Congo (DRC): Parliament called on the Commission and the EEAS to pay increased attention to ensuring **an appropriate balance of aid between all provinces, especially the poorer ones**. It called for combined support at a central level for programmes at provincial level that link political and territorial decentralisation with improved natural resource management strategies and infrastructure rehabilitation and development.

It called on the Commission and the EEAS to place greater emphasis, in its dialogue with the DRC government on:

- holding democratic elections;
- increased support to strengthen the capacity of national oversight institutions;
- the need to appraise the relevance and credibility of the country's policies and action plans for improving governance in relation to the available institutional and financial resources;
- focusing objectives on a limited number of priorities;
- insisting that EDF funding should support the **long-term restructuring of central judicial bodies in DRC** in order to ensure the sustainable establishment of the rule of law in the country;
- strengthening **structured political and policy dialogue** with the DRC, setting clear, relevant, realistic and time-bound targets and periodically assessing compliance.

Parliament invited the Commission to take a more active leadership role towards Member States by encouraging a coordinated policy dialogue and by increasing Union leverage over the DRC government.

2) Haïti: Parliament took note of the fact that the Commission, notwithstanding Parliament's resolutions in the context of the 2010 and 2011 discharge procedures, had not yet made public exhaustive performance indicators on which the budget support to Haiti was based, nor the detailed assessments of the Government of Haiti's performance on which the decision to give budget support was based. It asked that the Commission to explain **what performance targets had been set for the Haitian government in return for budget support and the modalities for the assessment of these targets**, particularly in light of recent concerns about the deterioration of the rule of law in Haiti and persistent low scores on international corruption indices. It urged the Commission to ensure that the **impact evaluation was completed** as required by Parliament. Parliament regretted the lack of progress on accounts for Union funds received and accounting for Union spending.

Cooperation with international organisations and non-governmental organisations: Parliament reiterated the need for the reinforcement of the cooperation and contacts with international organisations on the errors found for transactions implemented by them and discussion on actions to be taken jointly in the future to prevent them. It encouraged all actions, furthermore, leading not only to a better mutual understanding of Union and World Bank methodologies but also reinforcing the overall quality and reliability of the control management with regard to the use of Trust funds. To that end, the European Commission's 7 Pillars Assessment constituted a real benchmark for providing adequate level of assurance.

Parliament asked the Commission to verify, when financing an NGO project, which part of the financing came from the organisation's own private funding and which part of the financing from government funding, be it national or European. It asked the Commission to publish a report each year about its findings.

The investment facility: Parliament recalled that the funds allocated to the Investment Facility from the Ninth and Tenth EDF amounted to EUR 3.137 million. It deplored the fact that the investment facility is not covered by the Court of Auditors' Statement of Assurance or Parliament's discharge procedure. It asked the Court of Auditors to **draw up a Special Report on the performance and alignment with Union development policies and objectives of EIB external lending activities.**

Visibility of Union aid: Parliament took the view that it is imperative to ensure a more visible Union by projecting Union values in various domains of intervention such as promoting human rights and rule of law, raising environmental and social standards and overall support for sustainable development and inclusive economic growth. In the context of the Union's external policies, it supported the progressive development of **new financial products** with the Commission and Member States.

Budgetisation of the EDF: again, Parliament regretted that the EDF had not been included in the general budget in the new financial rules applicable to the general budget of the Union (Regulation (EU, Euratom) No 966/2012). It recalled that Parliament, the Council and the Commission agreed that those financial rules would be revised in order to include amendments made necessary by the outcome of the negotiations on the multiannual financial framework for the years 2014 to 2020, including on the issue of the **possible inclusion of the EDF in the EU's general budget**. It repeated its call on the Council and Member States to agree to the full incorporation of the EDF into the general budget.

Parliament underlined that budgetisation would reduce transaction costs and would simplify reporting and accounting requirements by having only one set of administrative rules and decision-making structures, instead of two.

While noting the commitment by the Commission to include the EDF in the general budget no later than when the Cotonou Agreement expires in 2020, Parliament stressed that it was its view that it should happen as soon as possible.

2012 discharge: 8th, 9th and 10th European Development Funds

2013/2206(DEC) - 03/04/2014 - 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 2012.

NON-LEGISLATIVE ACT: Decision 2014/559/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 2012.

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 2012.

The decision is in line with the European Parliament's resolution adopted on 3 April 2014 and comprises a series of observations that form an integral part of the discharge decision (please refer to the summary of the opinion of 3 April 2014).

Amongst the main observations made, Parliament called on the Commission to continue its efforts to strengthen its **current control systems and improve EuropeAid's performance**.