

REPORT ON THE ACTIVITIES OF THE SIXTH,  
SEVENTH AND EIGHTH EUROPEAN  
DEVELOPMENT FUNDS (EDFs)



## REPORT ON THE ACTIVITIES OF THE SIXTH, SEVENTH AND EIGHTH EDFs

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CHAPTER I — IMPLEMENTATION OF THE  
SIXTH, SEVENTH AND EIGHTH EDFs AS AT  
31 DECEMBER 2000

*Situation at the end of the financial year 2000*

1. The European Development Funds (EDFs) are the outcome of international agreements <sup>(1)</sup> between the Member States of the European Union and 71 African, Caribbean and Pacific (ACP) States <sup>(2)</sup> and of Council decisions concerning the association of 24 overseas countries and territories (OCT). The Commission is responsible for administering the EDFs in association with the ACP countries, without prejudice to the responsibilities entrusted to the European Investment Bank (EIB) as regards the implementation of certain financial instruments <sup>(3)</sup>.

2. Each EDF comprises a global financial allocation derived from Member State contributions and divided into four sub-allocations:

- (a) *programmable aid* intended, in principle, for the implementation of development projects forming part of national indicative programmes (NIPs) agreed with each ACP State. Starting with the eighth EDF, the overall funding for the NIPs is released in two instalments (see paragraph 18);
- (b) *non-programmable aid*, earmarked for specific areas of cooperation such as support for agricultural and mining products;
- (c) *structural adjustment support*, linked to budget aid and support for beneficiary countries' balances of payments;
- (d) *a general reserve*, set up in the course of the 2000 financial year and comprising all the funds not yet allocated.

Shared management is the basic principle underlying EDF implementation and involves the Commission (principal authorising officer) and a national authorising officer in each country. The Commission is solely responsible for approving the financing decisions

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<sup>(1)</sup> The first of which, the First Yaoundé Convention, dates from 1964.

<sup>(2)</sup> The Cotonou Agreement of 23 June 2000 increased the number of such countries to 77.

<sup>(3)</sup> Risk capital and interest-rate subsidies.

## THE COURT'S OBSERVATIONS

## COMMISSION'S REPLIES

(primary commitments), but for amounts in excess of two million euro it first submits the financing proposals to the EDF committee (made up of representatives of the Member States of the European Union) for an opinion. The financing decisions are then implemented in the form of funds assigned to the national authorising officers (secondary commitments or contracts).

3. In 2000, the sixth <sup>(4)</sup>, seventh <sup>(5)</sup> and eighth <sup>(6)</sup> EDFs were implemented in parallel since, although in principle they last five years, the appropriations from them may be called down at any time <sup>(7)</sup>. Only when the Commission considers that a fund has been sufficiently advanced does it transfer the balance to a later fund. The Cotonou Agreement, which sets out the rules for the ninth EDF, was concluded on 23 June 2000 and the ACP-EC Council subsequently decided, on 27 July 2000, that, in anticipation of its ratification, the agreement would apply as of 2 August 2000. By virtue of that decision the Commission was authorised to undertake the programming of the ninth EDF, to apply the new procedures to most of the unallocated funds from current EDFs and to continue to finance non-programmable aid and the institutions and bodies put in place by the Fourth Lomé Convention. According to the guidelines of the Cotonou Agreement, the resources that have been placed in a reserve under the current EDF <sup>(8)</sup> cannot be made available until the Financial Regulation applicable to the ninth EDF has been adopted by the Council (see paragraph 12).

4. In accordance with the provisions of Article 67(2) of the Financial Regulation for the eighth EDF the Commission provided an analysis of the financial management for the financial year 2000. This is a positive development, because this is a document that is supposed to clarify the revenue and expenditure account and no document of this type had been prepared for the two previous financial years. There is, however, scope for improving the analysis, as it is limited to a description of the sectors of EDF intervention.

3. *As soon as the ACP-EC Partnership Agreement signed at Cotonou, which will govern the ninth EDF, comes into force, the unexpended balances from previous Funds will be transferred to the ninth EDF. The ninth EDF Financial Regulation is at present being prepared and will be ready before the Partnership Agreement enters into force.*

4. *Under Article 67(2) of the Financial Regulation the Commission has conducted an analysis of financial management for the financial year 2000. The Commission is aware that this analysis may be carried out in greater depth in the future, when account will be taken of the information provided by the Court.*

<sup>(4)</sup> Third Lomé Convention (OJ L 86, 31.3.1986).

<sup>(5)</sup> Fourth Lomé Convention (OJ L 229, 17.8.1991).

<sup>(6)</sup> Fourth Lomé Convention, amended in Mauritius (OJ L 156, 29.5.1998).

<sup>(7)</sup> See Article 7(1) of the Internal Agreement of 20 December 1995 (OJ L 156, 29.5.1998).

<sup>(8)</sup> These resources are not affected by the question of the Cotonou Agreement's ratification.

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5. For example, it does not explain how anti-poverty measures were implemented in practice. It does not mention the introduction of new horizontal programmes in the area of health and private enterprise, despite the special nature of the procedures adopted for these programmes. The difficulties encountered in terms of implementation rates (secondary commitments, payments) are not analysed in any depth and the conclusions that are drawn sometimes appear not to be well-founded. The low payments rate is minimised and is essentially presented as a short-term problem resulting from a low level of commitments in 1999 which is expected to resolve itself in 2001 and 2002, thanks to the level of commitments in 2000. The underlying structural causes of this low level of payments (project designs and programmes that are sometimes defective, cumbersome procedures, weaknesses in national administrations) are linked to the problems of implementing the Lomé Conventions and are mentioned briefly, or not at all. In this connection the translation of decisions into contracts is described as particularly positive, whereas, in terms of the amount of net resources or the amount of programmable aid allocations, the rate of secondary commitments (global and for NIPs) still gives cause for concern, for both the seventh and the eighth EDFs (see paragraphs 9 and 14). There is no comment on the deferred implementation of financial instruments such as the Stabex mutual obligations frameworks and the protocols of agreement for the mobilisation of budget aid related to structural adjustment support. In some countries the incidence of conflicts and tensions in the areas of human rights and democracy is leading to aid being suspended. This fact is mentioned briefly, but not analysed. Furthermore, it must be noted that, contrary to the recommendations regarding simplification and greater legibility which the Court made in 1999 <sup>(9)</sup>, there has been no change in the presentation of the EDF balance sheet.

6. **Table 1** traces the use of the sixth, seventh and eighth EDFs at 31 December 2000. Payments for the financial year 2000 totalled 1 548 million euro, compared with 1 275,4 million euro in 1999. After deduction of decommitments, commitments <sup>(10)</sup> for the financial year 2000 amounted to 3 758 million euro. The figure for 1999 was 2 692,8 million euro.

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5. *The reasons for the low rate of secondary disbursements and commitments include the following:*

- *the low absorption capacity of a large number of the ACP States' administrations,*
- *application of the principle of good governance, which meant that Commission operations in certain countries were put on hold,*
- *the importance accorded by the Commission to the qualitative aspects (results and impact) as well as the quantitative aspects,*
- *reform of the management of external aid which does not immediately show its effects,*
- *the redeployment of Delegation staff in the ACP States to other areas; it should also be pointed out here that the number of officials administering aid within the Commission is inadequate.*

*The Court has on many occasions made comments on presentation, some of which have been adopted by the Commission. During the production of the accounts for the financial year 2000 a study was commissioned by the Commission with a view to improving and modernising the presentation of the EDF accounts, following a similar study for the budgetary accounts of the Commission. This study has now been completed and the findings will be, where possible, incorporated in the preparation of the accounts for financial year 2001.*

<sup>(9)</sup> Annual Report concerning the financial year 1999, Report on the activities of the sixth, seventh and eighth EDFs, paragraph 9 (OJ C 342, 1.12.2000).

<sup>(10)</sup> Financing decisions. These decisions are not shown separately in Table 1 as the corresponding payments are made progressively.

## THE COURT'S OBSERVATIONS

7. The balance available for new decisions has fallen sharply (37,4 %): from 9 822,3 million euro at the end of 1999, it was down to 6 147,7 million euro at the end of 2000. This change was primarily due to a substantial increase in financing decisions under the eighth EDF. In consequence, the total for outstanding decisions rose by 71 % in one year. The net reduction in the balance available for new decisions could lend credence to the idea that the implementation rate for the EDFs had been stronger than in previous years. This impression is not borne out, however, by analysis of disbursement rates (payments/net resources) and the rates for conclusion of contracts (assigned funds/net resources), which confirm that mobilisation of EDF funds was slow (see **Table 2**).

## COMMISSION'S REPLIES

7. Although lower than forecast, disbursements for 2000 are 21 % up on 1999. This shows a clear trend towards an improvement in disbursements. The trend should become more marked in the future since — over and above the high level of assigned funds in 2000 — the Commission will have recourse, where possible (quality of the expenditure chain, appropriate checks), to direct budget aid to support specific sectors (support for national sectoral policy programmes).

**Table 1 — Use of the sixth, seventh and eighth EDFs as at 31 December 2000**

(Mio EUR)

Resources and use (ACP and OCT)	Sixth EDF (expiry 1990)	Seventh EDF (expiry 1995)	Eighth EDF (expiry 2002)	Total 31.12.2000	Total 31.12.1999
Initial allocation	7 500,0	10 940,0	12 840,0	31 280,0	31 280,0
EIB special contribution	60,0			60,0	60,0
Resources collected	8 104,8 <sup>(1)</sup>	9 676,3 <sup>(2)</sup>	1 859,6 <sup>(4)</sup>	19 640,7	17 720,2
Resources still to be collected from Member States	—	2 065,5 <sup>(3)</sup>	11 040,2 <sup>(3)</sup>	13 105,7	14 943,1
Transfers of resources between sixth and seventh EDFs	(181,7)	181,7	—	0,0	0,0
Transfers of resources between seventh and eighth EDFs	—	(315,0)	315,0	0,0	0,0
Transfers of resources between sixth and eighth EDFs	(94,0)		94,0	0,0	0,0
Net resources	7 829,1	11 608,5	13 308,8	32 746,4	32 663,3
Payments prior to 2000	7 035,3	8 021,2	1 011,2	16 067,7	14 792,2
Payments for 2000	100,8	478,2	969,1	1 548,1	1 275,4
Decisions still to be settled	360,0	2 255,1	6 367,8	8 982,9	6 773,4
Use	7 496,1	10 754,5	8 348,1	26 598,7	22 841,0
<b>Balance available for new decisions</b>	<b>333,0</b>	<b>854,0</b>	<b>4 960,7</b>	<b>6 147,7</b>	<b>9 822,3</b>

<sup>(1)</sup> Including a transfer of resources from fourth EDF and interest earned on bank deposits.

<sup>(2)</sup> Including a transfer of resources from fifth EDF and interest earned on bank deposits.

<sup>(3)</sup> Including VAT to be recovered from Member States.

<sup>(4)</sup> Including interest earned on Stabex funds.

Source: Court of Auditors.

**Table 2 — Commitments and payments under the sixth, seventh and eighth EDFs at 31 December 2000**

(Mio EUR)

Type of appropriation	Sixth EDF		Seventh EDF		Eighth EDF	
Net resources (NR)	7 829,1		11 608,5		13 308,8	
	Total	% NR	Total	% NR	Total	% NR
Primary commitments	7 496,1	96	10 754,4	93	8 348,1	63
Secondary commitments	7 258,5	93	9 363,1	81	3 796,3	29
Payments	7 136,1	91	8 499,4	73	1 980,3	15

Source: Court of Auditors.



## THE COURT'S OBSERVATIONS

## COMMISSION'S REPLIES

8. Fifteen years after the sixth EDF became operational, disbursements represented 91 % of its net resources. Disbursements rose by only two points in 2000. The disbursement rate for the seventh EDF was 73 % at the end of its tenth year of implementation, a rise of four points, and a downturn compared with the rise recorded in 1999 (5,3 points). Although the disbursement rate for the eighth EDF rose eight points, it had reached only 15 % at the end of the third year of implementation, despite advances of 350 million euro paid to international financial institutions (World Bank and EIB) under the debt reduction initiative for heavily indebted poor countries (HIPC). The rates for secondary commitments (contracts), 81 % and 29 % for the seventh and eighth EDFs respectively, show that the rate of implementing measures is a problem that is still unsolved.

9. There are various causes for the persistent slowness of EDF implementation. The suspension of aid, *de facto* or *de jure*, in ACP countries where there are armed conflicts (Angola, Ethiopia, Eritrea, etc.) or internal troubles (Haiti, Fiji, Côte d'Ivoire, etc.) is one explanatory factor. More generally, the low absorption capacity of national administrations in ACP States, despite the technical assistance received from the EDF and other fund-providers, is another factor which exacerbates the sluggishness of financial and technical cooperation. The latter can also be attributed to the Commission's management of the aid, which is affected by the wide spread of measures, in spite of the existence of sectors of concentration, by implementing procedures (contracts, payments) that remain cumbersome and by the persistently unsatisfactory quality of project preparation<sup>(11)</sup>, even though some progress has been achieved in this area as a result of the recent introduction of an interdepartmental quality support group.

9. The Court cites three fundamental structural causes for the low level of disbursements: the sometimes defective programming and design of projects, cumbersome procedures and the shortcomings of national administrations.

#### *Programming and design of projects*

Programming: The Commission, in its communication of 26 April 2000, set priority areas for Community development aid. Six focal sectors were adopted where action by the Community would give enhanced value in relation to aid from other aid donors. The programming of cooperation strategies with the ACP States for the implementation of the ninth EDF, now under way, complies with these policy guidelines. The consequences in the medium term will be a limited number of projects/programmes in support of sectoral policies per country and the reduction, even total phasing-out, of one-off operations.

Design of projects: Efforts are being made to improve project design. One of these efforts was the reunification of the project cycle (identification, execution and evaluation) under the aegis of the EuropeAid Cooperation Office (see point 7 of the Court's Report) from 1 January 2001; this has introduced quality control systems for projects and programmes (quality

<sup>(11)</sup> See paragraphs 28 to 47 of Special Report No 21/2000 on the management of external aid programmes by the Commission (OJ C 57, 22.2.2001).

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support group — QSG). At the same time, emphasis is placed on continuous training for staff responsible for dossiers (project managers).

*Implementing procedures*

The Commission has successfully simplified the procedures for the conclusion of contracts in the context of cooperation with other countries. These new simplified rules will be applicable from the ratification of the Cotonou Agreement. The Commission has also begun the exercise of devolving powers from headquarters to the Delegations in non-EU countries, including six Delegations in ACP States. At present, the headquarters staff in charge of financial and contractual management of ACP projects is being expanded.

*Shortcomings of the national administrations*

National administrations' shortcomings have frequently hindered the proper implementation of projects and programmes. The Commission considers this lack of institutional capacity an obstacle to sustainable development and to combating poverty. For that reason institutional capacity building is a focal sector for development aid under the ninth EDF. Under the current programming exercise, some ACP States are choosing institution building as their focal sector.

For the Cotonou Agreement and the implementation of the ninth EDF, a number of measures have been adopted to improve programming (greater concentration), to simplify procedures and to tighten up the preparation of projects.

10. The reform of external aid management that was adopted by the Commission during 2000 is, therefore, a fundamental factor. The reform relies on a rationalisation of methods (more rigorous programming and decentralisation of aid management) and on structures (creation of the EuropeAid Cooperation Office and reinforcement of the Commission's external delegations), with the principal objective of speeding up and improving the quality of project design and management. However, it is unlikely that it will have a quantifiable impact in the short term. It should also be noted that in February 2000 the Commission's Financial Control DG tabled a report on the financial management of the EDF, containing proposals for action in various fields (harmonisation of the financial regulations and internal instructions, rationalising the signature flows for financing agreements and contracts, etc.). As of the end of May

**10.** *The reform of the management of external aid is a fundamental step and it is true that the results will not be visible in the short term but only as the main components of the reform bear fruit. In this context, the nature of the reform by which powers will devolve from headquarters to the Delegations cannot produce significant efforts in the short term. The process will be completed for the first wave of Delegations with devolved powers in 2004 and only then can the effects of this exercise be assessed.*

*The organisational structure of the EuropeAid Cooperation Office provides for an operational support directorate in charge of establishing procedures and financial channels. The financial channels have been changed to meet the objectives of the reform. With regard, however, to the harmonisation of contract procedures for the EDF, the Cotonou Agreement needs*

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2001 there had been no tangible follow-up to this report on the part of the authorising departments at the Commission.

*Salient aspects of budgetary implementation during the financial year*

11. **Table 3** summarises budgetary implementation for the sixth, seventh and eighth EDFs, by financial instrument, at 31 December 2000.

**General reserves created within the three current EDFs**

12. Taking as base the provisions of Article 3(3)(b) of the ACP-EC Council Decision of 27 July 2000, the Commission decided, on 15 December 2000, to create a general reserve amounting to 1 433,4 million euro (see **Table 3**). In the context of the eighth EDF the reserve (10,7 % of the initial global allocation) was established

## COMMISSION'S REPLIES

*to be ratified by the Member States before they can enter into force.*

12. *With regard to footnote 14, the Commission duly noted the remarks by the CDI/CDE auditors concerning the financial years 1997 to 1999. It then studied the current CDE Director's answers to these remarks and proposed to the Council's ACP Group that an audit be carried out of these three years. The ACP Group decided to refuse a discharge for*

**Table 3 — Budgetary implementation by financial instrument at 31 December 2000 <sup>(1)</sup>**

(Mio EUR)

	Sixth EDF		Seventh EDF		Eighth EDF	
	5 174,3		6 070,6		6 547,9	
Allocation NIP + RIP <sup>(2)</sup>	Total	% allocation	Total	% allocation	Total	% allocation
Primary commitments	4 891,4	95	5 531,3	91	4 360,9	67
Secondary commitments	4 682,6	90	4 562,0	75	931,7	14
Payments	4 578,4	88	3 953,5	65	453,9	7
Structural adjustment allocation	6,0		1 152,6		1 650,0	
Primary commitments	6,0	100	1 152,6	100	1 352,0	82
Secondary commitments	6,0	100	1 149,3	100	848,4	51
Payments	5,4	90	1 137,5	99	641,9	39
Non-programmable aid allocation	2 529,2		3 778,7		3 770,8	
Primary commitments	2 509,4	99	3 702,4	98	2 635,1	70
Secondary commitments	2 485,1	98	3 362,5	89	2 016,2	53
Payments	2 468,7	98	3 168,5	84	884,5	23
General reserve	9,5		47,4		1 376,5	

<sup>(1)</sup> For the sake of simplicity, the execution of various operations and the residues of the fourth and fifth EDFs, which appear in the EDF accounts, are not shown here. This table cannot, therefore, be compared with Tables 1 and 2.

<sup>(2)</sup> NIP = national indicative programme; RIP = regional indicative programme.

Source: Court of Auditors.

## THE COURT'S OBSERVATIONS

following the drastic reduction in the allocations corresponding to balances available for the financial instruments for the support of agricultural commodities (Stabex: - 63 %) and mining products (Sysmin: - 79 %). It was to be used to finance the decisions taken by the ACP-EC Council at the end of 2000 <sup>(12)</sup> for an aggregate total of 299 million euro, notably for the commercial promotion regional programme (100 million euro), the 'Proinvest' programme (110 million euro), the budgets of the Centre for the Development of Enterprise (20 million euro) <sup>(13)</sup>, the Centre for the Development of Agriculture (12 million euro) and the ACP Secretariat (8 million euro).

**Level of payments below target**

13. According to the ACP-EC development finance cooperation committee report <sup>(14)</sup> of June 2000, the Commission had set itself an annual payments target of 1 985 million euro, excluding operations under the debt reduction initiative for heavily indebted poor countries (HIPC). Total payments for all EDFs amounted, in fact, to 1 198 million euro (excluding HIPC). The level of payments was particularly low in the case of the national and regional indicative programme allocations: 719 million euro, or a shortfall of 28 % compared with a target of 1 000 million euro <sup>(15)</sup>. This situation is in large part attributable to the delays in concluding contracts (secondary commitments) for the seventh and, more especially, eighth EDFs. In the latter case the grand total for secondary commitments at 31 December 2000 amounted to no more than 14 % of the allocation for programmable aid (see **Table 3**).

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*the years in question, approved the terms of reference for a financial and organisational audit proposed by the Commission, and authorised the Commission's representative to notify the ACP Party accordingly. This audit is being financed by the Commission and will commence very soon. It will be carried out by independent consultants under the framework contract drawn up by EuropeAid's audit office. The Commission has proposed that the audit and the implementation of its recommendations be monitored by an ad hoc joint working party.*

13. See replies to points 7 and 9.

<sup>(12)</sup> Decision No 3/2000 of the ACP-EC Council of Ministers of 15 December 2000 (OJ L 8, 12.1.2001).

<sup>(13)</sup> The final report by the CDI/CDE auditors on the financial year 1999 drew attention to serious shortcomings in the management of CDI and recommended that its supervisory authority prepare a report on the way in which it had been managed over the previous four years.

<sup>(14)</sup> 2112/2/00 Rev. 2, 9 June 2000.

<sup>(15)</sup> See statement by Nielson, Member of the Commission, at the meeting of the Development Council on 10 November 2000.

### Gradations in the extent of eighth EDF commitments

14. During the financial year 2000, the financing decisions adopted for the eighth EDF alone amounted to 3 614 million euro, against 2 510 million euro in 1999, a rise of 43 %. The rise was even more marked in the case of the assigned funds (111 %). However, the dynamic was mainly attributable to the extent of the financing decisions approved in connection with the rapid disbursement instruments (structural adjustment and the HIPC debt reduction initiative). This is a fundamental change in the approach to EU-ACP cooperation. For the financial year 2000 the HIPC initiative alone accounts for 1 000 million euro in primary and secondary commitments. If that is disregarded, the annual increase in primary and secondary commitments for the eighth EDF is no more than 4 %.

15. Prudent interpretation of the good results in terms of commitments under the eighth EDF is also necessary in the case of non-programmable aid, a heading which includes the Stabex, Sysmin and HIPC initiative instruments. At 31 December 2000, the aggregate total for primary and secondary commitments for this non-programmable aid represented 70 % and 53 % respectively of the allocation earmarked for it (see **Table 3**). However, this allocation was reduced by 1 290 million euro corresponding to the balance allocated to the general reserve (see paragraph 12). If the allocation had been maintained at its 1999 level, the outturn for non-programmable aid under the eighth EDF would not have amounted to more than 52 % for primary commitments and 40 % for secondary commitments.

16. The analysis shows that in 2000 it was largely through initiatives that did not depend on EDF individual procedures involving national authorising officers that the Commission to some degree succeeded in boosting the mobilisation of EDF aid.

### The incidence of implementation delays on the mid-term review of programmable aid

17. The EDF revenue and expenditure account for 2000 again highlights the slowness, per country, in mobilising programmable aid. This slowness has already been mentioned, in the Court's previous Annual Report

*14. The Commission is aware that most of the upward trend in financing decisions and assigned funds last year was mostly attributable to decisions under quick-disbursing instruments. This trend is in line with the Commission's new policy, part of its overall strategy, of focusing an increasing proportion of Community aid on a restricted number of priority sectors and areas, including an increased level of budgetary aid. This focusing of aid will also make it easier to ensure complementarity and coordination with other donors and engage in cofinancing operations, such as the HIPC initiative, to which the Community, alongside the Member States, has made a major contribution as creditor and, above all, as donor, in accordance with the desires of the ACP States.*

*17. Of the countries listed in Table 4, four have been involved in international conflicts (Congo (Brazzaville), the Democratic Republic of Congo (Kinshasa), Ethiopia and Rwanda).*

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concerning 1999. For the sixth EDF there were 13 countries which again showed payments amounting to less than 85 % of the total for their indicative programmes. For the seventh EDF, after 10 years, payments for 25 countries were less than 70 % of the programmable total. **Table 4** shows which of these countries appear in both the categories. As for the eighth EDF, at the end of its third year, for all ACP countries together by large geographical region, a delay in implementation was already becoming apparent, in that total payments amounted to no more than 9 % of the total amount of the first instalment of the NIPs, as **Table 5.a** shows.

18. The mid-term review of national and regional indicative programmes for the eighth EDF took place during the financial year 2000 (see **Tables 5.a and 5.b**). Its purpose was to make it possible to set the second instalment of the programmable aid package in terms of various criteria (see paragraphs 19 and 28) and, where appropriate, to give an opinion on the grant of additional funds for certain countries. At the end of the exercise the total for NIPs for all the ACP countries together was only 3,7 % below the figure quoted when the eighth EDF took effect. This means that most of the funds available for the second instalment were allocated, despite the problems of mobilising funds that were experienced in some countries (see paragraph 9).

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*Aid to Nigeria was long suspended and has just resumed. Cooperation with Togo is still suspended.*

*In the case of Barbados and Trinidad and Tobago, EDF resources are hard to absorb because programmable aid is relatively limited compared to other sources of investment.*

*As to Table 5, note that the eighth EDF did not enter into force until June 1998 and that financing decisions were therefore not made until 1999/2000. While the rate might look low at first glance, past experience shows that it is quite normal. The start-up period is always slow compared with implementation in full gear.*

**18.** *Decisions on the second tranche of the NIP allocation are not merely based on the degree to which funds have been mobilised. Under Article 282(4) seven criteria are applicable.*

*Accordingly, the implementation of programmable aid was assessed taking account, inter alia, of:*

— *observance of undertakings concerning the implementation of sectoral and macroeconomic policies,*

**Table 4 — Delays in implementing the sixth and seventh EDFs**

(Mio EUR)

Country	National indicative programme sixth EDF	Payments	%	National indicative programme seventh EDF	Payments	%
Barbados	5,00	3,76	75,20	5,50	2,87	52,18
Congo (Brazzaville)	48,00	35,91	74,81	51,00	16,54	32,43
Democratic Republic of the Congo (Kinshasa)	166,50	121,84	73,18	170,00	29,32	17,25
Ethiopia	210,00	169,29	80,61	214,00	118,67	55,45
Kenya	135,00	103,81	76,90	140,00	60,13	42,95
Nigeria	213,50	177,24	83,02	365,00	64,36	17,63
Rwanda	110,00	92,65	84,23	118,00	69,76	59,12
Surinam	24,00	15,84	66,00	27,00	13,60	50,37
Togo	61,50	49,26	80,10	68,00	21,92	32,24
Trinidad and Tobago	15,00	6,75	45,00	18,10	11,75	64,92

Source: Court of Auditors.

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**Table 5.a — NIP eighth EDF: Results of mid-term review**

(Mio EUR)

ACP Region	Initial NIP	NIP at 31.12.2000	Variation NIP (%)	Payment rate <sup>(1)</sup> (%)
Africa	4 201,5	4 038,6	- 3,9	7,6
Caribbean	453,0	438,6	- 3,2	8,8
Pacific	132,9	132,5	- 0,3	6,1
<b>Total ACP</b>	<b>4 787,4</b>	<b>4 609,7</b>	<b>- 3,7</b>	<b>7,6</b>

- adherence to the reform timetable,
- performance in using eighth EDF funds,
- macroeconomic performance,
- progress made with structural policies.

**Table 5.b — NIP eighth EDF: Extract of results of mid-term review**

(Mio EUR)

ACP State	Initial NIP	NIP at 31.12.2000	Variation NIP (%)	Payment rate <sup>(1)</sup> (%)
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*Country in conflict according to EDF Committee on 22 November 2000*

Angola	167,0	116,9	- 30,0	0,1
Ethiopia	294,0	206,0	- 29,9	0,5
Uganda	210,0	210,0	0,0	2,7
Rwanda <sup>(2)</sup>	0,0	110,0		
Sierra Leone	111,5	78,1	- 30,0	0,0
Zimbabwe	110,0	110,0	0,0	10,0

*Country in consultation under Article 366a Lomé IV/Article 96 Cotonou Agreement*

Comoros	27,5	19,3	- 29,8	9,5
Côte d'Ivoire	120,0	84,0	- 30,0	4,0
Fiji	25,5	17,9	- 29,8	0,9
Haiti	148,0	148,0	0,0	5,1

*Country received supplementary funds although its payment rate was below the average payment rate for its geographical area*

Belize	9,5	11,5	21,1	2,1
Cameroon	133,0	140,5	5,6	4,6
Cape Verde	30,0	33,0	10,0	7,1
Kiribati	8,5	12,0	41,2	0,0
Mali	189,0	209,0	10,6	2,3
Mauritius	39,5	42,0	6,3	4,6
Dominican Republic	106,0	110,0	3,8	2,4
Samoa	11,5	14,2	23,5	5,2
Chad	141,5	151,6	7,1	3,0

<sup>(1)</sup> Ratio of total payments to amount of first instalment paid.<sup>(2)</sup> The Rwanda NIP was not signed until 9 March 2000.

Source: Court of Auditors.

## THE COURT'S OBSERVATIONS

19. In the discussion in the EDF Committee some countries were penalised (second instalment not granted) and the funds thus released were allocated to countries deemed more deserving, which sometimes received supplementary funds, in addition to the allocation of the second instalment. The difficulty of analysing the process followed lies less in the explanation of the penalties imposed, which appear logical (for example, no second instalment for Angola), than in finding the reason for the bonus additional funds. In the case of some countries with payment rates noticeably higher than the average payment rate for the geographical region (Malawi, Gabon, Zambia, etc.), the supplementary funds constitute a bonus for the effort made in mobilising Community funds. Other countries such as Mali, Chad, Cameroon and the Dominican Republic, with payment rates very much lower than the average rate for their geographical area, nevertheless received additional funds as well. The funds were granted in terms of criteria such as the implementation of structural and institutional reforms. The analysis of financial management referred to in paragraph 4 would have been improved by better justification of the choices in the case of the countries with very low payment rates.

20. Examination of the results of the mid-term review also raises the question of the treatment accorded to four countries in particular: Rwanda, Uganda, Zimbabwe and Haiti. According to the minutes of the EDF Committee meeting of 22 November 2000, the first three countries were considered to be in a state of armed conflict and the fourth was the subject of consultations under Article 366a of the revised Lomé IV Convention (now Article 96 of the Cotonou Agreement). At the same meeting the Committee considered that these countries were incapable of using up the whole of the initial allocation from the ninth EDF, and that they would be granted only a fraction of the latter, with the release of the balance depending on subsequent reviews. The prudent approach is entirely justified and it is thus difficult to understand why, at the same time, three of these countries (Uganda, Zimbabwe and Haiti) were allocated the whole of their second instalments under the eighth EDF, while the fourth (Rwanda) was granted 110 million euro in March 2000 by way of the eighth EDF NIP (see **Table 5.b**). One wonders about the consistency of penalising these countries for the extreme difficulty they have experienced as regards the take-up

## COMMISSION'S REPLIES

**19.** *The Commission, in applying Article 282(4) of the fourth Lomé Convention, has allocated the second tranche (as well as the supplement to the second tranche) on the basis of seven criteria. Only one of these criteria was the achievement of planned commitments and disbursements. Another one was the state of preparation of programmes, which was not at that stage reflected in the commitment rates. For this reason there may be countries which have received the whole second tranche despite a low disbursement and commitment rate at the given date (Mali, Chad, Cameroon and Dominican Republic). The reason is simply that seven criteria were applied.*

**20.** *The Commission's intention was not to grant only part of the initial allocation to countries that were in conflict and therefore unable to absorb the full amount.*

*A partial notification would not in fact affect the amount of the actual allocation. The Commission presented the EDF Committee with a proposal for partial notification of the ninth EDF allocation to countries in conflict for the first time on 22 November 2000. The rationale for the proposal was the desirability of giving a political signal to the countries concerned, and was not directly related to the absorption of funds at a specific point in time (for example Zimbabwe had a high absorption capacity, but was involved in an armed conflict). An assumption was nonetheless made that the involvement of countries in armed conflicts might in future affect their absorption of funds negatively. The proposal for partial notification was discussed in a series of EDF Committee meetings and was later withdrawn, and is not part of the final decision. The absorption of funds at a given moment was not the sole criterion for the allocation of the second tranche of the eighth EDF. The criteria for allocation of funds under the eighth EDF were consistently and coherently applied in line*



## THE COURT'S OBSERVATIONS

of funds under the ninth EDF, on the one hand, and, on the other, of giving them far more favourable treatment under the eighth EDF. The contradiction is even greater in that some countries in a state of conflict (Angola, Sierra Leone) or falling under Article 366a (Fiji) were, for their part, refused a second instalment, as well as any additional funds under the eighth EDF. In this case, too, an explanation in the analysis of financial management would have clarified the reasoning behind the EDF authorities' final decisions on the allocation of funds.

**The true extent to which Stabex funds were mobilised**

21. Articles 186 to 212 of the Fourth Lomé Convention provide the basis for the EDF system of stabilising export earnings from agricultural commodities (Stabex). This system annually makes available to all ACP countries, within the limit of the ceiling on resources, amounts of money to be divided between the countries concerned according to the losses of export earnings recorded in relation to a reference period. The sums are mobilised by means of transfer agreements under which the sums due to each ACP country for each commodity are paid in euro by the Commission into an interest-bearing account opened in a Member State of the Community (Article 211(1)). Once the transfer agreements have been concluded, an ACP country may not utilise the funds paid until a protocol setting up a framework of mutual obligations stipulating how the transfer funds are to be utilised has been signed by the Commission and the ACP country (Article 210).

22. As of the end of 2000, transfer agreements for a total of 2 360 million euro had been signed with 44 ACP countries since the opening of the seventh and eighth EDFs<sup>(16)</sup>. Of that total, 1 803 million euro had been disbursed by the Commission and presented in the EDF accounts, according to the current rules, as that amount of final expenditure, which partly anticipates the reality of the aids being implemented, since the resources are utilised only as and when the measures entered in the mutual obligation frameworks are

## COMMISSION'S REPLIES

*with the provisions of Lomé IV, and that applied to Uganda, Zimbabwe and Haiti. For Rwanda, the NIP was delayed for obvious reasons and was only signed in March 2000. The Commission had no choice but to sign up for the 70 % of the first tranche as stipulated in the Convention. In accordance with the criteria, no second tranche was attributed.*

*The allocation criteria for the eighth EDF — as well as for the attribution of the second tranche and the supplementary funds — differ from the criteria applied to the ninth EDF allocations, given the evolution of the EC-ACP Conventions. The ninth EDF allocation criteria were discussed and agreed with the Member States.*

*22. The Commission believes that its accounting of Stabex transfers as final expenditure corresponds to the reality of the situation. The transfer has been made to bank accounts opened in the name of the local authorities. From the budgetary point of view, and without prejudice to the Commission's legal responsibility for the implementation of these funds, the fact that the funds will be used as and when operations are carried out under the frameworks of mutual obligations (Article 186(2) of the Lomé Convention) does not affect the fact that the transfer has actually been made.*

<sup>(16)</sup> The sums allocated to the overseas countries and territories (OCT) are not included in this total.

## THE COURT'S OBSERVATIONS

executed. An enquiry among the Commission Delegations responsible for mobilising transfer agreements showed that, for 39 of the 44 countries concerned, 622 million euro was still being held in bank accounts opened in the Community, while the equivalent of 170 million euro was available in local-currency bank accounts in ACP countries, which represented in total around 44 % of the Stabex expenditure. Some amounts had appeared in these bank accounts for several years. **Table 6** gives an analysis of the situation for the countries which had the largest amounts tied up. The analysis of the financial management should show the actual extent of aid implementation.

23. **Table 6** shows that four of the nine countries with substantial sums appear on the list of least-developed countries (Article 330) <sup>(17)</sup>, i.e. the countries with particularly acute financing needs. In the case of Saint Lucia and Saint Vincent the sums on deposit are considerable, representing 2,7 times and 3,5 times these countries' total programmable funds for the seventh and eighth EDFs. The analysis also shows that although mutual obligation frameworks do, in fact, exist for part of the 622 million euro mentioned in paragraph 22, there are a number of transfer agreements for which no framework had been signed, in the absence of agreement between the parties (see **Table 7**). Furthermore, the implementation of some mutual obligation frameworks is very slow.

## COMMISSION'S REPLIES

*It is true, however, that the implementation of operations under the FMOs has been rather slow and funds have remained on bank accounts for several years in some cases. This is why the Commission might consider adding this information to the management account and the analysis of financial management next year so as to draw attention to the fact that the resources transferred under Stabex have not yet been used by the recipients.*

**23.** *Mauritania's funds are being used for a traditional project-type operation, which has required a great deal of time to prepare and appraise.*

*All Stabex transfers must be utilised in conformity with the objectives and conditions set out in Article 186(2) of the fourth Lomé Convention.*

**Table 6 — Unused Stabex funds remaining in bank accounts at 31 December 2000**

(Mio EUR)

Country	Total	Application year								
		1990	1991	1992	1993	1994	1995	1996	1997	1998
Cameroon	<b>97,58</b>		21,24	47,69		16,46				12,19
Ethiopia	<b>53,86</b>		20,34	15,02	11,22	7,28				
Ghana	<b>26,66</b>	0,43	1,22	5,51	19,33					0,17
Kenya	<b>91,26</b>	24,36	23,87	19,52	23,51					
Madagascar	<b>25,80</b>	0,08	0,69	11,10	8,79			3,02	2,12	
Mauritania	<b>31,34</b>	26,75	3,59	1,00						
Uganda	<b>100,05</b>	1,18	4,82	18,69	40,25	32,89 <sup>(1)</sup>	0,49	1,73		
Saint Vincent	<b>40,32</b>				1,00	16,24	7,47	15,61		
Saint Lucia	<b>30,01</b>					8,89	7,89	9,01		4,22

<sup>(1)</sup> Sums in Ugandan shillings for which the original application years are unspecified.

Source: Court of Auditors.

<sup>(17)</sup> Ethiopia, Madagascar, Mauritania and Uganda.

## THE COURT'S OBSERVATIONS

## COMMISSION'S REPLIES

**Table 7 — Examples of transfer agreements awaiting mutual obligation frameworks**

(Mio EUR)

Country	Application year	Amount
Burundi	1991	7,98
Cameroon	1994 and 1998	42,42
Côte-d'Ivoire	1996	19,82
Malawi	1994 and 1995	12,29
Rwanda	1996 to 1998	6,27
Solomon Islands	1998	41,82
Senegal	1997 and 1998	21,12
Togo	1991 to 1995	16,78
Zimbabwe	1995	13,32

Source: Court of Auditors

24. These situations give cause for concern and should be studied by the EDF's principal authorising officer, who should examine ways of mobilising the funds that are potentially available for reuse. In this respect the fourth Lomé Convention (Article 209(4)) provides for a link between Stabex transfers and structural adjustment support. It might also be possible to consider introducing target dates beyond which the transferred Stabex funds would be related to budget aid allocated by way of structural adjustment support in the countries that are eligible for this type of aid<sup>(18)</sup>. A similar approach was adopted in Benin, Ethiopia, Togo, Saint Vincent and Saint Lucia for several transfers<sup>(19)</sup>; an identical approach was being considered at the beginning of 2001 by the Commission Delegation in Cameroon.

25. Apart from the decisions adopted during the financial year 2000 (361,6 million euro), various transfers amounting to 188,5 million euro and relating to application years before 1999 had not been paid as of 31 December 2000. The arrears of payments concerned three countries (Burundi, Sudan and Togo) and were essentially due to aid having been suspended because of the human rights and democracy situation in these countries. The Commission took the view that this particular EDF debt to these three countries was not subject to any limitations in time.

24. The Commission has already allocated Stabex transfers to its structural adjustment support facility for number of countries. This is appropriate, and the Cotonou Agreement will make it legally possible.

The Commission shares the Court's view that such transfers could take place again for the countries in. However, in some cases, a preferable approach might be to use undisbursed Stabex resources for other specific activities (for example, in the case of Rwanda, the Stabex resources for 1996 to 1998 will be used for rural development; the relevant framework of mutual obligations is being drawn up).

25. The resumption of cooperation with Burundi has meant that transfers can be paid (seventh EDF: EUR 29,7 million; eighth EDF: EUR 13,8 million). In the case of Sudan (seventh EDF: EUR 103,8 million; eighth EDF: EUR 87,1 million) and Togo (eighth EDF: EUR 12,1 million), the rights they have acquired under Lomé IV are not affected by the end of the Stabex instrument. Regarding these rights, reference should be made to Article 70(1) of the Vienna Convention on the Law of Treaties, which reflects what is customary in these cases, namely that termination of a treaty 'does not affect any right, obligation or legal situation of the parties created through the execution of the treaty prior to its termination'.

<sup>(18)</sup> All the countries appearing in Table 6 also receive structural adjustment support. Furthermore, in December 1999 the ACP-EC Council of Ministers was obliged to withdraw 250 million euro from the programmable resources for the eighth EDF, in order to meet a shortfall in funds in the resources for the structural adjustment facility.

<sup>(19)</sup> Earmarked for budget aid for the PAS III programme.

## THE COURT'S OBSERVATIONS

26. Article 207(4) of the Lomé Convention requires the Commission to 'report to the Committee of Ambassadors on the progress made with the processing of all transfers'. On 12 December 2000 the Commission presented its report concerning the 1999 application year. It set out the situation of Stabex resources at the end of June 2000 and gave a list of the decisions relating to the 1999 application year. It gave no indication of the implementation of the transfers still outstanding. Article 31(3) of the internal Agreement on the financing of the Fourth Lomé Convention asks for a summary report on the operation of the system for stabilising export earnings to be prepared every year, with, in particular, an account of the impact of the transfers on the sectors to which they have been allocated. The report filed by the Commission on 21 September 2000 for the year 1999 explained the method of calculating the transfer bases and compared the amount of the 1998 transfers with the export revenue for each commodity concerned. Although it listed the measures provided for by the mutual obligation frameworks signed during the year, it did not give a complete overview and, in particular, made no mention of the hindrances for the transfers that were still pending, or what the necessary corrective action might be. The annual structure of the report is the origin of its lack of overview of current measures and measures still pending. The analysis of the financial management (see paragraph 4) does not make up for the omissions of the two annual reports on the implementation of the Stabex instrument.

27. As regards the current assets available to the EDF, which amounted to 1 266,4 million euro at 31 December 2000, Decision No 3/2000 of the Committee of ACP-EC Ambassadors transferring the residual Stabex balance of 1 105,7 million euro from the Stabex special account to the normal EDF account would make it possible to clear the surplus funding situation mentioned by the Court in paragraph 15 of its 1999 Annual Report. In fact, in the same decision, the Committee of Ambassadors called for the situation to be regularised by 31 December 2001 at the latest.

## COMMISSION'S REPLIES

**26.** *The report to the Committee of Ambassadors referred to by the Court has never covered issues arising from the disbursement of the transfers, only the transfer decisions made by the Commission in accordance with the provisions of the Convention that provide for a progress report on the processing of all such transfers.*

*In response to the remarks on the summary report for 1999, note that the report for 2000 (already drafted) will be the last such report because of the expiry of Stabex. In future, an overall view of operations underway or pending will be given in the Commission's analysis of EDF financial management (point 4 of the Court's report).*

**27.** *In implementation of the Committee of Ambassador's decision, EUR 885 million will be transferred in 2001 from the special Stabex account to the EDF account.*

## THE COURT'S OBSERVATIONS

## COMMISSION'S REPLIES

*Conclusions and recommendations*

28. Despite a substantial increase in financing decisions, principally under the eighth EDF, implementation of the EDFs progresses slowly. This is demonstrated by, amongst other things, the level of payments effected during the financial year 2000, well below the targets announced by the Commission. The weak rate of execution was apparently not always sanctioned on the occasion of the mid-term review of the eighth EDF which adopted other criteria for the grant of the second instalment and the supplementary funds. Improved execution of the EDFs is foreseeable only in as far as the Commission succeeds in meeting the double challenge with which it is confronted: to complete successfully the reform of its own external aid management methods and structures (see paragraph 10) to which it committed itself in 2000 and 2001 and, in association with other donors, to increase the recipient governments' management and absorption capacities. As regards the wider responsibilities which the Lomé Conventions and the Cotonou Agreement bestow on national authorising officers as regards the management of resources, reinforcing these capabilities must be treated as an absolute imperative if the effects of the reforms are to have any impact in the immediate future.

29. In order to improve the transparency of the accounts, it is hoped that, in addition to simplifying the presentation of the balance sheets for the EDFs, the Commission will produce a proper analysis of the financial management, with greater emphasis on matters of substance that have characterised the management in the year under review.

**28.** *Bolstering management capacity is a matter of great and ongoing concern; indeed it is now one of the six priorities of Community development policy. In some cases EDF spending has been held up when programmes have been frozen in order to meet Commission demands for evidence of good governance or for adherence to certain qualitative standards as well as by the poor absorption capacity of some ACP administrations. Reforms in aid management within the Commission should deliver results in time, although the crucial factor in determining whether the EDF programmes can be implemented more quickly and efficiently will be an increase in the number of project managers in the Commission itself.*

**29.** *The Commission is looking into the possibility of presenting information on the EDF more clearly in future, and this may include an analysis as recommended by the Court.*

## CHAPTER II — STATEMENT OF ASSURANCE CONCERNING THE EUROPEAN DEVELOPMENT FUNDS

### *Statement of Assurance concerning the sixth, seventh and eighth European Development Funds (EDFs) for the financial year 2000*

I. The European Court of Auditors ('the Court') has examined the accounts of the sixth, seventh and eighth EDFs for the financial year ending 31 December 2000. These accounts, which include the financial statements and the revenue and expenditure accounts <sup>(20)</sup>, were submitted belatedly by the Commission in Communication COM(2001) 233 final of 18 May 2001 to the European Parliament, the Council and the Court <sup>(21)</sup>. Pursuant to the financial regulations, the Court is required to provide the European Parliament and the Council with a Statement of Assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions <sup>(22)</sup>.

II. The Court carried out the audit in accordance with its auditing policies and standards. These latter are based on generally accepted international auditing standards, adjusted to suit the context of the EDFs. The audit comprised an appropriate range of procedures which aimed to examine, on the basis of samples, supporting information on the sums and information listed in the accounts and the legality and regularity of the underlying transactions. It also included an assessment of the accounting principles applied and of the presentation of the accounts. The Court thus obtained a reasonable basis to support the opinions expressed below.

#### **Reliability of the accounts**

III. Except for the effects of the problems described in paragraphs (a), (b), (c) and (d), the Court is of the opinion that the financial statements and the revenue and expenditure accounts for the financial year 2000 reliably reflect the revenue and expenditure relating to the sixth, seventh and eighth EDFs for the financial year and their financial situation at the end of the year:

- (a) transfers of funds amounting to 350 million euro are recorded as payments, overstating the level of execution of aid (see paragraph 33);
- (b) the level of primary commitments and assigned funds is overstated because the Commission did not cancel those commitments where the deadline for starting implementation had not been met (see paragraph 34);
- (c) the extent and degree of implementation of macrofinancial (macroeconomic) aid are not indicated (see paragraph 35);
- (d) the reliability of assigned appropriations as an indicator of future payments is limited by the inclusion of contingencies within the level of these commitments and also by amounts which remain unnecessarily assigned to contracts (see paragraph 36).

<sup>(20)</sup> As defined in Articles 66 and 67 of the Financial Regulation governing the eighth EDF, applied by analogy to the sixth and seventh EDFs.

<sup>(21)</sup> Article 68 of the Financial Regulation governing the eighth EDF, applied by analogy to the sixth and seventh EDFs requires these documents to be made available by 1 May.

<sup>(22)</sup> Article 73 of the Financial Regulation governing the eighth EDF, applied by analogy to the sixth and seventh EDFs.

**Legality and regularity of the underlying transactions**

IV.

- (a) In the case of the revenue entered in the accounts, amounts allocated to the eighth EDF, commitments and payments for the financial year, the Court's audit did not reveal errors with a material effect.
- (b) In the case of the assigned appropriations of the eighth EDF for the financial year, the Court's audit revealed that contracts were agreed in the absence of a valid primary commitment because the deadline for implementation had not been met, thus invalidating the appropriations assigned under the primary commitment (see paragraph 38).
- (c) In the case of payments made in the ACP States under the responsibility of the national or regional authorising officers in the context of certain programmes or financial instruments, the financial audits performed pursuant to the financing agreements and those performed at the request of EuropeAid Cooperation Office's external audit department show that ineligible transactions can be charged to the EDFs (see paragraphs 57 to 61).

In the light of the findings set out above, the Court is of the opinion that the transactions underlying the financial statements of the sixth, seventh and eighth EDFs for the financial year ended 31 December 2000 are, taken as a whole, legal and regular.

10 October 2001

Jan O. KARLSSON  
*President*

European Court of Auditors  
12, rue Alcide De Gasperi, L-1615 Luxembourg

## THE COURT'S OBSERVATIONS

## COMMISSION'S REPLIES

*Information in support of the Statement of Assurance***Introduction**

30. The Court's opinion on the legality and regularity of the transactions underlying the accounts is based on the documentation available at the Commission in Brussels and, where appropriate, from delegations in ACP States. On-the-spot audits to ACP States in order to verify the reality of the works, supplies or services underlying the documentation, were not carried out by the Court.

31. The Court draws attention to the fact that, because the legal framework of the EDFs affords many opportunities for exemptions, it is difficult to perform strict checks for compliance with rules and legislation. The fact that the framework is often indicative considerably limits the scope of checks in respect of the legality/regularity of the underlying transactions.

32. In the case of macroeconomic aid and, in particular, support for structural adjustment programmes, the mobilisation of tranches of aid for beneficiary countries is governed by financing agreements which set out the conditions to be fulfilled before the aid is released. The Commission uses these conditions as a political instrument to encourage beneficiary governments to carry out agreed reforms. Furthermore, since support for structural adjustment is part of a concerted effort by donors, there can only be one programme per country. In this way, the Commission has sometimes granted derogations to some of the conditions laid down by the financing agreements and has released tranches of aid on the basis of an appraisal of the overall situation in the beneficiary country. In this context, carrying out a strict legality and regularity check on the basis of a systematic review of each condition in the financing agreements is pointless. It is, in fact, no longer a question of assessing whether the situation conforms to a previously established standard, but of judging whether it is advisable to continue the programmes.

**32.** *The Commission concurs with the Court's position that policy conditions in its structural adjustment operations were used in the past to engage in a policy dialogue with governments carrying out policy reforms agreed with the Bretton Woods institutions. It is difficult to assess the fulfilment of conditions from the point of view of strict legality and regularity, given that the fulfilment of specific conditions has to be viewed in a broader context of the overall progress in implementing reforms and the impact of the reforms in improving the quality of life of the population concerned.*

*With a view to ensuring the continuity and adequacy of support to government-owned reform programmes outlined in poverty reduction strategy documents, in a more predictable manner, the Commission has become more flexible in its approach to conditions in its recent structural adjustment programmes. The Commission has been increasingly moving towards result-based conditions and away from policy-based ones. This approach has been piloted in Burkina Faso, where the donor community has accepted only one reform programme, the one the Government agreed with the Bretton Woods institutions and other donors, and for which all donors involved carry out joint non-mechanical assessments, taking into account the overall macroeconomic performance and result-based performance in key sectors, including improvements in public expenditure management.*



## THE COURT'S OBSERVATIONS

## COMMISSION'S REPLIES

**Reliability of the accounts**

Overstatement of expenditure by recording transfers as payments

33. The level of expenditure in the accounts is overstated due to the recording of transfers of funds as payments. The Commission transferred amounts of 250 million euro to the IBRD and of 100 million euro to the EIB in the context of the HIPC initiative. These amounts were recorded in the EDF accounts as payments although they were transfers of funds to intermediaries with payments to the beneficiaries to be made following subsequent authorisation procedures involving the Commission. Furthermore, no information was presented in the accounts showing that none of these funds had been used by the end of the year.

Overstatement of commitments and assigned appropriations

34. Since June 1998 <sup>(23)</sup>, the EDF financing agreements have had to come into effect by a given date. If implementation has not commenced by the date in question, the agreements become void and the Commission must take new decisions regarding operations which have been retained. However, the Court's audit revealed that the Commission has not cancelled financing agreements whose deadline for starting implementation has not been met. As a result the level of commitments and assigned appropriations is overstated in the accounts. The EDF's management accounts system does not allow these decisions to be identified. This being so, it is impossible to establish the amount of commitments concerned without vetting large quantities of operations individually. This problem also affects the legality and regularity of the underlying transactions (see paragraph 38).

**33.** *The Commission has a different interpretation from the Court of Auditors. The HIPC initiative is a well established multidonor programme where the Commission participates as a donor (via contributions to the IBRD Trust Fund and to the EIB), as provided for in a joint ACP-EC Council decision. The fact that the Commission may have a further role to play in the distribution of resources to individual beneficiary countries (via assessment of the fulfilment of the conditions attached to the debt relief initiative) does not alter the fact that they no longer form part of Commission resources. Therefore, the transfers to the institutions concerned are to be seen as final payments for the implementation of the HIPC initiative and should therefore appear as expenditure in the accounts.*

**34.** *The events triggering the start-up dates of financing agreements are not always linked to financial or accounting events, which makes it difficult to keep track of these dates in an accounts management system. This system does, however, allow us to extract control lists, which are then studied by the Commission and, where appropriate, by the authorities of the ACP State concerned, in order to ensure that the projects and programmes in question do indeed start up before the time limits laid down.*

*When EuropeAid was set up the priority tasks facing the operational units were such that they were unable to carry out the listing of cases so that they could be cancelled in the 2000 accounts. Naturally, these lists will be updated this year so that the unit responsible for finance and contracts can cancel them and make commitments reflect reality.*

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<sup>(23)</sup> Article 9 of the Financial Regulation governing the eighth EDF.

## THE COURT'S OBSERVATIONS

## COMMISSION'S REPLIES

## Extent of implementation of macrofinancial aid

35. Budgetary aid is difficult to identify in the EDFs' end-of-year accounts as it is drawn from several financial instruments, only some of which are programmable. Steps should be taken to ensure that the financial statements or the analysis of financial management give a precise indication of this aid including sums still to be called up at the end of the financial year.

## Limited reliability of assigned appropriations as indicators of future payments

36. Funds may be blocked needlessly and the level of assigned funds may not be reliable as an indicator of future payments because:

- (a) the value of contracts recorded in the EDF accounts is inflated by provisions for contingencies;
- (b) the accounts also continue to record within the level of assigned appropriations amounts which remain unnecessarily allocated to contracts.

## Information on risk capital

37. The EDF accounts show amounts paid by the Commission to the EIB to fund risk capital projects in the form of loans or equity participation, but contain no information on the current status of these loans and shareholdings. In this context the provision of Chapter 1 Annex II to the Cotonou Agreement for risk capital to be administered through a revolving fund aimed at being financially sustainable provides a basis to incorporate this information within the EDF accounts.

**Legality and regularity of the underlying transactions**

38. Since June 1998 the EDF Financial Regulation requires financing decisions and financing agreements to fix a deadline for project start-up. If the project has not started by this date the commitment is no longer valid and a new commitment should be established before a contract is negotiated (see paragraph 34). A number of contracts examined by the Court failed to meet the deadline for start-up, and were therefore made in the absence of a valid commitment.

*35. The Commission has noted the Court's remarks and the possibility of a different presentation of the management accounts and the analysis of financial management in future. An external study on the presentation of the accounts has already been carried out.*

*36. It is true that the commitment totals contain contingency reserves calculated on the basis of initial commitments. The amount is a percentage that varies according to the nature of the project.*

*Such reserves are established for each project because the exigencies of day-to-day implementation may lead to unforeseen expenditure.*

*37. The Commission is aware that the financial analysis of the Funds does not give information on EIB-managed venture-capital projects. Such information is undoubtedly useful and will be included in the analysis of EDF financial management in future.*

*38. See Commission's reply to point 34.*

### CHAPTER III — FOLLOW-UP TO PREVIOUS OBSERVATIONS: ACP SECRETARIAT

#### *Introduction*

39. The ACP Secretariat in Brussels was set up by the Georgetown Agreement of 1975. Its purpose is to oversee the application of the Lomé Conventions and to carry out tasks requested by the ACP Council of Ministers, the Committee of Ambassadors and the ACP members of the ACP-EU Joint Assembly. The ACP Secretariat's budget for 2000 provided for 87 staff and running costs of some 8 million euro, funded from ACP States' contributions and from the EDF.

#### *The Court of Auditors' 1990 report and Financial Control DG's 2000 report*

40. The Court of Auditors' Annual Report for 1990 <sup>(24)</sup> included observations regarding the Commission's control of the expenditure of the ACP Secretariat funded through the EDF. The financing agreement was described as imprecise and allowances were considered excessively high and paid on the basis of insufficient documentation. The Commission disputed the Court's findings relating to ineligible expenditure and the excessive level of expenses.

41. In 1999 and 2000 the reports of Financial Control DG on the ACP Secretariat revealed problems similar to those raised in the earlier observations of the Court of Auditors. The report described an overly generous regime of accommodation <sup>(25)</sup>, medical, education and

**39.** *The ACP Secretariat is the counterpart of the Commission in the management of relations between the European Union and the ACP States and as such it has a distinct and political role. The financing of the ACP Secretariat is provided for in the Lomé Convention, and its funding is complex since it is derived partly from ACP States' direct contributions and partly from the EDF.*

**41.** *The Commission accepts that more could — and should — have been done by all parties in the course of the 1990s to improve the management (including the financial management) of the Secretariat. The Commission began to address the problem in 1999 and, following the 2000 Financial Control DG report, more decisive action was taken. The problems of excessive and ineligible expenses were thoroughly reviewed, detailed comparisons were made, new unit rates agreed and a new financing proposal prepared which included funding for a screening exercise of the ACP Secretariat, with a view to making proposals for improvements in effectiveness.*

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<sup>(24)</sup> Annual Report of the Court of Auditors concerning the financial year 1990, paragraphs 14.17-14.29.

<sup>(25)</sup> For example, Financial Control DG's report stated that employees were receiving an accommodation allowance of 1 388 euro per month, which had been increased on the basis of a decision of the ACP Council of Ministers from a level of 620 euro in 1992 without the decision or involvement of the Commission and unconnected to the real increase in accommodation costs in Brussels.

## THE COURT'S OBSERVATIONS

travel expenses and provided additional examples of ineligible expenditure for recovery. Development DG's written response to Financial Control DG's report focused mainly on contesting the recommendations for recovery action.

*Fixed-rate funding in the 2000 to 2004 financing agreement*

42. Financial Control DG's report suggested that future EDF funding should be based on fixed rates rather than on the reimbursement of actual expenditure incurred. This recommendation was implemented by the Commission and was the basis of the 18 million euro financing agreement for 2000 to 2004 signed on 9 March 2000. Fixed-rate funding removed the requirement for the ACP Secretariat to provide evidence that expenditure was eligible and had actually been incurred, and replaced it with a requirement to provide evidence of employing 38 staff in senior posts <sup>(26)</sup>. Although fixed-rate funding avoids clerical checks on supporting documents and simplifies procedures, it can deal with the problems of excessive and ineligible expenditure highlighted in the reports of the Court of Auditors and Financial Control DG only if it is linked to the establishment of adequate management and control procedures, and the approval of demonstrable results, concerning the whole of the activities of the ACP Secretariat.

<sup>(26)</sup> For each expert in post, up to a maximum of 38 posts, the ACP Secretariat will receive 7 685 euro per month, which represents an average of 3,5 million euro per annum. Together with contingencies and some one-off costs, the package amounts to 18 million euro over five years or an average of 3,6 million euro per year.

## COMMISSION'S REPLIES

*The relevant Commission departments reacted to Financial Control DG's recommendations for recovery action by verifying the amounts before making recovery orders, but all financial transactions with the ACP Secretariat were suspended in January 2001 while an investigation was carried out into allegations of possible irregularities in a EUR 7 million regional project. The suspension of payments was not lifted until May 2001 and the Commission then took action to recover the remaining sums due. EUR 29 395,69, which was identified in the report of Financial Control as being ineligible expenditure, has been recovered.*

*Further recoveries have been made, mainly by means of deduction from new payments to the ACP Secretariat totalling EUR 790 019,57, of which EUR 84 056,06 concerns normal running costs, and EUR 505 963,51 concerns ad hoc projects. These recoveries mainly take the form of claiming back advances. A further EUR 140 000 will be recovered soon*

**42.** *Financial Control DG's recommendation to introduce a system of fixed-rate funding as a means of simplifying the method of providing a contribution to the ACP Secretariat's expenses was accepted. Under the current system, the Commission pays the Secretariat EUR 7 437 a month per post for up to 38 posts. This flat rate corresponds to approximately 90 % to 95 % of the cost of the salary and expenses, including travel expenses (based on 1999 estimates).*

*The previous system required a full justification for all expenditure relating to 100 % of the cost of certain agreed posts. The new system is much simpler to manage.*

*Further problems relating to procedures in the Secretariat are being identified by the screening study undertaken by a major management consultancy firm. Its terms of reference include comparing the Secretariat's structure with its mission.*

## THE COURT'S OBSERVATIONS

43. The ACP Secretariat used 550 000 euro per annum of the increase in funding in the new financing agreement to fund a 10 % across-the-board increase in staff salaries retroactively from 1 January 2000 and an increase in the employer's pension contribution. The ACP Committee of Ambassadors approved these increases on the grounds that they could be financed in full by the EDF without affecting the ACP States' contributions.

44. The ACP Secretariat was able to finance this pay rise because:

- (a) the new financing agreement represented a considerable increase in the level of EDF funding;
- (b) the increase in funding was not linked to any agreed increase in the workload or expected achievements of the ACP Secretariat.

*Increase in the level of funding*

45. The financing agreement for the running costs of the ACP Secretariat for the period 2000 to 2004 is for an average of 3,6 million euro per annum, representing a 50 % increase compared with the period 1992 to 1999 when average EDF funding was 2,4 million euro per annum. The reasons put forward for increasing the level of funding included the following:

- (a) an increase in the level of the ACP Secretariat's running costs;

## COMMISSION'S REPLIES

**43.** *The 10 % pay rise was not explicitly foreseen in the new financing agreement. However, although the Commission's contribution amounted to less than half of the 2000 running costs, it did provide the means to implement an old request made by the ACP staff association that their salaries be comparable to those paid by joint ACP-EC institutions and, despite the 10 % increase, the conditions of the ACP Secretariat still remain less attractive. Compared with the amounts paid by other international institutions employing expatriate staff, the actual take-home pay of an ACP Secretariat head of unit is much lower.*

**44.** *The Court's comment should be seen in the context explained in the reply to paragraph 43. The increase from 36 to 38 posts was partly to take into account, an increase in the Secretariat's work resulting from the Cotonou Agreement, which provides for enhanced trade cooperation among other things.*

**45.** *Until the 2000 to 2004 financing agreement, the Commission reimbursed the actual expenditure of a number of specified posts. Considering the heavy administrative workload involved in the verification of supporting documentation, the Commission made the contribution dependent on a number of expert posts being filled (38) and on the submission of an annual work programme. A fixed amount was also added to provide for a screening of the Secretariat.*

- (a) *The increase in costs occurred partly because the new financial arrangements made it easier for the ACP Secretariat to fill the maximum number of posts. Under the previous arrangement, the Commission reimbursed 100 % of the cost of 36 specific posts. It was not always possible for the Secretariat to fill the exact posts specified in the agreement, and so actual reimbursement was lower than the agreed quota. Under the new arrangement, the Secretariat receives the Commission contribution provided that it can demonstrate that 38 posts at certain agreed grades have been filled. This makes it easier for the Secretariat to fill its maximum quota.*

## THE COURT'S OBSERVATIONS

- (b) an increase in the proportion of running costs funded by the EDF from 44 % to 50 %;
- (c) ad hoc projects would no longer be used to fund the ACP Secretariat's running costs, a practice challenged for its lack of transparency in Financial Control DG's report.

46. However, the Commission's analysis was incomplete. For example, there was no explanation for the increase in the ACP Secretariat's running costs and no projections of total future running costs. Furthermore, Development DG's analysis overstated the proportion of running costs funded by the ACP States by not taking into account that not all ACP States pay their share of the contributions <sup>(27)</sup>. Moreover, ad hoc projects still continue to contribute to the running costs of the ACP Secretariat to an extent which is not made transparent.

*Funding not linked to workload*

47. Annex LXIX of the Lomé IV Convention stated the European Community's readiness to examine funding requests from the ACP Secretariat 'with a view to enabling the Secretariat to avail itself of such personnel as may appear necessary.' However, the 2000 to 2004 financing agreement was not output oriented, focusing instead on the requirement to demonstrate that 38 senior staff were in post. Although the ACP Secretariat was required to provide a copy of its annual work programme, this does not reconcile the planned workload with staffing levels. Consequently, the financing agreement does not demonstrate that the 38 posts were 'necessary' <sup>(28)</sup>.

## COMMISSION'S REPLIES

- (b) *The Commission was aware that this would mean its share could increase from about 44 % to about 50 %, but it considered it acceptable because it was more in line with the practice of similar institutions. From the ACP Secretariat's point of view it was less than envisaged, as they had asked for the financing agreement to be based on 45 posts.*

**46.** *While the Commission's analysis may have overstated the contribution of the ACP States, it is likely that their contribution in 2000 will turn out to have exceeded that of the Commission.*

*The Commission agrees that ad hoc projects still occasionally contribute to the running costs of the Secretariat and, while this is no longer the case in general, the objective of the Commission is to end this practice.*

**47.** *The 2000 to 2004 financing agreement does not impose any direct link between the workload of the Secretariat and the Commission's contribution but it introduces a requirement for the Secretariat to prepare an annual work programme and budget for its activities as a basis for annual advance payments — a recognised break with previous practice. The agreement requires the Secretariat to produce evidence that the 38 posts have been filled, as a prerequisite for payment of the Commission's contribution. The Commission is preparing to move towards a system of results-based financing and will require a report on the execution of the work programme and results achieved.*

<sup>(27)</sup> The ACP Secretariat accounts show large sums owed by ACP Member States. At the end of 1998 ACP debtors amounted to some 4,1 million euro. Furthermore over half of these debts or 2,1 million euro were classified as doubtful.

<sup>(28)</sup> The 2000 to 2004 financing agreement provided for a screening study to be carried out in 2000 (i.e. when the agreement was already in effect). The draft report was received in August 2001.

## THE COURT'S OBSERVATIONS

## COMMISSION'S REPLIES

*Control exercised by the Commission*

48. The control procedures of the Commission are insufficient to ensure value for money and sound management of its contribution to the ACP Secretariat. The Commission's response to evidence of poor management of resources by the ACP Secretariat has been slow. This applies not only to the findings of audit reports, but the Commission has also not acted when the ACP Secretariat claimed diplomatic immunity and refused to comply with judgments of the Belgian courts since 1995 requiring it to pay compensation to a former employee.

**48.** *The Commission acknowledges that action might have been taken much sooner. Taken together, the following measures which are now being implemented by the Commission constitute a responsible and proper response in the circumstances, although it will take time for results to be seen:*

- (i) *the financing arrangements for payment of the Commission's contribution have been completely overhauled and simplified, as explained in the reply to point 43;*
- (ii) *recoveries have been made totalling almost EUR 820 000 up to September 2001, and a further EUR 140 000 will be recovered;*
- (iii) *the screening study launched as a direct consequence of the Financial Control DG report (see reply to point 41) was the first step in a programme to improve the effectiveness of the ACP Secretariat's own management. The results of the study were received by the Commission in August 2001 and arrangements were made immediately to open discussions with the ACP Secretariat on how the recommendations might be implemented;*
- (iv) *the 2000 to 2004 financing agreement introduced the requirement for an annual work programme and budget as a basis for annual advance payments;*
- (v) *it is the Commission's intention to ask the Secretariat, when the 2002 work programme is presented, for a report on the implementation of the work programme for 2001, concentrating on the extent to which objectives and planned results have been achieved and activities efficiently and effectively undertaken. The 2002 work programme will not be accepted in the absence of such a report;*
- (vi) *in demanding a report on activities the Commission will send a clear message that it is in the Secretariat's interest to assure value for money. An analysis of this type will be expected from the ACP Secretariat in future years;*
- (vii) *independent external audits will be required for all ad hoc projects;*

## THE COURT'S OBSERVATIONS

## COMMISSION'S REPLIES

(viii) arrangements are being made to make provision in the mid-term review specified in the financing agreement for a check on the implementation of the above actions and the implementation of the recommendations of the screening report. The report is expected to be finalised by mid-2002.

In the course of 2000 several changes occurred in the ACP Secretariat following the signing of the Cotonou Agreement and the arrival of the new Secretary-General. The performance of all staff was reviewed and the contracts of some underperforming member of staff were not renewed. Two additional posts of Assistant Secretary-General (previously there was only one) have been created, in charge respectively of administration and finance, and sustainable economic development, and political and human development. These last two responsibilities cover the two main pillars of cooperation under the new Agreement. The Commission sees these developments in a positive light and hopes that they signal the start of a more modernising spirit within the ACP Secretariat.

The Cotonou Agreement has added to the Secretariat's workload which means that, apart from preparing a work programme of projects to be implemented, the Secretariat will also be involved in preparing meetings and carrying out activities to implement the Agreement.

On the subject of the condemnations of the ACP Secretariat, which enjoys diplomatic status, the Commission cannot and will not interfere with matters arising from labour law and that lie within the jurisdiction of the Belgian courts.

*Conclusions*

49. The control procedures of the Commission are as yet insufficient to ensure value for money and sound management of its contribution to the ACP Secretariat, despite the risks indicated by evidence of poor management.

50. The fixed-rate funding in the 2000 to 2004 financing agreement was not linked to workload or expected results.

**49.** The Commission has considerably improved the financing arrangements for the ACP Secretariat, in a way which balances the required level of administrative control with autonomy for the Secretariat. The Commission is addressing the problem of management within the Secretariat through a series of measures described in the reply to point 48.

**50.** The 2000 to 2004 financing agreement does not impose any direct link between the workload of the Secretariat and the Commission's contribution, but it introduces a requirement for the Secretariat to prepare an annual work programme and budget for its activities as a basis for annual advance payments. The Commission is preparing to move towards a system of financing based on results (See also reply to point 48).



## THE COURT'S OBSERVATIONS

## COMMISSION'S REPLIES

*Recommendation*

51. When co-financing the running costs of outside organisations on a fixed-rate basis the Commission should request output-based information from beneficiaries and clearly define the results expected, preferably in terms which are verifiable and measurable. The amount of the subsidy should correspond to the expected results. In order to monitor progress towards results and to support claims for funding, the Commission should require not only annual financial accounts and external audit reports, but also activity reports, incorporating performance indicators.

**51.** *The Commission acknowledges the Court's views on contributions to the running costs of outside organisations. In the case of the ACP Secretariat, the reforms put in place by the Commission already include the introduction of an annual work programme and budget as the basis for advance payments, which will allow the Commission to make an assessment of the Secretariat's activities (see a full list of interventions in reply to point 48).*

CHAPTER IV — MAIN OBSERVATIONS IN  
SPECIAL REPORTS PUBLISHED BY THE COURT  
SINCE THE LAST DISCHARGE PROCEDURE

*Special Report No 5/2001 on counterpart funds from structural adjustment support earmarked for budget aid (seventh and eighth EDFs) (29).*

**The Court's audit**

52. The Court examined the Commission's monitoring of the use of counterpart funds generated by EDF support for structural adjustment in ACP States, but not the structural adjustment programmes as such. The audit was mainly concerned with 23 financing agreements concluded between 1994 and 1999 with eight ACP States. Most of the support was in the form of direct aid for the beneficiary countries' budgets and was implemented and controlled, not under EDF procedures, but under the national procedures applicable to public expenditure in the ACP States.

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(29) OJ C 257, 14.9.2001.

## THE COURT'S OBSERVATIONS

## COMMISSION'S REPLIES

**Conclusion and recommendations**

53. In view of the shortcomings in the national procedures for implementing and controlling public expenditure, it is not realistic to think that, in priority sectors, expenditure by the beneficiary countries will always be effected in a regular manner and will have a real impact on the level and quality of social services. The reforms that have been undertaken by these countries in the area of public finance management are very recent and their full impact will only be felt in the longer term. This fact was confirmed by the audits which the Commission has carried out since 1998. The budgetary authority must be aware of the inherent risks of the approach that has been adopted, insist that those risks are evaluated by means of audits of public expenditure and endeavour to reduce the extent of them gradually by encouraging the effective implementation of reforms in the ACP States, notably by means of concerted action by the community of donors.

54. In order to improve control over the implementation of support and ensure that the support develops in line with the new guidelines from the budgetary authority, the Commission should:

- (a) base its programmes on a strategy and a plan for the reform of public finance management and on intensive coordination between all the parties involved in this area;

53. *The Commission shares the Court's view that the reforms undertaken recently by a number of countries with the aim of improving the management of public finances constitute a real step forward. The process is bound to be slow, since it is a complex one that will upset the status quo, added to which these recipient countries' resources are limited and they are far from being in a position to guarantee that there will be only a small risk of public-finance management going off track. This was confirmed by the audits done by the Commission since 1998.*

*The authorities of the countries concerned are more aware of the risks inherent in the overall management of public finances under the Poverty Reduction Strategy Papers (PRSPs) and are trying to reduce them by encouraging the effective implementation of reforms, especially through concerted action by the donor community.*

*In early 2001 the Commission and the World Bank stepped up their cooperation by adopting common objectives and financial means (Trust Fund for Public Expenditure Management and Accountability Assessments), which is coordinated with all the other parties involved (bilateral donors and government of the recipient ACP State).*

54.

- (a) *The Commission is anxious to ensure that under the PRSPs the issue of proper public-finance management is tackled within a strategy of reform of the management of public finances together with the use of performance indicators to ensure a coordinated measurement of progress. In liaison with other donors, it is developing a coordinated approach to public finance assessment (Trust Fund for Public Expenditure Management and Accountability Assessments and Strategic Partnership for Africa). This will enable it to pursue the approach taken in programmes implemented since the end of 1999.*

## THE COURT'S OBSERVATIONS

- (b) draw up clear guidelines so that its departments are better able to assess progress in the management of public finance in each of the countries concerned and to carry out a qualitative appraisal of the expenditure, otherwise there is a risk that programme objectives might not be achieved;
- (c) lay down procedures for monitoring and control of each programme, before the financing agreements are concluded;
- (d) effect a better distribution between departments of responsibility for monitoring global macroeconomic and institutional support, on the one hand, and, on the other, responsibility for assessing the functioning of the social sectors;
- (e) in coordination with the IMF, improve the predictability of annual budget support, irrespective of the source of the funding;
- (f) within the multilateral approach framework, integrate sectoral support into the budget of the beneficiary countries wherever possible.

## COMMISSION'S REPLIES

- (b) *The Commission shares the Court's opinion and has already started implementing clear guidelines for Commission administrators and national authorising officers, namely: (i) criteria for assessing progress in public-finance management; (ii) a framework for looking at expenditure of non-targeted budgetary aid, so enabling the budgetary authority to see whether funds are being managed properly; and (iii) the various possible ways of adopting reliable performance indicators in the social sectors, and their relationship with budgetary spending.*
- (c) *The Commission undertakes to introduced wherever possible details on monitoring and control procedures in the financing agreements rather than the protocols of agreement.*
- (d) *The distinction between the macroeconomic departments and those in charge of social sectors exists at the programme design stage (Development DG) and implementation stage (EuropeAid). The key issue is to ensure that the units work together, something the Commission is trying to do in relations between units and through the role of the Delegations and desk officers.*
- (e) *Improving aid forecasting for each country is of constant concern to the Commission and has not always been easy to implement (cessation of programmes, non-adherence to conditions, etc.). The planned implementation of tri-annual programmes under the Cotonou Agreement should help to do this in well performing countries.*
- (f) *The Commission supports sectoral programmes, which by definition makes for a coordinated donor approach. It is the leading provider of funds to these programmes after the World Bank. The aim is to integrate sectoral support within the recipient country's budget. The Cotonou Agreement authorises the Commission to finance sectoral programmes with budgetary aid where the situation lend itself.*

## CHAPTER V — OTHER OBSERVATIONS

*Tendency to decentralise the management of appropriations on the fringes of the Financial Regulation*

55. There is a growing tendency for the Commission to delegate to private-sector agencies, natural or legal persons (programme management units, abbreviated to PMU), the administration (authorisation, payment, monitoring) of the funds allocated for programmes or projects. Within the EDF framework this practice developed particularly (but not exclusively) during the implementation of enterprise and micro-project development programmes within which the PMU receive, through bank accounts, a series of advances which they administer and which must be redistributed to final beneficiaries that have not yet been identified. The amounts administered are sometimes considerable. There is no specific provision for this practice in the Financial Regulation and the rules governing the setting up and operation of imprest accounts do not cover this type of process for managing public funds. In view of the inherent risks of this method of implementation and the fact that the classic rules on responsibilities of authorising officers and accounting officers become inoperative with this type of administration, it is hoped that the Financial Regulation for the ninth EDF, a draft of which is to be submitted to the budgetary authority, will include provisions governing such administration in a way that is sufficiently clear for it to ensure that implementation is legal and regular. In particular, in line with the rules on imprest accounts, the regulation should lay down basic sound financial management standards that must be observed by these private intermediaries <sup>(30)</sup>.

*Adaptation of procedures for cooperation with ACP States involved in armed conflict*

56. In accordance with the provisions of Article 11(4) of the Cotonou Agreement, and echoing the European Parliament resolution of 16 October 2000 <sup>(31)</sup> on cooperation with ACP countries involved in armed conflicts, the Commission informed the Member States, in November 2000, of its intention of examining the

55. *It would not be possible for the Commission to undertake the detailed management of hundreds if not thousands of small operations, and so there is a need to entrust the management of larger sums of public money to private operators. The new Financial Regulations for the ninth EDF should set out clear rules for this, and clear standards for sound and transparent financial management.*

56. *The Commission does not intend to make proposals for clear and binding measures. The Commission's communication proposes that a framework be established for addressing each case on an ad hoc basis, taking due account of universal values and standards as enshrined in Community and international law. A case-by-case approach must continue to be followed.*

*The term 'unspecified budgetary support' is not clear. Based on Article 224 of Lomé IV the Community provides direct or indirect budget support depending on the convertibility and transferability of a country's currency. It is always provided in support of budgeted expenditure, very often targeted*

<sup>(30)</sup> The present management method is sometimes not rigorous enough. See the Ernst & Young audit report of October 2000 on micro-project programmes in Tanzania (7 TA 031 and 7 TA 99).

<sup>(31)</sup> A5-0296/2000.

## THE COURT'S OBSERVATIONS

situation as regards every country that was at war, so as to analyse the risk of diversion of Community funds that the conflict situation might entail. It should be noted that, in the October 2000 resolution, Parliament requested the Commission 'to come forward with proposals for clear and binding measures and criteria'. Parliament also called for a stop on non-specific budgetary support to countries involved in armed conflict and urged that the latter be asked to give firm guarantees that Community funding would not be diverted to the war effort. The Commission should explain what the actual follow-up to this resolution will be. The explanations could be particularly opportune in the case of countries that receive direct budget aid and appear to be becoming involved in protracted conflicts (Rwanda, Burundi, Uganda and Sierra Leone).

## COMMISSION'S REPLIES

*on specific sector expenditure, such as health and education. Execution of such budgeted expenditure is closely monitored: As a rule the Community, in coordination with other donors, above all the BWI, closely monitors and assesses budget preparation and execution in ACP States receiving direct or indirect budget support. Special emphasis is put on the quality of public finance management.*

*Additional monitoring and control mechanisms apply to budget support for ACP States involved in armed conflicts. Frequent and detailed reviews of public expenditure are an integral part of the relevant financing agreements and are a key factor in deciding whether Community resources should be released or not.*

*On a country-by-country basis, donors and recipients discuss and agree short and medium-term ceilings for military and other key expenditure, measured against expenditure levels prior to the conflict. These ceilings are the benchmarks for programme assessment and the release of resources is conditional on respecting the agreed targets.*

*Governments are requested to confirm in writing that no funds are diverted for military purposes, and, in addition, all financing agreements on the provision of budgetary support include specific control mechanisms to monitor the use of the funds, and programmes will be terminated immediately if there is any evidence of diversion or misuse of funds.*

### *External audits requested by the Commission*

57. As part of its review of the EDF accounts for the financial year 1999, the Court raised the question of the follow-up to audits initiated by the Commission and noted that, with the exception of structural adjustment support, the manager departments found it difficult to act upon the findings of audit reports. The Commission stated that the existence of an internal audit department did not relieve the operations departments of their own responsibilities <sup>(32)</sup>.

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<sup>(32)</sup> Annual Report concerning the financial year 1999, paragraph 54.

## THE COURT'S OBSERVATIONS

58. For the financial year 2000 the Court studied the close of the audits that were in progress at the end of 1999. The study covered six financial audits initiated by EuropeAid's external audit department and completed in 2000 concerning approximately 40 million euro of aid, which had found evidence of ineligible expenditure amounting to almost 36 % of the expenditure audited by the auditors engaged by the Commission. Whereas the Commission had explained in its reply to the 1999 report that recovery orders are issued by the financial department of the authorising officer, not a single recovery order had been issued as of April 2001 as a result of these audits. It appeared, in fact, that the headquarters departments were awaiting instructions from the Commission local Delegations to which the final audit reports had been sent.

59. In the case of one report (Tanzania) the authorities contested the auditors' conclusions and asked for a new audit, to which the Delegation agreed. In only one case (Central African Republic) did the report mention the existence of fraud, but the measures to be taken by the Government were not the subject of a special agreement with Commission headquarters. On the other hand, the other reports did draw attention to serious weaknesses in the internal control procedures and project-management systems where the expenditure in question had been effected locally.

60. For the year 2000 the external audit department of the Cooperation Office recorded 120 audits that were undertaken by the EDF national authorising officers within the framework of financing agreements for projects or programmes, 40 of which had been finalised before the end of the year. However, in the absence of the necessary resources and a mission statement it was not possible for the department to follow up the audits, nor to ensure that the ACP States had followed up the established cases of fraud or irregularity. For example, during an audit visit to Senegal in October 2000 it was clear that for one seventh EDF project the verdict of the Senegalese court regarding the misappropriation of around 6 million euro of funds that was uncovered by an audit in 1995 had not been enforced <sup>(33)</sup> and that the

## COMMISSION'S REPLIES

**58.** *The results of the six audits examined by the Court relate solely to the subjects covered by those audits. They should not be considered representative of the situation of the EDF as a whole.*

*Recovery orders resulting from an audit can only be issued once the audit findings have been discussed between the Delegations and the audited organisations in the beneficiary countries. This process was still ongoing. The Commission nonetheless is introducing measures to reinforce the follow-up to audit results.*

**59.** *In Central African Republic, the matter has been raised repeatedly by the Delegation with the national authorising officer, and a mission by Commission officials in March 2001 once again emphasised the responsibilities of the authorities.*

**60.** *The follow-up to audits is carried out, on the authority and under the responsibility of the national authorising officer, by the operational departments (technical aspects) and financial units (financial aspects).*

*The case is followed closely by headquarters and the Delegation. It was referred to UCLAF, which carried out an on-the-spot mission in March 1999.*

*According to the Senegalese authorities, the parties have appealed, which means that the sanctions are suspended until a further ruling.*

*The Commission shares the Court's concern and agrees that this case is unacceptable. The Delegation has intervened on several occasions to try to direct the Senegalese authorities' attention to this matter.*

<sup>(33)</sup> Decision of the criminal court at Dakar of 29 April 1999 against 36 persons accused of misappropriation of public funds under a programme of aid to SMEs in the Saint-Louis region (7 SE 011). The sentences amounted to more than 4 000 million CFA francs (6 million euro).

## THE COURT'S OBSERVATIONS

operations departments at Commission headquarters were resigning themselves to a situation where the Senegalese authorities were not applying the decisions of their own courts because of the political difficulties that applying strict financial principles <sup>(34)</sup> might create.

61. Under these circumstances it is clear that the process of decentralising external aid management that has been undertaken by the Commission should be accompanied by an increase in all the central services' supervisory functions and that, of those, the follow-up to audits carried out on the instructions of the Commission itself or of EDF national or regional authorising officers must be given a special place. As of mid-2001 neither the human resources nor the mission statement of the department for external audit of the operations of the Cooperation Office (G4) allowed it to fulfil such a role.

## COMMISSION'S REPLIES

*The Commission will not hesitate to press the authorities concerned to ensure that the case is settled in an appropriate manner.*

**61.** *The Commission plans to step up supervisory activities at central level, including audit-related activities, as long as extra staff can be deployed to carry them out.*

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<sup>(34)</sup> Article 8 of the Financial Regulation for the eighth EDF (OJ L 191, 7.7.1998).





## ANNEXES



## ANNEX I

**Financial information on the general budget of the European Union**

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*DIAGRAMS*

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**Graph of the consolidated 6th, 7th and 8th EDFs:  
allocation, distribution and use of the aid**

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*PRELIMINARY NOTES***SOURCES OF FINANCIAL DATA**

The financial data contained in this Annex have been drawn from the revenue and expenditure accounts and the balance sheet of assets and liabilities of the European Communities <sup>(1)</sup> and from other financial records provided by the Commission. The geographical distribution is in accordance with the indices of the country codes in the Sincom system. As the Commission has pointed out, analysing expenditure by Member States is an arithmetical exercise which gives an incomplete view of the benefits that each Member State derives from the Union.

**MONETARY UNIT**

All the financial data are presented in millions of euro (Mio EUR), rounded to one decimal place. When totals are presented they are rounded from the exact total value and will not therefore necessarily represent the sum of the rounded-off figures.

**NOMENCLATURE**

For each financial year the Court uses the financial perspectives corresponding to that financial year for the presentation of the historical data.

**ABBREVIATIONS AND SYMBOLS**

EC	European Community(ies)
ECSC	European Coal and Steel Community
EEC	European Economic Community
EAEC or Euratom	European Atomic Energy Community
EFTA	European Free Trade Association
EU	European Union
GNP	Gross national product
VAT	Value added tax
ATS	Austrian schilling
BEF	Belgian franc
DEM	German mark
DKK	Danish crown (krone)
ESP	Spanish peseta
FIM	Finnish markka
FRF	French franc
GBP	Pound sterling
GRD	Greek drachma
IEP	Irish pound (punt)
ITL	Italian lira
LUF	Luxembourg franc
NLG	Dutch guilder
PTE	Portuguese escudo

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<sup>(1)</sup> In the case of the 2000 financial year: revenue and expenditure account and balance sheet relating to operations under the 2000 budget (Doc SEC(2001) 528-531).

SEK	Swedish crown (krona)
EUR	Euro
Mio EUR	Million euro
DA	Differentiated appropriations
NDA	Non-differentiated appropriations
CA	Commitment appropriations
PA	Payment appropriations
AFC	Appropriations for commitment
AFP	Appropriations for payment
B	Belgium
DK	Denmark
D	Germany
EL	Greece
E	Spain
F	France
IRL	Ireland
I	Italy
L	Luxembourg
NL	Netherlands
A	Austria
P	Portugal
FIN	Finland
S	Sweden
UK	United Kingdom
EUR 15	Total of the 15 Member States of the European Community
FR	Financial Regulation of 21 December 1977 (see also the foreword on cover page II)
OJ	<i>Official Journal of the European Communities</i>
S	Budgetary section
Ss	Budgetary subsection
T	Budgetary title
Ch	Budgetary chapter
0,0	Data between zero and 0,05
—	Lack of data
%	Percentage
D	Diagram referred to within other diagrams (e.g. D III)

## BACKGROUND INFORMATION ON THE GENERAL BUDGET

### 1. ORIGIN OF THE GENERAL BUDGET

The general budget was created by the Merger Treaty <sup>(2)</sup> (Article 20). It replaced, on 1 January 1968, the three separate EC budgets which existed before that date: the ECSC administrative budget, the EEC budget and the Euratom operating budget. The Euratom research and investment budget was incorporated into the general budget as from 1971 by the Treaty of Luxembourg <sup>(3)</sup> (Article 10).

### 2. LEGAL BASIS

The general budget is governed by the financial provisions of the Treaties of Paris <sup>(4)</sup> (Article 78 ECSC) and Rome <sup>(5)</sup> <sup>(6)</sup> (Articles 268 to 280 EC and Articles 171 to 183 Euratom) and by the financial regulations <sup>(7)</sup>.

### 3. MAIN BUDGETARY PRINCIPLES LAID DOWN IN THE TREATIES AND THE FINANCIAL REGULATION

All items of Community revenue and expenditure are to be included in a single budget (unity). Revenue is to be used without distinction to finance all expenditure and, like the expenditure, is to be entered in full in the budget and subsequently in the financial statements without any adjustment of one item against another (universality). The appropriations are specialised according to their nature or intended use (speciality). The budget is authorised for one financial year only (annuality). Budgetary revenue and expenditure must balance (equilibrium). There are some exceptions to these general principles.

### 4. CONTENT AND STRUCTURE OF THE GENERAL BUDGET

The budget consists of a 'General statement of revenue' and a 'Statement of revenue and expenditure', which itself is subdivided into eight sections: (I) Parliament; (II) Council (annexed until 1994: Economic and Social Committee); (III) Commission <sup>(8)</sup>, (IV) Court of Justice; (V) Court of Auditors; (VI) Economic and Social Committee; (VII) Committee of Regions; (VIII) European Ombudsman.

Within each section <sup>(8)</sup>, items of revenue and expenditure are classified under budget headings (titles, chapters, articles and, where applicable, items) according to their type or the use to which they are to be applied.

<sup>(2)</sup> Merger Treaty (8 April 1965): Treaty establishing a single Council and single Commission of the European Communities.

<sup>(3)</sup> Treaty of Luxembourg (22 April 1970): Treaty amending certain budgetary provisions of the Treaties establishing the European Communities and of the Merger Treaty.

<sup>(4)</sup> Treaty of Paris (18 April 1951): Treaty establishing the European Coal and Steel Community (ECSC).

<sup>(5)</sup> Treaty of Rome (25 March 1957): Treaty establishing the European Economic Community (EEC).

<sup>(6)</sup> Treaty of Rome (25 March 1957): Treaty establishing the European Atomic Energy Community (Euratom).

<sup>(7)</sup> Mainly the Financial Regulation of 21 December 1977 (OJ L 356, 31.12.1977). See in this respect the foreword on cover page II.

<sup>(8)</sup> Section III (Commission) is subdivided into Part A 'Staff and administrative appropriations' and Part B 'Operating appropriations' which is further subdivided into main sectors of activity.

## 5. MONETARY UNIT OF THE GENERAL BUDGET

The budget is established and implemented in euro. The euro replaced the European currency unit from 1 January 1999, by application of the Council Regulation (EC) No 1103/97.

Irrevocable conversion rates were fixed between the euro and the participating national currencies as follows: 1 EUR = 13,7603 ATS = 40,3399 BEF = 1,95583 DEM = 166,386 ESP = 5,94573 FIM = 6,55957 FRF = 0,787564 IEP = 1 936,27 ITL = 40,3399 LUF = 2,20371 NLG = 200,482 PTE = 340,750 GRD.

## 6. FINANCING OF THE GENERAL BUDGET (BUDGETARY REVENUE)

The general budget is mainly financed from the Communities' own resources: agricultural duties, sugar and isoglucose levies; customs duties; own resources accruing from VAT and GNP-based own resources. For more detailed information see the legislation in force <sup>(9)</sup>.

Besides own resources, there are other, marginal items of revenue (see Diagram I).

## 7. TYPES OF BUDGET APPROPRIATIONS

To cover estimated expenditure, the following types of budget appropriations are distinguished in the general budget:

- (a) differentiated appropriations (DA) are used to finance multiannual activities in certain budgetary areas. They comprise commitment appropriations (CA) and payment appropriations (PA):
- commitment appropriations make it possible to enter into legal obligations during the financial year for activities whose implementation extends over several financial years,
  - payment appropriations make it possible to cover expenditure arising from commitments entered into during current and preceding financial years;
- (b) non-differentiated appropriations (NDA) make it possible to ensure, the commitment and payment of expenditure relating to annual activities during each financial year.

It is thus important to establish the following two totals for each financial year:

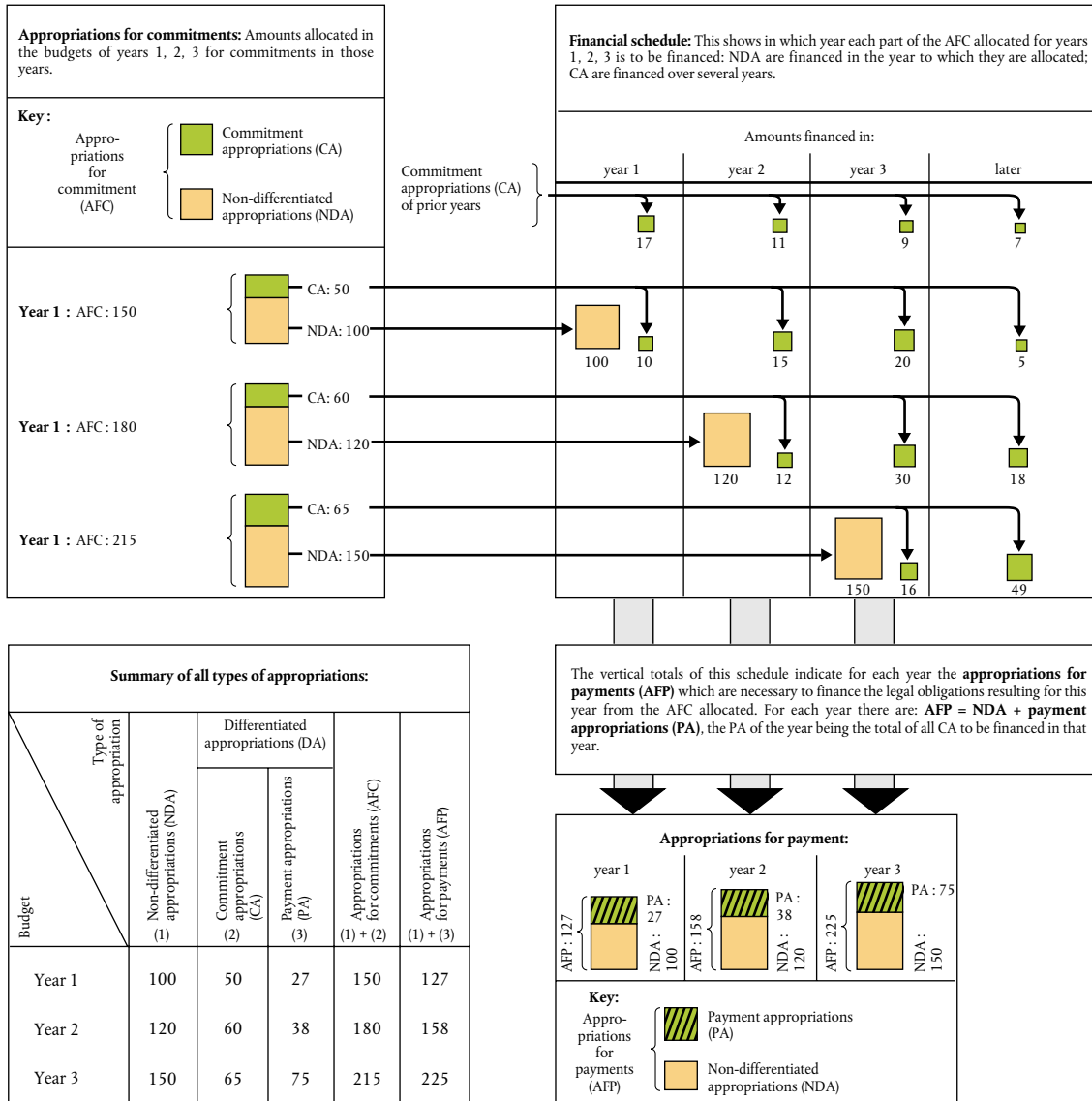
- (a) the total of appropriations for commitments (AFC) <sup>(10)</sup> = non-differentiated appropriations (NDA) + commitment appropriations (CA) <sup>(10)</sup>;
- (b) the total of appropriations for payments (AFP) <sup>(10)</sup> = non-differentiated appropriations (NDA) + payment appropriations (PA) <sup>(10)</sup>.

<sup>(9)</sup> Principal legal acts relating to own resources: Sixth Council Directive of 17 May 1977 — common system of VAT: uniform assessment basis (OJ L 145, 13.6.1977); Council Decision 94/728/EC of 31 October 1994 (OJ L 293, 12.11.1994); Council Regulation (EEC, Euratom) No 1552/89 of 29 May 1989 (OJ L 155, 7.6.1989); Council Regulation (EEC, Euratom) No 1553/89 of 29 May 1989 (OJ L 155, 7.6.1989); Council Directive 89/130/EEC, Euratom of 13 February 1989 on the harmonisation of the compilation of GNP (OJ L 49, 21.2.1989).

<sup>(10)</sup> It is important to note the differences between 'appropriations for commitments' and 'commitment appropriations' and between 'appropriations for payments' and 'payment appropriations'. The two terms 'commitment appropriations' and 'payment appropriations' are used exclusively in the context of differentiated appropriations.

Revenue raised in the budget is intended to cover the total appropriations for payments. Commitment appropriations do not need to be covered by revenue.

The following simplified presentation (with illustrative amounts) shows the impact of these types of appropriations in each budget year.





## 8. IMPLEMENTATION OF THE GENERAL BUDGET

### 8.1. Responsibility for implementation

The Commission implements the budget under its own responsibility in accordance with the Financial Regulation and within the limits of the allotted appropriations; it also confers upon the other institutions the requisite powers for the implementation of the sections of the budget relating to them<sup>(11)</sup>. The Financial Regulation lays down the implementation procedures and, in particular, the responsibilities of the authorising officers, accounting officers, administrators of imprest accounts and financial controllers of the institutions<sup>(12)</sup>. In certain specific areas (mainly EAGGF-Guarantee and Structural Funds) the management of Community funds is shared with the Member States.

### 8.2. Implementation of revenue

The estimated revenue is entered in the budget subject to change by amending and supplementary budgets.

The budgetary implementation of revenue consists of establishing the entitlements and recovering the revenue due to the Communities (own resources and other revenue). It is governed by certain special provisions<sup>(13)</sup>. The actual revenue of a financial year is defined as the total of sums collected against entitlements established during the current financial year and sums collected against entitlements still to be recovered from previous financial years.

It should be noted that the Member States, acting on behalf of the Communities, are responsible for the collection of amounts due in respect of customs duties, agricultural duties and sugar and isoglucose levies. The Member States keep 10 % of the corresponding amounts payable to cover their collection costs.

### 8.3. Implementation of expenditure

The estimated expenditure is entered in the budget.

The budgetary implementation of expenditure, i.e. the evolution and utilisation of appropriations, may be summarised as follows:

(a) appropriations for commitments:

- (i) *evolution of appropriations*: the total appropriations for commitments available in a financial year are made up as follows: initial budget (NDA and CA) + amending and supplementary budgets + supplementary receipts<sup>(14)</sup> + transfers<sup>(11)</sup> + commitment appropriations carried over from the preceding financial year<sup>(15)</sup> + non-automatic carry-overs<sup>(16)</sup> from the preceding financial year not yet committed (NDA) + released commitment appropriations from preceding financial years which have been made available again<sup>(17)</sup> + repayments of advances giving rise to re-utilisation<sup>(18)</sup>,

<sup>(11)</sup> Articles 78d ECSC, 274 EC, 179 Euratom and 22(2) of the Financial Regulation.

<sup>(12)</sup> Articles 21 to 55 and 73 to 77 of the Financial Regulation.

<sup>(13)</sup> Articles 28 to 35 of the Financial Regulation and Council Regulation (EEC, Euratom) No 1552/89 of 29 May 1989 (OJ L 155, 7.6.1989).

<sup>(14)</sup> Article 96(2) of the Financial Regulation.

<sup>(15)</sup> Article 7(2)(a) of the Financial Regulation.

<sup>(16)</sup> Article 7(1)(a) and 7(3) of the Financial Regulation.

<sup>(17)</sup> Article 7(6) of the Financial Regulation.

<sup>(18)</sup> Article 7(7) of the Financial Regulation.

- (ii) *utilisation of appropriations*: the final appropriations for commitments are available in the financial year for use in the form of commitments entered into (appropriations for commitments utilised = amount of commitments entered into);
- (iii) *carry-overs of appropriations from one financial year to the next financial year*: non-differentiated appropriations belonging to the financial year which have not been committed may be carried over nonautomatically to the next financial year after approval by the budgetary authority <sup>(16)</sup>. Non-utilised commitment appropriations of the financial year may be carried over by the Commission to the following financial year <sup>(15)</sup>. In the case of expenditure on behalf of third parties, carry-overs may be repeated;
- (iv) *cancellation of appropriations*: the balance is cancelled;
- (b) appropriations for payment:
- (i) *evolution of appropriations*: the total appropriations for payments available in a financial year are made up as follows: initial budget (NDA and PA) + amending and supplementary budgets + supplementary receipts <sup>(14)</sup> + transfers <sup>(11)</sup> + appropriations carried over from the previous financial year in the form of automatic carry-overs <sup>(19)</sup> or non-automatic carry-overs <sup>(20)</sup> + repayments of advances giving rise to re-utilisation <sup>(18)</sup>;
- (ii) *utilisation of appropriations*: the appropriations for payment are available in the financial year for use as payments (utilised appropriations for payments = amount of payments made from the appropriations of the financial year);
- (iii) *carry-overs of appropriations from one financial year to the next financial year*: non-utilised appropriations of the financial year may be carried over to the next financial year in the form of automatic <sup>(19)</sup> or non-automatic <sup>(20)</sup> carry-overs. In the case of expenditure on behalf of third parties, carry-overs may be repeated;
- (iv) *cancellation of appropriations*: the balance is cancelled;
- (v) *total payments during the financial year*: payments against appropriations for payments of the financial year plus payments against appropriations for payments carried over from the preceding financial year;
- (vi) *actual expenditure charged to a financial year*: expenditure charged to the consolidated revenue and expenditure account (see paragraph 8.4) = payments against appropriations for payments of the financial year plus appropriations for payments of the financial year carried over to the following financial year.

#### 8.4. *The consolidated revenue and expenditure account and the balance of the financial year*

After the closure of each financial year the consolidated revenue and expenditure account is drawn up. This determines the balance of the year which is entered in the budget of the next financial year through an amending budget <sup>(21)</sup>.

### 9. PRESENTATION OF THE ACCOUNTS

The accounts for a given financial year are forwarded not later than 1 May of the following financial year to Parliament, the Council and the Court of Auditors; these accounts comprise a revenue and expenditure account and a balance sheet, together with an analysis of the financial management <sup>(22)</sup>.

<sup>(19)</sup> Article 7(1)(b) of the Financial Regulation.

<sup>(20)</sup> Article 7(1)(a) and 7(2)(b) of the Financial Regulation.

<sup>(21)</sup> Article 32 of the Financial Regulation and Articles 15 and 16 of Council Regulation (EEC, Euratom) No 1552/89 (OJ L 155, 7.6.1989).

<sup>(22)</sup> Articles 78 to 82 of the Financial Regulation.

## 10. EXTERNAL AUDIT

Since 1977 the external audit of the general budget has been carried out by the Court of Auditors of the European Communities <sup>(23)</sup>. The Court of Auditors examines the accounts of all revenue and expenditure of the general budget. It must provide the European Parliament and the Council with a statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions. It also considers whether revenue has been received and expenditure incurred in a lawful and regular manner, and whether the financial management has been sound. The audits may be carried out before the closure of the financial year in question and are performed on the basis of records and, where necessary, on the spot in the institutions of the Communities and in the Member States. The Court of Auditors draws up an annual report for each financial year and may also, at any time, submit its observations on specific questions and deliver opinions at the request of any of the institutions of the Communities.

## 11. DISCHARGE AND FOLLOW-UP

As from 1977 the following provisions are applicable <sup>(24)</sup> : Parliament, on the recommendation of the Council, gives, before 30 April of the second year following the financial year in question, discharge to the Commission on the implementation of the budget. To this end, the Council and Parliament in turn examine the accounts presented by the Commission and the annual report of the Court of Auditors. The institutions must take appropriate action on the comments appearing in the decisions giving discharge and report on the measures taken <sup>(25)</sup>.

## DIAGRAMS

### GENERAL BUDGET FOR THE FINANCIAL YEAR 2000 AND BUDGETARY IMPLEMENTATION DURING THE FINANCIAL YEAR 2000

- D I — General budget 2000 — Estimated revenue and final appropriations for payments
- D II — General budget 2000 — Appropriations for commitments
- D III — Appropriations for commitments available in 2000 and utilisation thereof, by financial perspective heading
- D IV — inAppropriations for payments available in 2000 and utilisation thereof, by financial perspective heading
- D V — Payments made in 2000, by financial perspective heading
- D VI — Payments made in 2000, in each Member State

### HISTORICAL DATA IN RESPECT OF THE IMPLEMENTATION OF THE GENERAL BUDGET (1996 to 2000)

- D VII — Evolution and utilisation of appropriations for payments for the period 1996 to 2000, by financial perspective heading

<sup>(23)</sup> Articles 45a, 45b and 45c ECSC, 246, 247 and 248 EC, 160a, 160b and 160c Euratom and Articles 83 to 90 of the Financial Regulation.

<sup>(24)</sup> Articles 78g ECSC, 276 EC and 180b Euratom.

<sup>(25)</sup> Article 89 of the Financial Regulation.

## Diagram I

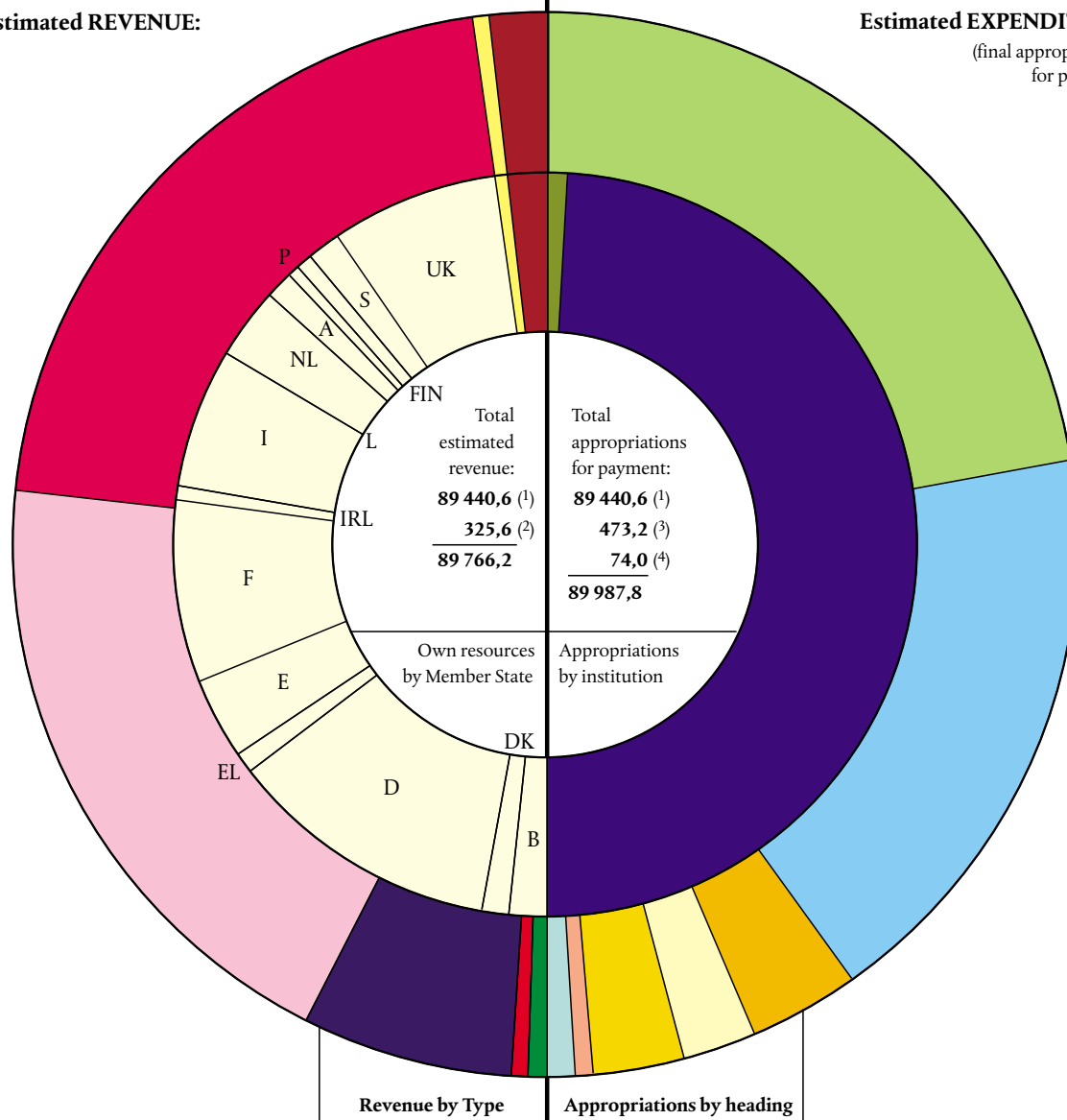
### General budget 2000 — Estimated revenue and final appropriations for payments

(for revenue criteria, see 'Background information on the general budget', point 8.2 and for more detailed information, see Chapter 1, table 1.1 and for expenditure criteria, see 'Background information on the general budget', point 8.3 and for more detailed information, see Diagram IV, column (a))

(Mio EUR and %)

**Estimated REVENUE:****Estimated EXPENDITURE:**

(final appropriations for payment)



Revenue by Type

Appropriations by heading

**Revenue Key**

■ Total own resources (by Member State)	992,0 (1,1 %)
■ Agricultural duties	1 046,4 (1,2 %)
■ Sugar and isoglucose levies	11 665,3 (13 %)
■ Customs duties	34 048,6 (37,9 %)
■ Own resources accruing from VAT	37 805,1 (42,1 %)
■ GNP-based own resources	999,7 (1,1 %)
■ Other revenue	3 209,1 (3,6 %)
■ Surplus available from the previous year	

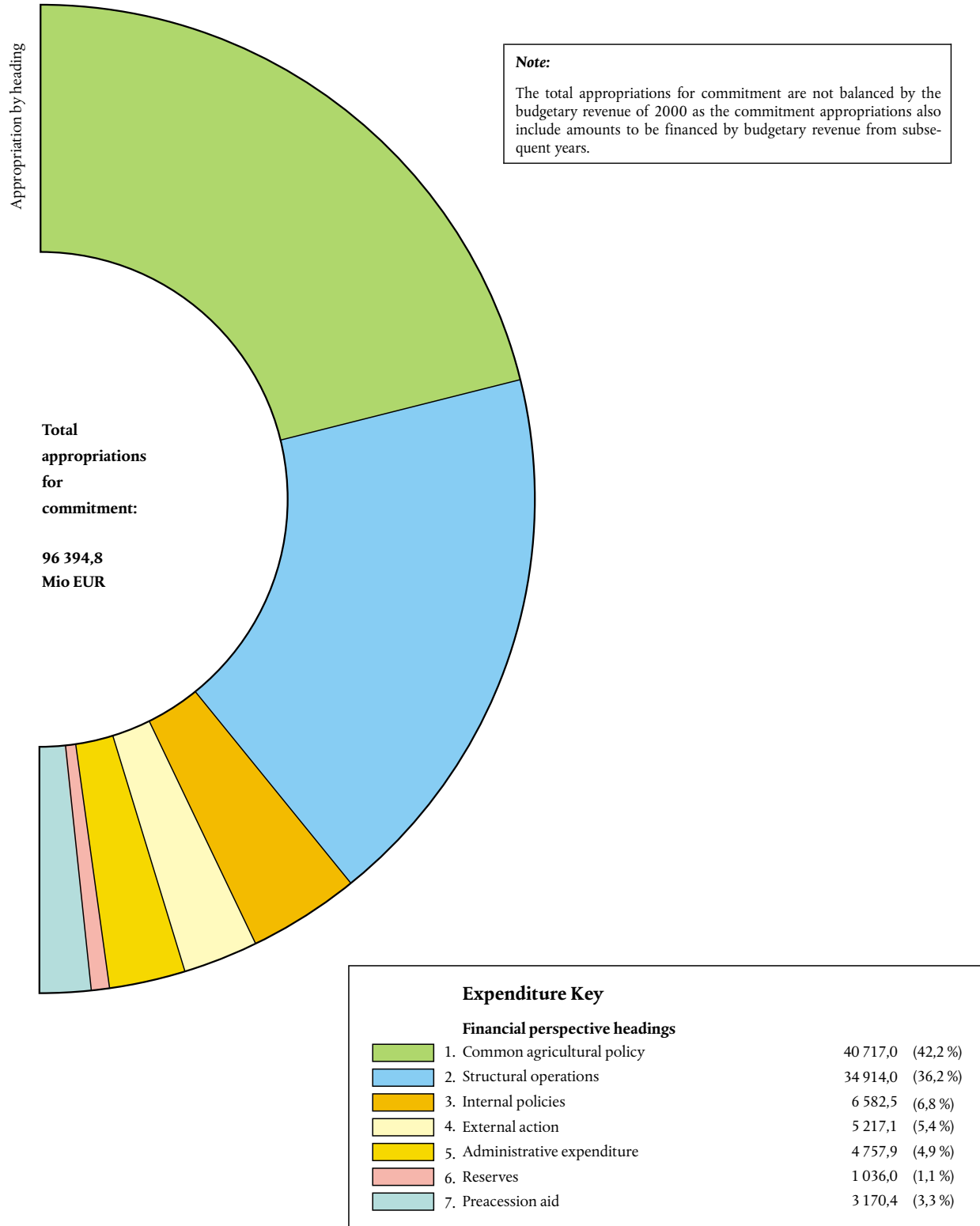
<sup>(1)</sup> After supplementary and amending budget.<sup>(2)</sup> Revenue from participation by outside bodies.**Expenditure Key****Financial perspective headings**

■ 1. Common agricultural policy	40 683,9 (45,2 %)
■ 2. Structural operations	31 831,4 (35,4 %)
■ 3. Internal policies	6 193,1 (6,9 %)
■ 4. External action	3 928,3 (4,4 %)
■ 5. Administrative expenditure	4 735,7 (5,3 %)
■ 6. Reserves	1 036,0 (1,2 %)
■ 7. Preaccession aid	1 579,4 (1,8 %)
■ Appropriations available for other institutions	1 656,0 (1,8 %)
■ Appropriations available to the Commission of which operating appropriations	88 331,8 (98,2 %) 85 252,1 (94,7 %)

<sup>(1)</sup> After supplementary and amending budget.<sup>(3)</sup> Transfer between headings, assigned revenue and appropriations made available again.<sup>(4)</sup> EFTA expenditure.

**Diagram II**  
**General budget 2000 — Appropriations for commitments**  
 (after supplementary and amending budgets: for more detailed information, see Diagram III, column (b))

(Mio EUR and %)



**Diagram III**  
**Appropriations for commitments available in 2000 and utilisation thereof,**  
**by financial perspective heading**

(Mio EUR)

Financial perspective headings and sectors (the sections (S), sub-sections (Ss), titles (T), and chapters (Ch) corresponding to the 2000 budgetary nomenclature are shown in brackets)	Financial perspective	Final appropriations		Utilisation of appropriations				
		Amount <sup>(1)</sup> <sup>(2)</sup>	Rate (%)	Commitments made in 2000	Utilisation rate (%)	Carry-overs to 2001 <sup>(3)</sup>	Cancellations	Rate (%)
		(a)	(b)	(b)/(a)	(c)	(c)/(d)	(d)	(e) = (b) - (c) - (d)
<b>1. Common agricultural policy</b>	<b>41 738</b>	<b>40 717,0</b> <sup>(4)</sup>	<b>97,6</b>	<b>40 466,7</b>	<b>99,4</b>	—	<b>250,3</b> <sup>(4)</sup>	<b>0,6</b>
Markets		36 512,1 <sup>(4)</sup>		36 290,3	99,4	—	221,8 <sup>(4)</sup>	0,6
1.1 Arable crops (Ch. B1-1 0)		16 672,0		16 663,1	99,9	—	8,9	0,1
1.2 Sugar (Ch. B1-1 1)		1 942,0		1 910,2	98,4	—	31,8	1,6
1.3 Oils and fats and protein plants (Ch. B1-1 2 and 1 3)		2 593,0		2 591,5	99,9	—	1,5	0,1
1.4 Fruits and vegetables (Ch. B1-1 5)		1 567,0		1 551,3	99,0	—	15,7	1,0
1.5 Wine (Ch. B1-1 6)		766,0		765,5	99,9	—	0,5	0,1
1.6 Tobacco (Ch. B1-1 7)		994,0		989,4	99,5	—	4,6	0,5
1.7 Milk products (Ch. B1-2 0)		2 550,0		2 544,3	99,8	—	5,7	0,2
1.8 Meat, eggs, poultry (Ch. B1-2 1 to 2 4)		6 752,0		6 710,3	99,4	—	41,7	0,6
1.9 Various markets (Ch. B1-1 4 and B1-1 8)		1 375,0		1 341,5	97,6	—	33,5	2,4
1.10 Other operations (Ch. B1-2 5 to 3 0)		1 301,1 <sup>(4)</sup>		1 223,3	94,0	—	77,8 <sup>(4)</sup>	6,0
1.11 Rural development and support measures (T. B1-4 and 5)		4 204,9 <sup>(4)</sup>		4 176,4	99,3	—	28,5 <sup>(4)</sup>	0,7
<b>2. Structural operations</b>	<b>32 678</b>	<b>34 914,0</b>	<b>106,8</b>	<b>20 089,5</b>	<b>57,5</b>	<b>8 638,8</b>	<b>6 185,6</b>	<b>17,7</b>
Structural funds		32 252,3	<sup>(1)</sup>	17 843,2	55,3	8 225,3	6 183,8	19,2
2.1 Objective 1 (Ch. B2-1 0)		21 667,3		12 703,9	58,6	5 374,8	3 588,6	16,6
2.2 Objective 2 (Ch. B2-1 1)		4 223,0		709,9	16,8	2 648,7	864,4	20,5
2.3 Objective 3 (Ch. B2-1 2)		3 561,7		3 373,4	94,7	187,8	0,6	0,0
2.4 Other structural measures (Ch. B2-1 3)		190,4		171,9	90,3	14,0	4,5	2,4
2.5 Community initiatives (B2-1 4)		2 546,2		851,0	33,4	—	1 695,2	66,6
2.6 Innovative measures and tech. assist. (Ch. B2-1 6)		63,6		33,1	52,0	—	30,5	48,0
2.7 Cohesion fund (T. B2-3)		2 661,7		2 246,4	84,4	413,5	1,8	0,1
2.8 EEA financial mechanism (T. B2-4)		—		—	—	—	—	—
<b>3. Internal policies</b>	<b>6 031</b>	<b>6 582,5</b> <sup>(4)</sup>	<b>109,1</b>	<b>6 008,3</b>	<b>91,3</b>	<b>442,6</b>	<b>131,7</b> <sup>(4)</sup>	<b>2,0</b>
3.1 Research and technological development (Ss. B6)		4 054,7	<sup>(1)</sup>	3 819,5	94,2	211,4	23,8	0,6
3.2 Other structural operations (Ch. B2-5 to 9)		133,6 <sup>(4)</sup>		128,4	96,2	—	5,1 <sup>(4)</sup>	3,8
3.3 Training, youth and social operations (Ss. B3)		967,9		901,7	93,2	42,3	23,9	2,5
3.4 Energy, Euratom and environment (Ss. B4)		219,2		68,3	31,2	139,5	11,3	5,2
3.5 Consumers, internal market, industry and networks (Ss. B5)		1 207,3 <sup>(4)</sup>		1 090,3	90,3	49,4	67,6 <sup>(4)</sup>	5,6
<b>4. External action</b>	<b>4 627</b>	<b>5 217,1</b> <sup>(4)</sup>	<b>112,8</b>	<b>4 986,8</b>	<b>95,6</b>	<b>39,4</b>	<b>190,9</b> <sup>(4)</sup>	<b>3,7</b>
4.1 Food aid (T. B7-2)		950,9	<sup>(1)</sup>	947,7	99,7	0,0	3,1	0,3
4.2 Cooperation (T. B7-3 to B7-5)		3 501,1 <sup>(4)</sup>		3 350,2	95,7	9,0	142,0 <sup>(4)</sup>	4,1
4.3 Other cooperation measures (T. B7-6)		361,7 <sup>(4)</sup>		343,7	95,0	13,8	4,2 <sup>(4)</sup>	1,2
4.4 Initiatives for democracy and human rights (T. B7-7)		96,9		93,8	96,8	—	3,1	3,2
4.5 External aspects of community policies (T. B7-8)		233,6 <sup>(4)</sup>		202,0	86,5	6,7	24,8 <sup>(4)</sup>	10,6
4.6 Pre-accession for the mediterranean countries (Ch. B7-0 4)		15,0		7,7	51,3	7,3	—	—
4.7 Common foreign and security policy (Ss. B8)		57,9		41,6	71,9	2,6	13,7	23,6
<b>5. Administrative expenditure</b>	<b>4 638</b>	<b>4 757,9</b>	<b>102,6</b>	<b>4 685,9</b>	<b>98,5</b>	<b>2,6</b>	<b>69,3</b>	<b>1,5</b>
5.1 Parliament (S. I)		979,9	<sup>(1)</sup>	972,8	99,3	—	7,1	0,7
5.2 Council (S. II)		354,5		349,7	98,7	—	4,8	1,3
5.3 Commission (S. III)		3 075,5		3 028,9	98,5	2,6	44,0	1,4
5.4 Court of justice (S. IV)		131,3		129,4	98,6	—	1,9	1,4
5.5 Court of auditors (S. V)		70,3		66,3	94,3	—	4,0	5,7
5.6 Economic and social committee (S. VI)		107,4		103,5	96,4	—	3,9	3,6
5.7 Committee of the regions (S. VII)		35,2		32,1	91,3	—	3,1	8,7
5.8 European ombudsman (S. VIII)		3,9		3,2	82,5	—	0,7	17,5
<b>6. Reserves</b>	<b>906</b>	<b>1 036,0</b>	<b>114,3</b>	<b>186,3</b>	<b>18,0</b>	—	<b>849,7</b>	<b>82,0</b>
6.1 Monetary reserve (T. B1-6)		810,0	<sup>(1)</sup>	—	—	—	810,0	100,0
6.2 Guarantee Reserve (Ch. B0-2 3 and 2 4)		203,0		186,3	91,8	—	16,7	8,2
6.3 Emergency aid reserve (Ch. B7-9 1)		23,0		—	—	—	23,0	100,0
<b>7. Pre-accession aid</b>	<b>3 174</b>	<b>3 170,4</b>	<b>99,9</b>	<b>3 112,4</b>	<b>98,2</b>	<b>44,7</b>	<b>13,3</b>	<b>0,4</b>
7.1 SAPARD (Ch. B7-0 1)		529,0		528,9	100,0	—	0,1	0,0
7.2 ISPA (Ch. B7-0 2)		1 058,0		1 016,3	96,1	41,2	0,5	0,0
7.3 PHARE (pre-accession) (Ch. B7-0 3)		1 583,4		1 567,2	99,0	3,4	12,7	0,8
<b>8. Reserves and provisions (T. B0-4)</b>		— <sup>(4)</sup>		—	—	—	— <sup>(4)</sup>	—
<b>Grand total appropriations for commitments</b>	<b>93 792</b>	<b>96 394,8</b>	<b>102,8</b> <sup>(1)</sup>	<b>79 535,9</b>	<b>82,5</b>	<b>9 168,2</b>	<b>7 690,7</b>	<b>8,0</b>
<b>Grand total appropriations for payments</b>	<b>91 322</b>	<b>94 808,6</b>	<b>103,8</b> <sup>(1)</sup>	<b>83 331,1</b>	<b>87,9</b>	<b>2 609,3</b>	<b>8 868,2</b>	<b>9,4</b>

<sup>(1)</sup> Budget appropriations amended after taking account of CAs carried over from 1999 or made available again in 2000, appropriations corresponding to receipts for services performed on behalf of outside bodies, non-automatic carry-overs from 1999, transfers between budget headings and EFTA appropriations. As a consequence the ceiling foreseen for some financial perspective headings is exceeded by the available appropriations.

<sup>(2)</sup> Excluding the reuse of revenue for the current financial year and revenue carried over from the previous financial year, amounting to 226,3 Mio EUR.

<sup>(3)</sup> Including appropriations still available relating to services performed on behalf of outside bodies.

<sup>(4)</sup> After distribution of provisional appropriations (Ch. B0-4 0): Ss. B1 (24,9 Mio EUR), B2 (1 Mio EUR), B5 (12 Mio EUR) and B7 (24,2 Mio EUR).

**Diagram IV**  
**Appropriations for payments available in 2000 and utilisation thereof,**  
**by financial perspective heading**

(Mio EUR)

Financial perspective headings and sectors (the sections (S), subsections (Ss), titles (T), and chapters (Ch) corresponding to the 2000 budgetary nomenclature are shown in brackets)	Final appropriations ( <sup>1</sup> ) ( <sup>2</sup> )	Utilisation of appropriations				
		Payments made in 2000	Utilisation rate (%)	Carryovers to 2001	Cancellations	Rate (%)
	(a)	(b)	(b)/(a)	(c)	(d) = (a) - (b) - (c)	(d)/(a)
1. Common agricultural policy	<b>40 822,3</b> ( <sup>3</sup> )	<b>40 505,9</b>	<b>99,2</b>	<b>52,3</b>	<b>264,2</b> ( <sup>3</sup> )	<b>0,6</b>
Markets	36 617,4 ( <sup>3</sup> )	36 329,4	99,2	52,3	235,7 ( <sup>3</sup> )	0,6
1.1 Arable crops (Ch. B1-1 0)	16 672,0	16 663,1	99,9	—	8,9	0,1
1.2 Sugar (Ch. B1-1 1)	1 942,0	1 910,2	98,4	—	31,8	1,6
1.3 Oils and fats and protein plants (Ch. B1-1 2 and 1 3)	2 593,0	2 591,5	99,9	—	1,5	0,1
1.4 Fruits and vegetables (Ch. B1-1 5)	1 567,0	1 551,3	99,0	—	15,7	1,0
1.5 Wine (Ch. B1-1 6)	766,0	765,5	99,9	—	0,5	0,1
1.6 Tobacco (Ch. B1-1 7)	996,9	986,7	99,0	3,0	7,2	0,7
1.7 Milk products (Ch. B1-2 0)	2 550,0	2 544,3	99,8	—	5,7	0,2
1.8 Meat, eggs, poultry (Ch. B1-2 1 to 2 4)	6 752,0	6 710,3	99,4	—	41,7	0,6
1.9 Various markets (Ch. B1-1 4 and B1-1 8)	1 375,0	1 341,5	97,6	—	33,5	2,4
1.10 Other operations (Ch. B1-2 5 to 3 0)	1 403,5 ( <sup>3</sup> )	1 265,1	90,1	49,3	89,1 ( <sup>3</sup> )	6,3
1.11 Rural development and support measures (T. B1-4 and 5)	4 204,9 ( <sup>3</sup> )	4 176,4	99,3	—	28,5 ( <sup>3</sup> )	0,7
2. Structural operations	<b>35 579,8</b>	<b>27 590,8</b>	<b>77,5</b>	<b>1 470,0</b>	<b>6 519,0</b>	<b>18,3</b>
Structural funds	32 621,1	25 905,6	79,4	1 170,0	5 545,5	17,0
2.1 Objective 1 (Ch. B2-1 0)	20 103,4	15 485,2	77,0	1 020,0	3 598,2	17,9
2.2 Objective 2 (Ch. B2-1 1)	4 863,5	3 859,5	79,4	150,0	853,9	17,6
2.3 Objective 3 (Ch. B2-1 2)	3 343,8	3 094,1	92,5	—	249,7	7,5
2.4 Other structural measures (Ch. B2-1 3)	1 056,7	980,6	92,8	—	76,1	7,2
2.5 Community initiatives (B2-1 4)	3 026,3	2 301,4	76,0	—	724,9	24,0
2.6 Innovative measures and tech. assist. (Ch. B2-1 6)	227,4	184,7	81,2	—	42,7	18,8
2.7 Cohesion fund (T. B2-3)	2 958,7	1 685,2	57,0	300,0	973,5	32,9
2.8 EEA financial mechanism (T. B2-4)	—	—	—	—	—	—
3. Internal policies	<b>6 416,1</b> ( <sup>3</sup> )	<b>5 360,8</b>	<b>83,6</b>	<b>378,7</b>	<b>676,6</b> ( <sup>3</sup> )	<b>10,5</b>
3.1 Research and technological development (Ss. B6)	4 085,7	3 404,0	83,3	262,3	419,5	10,3
3.2 Other structural operations (Ch. B2-2 4 to 2 9)	159,7	146,4	91,6	0,9	12,5	7,8
3.3 Training, youth and social operations (Ss. B3)	890,0	769,4	86,5	72,7	47,9	5,4
3.4 Energy, euratom and environment (Ss. B4)	207,1	150,3	72,6	30,1	26,7	12,9
3.5 Consumers, internal market, industry and networks (Ss. B5)	1 073,5 ( <sup>3</sup> )	890,7	83,0	12,8	170,0 ( <sup>3</sup> )	15,8
4. External action	<b>4 201,5</b> ( <sup>3</sup> )	<b>3 841,0</b>	<b>91,4</b>	<b>173,7</b>	<b>186,8</b> ( <sup>3</sup> )	<b>4,4</b>
4.1 Food aid (T. B7-2)	986,7	978,4	99,2	0,0	8,2	0,8
4.2 Cooperation (T. B7-3 to B7-5)	2 522,2 ( <sup>3</sup> )	2 339,2	92,7	104,4	78,7 ( <sup>3</sup> )	3,1
4.3 Other cooperation measures (T. B7-6)	350,2 ( <sup>3</sup> )	278,1	79,4	37,3	34,8 ( <sup>3</sup> )	9,9
4.4 Initiatives for democracy and human rights (T. B7-7)	92,4 ( <sup>3</sup> )	53,2	57,5	20,9	18,4 ( <sup>3</sup> )	19,9
4.5 External aspects of community policies (T. B7-8)	209,6 ( <sup>3</sup> )	169,0	80,6	2,1	38,5 ( <sup>3</sup> )	18,4
4.6 Pre-accession for the mediterranean countries (Ch. B7-0 4)	2,0	—	—	—	2,0	100,0
4.7 Common foreign and security policy (Ss. B8)	38,4	23,2	60,5	9,0	6,2	16,0
5. Administrative expenditure	<b>5 173,5</b>	<b>4 643,0</b>	<b>89,7</b>	<b>391,1</b>	<b>139,5</b>	<b>2,7</b>
5.1 Parliament (S. I)	1 083,3	979,9	90,5	87,1	16,2	1,5
5.2 Council (S. II)	405,0	352,1	86,9	41,7	11,2	2,8
5.3 Commission (S. III)	3 312,9	2 988,3	90,2	232,2	92,4	2,8
5.4 Court of justice (S. IV)	138,3	128,0	92,5	7,4	3,0	2,2
5.5 Court of auditors (S. V)	78,1	66,0	84,6	7,7	4,3	5,5
5.6 Economic and social committee (S. VI)	114,6	97,1	84,7	10,0	7,5	6,6
5.7 Committee of the regions (S. VII)	37,0	28,3	76,4	4,7	4,1	11,0
5.8 European ombudsman (S. VIII)	4,4	3,2	73,2	0,4	0,8	18,0
6. Reserves	<b>1 036,0</b>	<b>186,3</b>	<b>18,0</b>	—	<b>849,7</b>	<b>82,0</b>
6.1 Monetary reserve (T. B1-6)	810,0	—	—	—	810,0	100,0
6.2 Guarantee Reserve (Ch. B0-2 3 and 2 4)	203,0	186,3	91,8	—	16,7	8,2
6.3 Emergency aid reserve (Ch. B7-9 1)	23,0	—	—	—	23,0	100,0
7. Pre-accession aid	<b>1 579,4</b>	<b>1 203,4</b>	<b>76,2</b>	<b>143,5</b>	<b>232,5</b>	<b>14,7</b>
7.1 SAPARD (Ch. B7-0 1)	150,0	—	—	140,1	9,9	6,6
7.2 ISPA (Ch. B7-0 2)	175,0	2,5	1,5	—	172,5	98,5
7.3 PHARE (pre-accession) (Ch. B7-0 3)	1 254,4	1 200,9	95,7	3,4	50,1	4,0
8. Reserves and provisions (T. B0-4)	— ( <sup>3</sup> )	—	—	—	— ( <sup>3</sup> )	—
<b>Grand Total</b>	<b>94 808,6</b>	<b>83 331,1</b>	<b>87,9</b>	<b>2 609,3</b>	<b>8 868,2</b>	<b>9,4</b>

(<sup>1</sup>) Budget appropriations amended after taking account of transfers between budget headings, revenue in respect of services performed on behalf of outside bodies, appropriations made available again following the refunding of payments on account and appropriations carried forward from previous year. The latter explains the difference of 4 820,8 Mio EUR between the final appropriations in this Diagram and the total in Diagram I.

(<sup>2</sup>) Excluding the re-use of revenue for the current financial year and revenue carried over from the previous financial year, amounting to 226,3 Mio EUR.

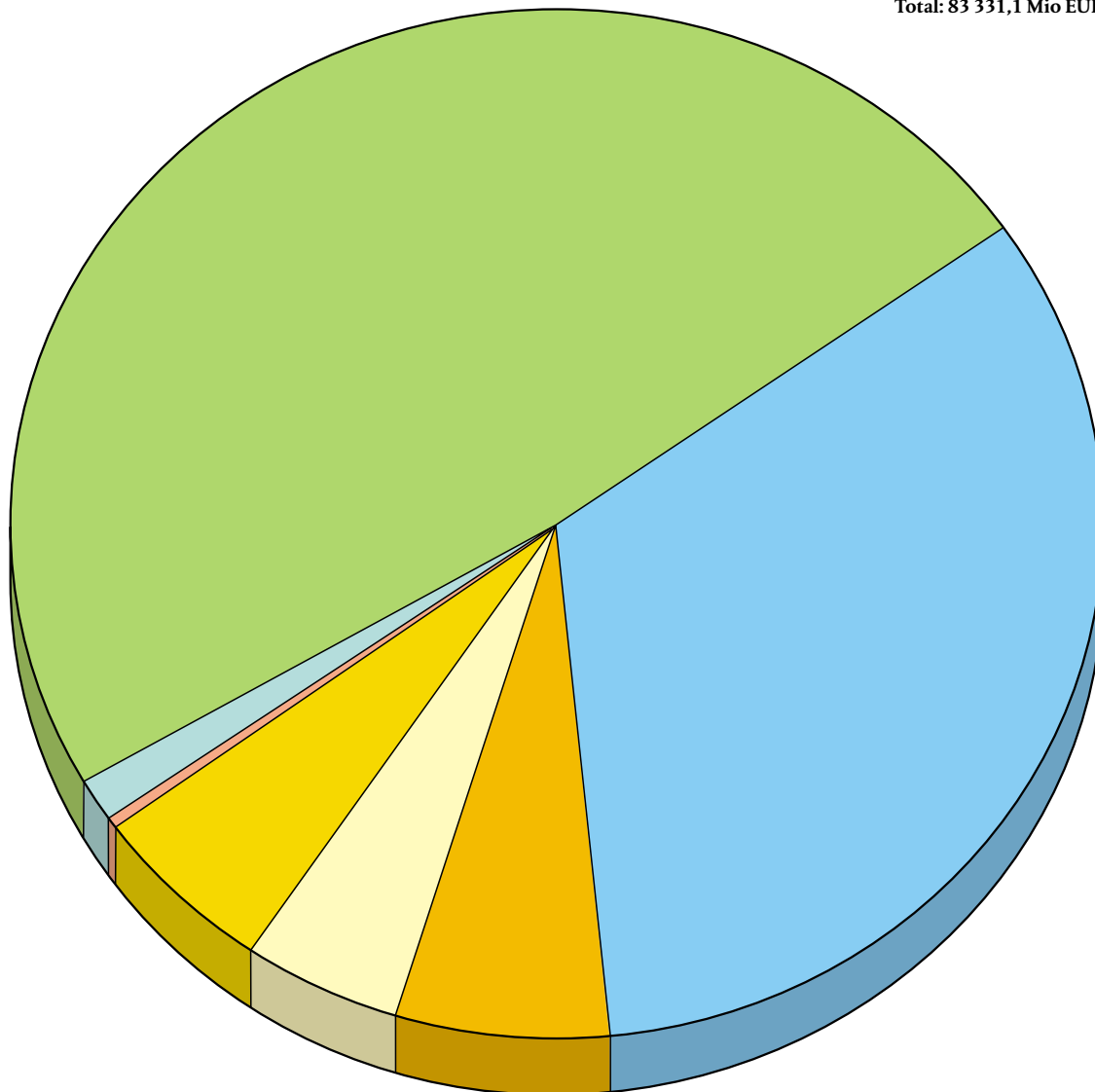
(<sup>3</sup>) After distribution of provisional appropriations (Ch. B0-4 0): Ss. B1 (24,9 Mio EUR), B5 (11 Mio EUR), B7 (32,4 Mio EUR).

**Diagram V**  
**Payments made in 2000, by financial perspective heading**


Note: Payments made in 2000 = payments against 2000 appropriations plus payments against carry-overs from 1999.

(Mio EUR and %)

**Total: 83 331,1 Mio EUR**



**Key**

	1. Common agricultural policy	40 505,9 (48,6 %)
	2. Structural operations	27 590,8 (33,1 %)
	3. Internal policies	5 360,8 (6,4 %)
	4. External action	3 841,0 (4,6 %)
	5. Administrative expenditure	4 643,0 (5,6 %)
	6. Reserves	186,3 (0,2 %)
	7. Preaccession aid	1 203,4 (1,4 %)

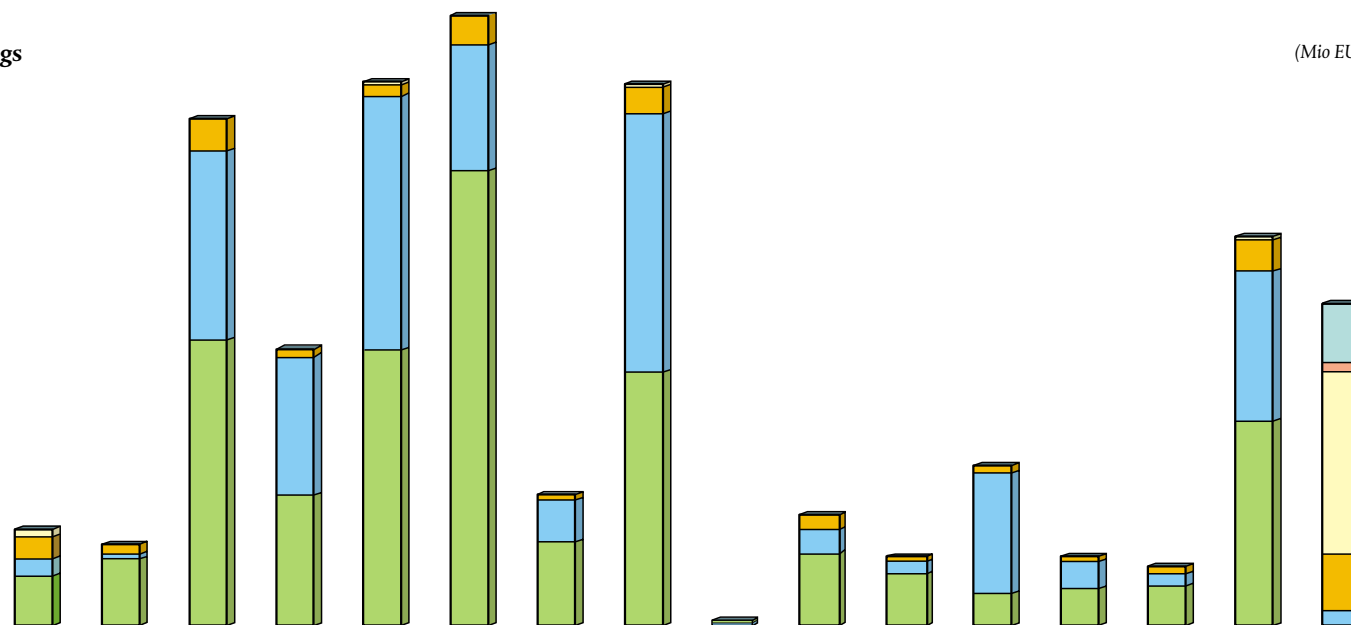


### Diagram VI Payments made in 2000, in each Member State <sup>(1)</sup>

Note: Payments made in 2000 = payments against 2000 operating appropriations plus payments against carry-overs from 1999.

Financial perspective headings

(Mio EUR and %)



	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK	Misc. (2) (3)	Total
– Common agricultural policy	957,3	1 309,1	5 674,9	2 598,2	5 484,8	9 005,8	1 681,3	5 042,7	21,2	1 441,9	1 018,7	652,7	727,8	798,1	4 061,6	29,7	<b>40 505,9</b>
– Structural operations	379,6	125,4	3 747,7	2 745,8	5 027,4	2 496,2	828,1	5 122,7	10,3	477,2	259,6	2 363,8	542,3	230,3	2 955,3	279,2	<b>27 590,8</b>
– Internal policies	434,3	161,0	630,7	134,0	235,8	593,3	88,4	517,0	42,3	267,1	91,9	172,2	92,9	133,9	640,9	1 125,3	<b>5 360,8</b>
– External action	159,4	1,5	13,0	0,9	12,0	7,9	0,8	26,8	1,2	6,8	1,5	0,8	0,7	1,5	27,7	3 578,5	<b>3 841,0</b>
– Reserves	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	186,3	<b>186,3</b>
– Preaccession aid	1,0	—	0,2	—	0,5	0,2	—	0,9	5,1	0,7	0,2	0,0	0,0	0,0	0,3	1 194,3	<b>1 203,4</b>
<b>TOTAL</b>	<b>1 931,5</b> 2,5 %	<b>1 597,0</b> 2,0 %	<b>10 066,5</b> 12,8 %	<b>5 479,0</b> 7,0 %	<b>10 760,5</b> 13,7 %	<b>12 103,3</b> 15,4 %	<b>2 598,6</b> 3,3 %	<b>10 710,2</b> 13,6 %	<b>80,0</b> 0,1 %	<b>2 193,6</b> 2,8 %	<b>1 371,9</b> 1,7 %	<b>3 189,6</b> 4,1 %	<b>1 363,6</b> 1,7 %	<b>1 163,8</b> 1,5 %	<b>7 685,8</b> 9,8 %	<b>6 393,3</b> 8,1 %	<b>78 688,1</b> 100,0 %

<sup>(1)</sup> The geographical breakdown is not by payments made to the Member States, but by expenditure allocation according to the data in the Commission's computerised accounting system Sincom2.

<sup>(2)</sup> Including an amount of 27 Mio EUR paid to the Publications Office and the Commission's services.

<sup>(3)</sup> Including an amount of 186,3 Mio EUR paid by the Commission to the Guarantee Fund.

**Diagram VII**  
**Evolution and utilisation of appropriations for payments for the period 1996 to 2000,**  
**by financial perspective heading**

(Mio EUR)

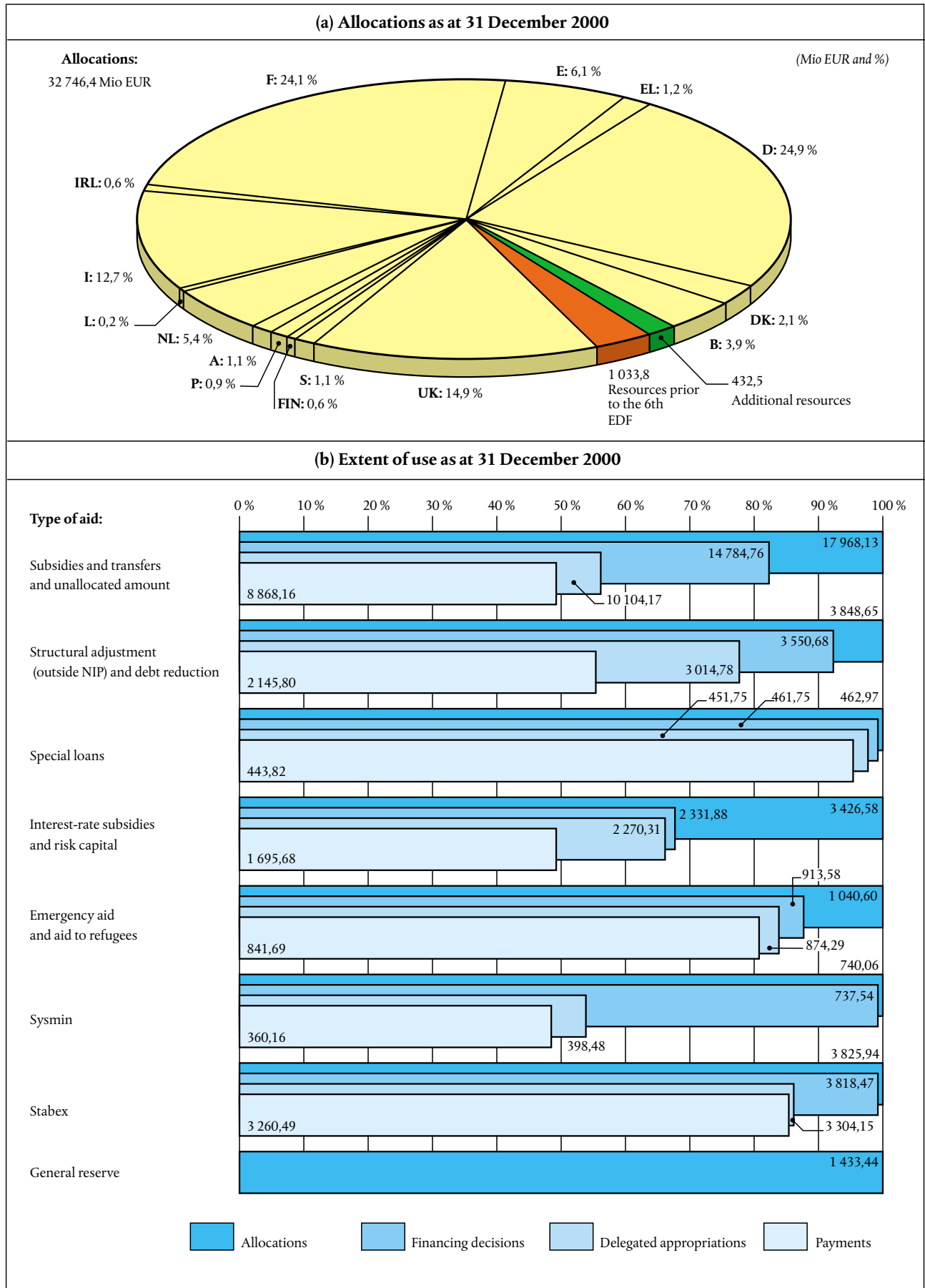
Financial perspective headings/financial year (for the definition of headings, see Diagram IV)	Utilisation of appropriations				Share of payments in the total (payments and cancellations) <sup>(2)</sup>	
	Final appropriations <sup>(1)</sup>	Payments	Carry-over to next year	Cancellations		
	(a)	(b)	(c)	(d) = (a) - (b) - (c)	(e) = (b)/((b) + (d))	
1. Common agricultural policy	1996	40 816,7	39 080,9	426,9	1 308,8	96,8
	1997	41 187,9	40 623,2	82,4	482,3	98,8
	1998	39 941,4	38 810,0	415,5	715,9	98,2
	1999	40 451,7	39 780,3	138,4	533,0	98,7
	2000	40 822,3	40 505,9	52,3	264,2	99,4
2. Structural operations	1996	25 758,6	24 426,8	36,4	1 295,5	(*) 95,0
	1997	26 426,1	26 059,2	—	366,9	98,6
	1998	28 643,4	28 366,0	204,9	72,5	99,7
	1999	30 657,7	26 663,6	3 748,4	245,8	99,1
	2000	35 579,8	27 590,8	1 470,0	6 519,0	(**) 80,9
3. Internal policies	1996	5 335,3	4 544,4	160,2	630,7	(**) 87,8
	1997	5 371,3	4 934,7	182,3	254,2	95,1
	1998	5 246,8	4 878,5	163,5	204,7	96,0
	1999	5 243,0	4 473,1	413,8	356,1	(*) 92,6
	2000	6 416,1	5 360,8	378,7	676,6	(**) 88,8
4. External action	1996	4 642,7	3 804,8	225,8	612,1	(**) 86,1
	1997	4 678,3	3 992,0	49,8	636,5	(**) 86,2
	1998	4 515,6	4 067,7	198,4	249,6	(*) 94,2
	1999	5 091,8	4 585,8	273,6	232,4	95,2
	2000	4 201,5	3 841,0	173,7	186,8	95,4
5. Administrative expenditure	1996	4 540,8	3 962,5	453,6	124,7	96,9
	1997	4 739,9	4 129,2	432,4	178,3	95,9
	1998	4 941,0	4 219,4	580,7	140,9	96,8
	1999	5 090,9	4 506,7	445,0	139,3	97,0
	2000	5 173,5	4 643,0	391,1	139,5	97,1
6. Reserves	1996	997,0	235,4	—	761,6	(**) 23,6
	1997	1 202,0	286,1	—	915,9	(**) 23,8
	1998	1 154,0	272,4	—	881,6	(**) 23,6
	1999	846,0	300,1	—	545,9	(**) 35,5
	2000	1 036,0	186,3	—	849,7	(**) 18,0
7. Compensation / preaccession aid <sup>(3)</sup>	1996	764,0	701,0	—	63,0	(*) 91,8
	1997	212,0	212,0	—	—	100,0
	1998	99,0	99,0	—	—	100,0
	1999	—	—	—	—	—
	2000	1 579,4	1 203,4	143,5	232,5	(**) 83,8
General budget — Total	1996	82 855,1	76 755,7	1 302,9	4 796,5	(*) 94,1
	1997	83 817,5	80 236,4	746,9	2 834,2	96,6
	1998	84 541,2	80 713,0	1 563,0	2 265,2	97,3
	1999	87 381,1	80 309,5	5 019,2	2 052,4	97,5
	2000	94 808,6	83 331,1	2 609,3	8 868,2	(*) 90,4

<sup>(1)</sup> After supplementary receipts and transfers between budget headings.

<sup>(2)</sup> The indicator (e) expresses the evolution of the share of appropriations finally paid during the financial years. The difference in relation to 100 % expresses the share of appropriations finally cancelled. Indicators (e) less than 95 % are marked (\*), those less than 90 % (\*\*), and those less than 80 % (\*\*\*).

<sup>(3)</sup> Over the period 1993-1999, Heading 7 covered the compensations to the new Member States. For 2000-2006 it covers the Pre-accession aid.

### Graph of the consolidated 6th, 7th and 8th EDFs: allocation, distribution and use of the aid





## ANNEX II

**Reports and opinions adopted by the Court of Auditors during the last five years**

The Court of Auditors is required by the terms of the Treaties to produce an annual report. It is also required, by the Treaties and other legislation at present in force, to produce annual reports on certain Community bodies and activities. The Treaties also give the Court the

power to submit observations on specific questions and to deliver opinions at the request of one of the institutions. The reports and opinions adopted by the Court during the last five years are listed below.

Title	Publication
<b><i>Reports and opinions adopted during 2001</i></b>	
<b>Annual Report and Statements of Assurance</b>	
Twenty-fourth Annual Report concerning the financial year 2000: — Report and Statement of Assurance on activities financed from the general budget — Report and Statement of Assurance on the activities of the sixth, seventh and eighth EDFs	Published in this OJ
<b>Special Reports</b>	
<i>Common agricultural policy</i>	
— Special Report No 4/2001 on the audit of the EAGGF — Guarantee — the implementation of the integrated administration and control system (IACS)	OJ C 214, 31.7.2001
— Special Report No 6/2001 on milk quotas	OJ C 305, 30.10.2001
— Special Report No 7/2001 concerning export refunds — Destination and placing on the market	OJ C 314, 8.11.2001
— Special Report No 8/2001 concerning refunds for the production of potato and cereal starch and potato starch aid	OJ C 294, 19.10.2001
— Special Report No 14/2001 concerning the follow-up on the Court's Special Report No 19/98 on BSE	OJ C 324, 20.11.2001
<i>Structural measures</i>	
— Special Report No 1/2001 concerning the URBAN Community initiative	OJ C 124, 25.4.2001
— Special Report No 10/2001 concerning the Financial Control of the Structural Funds, Commission Regulations (EC) No 2064/97 and (EC) No 1681/94	OJ C 314, 8.11.2001
— Special Report No 12/2001 concerning certain structural measures to improve the employment situation: the impact of ERDF aid on employment and ESF measures to combat long-term unemployment	OJ C 334, 28.11.2001
<i>Internal policies</i>	
— Special Report No 9/2001 on the training and mobility of researchers programme	In the process of being published
<i>External action</i>	
— Special Report No 2/2001 concerning the management of emergency humanitarian aid for the victims of the Kosovo crisis (ECHO)	OJ C 168, 12.6.2001
— Special Report No 3/2001 concerning the Commission's management of the International Fisheries Agreements	OJ C 210, 27.7.2001

Title	Publication
— Special Report No 5/2001 on counterpart funds from structural adjustment support earmarked for budget aid (seventh and eighth EDFs)	OJ C 257, 14.9.2001
— Special Report No 11/2001 concerning the Tacis cross-border cooperation programme	OJ C 329, 23.11.2001
— Special Report No 13/2001 on the management of the common foreign and security policy (CFSP)	OJ C 338, 30.11.2001
<b>Special Annual Reports</b>	
— Report on the audit of the operational efficiency of the management of the European Central Bank for the financial year 1999	OJ C 47, 13.2.2001
— Report on the financial statements of the ECSC at 31 December 2000	OJ C 185, 30.6.2001
— Special Annual Report on the financial statements relating to the management by the Secretary-General/High Representative of the Council of contracts concluded by him on behalf of certain Member States and concerning the installation and the functioning of the Help Desk Server of the Management Unit and of the Sirene Network Phase II ('Schengen contracts') for the financial year ended December 2000	Not published in OJ
— Special Annual Report on the financial statements in respect of the management, by the Deputy Secretary-General of the Council, of contracts concluded in his name on behalf of certain Member States, relating to the installation and the functioning of the communication infrastructure for the Schengen environment, known as 'Sisnet', for the financial year ended 31 December 2000	Not published in OJ
— Report on the audit of the operational efficiency of the management of the European Central Bank for the financial year 2000	In the process of being published
— ECSC Report for the financial year 2000	In the process of being published
— Report on the financial statements of the Euratom Supply Agency for the financial year ended 31 December 2000	Not published in OJ
— Report on the financial accounts of the European Agency for Reconstruction and the implementation of aid for Kosovo for the year 2000	In the process of being published
— Report on the financial statements of the Community Plant Variety Office (CPVO, Angers) for the financial year ended 31 December 2000	In the process of being published
— Report on the financial statements of the European Agency for Safety and Health at Work (EASH, Bilbao) for the financial year ended 31 December 2000	In the process of being published
— Report on the financial statements of the European Environment Agency (EEA, Copenhagen) for the financial year ended 31 December 2000	In the process of being published
— Report on the financial statements of the European Foundation for the Improvement of Living and Working Conditions (Dublin Foundation) for the financial year ended 31 December 2000	In the process of being published
— Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA, Lisbon) for the financial year ended 31 December 2000	In the process of being published
— Report on the financial statements of the Translation Centre for the bodies of the European Union (TCBEU, Luxembourg) for the financial year ended 31 December 2000	In the process of being published
— Report on the financial statements of the European Centre for the Development of Vocational Training (Cedefop, Thessaloniki) for the financial year ended 31 December 2000	In the process of being published
— Report on the financial statements of the European Training Foundation (ETF, Turin) for the financial year ended 31 December 2000	In the process of being published
— Report on the financial statements of the European Monitoring Centre on Racism and Xenophobia (Vienna) for the financial year ended 31 December 2000	In the process of being published
— Report on the financial statements of the European Schools for the financial year ended 31 December 2000	In the process of being published
— Report on the 2000 JET accounts	Not published in OJ

Title	Publication
<b>Opinions</b>	
— Opinion No 1/2001 on a proposal for a Council Regulation amending Council Regulation (EC) No 1258/1999 on the financing of the common agricultural policy as well as various other regulations relating to the common agricultural policy	OJ C 55, 21.2.2001
— Opinion No 2/2001 on a proposal for a Council Regulation on the Financial Regulation applicable to the general budget of the European Communities	OJ C 162, 5.6.2001
— Opinion No 3/2001 on a proposal for a Council Regulation introducing special measures to terminate the service of officials of the Commission of the European Communities as part of the reform of the Commission	OJ C 162, 5.6.2001
— Opinion No 4/2001 on a proposal for a Council Regulation amending Regulation (Euratom, ECSC, EEC) No 549/69 determining the categories of officials and other servants of the European Communities to whom the provisions of Article 12, the second paragraph of Article 13 and Article 14 of the Protocol on the Privileges and Immunities of the Communities apply (purpose: taxation of those entitled to the allowance provided for in the event of termination of service)	OJ C 162, 5.6.2001
— Opinion No 5/2001 on a proposal to amend the Financial Regulation of the Office for Harmonisation in the Internal Market (OHIM, Alicante)	Not published in OJ
— Opinion No 6/2001 concerning a draft Commission Regulation amending Commission Regulation (Euratom, ECSC, EC) No 3418/93 of 9 December 1993 laying down detailed rules for the implementation of certain provisions of the Financial Regulation of 21 December 1977	Not published in OJ
— Opinion No 7/2001 on a proposal for a Council Regulation amending Regulation (EEC, Euratom, ECSC) No 259/68 laying down the Staff Regulations of Officials and the Conditions of Employment of Other Servants of the European Communities	Not published in OJ

### **Reports and opinions adopted during 2000**

#### **Annual Report and Statements of Assurance**

Twenty-third Annual Report concerning the financial year 1999:	OJ C 342, 1.12.2000
— Report and Statement of Assurance on the activities financed from the general budget	
— Report and Statement of Assurance on the activities of the sixth, seventh and eighth EDFs	

#### **Special Reports**

##### *Own resources*

— Special Report No 17/2000 on the Commission's control of the reliability and comparability of the Member States' GNP data	OJ C 336, 27.11.2000
— Special Report No 23/2000 concerning valuation of imported goods for customs purposes (customs valuation)	OJ C 84, 14.3.2001

##### *Common agricultural policy*

— Special Report No 1/2000 on classical swine fever	OJ C 85, 23.3.2000
— Special Report No 8/2000 on the Community measures for the disposal of butterfat	OJ C 132, 12.5.2000
— Special Report No 11/2000 on the support scheme for olive oil	OJ C 215, 27.7.2000
— Special Report No 14/2000 on 'Greening the CAP'	OJ C 353, 8.12.2000
— Special Report No 20/2000 concerning the management of the common organisation of the market for sugar	OJ C 50, 15.2.2001
— Special Report No 22/2000 on evaluation of the reformed clearance of accounts procedure	OJ C 69, 2.3.2001

Title	Publication
<i>Structural measures</i>	
— Special Report No 3/2000 on the European Social Fund and the European Agricultural Guidance and Guarantee Fund (Guidance Section) — Measures to assist the employment of young persons	OJ C 100, 7.4.2000
— Special Report No 7/2000 on the International Fund for Ireland and the Special Support Programme for Peace and Reconciliation in Northern Ireland and the Border Counties of Ireland (1995-1999)	OJ C 146, 25.5.2000
— Special Report No 15/2000 on the Cohesion Fund	OJ C 279, 2.10.2000
<i>Internal policies</i>	
— Special Report No 10/2000 on the public contracts awarded by the Joint Research Centre	OJ C 172, 21.6.2000
— Special Report No 9/2000 concerning trans-European networks (TEN) — telecommunications	OJ C 166, 15.6.2000
<i>External action</i>	
— Special Report No 2/2000 on aid given by the European Union to Bosnia and Herzegovina with a view to restoring peace and the rule of law	OJ C 85, 23.3.2000
— Special Report No 4/2000 on rehabilitation actions for ACP countries as an instrument to prepare for normal development aid	OJ C 113, 19.4.2000
— Special Report No 12/2000 on the management by the Commission of the European Union support for the development of human rights and democracy in third countries	OJ C 230, 10.8.2000
— Special Report No 16/2000 on tendering procedures for service contracts under the Phare and Tacis programmes	OJ C 350, 6.12.2000
— Special Report No 18/2000 concerning the programme to supply agricultural products to the Russian Federation	OJ C 25, 25.1.2001
— Special Report No 19/2000 on the management by the Commission of the programme of assistance to Palestinian society	OJ C 32, 31.1.2001
— Special Report No 21/2000 on the management of the Commission's external aid programmes (in particular on country programming, project preparation and the role of Delegations)	OJ C 57, 22.2.2001
<i>Administrative expenditure</i>	
— Special Report No 5/2000 on the Court of Justice's expenditure on buildings (annexe buildings Erasmus, Thomas More and Annexe C)	OJ C 109, 14.4.2000
— Special Report No 13/2000 on the expenditure of the European Parliament's political groups	OJ C 181, 28.6.2000
<i>Financial instruments and banking activities</i>	
— Special Report No 6/2000 concerning the granting by the Community of interest subsidies on loans by the European Investment Bank to small and medium-sized enterprises, through its temporary lending facility	OJ C 152, 31.5.2000

### Special Annual Reports

— Report on the operational efficiency of the management of the European Monetary Institute and the European Central Bank for the financial year 1998	OJ C 133, 12.5.2000
— Report on the financial statements of the ECSC at 31 December 1999	OJ C 281, 4.10.2000
— Report on the financial statements of the Euratom Supply Agency for the financial year 1999	Not published in OJ
— Report on the 1999 JET accounts	Not published in OJ
— Special Annual Report on the financial statements relating to the management by the Secretary-General/High Representative of the Council of contracts concluded by him on behalf of certain Member States and concerning the installation and the functioning of the help desk Server of the Management Unit and of the Sirene network Phase II ('Schengen contracts') for the period 3 May to 31 December 1999	Not published in OJ



Title	Publication
— Report on the financial statements of the European Agency for the Evaluation of Medicinal Products (EAEMP, London) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the office for Harmonisation in the Internal Market (OHIM, Alicante) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Environment Agency (EEA, Copenhagen) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Agency for Safety and Health at Work (EASH, Bilbao) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Training Foundation (ETF, Turin) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the Community Plant Variety Office (CPVO, Angers) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Foundation for the Improvement of Living and Working Conditions (Dublin Foundation) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the Translation Centre for the bodies of the European Union (TCBEU, Luxembourg) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Centre for the Development of Vocational Training (Cedefop, Thessaloniki) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Monitoring Centre on Racism and Xenophobia (Vienna) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Schools for the financial year ended 31 December 1999	Not published in OJ
— Annual Report on the ECSC for the financial year 1999	OJ C 347, 4.12.2000

### Opinions

— Opinion No 1/2000 on a proposal for a Council Regulation amending the Financial Regulation of 21 December 1977 and separating the internal audit function from the <i>ex ante</i> financial control function (fifth paragraph of Article 24 of the Financial Regulation)	OJ C 327, 17.11.2000
— Opinion No 2/2000 on a proposal to amend the Financial Regulation of the Community Plant Variety Office (CPVO, Angers)	Not published in OJ

## **Reports and opinions adopted during 1999**

### Annual Report and Statements of Assurance

Twenty-second Annual Report concerning the financial year 1998: — Report and Statement of Assurance on the activities financed from the general budget — Report and Statement of Assurance on the activities of the sixth, seventh and eighth EDFs	OJ C 349, 3.12.1999
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### Special Reports

#### *Own resources*

— Special Report No 8/99 on securities and guarantees provided for in the Community Customs Code to protect the collection of traditional own resources	OJ C 70, 10.3.2000
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Title	Publication
<i>Common agricultural policy</i>	
— Special Report No 1/99 concerning the aid for the use of skimmed milk and skimmed-milk powder as animal feed	OJ C 147, 27.5.1999
— Special Report No 2/99 on the effects of the CAP reform in the cereals sector	OJ C 192, 8.7.1999
<i>Structural measures</i>	
— Special Report No 6/99 concerning the principle of additionality	OJ C 68, 9.3.2000
— Special Report No 7/99 concerning the development of industrial sites	OJ C 68, 9.3.2000
<i>Internal policies</i>	
— Special Report No 9/99 concerning research activities in the field of agriculture and fisheries — FAIR programme ('Fisheries, Agriculture and Agroindustrial Research')	OJ C 92, 30.3.2000
<i>External action</i>	
— Special Report No 4/99 concerning financial aid to the overseas countries and territories under the sixth and seventh EDFs	OJ C 276, 29.9.1999
— Special Report No 5/99 concerning Phare cross-border cooperation (1994 to 1998)	OJ C 48, 21.2.2000
<i>Financial instruments and banking activities</i>	
— Special Report No 3/99 on the management and control of interest rate subsidies by the Commission	OJ C 217, 29.7.1999

### Special Annual Reports

— Report on the financial statements of the ECSC at 31 December 1998	OJ C 240, 25.8.1999
— Annual Report on the ECSC for the financial year 1998	OJ C 338, 25.11.1999
— Report on the 1998 accounts of the Euratom Supply Agency	Not published in OJ
— Report on the 1998 JET financial statements	Not published in OJ
— Report on the financial statements of the European Foundation for the Improvement of Living and Working Conditions (Dublin Foundation) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999
— Report on the financial statements of the European Centre for the Development of Vocational Training (Cedefop, Thessaloniki) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999
— Report on the accounts of the European Schools for the financial year 1998	Not published in OJ
— Report on the operational efficiency of the management of the European Monetary Institute for the financial year 1997	OJ C 164, 10.6.1999
— Report on the financial statements of the Community Plant Variety Office (CPVO, Angers) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999
— Report on the financial statements of the Office for Harmonisation in the Internal Market (OHIM, Alicante) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999
— Report on the financial statements of the European Agency for Safety and Health at Work (EASH, Bilbao) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999
— Report on the financial statements of the European Environment Agency (EEA, Copenhagen) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999
— Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA, Lisbon) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999

Title	Publication
— Report on the financial statements of the European Agency for the Evaluation of Medicinal Products (EAEMP, London) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999
— Report of the financial statements of the Translation Centre for the bodies of the European Union (TCBEU, Luxembourg) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999
— Report on the financial statements of the European Training Foundation (ETF, Turin) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999
— Report on the financial statements of the European Monitoring Centre on Racism and Xenophobia (Vienna) (period from 1 May to 31 December 1998)	OJ C 372, 22.12.1999

### Opinions

— Opinion No 1/99 on a proposal for an amendment of the Financial Regulation of the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA, Lisbon)	Not published in OJ
— Opinion No 2/99 on the amended proposal for a Council Regulation (EC, Euratom) concerning investigations conducted by the Fraud Office	OJ C 154, 1.6.1999
— Opinion No 3/99 on an amended proposal for a Council Regulation (EC, ECSC, Euratom) amending the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities (proposal presented by the Commission in document COM (1998) 676 final 98/0130 (CNS) of 20 November 1998)	OJ C 154, 1.6.1999
— Opinion No 4/99 on a proposal for an amendment to the Financial Regulation of the European Agency for Safety and Health at Work (EASH, Bilbao)	Not published in OJ
— Opinion No 5/99 on the additional voluntary pension scheme and fund for Members of the European Parliament	Not published in OJ
— Opinion No 6/99 concerning the draft amendment of the Obnova Regulation with a view to the creation of an agency for the reconstruction of Kosovo	Not published in OJ
— Opinion No 7/99 concerning a proposal to amend the Financial Regulation of the Translation Centre for the bodies of the European Union (TCBEU, Luxembourg)	Not published in OJ
— Opinion No 8/99 on a Council proposal for a decision concerning the European Union's system of own resources (doc. COM(1999) 333 final 99/0139 (CNS))	OJ C 310, 28.10.1999
— Opinion No 9/99 on a proposal for a Council Regulation (EC) on budgetary discipline (doc. COM(1999) 364 final 99/0151 (CNS))	OJ C 334, 23.11.1999

## Reports and Opinions adopted during 1998

### Annual Report and Statements of Assurance

Twenty-first Annual Report concerning the financial year 1997:	OJ C 349, 17.11.1998
— Report and Statement of Assurance on the activities financed from the general budget	
— Report and Statement of Assurance on the activities of the sixth and seventh EDFs	

### Special Reports

#### Own resources

— Special Report No 6/98 concerning the assessment of the systems of resources based on VAT and GNP	OJ C 241, 31.7.1998
— Special Report No 9/98 concerning the protection of the financial interests of the European Union in the field of VAT on intra-Community trade	OJ C 356, 20.11.1998
— Special Report No 13/98 concerning the use of risk analysis techniques in customs control and the clearance of goods	OJ C 375, 3.12.1998

Title	Publication
<i>Common Agricultural Policy</i>	
— Special Report No 2/98 on the Commission's Decisions of 23 April 1997 and 30 July 1997 on the clearance of accounts for 1993 of guarantee expenditure for agriculture of the European Agricultural Guidance and Guarantee Fund (EAGGF)	OJ C 121, 20.4.1998
— Special Report No 4/98 on importation at reduced rate of levy into the Community and disposal of New Zealand milk products and Swiss cheese	OJ C 127, 24.4.1998 and OJ C 191, 18.6.1998
— Special Report No 19/98 concerning the Community financing of certain measures taken as a result of the BSE crisis	OJ C 383, 9.12.1998
— Special Report No 20/98 on the audit of physical checks of agricultural products receiving export refunds	OJ C 375, 3.12.1998
— Special Report No 21/98 concerning the accreditation and certification procedure as applied to the 1996 clearance of accounts for EAGGF-Guarantee expenditure	OJ C 389, 14.12.1998
<i>Structural measures</i>	
— Special Report No 3/98 concerning the implementation by the Commission of EU policy and action as regards water pollution	OJ C 191, 18.6.1998
— Special Report No 12/98 on the implementation of the operational programmes relating to the promotion of rural development in the Objective 5b areas	OJ C 356, 20.11.1998
— Special Report No 14/98 on the closure of the forms of ERDF assistance	OJ C 368, 27.11.1998
— Special Report No 15/98 on the assessment of Structural Fund interventions for the 1989-1993 and 1994-1999 periods	OJ C 347, 16.11.1998
— Special Report No 16/98 on the implementation of appropriations for structural operations for the programming period 1994-1999	OJ C 347, 16.11.1998
— Special Report No 18/98 concerning the Community measures to encourage the creation of joint enterprises in the fisheries sector	OJ C 393, 16.12.1998
— Special Report No 22/98 concerning the management by the Commission of the implementation of measures to promote equal opportunities for women and men	OJ C 393, 16.12.1998
<i>Internal policies</i>	
— Special Report No 17/98 on support for renewable energy sources in the shared-cost actions of the JOULE-Thermie programme and the pilot actions of the Altener programme	OJ C 356, 20.11.1998
— Special Report No 23/98 concerning the information and communication measures managed by the Commission	OJ C 393, 16.12.1998
<i>External action</i>	
— Special Report No 1/98 in respect of bilateral financial and technical cooperation with non-member Mediterranean countries	OJ C 98, 31.3.1998
— Special Report No 5/98 on reconstruction in former Yugoslavia (1996-1997)	OJ C 241, 31.7.1998
— Special Report No 7/98 in respect of the European Community development aid programme regarding South Africa (1986-1996)	OJ C 241, 31.7.1998
— Special Report No 11/98 concerning the development of the Phare and Tacis private sector for the 1991-1996 period (programmes in support of SMEs, regional development and the reorganisation of businesses)	OJ C 335, 3.11.1998
— Special Report No 24/98 concerning risk capital operations financed from the resources of the European Development Funds	OJ C 389, 14.12.1998
— Special Report No 25/98 concerning operations undertaken by the European Union in the field of nuclear safety in central and eastern Europe (CEEC) and in the new independent States (NIS) (1990 to 1997 period)	OJ C 35, 9.2.1999

Title	Publication
<i>Administrative expenditure</i>	
— Special Report No 8/98 concerning the Commission departments specifically involved in the fight against fraud, notably the Unit for the Coordination of Fraud Prevention (UCLAF)	OJ C 230, 22.7.1998
— Special Report No 10/98 concerning the expenses and allowances of the Members of the European Parliament	OJ C 243, 3.8.1998

### Special Annual Reports

— Report on the financial statements of the European Coal and Steel Community at 31 December 1997	OJ C 255, 13.8.1998
— Annual Report on the ECSC for the financial year 1997	OJ C 352, 18.11.1998
— Report on the 1997 accounts of the Euratom Supply Agency	Not published in OJ
— Report on the 1997 JET financial statements	Not published in OJ
— Report on the financial statements and management of the European Foundation for the Improvement of Living and Working Conditions (Dublin Foundation) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998
— Report on the financial statements and management of the European Centre for the Development of Vocational Training (Cedefop, Thessaloniki) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998
— Report on the accounts of the European Schools for the financial year 1997	Not published in OJ
— Report on the financial statements of the Community Plant Variety Office (CPVO, Angers) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998
— Report on the financial statements of the Office for Harmonisation in the Internal Market (OHIM, Alicante) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998
— Report on the financial statements of the European Agency for Safety and Health at Work (EASH, Bilbao) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998
— Report on the financial statements of the European Environment Agency (EEA, Copenhagen) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998
— Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA, Lisbon) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998
— Report on the financial statements of the European Agency for the Evaluation of Medicinal Products (EAEMP, London) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998
— Report on the financial statements of the Translation Centre for the bodies of the European Union (TCBEU, Luxembourg) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998
— Report on the financial statements of the European Training Foundation (ETF, Turin) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998

### Opinions

— Opinion No 1/98 concerning a proposal for a Council Regulation (EC, Euratom) implementing Decision 94/728/EC, Euratom on the system of the European Communities' own resources	OJ C 145, 9.5.1998
— Opinion No 2/98 on a proposal for a Council Regulation (Euratom, ECSC, EC) amending Regulation (Euratom, ECSC, EEC) No 549/69 determining the categories of officials and other servants of the European Communities to whom the provisions of Article 12, the second paragraph of Article 13 and Article 14 of the Protocol on the privileges and immunities of the Communities apply	OJ C 191, 18.6.1998
— Opinion No 3/98 on the draft financial regulation applicable to the European Monitoring Centre for Racism and Xenophobia	Not published in OJ
— Opinion No 4/98 on a proposal for a Council Regulation (EC) amending Regulation (EEC, Euratom, ECSC) No 259/68 laying down the Staff Regulations of officials and the conditions of employment of other servants of the European Communities, and the other regulations applicable to them with regard to the establishment of remuneration, pensions and other financial entitlement in euro	Not published in OJ

Title	Publication
— Opinion No 5/98 on a proposal for a Council Regulation (EC) amending Regulation (EEC, Euratom ECSC) No 259/68 laying down the Staff Regulations applicable to officials and the conditions of employment of other servants of the European Communities (subject: weighting)	Not published in OJ
— Opinion No 6/98 on a proposal for a Council Regulation (EC) amending Regulation (EEC, Euratom, ECSC) No 259/68 laying down the Staff Regulations applicable to officials and the conditions of employment of other servants of the European Communities (subject: parliamentary assistants)	Not published in OJ
— Opinion No 7/98 on the effectiveness of the methods of recovery applied by the ESC and on the new system introduced by the ESC for the administration and reimbursement of travel expenses	Not published in OJ
— Opinion No 8/98 on a proposal for a Council Regulation (EC) establishing an agrimonetary system denominated in euro (ref. 98/0214) and a proposal for a Council Regulation (EC) relating to transitional measures concerning the introduction of the use of the euro under the common agricultural policy (ref. 98/0215)	OJ C 368, 27.11.1998
— Opinion No 9/98 on the proposal for a Council Regulation (EC, ECSC, Euratom) amending the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities (proposal submitted by the Commission in document COM(1998) 206 final of 3 April 1998)	OJ C 7, 11.1.1999
— Opinion No 10/98 on certain proposals for regulations within the Agenda 2000 framework	OJ C 401, 22.12.1998
— Opinion No 11/98 on a proposal for an amendment of Regulation No CB-1-95 of 27 February 1966 of the Budget Committee of the Office for Harmonisation in the Internal Market (Alicante) (Financial Regulation)	Not published in OJ

### ***Reports and Opinions adopted during 1997***

#### **Annual Report and Statements of Assurance**

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| — Twentieth Annual Report and Statements of Assurance (general budget and EDF) concerning the financial year 1996 | OJ C 348, 18.11.1997 |
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#### **Special Reports**

##### *Common agricultural policy*

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|---|---------------------|
| — Special Report No 1/97 on the Commission Decisions of 10 April 1996 and 20 November 1996 on the clearance of the accounts for the financial year 1992 and certain expenditure for the financial year 1993 | OJ C 52, 21.2.1997  |
| — Special Report No 4/97 on the audit of certain aspects of German reunification measures involving EAGGF compensation payments and export refunds  | OJ C 144, 13.5.1997 |
| — Special Report No 5/97 on management of the Community cereals trade involving export refunds, special import arrangements and regional aid schemes  | OJ C 159, 26.5.1997 |

##### *External action*

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| — Special Report No 2/97 concerning humanitarian aid from the European Union between 1992 and 1995         | OJ C 143, 12.5.1997 |
| — Special Report No 3/97 concerning the decentralised system for the implementation of the Phare programme | OJ C 175, 9.6.1997  |
| — Special Report No 6/97 concerning Tacis subsidies allocated to the Ukraine                               | OJ C 171, 5.6.1997  |

##### *Administrative expenditure*

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| — Special Report No 7/97 on the audit of the European Association for Cooperation (EAC) | Not published in OJ |
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Title	Publication
<b>Special Annual Reports</b>	
— Report on the financial statements of the European Coal and Steel Community at 31 December 1966	OJ C 242, 8.8.1997
— Annual Report on the ECSC for the financial year 1996	OJ C 380, 15.12.1997
— Report on the 1996 accounts of the Euratom Supply Agency	Not published in OJ
— Report on the 1996 JET financial statements	Not published in OJ
— Report on the financial statements and management for the financial year 1996 of the European Foundation for the Improvement of Living and Working Conditions (Dublin)	OJ C 393, 29.12.1997
— Report on the financial statements and the management for the financial year 1996 of the European Centre for the Development of Vocational Training (Cedefop, Thessaloniki)	OJ C 393, 29.12.1997
— Report on the accounts of the European Schools for the financial year 1996	Not published in OJ
— Report on the operational efficiency of the management of the European Monetary Institute for the financial year 1996	OJ C 42, 9.2.1998
— Report on the financial statements of the Community Plant Variety Office (Angers) for the financial years 1995 and 1996	OJ C 393, 29.12.1997
— Report on the financial statements of the Office for Harmonisation in the Internal Market (Alicante) for the financial year 1996	OJ C 393, 29.12.1997
— Report on the financial statements of the European Agency for Safety and Health at Work (Bilbao) for the financial year 1996	OJ C 393, 29.12.1997
— Report on the financial statements of the European Environment Agency (Copenhagen) for the financial year 1996	OJ C 393, 29.12.1997
— Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction (Lisbon) for the financial year 1996	OJ C 393, 29.12.1997
— Report on the financial statements of the European Agency for the Evaluation of Medicinal Products (London) for the financial year 1996	OJ C 393, 29.12.1997
— Report on the financial statements of the Translation Centre for the bodies of the European Union (Luxembourg) for the financial years 1995 and 1996	OJ C 393, 29.12.1997
— Report on the financial statements of the European Training Foundation (Turin) for the financial year 1996	OJ C 393, 29.12.1997
<b>Opinions</b>	
— Opinion No 1/97 on the conditions governing the implementation of expenditure under the common foreign and security policy (CFSP)	Not published in OJ
— Opinion No 2/97 concerning a proposal for a Council Regulation (Euratom, ECSC, EC) determining the powers and obligations of agents authorised by the Commission pursuant to Article 18(2) and (3) of Regulation (EEC, Euratom) No 1552/89	OJ C 175, 9.6.1997
— Opinion No 3/97 on the draft Financial Regulation applicable to development finance cooperation under the fourth ACP-EC Convention amended by the Agreement of 4 November 1995	OJ C 223, 22.7.1997
— Opinion No 4/97 on a proposal for a Council Regulation (Euratom, ECSC, EC) amending the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities (doc. COM(96) 351 final)	OJ C 57, 23.2.1998
— Opinion No 5/97 on a proposal for a Council Regulation (EC, Euratom) amending Council Regulation (EEC, Euratom) No 1552/89 implementing Council Decision 94/728/EC, Euratom on the system of the European Communities' own resources	OJ C 15, 19.1.1998
— Opinion No 6/97 on the draft financial regulation of the Community Plant Variety Office (Angers)	Not published in OJ
<b>Reports and Opinions adopted during 1996</b>	
<b>Annual Report and Statements of Assurance</b>	
— Nineteenth Annual Report concerning the financial year 1995	OJ C 340, 12.11.1996
— Statements of Assurance (general budget and EDF) concerning the financial year 1995	OJ C 395, 31.12.1996

Title	Publication
<b>Special Reports</b>	
<i>Structural measures</i>	
— Special Report No 3/96 on tourist policy and the promotion of tourism	OJ C 17, 16.1.1997
<i>External action</i>	
— Special Report No 1/96 on the MED programmes	OJ C 240, 19.8.1996
— Special Report No 2/96 concerning the administrator's accounts and administration of Mostar by the European Union (EUAM)	OJ C 287, 30.9.1996
— Special Report No 4/96 on the accounts of the European electoral unit set up by the joint foreign and security policy action concerning the observation of the Palestinian elections	OJ C 57, 24.2.1997
— Reports on operations financed from contributions from non-member States which are members of the European Economic Area for the financial years 1994 and 1995	Not published in OJ
<b>Special Annual Reports</b>	
— Report on the financial statements of the European Coal and Steel Community at 31 December 1995	OJ C 251, 29.8.1996
— Annual Report on the ECSC for the financial year 1995	OJ C 377, 13.12.1996
— Report on the 1995 accounts of the Euratom Supply Agency	Not published in OJ
— Report on the 1995 JET financial statements	Not published in OJ
— Report on the financial statements and management for the financial year 1995 of the European Foundation for the Improvement of Living and Working Conditions (Dublin Foundation)	OJ C 81, 13.3.1997
— Report on the accounts and management for the financial year 1995 of the European Centre for the Development of Vocational Training (Cedefop, Thessaloniki)	OJ C 81, 13.3.1997
— Report on the accounts of the European Schools for the financial year 1995	Not published in OJ
— Report on the operational efficiency of the management of the European Monetary Institute for the financial year 1994	OJ C 394, 31.12.1996
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<b>Opinions</b>	
— Opinion No 1/96 concerning the proposal for a financial regulation applicable to the Translation Centre for the bodies of the European Union	Not published in OJ
— Technical opinion on the financial commitments for the Court of Justice's buildings	Not published in OJ
— Opinion No 2/96 concerning the proposal for a financial regulation applicable to the European Agency for Safety and Health at Work	Not published in OJ
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Title	Publication
— Opinion No 4/96 concerning the management of data-processing resources in the European Parliament	Not published in OJ
— Opinion No 5/96 concerning a draft amendment to the financial regulation of the European Agency for the Evaluation of Medicinal Products	Not published in OJ
— Opinion No 6/96 concerning a draft amendment to the financial regulation of the European Environment Agency	Not published in OJ