RESOLUTION

of the European Parliament containing the comments accompanying the decision concerning discharge in respect of the implementation of the general budget of the European Union for the 2001 financial year (Commission)

THE EUROPEAN PARLIAMENT,

— having regard to the budget of the European Union for the 2001 financial year,

— having regard to the revenue and expenditure account and the consolidated balance sheet for the 2001 financial year (SEC(2002)403 — C5-0239/2002, SEC(2002)404 — C5-0240/2002, SEC(2002)405 — C5-0242/2002, SEC(2002)406 — C5-0241/2002, SEC(2002)1378 — C5-0087/2003) ([1]),

— having regard to the annual report of the Court of Auditors for the 2001 financial year, accompanied by the replies of the institutions audited (C5-0538/2002) ([2]), and the special reports of the Court of Auditors,

— having regard to the statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors pursuant to Article 248 of the EC Treaty (C5-0538/2002),

— having regard to the Council recommendation of 7 March 2003 (C5-0087/2003),

— having regard to Articles 275 and 276 of the EC Treaty, Article 78g of the ECSC Treaty and Articles 179a and 180b of the EAEC Treaty,

— having regard to the Financial Regulation of 21 December 1977, and in particular Article 89 thereof, and to the Financial Regulation of 25 June 2002, in particular Articles 145 to 147 ([3]),

— 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 opinions of the other committees concerned (A5-0109/2003),

A. whereas the budget has a surplus of more than EUR 15 billion, which is greater than in previous financial years,

B. whereas in its resolution of 30 January 2003 ([4]) on the 2000 discharge follow-up, the European Parliament highlighted the following aspects:

— the recurring budget surplus,

— the under-implementation of Structural Funds and the complex provisions governing this area,

— the poor functioning of the recovery procedures for unduly paid funds and the inadequacy of the fight against fraud,

C. whereas Directors-General declarations of assurance and activity reports, issued for the first time in 2002 for the 2001 financial year, highlighted three major risk areas:

— need to renew the accounting framework and underlying IT systems,

— shortage of human resources in vital control areas such as programme management,

— incompatibility between the Treaty assumption of full budgetary accountability of the Commission and delegation of management responsibility to Member States for 80 % of the budget,

([1]) OJ C 296, 28.11.2002.
([2]) OJ C 295, 28.11.2002.
([3]) OJ L 248, 16.9.2002, p. 1.
([4]) P5_TA(2003)0035.

D. whereas appreciation must be expressed to Commission departments for replying promptly, by the deadline (18 December 2002), to the questions forwarded on 29 November 2002 by the members of the Committee on Budgetary Control in connection with the discharge procedure,

I. General remarks on the accounting system

1. Takes note of the fact that the Court of Auditors — on the whole — is of the opinion, as expressed in the statement of assurance, that the accounts of the financial year closed on 31 December 2001 faithfully reflect the Communities' revenue and expenditure for the year and their financial position at the year-end, but that the weaknesses in the accounting system itself require urgent in-depth action;

2. Underlines the Court of Auditors' observation that 'since the first statement of assurance in respect of the financial year 1994 the Court has repeated its reservations in respect of the reliability of the accounts. These reservations most often have their roots in the weaknesses of the accounting system and in the low level of awareness in the Commission's operational DGs with regard to questions concerning records and accounting control. The reservations contained in the Director-General of Budgets' declaration confirm the Court's findings' and that 'a draft action plan [on how to reform the accounting system] was submitted in June 2001' ([1]);

3. Notes that, in the opinion of the Court of Auditors, the transactions underlying the financial statements, taken as a whole, are legal and regular in respect of revenue, commitments and administrative expenditure but that such assurance cannot be provided in respect of other payments; considers that this global statement of assurance is too general and prevents Parliament from ascertaining that the transactions carried out by the Commission, and above all by the Member States, are regular, or where responsibility for error lies;

4. Notes that the Commission has always had a legal and political obligation to ensure the reliable management of all the funds entrusted to it (Article 274 of the Treaty);

5. Hopes that the Commission will present, by the end of this year, a multiannual plan containing a timetable and a step-by-step plan for obtaining a positive statement of assurance from the Court of Auditors in respect of the whole budget; asks, in the context of decentralisation, to receive a plan of the approach to be adopted by each individual DG, stating how and when the DG will obtain a statement of assurance from the Court of Auditors;

6. Welcomes recent moves by the Commission to eliminate permanent access rights and restrict access to the accounting database only on a limited basis for specific tasks; notes that an effort was made in 2001 and 2002 to provide full reconciliation of the data in the two systems but points to the Court's criticism that this exercise is neither comprehensive nor systematic and thus does not represent a satisfactory solution in the longer term; takes the view that reconciliations play an important role in improving the consistency of data in the subsystem and therefore that they should be treated more urgently and more frequently;

7. Acknowledges that the Commission has reported and explained to Parliament's Budgetary Control Committee, on a number of occasions, the measures it intends to take in order to reform the accounting system; welcomes the publication of the Commission communication of 17 December 2002 on Modernisation of the accounting system of the European Communities (COM(2002) 755), building on the July 2002 memorandum and the June 2001 Action Plan, and the explicit commitment to improve and modernise the Community accounting system by 2005;

8. Stresses that the Commission has both a legal and a political obligation to establish a modern, reliable and accurate accounting system for the financial year 2005, as laid down in Articles 125 and 181 of the new Financial Regulation; finds it, in this regard, highly regrettable that so little progress has been made over the last six years in responding to the Court of Auditors' observations on the accounting system;

([1]) See Annual Report, paragraphs 9.6 and 9.8.

9. Recognises that the Court of Auditors issued a positive statement of assurance on the revenue and expenditure account for the year 2001, but confirms the reservations expressed by the Court as well as by the Director-General of DG Budget's annual activity report for 2001 regarding the Community accounts, and, in particular, concerning:

   (a) synchronisation, coherence and security of data (DG Budget);

   (b) reliability of the evaluation of assets and the financial situation (DG Budget);

   (c) accounting of appropriations to be recovered (DG Budget);

   (d) the EUR 148,7 million overstatement of provisions paid to the Member States in respect of agricultural intervention stocks (Annual Report, paragraph 9.12);

   (e) the entry without adequate justification, under 'Sundry debtors' of EUR 980 million relating to cash transfers in third countries (Annual Report, paragraph 9.25);

   (f) the EUR 564 million provision, established on a doubtful basis, for the cost of dismantling the Joint Research Centre's nuclear installations (Annual Report, paragraph 9.31);

   (g) an overstatement of outstanding commitments of approximately EUR 1 318 million (Annual Report, paragraph 9.32);

10. Considers that, although DG Budget was occupied with other financial aspects of the Commission reform agenda — revision of the Financial Regulation and activity reports of Directors-General — more practical steps could and should have been taken in the intervening 18 months to address the urgent concerns of the Court of Auditors on the state of the accounting system;

11. Expresses its concern at the high turnover of administrative staff in high-ranking and crucial posts, such as the Commission accounting officer, as well as the shortage of qualified staff in accounting and auditing reported by the Internal Audit Service, and urges the Commission to make this a top priority of its human resources policy;

12. Recalls the Commission's statement (reply to Written Question P-1839/2002) to the effect that the accounts for 2001 were not submitted by the Accounting Officer to the Financial Controller prior to adoption, although this was required by Article 18 of the Commission Regulation laying down detailed rules for the implementation of certain provisions of the Financial Regulation;

13. Concludes from this that the closure of accounts for 2001 was carried out by the Commission in violation of the Financial Regulation;

14. Asks for the maximum restraint on earmarking within budgetary lines — especially in Chapter A-30 — with due regard for the competences of institutions, ensuring the necessary transparency for allocation of European funds and universal coverage of potentially interested NGOs;

15. Calls on the Court of Auditors to release a statement of assurance and error rate for each individual DG in order to highlight problem areas and substantially increase Commission and Member State accountability;

16. Calls on the Commission to have an external audit carried out by the end of this year on its treasury system and to report the results thereof to Parliament;

II. **The accounting framework**

17. Regrets the fact that the action plan presented by the Commission does not clearly distinguish between those measures required to solve current operational deficiencies and to enhance the

informative value of the current cash-based accounts, and those necessary to move towards full accrual accounting; underlines the pressing need to correct some of the important deficiencies in the existing system immediately; asks the Commission to clearly define its understanding of 'full accrual accounting';

18. Calls for the SAP/R3 modules 'accounts payable' and 'accounts receivable' to be brought into use by the end of 2003;

19. Considers that the transition to an accrual-based accounting system, to include all incurred expenditure and outstanding revenue, is a crucial step towards meeting the latest international accrual accounting standards; insists that in any case the principle of double-entry accounting be respected;

20. Insists that the discharge authority be kept regularly informed, at least at quarterly intervals, of concrete progress in this regard and of any serious delay in reaching the targets laid down in the Annex to the abovementioned Commission communication of 17 December 2002;

21. Welcomes the assertion that the Accounting Officer will have a major role in the development of the new accounting standards, as stated both by the Court of Auditors and in the Financial Regulation, and will be assisted by an advisory committee comprising senior audit and accounting experts, including two external professionals;

22. Considers that experts from the Court of Auditors should participate, in an advisory capacity, on the new Accounting Standards Committee as long as it does not compromise the independence of the auditing institution;

23. Takes the view that the future accounting system must have as a minimum the following fundamental characteristics:

— single and fully integrated entry of information across the whole system;

— uniform data definition;

— consistency of central and sectoral systems;

— multiannual consistency of data and information (to facilitate comparability and to demonstrate improvements);

— full accrual accounting capacity and respect for international accrual accounting standards;

24. Supports the recent moves to complement the budget outturn with a broader economic outturn statement better reflecting the true state of the accounts of the European Union;

III. **The IT system**

25. Is gravely concerned about the lack of integration in the current automated accounting system, which relies on a complex three-part computer interface developed in-house in 1997 (SINCOM 2) and extended in 1999 in order to provide a user-friendly interface for sectoral services; notes with alarm that it has failed to ensure either the required level of secure access or reliability of data input from different parts of the system and as a result is criticised by the Court of Auditors;

26. Points out that, in deciding on a replacement system, the Commission must plan for the longer term and develop the most reliable and practical computerised accounting system on the market

which is compatible with developing international public sector accounting standards (IPSAS); requests a cost-benefit analysis of the two alternatives expressed in options 2 and 3 ([1]) in order for the budget and discharge authority to assess the implications in terms of the budget, establishment plan and effectiveness of choices; notes, at the same time, that the Commission estimates the external resources needed for the development of the IT system at EUR 18,6 million;

27. Considers it essential that the Commission take full account of the experience and needs of users in the design and application of the new system;

28. Takes the view that the future system must have at least the following characteristics:

— a single point of access to data for the user;

— full interoperability of the system;

— elimination of redundant data;

— effective security and reliability of data and guarantee of a full audit trail;

— a back-up which functions effectively in the event of system breakdown;

— involvement of user groups at all stages of development (to guarantee user-friendliness and to reduce the need for specific sectoral or local systems);

— proper and safeguarded software change management;

29. Calls for a detailed and comprehensive audit by external experts of the Commission's plans to improve the accounting framework and the related IT systems, to assess their suitability in order to ensure that the measures undertaken fulfil the highest standards of modern accounting practice, including the needs set out in paragraphs 23 and 28; requests that the results of this external audit be reported and discussed at a hearing on the accounting framework, to be organised by the Committee on Budgetary Control, which should include the participation of the Commission and the Court of Auditors;

IV. **Special report 2/2002 from the Court of Auditors** ([2])

30. Notes that the Court has highlighted the fact that payment authorisations and the payment implementation figures presented by the Commission for the Socrates and Youth programmes differ, depending on the documents used;

31. Takes note of the full explanations and justifications supplied by the Commission regarding these figures, and in particular that:

(a) all the figures supplied for the years in question (1995 to 1999) in the budget proposals are consistent with the figures presented in Volume II of the financial statement;

(b) budget proposals, however, exclude figures on the participation of countries in the European Economic Area and third countries as they are presented in the financial statement without being clearly indicated, therefore leading to misunderstandings;

(c) the reconciliation of the figures from both sources is quite complex and involves gathering information from as many as six different tables from auxiliary volumes of the financial statement;

(d) the figures in Volumes I and IV of the financial statement are rounded and, as there are several ways of presenting the data gathered from the original tables, this can produce different results;

([1]) COM (2002) 755, sections II.3.2 and 3.3.
([2]) OJ C 136, 7.6.2002, p. 1.

(e) the data shown in the financial statement, Volume I, for commitments in 1998 under the Youth programme are not accurate, giving rise to doubts as to the consistency and reliability of the figures shown in this volume;

32. Calls on the Commission to provide, in future, complete explanations of its accounts and references to their legal basis, including the various volumes and tables;

33. Calls on the Commission to make an immediate assessment of the reliability and accuracy of figures included in Volumes I and IV of its financial statement, so as to overcome its current shortcomings;

34. Calls on the Commission to use certified figures from its financial statement as the only source for any official release of budgetary figures, thereby immediately stopping the proliferation of inconsistent data released by other Commission services;

35. Notes that payment implementation figures referred to in the final evaluation report on the Youth programme (SEC(2001)1621) cannot be matched up with any figures from different sources;

V. **Modernisation of the payment system**

36. Notes that the unreliability and the non-disclosure of dates of invoices, receipts and payments from the Commission deeply damage the European institutions' reputation, cause severe problems for beneficiaries and are directly responsible for the loss of large sums (Annual Report, paragraph 9.86);

37. Notes that the introduction of a single entry point for information across the system as proposed in this resolution will eliminate double and contradictory registers of 'payment executions' as well as different and incompatible accounting systems; it will also allow, without additional costs:

— the automatic recording of dates of receipts, invoices and payments in the same documents, thereby providing for the proper application, and control and audit, of European Parliament and Council Directive 2000/35/EC of 29 June 2000 on combating late payment in commercial transactions ([1]), transposed into the European Institutions' internal rules in Article 83 of the Financial Regulation of 25 June 2002 and Article 106 of Commission Regulation (EC, Euratom) No 2342/2002 ([2]) laying down the implementing rules of that Financial Regulation;

— systematic recording of the time span from the moment when payment orders have been made to the moment when the transfer arrives either at the beneficiary or at a banking institution; this information will allow evaluation of the performance of banks chosen to manage Community transfers (speed of transfers);

— consistent notification of beneficiaries about the dates of payment orders, instead of the present piecemeal system where beneficiaries receive different kinds of notification or no notification at all; this information allows beneficiaries to judge the effectiveness and efficiency of financial institutions; consequently it becomes easier to check on the responsibilities of the various actors in the payment system;

38. Is of the opinion that the reform of the accounting system requires the systematic communication of information to the recipients of Community funds; calls, therefore, on the Commission to establish a pilot programme introducing information on dates of invoices and payments in the beneficiaries' notifications;

([1]) OJ L 200, 8.8.2000, p. 35.
([2]) OJ L 357, 31.12.2002, p. 1.

VI. **Application of the universality principle**

39. Notes that interest accruing on Community funds, as well as the full amount of Community funds recovered, according to Article 268 of the Treaty, must be shown in the budget;

40. Therefore considers it unacceptable that the Commission was unable to quantify, identify or explain the use of interest accruing on Community advance payments or of the 20 % of recoveries collected under Council Regulation (EEC) No 595/91 ([1]), with the exception of interest on Structural Funds;

41. Notes that the Commission, with regard to Structural Funds, was also unable to quantify or identify interest received, but gave a general explanation for its use; believes that this explanation shows that the use of interest breaches existing Regulations (Article 32(2) of Council Regulation (EC) No 1260/1999 ([2]) in conjunction with Commission Regulation (EC) No 1685/2000 ([3]), Annex, point 1 of Rule No 3);

42. Notes, however, that Article 3 of Regulation (EC, Euratom) No 2342/2002 excludes from the property of the Communities 'pre-financing paid under a contract within the meaning of Article 88 of the Financial Regulation, or to Member States, or under the pre-accession aid, or the advances referred to in Article 265 (…) joint management within the meaning of Article 53 of the Financial Regulation.';

43. Therefore expects the Commission to present, within the next three months, a detailed action plan to include the sums referred to in paragraph 40, and excluding the sums referred to in paragraph 42, in the budget in the near future;

VII. **Externalisation and the reform of the Commission**

A. *Personnel policy*

44. Asks the Commission to establish a code of conduct for its personnel that ensures transparency and separation between private and public interests regarding their tasks and responsibilities in the Commission and their past, present and future activities outside the Commission;

45. Asks the Commission to closely monitor the granting of leave on personal grounds in order to ensure that conditions of transparency and separation of interests are met, and to review its past decisions in the light of these findings;

46. Notes that the Commission was not able to substantiate any of its claims regarding the continuation of its present policy of applying weightings to staff pensions;

47. In the light of the principle of equity and equal treatment, freedom of movement, the right to privacy, as well as the considerable cost of the pension weighting and the prohibitive cost of controlling it, considers that the system of geographic weightings according to the declared or presumed residence of the pensioner must be discontinued, and invites the Commission to amend its proposals to review the Staff Regulations to that end;

B. *Executive agencies and other forms of outsourcing of activities*

48. Takes note of Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes ([4]);

49. Emphasises that the Commission will remain ultimately responsible for the activities of the executive agencies to which the task of managing Community programmes (implementation of the budget) has been delegated;

([1]) OJ L 67, 14.3.1991, p. 11.
([2]) OJ L 161, 26.6.1999, p. 1.
([3]) OJ L 193, 29.7.2000, p. 39.
([4]) OJ L 11, 16.1.2003, p. 1.

50. Recalls that the externalisation of some tasks to public implementing bodies must meet a specific objective, that the tasks involved must be technically complex and temporary, and that, in all events, tasks which are the responsibility of the public authorities or which involve the exercise of discretionary powers or access to confidential information may not be delegated to executive agencies;

51. Stresses that, prior to any decision to set up an executive agency, the Commission must make a rigorous analysis of the need and added value of the administrative functions it will perform, in the light of the principles of subsidiarity and procedural simplification;

52. Considers that while it seems logical to outsource some peripheral activities, such as catering services, to outsource the core tasks of the Commission's information policy – such as drafting texts — in a multiannual, multimillion euro contract with a single enterprise delegates effective discretionary powers in translating political choices into action; invites the Commission, therefore, to launch a careful review of its policy of outsourcing of activities, with particular reference to the principle of budget annuality;

53. Regrets that the Commission has not yet been able to quantify the externalisation of administrative tasks, broken down by Commission department; asks the Commission to produce such information as soon as possible in accordance with the following criteria:

— number of tenders and tendering procedures;

— number of contracts;

— list of leading recipients of contracts by financial value;

54. Calls on the Commission to make an overall study of activities currently carried out by various Community bodies that may overlap or serve the same goals in order to propose appropriate solutions, including possible mergers of agencies;

55. Is concerned by the fact that there is an imbalance between administrative and operational expenditure in many agencies, with administrative expenditure exceeding expenditure for operational purposes; therefore calls on the Commission and the agencies to set targets and a timetable to reduce the level of administrative expenditure as a proportion of total expenditure;

56. In this respect, takes the view that these agencies could be entrusted with more operational tasks, thus avoiding the creation of further executive agencies and Community bodies by the Commission; asks the Commission to make appropriate proposals by 30 June 2003 at the latest and before creating any further executive agencies;

C. *Eurostat*

57. Reiterates the political importance it attaches to paragraphs 14-32 of its resolution of 13 March 2003 ([1]) on the protection of the Communities' financial interests and the fight against fraud and stresses again that it expects the Commission's Internal Audit Service to examine by summer 2003 the legality and regularity of all contracts concluded by Eurostat since 1999, and to include in the investigation those contracts concluded by other Commission services on Eurostat's recommendation;

58. Regrets that the previous Eurostat Internal Audit Service recommendations regarding future contracts with Eurogramme, as well as regarding application of Article 24 of the Staff Regulations in the case of the accusations by Eurogramme against the project officer were not completely followed; calls on the Commission to take due consideration of recommendations from its Internal

([1]) P5_TA(2003)0099.

Audit Service as well as from the internal audit services of its various departments; calls on the Commission to fully apply Article 24 of the Staff Regulations in the abovementioned case;

59. Welcomes the Commission announcement of a detailed revision of all contracts with and payments to Eurogramme, the suspension of all new contracts with that firm and the full application of Financial Regulation provisions regarding the stockholding transfer of that company to a new company;

60. Considers it inadmissible that OLAF complaints to national judicial authorities regarding contracts concluded by European Institutions are ignored by the Commission and not acted upon; calls on the Commission to review thoroughly the current situation and to take the necessary steps in order to remedy it with all due urgency;

VIII. **Under-implementation of the budget**

A. *Payment appropriations for the Structural Funds*

61. Notes that the unutilised amounts for the programming periods prior to 1994 consisted mostly of disputed payments;

62. Regrets that the rate of implementation of available payment appropriations for structural measures in 2001 decreased further in relation to previous years for the third year in succession (1999: 87 %, 2000: 77,5 %, 2001: 68,1 %); recognises, however, that the implementation rate for 2002 (71,8 %) marks a break in this downward trend and expects the rate to continue to improve over the next few years;

63. Agrees with the observations of the Court of Auditors about the problems concerning the early stage of the programming work; is particularly concerned about the delays at the beginning of the 2000-2006 programming period; considers that the Commission should make proposals in connection with the next structural fund reform to prevent equally long delays from occurring in future; considers that the programming periods for the objective programmes and Community initiatives should be divided up in the next programming period;

64. Is astonished that the structural fund payment forecasts for 2001 were 50 % higher than actual payments; notes that three Member States (Italy, Portugal and the United Kingdom) accounted for 85 % of the total overestimate of payments; criticises those Member States for their particularly poor payment forecasts for 2001; urges the Commission, together with the Member States, to improve prediction techniques;

65. Notes that Regulation (EC) No 1260/1999 has apparently failed to help simplify procedures and rules relating to programme implementation; recalls, in this context, the conclusion of the Court of Auditors pointing to persistent uncertainty as to which responsibilities lie with the Member States and which with the Commission; takes the view, however, that simplification of measures must not come about at the expense of the Communities' political priorities;

66. Welcomes the Commission's proposals of October 2002 to simplify measures within the current programming period, and urges the Commission and the Member States to implement their respective sections as quickly as possible in order to improve the implementation rate for available payment appropriations in 2003; regrets the Member States' unwillingness to make their own institutions responsible for winding up their respective national programmes and give a yearly statement of assurance as a means of reducing the number of audits to be carried out by the Commission;

67. Stresses that combating irregularities, fraud and corruption and protecting the Communities financial interests merit high priority in all Member States; calls on the Commission, in consultation with the Member State authorities responsible, to ensure that all Member States possess or develop proper accounting, auditing and control systems for the management of EU monies — in particular monies entrusted to them through cofinancing — and set up anti-fraud units to cooperate with the European Anti-Fraud Office (OLAF); presses for further improvement in cooperation between national audit offices and the European Court of Auditors;

68. More generally, calls on the Commission — in particular the Internal Audit Service, the Court of Auditors and the Member States to develop and introduce a single audit model in order to further improve and rationalise audit and reporting activities;

69. Takes the view that the Commission must consider alternative methods and options by which the available payment appropriations can be brought into line with the amount which Member States can realistically implement for the 2005 budgetary procedure if the implementation rate in 2003 does not significantly improve;

70. Is extremely concerned about the massive under-spend in some Member States in relation to the 1994-1999 Structural Funds programmes, and recalls the deadline of 31 March 2003; points out that Member States making applications relating to this programming period which are received after this date will not receive payments, except for payments dependent on cases which are the subject of court proceedings;

71. Repeats the request made by the Court of Auditors for the Commission to provide more guidance to Member States on the reporting of irregularities within the Structural Funds programme, and requests evidence from the Commission that this has been done;

72. Is disappointed with the simplification proposals submitted by DG Regio in relation to the Structural Funds, and requests that profound changes be made in the next Structural Funds programme in keeping with the proposals in the Commission White Paper on EU Governance ([1]);

73. Requests, in the context of the European Convention, that the Commission be instructed, in the future, to set up audit structures within the Structural Funds, proportionate to money allocated;

74. Takes the view that the next reform of the Structural Funds, which will take place in an enlarged Union, should be guided by the following principles: concentration on a few clear priorities, further administrative simplification, a more performance-related approach to the distribution of funding and avoidance of abrupt changeovers between programming periods;

B. *Sapard*

75. Notes that the main objective of the Sapard programme is to help adapt the agricultural sector and rural regions of the ten candidate countries to the challenges of European integration and that financial aid from the Union budget amounts to EUR 3 769 million for the period 2000-2003 (see the Court of Auditors' Annual report for 2000 ([2]), Table 6.1);

76. Notes that the incomplete implementation of the budget for Sapard for the financial years 2000 and 2001 is primarily the result of the slow introduction, in the candidate countries, of the complex regulatory framework required for setting up the 'national agencies', which is illustrated by the fact that, at the end of 2001, management and control of funds had been conferred on only five countries;

([1]) OJ C 287, 12.10.2001.
([2]) OJ C 359, 15.12.2001.

77. Notes the discrepancy between the Commission's estimates as to programme start-up capacity and disbursements, which, for the financial year 2001, totalled EUR 30,5 million in the form of advances to the five countries with management conferral, of which only EUR 1 million went to final beneficiaries;

78. Stresses the pressing need to take into consideration the situation of candidate countries in areas such as access to credit, which, though non-existent in some countries (e.g. Bulgaria), is essential because beneficiaries must prefinance projects before they are reimbursed by Sapard, and the lack of a property market, which makes it difficult for some beneficiaries to meet eligibility criteria (renting/ownership of arable land);

79. Welcomes the derogation to the n+ 2 rule established for Sapard in Commission Regulation (EC) No 2222/2000 ([1]), as amended by Regulation (EC) No 188/2003 ([2]), and calls on the Commission to monitor implementation of the new ruling particularly carefully and to give Parliament early warning of any cancellations;

80. Deeply regrets the minimal impact of European assistance for structural reform of agriculture in the candidate countries; considers that the current situation is unacceptable and is seriously harming the enlargement process and the image of enlargement in the EU; calls on the Commission to prioritise the structural adaptation of agriculture in candidate countries by giving adequate financial help to farmers faced with the challenges of integration, while ensuring that adequate controls are in place and that control structures and administrative costs are in proportion to money allocated;

81. Regrets that guidance notes for the Sapard programme are not available in the languages of the candidate countries, and insists that the Commission correct this at the earliest opportunity;

C. *Phare and Tacis*

82. Is deeply concerned at the high level of outstanding commitments confirmed by the Court of Auditors under the Phare programme at the end of 2001 (more than EUR 2,3 billion);

83. Notes that the level of implementation of ISPA appropriations in 2001 was only 58 % owing to a delay in negotiations, though this is a reasonable result, particularly when compared with Sapard (6 %); urges the Commission and the candidate countries to improve their level of implementation and make the best possible use of the ISPA appropriations;

84. Takes the view that the Tacis programme would have a greater impact on the social and economic situation in local communities if more local companies were selected for local projects; asks the Commission to give an indication of the ratio of local companies to European companies selected for projects; urges the Commission to devise calls for tenders in such a way that local companies also have a fair chance of winning them;

D. *Improving financial liability arrangements in candidate countries*

85. Reiterates that combating fraud and corruption as well as protecting the Community's financial interests must be absolute priorities in all candidate countries; calls on the Commission to ensure that all candidate countries implement proper accounting, audit and control systems, set up anti fraud units to cooperate with OLAF, and further improve cooperation between their national audit bodies and the European Court of Auditors;

([1]) OJ L 253, 7.10.2000, p. 5.
([2]) OJ L 27, 1.2.2003, p. 14.

IX. **Common agricultural policy**

86. Calls on the Commission to produce a report by November 2003 on higher IT-security among paying agencies, bearing in mind that only one out of 49 agencies audited was rated 'good';

A. *Integrated Administration and Control System (IACS)*

87. Demands that common standards for measuring eligible arable areas be approved and applied throughout the Community;

88. Notes the huge disparities amongst Member States in their interpretation of the information required under IACS, and, consequently, the heavy bureaucratic burden placed on many farmers in some Member States, compared with the minimalist approach in other Member States; calls on the Commission to harmonise and simplify IACS requirements across the EU;

89. Calls upon the Commission to ensure that Greece fully implements the IACS system before the end of 2003; underlines in this context the fact that the EU cannot be demand more of applicant countries than it does of Member States;

90. Demands that the Bovine Identification System be operational in all Member States by the end of 2003;

91. Remains concerned about the possibility of objectively controlling in general, and under IACS in particular, the conditions relating to environment and best farming practice, which are increasingly used as criteria to grant aid under the common agricultural policy;

92. Considers, in this respect, that the level of control should keep pace with developments in the common agricultural policy and asks the Commission to propose clearly defined and objectively controllable indicators as soon as possible;

B. *Non-reform of sugar market organisation*

93. Takes note of the extended analysis, in the Court of Auditors' annual report, of the gross deficiencies shown by the Commission in conducting the reform of the sugar market, which to a large extent prevented once again any significant reform in the mechanisms of an organisation that has remained largely untouched since its creation;

94. Asks the Commission to make a careful internal analysis of the reasons for this failure and welcomes its decision to create an *ad hoc* group on the sugar market reform, drawing on contributions from several Commission services;

95. Recalls the need for the Community to implement policies on an equitable basis, taking due consideration of the general principles and objectives set out in the Treaty;

C. *Export refunds*

96. Welcomes the first two reservations expressed by the Director-General of DG-Agriculture which relate to the functioning of the export refund mechanism and are largely in line with the arguments put forward in Parliament's resolution of 10 April 2002 ([1]) on discharge for the 2000 financial year;

97. Acknowledges the compromises made by the Commission regarding simplification of the system and its intention to limit its scope and importance;

([1]) OJ L 158, 17.6.2002, p. 3.

98. Urges the Commission to withhold export refunds for sugar exports to countries enjoying duty-free access to the European market as soon as possible, considering the present investigations relating to circuitous export schemes and bearing in mind past experiences with export refunds for butter;

99. Calls for an evaluation of all export refund schemes and their impact on world hunger, as well as a corresponding increase in food aid;

D. *Fishery sector*

100. Considers that the need to recover funds in almost half of the projects checked (reply to question 5.27 in the questionnaire) signals serious control and oversight problems on the part of the Member States, which is not consistent with the principle of sound financial management; believes that the degree of project verification, in terms of both on-the-spot checks and record-based audits, must be significantly increased;

E. *Transparency policy regarding the use of CAP funds*

101. Welcomes the publication of comprehensive statistics regarding the distribution of direct funding to farmers per Member State and per size class of aid;

102. Deplores the Commission's obstinate refusal to make the list of subsidies to commercial undertakings such as export refunds and surplus disposal measures under CAP mechanisms public, which runs counter to basic transparency principles;

103. Is deeply concerned by the absence of coherent and comprehensive action to bring prosecutions for food product adulteration at Community level as these affect public health, consumers and farmers, as well as directly or indirectly harming the Communities' financial interests;

104. Regrets that the Commission has not taken any action against companies involved in large-scale adulteration of milk products;

X. **European Social Fund and social policy**

105. Notes with concern that serious mismanagement has been reported in the use of European Social Fund appropriations in all the Member States and throughout the European Union; asks the Commission to keep it informed of investigation results and actions taken under Article 24 of Council Regulation (EEC) No 4253/88 ([1]);

106. Regrets that serious irregularities and instances of fraud have been discovered in Denmark — among other Member States — involving a number of projects financed from the European Social Fund; congratulates the Commission for taking swift action to stop payment to Danish Social Fund projects and for addressing serious shortcomings in Danish management and control systems;

107. Invites the Commission to clarify how the objectives of the European Social Fund can be attained while at the same time avoiding cumbersome and inefficient procedures, fraud and mismanagement;

108. Is surprised at the amount of time taken to investigate the possible mismanagement of European Social Fund funding in Madrid; encourages the Commission to bring the case to a close as soon as possible, and to clarify the entire situation in an unambiguous way;

([1]) OJ L 374, 31.12.1988, p. 5.

109. Calls on the Commission to take the opportunity afforded by the Court of Auditors' Special Reports No 3/2002 ([1]) and No 4/2003 to reflect on the reform of European aid irrespective of specialist sectors; takes the view that, especially in the case of 'innovative measures', more attention needs to be paid to the evaluation, dissemination and exploitation of results;

110. Criticises the failure of some Member States to use the instrument of 'social risk capital' in accordance with Article 4(2) of the ESF Regulation (EC) No 1784/1999 ([2]), although this is a binding provision laid down in the regulation; calls on the Commission to seek a solution to this problem with the relevant Member States;

111. Expresses general satisfaction with the implementation rates for the budget headings for social affairs and employment in terms of internal policies; notes, however, that:

— the relatively low rate of implementation of heading B5-803 (non-discrimination programme) can be explained only partly by the delayed adoption of the basic legal act, particularly as the budget heading followed up 'preparatory measures' for the same topic;

— a substantial proportion of the administrative headings (BA headings) were used either not at all or only to an inadequate extent and there was clearly no coordinated approach to transferring unneeded administrative appropriations to operational headings;

112. Finds it unacceptable that, instead of the target of 15 %, only 6 % of European Social Fund expenditure was devoted principally to supporting women's participation in the labour market, despite the undertaking given by the Member States to make equal gender opportunities a cross-cutting priority in operations co-financed by the Structural Funds; considers that greater attention should be paid to promoting women's participation in the knowledge society and, consequently, to the high-quality training and employment of women in the field of information and communication technologies;

113. Welcomes the Commission's mid-term report on the Daphne programme (2000-2003) on preventive measures to fight violence against children, young people and women; considers that the report in question examines exhaustively the management of the first two years of the Daphne programme and that the implementation of that programme has been in keeping with the objectives set in European Parliament and Council Decision No 293/2000/EC ([3]) establishing the programme; notes, however, that many projects were unable to receive financial support because insufficient financial resources were available for the programme, for which reason it welcomes the funding which the Commission has allocated in the proposal it has submitted with a view to leading the programme into a second stage;

XI. **Environment, public health and consumer policy**

114. Underlines the fact that the impact of environment programmes is often hampered by the lack of assessment of environmental impacts of national and Community legislation and programmes, and believes that systematic use of strategic environment assessments ([4]) can be a powerful instrument to avoid such problems in future;

XII. **Penalty payments**

115. Notes that, since 1998, 9018 infringement cases have been opened, 7,6 % of these cases have been investigated but only once has a Member State been fined for failure to comply with EU legislation

([1]) OJ C 263, 29.10.2002, p. 1.
([2]) OJ L 213, 13.8.1999, p. 5.
([3]) OJ L 34, 9.2.2000, p. 1.
([4]) European Parliament and Council Directive 2001/42/EC of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment (OJ L 197, 21.7.2001, p. 30).

before; notes that in nearly all cases Member States comply only under threat of legal action in the European Court of Justice;

116. Notes that throughout the infringement procedure, the Commission unilaterally sets new deadlines for Member States to comply with EU legislation; demands that the Commission regularly inform Parliament of these decisions and provide, in writing, its reasons for extending these deadlines; notes furthermore that the Commission simply closes a case when compliance is achieved even if a Member State has allegedly ignored European legislation over many years, clearly damaging the Community's financial interests;

117. Notes that only after ten years was the first fine for non-compliance with European legislation handed down;

118. Requests that the Commission propose legislation to clearly differentiate between the types of infringements which occur, and set specific timeframes for dealing with each infringement according to its complexity and seriousness;

119. Notes the small number of fines imposed on Member States under Article 228 of the Treaty; considers fines for infringements an acceptable tool in the infringement procedure; suggests that the Commission propose a system of fines which incorporates both a lump sum for infringing EU law and a daily fine to encourage compliance;

120. Notes that the abovementioned situations contrast sharply with the situation under the Structural Funds, where payments are normally suspended before an investigation is launched — sometimes automatically on the basis of a complaint; asks the Commission to clarify why separate procedures are applied;

121. Demands that the Commission strengthen considerably its legislation enforcement capacity by proposing legislation that will harmonise procedures and reduce delays before infringements of European legislation are punished, thereby strengthening the credibility of European legislation;

XIII. **External policies**

122. Notes that the principal aim of the Community's development policy is to reduce poverty with a view to its eventual eradication ([1]) and that the EU and all Member States have endorsed the Millennium Development Goals (MDGs) which set outcome targets mainly related to education and health;

123. Observes that the Commission did not fulfil the sectoral targets for commitments established in the remarks to certain geographical budget lines ([2]) in 2001, and that performance was particularly weak for education and health in Latin America, although commitment levels from all these lines were acceptable for social infrastructure and services in general;

124. Notes that the Commission has reported global sectoral commitments for 2001 on the basis of the 35 % benchmark for social infrastructure, introduced in 2002, which did not apply in 2001; nevertheless appreciates the efforts made by the Commission to meet this benchmark, although implementation in ACP countries should be improved; emphasises that the 35 % must be allocated mainly to education and health, where global performance in 2001 was particularly weak, and calls for significant improvements in these areas in coming years;

125. Congratulates the Commission on producing for 2001 reliable sectoral distribution statistics compatible with OECD-DAC and on implementing the Common Relex Information System to ensure quality sectoral reporting in future years; welcomes the decision to introduce in the future similar innovations for audits and framework contracts;

([1]) The European Union's Development Policy, conclusions of the 2304th meeting of the Development Council 10 November 2000.

([2]) Budget-lines B7-300, B7-301, B7-310, B7-311, B7-32.

126. Underlines the importance of reliable reporting for the move to a results-based approach to development policy, but notes that more remains to be done; welcomes the Commission's work on methodology on reporting progress towards the MDGs; notes that it has agreed to present details of results targets and performance indicators in July 2003; calls on the Commission to continue to inform and consult Parliament at every stage of this process;

127. Expresses concern about the level of financial expertise in the deconcentrated delegations, especially as they are to be the focus of future audit activity, and calls on the Commission to implement without delay thorough and effective training programmes, especially in the area of audits;

128. Regrets that in 2001 the Commission chose to transfer EUR 2 million from line B7-6000 to line B7-6002 in spite of the former having a high rejection ratio and a tendency to be 100 % committed; recognises that the transferred funds were well used, but calls for such transfers to be made from more suitable lines in the future;

129. Notes the delays in Commission administration of line B7-6000 in 2001 when new procedures came into force, but stresses that this is a long-standing problem which has not yet been resolved; asks the Commission to streamline procedures, possibly in ways analogous to line B7-7010 where similar problems have been addressed;

130. Welcomes the reform of procedures relating to the management of humanitarian aid operations and particularly the increase in the number of audits; trusts that the forthcoming new Framework Partnership Agreement will provide the required streamlining of minimum standards for NGOs charged with implementing these operations; hopes that these measures will prevent the future reoccurrence of irregularities such as those outlined in the Court of Auditors' annual report for 2001;

131. Takes note of the ongoing OLAF investigation and of the Conference of Presidents' decision of 13 February 2003 to set up a working group composed of Members from the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy, the Committee on Budgets and the Committee on Budgetary Control with a view to analysing the use of the budgetary assistance to the Palestinian Authority; expects the Commission to ensure its full cooperation in connection with the working group's activities, and demand compensation from any state/organisation destroying Community-owned property;

132. Notes that the Court of Auditors is finalising an audit on the external actions of the Commission (the AMIS report) and intends to give it appropriate attention in the next discharge procedure; asks the Commission to address the issue of the reform of the accounting and payment system in its external offices, agencies and delegations with the utmost care, given, *inter alia*, the complaints voiced by the European Agency for Reconstruction in Kosovo;

133. Notes that the relative decrease in commitment appropriations for the MEDA programme has been accompanied by an improvement in the ratio between payment and commitment appropriations; takes note also of the initial positive results of the reform concerning the implementation of external aid and in particular the introduction of deconcentration towards the delegations; expects the Commission to step up its efforts to ensure greater efficiency in the use of appropriations together with a substantial reduction in 'dormant' commitments (cost of the past);

134. Calls on the Commission to take the necessary action on the Court of Auditors' remarks concerning Structural Adjustment Facility (SAF) in the Mediterranean countries; stresses in particular the need to ensure that actions are properly monitored and that actions/projects are audited and evaluated;

135. Expects the Commission to define more clearly and precisely which actions should be given priority for funding, in agreement with the beneficiary countries, so as to enhance the effectiveness of the aid granted and ensure proper control; calls on the Commission to pay special attention to

determining the optimum size for projects so as to avoid measures being spread between a large number of micro-projects which are difficult to monitor, while ensuring that the results of the reforms are lasting;

136. Calls on the Commission to pay due attention to the projects/actions concerning reforms in the institutional sector, bearing in mind the remarks made by the Commission itself concerning the inefficiency of projects caused by the failure to move ahead with reforms in this sector; calls on the Commission to submit a report to it on the progress made in the beneficiary countries regarding institutional reforms before Parliament's first reading of the 2004 budget;

137. Calls on the Commission to establish more clearly the added value of macrofinancial assistance ('SAF' in the Mediterranean countries), to establish an harmonised approach for all beneficiary countries and improve transparency in the decision making process for the various phases of their management; underlines the need for urgent, considerable improvement of monitoring the financial management in beneficiary countries and in carrying out expert evaluations of the assistance;

138. Notes with concern the increasing number of outstanding commitments in external policy sectors (Heading 4 of the financial perspective) and stresses the need for the Commission to improve the quality of justifications for budget transfers and observe the political priorities and budget guidelines as defined by the European Parliament;

139. Notes the answers given by the Commission on the use of the EU budget and European Development Fund resources under United Nations programmes; is of the opinion that the agreement reached between the Commission and the UN still needs to be improved, in order to ensure proper and timely cooperation between the EU and UN agencies; urges that EU delegations be allowed sufficient time to give their opinions on proposals made by NGOs and to implement alternative procedures to shorten the interval between NGOs' submission of proposals and the signing of contracts;

XIV. **Anti-Fraud Office (OLAF)**

140. Welcomes the progress made in the working relationship between OLAF and the Parliament; welcomes in particular the facts that:

— OLAF is prominently involved in fraud-proofing European legislation, as the most effective way of combating fraud is to prevent it from happening, and

— OLAF reports quarterly to the European Parliament on internal investigations;

141. Regrets the fact that European Social Fund measures are a disproportionately frequent subject of OLAF investigations and that Member States do not systematically follow up, and report to the Commission, suspected cases of fraud; calls, therefore, for increased preventive checks by the Commission departments responsible and welcomes the fact that OLAF intends to scrutinise the national procedures for notifying irregularities;

142. Wishes to be informed about external investigations in the same way it is informed about internal investigations; insists that the Commission and/or the Member State concerned inform OLAF about the judicial and/or disciplinary follow-up measures initiated by the Commission and/or Member State once they have received the investigation file;

143. Calls on the Commission to prepare a legislative proposal which would enable the administration to exclude a third party convicted of fraud from a public tender process;

144. Reiterates its criticism that the Commission has not complied with Article 15 of the European Parliament and Council Regulation (EC) No 1073/1999 ([1]), which stipulates that, after three years, the Commission '(…) shall transmit to the European Parliament and the Council a progress report on the Office's activities, accompanied by the Supervisory Committee's opinion, together, where appropriate, with proposals to modify or extend the Office's tasks'; calls on the Commission to comply with this requirement by the end of April 2003;

145. Expects the Commission to include in its report legislative proposals aimed at improving OLAF's investigation powers and procedures, notably better protection of the right of defence of persons under investigation and an enhanced role for the OLAF Supervisory Committee;

XV. **Financial instruments and banking activities**

146. Calls on the Commission to ask for a complete and detailed overview of the cost incurred by the European Investment Bank for the treasury management of the Guarantee Fund for External Actions; calls on the Commission to submit an evaluation of possible savings if it were to handle Guarantee Fund treasury management itself;

147. Deplores the difficulties in implementing the ETF Start-Up Facility aimed at increasing the availability of risk capital to innovative and job-creating SMEs; finds it very unsatisfactory that at 30 September 2002, out of a total amount of EUR 184,3 million which has been available for several years now, only EUR 36,9 million net had been invested in final beneficiaries; asks the European Investment Fund (EIF) to submit by 31 May 2003 at the latest convincing proposals on how the performance of the scheme could be improved;

148. Invites the EIF and the Commission to speed up reporting on the programmes managed by the EIF;

XVI. **Commission reform**

149. Notes the Court of Auditors' comments that 'progress is indeed being made' in relation to Commission reform and on the delivery of the Action Plan under the Reform White Paper; also notes that some deadlines were extended but that 'these delays were inevitable, as the original timetable of the White Paper was over-ambitious';

150. Notes that 2001 was the first year of the annual activity reports and the declarations made by the Directors-General; asks the Commission to produce clearer guidelines on the approach which should be adopted when submitting declarations in order to ensure coherence between the declarations and reports produced by the Directors-General;

XVII. **Other remarks**

151. Calls on the Commission to transfer any administrative appropriations that will probably not be used by year end to lines for operational expenditure, by means of requests for transfers of appropriations; points out that this would allow optimum use to be made of the available funds in areas such as environmental protection, consumer policy and public health;

152. Welcomes the efforts the Commission has made in 2001 to incorporate equal gender opportunities into the various Community policies, particularly in new areas such as international trade, public contracts, asylum policy and the environment; calls on the Commission to step up its efforts to promote the incorporation of equal opportunities in all areas of Community policy for which the directorates-general have responsibility and, to this end, to provide the relevant training for staff at

([1]) OJ L 136, 31.5.1999, p. 1.

every level; calls, however, on the Commission to step up its efforts to see that in all divisions at least one person is trained and responsible for gender mainstreaming;

153. Repeats its call for the Commission to provide a clear breakdown of financial management, detailing the overall amounts earmarked for the promotion of equal gender opportunities under all the budget headings in the 2004 budget;

154. Is disappointed that it has not been possible to fully implement budget line B2-702 (transport safety) in 2001, but considers that the transfer of appropriations to budget line B2-704 (sustainable transport) was sensible;

155. Notes that the level of implementation of payments for trans-European transport networks in 2001 (80 %) was lower than in the previous year (93 %) owing to delays in the multiannual programme decisions.