

## **EDF (1998 discharge)**

**A5-0167/2000**

### **I. European Parliament decision giving discharge to the Commission in respect of the financial management of the sixth, seventh and eighth European Development Funds for the 1998 financial year (COM(1999) 227 – C5-0003/1999 – 1999/2004(DEC))**

*The European Parliament,*

- having regard to the balance sheets and accounts of the sixth, seventh and eighth EDF for the financial year 1998 (COM(1999) 227 – C5-0003/1999),
  - having regard to the Convention signed in Lomé on 31 October 1979 (sixth EDF, Lomé II)<sup>1</sup>,
  - having regard to the Convention signed in Lomé on 8 December 1984 (seventh EDF, Lomé III)<sup>2</sup>,
  - having regard to the Convention signed in Lomé on 15 December 1989 (eighth EDF, Lomé IV)<sup>3</sup>,
  - having regard to the Convention signed in Mauritius on 4 November 1995 (eighth EDF, Lomé IV bis)<sup>4</sup>,
  - having regard to the Annual report of the Court of Auditors for the 1998 financial year, and the replies of the institutions (C5-0266/1999)<sup>5</sup>,
  - having regard to the recommendation of the Council of 13 March 2000 (C5-0154/2000),
  - having regard to Article 276 of the EC Treaty,
  - having regard to Rule 93 and Annex V of its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control (A5-0167/2000),
1. Gives the Commission discharge in respect of the implementation of the sixth, seventh and eighth EDF for the 1998 financial year;
  2. Records its comments in the resolution which forms part of this decision;
  3. Instructs its President to forward this decision and the resolution containing its comments to the Commission, the Council, the Court of Justice, the Court of Auditors, the European Investment Bank and to each of the other relevant Community bodies and to have them published in the Official Journal (L series).

---

<sup>1</sup> OJ L 347, 22.12.1980, p. 1.

<sup>2</sup> OJ L 86, 31.3.1986, p. 1.

<sup>3</sup> OJ L 229, 17.8.1991, p. 1.

<sup>4</sup> OJ L 156, 29.5.1998, p. 1.

<sup>5</sup> OJ C 349, 3.12.1999, p. 1.

**II. European Parliament decision closing the accounts of the sixth, seventh and eighth European Development Funds for the 1998 financial year (COM(1999) 227 – C5-0003/1999 – 1999/2004(DEC))**

*The European Parliament,*

- having regard to Article 276 of the EC Treaty,
  - having regard to Article 89 of the Financial Regulation, under which each Community Institution is required to take all appropriate steps to take action on the comments appearing in the decisions giving discharge,
  - whereas under the same article the institutions are also required to report, at Parliament's request, on the measures taken in the light of these comments and, in particular, on the instructions given to those of their departments which are responsible for the implementation of the budget,
  - having regard to the recommendation of the Council of 13 March 2000 (C5-0154/2000),
  - having regard to the report of the Committee on Budgetary Control (A5-0167/2000),
1. Notes that the authorised revenue and expenditure for the 1998 financial year amounted to EUR 1 469 million;
  2. Notes that the balance sheets and use of resources for the sixth, seventh and eighth EDF at 31 December 1998 were as follows:

**BALANCE SHEET OF 6<sup>TH</sup> EDF AT 31 DECEMBER 1998 (€ '000)**

<b>ASSETS</b>	<b>SITUATION AS AT 31.12.1998</b>
<i>LONG-TERM</i>	
Initial allocation	7.500.000,00
EIB special contribution	60.000,00
<i>CURRENT</i>	
Stabex debts to be recovered from MS	669.144,99
Interest for late payment of EDF contributions	1.856,86
Treasury advance to 7 <sup>th</sup> EDF	451.135,52
Advances	26.654,88
Cash at bank	714.103,51
<b>Total assets</b>	<b>1.862.895,76</b>
<b>LIABILITIES</b>	
<i>FUND CAPITAL</i>	
Initial allocation	7.500.500,00
EIB special contribution	60.000,00
Other resources	322.613,75
<i>EXPENDITURE PAID</i>	
Expenditure already booked	6.931.513,53
Expenditure to be regularised	12.706,38
<i>CREDITORS</i>	
Revenue to be regularised	-

**BALANCE SHEET OF 6<sup>TH</sup> EDF AT 31 DECEMBER 1998 (€ '000)**

<b>ASSETS</b>	<b>SITUATION AS AT 31.12.1998</b>
Total liabilities	<b>1.862.895,76</b>

**USE OF RESOURCES – 6<sup>th</sup> EDF AT 31.12.1998**

BREAKDOWN OF FUNDS

	<b>INITIAL APPROPRIATION</b>	<b>RESOURCES OR DEDUCTIONS AT 31.12.1997</b>	<b>RESOURCES OR DEDUCTIONS DURING 1998</b>	<b>NEW SITUATION</b>
<b>TOTAL ACP</b>	7.400.000.000,00	418.087.485,12	39.000.384,57	7.779.087.100,55
<b>TOTAL OCT</b>	100.000.000,00	3.526.646,39	0,00	103.526.646,39
<b>TOTAL</b>	<b>7.500.000.000,00</b>	<b>421.614.131,51</b>	<b>39.000.384,57</b>	<b>7.882.613.746,94</b>

**BALANCE SHEET OF 7<sup>th</sup> EDF AT 31 DECEMBER 1998 (€ '000)**

<b>ASSETS</b>	<b>SITUATION AS AT 31.12.1998</b>
<i>LONG-TERM</i>	
Initial allocation	10.940.000,00
Contributions received	6.300.000,00
<i>CURRENT</i>	
Debtors	0,00
Cash at bank	0,00
<b>Total assets</b>	<b>4.640.000,00</b>
<b>LIABILITIES</b>	
<i>FUND CAPITAL</i>	
Initial allocation	10.940.000,00
Other resources	642.984,64
<i>EXPENDITURE PAID</i>	
Expenditure already booked	7.394.120,16
<i>CREDITORS</i>	
Treasury advance from 6 <sup>th</sup> EDF	451.135,52
<b>Total liabilities</b>	<b>4.640.000,00</b>

**USE OF RESOURCES – 7<sup>th</sup> EDF AT 31.12.1998**

BREAKDOWN OF FUNDS

	<b>INITIAL APPROPRIATION</b>	<b>RESOURCES OR DEDUCTIONS AT 31.12.1997</b>	<b>RESOURCES OR DEDUCTIONS DURING 1998</b>	<b>NEW SITUATION</b>
<b>TOTAL ACP</b>	10.800.000.000,00	819.417.031,44	205.063.426,07	11.414.353.605,37
<b>TOTAL OCT</b>	140.000.000,00	14.800.964,10	0,00	154.800.964,10
<b>SUNDRY REVENUE</b>	0,00	51.070.499,79	37.240.430,95	13.830.068,84
<b>TOTAL</b>	<b>10.940.000.000,00</b>	<b>885.288.495,33</b>	<b>242.303.857,02</b>	<b>11.582.984.638,31</b>

**BALANCE SHEET OF 8<sup>TH</sup> EDF AT 31 DECEMBER 1998 (€ '000)**

<b>ASSETS</b>	<b>SITUATION AS AT 31.12.1998</b>
<i>LONG-TERM</i>	
Initial allocation	12.840.000,00
Contributions called upon	1.080.000,00
Contributions still to be called upon	11.760.000,00
<b>Total assets</b>	<b>11.760.000,00</b>
<b>LIABILITIES</b>	
<i>FUND CAPITAL</i>	
Initial allocation	12.840.000,00
Other resources	311.117,78
<i>EXPENDITURE PAID</i>	
Expenditure already booked	466.620,75
Treasury advances from 6 <sup>th</sup> EDF	924.497,03
<b>Total liabilities</b>	<b>11.760.000,00</b>

**USE OF RESOURCES – 8<sup>th</sup> EDF AT 31.12.1998**

BREAKDOWN OF FUNDS

	<b>INITIAL APPROPRIATION</b>	<b>RESOURCES OR DEDUCTIONS AT 31.12.1997</b>	<b>RESOURCES OR DEDUCTIONS DURING 1998</b>	<b>NEW SITUATION</b>
<b>TOTAL ACP</b>	12.967.000.000,00		19.117.785,43	12.986.117.785,43
<b>TOTAL OCT</b>	165.000.000,00		0,00	165.000.000,00
<b>TOTAL</b>	<b>13.132.000.000,00</b>		<b>19.117.785,43</b>	<b>13.151.117.785,43</b>

3. Closes the accounts relating to the implementation of the sixth, seventh and eighth EDF for the 1998 financial year;
4. Instructs its President to forward this decision to the Commission, the Council, the Court of Justice, the Court of Auditors, the European Investment Bank and to each of the other relevant Community bodies, and to have them published in the Official Journal (L series).

**III. European Parliament resolution containing its comments accompanying the European Parliament decision giving discharge to the Commission in respect of the sixth, seventh and eighth European Development Funds for the 1998 financial year (COM(1999) 227 – C5-0003/1999 – 1999/2004(DEC))**

*The European Parliament,*

- having regard to the balance sheets and accounts of the sixth, seventh and eighth EDF for the 1998 financial year (COM(1999) 227 – C5-0003/1999),
- having regard to the Convention signed in Lomé on 31 October 1979 (sixth EDF, Lomé II)<sup>1</sup>,
- having regard to the Convention signed in Lomé on 8 December 1984 (seventh EDF,

<sup>1</sup> OJ L 347, 22.12.1980, p. 1.

- Lomé III)<sup>1</sup>,
- having regard to the Convention signed in Lomé on 15 December 1989 (eighth EDF, Lomé IV)<sup>2</sup>,
  - having regard to the Convention signed in Mauritius on 4 November 1995 (eighth EDF, Lomé IV bis)<sup>3</sup>,
  - having regard to the report of the Court of Auditors for the 1998 financial year, and the replies of the institutions (C5-0266/1999)<sup>4</sup>,
  - having regard to the recommendation of the Council of 13 March 2000 (C5-0154/2000),
  - having regard to its resolution of 13 April 2000 on postponement of the decision concerning discharge to the Commission in respect of the financial management of the sixth, seventh and eighth European Development Funds for the financial year 1998 (COM(1999) 227 – C5-0003/1999-2004)<sup>5</sup>, pending a commitment to enact a series of recommendations in an Action Plan before 15 May 2000;
  - having regard to the Commission's Action Plan responding to each of the points raised by Parliament adopted formally by the Commission on 10 May 2000 and duly transmitted to the Committee on Budgetary Control;
  - having regard to Article 276 of the EC Treaty,
  - having regard to Rule 93 and Annex V of its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control (A5-0167/2000),
- A. whereas external pressure from Parliament has helped the Commission to deal rapidly with a number of cases of negligence and irregularity within its management of the European Development Fund,
- B. whereas in the past Parliament, the Anti-Fraud Office and the Court of Auditors were not systematically informed by the Commission of alleged or *prima facie* cases of fraud or negligence in development aid programmes, leaving Parliament on a number of occasions to uncover irregularities and alert the other two bodies,
- C. whereas the Commission has announced that in future it will inform Parliament's Committee on Budgetary Control, the Anti-Fraud Office and the Court of Auditors of its audit and evaluation work programmes, detected irregularities and corrective measures taken or planned,
- D. whereas general weaknesses in the use of aid were illustrated in the implementation of Structural Adjustment Support programmes in a number of countries whereby the use of counterpart funds suffered at times from inadequate management, poor supervision and

---

<sup>1</sup> OJ L 86, 31.3.1986, p. 1.

<sup>2</sup> OJ L 229, 17.8.1991, p. 1.

<sup>3</sup> OJ L 156, 29.5.1998, p. 1.

<sup>4</sup> OJ C 349, 3.12.1999, p. 1.

<sup>5</sup> Texts Adopted, Item 8.

insufficient evaluation,

- E. whereas the Commission intends in future to draw up Memoranda of Understanding with beneficiary governments setting out their obligations, including corrective measures, the first such Memorandum of Understanding having been signed in Côte d'Ivoire on 7 September 1999,
- F. whereas the Commission has undertaken to inform Parliament of the recovery of ineligible expenditure for six other countries as soon as final audit reports have been completed,
- G. whereas when mismanaged funds are recovered from beneficiary country authorities, the Commission should try to ensure equivalent supplementary financing to NGOs operating in this country,
- H. whereas some Commission delegation staff appear, in a number of instances, to have failed to act as an effective first line of control against misuse of funds; whereas the Commission is carrying out a substantial reform which also affects staff and the duties of its delegations,
- I. whereas the Commission is looking to make radical improvements in the speed, quality and impact of external aid programmes by overhauling its approach to assistance and reunifying the project cycle in the hands of a single external body, Europe Aid, which will replace the Joint Relex Service created in July 1998, and by devolving greater power to the delegations,
- J. whereas following Parliament's insistence on zerotolerance of fraud the Commission has promised to recover embezzled funds and launch administrative enquiries into the role of delegation staff in irregularities and has made a commitment to open disciplinary proceedings on the basis of evidence of involvement in or cover-up of the fraudulent use of Community funds,
- K. whereas the central Internal Audit Service created on 1 May 2000 will not be fully staffed before the end of 2000,
- L. whereas the Commission will improve the flow of information to ensure that feedback from often expensive and time-consuming evaluation reports is systematically used in the design of programmes and projects,
- M. whereas the Court of Auditors, in its annual report for 1995<sup>1</sup>, reminded the Commission that supervision is primarily the task of the delegation in each country concerned and called explicitly for improvements in monitoring by delegations and strengthening of controls in national administrations through the systematic supply of technical assistants,
- N. whereas, in a follow-up enquiry in 1999, the Court of Auditors found that a number of problems flagged earlier were still persisting, with a general failure by the Commission to appraise service providers, to analyse costs or to evaluate technical cooperation,
- O. whereas on 4 May 1999 Parliament gave discharge in respect of the sixth and seventh

---

<sup>1</sup> OJ C 340, 12.11.1996, p. 1.

European Development Funds for the 1997 financial year<sup>1</sup> based on firm commitments that the Joint Relex Service would show a more robust and systematic approach for tendering, executing, audit and evaluations, that delegation staff would carry out more rather than fewer checks, evaluations would measure the quality of impact rather than the quantity of inputs, that a decentralised accounting system would be introduced to ensure a tighter grip on financial controls, and that technical assistance to National Authorising Officers would be reinforced,

- P. whereas the Commission has assured Parliament that it will continually strive to learn from best practice on audit and evaluation systems of Member States in response to the call for a benchmarking exercise,
- Q. whereas its Committee on Budgetary Control and the Committee on Development and Cooperation have worked in close cooperation during the 1998 EDF discharge procedure so that budgetary control and development policy aspects were taken into account during the appraisal of the Commission's performance in 1998, as well as its Action Plan,

### ***Adoption of Action Plan***

1. Acknowledges that the Commission has taken a first step in the process of reforming external relations, both at its headquarters and in its delegations, by seeking to address problems in the delivery of external aid and expects, therefore, that this reform will result in the effective management of funds by both the Commission and local authorities and will help final beneficiaries towards the goal of sustainable development;
2. Welcomes the Commission's adoption of an Action Plan and looks forward to receiving a clear timetable on measures initiated by the Commission and, as far as possible, information on steps taken by beneficiary countries;

### ***Ongoing monitoring of Action Plan***

3. Welcomes the commitments made by the Commission and asks to be informed every six months about progress achieved as regards implementation of the Action Plan as of October 2000:

#### **An output-oriented approach**

- (a) An output-oriented approach should be adopted, in which clear and disaggregated targets are set for specific results expected from the aid programme; reporting on EU development co-operation must evolve further towards DAC/OECD standards and shift gradually from input orientation towards results - with OECD standards adopted for reporting by 2001;
- (b) More attention should be devoted to actual disbursement levels and mechanisms should be put into place to increase the rate of disbursement, as this would bring about a real improvement in getting aid to the poor;

#### **Independent administrative and disciplinary procedure**

- (c) The Commission is rightly committed to launching administrative and, if

---

<sup>1</sup> OJ C 279, 1.10.1999, p. 132.

necessary, disciplinary proceedings and these should be conducted in a professional and transparent manner, with information provided to Parliament on a case-by-case basis;

#### Delegations

- (d) As the number of properly qualified staff in certain delegations is not always commensurate with the amount of funds managed in the beneficiary countries, a reallocation of human, administrative and financial resources should be made to ensure that the size of delegations is proportional to the risks involved, with more use being made of locally hired staff, particularly to ensure appropriate levels of qualified professionals;
- (e) A culture of accountability and sense of financial responsibility in delegation staff should be fostered by spelling out clearly the role of officials, local agents and other categories of staff, with particular emphasis on the management powers of heads of delegation and ensuring that delegation staff have a greater degree of autonomy in taking financial decisions;
- (f) As the Commission agrees that decentralisation of responsibilities to delegations will need to be accompanied by a reinforcement of officials with appropriate expertise (e.g. in health, education, gender) and project management abilities, staff with suitable experience should be assigned and provided with induction training during the handover period between outgoing and incoming staff;
- (g) Greater emphasis should be placed on measuring the performance of delegation staff and in particular their management of development aid projects and programmes;

#### Relations between headquarters and delegations

- (h) Communication between the centre and periphery would be improved markedly with more systematic use of IT tools;
- (i) The operation of the EDF Committee should be refocused on the programming stage of the project cycle, concentrating on issues of policy and strategy rather than on an examination of individual projects; the Committee should only deal with major projects over a certain size;

#### Evaluations

- (j) Positive and negative lessons drawn from evaluations in the field should be fed back to both headquarters and other delegations to improve planning and implementation of future operations;

#### Capacity building in beneficiary countries

- (k) The sustainability of aid should be strengthened by promoting ownership of aid projects and programmes by local beneficiaries and by encouraging the participation of local administrations, consultants and NGOs;
- (l) The capacity of local administrations to monitor and control expenditure in a



proper fashion should be supported by the European Union along with other donors in order to make assessments of public finances that go beyond a simple analysis of the budget, and include:

- (i) legislation on the budget preparation, expenditure and reporting,
- (ii) quality of the procedures on the same aspects,
- (iii) quality of budgetary control at both governmental and parliamentary level;

#### Improved coordination

- (m) To reduce any possible overlap and improve added value, the Commission must improve coordination with other actors, including officials of Member States in the countries concerned, the European Investment Bank and bilateral and multilateral donors;

#### ***Anti-Fraud Office***

- 4. Invites the Anti-Fraud Office to report promptly on cases of alleged fraud or corruption relating to the management of the EDF;

#### ***Court of Auditors***

- 5. Invites the Court of Auditors to investigate the audit and control systems used by delegations to monitor Structural Adjustment Support and to make recommendations for improvements to the EDF management before 15 March 2001 and to report on the effectiveness of the EU in implementing international targets on poverty reduction;

#### ***Follow-up***

- 6. Informs the Commission that it intends to examine closely in the next discharge procedure progress made on overhauling the management of development aid.