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## REPORT

drawn up on behalf of the Committee on Budgetary Control

on the discharge to be granted to the Commission in respect of the financial management of the second, third, fourth and fifth European Development Funds for the financial year 1984

Rapporteur: Mrs Y. FUILLET

WG(VS1)/3587E

PE 104.241/fin.  
Or. Fr.



At its meeting of 15 May 1985 the Committee on Budgetary Control appointed Mrs FUILLET rapporteur.

On 14 May 1985 the Commission forwarded to the European Parliament the balance sheets and accounts of the European Development Funds for the 1984 financial year (COM(85) 207 final).

On 10 March 1986 the Council forwarded its recommendations concerning the granting of the discharge in respect of the European Development Funds for the 1984 financial year.

The Committee on Budgetary Control considered the matter at its meeting of 18 March 1986.

At that meeting the Committee on Budgetary Control adopted the proposed decisions by 12 votes in favour with 1 abstention.

The following took part in the vote: Mr AIGNER, chairman; Mrs BOSERUP, vice-chairman; Mrs FUILLET, rapporteur; Mrs BARBARELLA, Mr COLOM I NAVAL, Mr DANKERT, Mr PRICE, Mr PROUT (deputizing for Mr ESCUDER CROFT), Mr RYAN, Mr SARIDAKIS (deputizing for Mr GIUMARRA), Mr SIMMONDS, Mr TOMLINSON (deputizing for Mr SUTRA) and Mr WETTIG.

The opinion of the Committee on Development and Cooperation is annexed to this report.

The report was tabled on 21 March 1986.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

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A

The Committee on Budgetary Control hereby submits to the European Parliament the following proposed decisions:

I.

PROPOSED DECISIONS

granting a discharge to the Commission in respect of the financial management of the second and third European Development Funds for the financial year 1984

The European Parliament,

- having regard to the Treaty establishing the EEC,
  - having regard to the Conventions signed in Yaoundé on 20 July 1963 and 29 July 1969,
  - having regard to the balance sheets and accounts of the European Development Funds for the 1984 financial year (COM(85) 207 final),
  - having regard to the Court of Auditors' report on the financial year 1984 accompanied by the replies of the institutions<sup>1</sup>,
  - having regard to the decisions of the Council concerning the granting of the discharge in respect of the second and third European Development Funds for the financial year 1984,
  - whereas the Treaty of 22 July 1975 empowers the European Parliament to grant a discharge in respect of the financial activities of the Community,
  - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Development and Cooperation (Doc. A 2-10/86),
1. Grants the Commission a discharge in respect of the financial management of the second and third European Development Funds in the financial year 1985 on the basis of the following expenditure:

Second European Development Fund:	96 172 ECU
Third European Development Fund:	8 192 849 ECU;

2. Presents its remarks in the resolution accompanying this decision;
3. Instructs its President to forward this decision and the resolution containing its remarks to the Commission, the Council, the Court of Auditors and the European Investment Bank, and to arrange for its publication in the Official Journal (L series).

<sup>1</sup>OJ No. C 326, 16.12.1985

## II.

### PROPOSED DECISION

granting a discharge to the Commission in respect of the financial management of the Fourth European Development Fund for the financial year 1984

#### The European Parliament,

- having regard to the Treaty establishing the EEC,
  - having regard to the first ACP-EEC Convention of Lomé<sup>1</sup>,
  - having regard to the balance sheets and accounts of the European Development Funds for the 1984 financial year (COM(85) 207 final),
  - having regard to the Court of Auditors' report on the financial year 1984 accompanied by the replies of the institutions<sup>2</sup>,
  - having regard to the Council recommendation concerning the granting of this discharge (Doc. C 2- 4/86),
  - whereas the Treaty of 22 July 1975 empowers the European Parliament to grant a discharge in respect of the financial activities of the Community,
  - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Development and Cooperation (Doc. A 2-10/86),
1. Grants the Commission a discharge in respect of the financial management of the Fourth European Development Fund in the financial year 1984 on the basis of the following amounts:

Revenue:	16 899 219 ECU
Expenditure:	185 253 794 ECU;

2. Presents its remarks in the resolution accompanying this decision;
3. Instructs its President to forward this decision and the resolution containing its remarks to the Commission, the Council, the Court of Auditors and the European Investment Bank, and to arrange for its publication in the Official Journal (L series).

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<sup>1</sup>OJ No. L 25, 30.1.1976

<sup>2</sup>OJ No. C 326, 16.12.1985

III.

PROPOSED DECISION

granting a discharge to the Commission in respect of the financial management of the Fifth European Development Fund for the financial year 1984

The European Parliament,

- having regard to the Treaty establishing the EEC,
  - having regard to the Second ACP-EEC Convention of Lomé<sup>1</sup>,
  - having regard to the balance sheets and accounts of the European Development Funds for the 1984 financial year (COM(85) 207 final),
  - having regard to the Court of Auditors' report on the financial year 1984 accompanied by the replies of the institutions<sup>2</sup>,
  - having regard to the Council recommendation concerning the granting of this discharge (Doc. C 2-4/86),
  - whereas the Treaty of 22 July 1975 empowers the European Parliament to grant a discharge in respect of the financial activities of the Community,
  - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Development and Cooperation (Doc. A 2-10/86),
1. Grants the Commission a discharge in respect of the financial management of the Fifth European Development Fund in the financial year 1984 on the basis of the following amounts:
- |              |                  |
|--------------|------------------|
| Revenue:     | 756 019 343 ECU  |
| Expenditure: | 509 469 524 ECU; |
2. Presents its remarks in the resolution accompanying this decision;
3. Instructs its President to forward this decision and the resolution containing its remarks to the Commission, the Council, the Court of Auditors and the European Investment Bank, and to arrange for its publication in the Official Journal (L series).

<sup>1</sup>OJ No. L 347, 22.12.1980

<sup>2</sup>OJ No. C 326, 16.12.1985

IV.

MOTION FOR A RESOLUTION

containing the remarks accompanying the decisions granting a discharge in respect of the financial management of the second, third, fourth and fifth European Development Funds for the financial year 1984

The European Parliament,

- having regard to Article 206b of the Treaty establishing the European Economic Community,
- having regard to Articles 67 and 70 respectively of the financial regulations applicable to the fourth and fifth European Development Funds, under the terms of which the Commission is required to take all appropriate measures to act on the remarks accompanying the discharge decision,
- whereas under these same articles the Commission is required to report, at the request of the European Parliament, on the measures it has taken in response to Parliament's remarks and, in particular, on the instructions it has given to the services responsible for the management of the European Development Funds,
- deciding to present the remarks referred to in the aforementioned Articles 67 and 70 in the present resolution, which covers all the discharge decisions in respect of the financial management of the European Development Funds for the financial year 1984,
- having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Development and Cooperation (Doc. A 2-10/86),
  1. Reaffirms its determination to use all the means at its disposal to achieve the inclusion in the budget of the EDF;
  2. Calls on the Commission to comply with the remarks made by the Court of Auditors concerning the presentation of accounts, the way commitment and payments are charged to the budget and the management of liquid assets;
  3. Believes that the Commission's proposals concerning the financial management of the sixth EDF concerning the interest to be charged on delayed payments and the use of the ECU should put an end to delays by Member States in the payment of their contributions;
  4. Calls on the Commission to continue to monitor closely the problems posed by the application of the price variation clauses, so as to ensure that unwarranted profits cannot be made through currency conversions in respect of contracts which have been concluded;
  5. Calls on the Commission, the Court of Auditors and the EIB, with effect from the entry into force of the sixth EDF, to agree jointly on the procedures for budgetary control in line with the principles laid down by its resolution of 22 October 1985, in respect of the EDF appropriations administered by the EIB;
  6. Is concerned at the lack of rigour in the statistics presented by the ACP States in support of their requests for transfers under STABEX and also at the frequent absence of reports on the utilization of funds; believes that this problem could be resolved if the provisions of the Lomé Convention were applied.



EXPLANATORY STATEMENT

Every year the discharge decision in respect of the EDF is accompanied by the expression of reservations concerning the failure to include these activities in the budget. This will again be the case this year. Nevertheless, with the entry into force of the Third Lomé Convention, Parliament has again called on the Council to end this violation of elementary budget principles and to accord cooperation with the ACP States its rightful status as a full Community activity.

In its report on the financial year 1984, the Court of Auditors has been prompted to renew a certain number of criticisms and recommendations on which no action has so far been taken. Some of these concern financial and budgetary management and could easily be taken into account by the Commission. This is particularly true of the preparation and management of the accounts; in this respect, it should be pointed out that, in its discharge decision for 1983, Parliament asked the Commission to present the accounts in such a way as to show the annual sums on which the discharge is based.

There are also problems concerning the way in which commitments and payments are charged to the budget and the management of liquid assets. In recent years the Commission's estimates and management of liquid asset requirements have sometimes been lacking in rigour and accuracy.

Other annually repeated remarks on which no action has been taken concern the preparation of projects. The Court of Auditors has drawn up a special report (3/85) dealing with the problems posed by the selection and definition of the tasks of the research departments. It will be necessary to return to this problem in the future. In point 15.37 of its report, the Court of Auditors lists the failings in the implementation of projects and reiterates its desire to see the Commission draw together the results of its experience in this field. The Commission has acted on the discharge decision for 1983 and is currently studying the possibility of developing a computerized data bank for the implementation of EDF projects.

One point in particular drew the attention of the Court of Auditors and that was the application of price-variation clauses (points 15.39 and 15.40). The Court points out that it would be unacceptable for contractors to make unwarranted profits by exploiting currency conversions in respect of contracts they have concluded with recipient countries.

The problems raised by the Court of Auditors in connection with the functioning of STABEX, the transfer mechanism and the utilization of funds transferred, are of a general nature. The weaknesses in the system lie in the lack of statistical rigour and the absence of reports on the utilization of funds. Nevertheless, these are shortcomings which can be remedied and which should not call into question the merits of STABEX.

O P I N I O N

(Rule 101 of the Rules of Procedure)

of the Committee on Development and Cooperation

Draftsman: Mr A. MICHELINI

On 20 November 1985, the Committee on Development and Cooperation appointed Mr MICHELINI draftsman of the opinion.

The Committee considered the draft opinion at its meetings of 26 February 1986 and 28 February 1986. It adopted the draft opinion unanimously on 28 February 1986.

The following took part in the vote: Mrs FOCKE, Chairman; Mrs CASSANMAGNAGO CERRETTI, acting draftsman; Mr COHEN; Mr CONDESSO; Mrs DALY; Mrs DE BACKER-VAN OCKEN; Mr DURAN CORSANEGO; Mr ESTRELLA PEDROLA; Mr FERNANDES; Mr GALLAND; Mr C. JACKSON; Mr McGOWAN; Mr MUNTINGH (deputising for Mr SABY); Mr RUBERT DE VENTOS; Mrs SCHMIT; Mrs SIMONS, Mr SIMPSON; Mr WAWRZIK.

(PE 103.927/fin.)

Opinion of the Committee on Development and Cooperation

The Committee on Development and Cooperation,

- A. having regard to the annual report of the Court of Auditors concerning (1), the financial year 1984 accompanied by the replies of the institutions,
- B. having regard to its previous opinions on the granting of discharge, and in particular its opinion on the granting of discharge in respect of the 1983 Budget (2),
  - a) Title 9 of the Budget
    1. Notes with satisfaction the marked improvement in the rate of utilisation of both commitment appropriations (89%) and payment appropriations (78%) during the 1984 financial year;
    2. Notes that the quantities of food aid mobilised in 1984 increased considerably, thereby making good much of the backlog resulting from delays in the 1983 programmes;
    3. Deplores the unnecessarily long delay between the initiation of procedures for mobilising food aid and its arrival in the port of unloading which, in 1984, amounted on average to 14 weeks for cereals, 19 weeks for butteroil and 23 weeks for milk powder, these figures showing no improvement over 1983; believes that this situation can best be remedied by simplifying the complex procedures for the mobilisation of food aid and by replacing the basic food aid regulation (regulation No. 3331/82), which has never had the approval of the European Parliament, with a new regulation providing for more acceptable and efficient decision-making procedures;
    4. Stresses, furthermore, the importance of food aid deliveries being properly programmes;
    5. Stresses the importance of ensuring the quality of products delivered as food aid, and calls for full use to be made of the appropriations for quality control entered against item 9271 of the budget;
    6. Regrets that, despite previous appeals by the Committee on Development and Cooperation, the Court of Auditors has again noted deficiencies in the packaging of food aid products;
    7. Insists on the Commission monitoring the use made of counterpart funds from the proceeds of the sale of food aid, and ensuring that these are utilised as agreed;

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(1) OJ No. C 326 of 16.12.85

(2) Doc. A2-10/85/C, p. 57, draftsman Mr Vergeer

8. Considers unacceptable the low rate of utilisation of appropriations under Article 930 during 1984, while congratulating the Commission on the great improvement in this respect during 1985;
9. Questions the advisability of minority participation in co-financed projects in which the Community, contributing only a small proportion of funds, has little influence on the management;
10. Notes the important role played by consultants in preparing and implementing projects under budget chapter 93 and the EDF; consequently calls on the Commission to exercise great care in the choice of consultants and, subsequently, in monitoring their work;
11. Stresses the importance of having more Commission representatives in Latin American and Asian developing countries, particularly as certain regional organizations mandated to manage Community projects have merited severe criticism by the Court of Auditors;
12. Condemns the failure to make payments under item 958 - special programme to combat hunger in the world, during 1984 because of technical difficulties;
13. Regrets once more the poor rate of utilisation of many appropriations under Chapter 96 - protocols with the Mediterranean countries;

b) European Development Fund

14. Repeats its dissatisfaction at the fact that the EDF is not budgetised;
15. Calls on the Member States and the Commission to ensure that quarterly contributions to the EDF are paid on time by all Member States;
16. Emphasises the need for more on-going and ex-post evaluation of projects so that the lessons learned may be used when assessing projects for assistance under the 6th EDF; in this regard emphasises the important role of delegations in ACP countries in the regular monitoring of projects;
17. Expresses concern that the EDF funds administered by the European Investment Bank are not subject to control by the Court of Auditors in the same way as EDF funds administered by the Commission;
18. Expresses its growing concern about delays which still occur in making payments to contractors under the EDF; asks the Commission to make available to the Parliament statistics which indicate the annual proportion of delayed payment, the causes of delays and the measures being taken to remedy the situation;
19. Endorses the Court of Auditors' observations regarding the importance of preliminary studies, the role of technical assistance and the maintenance of completed projects;

20. With regard to Stabex,

- stresses the need for accurate statistics in the beneficiary countries, and in this respect notes that the programme financed by Article 948 of the budget could go some way towards improving the quality of statistical information in developing countries;
- draws attention to the fact that in some of the cases examined by the Court of Auditors, shortfalls in export earnings were made good by Stabex by amounts which, when added to the export earnings of the year in question, provided the recipient state with total earnings in excess of those for the reference period;

(c) General

21. Repeats its calls for an immediate and thorough investigation to be made of the staffing needs of DG VIII and of the staff required to implement the programme of aid to Latin America and Asian developing countries, the results of this investigation should be reflected in the table of effectives contained in the 1987 budget; recalls its demands made in previous discharge reports for improved evaluation procedures;
22. Reaffirms the considerable importance which the Parliament has attached to the full implementation of the 1986 budget amendments which provided for 20 additional staff for DG VIII and DG I for development cooperation, and 7 additional staff for a new evaluation unit in DG VIII, and demands an early report on progress with the implementation of new evaluation procedures;
23. Requests the Committee on Budgetary Control to take account of the above observations in its report on the granting of discharge in respect of the implementation of the 1984 budget;
24. Believes that, subject to the above remarks, discharge should be granted in respect of the implementation of Title 9 of the budget of the European Communities and of the EDF for the 1984 financial year.