

RESOLUTION**of the European Parliament containing the comments which form part of the decision giving discharge to the Commission in respect of the implementation of the sixth, seventh and eighth European Development Funds for the financial year 1999**

THE EUROPEAN PARLIAMENT,

Having regard to the balance sheets and accounts of the sixth, seventh and eighth European Development Funds for the financial year 1999 (COM(2000) 357 — C5-0257/2000),

Having regard to the annual report of the Court of Auditors on the activities of the European Development Funds for 1999 together with the institutions' replies (C5-0618/2000) ⁽¹⁾,

Having regard to the Court of Auditors' Statement of Assurance on the European Development Funds (C5-0618/2000) ⁽²⁾,

Having regard to the Council's recommendations of 14 March 2001 concerning the discharge to be given to the Commission in respect of the implementation of the operations of the European Development Funds for the financial year 1999 (6536/2001 — C5-0122/2001, 6537/2001 — C5-0123/2001, 6538/2001 — C5-0124/2001),

Having regard to the European Court of Auditors Special Report No 5/2001 on the counterpart funds used in the framework of structural adjustment aid and budgetary support ⁽³⁾,

Having regard to its resolution of 4 April 2001 postponing the discharge for the financial year 1999 ⁽⁴⁾,

Having regard to Article 33 of the Internal Agreement 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 ⁽⁵⁾,

Having regard to Article 74 of the Financial Regulation of 16 June 1998 applicable to development finance cooperation under the fourth ACP-EC Convention ⁽⁶⁾,

Having regard to Rule 93 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 and Cooperation (A5-0109/2001),

Having regard to the second report of the Committee on Budgetary Control (A5-0337/2001).

- A. Pursuant to Article 74 of the Financial Regulation of 16 June 1998, the Commission is required to take all appropriate steps to act on the observations appearing in the discharge decisions.
- B. Community development cooperation has poverty reduction as its central objective.
- C. The Community aid programme, taking into account the objective of complementarity with other donors, still needs to strengthen its support to social development, particularly basic health and basic education, as well as the productive capacities of the poor, i.e. access to land, technology, education, credits, etc.
- D. The Commission is a member of the OECD Development Assistance Committee (DAC) which aims to reduce by one half the proportion of people living in extreme poverty by 2015.
- E. The Commission in its statement with the Council on the European Community's development policy (DE 105, December 2000), recognised the value of the internationally agreed OECD DAC targets.

⁽¹⁾ OJ C 342, 1.12.2000, p. 205.

⁽²⁾ OJ C 342, 1.12.2000, p. 212.

⁽³⁾ OJ C 257, 14.9.2001.

⁽⁴⁾ Texts adopted, item 8.

⁽⁵⁾ OJ L 156, 29.5.1998, p. 108.

⁽⁶⁾ OJ L 191, 7.7.1998, p. 53.

- F. The Commission set out in its action plan presented in 2000 in response to Parliament's concerns over the discharge for the 1998 budget a commitment to make a conscious effort to increase actual disbursement levels and stated that 'the reporting on EC development cooperation must evolve towards DAC OECD standards and shift gradually from input to results'.
- G. The Commission has taken tangible steps within the framework of an action plan (creation of EuropeAid, strengthening of Commission Delegations) to satisfy the demands made in the European Parliament resolution of 6 July 2000 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 financial year 1998 ⁽¹⁾.
- H. It is still too early to assess the effectiveness of these measures, which were to improve the performance of Commission services and Delegations.
- I. With the conclusion of the Cotonou Agreement on 23 June 2000 ⁽²⁾, the partnership between the ACP States and the EU has been put on a new footing, which should also entail reform of financial cooperation,
1. Believes that its opinion that financial cooperation hitherto under the sixth, seventh and eighth EDFs has long since reached its limits and that development cooperation is in urgent need of reform is vindicated.
 2. Recalls that at the end of 1999 the Court of Auditors identified an amount of almost EUR 10 billion in resources available but not committed, most of which the Commission claims had been promised to certain countries or regions without specific deadlines having been set and without the resources having been taken up; notes that in the year 2000, according to the Commission, commitments of approximately EUR 4 billion were made.
 3. Notes with concern that in the financial 1999 year the gap between commitments (EUR 2,69 billion) and payments actually made (EUR 1,27 billion) widened further and that this trend could still not be reversed in 2000.
 4. Notes with concern that the level of payments in 1999 (EUR 1,27 billion) was far below the level achieved back in 1992 (EUR 1,94 billion) and which has never been attained again since.
 5. Notes that in December 2000 an amount of EUR 1,6 billion was available for payments and was, for the most part, held temporarily in bank accounts or in securities.
 6. Notes that there are also disbursement problems with the 1999 debt relief initiative for heavily indebted poor countries (HIPC) and that in spring 2001 the Community had transferred no more than a good third of the EUR 1 billion pledged.
 7. Regards these figures as a reflection of the current crisis in development policy; notes that there are frequent and justifiable complaints about the lack of political will to make generous aid funds available but those funds actually available are not spent in full and often with considerable delay.
 8. Doubts that the greater flexibility in the disbursement and management of funds provided for in the Cotonou Agreement will alone suffice to reverse this trend; calls therefore on the Commission to submit further proposals.
 9. Considers that the Commission should improve the presentation of the balance sheets to ensure more consistency in the data compiled and of the financial statements in order to give a clear picture of the actual use of the appropriations, the implementation of macroeconomic aid and the type of aid by financial instrument.

⁽¹⁾ OJ L 234, 16.9.2000, p. 37.

⁽²⁾ OJ L 317, 15.12.2000, p. 3.

10. Regrets that the Commission has failed to forward to either the Court of Auditors or the European Parliament the analysis of financial management for the financial year 1999 provided for in Article 67(2) of the Financial Regulation of 16 June 1998.
11. Notes that the statistics presented in the Commission communication of 15 June 2000 ⁽¹⁾ and in the report of 9 June 2000 ⁽²⁾ by the ACP-EC Development Finance Cooperation Committee require clarification and raise various issues that should have been discussed in an analysis of financial management.
12. Cites as an illustration in this connection merely the question why Côte d'Ivoire, a comparatively small country, has for many years received by far the highest payments from the Development Fund.
13. Calls on the Commission to submit its own analysis of the financial management for the financial year 2000.
14. Notes with concern that the ACP States' share of contracts financed from the Development Fund is not even 25 % and that the lion's share of the contracts is awarded to firms and organisations from the Member States (and in particular France and Italy); calls on the Commission to bring forward proposals on how the ACP States' share can be increased to 40 % within the next five years; urges the Member States also to make appropriate efforts in this context.
15. Welcomes specifically the Court of Auditors' call for the supreme audit institutions in the ACP States to be involved in checking implementation of the EDF; shares the Court's view that this could make a major contribution to sound management of public affairs.
16. Calls on the Commission therefore to propose, pursuant to Article 95 of the Cotonou Agreement, a revision of that Agreement as soon as possible so that the joint institutions of the Agreement can be supplemented with a committee of the supreme audit institutions.
17. Calls on the Commission also to propose a corresponding amendment to the Financial Regulation of 16 June 1998.
18. Notes that the audits carried out or supervised by the Commission are not sufficiently followed up; calls therefore on the Commission to play a more active role both in organising and supervising the audits and in following up their recommendations.
19. Reaffirms its view ⁽³⁾ that reform of Community policy in the area of external aid should include the following elements:
 - a new definition of development aid policies and priorities, taking into account the aims of eradicating poverty established at international summit meetings,
 - improved coordination between the Commission and the Community's external policies, resulting in a clear outline of operational coordination and political coherence,
 - stricter application of Article 177 of the EC Treaty regarding the complementarity of development aid policies between the Member States on the one hand and the Commission on the other,
 - making the staff numbers and volume of financial resources available to the Commission adequate to realise development policy objectives effectively,
 - reorganisation of the management of aid both on the ground and in Brussels headquarters, envisaging: a simplification of procedures, the integration of the cooperation cycle, and a structure striking a balance between the Commission's external relations departments, in which one person would have political responsibility for development policy and its management would be more transparent.

⁽¹⁾ Balance sheets and accounts of the sixth, seventh and eighth European Development Funds for the financial year 1999, COM(2000) 357 final.

⁽²⁾ ACP-EC 2112/2/00 rev. 2 — ACP/81/010/00 rev. 2.

⁽³⁾ See recital G of the European Parliament resolution of 30 November 2000 on relations between the EU and developing countries (OJ C 228, 13.8.2001, p. 213).

Budget support within the framework of structural adjustment aid

20. Notes the Court of Auditors' finding that rules on targeting the resources made available for budget aid did not help to prevent mismanagement and abuses; endorses therefore the proposal that the granting of further aid should be made conditional upon the submission and effective implementation of reform programmes to improve the quality of public financial management in the beneficiary countries.
21. Supports the seven recommendations made by the Court of Auditors ⁽¹⁾ on new arrangements for the monitoring and coordination of aid with other donors; calls on the Commission to implement these recommendations in full; welcomes the steps already taken in this direction and highlights the importance of the following aspects:
 - (a) ongoing assessment of implementation of the measures designed to reform the public administration;
 - (b) monitoring of the progress achieved in key sectors (health and education) with the aid of meaningful indicators (e.g. increase in the number of teachers or doctors);
 - (c) annual audit of accounting and sound management of resources on the basis of samples;
 - (d) clearly defined sanctions (reduction or suspension of payments) in cases where the agreed reform measures are not complied with.
22. Makes its approval of the proposed new arrangements conditional upon the relevant criteria and procedures being transparent and understandable not only for the public in the European Union but also in the beneficiary countries and upon unrestricted access to the evaluation and audit reports subsequently drawn up as this is the only way of ensuring effective monitoring of results.
23. Calls on the Commission to strengthen its Delegations in the beneficiary countries accordingly, to improve perceptibly the monitoring and audit capacity available for EuropeAid and, where necessary, to submit to the budgetary authority appropriate proposals for the deployment of additional resources and staff.
24. Points out that devolving greater responsibilities to the Commission Delegations provides an opportunity to create a system for the management of development projects that is adapted to local conditions and will permit the greatest possible involvement of the beneficiaries.
25. Asks the Commission not to make any further financial commitments to organisations which could themselves or whose staff could escape prosecution by claiming diplomatic immunity in the event of any offences against the criminal or labour law of the host country.
26. In view of the problems that have arisen in this discharge procedure, draws attention to Rule 3 of its Rules of Procedure, which entitles Members to inspect any files held by the European Parliament or a committee, excluding only Members' personal files and accounts, but not excluding confidential documents forwarded by the Commission.
27. Draws attention to the procedure laid down in Annex VII to its Rules of Procedure which applies to all confidential documents forwarded to the European Parliament and which entitles all committee members to examine these confidential documents.
28. Draws attention to Annex VI to its Rules of Procedure, under which the Committee on Budgetary Control is responsible for examining confidential documents concerning areas within its remit, having full regard for the provisions of Annex VII.
29. Instructs its President and the chairman of the Committee on Budgetary Control to ensure that in future documents forwarded by the Commission within the framework of discharge procedures can be examined by all Members in full compliance with the provisions of the Rules of Procedure.

⁽¹⁾ See paragraphs 62 to 68 of the European Court of Auditors Special Report No 5/2001.

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30. Reaffirms its view that the present situation, in which the European Parliament is called upon to take an annual discharge decision in respect of the EDF without having corresponding budgetary and legislative powers, is an anomaly; calls once again for EDF resources to be included in the development cooperation section of the general budget of the European Union.
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