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DRAFT REPORT

on discharge in respect of the implementation of the budget of the ninth, tenth and eleventh European Development Funds for the financial year 2022 (2023/2183(DEC))

Committee on Budgetary Control

Rapporteur: Joachim Kuhs

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1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the ninth, tenth and eleventh European Development Funds for the financial year 2022 (2023/2183(DEC))

The European Parliament,

- having regard to the financial statements and revenue and expenditure accounts for eight, ninth, tenth and eleventh European Development Funds for the financial year 2022 (COM(2023)0392 – C9-0000/2023),
- having regard to the financial information on the European Development Funds (COM COM(2022)0000),
- having regard to the Court of Auditors' annual report on the activities funded by the ninth, tenth and eleventh European Development Funds for the financial year 2022, together with the Commission's replies¹,
- having regard to the statement of assurance² as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2022, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendations of February 2024 on discharge to be given to the Commission in respect of the implementation of the operations of the European Development Funds for the financial year 2022 (00000/2024 – C9-0000/2024, 00000/2024 – C9-0000/2024, 00000/2024 – C9-0000/2024, 00000/2024 – C9-0000/2024),
- having regard to the Commission's report on the follow-up to the discharge for the 2021 financial year (COM(2023)384),
- having regard to the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States, of the one part, and the European Community and its Member States, of the other part, signed in Cotonou (Benin) on 23 June 2000³ and amended in Ouagadougou (Burkina Faso) on 22 June 2010⁴,
- having regard to Council Decision 2013/755/EU of 25 November 2013 on the association of the overseas countries and territories with the European Union ('Overseas Association Decision')⁵,
- having regard to Council Decision (EU) 2021/1764 of 5 October 2021 on the

¹ OJ C ..., ..., p.

² OJ C ..., ..., p.

³ OJ L 317, 15.12.2000, p. 3.

⁴ OJ L 287, 4.11.2010, p. 3.

⁵ OJ L 344, 19.12.2013, p. 1.

association of the Overseas Countries and territories with the European Union including relations between the European Union on the one hand, and Greenland and the Kingdom of Denmark on the other (Decision on the Overseas Association, including Greenland)⁶,

- 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 Convention⁷,
- 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 applies⁸,
- having regard to Article 11 of the Internal Agreement of 24 and 26 June 2013 between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020 in accordance with the ACP-EU Partnership Agreement and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies⁹,
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Article 74 of the Financial Regulation of 16 June 1998 applicable to development finance cooperation under the fourth ACP-EC Convention¹⁰,
- having regard to Article 119 of the Financial Regulation of 27 March 2003 applicable to the 9th European Development Fund¹¹,
- having regard to Article 50 of Council Regulation (EC) No 215/2008 of 18 February 2008 on the Financial Regulation applicable to the 10th European Development Fund¹²,
- having regard to Article 48 of Council Regulation (EU) 2015/323 of 2 March 2015 on the financial regulation applicable to the 11th European Development Fund¹³,
- having regard to Article 42 of Council Decision (EU) 2018/1877 of 26 November 2018 on the financial regulation applicable to the 11th European Development Fund, and

⁶ OJ L 355, 7.10.2021, p. 6.

⁷ OJ L 156, 29.5.1998, p. 108.

⁸ OJ L 317, 15.12.2000, p. 355.

⁹ OJ L 210, 6.8.2013, p. 1.

¹⁰ OJ L 191, 7.7.1998, p. 53.

¹¹ OJ L 83, 1.4.2003, p. 1.

¹² OJ L 78, 19.3.2008, p. 1.

¹³ OJ L 58, 3.3.2015, p. 17.

repealing Regulation (EU) 2015/323¹⁴,

- having regard to Rule 99 and the third indent of Rule 100 of, and Annex V to, its Rules of Procedure,
 - having regard to the opinion of the Committee on Development,
 - having regard to the report of the Committee on Budgetary Control (A9-0000/2024),
1. Grants the Commission discharge in respect of the implementation of the budget of the ninth, tenth and eleventh European Development Funds for the financial year 2022 / Postpones its decision on granting the Commission discharge in respect of the implementation of the budget of the, ninth, tenth and eleventh European Development Funds for the financial year 2022;
 2. Sets out its observations in the resolution below;
 3. Instructs its President to forward this decision and the resolution forming an integral part of it to the Council, the Commission, the Court of Auditors and the European Investment Bank, and to arrange for their publication in the *Official Journal of the European Union* (L series).

¹⁴ OJ L 307, 3.12.2018, p. 1.

2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the closure of the accounts of the ninth, tenth and eleventh European Development Funds for the financial year 2022 (2023/2183(DEC))

The European Parliament,

- having regard to the financial statements and revenue and expenditure accounts for the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2022 (COM(2023)0392 – C9-0000/2023),
- having regard to the financial information on the European Development Funds (COM(2023)0000),
- having regard to the Court of Auditors' annual report on the activities funded by the ninth, tenth and eleventh European Development Funds for the financial year 2022, together with the Commission's replies¹,
- having regard to the statement of assurance² as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2022, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendations of February 2024 on discharge to be given to the Commission in respect of the implementation of the operations of the European Development Funds for the financial year 2022 (0000 – C9-2024, 0000 – C9-2024, 0000 – C9-2024, 0000 – C9-0000),
- having regard to the Commission's report on the follow-up to the discharge for the 2021 financial year (COM(2023)384),
- having regard to the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States, of the one part, and the European Community and its Member States, of the other part, signed in Cotonou (Benin) on 23 June 2000³ and amended in Ouagadougou (Burkina Faso) on 22 June 2010⁴,
- having regard to Council Decision 2013/755/EU of 25 November 2013 on the association of the overseas countries and territories with the European Union ('Overseas Association Decision')⁵,
- having regard to Council Decision (EU) 2021/1764 of 5 October 2021 on the association of the Overseas Countries and territories with the European Union including relations between the European Union on the one hand, and Greenland and the

¹ OJ C ..., ..., p.

² OJ C ..., ..., p.

³ OJ L 317, 15.12.2000, p. 3.

⁴ OJ L 287, 4.11.2010, p. 3.

⁵ OJ L 344, 19.12.2013, p. 1.

Kingdom of Denmark on the other (Decision on the Overseas Association, including Greenland)⁶,

- 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 Convention⁷,
- 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 applies⁸,
- having regard to Article 11 of the Internal Agreement of 24 and 26 June 2013 between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020 in accordance with the ACP-EU Partnership Agreement and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies⁹,
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Article 74 of the Financial Regulation of 16 June 1998 applicable to development finance cooperation under the fourth ACP-EC Convention¹⁰,
- having regard to Article 119 of the Financial Regulation of 27 March 2003 applicable to the 9th European Development Fund¹¹,
- having regard to Article 50 of Council Regulation (EC) No 215/2008 of 18 February 2008 on the Financial Regulation applicable to the 10th European Development Fund¹²,
- having regard to Article 48 of Council Regulation (EU) 2015/323 of 2 March 2015 on the financial regulation applicable to the 11th European Development Fund¹³,
- having regard to Article 42 of Council Decision (EU) 2018/1877 of 26 November 2018 on the financial regulation applicable to the 11th European Development Fund, and repealing Regulation (EU) 2015/323¹⁴,

⁶ OJ L 355, 7.10.2021, p. 6.

⁷ OJ L 156, 29.5.1998, p. 108.

⁸ OJ L 317, 15.12.2000, p. 355.

⁹ OJ L 210, 6.8.2013, p. 1.

¹⁰ OJ L 191, 7.7.1998, p. 53.

¹¹ OJ L 83, 1.4.2003, p. 1.

¹² OJ L 78, 19.3.2008, p. 1.

¹³ OJ L 58, 3.3.2015, p. 17.

¹⁴ OJ L 307, 3.12.2018, p. 1.

- having regard to Rule 99 and the third indent of Rule 100 of, and Annex V to, its Rules of Procedure,
 - having regard to the opinion of the Committee on Development,
 - having regard to the report of the Committee on Budgetary Control (A9-0000/2024),
1. Approves the closure of the accounts of the, ninth, tenth and eleventh European Development Funds for the financial year 2022 / Postpones the closure of the accounts of the ninth, tenth and eleventh European Development Funds for the financial year 2022;
 2. Instructs its President to forward this decision to the Council, the Commission, 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 discharge in respect of the implementation of the budget of the ninth, tenth and eleventh European Development Funds for the financial year 2022
(2023/2183(DEC))**

The European Parliament,

- having regard to its decision on discharge in respect of the implementation of the budget of the ninth, tenth and eleventh European Development Funds for the financial year 2022,
 - having regard to Rule 99 and the third indent of Rule 100 of, and Annex V to, its Rules of Procedure,
 - having regard to the opinion of the Committee on Development,
 - having regard to the report of the Committee on Budgetary Control (A9-0000/2024),
 - having regard to the report of the Committee on Budgetary Control (A9-0446/2023),
 - having regard to European Court of Auditors Special Report No 35/2018,
- A. whereas Union development cooperation, as referred to in Articles 208 to 211 of the Treaty on the functioning of the European Union (TFEU), operates in a global context, defined by United Nations 2030 Agenda for Sustainable Development (‘Agenda 2030’) and its Sustainable Development Goals (SDGs);
- B. whereas the Union has cooperative relations with a large number of developing countries, the main objective being to promote economic, social and environmental development, with the primary aim of reducing and eradicating poverty in the long-term by providing beneficiary countries with development aid and technical assistance;
- C. whereas, from 1959 and until 2020, the European Development Funds (EDFs) provided development cooperation aid to the African, Caribbean and Pacific (ACP) countries and overseas countries and territories (OCTs); whereas the framework governing the Union’s relation with the ACP countries and OCTs was a partnership agreement signed in Cotonou (‘the Cotonou Agreement’) on 23 June 2000 for a period of 20 years, later temporarily extended; whereas the Samoa Agreement was signed on 15 November 2023;
- D. whereas the eleventh EDF has reached its final stage as its sunset clause came into effect on 31 December 2020; whereas, however, specific contracts for existing financing agreements will still be signed until 31 December 2023, and the implementation of the ongoing projects funded by the EDF will continue until their final completion;
- E. whereas, for the 2021-2027 MFF, development cooperation aid to ACP countries is integrated in the Neighbourhood, Development and International Cooperation

Instrument Global Europe ('NDICI-Global Europe') and development cooperation aid into the OCTs is incorporated into the Decision on the Overseas Association, including Greenland;

- F. whereas the ninth, tenth and eleventh EDFs were not incorporated into the Union general budget and continue to be implemented and reported on separately until their closure;
- G. whereas the EDFs are managed almost entirely by the Commission's Directorate-General for International Partnerships (DG INTPA)¹ with a small proportion (5%) of the 2022 EDF expenditure being managed by the Directorate-General for European Civil Protection and Humanitarian Aid Operations (DG ECHO);
- H. whereas development cooperation is evolving from a more traditional donor-recipient model towards a stronger emphasis on mutual interests, covering not only social sectors but also sustainable investment, trade, and the development of high value-added economic sectors, and on international partnerships to tackle global challenges;
- I. whereas by means of a Team Europe approach , the Union works together with the Member States in the field, with local beneficiaries and with the other donors to bring a tangible impact and transformation change in the partner countries;

Budget implementation

1. Notes that, in 2022, the financial implementation for the 10th and 11th EDF (individual commitments: EUR 853 million and payments EUR 2 386 million) was marked by the Council Decision EU 2022/1223 to reuse EUR 600 million of decommitted funds from the 10th and 11th EDF;
2. Observes that the EDF represents 33.2 % of the portfolio of DG INTPA in terms of payments in 2022, which amounted to EUR 2 452 million (i.e., 98,08 % of the annual target); notes that European Investment Bank (EIB) payments amounted to EUR 461 million; observes that, since the sunset clause of the eleventh EDF elapsed on 31 December 2020, there were no new commitments in 2022, with the exception of commitments of the funds stemming from the reuse of the 10th & 11th EDF reserve under the Council Decision 2022/1223, regarding the special measures for the EU response to the food security crisis and economic shock in African, Caribbean and Pacific (ACP) countries; notes that EIB payments concerning the ACP Investment Facility amounted to EUR 400 million;
3. Points out that 60% of the contracts have been closed under the eleventh EDF, and that the Commission should complete the closing of the 9th EDF in 2024; notes the progress in the closing of the 10th EDF with 95.2% of the contracts closed;
4. Notes the efforts of DG INTPA to reduce old pre-financing with a target of 40 % and old unspent commitments with a target of 35 %; notes that DG INTPA exceeded the target by reducing the EDF's old pre-financing by 54, 31 % and by 52, 51 % for both the EDF's old unspent commitments and across its entire area of responsibility; notes that on unspent

¹ DG DEVCO became DG INTPA in January 2021

commitments it achieved the target of 35 % for the EDFs with 36, 83%;

5. Regrets however that according to the Court's report the DG INTPA's KPI on reducing old pre-financing does not take into consideration the number of years for which each pre-financing transaction has remained open, therefore the Court considers that achievement of this KPI did not reflect the difficulties it had encountered in clearing older pre-financing transactions, some of which had been open for up to 12 years; notes the Commission's reply that as to the ageing of open invoices and pre-financings that have remained uncleared for up to 12 years, the majority of these old pre-financings are linked to litigation cases, and that the Commission has already put in place annual controls and is using a Portfolio Dashboard allowing staff to monitor these open transactions, which was updated in October 2023; calls on the Commission to provide a detailed report to the European Parliament and the Court specifically addressing these litigation cases, including an explanation concerning their origins and context, as well as a plan how to reduce and minimise litigation cases in the future; regrets that the Court did not probe the litigation cases and calls upon the Court to do so in its next audit report;
6. Notes that DG INTPA achieved its target of having not more than 13 % of old expired contracts for the EDF; notes that it achieved a score of 10, 56 % for the EDF and 8, 39% for the EU general budget;
7. Points out that the amount of outstanding commitments of the EDFs reached 12.6% or 8 250 million EUR in 2022;

Impact of the activities in the financial statements

8. Notes that pre-financing experienced a decrease of EUR 239 million largely as a result of fewer advances paid out due to the decrease in the number of contracts signed (EUR 2 118 million in 2021 compared to EUR 853 million in 2022), and that, consequently, cash and cash equivalents increased by EUR 34 million as a result of the decrease in pre-financing and other payments;
9. Notes an increase of EUR 123 million of accrued charges as a result of the increase in the number of open contracts at the end of the year for which no cost claims were validated by year-end and thus expenses had to be estimated;
10. Notes, furthermore, the overall decrease in operating expenses of EUR 74 million mainly as a result of the winding down of the Trust Funds which resulted in a decrease in the contributions needed to cover their expenses, and that the expenses relating to emergency aid increased as decommitted funds from the 10th and 11th EDF were reused to combat the negative effects of the war in Ukraine;
11. Underlines, that as regards the impact of the United Kingdom's withdrawal from the European Union, the Court concluded that there is no financial impact to report on the 2022 EDF accounts and that the EDF accounts as at 31 December 2022 correctly reflect the state of the withdrawal process at that date;

Reliability of the accounts

12. Notes that the budget of the 9th EDF (2000-2007) was only EUR 13.8 billion, and that the 10th EDF (2008-2013) nearly doubled to EUR 22.7 billion, and that the 11th EDF

provides a staggering EUR 30.5 billion, of which EUR 29.1 billion has been allocated to the ACP countries and EUR 0.4 billion to the OCTs, with EUR 1 billion for administrative costs;

13. Takes note of the Commission's announcement to close the 8th EDF made in October 2021; points out that, in the annual accounts of the EDF for the financial year 2022, the Commission indicated that all 8th EDF activities had been completed and that all contracts and financial decisions had been closed in the EDF accounts and the remaining open recovery orders had been transferred to the 9th EDF; notes, however, that financial information on the 8th EDF still appeared in the accounts, and some 8th EDF balances were still open in 2022; regrets that the full accounting closure of the 8th EDF therefore did not take place in a timely manner;
14. Notes the fact that the Court, in its annual report on the activities funded by the ninth, tenth and eleventh EDFs for the financial year of 2022, concludes that the accounts for the financial year ending 31 December 2022 present 'fairly, in all material respects', the EDFs' financial position, the results of their operations, their cash flows and the changes in their net assets for the year then ended, in accordance with the provisions of the Council Regulation (EU) 2018/1877² ('EDF Financial Regulation') and the accounting standards for the public service;

Legality and regularity of the transactions underlying the accounts

15. Takes note of the Court's opinion, according to which the revenue underlying the accounts for the year ended 31 December 2022 is legal and regular in all material respects;
16. Reiterates its concern over the many possible reasons for the succession of adverse opinions of the Court on the legality and regularity of expenditure due to the fact that the expenditure accepted in the accounts for the year ended 31 December 2022 is materially affected by error;
17. Notes that to audit the regularity of transitions, the Court examined a sample of 140 transactions, representing the full range of spending from the EDF; notes, furthermore, that this comprised 27 transactions related to the Emergency Trust Fund for Africa, 98 transactions authorised by 20 EU delegations³ and 15 payments approved by Commission headquarters;
18. Notes with concern that, out of the 140 transactions examined, 57 (40, 7 %) contained errors, compared to 54 (38, 8 %) in 2021 for the same number of transactions; stresses, moreover, that the Court quantified 48 errors (43 in 2021), on the basis of which it estimated the level of error for the financial year 2022 to be 7, 1 % (4, 6% in 2021);
19. Notes with concern that by typology of errors the estimated level of errors in the financial year 2022 related to expenditure not incurred was 51 % (14,9% in 2021), to ineligible expenditure was 24 % (38,6% in 2021), to serious failure to respect public procurement rules was 16 % (14,6% in 2021), to absence of essential supporting documents was 7%

² Council Regulation (EU) 2018/1877 of 26 November 2018 on the financial regulation applicable to the 11th European Development Fund, and repealing Regulation (EU) 2015/323 (OJ L 307, 3.12.2018, p. 1).

³ Benin, Botswana, Burkina Faso, Djibouti, Ethiopia, Fiji, Gabon, São Tomé and Príncipe, Guinea-Bissau, Haiti, Côte d'Ivoire, Liberia, Madagascar, Malawi, Nigeria, Tanzania, The Gambia, Togo, Uganda and Zimbabwe.

(23,3% in 2021) and related to other types of errors was 2% (8,6 % in 2021); highlights that errors such as expenditure not incurred is mostly due to deficiencies in the EU delegations' control systems;

20. Is concerned that Benin's EDF national authorising officer awarded a contract to a consultancy company to strengthen civil society involvement in the country, in serious breach of the public procurement rules; notes with concern that according to the Commission, the Evaluation Committee used its "discretionary power" to apply a calculation method which was not sufficiently documented in the procedure; recalls that the Qatargate scandal has revealed the role of non-profit organisations and civil society in corruption; recalls that European Court of Auditors Special Report No 35/2018 warns that the Commission does not have sufficiently detailed information on how the money is spent on civil society organisations, recalls the report of the Budgetary Control Committee A9-0446/2023 on the transparency and accountability of non-governmental organisations; calls on the Court to produce a special report on EU funds being funnelled into civil society organisations, and to propel the Evaluation Committee and its discretionary powers concerning public procurement procedures, as well as any contacts and ties between the Evaluation Committee, including its members, and civil society organisations and other non-governmental organisations;
21. Notes with concern that the estimated level of error systematically surpasses the materiality threshold (2%); notes with concern that, compared to the financial year of 2021, the increase in the estimated level of error is of 2,5 % compared to the increase of 0,8% between the financial years 2020 and 2021;

Transparency and effectiveness of the monitoring and assurance systems

22. Notes with concern that the Commission and its implementing partners committed more errors in transactions relating to programme estimates and grants and to contribution and delegation agreements with beneficiary countries, international organisations and member state agencies; notes, in addition that out of the 99 transactions of this type examined by the Court, 46 contained quantifiable errors, which accounted for 86 % of the estimated level of error;
23. Notes that, according to the Court's report, in 23 cases of quantifiable error and five cases of non-quantifiable error the Commission had sufficient information to prevent, or to detect and correct the error before accepting the expenditure; notes, moreover, that, according to the Court's assessment, had the Commission made proper use of all the information at its disposal, the estimated level of error would have been 5,5 percentage points lower, compared to 2,4 percentage points lower in 2021;
24. Notes that, according to the Court's report, 22 transactions containing quantifiable errors, contributing 2,3 percentage points to the estimated level of error, were subject to an audit or expenditure verification; notes, furthermore, that DG INTPA's control system is based on ex ante checks, and that the information provided in the audit/verification reports describing the work actually done did not allow the Court to assess whether the errors could have been detected and corrected during these ex ante checks, as the reports do not cover 100% of the reported expenditure, nor do they give sufficient detail to confirm whether the items where the Court identified errors had been part of the ex-ante checks;
25. Underlines that the Court identified two spending areas where transactions are less prone

to errors due to specific payment conditions: (a) budget support and (b) multi-donor projects implemented by international organisations and subject to the ‘notional approach’; notes that, in 2022, the Court audited two budget support transactions and eight ‘notional approach’ projects managed by international organisations;

26. Is concerned that, as in previous years, some international organisations provided only limited access to documents (e.g., in read-only format), which hindered the planning, execution and quality control of ECA audit and led to delays; notes that control issues were discussed with UN entities and the World Bank on several occasions, including in the context of joint technical reference group meetings and the EU-UN FAFA working group, and that Joint Technical Groups were set up to discuss regularly audit and control issues;
27. Notes that DG INTPA’s eleventh residual error rate (RER) study, carried out by an external contractor on its behalf in 2022, estimated the overall RER to be below the 2% materiality threshold set by the Commission for the seventh year in a row: 1,15% (1,14% in 2021);
28. Stresses that, according to Court’s assessment, the RER study does not constitute an assurance engagement or an audit and is based on the RER methodology and manual provided by DG INTPA; stresses, furthermore, that, as in previous years, the Court has found limitations in the study; notes that the Court, by reviewing the calculation method used in the 2022 RER study, considered that the RER was underestimated and that the Court’s calculation yielded an RER of 1,35 % ; notes, furthermore, the Court’s opinion, as in previous years, that the RER methodology allows the contractor to rely entirely on the results of DG INTPA’s management checks, and that placing reliance on the work of other auditors is contrary to the purpose of an RER study;
29. Notes that, from 2018, DG INTPA significantly reduced the scope of reservations (i.e., the share of expenditure covered by them) in the annual activity reports (AARs) and that, similarly, the 2022 AAR does not include any reservations; notes that the Court finds the lack of reservations in the 2022 AAR unjustified and considers that it results partly from the limitations of the RER study;
30. Notes that DG INTPA estimates the overall amount at risk at payment to be EUR 83.3 million (1, 4 % of 2022 expenditure) and the overall amount at risk at closure to be EUR 71.7 million; notes, furthermore, that, the amount at risk at payment, DG INTPA estimates that EUR 11.6 million (19 %) will be corrected by its checks in subsequent years (this amount is known as the ‘corrective capacity’);
31. Notes that DG INTPA’s 2022 Action Plan addressing identified control weaknesses and high risks include the improvement of the follow up of ECA/RER findings and that new versions of the RER manual and methodology were adopted in September 2022 to address issues raised in the previous Court’s observations; regrets, however, that the Commission does not accept the recommendation, included in the 2022 Court’s annual report, to improve the RER methodology and verify its proper application as it sees no necessity to change the methodology used for the RER study for the extrapolation of high-value items;

Fraud prevention, detection and correction

32. Notes that, since 2014, DG INTPA has developed and implemented its own anti-fraud

strategy on the basis of the methodology provided by the European Anti-Fraud Office (OLAF); regrets that DG INTPA decided to postpone the mid-term assessment of its anti-fraud strategy (initially planned in 2022) due to several ongoing auditing and updating exercises led by the IAS, ECA and OLAF; notes, moreover, that DG INTPA implemented 90% of the accompanying action plan, and that all actions have been implemented within the deadlines announced, apart from exploring with OLAF the possibility of circulating anonymised examples of fraud cases within the Commission internal network, which was implemented in 2023;

33. Notes that DG INTPA also contributed to the Commission anti-fraud strategy and followed up to OLAF's financial recommendations issued in 2018-2022 resulting in the closure of only 24% of financial recommendations and the follow-up of 76% of financial recommendations; notes, moreover, the results achieved during 2022, such as the entry into force of new internal guidelines on the handling of fraud-related information, reinforced appointing system of DG INTPA's anti-fraud network, launch of external awareness actions towards DG INTPA's implementing partners and beneficiaries, continued update of all internal webpages, manuals and databases, and annual note to all staff on professional ethics standards, fraud prevention and detection, and rules for disclosure of information;
34. Notes that, at the end of 2022, DG INTPA was aware of 24 on-going investigations, and was informed by OLAF of the closure of 6 investigations with financial and/or administrative recommendations, 7 without recommendation, and the transfer of 2 cases to the European Public Prosecutor's Office; notes that DG INTPA systematically transmitted all cases of suspected fraud or irregularity to OLAF and followed closely all financial recommendations notified by OLAF;
35. Notes that the first priority objective of DG INTPA's anti-fraud strategy 2021-2024 is to increase internal and external awareness on fraud-related issues, including through training opportunities; regrets however that the Court ECA found a lack of fraud prevention training in their mission to four delegations (staff had not received training in fraud prevention training in the past 5 years);
36. Welcomes the fact that DG INTPA has optimised the use of the Early Detection and Exclusion System (EDES) as fraud-sanctioning tool and enhanced the anti-fraud measures related to budget support;

Union budget support

37. Notes that the budget support payments made under EDF in 2022 amounted to EUR 105.2 million;
38. Highlights that, in the past 3 years, EU budget support has provided payments of EUR 6 billion overall – EUR 3 billion in 2020, EUR 1.2 billion in 2021 and EUR 1.8 billion in 2022; notes, furthermore, that budget support accounted for 15 % of the European Commission's payments within the framework of the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI – Global Europe), the Instrument for Pre-accession Assistance (IPA III), the decision on the overseas association including Greenland (DOAG) or under predecessor instruments;
39. Notes that in 2022, the European neighbourhood became the largest recipient of budget

support (38 %), followed by sub-Saharan Africa (24 %), Asia (18 %), the western Balkans (8 %), Latin America (6 %), the Caribbean (2 %), overseas countries/territories (2 %) and the Pacific region (2 %), and that by contract type, sector reform performance contracts (SRPCs) outweigh state- and resilience-building contracts (SRBCs) and SDG contracts (SDG-Cs), with 74 % of the portfolio in value compared to 24.5 % and 1.5 % respectively;

40. Recalls that the Court's regularity audit⁴ cannot cover what happens beyond the moment the Commission pays budget support to the recipient country, since these funds then merge with that country's own budget resources;
41. Notes that in 2022 the two largest budget support recipients were Morocco and Tunisia; recalls that Tunisia denied entry to an official delegation of the European Parliament Foreign Affairs Committee in September 2023 and has been the first country to ever do so; recalls that Morocco is at the centre of the Qatargate scandal and that a senior member of the Moroccan royal family features prominently in the Pandora Papers; urges therefore for the EDF support to these countries to be substantially lowered until all concerns regarding human rights abuses, corruption and tax evasion have been properly addressed;
42. Notes that Ukraine came out as the third budget support portfolio in 2022, with nearly EUR 800 million of ongoing operations;

Follow-up to the 2021 discharge

43. Notes from the Commission follow-up report to the 2021 discharge that the digitalisation of controls in external action is ongoing, with the view to adopt the corporate practices and tools and that the upcoming transition to the corporate eAudit will facilitate a more systematic and integrated monitoring of findings from audits and verifications facilitating thus a more holistic follow-up process;
44. Notes that joint trainings with UN staff have resumed in 2023, and the Commission has agreed with the UN to set up Joint Technical Groups to discuss regularly audit and control issues and that the Commission will continue to take action to find practical and long-term solutions to these issues;
45. Notes that in 2022, DG INTPA assessed the systemic findings in expenditure verifications of actions implemented by 20 (twenty) globally operating International Organisations whose audit task management is centralised and that it shared its findings, as well as proposed mitigating measures, with relevant HQ and Delegation staff in January 2023;
46. Notes that the Commission and its partner institutions (including development financial institutions and development agencies) actively engage with local private sector organisations to discuss challenges and opportunities to increase access to finance through financial instruments such as blended finance operations, and that policy dialogue is held in partnerships with partner countries through the European Union Delegations and National Investment Forums;

⁴ ECA Special Report 25/2019: Data quality in budget support: weaknesses in some indicators and in the verification of the payment for variable tranches.

47. Echoes the recommendations to the Commission made by the Court:
- a) to check that accounting balances for closed EDFs are cleared in a timely manner;
 - b) to ensure that pre-financing and invoices are cleared in a timely manner in the annual accounts;
 - c) to take measures to improve EU delegations' controls systems for the clearing of pre-financing;
 - d) to reiterate the obligation to comply with VAT rules and carry out appropriate checks;
 - e) to strengthen ex ante controls before accepting expenditure;
 - f) to improve the RER methodology and verify its proper application.