



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 29 January 2010

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“I/A” ITEM NOTE

from: ACP Working Party

dated: 29 January 2010

to: COREPER/Council

Subject: Relations with the ACP States and the OCT

- Discharge to be given to the Commission in respect of the financial management of the 7th, 8th, 9th and 10th European Development Funds (financial year 2008)
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1. Under the Internal Agreement applicable to the 10th EDF, which lays down in Article 11(8) that the discharge for the financial management of the Fund shall be given by the European Parliament on the recommendation of the Council acting by a qualified majority¹, the ACP Working Party examined the Report of the Court of Auditors on the European Development Funds for the financial year 2008, together with the Commission's replies to the Court's observations², in the presence of a representative of the Court of Auditors.

¹ Laid down in Article 8(3) of the Internal Agreement (OJ L 247, 9.9.2006, p. 32, and OJ L 202, 3.8.2007, p.35): a similar provision is included in the Internal Agreements governing the 7th, 8th and 9th EDFs.

² OJ C 269, 10.11.2009, p. 257.

2. At the end of its discussions, the Working Party:
 - agreed to refer to Coreper and the Council the comments in the Annex regarding its examination of the Court's report;
 - instructed the Secretariat to draw up draft recommendations for a discharge, to be submitted to Coreper and the Council for adoption.

3. It is therefore suggested that, subject to confirmation by Coreper, the Council, as an "A" item:
 - adopt the recommendations regarding the discharge to be given by the European Parliament to the Commission in respect of the implementation of operations under the 7th, 8th, 9th and 10th EDFs for the financial year 2008, as contained in 5082/10, 5084/10, 5085/10 and 5086/10, drawn up by the Legal/Linguist experts;
 - order their publication in the Official Journal of the European Union.

**Comments by the ACP Working Party
on the Court of Auditors Annual Report¹
concerning the activities funded by the seventh, eighth, ninth and tenth
European Development Funds (EDFs), for the financial year 2008²**

General observations

The Working Party notes that the Court's report is broadly positive, acknowledging that the Commission is on the right track for implementing the Court's recommendations. It welcomes the fact that the Commission's report on financial management provides an accurate picture of the implementation of the objectives set for the financial year, and of the financial situation.

The Court recognises that 2008 was a very successful year for the implementation of the EDFs, with record levels of payments, reductions in old and dormant commitments, and the closure of the 7th EDF on 31 August 2008.

The Working Party notes that the Commission did initially define the main measures needed to implement the Court's recommendations, and also underlined its intention to continue its efforts to improve the implementation of the EDF. However, like the Court, the Working Party considers that improvements should continue to be made in certain important areas, in particular:

- accuracy of some data, concerning in particular guarantees, affected both by material and non-quantifiable errors,
- the organisation and implementation of control systems by means of an effective control strategy,
- the management and monitoring of projects and supervision by the Delegations and by central services of EuropAid,

¹ OJ C 269, 10.11.2009, p. 257.

² OJ C 269, 10.11.2009, p. 257.

- the method used to calculate the provisions of the cost incurred to implementation of contracts,
- procedures for approval and control of budget support.

Specific observations

With regard to budget support, the Working Party shares the Court's view, already expressed in its previous Reports, that the underlying reasons for the Commission's conclusions on the eligibility of ACP countries for budget support should be presented in a more formal and structured way, and that links with the supervisory institutions of ACP States receiving budget support should be strengthened. The Working Party welcomes the fact that the Commission considers transparency an important element of the process and that the Commission intends to improve it by enhancing its reporting. In this respect, the Working Party is of the opinion that the Commission could further improve transparency by sharing the relevant documentation with Member States, particularly in sensitive cases such as States in situation of fragility.

The Working Party notes that, like in the previous year, the dynamic interpretation by the Commission of Article 61(2)(a) of the Cotonou Agreement does not fully satisfy the Court and takes note of the Commission's position in this respect (paragraphs 44 and 45 of the CoA Annual Report).

The Working Party is awaiting for the Commission and Member States to have a more intense dialogue on issues concerning budget support in the near future. In particular, it expects the Commission to provide Member States with information on the revised guidelines for addressing budget support.

Finally, noting the sharp increase in the share of budget support from the 9th to the 10th EDF (currently standing at approximately 45%), the Working Party underlines that any further increase should be based on prior and solid evaluation of the impacts.

Analysis and management of risks: although, as the Court points out, the documentation required for risk analysis needs to be improved, the Working Party welcomes the fact that the Court noted progress in the management of operational and financial risks, and that the Commission, recognising that further work is needed on the architecture of the control systems, has announced the launch of a review of its control strategy in 2010.

Information and control: the Working Party notes with satisfaction that the Court's audit has shown that the Commission's main control and supervision systems have steadily improved in recent years, and that the Commission intends to reduce the incidence of all types of error.

In this connection, the Working Party supports the Court's recommendation that the supervision strategy should define clear and consistent objectives, ensure coordination and set the type and intensity of checking.
