

# EUROPEAN PARLIAMENT

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## REPORT

on the discharge for implementation of the budget for the Sixth, Seventh, Eighth and Ninth European Development Funds for the financial year 2005 (COM(2006)0429 - C6-0264/2006 - 2006/2169(DEC))

Committee on Budgetary Control

Rapporteur: Mogens N.J. Camre

## CONTENTS

	<b>Page</b>
1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION.....	3
2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION.....	5
3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION.....	6
OPINION OF THE COMMITTEE ON DEVELOPMENT .....	6
PROCEDURE.....	6

## **1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION**

**on the discharge for implementation of the budget for the Sixth, Seventh, Eighth and Ninth European Development Funds for the financial year 2005  
(COM(2006)0429 - C6-0264/2006 – 2006/2169(DEC))**

*The European Parliament,*

- having regard to the Commission report on the follow-up to the 2004 Discharge Decisions (COM(2006)0641 and its annex SEC(2006)1376),
- having regard to the financial statements and revenue and expenditure accounts for the Sixth, Seventh, Eighth and Ninth European Development Funds for the financial year 2005 (COM(2006)0429 - C6-0264/2006),
- having regard to the report on the financial management of the Sixth, Seventh, Eighth and Ninth European Development Funds for the year 2005 (COM(2006)0405),
- having regard to the Court of Auditors' annual report on the activities funded by the Sixth, Seventh, Eighth and Ninth European Development Funds for the financial year 2005, together with the audited institutions' replies<sup>1</sup>,
- having regard to the statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors pursuant to Article 248 of the EC Treaty<sup>2</sup>,
- having regard to the Council's recommendations of 27 February 2007 (6061/2007 - C6-0094/2007, 6062/2007 - C6-0095/2007, 6063/2007, - C6-0096/2007, 6064/2007 - C6-0097/2007),
- having regard to Article 33 of the Internal Agreement of 20 December 1995, between the representatives of the Governments of the Member States, meeting within the Council, on the financing and administration of the Community aid under the Second Financial Protocol to the fourth ACP-EC Convention<sup>3</sup>,
- having regard to Article 32 of the Internal Agreement of 18 September 2000, between Representatives of the Governments of the Member States meeting within the Council, 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

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<sup>1</sup> OJ C 263, 31.10.2006, p. 1.

<sup>2</sup> OJ C 263, 31.10.2006, p. 9.

<sup>3</sup> OJ L 156, 29.5.1998, p. 108.

which Part Four of the EC Treaty applies<sup>1</sup>,

- having regard to Article 276 of the EC Treaty,
- having regard to Article 74 of the Financial Regulation of 16 June 1998 applicable to development finance cooperation under the fourth ACP-EC Convention<sup>2</sup>,
- having regard to Article 119 of the Financial Regulation of 27 March 2003 applicable to the Ninth European Development Fund<sup>3</sup>,
- having regard to Rules 70 and 71, third indent, of and Annex V to its Rules of Procedure,
- having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Development (A6-0115/2007),

- A. whereas, in its statement of assurance on the European Development Funds, the Court of Auditors concludes that, with certain exceptions, the accounts for the financial year 2005 reliably reflect the revenue and expenditure for the financial year and the financial situation at the end of the year,
  - B. whereas the Court of Auditors' conclusion on the legality and regularity of the underlying transactions is based, inter alia, on the audit of a sample of transactions,
  - C. whereas the Court of Auditors, on the basis of the documentation examined, is of the opinion that the revenue entered in the accounts, the EDF allocations and the commitments and payments are, taken as a whole, legal and regular,
1. Grants the Commission discharge for implementation of the budget for the Sixth, Seventh, Eighth and Ninth European Development Funds for the financial year 2005;
  2. Sets out its observations in the resolution below;
  3. Instructs its President to forward this decision and the accompanying resolution to the Council, the Commission, the Court of Justice, the Court of Auditors and the European Investment Bank, and to have them published in the Official Journal of the European Union (L series).

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<sup>1</sup> OJ L 317, 15.12.2000, p. 355.

<sup>2</sup> OJ L 191, 7.7.1998, p. 53.

<sup>3</sup> OJ L 83, 1.4.2003, p. 1.

## 2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on closing the accounts for implementation of the budget for the Sixth, Seventh, Eighth and Ninth European Development Funds for the financial year 2005  
(COM(2006)0429 - C6-0264/2006 – 2006/2169(DEC))**

*The European Parliament,*

- having regard to the Commission report on the follow-up to the 2004 Discharge Decisions (COM(2006)0641 and its annex SEC(2006)1376),
- having regard to the financial statements and revenue and expenditure accounts for the Sixth, Seventh, Eighth and Ninth European Development Funds for the financial year 2005 (COM(2006)0429 - C6-0264/2006),
- having regard to the report on the financial management of the Sixth, Seventh, Eighth and Ninth European Development Funds for the year 2005 (COM(2006)0405),
- having regard to the Court of Auditors' annual report on the activities funded by the Sixth, Seventh, Eighth and Ninth European Development Funds for the financial year 2005, together with the audited institutions' replies<sup>1</sup>,
- having regard to the statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors pursuant to Article 248 of the EC Treaty<sup>2</sup>,
- having regard to the Council's recommendations of 27 February 2007 (6061/2007 - C6-0094/2007, 6062/2007 - C6-0095/2007, 6063/2007, - C6-0096/2007, 6064/2007 - C6-0097/2007),
- having regard to Article 33 of the Internal Agreement of 20 December 1995, between the representatives of the Governments of the Member States, meeting within the Council, on the financing and administration of the Community aid under the Second Financial Protocol to the fourth ACP-EC Convention<sup>3</sup>,
- having regard to Article 32 of the Internal Agreement of 18 September 2000, between Representatives of the Governments of the Member States, meeting within the Council, 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<sup>4</sup>,

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<sup>1</sup> OJ C 263, 31.10.2006, p. 1.

<sup>2</sup> OJ C 263, 31.10.2006, p. 9.

<sup>3</sup> OJ L 156, 29.5.1998, p. 108.

<sup>4</sup> OJ L 317, 15.12.2000, p. 355.

- having regard to Article 276 of the EC Treaty,
  - having regard to Article 74 of the Financial Regulation of 16 June 1998 applicable to development finance cooperation under the fourth ACP-EC Convention<sup>1</sup>,
  - having regard to Article 119 of the Financial Regulation of 27 March 2003 applicable to the Ninth European Development Fund<sup>2</sup>,
  - having regard to Rules 70 and 71, third indent, of and Annex V to its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Development (A6-0115/2007),
1. Notes that the final annual accounts of the Sixth, Seventh, Eighth and Ninth European Development Funds are as follows:

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<sup>1</sup> OJ L 191, 7.7.1998, p. 53.

<sup>2</sup> OJ L 83, 1.4.2003, p. 1.

**Table 1 – Cumulative utilisation of EDF resources as at 31 December 2005**

( million euro)

	Situation at end of 2004		Budgetary implementation during the financial year 2005					Situation at end of 2005					
	Global amount	Implementation rate % <sup>(2)</sup>	6 <sup>th</sup> EDF	7 <sup>th</sup> EDF	8 <sup>th</sup> EDF	9 <sup>th</sup> EDF	Global amount	6 <sup>th</sup> EDF	7 <sup>th</sup> EDF	8 <sup>th</sup> EDF	9 <sup>th</sup> EDF	Global amount <sup>(3)</sup>	Implementation rate % <sup>(2)</sup>
<b>A – RESOURCES<sup>(1)</sup></b>	<b>43 801,8</b>		-24,6	-86,1	-275,1	1 038,9	<b>653,2</b>	<b>7 41,8</b>	<b>10 781,6</b>	<b>11 315,6</b>	<b>14 943,0</b>	<b>44 455,0</b>	
<b>B – UTILISATION</b>													
<b>1. Financial commitments</b>	<b>35 692,2</b>	<b>81,5</b>	<b>-24,6</b>	<b>-86,1</b>	<b>-275,1</b>	<b>3 420,8</b>	<b>3 035,1</b>	<b>7 414,8</b>	<b>10 781,6</b>	<b>11 315,6</b>	<b>9 215,3</b>	<b>38 727,3</b>	<b>87,1</b>
<b>2. Individual legal commitments</b>	<b>30 313,2</b>	<b>69,2</b>	<b>-1,3</b>	<b>110,5</b>	<b>472,0</b>	<b>2 070,9</b>	<b>2 652,1</b>	<b>7 377,0</b>	<b>10 529,0</b>	<b>10 247,2</b>	<b>4 812,1</b>	<b>32 965,3</b>	<b>74,2</b>
<b>3. Payments<sup>(2)</sup></b>	<b>25 918,0</b>	<b>59,2</b>	<b>21,6</b>	<b>235,3</b>	<b>854,1</b>	<b>1 373,7</b>	<b>2 484,7</b>	<b>7 333,7</b>	<b>10 084,9</b>	<b>8 385,2</b>	<b>2 598,9</b>	<b>28 402,7</b>	<b>63,9</b>
<b>C – Outstanding payments (B1-B3)</b>	<b>9 774,2</b>	<b>22,3</b>						<b>81,1</b>	<b>696,7</b>	<b>2 930,3</b>	<b>6 616,4</b>	<b>10 324,5</b>	<b>23,2</b>
<b>D – Available balance (A-B1)</b>	<b>8 109,6</b>	<b>18,5</b>						<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>5 727,7</b>	<b>5 727,7</b>	<b>12,9</b>

<sup>(1)</sup>Initial allocations to the 6th, 7th, 8th and 9th EDFs, interest, sundry resources and transfers from previous EDFs.

<sup>(2)</sup>As a percentage of resources.

Source: Court of Auditors, based on the EDF Reports on financial implementation and Financial statements at 31 December 2005.

2. Approves closing the accounts for the implementation of the budget for the Sixth, Seventh, Eighth and Ninth European Development Funds for the financial year 2005;
3. Instructs its President to forward this decision to the Council, the Commission, the Court of Justice, the Court of Auditors and the European Investment Bank, and to arrange for its publication in the Official Journal of the European Union (L series).



### 3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**with observations forming an integral part of the decision on the discharge for implementation of the budget for the Sixth, Seventh, Eighth and Ninth European Development Funds for the financial year 2005  
(COM(2006)0429 – C6-0264/2006 – 2006/2169(DEC))**

*The European Parliament,*

- having regard to the Commission report on the follow-up to the 2004 discharge decisions (COM(2006)0641 and its annex SEC(2006)1376),
- having regard to the financial statements and revenue and expenditure accounts for the Sixth, Seventh, Eighth and Ninth European Development Funds for the financial year 2005 (COM(2006)0429 – C6-0264/2006),
- having regard to the report on the financial management of the Sixth, Seventh, Eighth and Ninth European Development Funds for the year 2005 (COM(2006)0405),
- having regard to the Court of Auditors' annual report on the activities funded by the Sixth, Seventh, Eighth and Ninth European Development Funds for the financial year 2005, together with the audited institutions' replies<sup>1</sup>,
- having regard to the statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors pursuant to Article 248 of the EC Treaty<sup>2</sup>,
- having regard to the Council's recommendations of 27 February 2007 (6061/2007 - C6-0094/2007, 6062/2007 - C6-0095/2007, 6063/2007 - C6-0096/2007, 6064/2007 - C6-0097/2007),
- having regard to Article 33 of the Internal Agreement of 20 December 1995, between the representatives of the Governments of the Member States meeting within the Council, on the financing and administration of the Community aid under the Second Financial Protocol to the fourth ACP-EC Convention<sup>3</sup>,
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which Part Four of the EC Treaty applies<sup>1</sup>,

- having regard to Article 276 of the EC Treaty,
  - having regard to Article 74 of the Financial Regulation of 16 June 1998 applicable to development finance cooperation under the fourth ACP-EC Convention<sup>2</sup>,
  - having regard to Article 119 of the Financial Regulation of 27 March 2003 applicable to the Ninth European Development Fund<sup>3</sup>,
  - having regard to Rules 70 and 71, third indent, of and Annex V to its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Development (A6-0115/2007),
- A. whereas Article 119 of the Financial Regulation of 27 March 2003 requires the Commission to take all appropriate steps to act on the observations accompanying the decision giving discharge and to report, at the request of the European Parliament, on the measures taken in the light of those observations and comments,
- B. whereas the Partnership Agreement between the African, Caribbean and Pacific States and the European Community and its Member States, signed in Cotonou on 23 June 2000<sup>4</sup>, was revised by the agreement signed in Luxembourg on 25 June 2005<sup>5</sup>,

### *The statement of assurance*

1. Notes that, notwithstanding the problems detailed below, the European Court of Auditors (ECA) is of the opinion that the accounts reliably reflect the revenue and expenditure relating to the sixth, seventh, eighth and ninth European Development Fund (EDF):
  - a) the inability of the existing IT system to provide full accounting information,
  - b) incomplete information on bank guarantees, resulting in an understatement of guarantees of 4 %;
2. Notes that, with regard to the underlying transactions, the ECA is of the opinion that the revenue, EDF allocations, commitments and payments are, taken as a whole, legal and regular;
3. Recalls that about half of the total allocations consist of programmable aid, intended for the implementation of projects; observes that these funds are implemented in two steps: the Commission takes the financing decision – shown in the accounts as financial commitment; the conclusion of contracts – shown in the accounts as individual legal

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<sup>1</sup> OJ L 317, 15.12.2000, p. 355.

<sup>2</sup> OJ L 191, 7.7.1998, p. 53.

<sup>3</sup> OJ L 83, 1.4.2003, p. 1.

<sup>4</sup> OJ L 317, 15.12.2000, p. 3.

<sup>5</sup> OJ L 287, 28.10.2005, p. 4.

commitments - and the authorization of payments are carried out by the national authorising officer (NAO) of the country concerned, in accordance with the financing agreement between the Commission and that particular country;

4. Highlights that the ECA observed an increased risk of errors affecting transactions that fall within the responsibility of the NAOs; notes that, as regards individual legal commitments, the errors detected concerned, for example, the use of appropriate tendering procedures, in particular under the programme estimates and grant agreements, banking guarantees and the failure to meet deadlines for starting the implementation of programmes; observes that, with regard to payments, errors concerned the amounts of payments and other errors such as non-compliance with contractual obligations;
5. Recognises, in line with the ECA, the Commission's efforts to build the NAOs' management capacity by providing technical assistance, equipment and training; is however worried that the ECA may judge the results of these efforts to be variable; requests the Commission to refine its support strategy as regards problematic cases;

#### ***Enhancing accountability in the Commission's management of EDF funds***

6. Recalls that, in the previous discharge resolution, Parliament called upon the Commission to clarify the breakdown of the Commissioners' responsibilities as regards the EDF and external aid; is conscious of the Commission's position that the division of responsibilities, despite a certain complexity due to the need for coordination of different Commission services, works well in practice; nevertheless, calls upon the Commission to reflect on possible ways to simplify the current management structure in order to minimise the risk of ambiguities as regards responsibilities for the EDF;

#### ***Stepping up democratic control over EDF funds managed by the European Investment Bank***

7. Notes that, out of the total initial allocation of the 9th EDF, which amounts to EUR 13 800 million, the European Investment Bank (EIB) is responsible for EUR 2 200 million, which is spent through the EDF investment facility; observes that the investment facility is neither covered by the ECA's statement of assurance nor by the Parliament's discharge procedure;
8. Proposes that the EIB give an account of its management of the EDF investment facility before Parliament's Committee on Budgetary Control and points out that, pursuant to Title VII of the Financial Regulation applicable to the 9th EDF, the EIB-managed EDF accounts are subject to examination by the ECA;
9. Reiterates the view taken in previous discharge resolutions that there is a certain discrepancy in the current EDF financial regulation as regards the EDF accounts: whereas, in the course of the discharge procedure, the Commission presents the consolidated EDF accounts to Parliament including the financial statements and information supplied by the EIB, Parliament subsequently only examines the accounts excluding the information provided by the EIB;

10. Recalls that the ECA, in its opinion No 12/2002<sup>1</sup>, regretted that the EDF operations managed by the EIB were not subject to a discharge procedure involving the Parliament and the Council; supports the ECA's arguments that those operations were conducted by the EIB on behalf of and at the Community's risk, and that, in the beginning, the funds for those operations were contributed by European taxpayers and not by the financial market;
11. Is convinced that transparency and democratic control over EDF funds managed by the EIB would be strengthened if these operations were subject to a discharge procedure involving the Parliament and the Council; calls on Member States, the Commission and the EIB to address this issue during the forthcoming revision of the EDF financial regulation;

### ***Tackling resource constraints***

12. Concludes once again that integration of the EDF into the EU budget would enhance the overall consistency of European development cooperation, ensure greater transparency and effectiveness and facilitate democratic scrutiny;
13. Is concerned that the Commission, in its financial management report, indicates that due to resource constraints some areas of financial control were overlooked with the monitoring of Stabex programmes and the implementation of ex post controls constituting appropriate examples; furthermore notes that both annual activity reports by DG AIDCO (EuropeAid) and by DG Development predict a shortage of staff in the face of significant increases in workload during the coming years;
14. Notes that the Commission uses benchmarks derived from the comparison with other donors, and that the Commission has set itself the target of maintaining a ratio of 4,5 staff per EUR 10 million of assistance; is of the opinion that the fact of reaching a certain overall ratio of staff per EUR 10 million of assistance cannot in itself give the discharge authority sufficient assurance that implementation and financial control do not suffer from the existing shortage of staff as recognised by the Commission itself;
15. Requests, in line with the ECA, that the Commission, in its financial management report 2006, indicates the priorities which have been established as a result of the existing resource constraints and the impact on the implementation of the EDFs;
16. Calls upon the Commission to review its audit strategy and to reorganise existing audit structures and staff and, not least in view of the possible resource constraints, to consider closer cooperation with national experts from the Member States' administrations in the financial management of EDF funds in general and the extended use of well known and highly reputable private enterprises from the Member States in the execution of programmes and individual projects;

### ***Building solid IT systems for accounting and management purposes***

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<sup>1</sup> OJ C 12, 17.1.2003, p. 19.

17. Shares the ECA's concerns with regard to the fact that the current accounting system did not deliver full accounting information for the financial year 2005 and that, therefore, the accounts had to be complemented manually in order to comply with accrual accounting principles;
18. Is worried about the result of an audit of EuropeAid's local IT system carried out by EuropeAid's internal audit capacity, stating that application controls were adequate, but that system administration and system security only met the minimum standards according to "leading practices";
19. Notes that the management of EDF funds will be migrated to the same IT system used for the management of development aid financed from the general budget (CRIS – ABAC); observes that the migration has been delayed and is now scheduled to be carried out by the end of 2007, on time for the start of the 10<sup>th</sup> EDF in 2008; calls upon the Commission to inform Parliament about the results of the migration process; expects the Commission to ensure that during the migration process complete and reliable accounting information be provided to the ECA and the discharge authority;
20. Welcomes the Commission's willingness to inform Parliament about the integration of the financial administration of the EDF into the Common RELEX Information System (CRIS) in July and then again in September;
21. Supports the Commission's intention to improve EuropeAid's IT system not only as regards its functioning as an accounting tool, but also as a management tool; requests the Commission, in this context, to pay particular attention to an improved and coherent follow-up of audit findings;

***Evaluating the impact of EU funding of development aid through the EDF***

22. Is convinced that measuring the output of EU development aid funded through the EDF requires – as a first step – that the Commission work with the partners in the beneficiary countries towards setting as precise objectives as possible, which allow for progress to be easily and exactly measured at each stage of implementation;
23. Notes that the Commission, in its follow-up to the 2004 discharge which was presented in October 2006, indicates that, with regard to the 2007-2013 round of country programming, it is in the process of developing recommendations for the use of meaningful indicators in each of the domains of concentration covered by the programming documents;
24. Considers that it is crucial that meaningful performance indicators be included in the programming process right from the beginning; calls upon the Commission to indicate, in its financial management report 2006, to what extent the recommendations for the setting of performance indicators have been implemented in time in the programming process for the period 2007-13;

25. Expects the Commission to instruct its delegations in the beneficiary countries as a general rule to spell out in its reports the practical results of the deployment of EU funds so that the Commission can gauge and publicise the results of EU development cooperation;

***Further improving the implementation of EDF funds***

26. Is hopeful that the forecast in the performance assessment will come true, stating that all funds of the 9th EDF will be committed by the end of 2007 when the 9th EDF expires; requests the Commission to inform Parliament, in time for the discharge concerning the financial year 2006, about the evolution of the commitments concerning the 9th EDF, the situation with regard to previous EDFs and the situation with regard to payments;
27. Recalls that the reduction of outstanding commitments (*reste à liquider* (RAL)) has been a long-standing concern of Parliament in previous discharge exercises; supports the Commission's recent initiatives to reduce the RAL; notes that, in 2006, the RAL was reduced for the first time and now stands at EUR 10 324 million; notes that the "old" RAL, i. e. commitments which are over 5 years old, has been reduced from EUR 1,62 billion to EUR 867 million; notes that the dormant commitments, i. e. those for which no contract has been signed and for which no payments have been made over the last two years, have been reduced from EUR 350 million to EUR 285 million; requests the Commission to pursue its efforts to reduce the RAL and to report back, in detail, to the discharge authority on progress made;
28. Notes that the report on financial management for the financial year 2005 was forwarded late; expects the Commission to provide, in its financial management report for the financial year 2006, more detailed information as requested by the ECA, in particular information on the strategy to reduce the level of dormant commitments;
29. Welcomes the fact that the share of EU funding spent on the basic health and basic education sectors was raised from 4,98% to 6,83%; regrets however the fact that this share is still far removed from the 20% target which it set in the 2005 budget; cannot accept the fact that the Commission is using the legitimate and necessary objective of better donor coordination and work-sharing between donors as an excuse for too low a level of investment in the basic health and basic education sectors and urges it to adopt measures forthwith to achieve the 20% target and inform Parliament in writing at least twice a year about the progress of implementation and about the factors taken into account in the calculation;
30. Regrets the fact that the Commission has not so far developed any comprehensive strategy together with the beneficiary countries for making the health and education sectors priorities in the new country strategy papers;
31. Further regrets that, despite assurances to the contrary from the Commission, country strategy papers currently under preparation generally lack a clear Millenium Development Goal (MDG) profile, not to mention specific targets and timetables for achieving each

MDG, and fail to treat adequately the Community's contribution to achieving them;

32. Calls on the Commission to keep a closer watch on the emigration of skilled labour from developing countries to EU countries and to propose appropriate measures for enabling skilled people from developing countries to remain in, or return to, their home countries so that action by donors, for example in the health and education sectors, can be of long-term and effective benefit in combating poverty in the developing countries;
33. Welcomes the Commission's efforts to implement the strategy for incorporating the environment into development cooperation, and calls on the Commission to continue to press ahead with the environmental dimension in development policy, including measures to promote environmentally friendly energy supply;

#### ***Ensuring sound financial management with regard to budget support***

34. Observes that the Commission considers budget support granted to the beneficiary countries to be an ever more important tool for efficient delivery of development policies; notes that the share of EDF commitments in the field of general and sectoral budget support rose considerably, from 18 % in 2004 to 32 % in 2005;
35. Points out that the ECAs' control powers in the field of budget support are limited; quotes the example that, with regard to the legality and regularity of underlying transactions, the ECA can only verify that the relevant conditions have been properly assessed by the Commission; therefore, strongly supports the ECAs' request that the Commission should set out in a structured and detailed manner, in its financial management report for the financial year 2006, the criteria leading to the Commission's conclusions on the respective country's eligibility for budget support; welcomes the Commission's commitment to provide the information requested;
36. Reiterates that Parliament, in line with the ECA, attaches great importance to the role of national supreme audit institutions (SAI) in countries which are the recipients of budget support; insists on receiving, as requested in the previous discharge resolution, the Commission's assessment of the different possibilities for the European Community to cooperate with those SAI;
37. Welcomes the Commission's initiative to support twinning projects involving national experts from Member States' SAIs and SAIs in budget support recipient countries, such as the cooperation between the UK National Audit Office and the Ghana Audit Office; asks the Commission to further explore the use of expertise of Member States' SAIs in order to step up public financial control in the partner countries;

#### ***Supervisory and control systems***

38. Notes the ECAs' view that a coherent overall control strategy with regard to the management of EDF funds and external aid has yet to be established; welcomes the ECAs'

concrete recommendations for elements to be included in this strategy; observes that the Commission's action plan towards an integrated internal control framework<sup>1</sup> envisages common guidelines which are to be established for each policy family and that this should result in clearer and more coherent reporting in the annual activity reports; recognises the Commission's willingness to further improve the supervisory and control systems and the concrete measures it proposed in this respect; asks the Commission to report, in the light of the ECAs' concrete recommendations, on the progress achieved in the forthcoming annual activity reports;

39. Welcomes the fact that the ECA has recorded an improvement in the Commission's supervisory and control systems; regrets however the fact that this improvement does not extend to supervision, control and audit of the implementing institutions; considers it unacceptable that, as a result, such a large number of material errors continue to occur at a central point in the chain between the European taxpayer and the final beneficiary in the developing country;
40. Calls on the Commission to develop and implement a comprehensive approach towards supervision, control and audit of the implementing organisations so as to ensure the proper application of contractual procedures by the implementing organisations, which has too often not been the case hitherto;
41. Calls on the Commission, with a view to improving financial supervision, to ensure that EuropeAid provides better support for the operational financial personnel in delegations and central services, arranges for better risk analysis focusing on particularly high-risk sectors and more monitoring visits, achieves better central supervision of performance and follow-up of external audits initiated by delegations and central services and initiates fewer *ex post* verifications while at the same time improving their scope, timing and quality control;
42. In general, strongly supports the ECAs' request that the Commission should set out in detail how it has followed up the ECAs' audit findings in the annual activity reports and in the reports on financial management of the EDF funds.

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<sup>1</sup> OJ C 67, 18.3.2006, p. 32.



1.3.2007

## **OPINION OF THE COMMITTEE ON DEVELOPMENT**

for the Committee on Budgetary Control

on the discharge for implementation of the budget of the sixth, seventh, eighth and ninth European Development Funds for the financial year 2005  
(COM(2006)0429 - C6-0264/2006 - 2006/2169(DEC))

Draftsman: Ralf Walter

### **SUGGESTIONS**

The Committee on Development calls on the Committee on Budgetary Control, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Welcomes the fact that the share of EU funding spent on the basic health and basic education sectors was raised from 4.98% to 6.83%; however, regrets the fact that this share is still far removed from the 20% target which it set in the 2005 budget; cannot accept the fact that the Commission is using the legitimate and necessary objective of better donor coordination and work-sharing between donors as an excuse for too low a level of investment in the basic health and basic education sectors and urges it to adopt measures forthwith to achieve the 20% target and inform Parliament in writing at least twice a year about the progress of implementation and about the factors taken into account in the calculation;
2. Regrets the fact that the Commission has not so far developed any comprehensive strategy together with the beneficiary countries for making the health and education sectors priorities in the new country strategy papers;
3. Further regrets that, despite assurances to the contrary from the Commission, country strategy papers currently under preparation generally lack a clear Millennium Development Goal (MDG) profile, not to mention specific targets and timetables for achieving each MDG and fail to treat adequately the Community's contribution to achieving them;
4. Calls on the Commission to keep a closer watch on the emigration of skilled labour from developing countries to EU countries and to propose appropriate measures for enabling skilled people from developing countries to remain in, or return to, their home countries

so that action by donors e.g. in the health and education sectors can be of long-term and effective benefit in combating poverty in the developing countries;

5. Welcomes the fact that the Court of Auditors has recorded an improvement in the Commission's supervisory and control systems; however, regrets the fact that this improvement does not extend to supervision, control and audit of the implementing institutions; considers it unacceptable that, as a result, such a large number of material errors continue to occur at a central point in the chain between the European taxpayer and the final beneficiary in the developing country;
6. Calls on the Commission to develop and implement a comprehensive approach towards supervision, control and audit of the implementing organisations so as to ensure the proper application of contractual procedures by the implementing organisations, which has too often not been the case hitherto;
7. Welcomes the Commission's willingness to inform Parliament about the integration of the financial administration of the European Development Fund (EDF) into the Common RELEX Information System (CRIS) in July and then again in September;
8. Calls on the Commission, with a view to improving financial supervision, to ensure that EuropeAid provides better support for the operational financial personnel in delegations and central services, arranges for better risk analysis focusing on particularly high-risk sectors and more monitoring visits, achieves better central supervision of performance and follow-up of external audits initiated by delegations and central services and initiates fewer ex-post verifications while at the same time improving their scope, timing and quality control;
9. Expects the Commission to instruct its delegations in the beneficiary countries as a general rule to spell out in its reports the practical results of the deployment of EU funds so that the Commission can gauge and publicise the results of EU development cooperation;
10. Welcomes the Commission's efforts to implement the strategy for incorporating the environment into development cooperation, and calls on the Commission to continue to press ahead with the environmental dimension in development policy, including measures to promote environmentally friendly energy supply;
11. Concludes once again that integration of the EDF into the EU budget would enhance the overall consistency of European development cooperation, ensure greater transparency and effectiveness and facilitate democratic scrutiny.

## PROCEDURE

<b>Title</b>	Discharge for implementation of the budget of the sixth, seventh, eighth and ninth European Development Funds for the financial year 2005
<b>Procedure number</b>	2006/2169(DEC)
<b>Committee responsible</b>	CONT
<b>Opinion by</b> Date announced in plenary	DEVE 26.9.2006
<b>Enhanced cooperation – date announced in plenary</b>	
<b>Drafts(wo)man</b> Date appointed	Ralf Walter 6.11.2006
<b>Previous drafts(wo)man</b>	
<b>Discussed in committee</b>	30.1.2007
<b>Date adopted</b>	28.2.2007
<b>Result of final vote</b>	+: 30 –: 0 0: 1
<b>Members present for the final vote</b>	Margrietus van den Berg, Josep Borrell Fontelles, Danutė Budreikaitė, Marie-Arlette Carlotti, Corina Crețu, Nirj Deva, Koenraad Dillen, Hélène Goudin, Filip Kaczmarek, Glenys Kinnock, Maria Martens, Luisa Morgantini, José Javier Pomés Ruiz, Miguel Portas, Horst Posdorf, Toomas Savi, Pierre Schapira, Frithjof Schmidt, Jürgen Schröder, Felekna Uca, Luis Yañez-Barnuevo García, Anna Záborská.
<b>Substitute(s) present for the final vote</b>	Fiona Hall, Alain Hutchinson, Jan Jerzy Kułakowski, Miguel Angel Martínez Martínez, Manolis Mavrommatis, Atanas Paparizov, Anne Van Lancker, Ralf Walter.
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	Elena Valenciano Martínez-Orozco
<b>Comments (available in one language only)</b>	

## PROCEDURE

<b>Title</b>	Discharge for 2005 – EDF
<b>References</b>	COM(2006)0429 – C6-0264/2006 – 2006/2169(DEC)
<b>Committee responsible</b> Date announced in plenary	CONT 23.10.2006
<b>Committee(s) asked for opinion(s)</b> Date announced in plenary	DEVE                      BUDG 23.10.2006                23.10.2006
<b>Not delivering opinion(s)</b> Date of decision	BUDG 27.9.2006
<b>Rapporteur(s)</b> Date appointed	Mogens N.J. Camre 20.4.2006
<b>Previous rapporteur(s)</b>	Rodi Kratsa-Tsagaropoulou
<b>Discussed in committee</b>	23.1.2007                1.3.2007                27.3.2007
<b>Date adopted</b>	27.3.2007
<b>Result of final vote</b>	+:     24 –:     0 0:     0
<b>Members present for the final vote</b>	Jean-Pierre Audy, Inés Ayala Sender, Herbert Bösch, Paul van Buitenen, Mogens N.J. Camre, Paulo Casaca, Petr Duchoň, James Elles, Christofer Fjellner, Ingeborg Gräßle, Dan Jørgensen, Bogusław Liberadzki, Nils Lundgren, Marusya Ivanova Lyubcheva, Edith Mastenbroek, Jan Mulder, Francesco Musotto, Ovidiu Ioan Silaghi, Bart Staes, Alexander Stubb
<b>Substitute(s) present for the final vote</b>	Daniel Caspary, Edit Herczog, Petre Popeangă, Gabriele Stauner, Ralf Walter
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	
<b>Date tabled</b>	2.4.2007
<b>Comments</b> (available in one language only)	...