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DOCUMENT 1-118/84

Report

drawn up on behalf of the Committee on Budgetary
Control

on the discharge to be granted to the Commission
on the implementation of the second, third, fourth
and fifth European Development Funds for the 1982
financial year

Rapporteur: Mr U. IRMER

PE 90.020/fin.

On 29 July 1983, the Commission forwarded to the European Parliament the balance sheets and accounts of the European Development Funds for the 1982 financial year (COM(83) 479 final) pursuant to the provisions of the financial regulations applicable to the European Development Funds.

The President of the European Parliament referred these documents to the Committee on Budgetary Control.

At its meeting of 12-13 July 1983, the Committee on Budgetary Control appointed Mrs Boserup rapporteur.

The annual report of the Court of Auditors on the 1982 financial year was published in OJ No. C 357 of 31 December 1983.

The Committee on Budgetary Control considered the balance sheets and accounts of the EDFs, the Court of Auditors' report, the working document drawn up by the rapporteur responsible for the cooperation and development sector and this report at its meetings of 2-3 February 1984, 19-20 March 1984 and 28/29 March 1984.

At the last meeting, the Committee on Budgetary Control decided to appoint Mr Irmer rapporteur to replace the original rapporteur.

At the same meeting it adopted the decisions and the resolutions by 9 votes to 0 with 1 abstention.

The following took part in the vote: Mr Aigner, chairman; Mrs Boserup, vice-chairman; Mr Irmer, rapporteur; Mr Arndt, Mr Battersby, Mr Früh, Mr Gabert, Mr Kellett-Bowman, Mrs Lentz-Cornette (deputizing for Mr Notenboom) and Mr Konrad Schön.

The opinion of the Committee on Development is attached.

The final report was tabled on 29 March 1984.

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A

The Committee on Budgetary Control hereby submits to the European Parliament the following proposals for decisions

I.

PROPOSAL FOR A DECISION

on the granting of discharge to the Commission of the European Communities in respect of the activities of the second and third European Development Funds in the 1982 financial year

The European Parliament,

- having regard to the report of the Court of Auditors for the financial year 1982 accompanied by the replies of the institutions (Doc. 1-1270/83)¹,
 - having regard to the balance sheets and the revenue and expenditure accounts of the European Development Funds for the financial year 1982,
 - having regard to the report by the Committee on Budgetary Control and to the opinion of the Committee on Development and Cooperation (Doc. 1-118/84),
 - whereas the Treaty of 22 July 1975 authorizes the European Parliament to grant discharge in respect of the financial activities of the Community,
1. Grants the Commission a discharge in respect of the implementation of the appropriations on the revenue and expenditure account of the second and third European Development Funds in the financial year 1982;
 2. Instructs its President to forward this decision to the Commission and to the other institutions and to ensure that it is published in the Official Journal (L series).

¹ OJ No. C 357, 31.12.1983

II.

PROPOSAL FOR A DECISION

on the granting of discharge to the Commission of the European Communities in respect of the activities of the fourth European Development Fund in the 1982 financial year

The European Parliament,

- having regard to the Treaty establishing the European Economic Community, and in particular Article 206b thereof,
 - having regard to the first ACP-EEC Convention of Lomé²,
 - whereas the Treaty of 22 July 1975 empowers Parliament to grant a discharge on the financial activities of the Community,
 - having regard to the administrative accounts, the balance sheets and the report in respect of the fourth European Development Fund,
 - having regard to the report of the Court of Auditors for the financial year 1982 accompanied by the replies of the institutions (Doc. 1-1270/83)³,
 - having regard to the report by the Committee on Budgetary Control and to the opinion of the Committee on Development and Cooperation (Doc. 1-118/84),
1. Grants a discharge to the Commission, on the basis of the revenue and expenditure examined by the Court of Auditors pursuant to Article 206a(1) of the Treaty establishing the EEC, in respect of the following amounts entered in the revenue and expenditure account of the 1982 financial year
 - revenue : 670,304,597.57 ECUs
 - expenditure (payments): 305,551,869.89 ECUs.
 2. Instructs its President to forward this decision to the Commission and to the other institutions and to ensure that it is published in the Official Journal (L series).

² OJ No. L 25, 30.1.1976, p.2

³ OJ No. C 357, 31.12.1983

PROPOSAL FOR A DECISION

on the granting of discharge to the Commission of the European Communities in respect of the activities of the fifth European Development Fund in the 1982 financial year

The European Parliament,

- having regard to the Treaty establishing the European Economic Community, and in particular Article 206b thereof,
 - having regard to the Second ACP-EEC Convention of Lomé⁴,
 - whereas the Treaty of 22 July 1975 empowers Parliament to grant a discharge on the financial activities of the Community,
 - having regard to the administrative accounts, the balance sheets and the report on the activities of the fifth European Development Fund,
 - having regard to the report of the Court of Auditors for the financial year 1982 accompanied by the replies of the institutions (Doc. 1-1270/83)⁵,
 - having regard to the report by the Committee on Budgetary Control and to the opinion of the Committee on Development and Cooperation (Doc. 1-118/84),
1. Grants a discharge to the Commission, on the basis of the revenue and expenditure examined by the Court of Auditors pursuant to Article 206a(1) of the Treaty establishing the EEC, in respect of the following amounts entered in the revenue and expenditure account of the 1982 financial year
 - revenue : 72 563 802.0 ECUs
 - expenditure (payments): 330 107 542.72 ECUs
 2. Points out that the non-budgetization of the EDF means that certain questions relating to management and financial discipline, such as the overdue payment of contributions by Member States, cannot be solved effectively, and that this has an effect on the total appropriation available under the EDF;

⁴OJ No. L 347, 22.12.1980, p. 2

⁵OJ No. C 357, 31.12.1983

3. Points out also that the discharge is given only on the condition that the Commission firmly maintains its proposal for the budgetization of the sixth EDF;
4. Instructs its President to forward this decision to the Commission and to the other institutions and to ensure that it is published in the Official Journal (L series).

PROPOSAL FOR A DECISION

on the granting of discharge to the Commission of the European Communities in respect of the activities of the fifth European Development Fund in the 1982 financial year

The European Parliament,

- having regard to the Treaty establishing the European Economic Community, and in particular Article 206b thereof,
 - having regard to the Second ACP-EEC Convention of Lomé⁴,
 - whereas the Treaty of 22 July 1975 empowers Parliament to grant a discharge on the financial activities of the Community,
 - having regard to the administrative accounts, the balance sheets and the report on the activities of the fifth European Development Fund,
 - having regard to the report of the Court of Auditors for the financial year 1982 accompanied by the replies of the institutions (Doc. 1-1270/83)⁵,
 - having regard to the report by the Committee on Budgetary Control and to the opinion of the Committee on Development and Cooperation (Doc. 1-118/84),
1. Grants a discharge to the Commission, on the basis of the revenue and expenditure examined by the Court of Auditors pursuant to Article 206a(1) of the Treaty establishing the EEC, in respect of the following amounts entered in the revenue and expenditure account of the 1982 financial year
 - revenue : 72 563 802.0 ECUs
 - expenditure (payments): 330 107 542.72 ECUs

2. Points out that the non-budgetization of the EDF means that certain questions relating to management and financial discipline, such as the overdue payment of contributions by Member States, cannot be solved effectively, and that this has an effect on the total appropriation available under the EDF;

⁴ OJ No. L 347, 22.12.1980, p. 2

⁵ OJ No. C 357, 31.12.1983

3. Points out also that the discharge is given only on the condition that the Commission firmly maintains its proposal for the budgetization of the sixth EDF;
4. Instructs its President to forward this decision to the Commission and to the other institutions and to ensure that it is published in the Official Journal (L series).

IV.

The Committee on Budgetary Control hereby submits to the European Parliament the following motion for a resolution:

MOTION FOR A RESOLUTION

containing the comments accompanying the decisions on the discharge in respect of the implementation of EDF operations for the 1982 financial year.

The European Parliament,

1. Voices yet again the criticism that the European Development Fund has still not been included in the general budget of the European Communities and, save for the discharge, is therefore not subject to parliamentary decisions;
2. Insists that the Commission should draw all the appropriate conclusions from the failure of the Sibiti-Niari valley road project and report to Parliament; stresses that this is an atypical, extreme case which is by no means characteristic of Community development policy which on the whole has achieved very favourable results;
3. Criticises the cumbersome administrative procedure for granting support from the EDF and calls for thoroughgoing improvements under the new Convention;
4. Insists that the Commission should exercise its responsibility to administer loans and only transfer responsibility for technical details to the EIB;
5. Recommends that, where necessary, more rapid procedures should be used to grant aid in accordance with the Second Lomé Convention;
6. Regrets the lack of flexibility in the financial instruments set up by the Lomé Convention which make it more difficult to solve the problems associated with Stabex transfers;
7. Calls on the Member States to pay their financial contributions on time and calls on the Commission to do everything in its power to claim compensation for the loss of interest from Member States which are slow to pay;
8. Urges that the proposals in the report drawn up by Mr Michel on the assessment of Community development policy and the role of the European Parliament should be implemented and that retrospective assessments of EDF projects should be carried out far more than in the past;

9. Calls on the Commission to exercise far better control of the special agencies in the Member States which are responsible for paying grants under the EDF, the Mediterranean agreements and aid for the benefit of non-associated developing countries;

10. Calls for simplified procedures for granting aid to ACP states which take part in trade fairs;

11. Requests the European Investment Bank to provide more comprehensive information in future on the use of EDF resources which it administers on behalf of the Community as these are important for control and thus for the discharge procedure, and as greater transparency is in the interests of all those involved;

12. Notes with surprise the assertion by the Court of Auditors¹ that, in the case of resources administered by the European Investment Bank, tenders for projects paid for from the Community budget or EDF resources were invited not only from ACP and EEC countries but also countries in which the EIB obtains its resources, including the United States and Japan; calls on its Committee on Budgetary Control to clarify this matter.

¹ Doc. 1-942/80, OJ No. C 260, 12.10.1981, p. 72

EXPLANATORY STATEMENT

The European Development Funds continue to occupy a special place in the Community's development aid policy because of the manner in which they are financed. Owing to a misunderstanding when the Community's own resources were established in 1970, these funds were not budgetized, and what at the outset constituted a technical delay has assumed a political significance: non-budgetization reflects the resolve of the Council and the Member States to maintain complete control over the implementation of the association policy with the ACP countries.

Parliament's power of discharge in respect of the EDF therefore reflects a kind of institutional imbalance and represents a strange anomaly in budgetary terms insofar as Parliament assesses the proper implementation of a policy financial endowment of which it has been totally unable to influence. Yet the annual amount of EDF finance constitutes approximately half the Community's development aid policy expenditure.

The non-budgetization of the EDF involves a series of drawbacks. The most serious is unquestionably the fact that the Funds are financed by contributions from Member States. Where the latter delay the payment of their contributions, sometimes for up to three months, the Community has to bear the financial consequences; the latter are sometimes considerable and unduly affect the overall financial endowment of the EDF. The European Parliament, as a discharge authority, can do no more than criticise such practices. It has no influence on the fixing and management of the endowment. Nor does it have the power to propose procedural improvements in the context of the adoption of the EDF financial regulation since the Council, violating Article 209 of the EEC Treaty, has unilaterally abolished Parliament's right to be consulted on this regulation. In its 1982 report the Court of Auditors draws attention to other disadvantages of non-budgetization. It is forced to repeat each year that the revenue and expenditure accounts of the EDF continue to be drawn up long after schedule (paragraph 15.7). Moreover, the Commission is required to overestimate the cash requirements which it forwards to the Council.

Finally, the non-budgetized system of financing the EDF causes inflexibility in its mechanisms and makes it impossible to adjust to unexpected situations, for example in the event of Stabex funds being insufficient to meet the requests for transfers from the beneficiary countries. In its 1982 report the Court of Auditors draws attention to problems and inaccuracies relating to the accounts and balance sheet and quotes examples of difficulties encountered in implementing operations financed by the EDF. Nevertheless, in the light of the opinion of the Committee on Development and Cooperation, the Committee on Budgetary Control recommends that Parliament grant the discharges for the various EDFs for the 1982 financial year. It considers that while negotiations on the renewal of the Convention of Lomé are in progress, a decision to refuse the discharge would have a disturbing effect. Moreover, the criticisms of the Court of Auditors must be understood in the spirit in which that institution meant them. It is not the intention of the Court of Auditors to provide the opponents of the Community's development aid policy with arguments which might help to undermine it, by painting an exclusively negative picture. On the contrary, the Court of Auditors' criticisms are formulated in a positive and constructive spirit in the desire to contribute to improving the procedures and operation of the EDF.

The Court of Auditors thus attempted to identify with the greatest possible clarity the causes of the failure of the Sibiti Valley road project from the Niari to the Congo. It is true that the shortcomings and errors uncovered by the Court of Auditors in respect of this project show it to be an extreme case. The Court states that most of the projects it investigated presented only one of the 'traditional' defects which the Court has been mentioning in its reports for a number of years. Parliament is well acquainted with these defects and supports the efforts by the Court of Auditors to ensure that they are remedied.

It is in this constructive spirit that the Committee on Budgetary Control proposes that the Commission should be granted a discharge for the EDFs in 1982. Far from wishing to gloss over the difficulties encountered during that year, and the errors and irregularities which have been committed in individual instances, the Committee on Budgetary Control, like the Committee on Development and Cooperation, considers that the results achieved by the EDF are on the whole positive and urges the Commission:

1. to take account of the recommendations made by the Court of Auditors to ensure that the defects which the latter has observed year after year in the preparation and implementation of projects are remedied;
2. and to maintain and to push through, during the negotiations on the renewal of the Lomé Convention, the institutional and procedural improvements which it has proposed, in particular budgetization of the EDF.

OPINION OF THE COMMITTEE ON DEVELOPMENT AND COOPERATION

Draftsman: Mrs M.L. CASSANMAGNAGO CERRETTI

On 25 January 1984 the Committee on Development and Cooperation appointed Mrs CASSANMAGNAGO CERRETTI draftsman.

At its meetings of 3 February 1984 and 15 February 1984 the committee considered the draft opinion and adopted it unanimously on 15 February 1984.

The following took part in the vote under the Chairmanship of Mr Poniatowski : Mr Denis, Vice-Chairman;
Mrs Rabbethge, acting draftsman; Mr Cohen, Mr de Courcy Ling, Mrs Dury,
Mr C. Jackson, Mr Loo, Mr Sablé, Mr Simpson (deputising for Mr Pearce);
Mr Vanerkhoven, Mr Wawrzik.

The Committee on Development and Cooperation,

- having regard to the Annual Report of the Court of Auditors concerning the financial year 1982 accompanied by the replies of the institutions¹,
- having regard to its previous opinions on budget discharge,
- notes the importance of the European Community's development policy and its successes with regard to its role in the world and particularly in the North-South dialogue; considers that this policy has given the Community a positive image in the Third World; stresses, however, the need for continuous critical examination so as to bring about necessary improvements;

Title 9 of the Budget

1. Notes that the rate of payment appropriations under Title 9 of the Budget was lower in 1982 than in 1981 (65.3% as opposed to 71.6%), particularly in respect of Chapters 93, 94 and 95, while 72.3m ECU payment appropriations were cancelled (69.1m of these being in Chapter 96 - cooperation with Mediterranean countries);
2. Notes, with regard to food aid, that quantities still to be delivered at the end of 1982 had increased in relation to the previous year, even excluding the 72,000 tonnes of cereals allocated for the campaign against hunger in the world on 3 December 1982;
3. Notes also that the under-utilisation of payment credits, which particularly affected Chapters 93 to 95 was in part a consequence of the Council's late adoption of certain measures under the 'hunger in the world programme';
4. Strongly condemns the reference by the Commission to Regulation No 3331/82 in its reply to the Court of Auditors², as the regulation in question, which was the subject of an unsatisfactory conciliation procedure, is detrimental to the powers of the Commission and the European Parliament and consequently unacceptable to the latter;
5. Condemns late decisions by Council regarding food aid allocations under the 1982 programme and the campaign to eliminate hunger in the world;

¹ OJ No C 357 of 31.12.1983

² OJ No. C 337 of 31.12.1983, para. 10.12, p.221

6. Criticises the long delay between decisions to grant food aid and the aid reaching its recipients;
7. Calls on the Commission to inform the Parliament of steps it will take to reduce the long delays between requests for food aid and the aid reaching the recipients;
8. Is dissatisfied with the use made of counterpart funds by recipients of food aid, and is consequently pleased to note that the Commission is preparing a coordinated system to ensure greater transparency in the utilisation of counterpart funds and to ensure that recipient countries honour their obligations;
9. Regrets that the appropriations available for quality control gave rise to virtually no payments, and that 0.8m ECU from these were cancelled at the end of 1982; stresses the importance of quality control of food aid at all stages;
10. Calls on the Commission to implement fully the recommendations made by the Court of Auditors in its special report on food aid prepared for the European Parliament in 1979, by the European Parliament in the Irmer report¹ on problems in the implementation of Community food aid policy in the light of the Court of Auditors' report, and by the Court of Auditors in its previous annual reports;
11. With regard to triangular transactions, encourages the Commission to purchase food products in third countries at the most advantageous price possible while recognising that such transactions must take place with the least possible delay;
12. Calls on the Commission to do all in its power to improve the packaging and labelling of food aid, particularly in the light of the criticisms made by members of the Committee's delegation to Ethiopia, Djibouti and Somalia in 1983;
13. With regard to Chapter 93 (assistance to non-associated developing countries), notes that only 38.9% of payment appropriations were utilised during 1982 (compared with 86.8% in 1981) partly due to a transfer of 58 mECU at the end of the year, 115.3 mECU being carried over; insists on every effort being made to improve the situation in future;

¹Doc. 1-98/82, OJ No. C 125 of 17.5.1982, p. 40

14. With regard to Article 941 (assistance to NGOs), notes that only 65.3% of payment appropriations were utilised in 1982 (compared with 93% in 1981);
15. Notes however that the total budget cost of the projects submitted by NGOs to the Commission is appreciably in excess of the funds available, despite the increases which have occurred;
16. Calls on the Commission to devise ways of improving the phasing of payments to take account of Parliament's express wish that NGOs should be given a more important role in the Community programmes;
17. With regard to Chapter 95 (disaster aid), notes that only 46.9% of appropriations were used in 1982 (compared with 96.7% in 1981), while recognising the extreme difficulty in forecasting requirements in this field;
18. Regrets the unsatisfactory rate of utilisation of appropriations under the Protocols with Mediterranean countries, and the unacceptably high level of cancellation;
19. Notes that the cancellation of credits were concentrated in Chapter 96 (co-operation with Mediterranean countries) and particularly the Turkey Financial Protocol;

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20. Reaffirms its dissatisfaction that the European Development Fund is not at present contained in the Budget of the European Communities and is consequently not subject to parliamentary control;
21. Calls on the Commission, the Council and the Member States to make every effort to achieve the budgetisation of the 6th and of subsequent European Development Funds, or at least of certain important EDF instruments, and reminds the Commission that it had been requested, in the Committee's opinion on the discharge to be granted in respect of the 1981 budget, to submit a precise programme of action to this end before the opening of negotiations on the successor Convention;

22. Criticises the cumbersome administrative procedures by which projects are assisted under the EDF and calls for radical improvements under the new Convention;
23. Encourages the use of accelerated procedures for granting aid provided for in the Second Lomé Convention, where appropriate;
24. Regrets the lack of flexibility in the financial instruments set up under the Lomé Convention, which has made it difficult to resolve the problems of Stabex transfers;
25. Calls on the Member States to pay their financial contributions in time and on the Commission to introduce provisions in the financial regulation for the 6th EDF whereby interest is paid on late payments, by the Member State concerned, into the EDF;
26. Calls for the implementation of the proposals made in the Michel report¹ on the assessment of Community development policies and the role of the European Parliament, and insists on much more "ex-post" evaluation being carried out in respect of EDF projects;
27. Calls for much greater control by the Commission over the specialised agencies in the Member States responsible for managing scholarships provided under the EDF, the Mediterranean Agreements and assistance to non-associated developing countries;
28. Calls for more streamlined procedures in respect of the assistance provided to ACP States participating in trade fairs;
29. Requests the European Investment Bank to supply more comprehensive information in future on the use made of the EDF resources which it administers on behalf of the Community, this being important for control and consequently for the discharge procedure, greater transparency being of value to all parties concerned;

¹ Doc. 1-942/80, OJ No. C 260 of 12.10.1981, p.72

30. Notes with surprise the allegation made by the Court of Auditors¹ that, in the case of funds administered by the European Investment Bank, even where bids concern projects financed by budget or EDF funds, they are open not only to tenderers in EEC and ACP countries but also to tenderers in countries from which the EIB obtains its own resources, including the United States and Japan; calls on the Committee on Budgetary Control to clarify this point;
31. Advises the Committee on Budgetary Control that, subject to the comments and criticisms formulated above, discharge may be granted in respect of those sections of the budget of the European Communities for 1982 falling within its competence and of the utilisation of the appropriations of the EDFs in 1982.

¹ OJ No. C 357 of 31.12.1983, para. 15.79, p.146