

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

REPORT ON THE ACTIVITIES FUNDED BY THE SIXTH, SEVENTH, EIGHT AND
NINTH EUROPEAN DEVELOPMENT FUNDS (EDFs)

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INTRODUCTION

1. The European Development Funds (EDFs) are the result of international conventions or agreements ⁽¹⁾ between the Member States of the European Union and certain African, Caribbean and Pacific (ACP) States, and of Council Decisions on the association of 20 overseas countries and territories (OCT). Since May 2003, the State of East Timor has been a signatory to the Cotonou Agreement, bringing the number of ACP States to 78.

2. The Commission has responsibility for and takes charge of the management of the EDFs, in association with the ACP States, without prejudice to the implementation of certain financial instruments that have so far been entrusted to the European Investment Bank (EIB). The new Financial Regulation of 27 March 2003 ushered in a major change as regards the management of the ninth EDF. The EIB assumed full responsibility for implementing the investment facility and, although the Commission consolidates this area of management in the EDF accounts, account is no longer taken of these operations for the Court's Statement of Assurance or the European Parliament's discharge procedure ⁽²⁾ ⁽³⁾. The Court nonetheless retains overall responsibility for the EDF audit. In the case of the operations under EIB management, it performs this task as provided for in a tripartite agreement between the EIB, the Commission and the Court (Article 112 of the Regulation referred to above).

3. The EDF implementation period remains very long (see **Table 1**).

3. The overall duration of EDFs is long because, in the past, unused amounts could be recommitted under the same EDF. Following the entry into force of the Cotonou Agreement, all decommitted balances will be reused under the 9th EDF, which will speed up the closure of the preceding EDFs. Nonetheless, the implementation period for projects and programmes within the EDFs is comparable to other Community development aid programmes and those of Member States or the major donors.

⁽¹⁾ The Yaoundé I Convention dates back to 1964. The most recent agreement (Cotonou) dates from 23 June 2000.

⁽²⁾ Articles 96, 103 and 112 of the Financial Regulation of 27 March 2003 applicable to the ninth EDF: in its Opinion No 12/2002 on this proposal for a regulation, the Court had drawn attention to the implications of these articles, which reduce the European Parliament's powers of control.

⁽³⁾ Thus, under the ninth EDF, the Commission is responsible for managing 13 200 million euro, while the EIB is responsible for 2 200 million euro.

Table 1 — Duration of the ACP-EU Conventions and Agreements and the EDFs

ACP-EU Convention or Agreement	EDFs	
	Official duration	Actual duration of implementation as at 31 December 2003
Third Lomé Convention (OJ L 86, 31.3.1986)	Sixth EDF	Not closed ⁽¹⁾
5 years beginning 1 March 1985 (Article 291)	5 years beginning 1 March 1985 (Article 194)	17 years beginning 24 March 1986 ⁽²⁾
Fourth Lomé Convention (OJ L 229, 17.8.1991) revised in Mauritius on 4 November 1995 (OJ L 156, 29.5.1998)	Seventh EDF	Not closed ⁽¹⁾
	5 years beginning 1 March 1990 (Financial protocol, Article 1)	12 years beginning 1 September 1991 ⁽²⁾
10 years beginning 1 March 1990 (Article 366(1))	Eighth EDF	Not closed ⁽¹⁾
	5 years beginning 1 March 1995 (Second financial protocol, Article 1)	5 years beginning 1 June 1998 ⁽²⁾
ACP-EU Partnership Agreement signed at Cotonou (OJ L 317, 15.12.2000)	Ninth EDF	Implementation began on 1 April 2003 ⁽²⁾
20 years beginning 1 March 2000 (Article 95)	5 years beginning 1 March 2000 (Financial protocol, Article 1)	

⁽¹⁾ The ACP-EU Conventions instituting the EDFs contain a safeguard Article that states that 'any balance remaining from the Fund that has not been committed or disbursed by the end of the last year of the application (...) shall be utilised until it has been exhausted, in accordance with the same conditions as those laid down in this Convention' (Article 216 of the third Lomé Convention, Article 284(2) of the fourth Lomé Convention, Article 4 of the Second financial protocol to the fourth Lomé Convention (revised)).

⁽²⁾ Date of entry into force of the Convention or Agreement.

4. The ninth EDF entered into force on 1 April 2003, on the same date as the Cotonou Agreement, which was signed in June 2000.

4. *The 9th EDF could not enter into force until it had been ratified by all the Member States and by two-thirds of the ACP States.*

5. The financial allocation for each of the four EDFs being implemented in 2003, with the exception of the instruments now under the EIB's sole management, is mainly assigned to:

- a) programmable aid ⁽⁴⁾ intended for the implementation of development projects (roughly half of the total allocations);
- b) programmable aid ⁽⁴⁾ intended to provide direct budget support for the beneficiary States (almost a quarter of the total allocations);
- c) non-programmable aid intended for specific fields of cooperation such as support for export products (Stabex and Sysmin or FLEX) or financial contributions such as venture capital ⁽⁵⁾ and aid for debt relief (just over a quarter of the total allocations).

⁽⁴⁾ Programmable aid is defined within the framework of national and regional indicative programmes (NIPs and RIPs) concluded with the ACP States.

⁽⁵⁾ As regards the sixth, seventh and eighth EDFs, these operations continue to be implemented by the EIB under the Commission's responsibility.

THE COURT'S OBSERVATIONS

THE COMMISSION'S REPLIES

6. In principle, once programming is complete, the EDFs' resources are mobilised in two stages, as required under a procedure involving the Commission and the ACP beneficiary States. When a request is received from an ACP State, the Commission, as chief authorising officer, takes financing decisions (shown in the accounts as financial commitments ⁽⁶⁾) after receiving the assent of the EDF Committee ⁽⁷⁾, which is composed of representatives of the Member States. Then, within the framework of financing agreements, the Commission and the ACP State lay down the rules for the implementation of these decisions by the national authorising officer ⁽⁸⁾ of the country concerned. The latter concludes contracts (shown in the accounts as individual legal commitments ⁽⁹⁾) and authorises payments, which will be checked and executed by the Commission in accordance with the procedures for implementing the EDFs and with the financial channels that have been thus created.

7. Direct budget support, which accounts for an increasing share of EDF financing — some 800 million euro in commitments for 2003 (24 % of the total) — is not subject to this system of shared management. The Commission remains the sole authorising officer and, as in the case of external aid financed from the Union's general budget, 'financing agreements in the field of (...) budgetary support which constitute legal commitments may give rise to payments without the conclusion of other legal commitments' ⁽¹⁰⁾. Once it has checked that the conditions of the Cotonou Agreement and the financing agreement have been met, the Commission makes an initial transfer of funds, on the basis of its signature alone, to the budgets of the beneficiary countries. Once they have been transferred, these funds become part of the resources of the ACP States and are incorporated into their budgets. From a legal and accounting point of view, they are used and audited in accordance with the laws and procedures obtaining in the beneficiary States. The Commission and the other main international donors assess both the improvements made to the management of public finances in these countries and the results in terms of poverty reduction. Before disbursing further tranches, the Commission checks that the improvements given as conditions of the financing agreement have been executed.

⁽⁶⁾ Previously known as primary commitments.

⁽⁷⁾ For amounts below two million euro, the Committee's assent is not necessary.

⁽⁸⁾ In general, the national authorising officer's powers are vested in the Finance Ministers of the ACP States.

⁽⁹⁾ Previously known as secondary commitments.

⁽¹⁰⁾ Article 91(1), second subparagraph, of the rules for implementing the Financial Regulation applicable to the general budget.

THE COURT'S OBSERVATIONS

THE COMMISSION'S REPLIES

8. A final feature of 2003 was the intensive reorganisation of the Commission services with responsibility for implementing the EDFs. In the context of its reform of external aid ⁽¹⁾, and in order to improve the speed and quality of the management of such aid, the Commission devolved a sizeable proportion of its functions and resources to its Delegations in the ACP States (as at the end of 2003, 16 Delegations were fully devolved and 11 were well on the way towards devolution, while the remaining 17 Delegations were to be devolved before July 2004).

CHAPTER I — IMPLEMENTATION OF THE SIXTH, SEVENTH, EIGHTH AND NINTH EDFS ⁽²⁾

New-style financial management report could be improved still further

9. The financial management report for the financial year 2003 concerning the sixth, seventh, eighth and ninth EDFs, which the Commission forwarded to the Court on 22 June 2004, after the 31 May deadline laid down in Articles 102 and 135 of the Financial Regulation applicable to the ninth EDF, appears in a revised form. It contains a greater variety of information, which is both more comprehensive and more detailed. Of particular note are the comparison between objectives and achievements and the follow-up of the discharge authorities' and Court of Auditors' recommendations. The report conveys the main features of EDF management during the financial year 2003. It shows that, compared with previous years, there was an increase in the volume of financial commitments, legal commitments and payments in all areas of Commission and EIB management (see **Tables 2 and 3**).

⁽¹⁾ Communication of 16 May 2000 (SEC(2000) 814/5).

⁽²⁾ This chapter summarises the results of a limited review by the Court of the financial management report for the financial year 2003.

Table 2 — Cumulative utilisation of EDF resources at 31 December 2003

	Situation at end of 2002		Budgetary implementation during the financial year 2003						Situation at end of 2003					Implement- ation rate % ⁽⁴⁾
	Global amount	Implemen- tation rate % ⁽³⁾	6 th EDF	7 th EDF	8 th FED ⁽⁴⁾	9 th FED ⁽⁵⁾	Global amount ⁽⁵⁾	6 th EDF	7 th EDF	8 th FED ⁽⁴⁾	9 th FED ⁽⁵⁾	Global amount ⁽⁵⁾		
													6 th EDF	
A — RESOURCES ⁽¹⁾	32 840,4		- 357,5	- 585,6	- 1 736,7	15 493,1	12 813,3	7 471,6	10 926,1	11 762,9	15 493,1	45 653,7		
B — UTILISATION														
1. Financial commitments	29 921,2	91,1	- 13,1	- 2,6	255,1	3 522,4	3 761,8	7 471,6	10 926,1	11 762,9	3 522,4	33 683,0	73,8	
2. Individual legal commitments	24 824,2	75,6	30,7	311,7	1 406,6	1 133,7	2 882,7	7 349,6	10 297,1	8 926,5	1 133,7	27 706,9	60,7	
3. Payments ⁽²⁾	21 536,4	65,6	47,0	486,2	1 559,6	281,7	2 374,5	7 282,1	9 718,6	6 628,5	281,7	23 910,9	52,4	
C — Outstanding payments (B1 – B3)	8 384,8	25,5						189,5	1 207,5	5 134,4	3 240,7	9 772,1	21,4	
D — Available balance (A – B1)	2 919,2	8,9						0,0	0,0	0,0	11 970,7	11 970,7	26,2	

⁽¹⁾ Initial allocations to the 6th, 7th, 8th and 9th EDFs, interest, sundry resources and transfers from previous EDFs.

⁽²⁾ Including Stabex transfers (7th EDF: 104 million euro, 8th EDF: 87 million euro, total 191 million euro).

⁽³⁾ As a percentage of resources.

⁽⁴⁾ Including 732,9 million euro in financial commitments, 347,4 million euro in individual legal commitments and 97,7 million euro in payments for advance implementation of the Cotonou Agreement.

⁽⁵⁾ NB: for ease of comparison with previous years, these figures include operations now managed autonomously by the EIB (allocation: 2 245 million euro, financial commitments: 366 million euro, individual legal commitments: 140 million euro, payments: 4 million euro).

Source: Court of Auditors, based on the EDF financial statements at 31 December 2003.

Table 3 — Budgetary implementation in the financial years 2000 to 2003 inclusive

	(million euro)			
	2000	2001	2002	2003
1. Financial commitments	3 757,4	1 554,2	1 768,4	3 761,8
2. Individual legal commitments	2 296,2	2 263,4	2 142,9	2 882,7
3. Payments	1 547,7	2 067,9	1 852,7	2 374,5

Source: Court of Auditors.

10. Nonetheless, in a number of important areas the report could be made still clearer and more precise, and its informative value would be greater if certain facts were placed more clearly in context:

- (a) as regards the high level of financial commitments, it would have been useful to point out that, given that the Cotonou Agreement was signed in June 2000, programming for the ninth EDF was able to commence long before it entered into force in April 2003. It was all but inevitable that this long preparation period would mean a high volume of financial and legal commitments;
- (b) as for the high volume of legal commitments, this was partly obtained by virtue of the rapid disbursement instruments (Heavily Indebted Poor Countries (HIPC) Initiative, direct budget support, etc.) — a point which is not made explicit in the explanatory table on page 3 of the report.

10. *As in the past, the Commission will take account of the comments of the Court when drawing up its forthcoming reports on financial management;*

- (a) *The Commission has taken transitional measures to remedy the delay in ratifying the Cotonou Agreements. It is true, however, that EDFs are implemented cyclically, as the amounts committed are always higher at the start of an EDF. Fully integrating cooperation with the ACP countries into the general EU budget would solve the problem.*

- (b) *The increased recourse to sectoral support and budgetary aid, where the conditions are met, has been part of the agreed EC development policy since 2000 (see paragraph 25 of the Statement by the Council and the Commission on EC Development Policy, December 2000, COM(2000) 0212). Moreover, other sectors showed greater increases over the forecasts (for instance, commitments for social and human development were above target).*

11. As presented, the financial information now makes it impossible to compare the sums channelled into projects, budget support and non-programmable aid ⁽¹³⁾ under the ninth EDF with those under earlier EDFs.

11. *The 9th EDF no longer includes the instrument concept that was present in earlier EDFs or certain presentations. Nevertheless, as regards the 9th EDF, the revenue and expenditure accounts give the information concerned separately. The report on financial management gives details of the budget support.*

⁽¹³⁾ As a result, the Court is no longer able to produce **Table 2** in the same detail as in previous years or to attach comments.

THE COURT'S OBSERVATIONS

12. At a time when preparations for the tenth EDF are getting under way, there have still been no financing decisions in respect of 75 % of the allocations for the ninth EDF, and four separate EDFs are now in force — each one with its own rules. These facts, combined with the transitional problems that the Court has already highlighted (see paragraph 57), should be given consideration during debate on the possibility of including the EDFs in the budget.

13. The fact that the initial objective of committing 2 500 million euro in 2003 was exceeded by 49 % can be attributed to an over-cautious estimate that failed to take sufficient account of a number of factors (see paragraph 10). In addition, there is still too little information in the financial management report on the setting of quantitative objectives.

14. Three States (France, Portugal and Sweden) did not pay their contributions in full at the end of the fourth quarter of 2003 (a shortfall of 96 million euro). Given this resources deficit and the decision to pay 170 million euro into the Global Health Fund, the Commission was compelled to defer payments amounting to some 270 million euro to the end of January 2004. It would have been helpful if more information had been provided on the reason for these deficiencies and the arrangements for regularising them at the beginning of 2004.

THE COMMISSION'S REPLIES

12. *The Commission fully agrees with the Court on this point and has set out the advantages of including EDFs in the budget in its communication (COM(2003) 590 of 8 October 2003) (see also the Commission's reply to paragraph 57).*

The Commission plans to commit all the 9th EDF funds before the end of 2007. If EDFs are not included in the budget, a new EDF will be needed for commitments in 2008. Meanwhile, preparations for the 10th EDF have started so that the necessary negotiations with the ACP States and the Council can take place in good time.

13. *The uncertainty surrounding the ratification of the Cotonou Agreements and the entry into force of the 9th EDF justified a certain amount of caution in forecasting commitments. The objective was already some 20 % higher than actual commitments in 2002.*

The information available for setting objectives, which is extensive and originates in particular from meetings with Heads of Delegations as well as a reporting system, will be reflected in the forthcoming report on financial management.

14. *The estimates of expenditure for the following year have to be made in September. The Cotonou Agreements introduced innovations as regards calls for funds from Member States. The estimate of expenditure for the following year, which is made in September, is approved by the Council ACP Group. Although the machinery for increasing contributions exists, it is often difficult to implement as it alters Member States' estimates of expenditure. The payment by Member States of their contributions to the EDFs, within the time limits, is a legal requirement.*

At the end of 2003, the Commission committed and paid in full a contribution to the Global Health Fund (EUR 170 million) which was not included in the estimates. The led temporarily to a shortfall in EDF cash-flow which was repaired at the end of January 2004 with the payment of the first instalment of the contributions from Member States.

THE COURT'S OBSERVATIONS

THE COMMISSION'S REPLIES

Further remarks concerning the content of the report

15. In its presentation of its objectives and priorities for the financial year 2003, the Commission explained what it had done (establishment of a quality support process and implementation guidelines) to improve the quality of projects and programmes. Of particular note was a detailed presentation of its action to increase budget support (807,6 million euro was committed under this heading in 2003) — with, however, certain conditions (some countries did not benefit from this type of funding, while for others it was delayed because of problems brought to light by the Commission). The Commission made a detailed presentation of the tools that were developed in 2002/2003 to evaluate and monitor the management of public finances in the countries receiving support of this kind (a comprehensive review aimed at drawing up an initial analysis, annual reviews to assess progress, annual reports by the Delegations in the form of monitoring charts, and performance indicators with which to monitor the results of management in the health, education and public finance fields).

16. The Court has taken note of the considerable effort made to reduce the volume of unjustified outstanding commitments (OCs), in particular by reviewing them in the course of seminars organised on a regional basis. The Commission presented the broad lines of its reform aimed at devolving management resources to the Delegations in the ACP States. In this respect, 2003 was a pivotal year in which the two management systems existed side-by-side, without the expected results of devolution being immediately apparent in the budgetary implementation.

17. At a time when the Union's general budget is being structured by activity so as to permit an overview of the administrative costs of each of the Union's operating objectives, the Court notes that the Commission has not devoted part of its financial management report to this theme. It recommends that, in future, this report provide an overview of the EDF management costs that are charged to the Union's general budget, if possible by main activity headings, given that this information should be available insofar as it can be isolated from the very comprehensive information included under Title 2-1 of the general budget.

15. *The Commission confirms that the award of budget support is indeed subject to certain conditions and depends in particular on the commitment of the beneficiary State to improving the management of its public finances. The Commission's principal objective in monitoring public finances is to make best use of the tools developed in 2002 to 2003 (follow-up reports and monitoring charts).*

The Commission actively participates with the World Bank and several Member States in measures to identify, in agreement with the partner countries, indicators in the management of public finances.

16. *The first results of decentralisation, e.g. faster implementation, are already evident in the Delegations where decentralisation has been applied. Owing to the dual management system (decentralised and not decentralised) in 2003, it is true that it is difficult to see whether decentralisation has had a definite impact on the overall implementation of EDFs at this stage.*

Reports on decentralisation were sent regularly to the budgetary authority.

17. *The Commission will study the Court's suggestion. The incorporation of EDFs in the budget will enable such steps to be taken in future.*

THE COURT'S OBSERVATIONS

THE COMMISSION'S REPLIES

Conclusions

18. The Court notes that:

- (a) the new-style financial management report marks an effort to improve the quality of information concerning the year's management. In terms of its readability and precision, however, it could be further improved;
- (b) the volume of EDF commitments in 2003 needs to be placed in context. This entails taking account of the long period devoted to programming pending the entry into force of the ninth EDF, as well as the amount of budget support awarded and the volume of available funds;
- (c) the execution of payments was affected by a shortfall in financial resources (270 million euro);
- (d) in order to round off its report, the Commission should set out and comment on the EDF management costs.

19. The Court stresses that it attaches importance to the quality of public finance management. All initiatives to promote budget support presuppose that the relinquishment of EDF shared management procedures in favour of the ACP States' national procedures will be accompanied by careful monitoring to ensure compliance with all the conditions imposed. Given that the Union is prepared to take on a high, but carefully-evaluated, level of risk in this area, the detailed information on the follow-up of aid measures is very necessary for this reason.

18.

- (a) *The Commission will take account of the remarks of the Court in its forthcoming reports on financial management.*
- (b) *The Commission stresses the importance for ACP countries of the increase of some 75 % in commitments. The Commission's management reflects the priorities that were identified in cooperation with the beneficiary countries and peoples and the Member States and defined in the Cotonou Agreement. The Commission has made every effort to speed up implementation of the 9th EDF.*
- (c) *A one-month period at the end of the year was identified for certain payments following a temporary cashflow problem.*
- (d) *The Commission will study the Court's suggestion with a view to identifying this information within Title 21 of the general budget.*

19. *The Commission agrees with the Court on the paramount importance of public finance management, especially in the context of budget support. It will continue to supply the Court and the EU budgetary authority with detailed information on the follow-up of its aid measures.*

CHAPTER II — STATEMENT OF ASSURANCE BY THE COURT OF AUDITORS CONCERNING THE EDFs

Statement of Assurance by the Court of Auditors concerning the sixth, seventh, eighth and ninth European Development Funds (EDFs) for the financial year 2003

I. The European Court of Auditors (the Court) has examined the accounts of the sixth, seventh, eighth and ninth EDFs and the underlying transactions for the financial year ending 31 December 2003. These accounts comprise the financial statements, the reports on financial implementation, and the financial statements and information supplied by the European Investment Bank (EIB) ⁽¹⁴⁾. 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 in respect of the part of the EDF resources for whose financial management the Commission is responsible ⁽¹⁵⁾. The Court carried out the audit in accordance with its auditing policies and standards. These are based on generally accepted international audit standards that have been adapted to the context of the EDFs. The Court thus obtained a reasonable basis for the opinions expressed below.

II. *Reliability of the accounts*

Except for the effects of the problems concerning:

- a) amounts payable to the EDFs and not included as assets in the balance sheet at 31 December 2003 (27,5 million euro in recovery orders issued); in the absence of effective internal control procedures the Court cannot give assurance that these amounts are complete ⁽¹⁶⁾ (see paragraph 21);
- (b) advances (400 million euro); as the Commission has not indicated the total value of the amounts to be recovered, the Court cannot ascertain what fraction is to be added when establishing the debt (see paragraph 21(b));
- (c) Stabex funds; the Commission can only very partially establish the ACP States' use of the funds (this information was still incomplete at the end of 2003) (see paragraph 23);
- (d) the lack of an entry in the balance sheet for the funds transferred to the EIB and not utilised (209 million euro) (see paragraph 22);

the Court is of the opinion that the reports on financial implementation for the financial year 2003 and the financial statements at 31 December 2003 reliably reflect the revenue and expenditure relating to the sixth, seventh, eighth and ninth EDFs for the financial year and their financial situation at the end of the year.

⁽¹⁴⁾ Pursuant to the provisions of Articles 96(1), 100, 101 and 125(2) of the Financial Regulation applicable to the ninth EDF; in practice, this refers, firstly, to the balance sheets and associated statements prepared by the accounting officer and, secondly, to the management accounts comprising the tables prepared by the principal authorising officer in consultation with the accountant. These financial statements are presented for each of the four EDFs and in a comprehensive, consolidated form. The financial statements and information supplied by the EIB are not covered by this Statement (see footnote 15).

⁽¹⁵⁾ Pursuant to Article 103(3) of the abovementioned Financial Regulation; taken together with Article 1 of the same Regulation, this means that the statement does not extend to the part of the ninth EDF resources that is managed by the EIB and for which it is responsible (for the amounts in question, see Chapter 1, **Table 2**, note 5).

⁽¹⁶⁾ In his declaration, the Director-General for Budgets expressed two reservations in respect of the EDF accounting system: the first concerned the difficulties of modernising the presentation of assets owing to the system's obsolete design, while the second concerned the management of the accounts (see also paragraph 1.8 of Chapter 1, General budget, section).

III. *Legality and regularity of the underlying transactions*

Analysis of the supervisory systems and controls

As in the case of the 2002 financial year, when the Court drew attention to deficiencies regarding audits of EDF projects and the insufficiency of key controls on compliance with contracts and the reality of the works, supplies and services invoiced, the Court was not able to rely fully on the Commission's supervisory systems and controls in 2003 for the following reasons:

- (a) in 2003, the Commission continued with the implementation in its central services of the *internal control standards* adopted in 2001 ⁽¹⁷⁾. However, their effect is limited because their implementation at Delegation level is tied to the devolution process, which will not be complete until the end of 2004, and there is a lack of coordination in the measures implemented (see paragraphs 25 to 31);
- (b) the *action plans* that were introduced at the time of the 2002 annual activity report or adopted in 2003 have been effective as regards the structure of external audits, follow-up of audit conclusions, analysis of the risks linked to external aid and processing of recoveries. By continuing with these action plans and implementing them fully, the Commission should obtain an effective future framework, particularly at the level of the Delegations (see paragraphs 32 to 36);
- (c) in the Delegations and ACP States the supervisory systems and controls covering contracts and payments are generally well-designed. However, their implementation could be further improved (see paragraphs 37 to 43).

Audit of transactions

The audit of transactions was based on the documentation available at the Commission in Brussels and, where appropriate, in the Delegations in ACP States, and was also based on on-the-spot audits carried out in six ACP States in order to verify the reality of works, supplies and services. It should be noted that the Court's audit of the legality and regularity of budget support expenditure stopped at the stage where the aid was paid to the beneficiary countries' budgets (see paragraphs 7, 19 and 46). The audit did not bring any major problems to light.

Conclusions regarding the legality and regularity of the underlying transactions

These conclusions are based on analysis of the supervisory systems and controls, audit of a number of transactions, and analysis of the annual activity report and declaration of the Director-General of the EuropeAid Cooperation Office. On that basis, the Court is of the opinion that the problems encountered are not material and that the revenue entered in the accounts, the EDF allocations, the commitments and the payments of the financial year are, taken as a whole, legal and regular.

6 and 7 Octobre 2004
Juan Manuel FABRA VALLÉS
President

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

⁽¹⁷⁾ SEC(2001) 875 adopted by the Commission on 27 June 2001.

THE COURT'S OBSERVATIONS

THE COMMISSION'S REPLIES

*Information in support of the Statement of Assurance***Reliability of the accounts**

20. The provisional accounts were forwarded late, on 22 June 2004 ⁽¹⁸⁾. On that date they were incomplete ⁽¹⁹⁾. The final accounts must be produced by 15 October 2004 at the latest ⁽²⁰⁾. These accounts, accompanied by a financial management report ⁽²¹⁾, have for the first time to be published in the *Official Journal of the European Union*. The observations in paragraph II of the Statement of Assurance are based on the following findings.

21. The sum of 27,5 million euro for recovery orders issued and not yet collected at the end of 2003 does not represent the total value of receivables.

- a) Claims arising from projects (advances to be recovered, ineligible expenditure, etc.) are not all registered by the Commission's central services or by the Delegations. Often, the latter simply enter as revenue (negative payments) sums which third party debtors have, in fact, repaid. Moreover, as there are no procedures for monitoring claims outside the accounts, the Commission cannot quantify the amount of actual debts to be established against projects at the end of 2003 ⁽²²⁾.
- b) Among the 400 million euro of advances outstanding for more than 18 months that it has registered, the Commission has not indicated the total value of unjustified amounts which are to be recovered or cleared. The Court cannot establish what fraction of the advances is, therefore, to be recovered and included in the debt.

21. (

- (a) *Advances to be recovered are monitored, and this matter is the subject of a chapter in the management report. Careful analysis and monitoring of advances in 2003 enabled EUR 56.2 million to be recovered.*

From 1 January 2005, accruals-based accounting will make it possible to establish provisions for potential recovery orders.

- (b) *The Commission would underline the efforts made in 2003. A considerable amount of work was directed towards identifying recoveries of advances and there is very close monitoring of the action to be taken as regards the recoveries.*

⁽¹⁸⁾ Instead of 30 April 2004, in accordance with Articles 102 and 135 of the abovementioned Financial Regulation. However, a preliminary draft was sent on 28 May 2004.

⁽¹⁹⁾ The Commission did not forward to the Court the changes in the allocations over the financial year, nor the totals for commitments and payments, by country, for the EDF resources managed by the EIB, as referred to in Articles 96 and 125(2) of the Financial Regulation applicable to the ninth EDF. The EIB did not submit these additional items of information until 24 August 2004.

⁽²⁰⁾ In accordance with Articles 103(2) and 135 of the abovementioned Financial Regulation. However, a version of the accounts that was in principle a final version was informally sent to the Court on 14 September 2004.

⁽²¹⁾ In accordance with Article 96(2) of the abovementioned Financial Regulation.

⁽²²⁾ In his declaration, the Director-General for Budgets expressed two reservations in respect of the EDF accounting system: the first concerned the limits placed by the obsolete design of the system on the possibility of an up-to-date presentation of assets, while the second concerned the management of the accounts. (See also paragraph 1.8 of Chapter 1, General budget, section.)

THE COURT'S OBSERVATIONS

22. Funds transferred to the EIB in 2003 (209 million euro) and to other international institutions in previous years, which have not yet been fully utilised by those bodies, do not appear in the assets on the balance sheet.

23. Following the Court's earlier observations the Commission, in 2003, carried out an inventory of the use of the Stabex funds transferred to the local accounts of beneficiary countries. Local disbursements from these accounts are still subject to Delegation approval (see paragraphs 63-68). As at the end of 2003, the information obtained by the Commission from the ACP States concerned was still incomplete. The Court considers that even if the results are incomplete, the Commission should include the results of this inventory in its report on financial management and give the details in the annex to the reports on financial implementation.

Legality and regularity of the underlying transactions

24. The observations expressed in paragraph III of the Statement of Assurance are based on an analysis of the EDF supervisory systems and controls, examination of a sample of underlying transactions, analysis of the annual activity report, and the declaration by the Director-General of EuropeAid. The main conclusions are given below.

*Analysis of supervisory systems and controls***Improvement in supervisory systems and controls at Commission level**

Implementation of internal control standards

25. During 2003, EuropeAid, which is responsible for implementing the EDF, has continued to introduce the various *internal control standards* adopted by the Commission in 2001. The internal control standards are being implemented simultaneously by the Delegations and by headquarters, in parallel with the devolution process, which will not be complete until the end of 2004. At the level of the central services, the Court is able to draw the following conclusions, which are principally based on the results of the analysis of internal control standards carried out by the various Commission departments.

THE COMMISSION'S REPLIES

22. *The Commission considers that these movements reflect payments to external agents acting on behalf of the Commission. As such, the Commission considers them to be genuine payments and not mere internal treasury movements between accounts controlled by the EDF Accounting Officer. The Commission would also point out that details of the amounts outstanding on these transactions at 31 December 2003 are shown in Table 4.2.3 in the Financial Implementation Report.*

From 2005 onwards, following the introduction of accruals-based accounting, such transactions (pre-financing paid to intermediaries) will be shown as an asset in the balance sheet, in accordance with the provisions of Article 135(3) of the 9th EDF Financial Regulation.

23. *The Commission has collected data for 80 % of the countries concerned, covering 97 % of the total amount of Stabex funds in the 7th and 8th EDFs.*

The Commission intends to include the relevant information related to the Stabex local account in an inventory. The local accounts, although the Commission must co-sign in order to use them, are not the Commission's property. This detailed inventory is therefore to be included in the 'Report on Financial Management'. Following the recommendation of the Court, a note on this issue is included in the balance sheet for the financial year 2003.

THE COURT'S OBSERVATIONS

26. Each directorate-general was to introduce *appropriate supervisory measures*, and in particular, where necessary, an ex-post review of a sample of transactions. An ex-post financial management control unit was set up in 2003 at EuropeAid level. Its principal tasks are to detect recurrent errors in the financial management and internal control systems and to propose measures to correct the weaknesses found. Accordingly, some 1 800 risk transactions underwent a thorough ex-post review. The review concerned recovery orders, outstanding amounts to be recovered, uncleared advances, guarantees and sureties. The significant conclusions reached by the ex-post review unit included observations on the checks on outstanding advances and recoveries. More than 400 million euro of advances outstanding for more than 18 months was registered in connection with EDF projects. Furthermore, the various departments responsible have been requested to deal with 27,5 million euro that are still to be recovered.

27. The supervisory measures are supplemented by an ex-ante control unit, set up as an interim precautionary measure. The unit is not in itself required by the internal control standards. It began work in June 2003 in the authorising directorate of the EDF and has examined 540 out of a total of 5 261 transactions (both commitments and payments). No significant errors have been detected under the ex-ante procedure.

28. In addition to these two units, there are other activities related to the supervision of transactions, such as the production of checklists for commitments and payments, inter-unit meetings and audit visits to Delegations. Generally speaking, supervision is more extensive than it was, but it has still not been harmonised. To make it more efficient, coordination is needed, in order to determine which type of check covers which aspect of the legality and regularity of the underlying transactions.

29. In accordance with the internal control standards, EuropeAid has also developed an *internal audit capability*. As a result and as regards the EDF, in 2003 the workloads of the Delegations (one audit visit to Mali) and of headquarters were evaluated in the context of devolution, as also, for the authorising directorate, the progress made in implementing the internal control standards. In addition, some essential work was done, thus making it possible to identify the main risks and weaknesses of EuropeAid's supervisory systems and controls. In its Annual Report for 2002 the Court emphasised some of those risks and weaknesses, in particular those relating to checks on the reality of services, work and supplies paid for by the EDF.

THE COMMISSION'S REPLIES

26. *Advance payments are a normal and regular means of ensuring the effective implementation of many aid projects and are monitored.*

28. *EuropeAid continues to work towards strengthening and rationalising the measures already put in place. To that end, harmonisation (financial guide, centralised ex-post checks, checklists, etc.) was carried out in 2004.*

29. *The Commission is aware that the management of EDF credits involves some risks. Setting up improved control and monitoring systems as well as regular audits helps to minimise those risks.*

In the context of the annual declaration by the Director-General, none of the weaknesses identified was regarded as material.

As the Commission stated in its reply to point 30 of the Court's annual report for 2002, it considers that the set of control systems set up for the EDFs ensures the legality and regularity of the underlying operations. This system allows any weaknesses at local authority level to be remedied.

THE COURT'S OBSERVATIONS

30. As regards *ad hoc information concerning management*, the external aid management reports (EAMRs) devised at the end of 2002 ⁽²³⁾ were introduced in 2003. They are a periodic information resource which enables the devolved Delegations to send to headquarters the most important information on implementation, payments and external audits relating to the largest projects. A standardised format has been sent out and is used by these Delegations. However, as at March 2004 the Commission had still not received the full complement of EAMRs, although these had been due by 31 January 2004. As well as providing the central services with occasional information on management, the EAMRs are one of the basic elements for the preparation of the Director-General's annual report and declaration.

31. As regards the *reporting of irregularities*, which is one of the internal control standards, information concerning three cases of alleged fraud linked to the EDF (Sierra Leone, Papua New Guinea and the Dominican Republic) was sent to OLAF in 2003. The Delegations, which are closer to the beneficiaries, are more exposed than the central services to cases of irregularity (and better informed about them). The Commission must therefore continue to improve staff awareness about these matters.

Implementation of action plans

32. In addition to the implementation of the internal control standards, the Court also examined the *action plans* for strengthening the supervisory systems and controls. The action plans were introduced following the 2002 annual activity report by the Director-General of EuropeAid or were decided upon in view of the requirements observed in 2003.

33. As regards *external audits*, headquarters units provide *ad hoc* support for the Delegations and operational directorates. They have drafted standard terms of reference so as to harmonise the audits carried out by outside firms in respect of the vast majority of the projects financed. The 2003 audit programme for headquarters thus made provision for around 30 audits concerning the EDFs (these were entrusted to external auditors), a relatively large figure when compared with previous years. A new IT tool (CRIS Audit) was introduced at the end of 2003, but was still only partially operational; it enables the Commission to monitor the planning and implementation of external audits. However, as the tool is not linked to the financial information system, the coverage of the audits cannot be evaluated. Ultimately, CRIS Audit will be extended to the audit activities of all the Delegations.

THE COMMISSION'S REPLIES

30. *External Assistance Management Reports are one of the information tools used in the management of external aid that devolved delegations send to the EuropeAid Directors responsible (authorising officers by subdelegation) and to the Directorates-General for External Relations and for Development. They constitute one of the information sources used by the Directors to draw up their activity reports for the Director-General. The EAMRs are not, however, used to prepare the annual report and declaration of the Director-General. The instructions given to the delegations state very clearly that producing an EAMR does not relieve a head of delegation from the responsibility for informing the Director concerned in good time of any problems or specific matters for which the Director is responsible as the authorising officer for the appropriations managed by the Delegation.*

31. *In accordance with the internal control standards, delegations are informed of the procedure to be followed when detecting irregularities or suspected fraud, including the contacts to be made with OLAF. All new members of staff, and those about to be seconded to a delegation, attend compulsory courses to make them aware of the fight against irregularities. This course is also open to all other officials.*

33. *Apart from the headquarters audit plan, altogether the plans of the delegations for 2003 covered 192 audits at 1 July 2004.*

Furthermore, the CRIS audit system was set up in 2004 for the EDFs. There is, however, already a system for reporting audits which includes the information on the audit (terms of reference, order form, mission, draft report, etc.) and the main findings of the auditors.

⁽²³⁾ Note AIDCO/HCS D(2002) 37709.

THE COURT'S OBSERVATIONS

34. In spite of all these resources it is still difficult to establish the level of additional assurance which external audits provide as regards the legality and regularity of the transactions underlying the EDF. The fact is that the *follow-up of audit findings* is still not very effective owing to the wide range of uses to which the findings are put by the various parties involved. Following the progress made in standardising the terms of reference, an effort is now required to ensure that audit findings are more adequately followed up.

35. Measure 2, which appears in the synthesis of the annual activity reports and declarations of the Directors-General for 2001, provided for an *analysis of the risks associated with external aid*. A working document describing these risks was drafted by the Commission in 2003 ⁽²⁴⁾. The analysis and measures it recommends take account of the various ways in which external aid is implemented, i.e. on a centralised, devolved or joint basis. This valid approach to risk analysis and management must now be applied to each aid instrument and type of project in order to help strengthen the supervisory systems and controls.

36. The unit responsible for the ex-post control of financial management implemented a *specific action plan* in 2003 to reduce the *outstanding recoveries* of 27,5 million euro accumulated in respect of projects and owed to the EDF by third parties. This measure enabled responsibility for initiating recoveries in this area to be divided between the authorising officer and the accounting officer of the EDF. It highlights the lack of coordination between the authorising officer and the accounting officer of the EDF, as well as the Commission's difficulties in applying the provisions governing debts and recoveries. Furthermore, no operational procedure was adopted for clearing the new recovery orders which will arise in respect of projects for the financial year 2003 and subsequent years.

THE COMMISSION'S REPLIES

34. *The level of programming and follow-up of audits corresponds to that of the management of the project that is to be audited, which gives a better yield in terms of exploitation of results.*

The Commission agrees that progress is needed in following up the conclusions of audits which is why it introduced a follow-up reporting system in 2004.

35. *The Commission will take account of the Court's comments.*

36. *In 2003, following the adoption of the specific plan, the services of the authorising officer and the EDF accountant set up a system for following up recovery orders which enabled considerable progress to be made despite the particular difficulties affecting recovery under the EDF, due in particular to the legal requirements and to the functioning of the OLAS computer system. With better coordination and cooperation between the two services, progress was also made with creating new operating procedures for OLAS to facilitate the follow-up and settlement of recovery orders.*

The setting-up in 2004 of an ex-post transaction control system within EuropeAid will allow the problems of recovery orders to be dealt with in a broader, integrated context of controls that supplement the regular recovery activities carried out by authorising officers by subdelegation.

The devolution process, which brings management closer to the work in the field, should also make the management of recovery orders more efficient.

⁽²⁴⁾ Document SEC(2004) 318.

THE COURT'S OBSERVATIONS

THE COMMISSION'S REPLIES

Supervisory systems and controls in the ACP States generally well-designed

37. The supervisory systems and controls of the EDF are based on a partnership between the ACP States and the European Commission. In the case of contracts and payments the main partners are the national authorising officer (the Minister for Finance or the Minister for Foreign Affairs) and the Head of Delegation, who rely on the checks carried out by other parties, including the technical ministries of the ACP States, programme management units, inspection visits funded by projects, and technical assistants and outside experts such as private-sector engineering consultants and auditors.

38. The Court carried out audits on the spot in six ACP States (Kenya, Mali, Mauritania, Senegal, Papua New Guinea and the Solomon Islands) so as to examine the EDF's supervisory systems and controls. As regards Stabex, the Court also examined on the spot a sample of final payments from the local account which received the funds to the beneficiaries of the Stabex programmes.

39. The supervisory systems and controls for contracts and payments in the ACP States visited were mostly well-designed. Very few examples of applicable legislation not being observed were noted.

40. As regards the performance of the supervisory systems and controls for payments, the national authorising officers responsible under the Cotonou Agreement for authorising and clearing EDF expenditure did not always verify that key controls in respect of invoices had been correctly carried out by themselves or by other parties. Consequently, some key controls were not carried out, e.g. to ensure that the work, supplies or services provided complied with the relevant contracts and that the financial clauses of the contracts were observed (as regards price adjustments, the adequacy of guarantees, the application of correct exchange rates, the payment of part of a contract in euro rather than in local currency, etc.). The Heads of Delegation, who are responsible for approving payment authorisations, are therefore urged to rectify the shortcomings of the national authorising officers. In some cases, however, they did not check the reliability of these key controls, *inter alia* as regards the beneficiaries' utilisation of Stabex funds.

40. *In most ACP countries, the EDF finances the implementation of support programmes for national authorising officers in order significantly to increase their monitoring control capacity.*

As part of the devolution process, the delegations have been strengthened to allow them to shoulder their full responsibilities.

THE COURT'S OBSERVATIONS

41. One positive step is that the devolved Delegations now use checklists when authorising their payments. Checks are occasionally listed as carried out and without anomaly where this is not the case (e.g. a contractor who does not have a valid bank guarantee).

42. The follow-up to the conclusions and recommendations of external audits of projects is varied and limited due to chronic delays in audit reports and the administrative purpose often attributed to them by the Delegations: all too often, audit reports simply serve as supporting documents for the closure of a project or for further payments into an imprest account, but do not lead to the necessary adjustments being made.

43. As regards Stabex, the Commission has put itself in a situation where it is not possible for it to check the total use of the funds as it has tolerated the national authorising officers' failure to account for their use, contrary to the requirement of Article 212 of the revised Lomé Convention. Similarly, audit visits by the Court confirmed that local bank accounts into which Stabex funds were paid had been used without the authorisation of the Head of Delegation (Kenya and Mauritania) or that the Head of Delegation had authorised movements of funds even though he was not on the (out of date) list of authorised signatories used by the bank (Senegal).

Conclusion regarding supervisory systems and controls

44. The supervisory systems and controls for the EDF cover a wide range of mechanisms and objectives. Renovation of these systems and controls began during the financial year 2003. It will be necessary to wait until they have been consolidated, in order to assess their actual contribution to the legality and regularity of the underlying transactions. At the current stage, nevertheless, more coordination is required so as to ensure that controls are not duplicated and that significant risk areas are covered, particularly those that take the form of anomalies noted by the Court. This will involve applying the controls and conclusions of the Commission's various inspectors fully at Delegation level. Flows of Stabex funds must also be subject to the appropriate level of internal control.

THE COMMISSION'S REPLIES

41. *The use of checklists was set up and formalised in 2002. The Commission is working on controlling the quality of use of the checklists, whilst inspection visits and training for officials have been organised.*

42. *The Commission would point out that:*

- (1) *A large number of financial audits relating to programme estimates are in fact carried out at the end of an action as they are a prerequisite for the final payment.*
- (2) *The financial audits of grant contracts are ordered by the beneficiary of the contract in accordance with the detailed rules set out in the contracts (see also reply to point 34).*

43. *Article 212 provides for a report by the national authorising officer on the use of funds by beneficiary countries. The flow of data received by the Commission was not uniform. For that reason, and on the basis of the Court's recommendations, a comprehensive inventory was launched in 2003 in order to carry out a complete survey of these funds.*

44. *Following these inventories, the Commission is drafting more specific and more detailed guidelines for the utilisation of the Stabex funds in order to ensure better monitoring of the use by beneficiary countries of the funds still available.*

THE COURT'S OBSERVATIONS

THE COMMISSION'S REPLIES

Audit of transactions

45. A sample of **49** payments was examined on the basis of the documentation available at the Commission in Brussels and, where appropriate, at the Delegations in the ACP States. In addition, **37** other payments, including the corresponding global and individual commitments, were examined on the spot in the six ACP States selected so as to establish how the supervisory systems and controls performed, especially as regards the reality of the work, supplies or services covered by the documentation.

46. As far as direct budget support is concerned (see paragraph 19), the legal framework of the EDFs offers considerable scope for interpretation and exemptions. Furthermore, the checks in respect of the legality and regularity of the underlying transactions merely verify that the relevant conditions have been appropriately assessed. The initial assessments that are performed when the financial commitments are adopted are not sufficiently formalised in terms of each of the criteria listed in Article 61(2) of the Cotonou Agreement. Formalisation of this kind is essential, especially as regards the transparency, reliability and effectiveness of the management of public finances, otherwise it will subsequently not be possible to judge whether that management has improved, a prerequisite for further aid. The criteria for releasing further funds largely consist of macroeconomic indicators, which provide only part of the information about the management of public finances.

46. *As regards the adoption of financial commitments, the Commission proposals for financing submitted to the Member States systematically include an assessment of the macroeconomic situation and public finances which, based on the most recent data, analyses the themes and the issue concerned by the criteria in Article 61, paragraph 2. It is designed in principle to provide the information listed in paragraph 3.4 of the Guide for budget support issued in March 2002.*

It is also useful to restate the major principles governing the release of tranches of budget support:

- *for fixed tranches, a macroeconomic balance must prevail, verified by the existence of a programme with the Bretton Woods Institutions;*
- *for performance or variable tranches, the indicators are different: indicators linked to results (reflecting the implementation of poverty reduction strategies), general budget performance indicators (implementation rates, payment periods, etc.); process indicators linked to sectoral reforms or the management of public finances.*

The Commission shares the Court's view of the importance of in-depth, rigorous monitoring of public finances in the countries benefiting from budget support. The public finance analysis framework, comprising 28 indicators and developed with other donors under the Public Expenditure and Financial Accountability project, was tested in a number of ACP countries in 2004 with a view to becoming operational in 2005. Lastly, since 2003, the headquarters of EuropeAid has developed a template for monitoring the management of public finances which allows the Delegations to present quarterly reports on this subject.

THE COURT'S OBSERVATIONS

THE COMMISSION'S REPLIES

Financial commitments

47. According to Article 17(2) of Annex IV to the Cotonou Agreement, the financing agreement between the Commission and the ACP State or States must be drawn up within 60 days of the decision by the Community's decision-making body. As far as the Court is concerned, the only evidence that a financing agreement has been drawn up is that it has been signed by both parties. Out of a sample of more than a hundred new commitments in 2003, i.e. nearly all of the financial commitments charged to the financial year, 82 % were covered by a financing agreement signed within 60 days of the decision. Of the remaining 18 %, 3 % ⁽²⁵⁾ were signed more than 120 days after the initial decision. This situation is an improvement over previous years. Nevertheless, the Commission must indicate how it intends to ensure that future agreements are drawn up within the 60-day time limit.

Individual legal commitments

48. The few isolated and unimportant errors regarding individual legal commitments were as follows:

- (a) guarantees in support of contracts are characterised by repeated irregularities: some are not provided and others are incomplete or are provided after the deadline has expired;
- (b) there are still cases where significant further changes to contracts have resulted in the actual final amount exceeding the statutory limits on changes;
- (c) some Delegations follow the practice of signing contracts without dating them or without requiring the contractors and the national authorising officer to date the contracts that they approve. This anomaly makes it difficult for the Delegations to ensure that the regulations are applied when the latter depend directly on the date on which the contracts have been signed (e.g. to verify that the national authorising officer did not approve the contract until the contractor had provided a performance guarantee).

47. *Drawing up a financing agreement in 60 days does not mean that the agreement has been signed. However, the Commission acknowledges that by virtue of this rule diligence is required in implementing a financing decision. This in fact occurs in a large majority of cases, as the percentages quoted by the Court indicate.*

Some 99 % of financing agreements are signed by the Commission within 60 days. The rare exceptions are cases (involving in particular direct budget support) where it emerges after the decision is taken that the conditions for concluding the agreement are no longer fulfilled, so that to maintain sound financial management it is necessary to wait until they have been re-established before continuing with signing.

48.

- (a) *The Commission has taken steps to improve the monitoring of bank guarantees; a specific module relating to bank guarantees in OLAS has been developed and instructions sent to the delegations.*

The Commission would point out that the Court has not identified any negative financial impact due to that finding.

- (c) *The Commission notes that the signature of a delegation endorses a contract. The date of the endorsement therefore does not have the same contractual value as that of the signature of the contractors.*

⁽²⁵⁾ These agreements account for a little less than 1 % of the total sum approved.

THE COURT'S OBSERVATIONS

THE COMMISSION'S REPLIES

Payments

49. The few isolated and unimportant errors regarding individual legal commitments concerned:

- (a) payments not in line with contractual stipulations (in terms of price, methods of payment, and the type and quantity of articles);
- (b) reimbursement of expenditure which was ineligible because there was no provision for it in the contract;
- (c) reimbursement of expenditure for which the supporting documents explicitly required by the contract were not provided by the applicant;
- (d) payments for work, articles or services the reality of which was not confirmed by reasonable prior assurance.

50. Other, more frequent, errors were noted regarding the implementation of procedures; however, their potential impact on the actual substance of the payments is difficult to assess (e.g. the scope for interest on arrears where suppliers' payments are late).

51. The production of reports after contractually stipulated deadlines is a frequent procedural irregularity. Where these reports concern the implementation of the projects, the delay is often indicative of a weakness in the financial management of the projects. In the case of audit contracts, the late production of audit reports significantly reduces the possibility of the authorising officer's taking effective corrective action and follow-up. In general, further payments should be conditional upon these reports.

50. The Commission considers that considerable progress has been made in the last few years in reducing payment delays. It believes that the efforts should be continued and the Court's recommendations adopted.

51. As regards the submission of contract reports, it is for the contractors to supply them. The Commission makes every effort to receive them in time. The question of audit reports has already been dealt with in paragraph 42.

THE COURT'S OBSERVATIONS

THE COMMISSION'S REPLIES

52. Some further anomalies affecting the handling of certain payments or revenue complete the list of areas of EDF internal control to be strengthened as a matter of priority:

- (a) payments from local Stabex bank accounts, which do not appear in the Commission's accounts, must nevertheless be jointly authorised by the local Delegation and the national authorising officer. However, some of these payments were not signed by the Delegation;
- (b) the bank interest generated by some projects' cash accounts is not entered in the accounts, even though it is supposed to be allocated to the resources of the corresponding projects. This anomaly could be remedied by means of appropriate bank reconciliation checks.

52.

- (b) *In the case of a programme estimate, it is for the project accountant to enter bank interest in the accounts. External audits allow the Commission to check that accounts are being kept properly in this respect.*

Annual activity report and declaration by the Director-General of EuropeAid

53. The annual activity report and the declaration cover activities financed from the general budget as well as those of the EDF, even though each of these areas is subject to a different financial regulation. The report cites the EDF on some points but says nothing about others, which makes it difficult to decide how far the point or reservation concerned may or may not affect the EDF (e.g. the 250 million euro in contracts affected by the reservation about NGO associations). To make future reports easier to read, the Court would like to see the information and observations about the EDF presented more clearly in the annual report and in the declaration itself.

53. *The reserve does not affect the EDF inasmuch as all the actions covered by the food aid instrument are financed from resources coming from the Community budget.*

The annual activity report covers all the activities managed by the authorising officer by delegation and is not intended to provide a breakdown of those data by source of programme financing. The data and the assessment of the control system, as well as the declaration, concern the functioning of the system overall without distinguishing between the budget and the EDF. The report focuses rather on the concept of Activity (ABB) which goes beyond the strict Budget/EDF demarcation. Thus the Activity 'Relations with the ACP States and the OCT' covers operations financed by funds from the Budget and the EDF. It should also be noted that a breakdown of data by ABB Activity is provided in a specific section of the Report.

The Commission will take account of the wishes of the Court, within the limits of the aims and the format of Annual Activity Reports.

THE COURT'S OBSERVATIONS

54. The debts still to be established and the correct use of the Stabex funds correspond to an amount which is, in all likelihood, material as regards the quality of the financial information. The Director-General should therefore have made a reservation to this effect (see paragraph 21).

55. Owing to the incomplete nature of the results of the Stabex inventory (see paragraph 23), the Director-General did not at that time have all the information he needed to conclude in his declaration on the use of resources for the specified purposes in accordance with the principle of sound financial management, and on the legality and regularity of the underlying transactions.

Changes in the performance of the supervisory systems and controls

56. All the above observations are to be included in a table of indicators, so that changes in the performance of supervisory systems and controls can be evaluated (see **Table 4**).

THE COMMISSION'S REPLIES

54. *Once transferred to the beneficiary countries, Stabex funds belong to them and have officially left EDF accounts. The subsequent use made of the funds by the beneficiary country therefore has no formal impact on EDF accounts.*

55. *Stabex was an instrument for the rapid disbursement of funds and was designed to offset reductions in the export revenues from key agricultural products in the ACP countries. It disappeared with the entry into force of the Cotonou Agreements in April 2003. Thus the last transfers to be carried out concern funds which it had been decided in preceding years to transfer to the beneficiary countries that satisfied the eligibility criteria. No Stabex transfers took place in 2003. The annual declaration by the Director-General concerns 2003.*

The EDF accounts did not contain any information on the use made of Stabex funds by beneficiary States as, once the funds are transferred to the beneficiaries under the 'Transfer Agreements', they belong to those countries and have officially left the EDF accounts.

Beneficiary States are required (see reply to paragraph 43) to report to the Commission on the use of these funds; it is then possible for the Commission, after informing the EC-ACP Council of Ministers, to defer the application of decisions on further transfers if the information supplied by the beneficiary State is not deemed satisfactory. On the basis of the information received from the beneficiaries in the past, the Commission has never actually done this. However, as there is no harmonised reporting system to ensure the uniformity of information received by the delegations, the Commission launched an inventory of the funds in 2003 in order to monitor the funds outside the accountings and consolidate all the information available.

Table 4 — EDF DAS 2003: Possible indicators resulting from audit work

KEY OBSERVATIONS — CHANGES IN THE SITUATION			
	2001	2002	2003
	Observations	Commission's reply	Observations
1.1	Management of Stabex treasury	Insufficient control	Trading has sharply declined, but accounts do not clearly show gains and losses from trading and the year-end market value of securities
1.2	Implementation of aid under structural adjustment programmes	Future correspondence with the bank regarding the purchase and sale of securities will not be deleted	The accounts should clearly show the gains and losses from trading and the year-end market value of securities
1.3	Venture capital transactions managed by the EIB	The legal framework does not permit strict checks on legality and regulatory compliance. Legality is not always strictly enforced	Derogations from conditions are provided for in the legal framework of the EDFs
1.4	Price revision mechanisms	Believes it acted correctly though will verify correct application of Lomé Convention in consultation with the EIB	Interest rates higher than provided for in Lomé Convention
1.5	True level of primary commitments	The Commission will remind all Delegations of this point in order to prevent a recurrence of these problems	Price revisions continue to be paid without a clear contractual basis
1.6	Clearance of advances and miscellaneous sums to be recovered	The Commission will continue its efforts to improve monitoring procedures	Not accurately reflected in accounts and commitments
1.7	Reports on the use of Stabex funds and checks on final payments	N/A	Advances and sums to be recovered do not appear in the accounts in a reliable way
2.	SUPERVISORY SYSTEMS AND CONTROLS		
	2001		
	Observations	Commission's reply	Observations
2.1	Terms of reference do not clearly define the nature of indigible expenditure	Frequency (a)	Frequency (a)
2.2	The audit report does not clearly quantify the expenditure audited or the amounts of eligible and indigible expenditure.	frequent	occasional
2.3	Insufficient action to recover indigible expenditure identified by external auditors	frequent	occasional
	2002		
	Observations	Commission's reply	Observations
2.4	True level of implementation of a selection of internal control standards relating to underlying transactions	Rating of supervisory systems and controls (b)	Rating of supervisory systems and controls (b)
	2003		
	Observations	Commission's reply	Observations
2.5	Overall assessment of calls for tender	not available	B/A
2.6	Overall assessment of payments	not available	(¹)
2.7	Overall assessment of audits	not available	B/A
2.8	Overall assessment of recoveries	not available	B
2.9	Overall assessment of accounts	not available	C
2.10	Overall assessment for all countries visited	not available	B/A
	Key to indicators		
	(a) Frequency (occurrence)		
	rare		
	occasional		
	frequent		
	(b) Rating of supervisory systems and controls		
	A. Works well, a few minor improvements required		
	B. Works, but improvements necessary		
	C. Does not work as intended		
	⁽¹⁾ Uganda, Malawi, Ghana, Zimbabwe, Madagascar and Zambia.		
	⁽²⁾ Kenya, Papua-New Guinea, Solomon Islands, Senegal, Mali and Mauritania.		
	Source: Court of Auditors.		

THE COURT'S OBSERVATIONS

THE COMMISSION'S REPLIES

CHAPTER III — FOLLOW-UP TO PREVIOUS OBSERVATIONS

*Including the EDF in the general budget***Summary of previous observations**

57. On several occasions, the Court has made observations concerning the complications and difficulties of implementing successive EDFs and has considered, as a possible solution, that they be included in the budget ⁽²⁶⁾. The Commission undertook to submit a communication in 2003 on the advantages and drawbacks of including the EDF in the budget ⁽²⁶⁾. For the Commission, including it in the budget, which the European Parliament has also been recommending for a long time, would provide a solution to the recurrent transitional problems that are associated with the setting-up of new EDFs; it would also permit uninterrupted implementation of the agreements reached with ACP States.

Development of the situation

58. On 8 October 2003, the Commission adopted a communication to the Council and the Parliament entitled 'Towards the full integration of cooperation with ACP States in the EU budget', in which it develops its reasoning in favour of integration. All the parties concerned (and the ACP States in particular) are giving careful consideration to this question. The European Parliament has already spoken in favour of the rapid 'budgetisation' of the EDFs (see paragraph 42 of the 2002 discharge report).

*Participation in auditing the EDF by the ACP States' Supreme Audit Institutions***Summary of previous observations**

59. In the context of earlier examinations of EDF management ⁽²⁷⁾, the Court, the Parliament and the Council stressed how important the establishment and support of strong, effective and independent Supreme Audit Institutions (SAIs) could be in improving the quality of public finance management in the ACP States, especially the audit of operations financed by the EDF.

57. *The Commission does indeed consider that including EDFs in the budget would be a solution to the problems of transition between EDFs but points out that this is not the sole argument in its favour (standard procedures, budgetary transparency, dropping of the negotiation and ratification process, and all the time that takes). See the Commission reply to point 12.*

58. *The Commission has suggested that EDFs be included in the budget on several occasions. In view of the enlargement of the EU and the decisions to be taken on the financial perspective 2007-2013, it would be particularly desirable to incorporate EDFs in the budget from 2007/2008.*

59-60. *Direct support for the Supreme Audit Institutions (SAIs) takes the form of projects not covered by the budget support financing agreements and also of one-off technical assistance operations financed from budget resources for institutional support (budget lines managed in accordance with EDF procedures) which, in each budget support financing agreement, supplement the funds allocated. The Commission has updated the information contained in Annex 6 and included the one-off operations referred to above. Direct support operations, irrespective of financing source, are ongoing in nine countries and being studied in seven others.*

⁽²⁶⁾ Most recently in the Annual Report on the activities of the sixth, seventh and eighth EDFs concerning the financial year 2002 (paragraph 10 and the corresponding reply).

⁽²⁷⁾ In particular in the course of the examination of the Court's Annual Reports on the activities of the sixth, seventh and eighth EDFs concerning the financial years 1999 (paragraphs 46-47), 2001 (paragraphs 46-47) and 2002 (paragraphs 39-43).

THE COURT'S OBSERVATIONS

THE COMMISSION'S REPLIES

- *where direct support for an SAI is not provided by the Commission, it is often supplied by another donor following consultations in which the Commission is involved.*
- *support for SAIs can also take an indirect form through the incorporation in the financing agreements on the budget support of conditions and/or process indicators to strengthen the status and resources of such institutions,*
- *the Commission also intends, wherever possible, to involve SAIs in the public finance assessments.*

The Commission intends to present a proposal to systematise and better structure its support for SAIs. It would be delivered under the action plans stemming from the public finance reform programmes running in each ACP country and operated jointly with all the partners involved in the budget support, especially the Member States.

Development of the situation

60. While indicating that it shared this view and was working towards the same end, the Commission made it known that, since for it this was a new and politically sensitive field, it was adopting a gradualist approach ⁽²⁸⁾. In response to the Parliament's request for information on EDF financing for the SAIs ⁽²⁹⁾, the Commission set out, in Annex 5 to its financial management report for the financial year 2003, a list of 14 projects that included support for public audit bodies in particular. The Court has taken note of the clear value of these projects, which are essentially concerned with strengthening ministries of finance, and on occasion strengthening their internal control structure. However, only one or two aim chiefly at strengthening the SAIs.

⁽²⁸⁾ Paragraph 41 of the Commission's reply to the above-mentioned report concerning the financial year 2002.

⁽²⁹⁾ Paragraph 23 of the discharge report for the financial year 2002.

THE COURT'S OBSERVATIONS

THE COMMISSION'S REPLIES

*Monitoring of Stabex funds***Summary of previous observations**

61. The Court of Auditors has published observations regarding Stabex funds on several occasions ⁽³⁰⁾. In all these observations it emphasised that there was no appropriate monitoring of accounts to make it possible to determine when and how these funds had finally been used.

62. The EuropeAid Cooperation Office recently reiterated that the ACP States could only use Stabex funds after specific conditions had been met and with the Commission's agreement, and that it would take steps to monitor and report on the situation ⁽³¹⁾.

Development of the situation

63. In 2003, the Commission made an inventory of all the Stabex funds that had hitherto been transferred to the ACP States and that remained partially unused in bank accounts at the end of 2002. By means of this information, which was still incomplete when the final accounts for 2003 were presented, the Commission was able for the first time in years to provide an estimate of the amount that had not yet been utilised by the beneficiary countries — around 700 million euro.

64. Although they have been transferred to the beneficiary countries and have formally left the EDF accounts, the Commission continues to share responsibility for these funds and retains control over their proper use through the requirement that its agents sign final payments. When preparing the Statement of Assurance, the Court examined this specific aspect of Commission management. Stabex funds are normally assigned to productive investment projects in the field affected by the decline in export earnings that underlies the transfer decision ⁽³²⁾, yet they are sometimes used by common agreement to support operations with no obvious link to the field in question (for example, 50 million euro in targeted budget aid for Kenya, assigned to meet, amongst other things, teachers' salary payments, was funded from compensation for the fall in revenue from the country's coffee exports).

61. *As soon as Stabex funds are first transferred to the recipient countries, they become the property of those countries and are no longer included in the EDF accounts, although the Delegations continue to monitor their use closely. In 2003 the Commission produced an inventory of the funds in order to monitor them by a non-accounting procedure.*

Stabex has not existed since the 9th EDF and, as the FLEX instrument provided for in the Cotonou Agreement is fully compatible with the standardised EDF system, the problems identified by the Court will not occur again in the future (see Commission reply to point 68).

62. *On the basis of the analysis of the inventories on the use of Stabex funds at 31 December 2003 sent by the Delegations, more detailed and precise standard procedures and formats will be introduced before the end of the 2004 accounting year and will be fully operational by 2005.*

63. *On the basis of the information supplied (at 1 July 2004) by 80 % of the countries concerned which covers 97 % of total Stabex funds in the seventh and eighth EDFs, there was some EUR 700 million still to be committed by the beneficiary countries at 31 December 2003.*

64. *In general, the bulk of Stabex resources were allocated to the target rural populations. In the case of Kenya and the last transfer of EUR 50 million earmarked for targeted budget aid, the measures are specifically aimed at the geographic areas affected by the fall in revenue that is the reason for the Stabex funds in question.*

⁽³⁰⁾ In particular, in Special Report No 2/95 (OJ C 167, 3.7.1995) and, most recently, in the Annual Reports on the activities of the sixth, seventh and eighth EDFs concerning the financial years 2001 (paragraph 19) and 2002 (paragraphs 49-51).

⁽³¹⁾ Report by the Director-General of the EuropeAid Cooperation Office for 2003.

⁽³²⁾ Article 186(2) of the fourth Lomé Convention.

THE COURT'S OBSERVATIONS

65. Broadly speaking, there is very little rigour in the management of Stabex funds and the monitoring of the funds via the accounts, which goes a long way towards explaining why the Commission had such difficulty in regaining control of the accounting information on the funds. For example, the interest revenue generated by the funds is sometimes irregularly accounted for and utilised (cf. in particular in Papua-New Guinea and the Solomon Islands, where interest revenue was not included in the accounts and was used for expenditure that was wholly unexplained).

66. Since the outset, in fact, the Commission has paid too little attention to the need for a minimum framework for monitoring the proper use of Stabex funds. The Commission's Delegations have had no reference framework and no guidelines for monitoring the funds. The only obligation placed upon the partners, which was that they report on the use of Stabex funds — a requirement not always heeded in practice — rapidly proved to be inadequate in this respect.

67. It is crucial, now that the Commission is starting to regain control over these operations, which in some cases got under way more than a decade ago, that it adopt a general strategy with its partners to clear unused funds once and for all. Having agreed on an appropriate legal framework, it could envisage using funds in such a way as to supplement the budget support that it grants to beneficiary States in other ways.

68. The Commission will need in any case to ensure that similar operations provided for under the Cotonou agreements (FLEX) are correctly managed and monitored in such a way that it can prove within a reasonable period of time that the funds in question have been put to appropriate use.

THE COMMISSION'S REPLIES

65. *Following the inventories completed in 2003, the Commission is drafting new, more precise and detailed guidelines for the utilisation of Stabex funds in order to improve monitoring and the use of unused funds.*

As regards the Court's comment on Papua-New Guinea and the Solomon Islands, the Commission has initiated an audit.

66. *The comment of the Court of Auditors should be viewed in the context of the original purpose of Stabex and its totally decentralised management of funds as soon as they have been transferred to the countries. The initial aim of Stabex was to set up a rapid payment mechanism and a flexible system for directly compensating small producers for income lost in the preceding farm year. Although the reference framework was not always very exact in the case of Stabex funds owing to its very specific nature, it was always clear that the rules and procedures of the seventh and eighth EDFs also applied to Stabex. A number of Delegations and national Authorising Officers managed to use the instrument successfully.*

67. *The Commission will make every effort to ensure that all the funds are committed in respect of the beneficiary countries by the end of 2005; budget support will constitute a valuable means of achieving this wherever conditions allow.*

68. *The FLEX arrangements provide either for budget aid or, failing that, for additional resources for the programmable part (envelope A) of the 9th EDF. In both cases expenditure is included in the standardised accounting system of the 9th EDF and follows the relevant rules. The problems experienced with Stabex should not arise with FLEX.*

THE COURT'S OBSERVATIONS

THE COMMISSION'S REPLIES

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

Special Report No 15/2003 concerning the audit of microproject programmes financed by the EDF

69. Some 2 % of EDF aid takes the form of multiannual microproject programmes which finance small-scale infrastructure projects. The Court examined the management and control by the Commission's central services and, in six ACP States (Ghana, Madagascar, Malawi, Uganda, Zambia and Zimbabwe), by its Delegations. The Court also checked whether the aims of the programmes had been achieved.

70. The main observations concern the formulation of the programmes, their implementation and the concrete results achieved in the countries selected. The Court gave a positive opinion of the microproject programmes, noting nonetheless that:

- (a) the Commission's central services have insufficient information about these programmes and did not provide the Delegations with appropriate guidelines. The legal status of the units that manage the programmes in the ACP States is not always clear. Implementation of the programmes by means of 'programme estimates' can be confused or slow. Although the procedures for management and control are, on the whole, satisfactory, deficiencies remain and the information systems are often poorly designed or applied;
- (b) although the difficulties of precisely measuring impact are under-estimated, the fact that microprojects are useful to the communities concerned is widely attested and verifiable. The conditions that impact on the sustainability of projects appear to have been satisfied, but they may be affected by the weaknesses of local authorities.

70. *The Commission welcomes the positive view taken by the Court of the multiannual microproject programmes.*

- (a) *Although in the past the central services have encountered difficulties in monitoring microprojects more closely, they are endeavouring to play an increasingly important role in terms of thematic support and dissemination of good practice and are currently drawing up a general guide for microprojects.*

Whilst the legal status of the management units is not always clear, their main relations with the national Authorising Officer are nonetheless laid down in protocols or contracts.

Projects requiring lengthy preparations can be slow as regards implementation and disbursement of funds but have the advantage of fostering better understanding of projects by local authorities, which then have a better insight into the spirit of the projects.

The 9th EDF now includes adequate provisions for improving the reliability and effectiveness of the management of the 'programme estimates'.

The EuropeAid Cooperation Office has now finished drawing up a register of ongoing microprojects and those completed since January 2003.

- (b) *The Commission attaches considerable importance to strengthening institutional capacities at all levels with a view to promoting the sustainability of results. Local administrations and municipalities are encouraged as much as possible to support the process of ownership and the sustainability of results.*

THE COURT'S OBSERVATIONS

71. Following its audit, the Court recommends that the Commission:

- (a) improve the organisation of its central services in order to exploit this form of cooperation more fully;
- (b) provide the Delegations with precise and consistent guidelines that are appropriate for microprojects, exercise greater control over the management system and provide it with a better legal framework, so that programme implementation can be monitored more easily;
- (c) ensure that implementation of the programmes allows the project cycle to be monitored and time limits respected in accordance with the priority expectations of the communities concerned;
- (d) adopt realistic methods of measuring results, examine in greater depth ways of securing the medium-term sustainability of microprojects in ACP States, particularly with respect to the role of local authorities, and encourage appraisals that deal with more than one country.

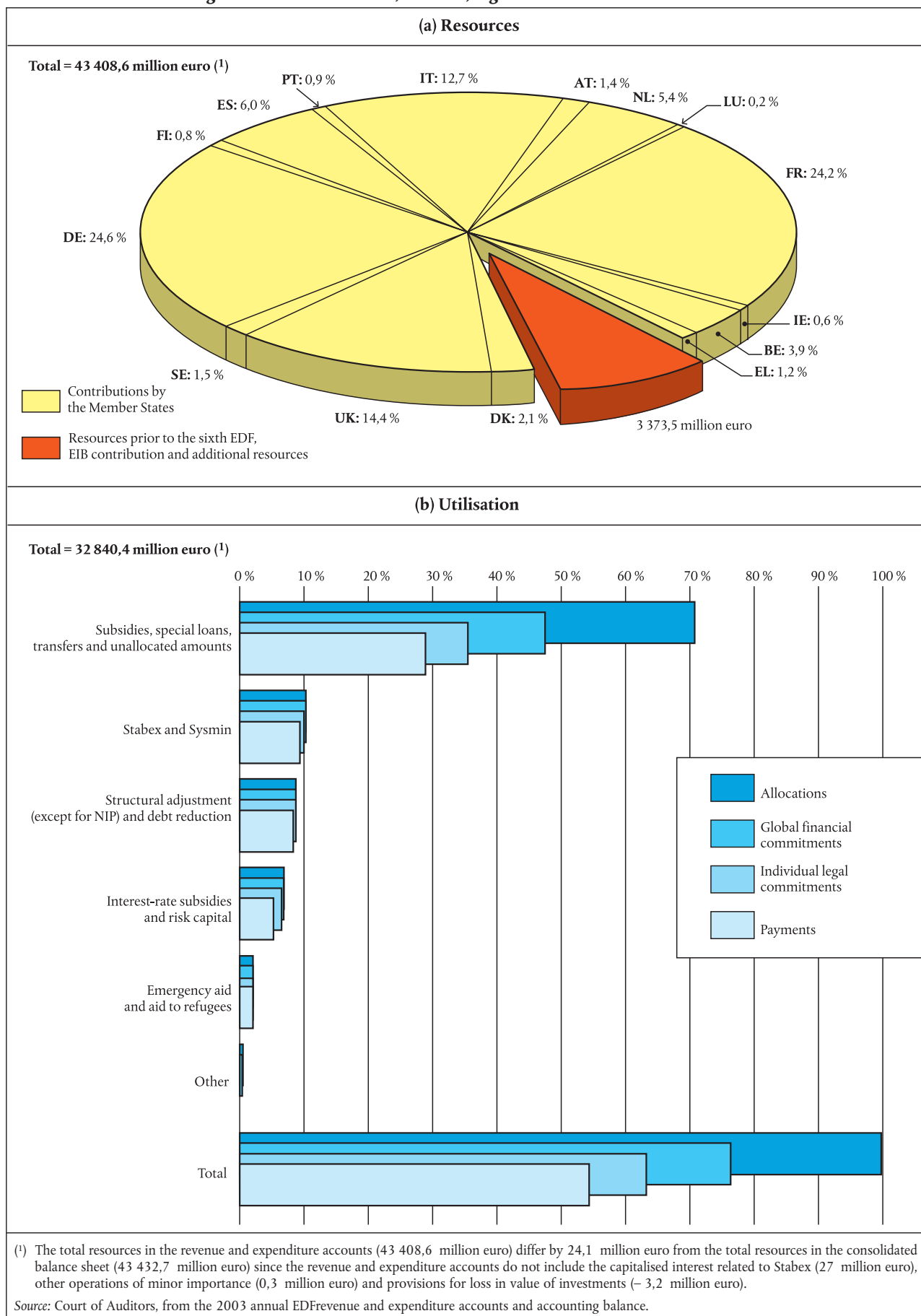
THE COMMISSION'S REPLIES

71. *In its replies, the Commission agrees with the greater part of the Court's observations and recommendations and explains how it intends to implement the Court's main recommendations.*

The EuropeAid Cooperation Office plans to:

- (a) *play a greater support role;*
- (b) *translate best practice into a detailed guide and ensure that programme management is more reliable and effective;*
- (c) *as far as possible, involve local authorities and municipalities in projects in order to improve efficiency and ensure that results are sustainable. The provisions of the Cotonou Agreement enable the decentralised stakeholders to play a more important role in this area;*
- (d) *launch a cross-section evaluation of microprojects in 2004.*

Chart illustrating the consolidated sixth, seventh, eighth and ninth EDFs as at 31 December 2003



ANNEXES

ANNEX I

Financial Information

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PRELIMINARY NOTES

SOURCES OF FINANCIAL DATA

The financial data contained in this Annex have been drawn from the annual accounts of the European Communities ⁽¹⁾ and from other financial records provided by the Commission. The geographical distribution is in accordance with the country codes in the Commission's system of accounting information (Sincom 2). As the Commission points out, all the figures given by Member State — for both revenue and expenditure — are the result of arithmetic that gives an incomplete view of the benefits that each State derives from the Union. They must therefore be interpreted with circumspection.

MONETARY UNIT

All the financial data are presented in millions of euro. The totals are rounded from each exact value and will not therefore necessarily represent the sum of the rounded-off figures.

ABBREVIATIONS AND SYMBOLS

AFC	Appropriations for commitment
AFP	Appropriations for payment
AT	Austria
BE	Belgium
CA	Commitment appropriations
Ch.	Budgetary chapter
CS	European Coal and Steel Community
DE	Germany
DIA	Diagram referred to within other diagrams (e.g. DIA III)
DA	Differentiated appropriations
DK	Denmark
DKK	Danish crown (krone)
EAEC or EA	European Atomic Energy Community
EC	European Community(ies)
EEC	European Economic Community
EFTA	European Free Trade Association
EL	Greece
ES	Spain
EU	European Union
EUR 15	Total of the 15 Member States of the European Union
FR	France
FR	Financial Regulation of 25 June 2002
FI	Finland
GBP	Pound sterling
GNI	Gross National Income
IE	Ireland
IT	Italy
LU	Luxembourg
NDA	Non-differentiated appropriations

⁽¹⁾ In the case of the 2003 financial year: final annual accounts relating to operations under the 2003 budget (SEC(2004) 1181).

NL	Netherlands
OJ	<i>Official Journal of the European Union</i>
P	Portugal
PA	Payment appropriations
S.	Budgetary section
S	Sweden
SEK	Swedish crown (krona)
Ss.	Budgetary subsection
T.	Budgetary title
UK	United Kingdom
VAT	Value-added tax
0,0	Data between zero and 0,05
—	Lack of data
%	Percentage

BACKGROUND INFORMATION ON THE BUDGET

1. ORIGIN OF THE BUDGET

The budget comprises the expenditure of the European Economic Community and the European Atomic Energy Community (Euratom). It also includes administrative expenditure on cooperation in the fields of 'justice and home affairs' and the common foreign and security policy, as well as all other expenditure that the Council considers should be borne by the budget for the purpose of implementing these policies.

2. LEGAL BASIS

The budget is governed by the financial provisions of the Treaty of Rome ⁽²⁾ ⁽³⁾ (Articles 268 to 280 EC and Articles 171 to 183 Euratom) and by the Financial Regulations ⁽⁴⁾.

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 and accuracy). The budget is authorised for one financial year only (annuality). Budgetary revenue and expenditure must balance (equilibrium). The accounts are established, implemented and presented in euro (unit of account). 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 by titles and chapters; the chapters are subdivided into articles and items (speciality). The budgetary appropriations are used in accordance with the principles of sound financial management, i.e. in accordance with the principles of economy, efficiency and effectiveness (sound financial management). The budget is established and implemented and the accounts are presented in observance of the principle of transparency (transparency). There are some exceptions to these general principles.

4. CONTENT AND STRUCTURE OF THE BUDGET

The budget consists of a 'Summary statement of revenue and expenditure' and sections divided into 'Statements of revenue and expenditure' for each institution. The eight sections are: (I) Parliament; (II) Council; (III) Commission, (IV) Court of Justice; (V) Court of Auditors; (VI) Economic and Social Committee; (VII) Committee of the Regions; (VIII) European Ombudsman and European Data Protection Officer.

Within each section, 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.

⁽²⁾ Treaty of Rome (25 March 1957): Treaty establishing the European Economic Community (EEC).

⁽³⁾ Treaty of Rome (25 March 1957): Treaty establishing the European Atomic Energy Community (Euratom).

⁽⁴⁾ Mainly the Financial Regulation (FR) of 25 June 2002 (OJ L 248, 16.9.2002).

5. FINANCING OF THE BUDGET (BUDGETARY REVENUE)

The budget is mainly financed from the Communities' own resources: agricultural duties, sugar and isoglucose levies; customs duties; own resources accruing from VAT and GNI-based own resources ⁽⁵⁾.

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

6. TYPES OF BUDGET APPROPRIATION

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

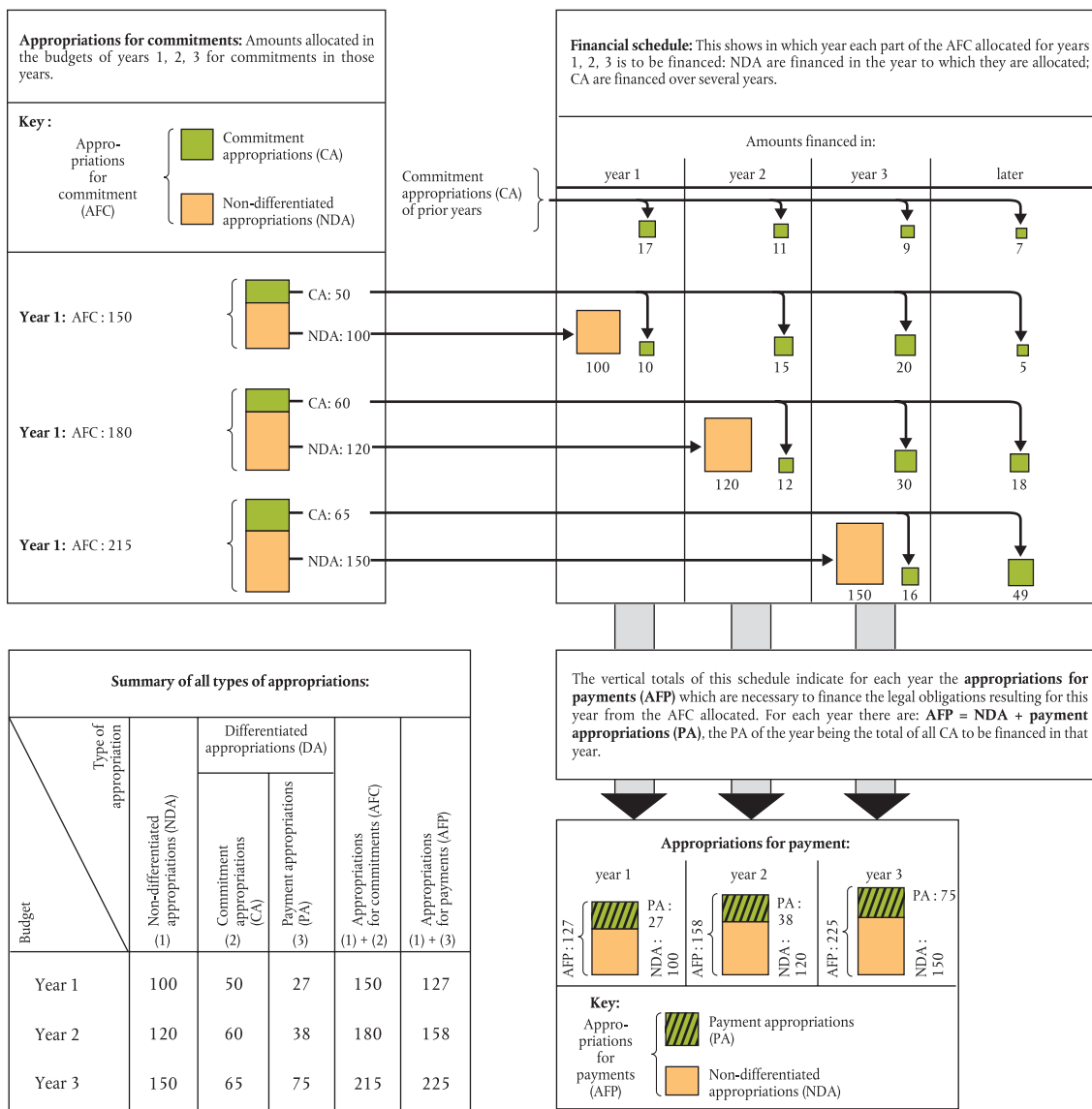
- a) the total of appropriations for commitments (AFC) ⁽⁶⁾ = non-differentiated appropriations (NDA) + commitment appropriations (CA) ⁽⁶⁾;
- b) the total of appropriations for payments (AFP) ⁽⁶⁾ = non-differentiated appropriations (NDA) + payment appropriations (PA) ⁽⁶⁾.

⁽⁵⁾ Principal legal acts relating to own resources: Council Decision 2000/597/EC, Euratom of 29 September 2000 (OJ L 253, 7.10.2000); Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000); Council Regulation (EEC, Euratom) No 1553/89 of 29 May 1989 (OJ L 155, 7.6.1989); Sixth Council Directive of 17 May 1977, common system of VAT: uniform assessment basis (OJ L 145, 13.6.1977); Council Directive 89/130/EEC, Euratom of 13 February 1989 on the harmonisation of the compilation of GNI (OJ L 49, 21.2.1989), Council Regulation (EC, Euratom) No 1287/2003 of 15 July 2003 on the harmonisation of gross national income at market prices (OJ L 181, 19.7.2003).

⁽⁶⁾ 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.



7. IMPLEMENTATION OF THE BUDGET

7.1. *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 (7). The Financial Regulation lays down the implementation procedures and, in particular, the responsibilities of the authorising officers, accounting officers, administrators of imprest accounts and internal auditors of the institutions. In two main specific areas (EAGGF-Guarantee and Structural Funds) the management of Community funds is shared with the Member States.

7.2. *Implementation of revenue*

The estimated revenue is entered in the budget subject to changes deriving from amending 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 (8). 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.

7.3. *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 budgets + assigned revenue + transfers + commitment appropriations carried over from the preceding financial year + non-automatic carry-overs from the preceding financial year not yet committed + released commitment appropriations from preceding financial years which have been made available again;
- (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*: appropriations belonging to the financial year which have not been utilised may be carried over to the next financial year following a decision by the institution concerned. Appropriations available as assigned revenue are automatically carried over;
- (iv) *cancellation of appropriations*: the balance is cancelled;

(7) See Articles 274 of the EC Treaty, 179 of the Euratom Treaty and 50 of the FR.

(8) See Articles 69 to 74 of the FR and Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000).

(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 budgets + assigned revenue + transfers + appropriations carried over from the previous financial year in the form of automatic carry-overs or non-automatic carry-overs;
- (ii) *utilisation of appropriations of the financial year*: the appropriations for payment of the financial year are available in the financial year for use as payments. They do not include appropriations carried over from the previous financial year (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*: unutilised appropriations of the financial year may be carried over to the next financial year following a decision by the institution concerned. Appropriations available as assigned revenue are automatically carried over;
- (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 in the consolidated statements on budgetary implementation (see paragraph 7.4) = payments against appropriations for payments of the financial year plus appropriations for payments of the financial year carried over to the following financial year.

7.4. *The consolidated statements of budgetary implementation and determination of the balance of the financial year*

The consolidated statements of budgetary implementation are drawn up after the closure of each financial year. They determine the balance of the year which is entered in the budget of the next financial year through an amending budget.

8. PRESENTATION OF THE ACCOUNTS

The accounts for a given financial year are forwarded not later than 1 May of the following financial year to the Parliament, the Council and the Court of Auditors; these accounts comprise financial statements and statements on budgetary implementation, together with a report on the budgetary and financial management.

9. EXTERNAL AUDIT

Since 1977 the external audit of the budget has been carried out by the Court of Auditors of the European Communities ⁽⁹⁾. The Court of Auditors examines the accounts of all revenue and expenditure of the 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, in the Member States and in third countries. 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.

⁽⁹⁾ See Articles 246, 247 and 248 of the EC Treaty, 160a, 160b and 160c of the Euratom Treaty and Articles 139 to 147 of the FR.

10. DISCHARGE AND FOLLOW-UP

Since 1977 the following provisions have been applicable ⁽¹⁰⁾: 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 in respect of its implementation of the budget. To this end, the Council and Parliament in turn examine the accounts presented by the Commission and the annual report and special reports of the Court of Auditors. The institutions must take appropriate action in response to the comments appearing in the decisions giving discharge and report on the measures taken.

DIAGRAMS

BUDGET FOR THE FINANCIAL YEAR 2003 AND BUDGETARY IMPLEMENTATION DURING THE FINANCIAL YEAR 2003

- DIA I Budget 2003 — Estimated revenue and final appropriations for payment
- DIA II Budget 2003 — Appropriations for commitment
- DIA III Appropriations for commitment available in 2003 and utilisation thereof, by financial perspective heading
- DIA IV Appropriations for payment available in 2003 and utilisation thereof, by financial perspective heading
- DIA V Own resources in 2003 — Actual revenue by Member State
- DIA VI Payments made in 2003, in each Member State

HISTORICAL DATA IN RESPECT OF THE IMPLEMENTATION OF THE BUDGET (1999 to 2003)

- DIA VII Evolution and utilisation of appropriations for payment for the period 1999 to 2003, by financial perspective heading

⁽¹⁰⁾ See Articles 276 of the EC Treaty and 180b of the Euratom Treaty.

Diagram I Budget 2003 — Estimated revenue and final appropriations for payment

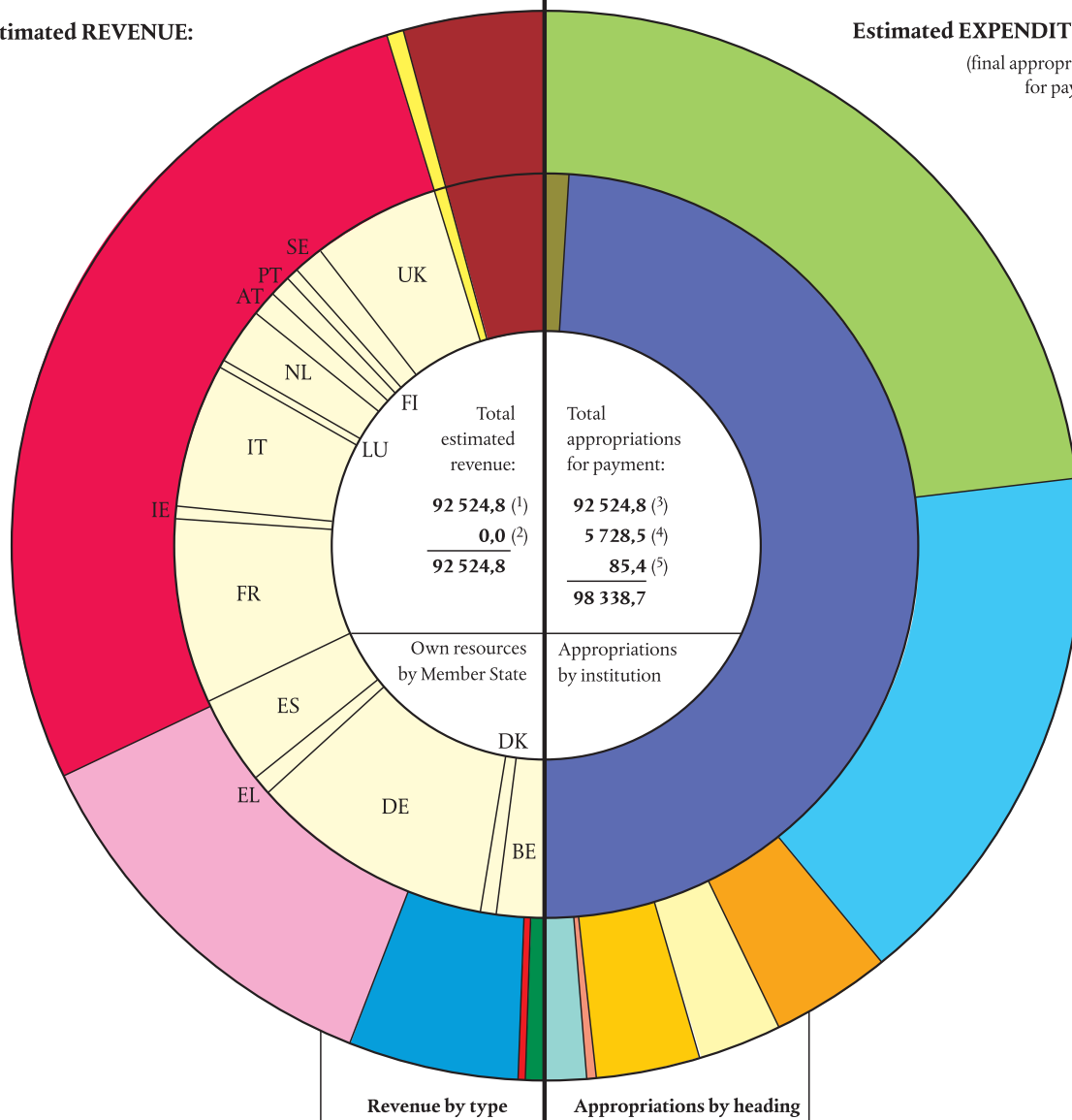
(for revenue criteria, see 'Background information on the budget', paragraph 7.2; for expenditure criteria, see 'Background information on the budget', paragraph 7.3 and for more detailed information, see Diagram IV, column (a))

(in million euro and in %)

Estimated REVENUE:

Estimated EXPENDITURE:

(final appropriations for payment)



Revenue key:

Total own resources (by Member State)	
Agricultural duties	879,8 (1 %)
'Sugar' and 'isoglucose' levies	546,6 (0,6 %)
Customs duties	9 479,8 (10,2 %)
Own resources accruing from VAT	21 748,0 (23,5 %)
GNP-based own resources	51 356,7 (55,5 %)
Other revenue	837,1 (0,9 %)
Surplus available from the previous year	7 676,8 (8,3 %)

(¹) After amending budgets.

(²) Revenue from participation by outside bodies.

Expenditure key

Financial perspective headings:

1. Common agricultural policy	45 095,7 (45,9 %)
2. Structural operations	31 837,8 (32,4 %)
3. Internal policies	7 256,8 (7,4 %)
4. External action	4 898,9 (5 %)
5. Administrative expenditure	6 087,1 (6,2 %)
6. Reserves	363,8 (0,4 %)
7. Preaccession aid	2 798,5 (2,8 %)
Appropriations available for other institutions	2 166,2 (2,2 %)
Appropriations available to the Commission of which operating appropriations	96 172,5 (97,8 %)
	92 251,6 (93,8 %)

(³) After amending budgets and transfers between budget headings.

(⁴) Assigned revenue and appropriations made available again, appropriations carried over and appropriations.

(⁵) EFTA expenditure.

Diagram II
Budget 2003 — Appropriations for commitment
 (after amending budgets: for more detailed information, see Diagram III, column (b))

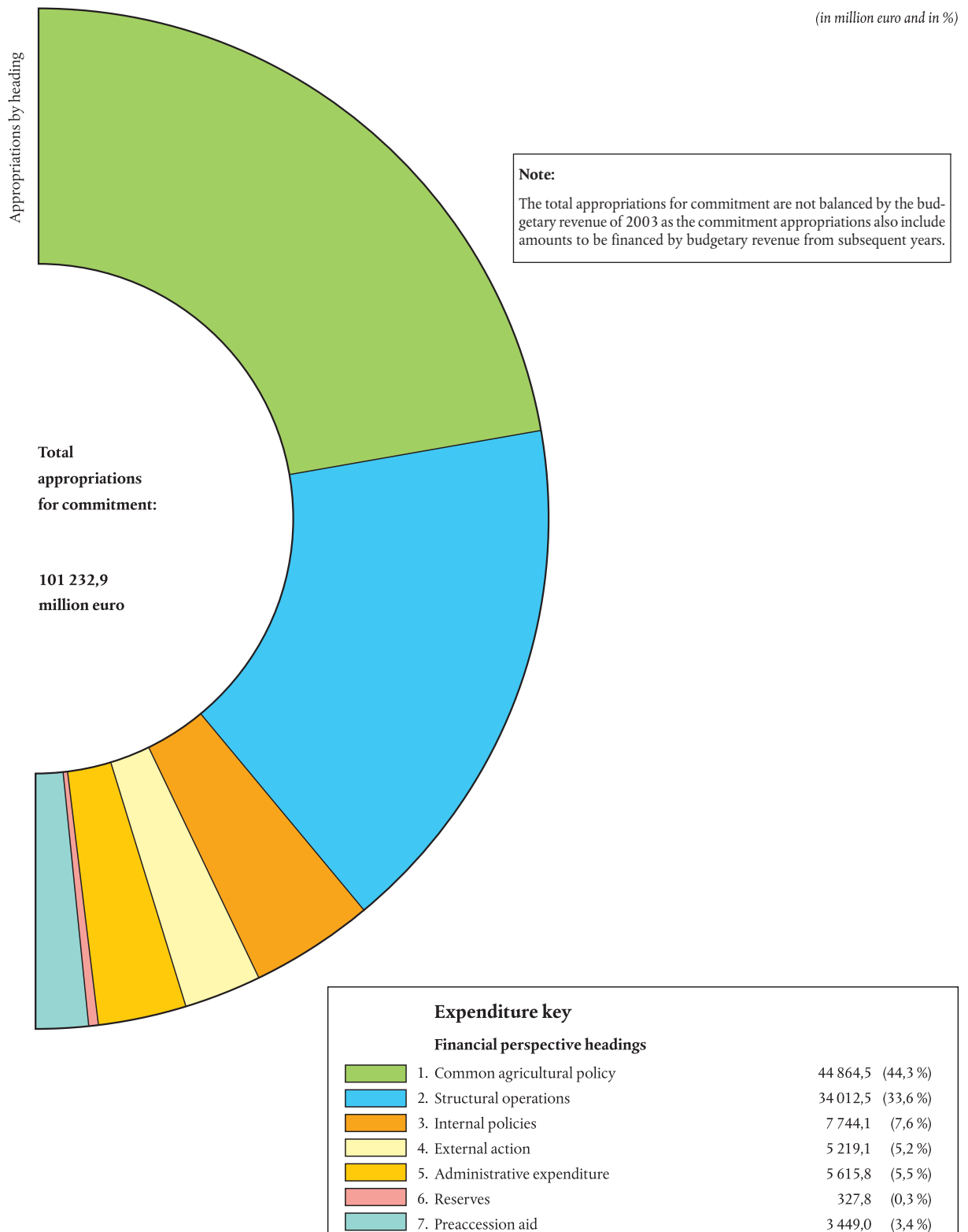


Diagram III

Appropriations for commitment available in 2003 and utilisation thereof, by financial perspective heading

(million euro and %)

Financial perspective headings and sectors (the sections (S.), subsections (Ss.), titles (T.), and chapters (Ch.) corresponding to the 2003 budgetary nomenclature)	Financial perspective	Final Appropriations		Utilisation of appropriations				
		Amount ⁽¹⁾	Rate (%)	Commitments made in 2003	Utilisation rate (%)	Carry-overs 2004 ⁽²⁾	Cancel-lations	Rate (%)
		(a)	(b)	(b)/(a)	(c)	(c)/(d)	(d)	(e) = (b) - (c) - (d)
1. Common agricultural policy	47 378	44 864,5	94,7	44 462,0	99,1	41,4	361,2	0,8
Markets		40 117,2		39 782,4	99,2	0,2	334,7	0,8
1.1 Arable crops (Ch. B1-10)		16 815,0		16 809,4	100,0	—	5,6	0,0
1.2 Sugar (Ch. B1-11)		1 278,0		1 277,4	100,0	—	0,6	0,0
1.3 Oils and fats and protein plants (Ch. B1-12 and 13)		2 737,0		2 734,9	99,9	—	2,1	0,1
1.4 Fruit and vegetables (Ch. B1-15)		1 559,0		1 532,2	98,3	—	26,8	1,7
1.5 Wine (Ch. B1-16)		1 244,0		1 213,0	97,5	—	31,0	2,5
1.6 Tobacco (Ch. B1-17)		973,0		960,2	98,7	—	12,8	1,3
1.7 Milk products (Ch. B1-20)		2 801,0		2 796,2	99,8	—	4,8	0,2
1.8 Meat, eggs, poultry (Ch. B1-21 to 24)		10 425,5		10 344,3	99,2	—	81,2	0,8
1.9 Various markets (Ch. B1-14 and 18)		1 242,0		1 221,2	98,3	—	20,8	1,7
1.10 Other operations (Ch. B1-25 to 39)		1 042,7		893,5	85,7	0,2	149,1	14,3
1.11 Rural development and accompanying measures (T. B1-4 and 5)		4 747,3		4 679,6	98,6	41,2	26,5	0,6
2. Structural operations	33 968	34 012,5	100,1	33 987,0	99,9	3,7	21,9	0,1
Structural funds		31 130,4	⁽¹⁾	31 109,7	99,9	0,3	20,5	0,1
2.1 Objective 1 (Ch. B2-10)		21 577,1		21 576,9	100,0	0,0	0,2	0,0
2.2 Objective 2 (Ch. B2-11)		3 651,8		3 651,8	100,0	—	—	—
2.3 Objective 3 (Ch. B2-12)		3 718,9		3 718,9	100,0	—	—	—
2.4 Other structural measures (Ch. B2-13)		171,9		171,9	100,0	—	—	—
2.5 Community initiatives (Ch. B2-14)		1 866,4		1 853,7	99,3	—	12,7	0,7
2.6 Innovative measures and technical assistance (Ch. B2-16)		144,3		136,4	94,5	0,3	7,6	5,2
2.7 Other specific structural operations (T. B2-2)		12,0		12,0	100,0	—	—	—
2.8 Cohesion Fund (T. B2-3)		2 870,1		2 865,3	99,8	3,4	1,4	0,0
3. Internal policies	6 796	7 744,1	114,0	7 172,7	92,6	430,0	141,4	1,8
3.1 Research and technological development (Ss. B6)		4 597,5	⁽¹⁾	4 280,7	93,1	311,4	5,3	0,1
3.2 Other structural measures (T. B2-4 to 9)		284,5	⁽³⁾	261,9	92,1	3,3	19,3	6,8
3.3 Training, youth and social operations (Ss. B3)		1 177,8		1 076,1	91,4	62,5	39,3	3,3
3.4 Energy, Euratom and environment (Ss. B4)		318,3		283,6	89,1	17,6	17,1	5,4
3.5 Consumers, internal market, industry and networks (Ss. B5)		1 366,1		1 270,4	93,0	35,2	60,5	4,4
4. External action	4 972	5 219,1	105,0	5 066,7	97,1	93,5	58,9	1,1
4.1 Food aid (T. B7-2)		1 030,0	⁽¹⁾	1 024,8	99,5	0,4	4,8	0,5
4.2 Cooperation (T. B7-3 to 5)		3 067,9		2 961,2	96,5	84,1	22,6	0,7
4.3 Other cooperation measures (T. B7-6)		488,4		473,5	97,0	3,6	11,3	2,3
4.4 Initiative for democracy and human rights (T. B7-7)		107,8		105,9	98,2	1,8	0,1	0,1
4.5 External aspects of Community policies (T. B7-8)		284,9		261,8	91,9	3,5	19,6	6,9
4.6 Reserve for administrative expenditure — Heading 4 (Ch. B7-96)		0,1		—	—	—	0,1	100,0
4.7 Pre-accession strategy for the Mediterranean countries (Ch. B7-04 and 05)		186,3		185,9	99,8	0,0	0,3	0,2
4.8 Common foreign and security policy (Ss. B8)		53,7		53,6	99,8	0,0	0,1	0,1
5. Administrative expenditure	5 211	5 615,8	107,8	5 545,3	98,7	39,4	31,1	0,6
5.1 Parliament (S. I)		1 154,3	⁽¹⁾	1 137,0	98,5	5,2	12,1	1,0
5.2 Council (S. II)		453,7		443,2	97,7	7,5	3,0	0,7
5.3 Commission (S. III)		3 639,7		3 605,1	99,0	25,3	9,4	0,3
5.4 Court of Justice (S. IV)		152,5		150,6	98,8	0,7	1,1	0,7
5.5 Court of Auditors (S. V)		77,5		74,8	96,5	0,2	2,4	3,2
5.6 Economic and Social Committee (S. VI)		84,2		82,3	97,7	0,4	1,6	1,8
5.7 Committee of the Regions (S. VII)		49,6		48,3	97,5	0,1	1,2	2,3
5.8 European Ombudsman and European Data Protection Supervisor (S. VIII)		4,4		4,1	91,3	—	0,4	8,7
6. Reserves	434	327,8	75,5	147,9	45,1	—	179,9	54,9
6.1 Guarantee reserve (Ch. B0-23 and 24)		225,8		147,9	65,5	—	77,9	34,5
6.2 Emergency aid reserve (Ch. B7-91)		102,0		—	—	—	102,0	100,0
7. Pre-accession aid	3 386	3 449,0	101,9	3 393,3	98,4	42,8	12,9	0,4
7.1 SAPARD (Ch. B7-01)		564,0	⁽¹⁾	560,1	99,3	3,9	0,0	0,0
7.2 ISPA (Ch. B7-02)		1 129,0		1 129,0	100,0	0,0	0,1	0,0
7.3 PHARE (preaccession) (Ch. B7-03)		1 755,9		1 704,2	97,1	38,9	12,9	0,7
8. Reserves and provisions (T. B0-4)		—		—	—	—	—	—
Grand total appropriations for commitment	102 145	101 232,9	99,1	99 774,8	98,6	650,8	807,2	0,8
Grand total appropriations for payment	102 767	98 338,7	95,7	90 557,5	92,1	2 246,0	5 535,2	5,6

⁽¹⁾ Budgetary appropriations amended after taking account of CAs carried over from 2002, appropriations corresponding to assigned revenue, transfers between budget headings, EFTA appropriations and financing from the EU Solidarity Fund. As a consequence the ceiling for some financial perspective headings is exceeded by the available appropriations.

⁽²⁾ Including appropriations corresponding to assigned revenue or similar.

⁽³⁾ Including the section of the EU Solidarity Fund destined for the Member States.

Diagram IV
Appropriations for payment available in 2003 and utilisation thereof, by financial perspective heading

(million euro and %)

Financial perspective headings and sectors (the sections (S.), subsections (Ss.), titles (T.) and chapters (Ch.) corresponding to the 2003 budgetary nomenclature)	Final appropriations (1)	Utilisation of appropriations				
		Payments made in 2003	Utilisation rate (%)	Carry-overs 2004	Cancellations	Rate (%)
		(a)	(b)/(a)	(c)	(d) = (a) - (b) - (c)	(d)/(a)
1. Common agricultural policy	45 095,7	44 379,2	98,4	331,4	385,0	0,9
Markets	40 348,4	39 699,6	98,4	290,2	358,5	0,9
1.1 Arable crops (Ch. B1-10)	16 815,0	16 809,4	100,0	—	5,6	0,0
1.2 Sugar (Ch. B1-11)	1 278,5	1 277,4	99,9	—	1,1	0,1
1.3 Oils and fats and protein plants (Ch. B1-12 and 13)	2 737,0	2 734,9	99,9	—	2,1	0,1
1.4 Fruit and vegetables (Ch. B1-15)	1 559,0	1 532,2	98,3	—	26,8	1,7
1.5 Wine (Ch. B1-16)	1 244,0	1 213,0	97,5	—	31,0	2,5
1.6 Tobacco (Ch. B1-17)	981,2	957,5	97,6	9,5	14,2	1,4
1.7 Milk products (Ch. B1-20)	2 801,0	2 796,2	99,8	—	4,8	0,2
1.8 Meat, eggs and poultry (Ch. B1-21 to 24)	10 425,5	10 344,3	99,2	—	81,2	0,8
1.9 Various markets (Ch. B1-14 and 18)	1 242,0	1 221,2	98,3	—	20,8	1,7
1.10 Other operations (Ch. B1-25 to 39)	1 265,2	813,5	64,3	280,7	171,0	13,5
1.11 Rural development and accompanying measures (T. B1-4 and 5)	4 747,3	4 679,6	98,6	41,2	26,5	0,6
2. Structural operations	31 837,8	28 527,6	89,6	176,5	3 133,8	9,8
Structural funds	29 553,6	26 243,5	88,8	176,5	3 133,7	10,6
2.1 Objective 1 (Ch. B2-10)	20 035,7	18 986,0	94,8	89,1	960,7	4,8
2.2 Objective 2 (Ch. B2-11)	3 950,0	3 587,0	90,8	—	363,1	9,2
2.3 Objective 3 (Ch. B2-12)	3 427,1	2 548,3	74,4	—	878,9	25,6
2.4 Other structural measures (Ch. B2-13)	293,4	175,9	59,9	86,8	30,7	10,5
2.5 Community initiatives (B2-14)	1 685,6	801,0	47,5	0,5	884,1	52,4
2.6 Innovative measures and technical assistance (Ch. B2-16)	161,7	145,4	89,9	0,0	16,3	10,1
2.7 Other specific structural operations (T. B2-2)	89,0	89,0	100,0	—	—	—
2.8 Cohesion Fund (T. B2-3)	2 195,2	2 195,1	100,0	—	0,1	0,0
3. Internal policies	7 256,8	5 671,8	78,2	920,4	664,6	9,2
3.1 Research and technological development (Ss. B6)	4 157,1	3 279,6	78,9	647,8	229,7	5,5
3.2 Other structural measures (T. B2-4 to 9)	299,2 (2)	158,0	52,8	68,5	72,7	24,3
3.3 Training, youth and social operations (Ss. B3)	1 161,1	943,3	81,2	147,6	70,2	6,0
3.4 Energy, Euratom and environment (Ss. B4)	293,5	211,7	72,1	22,3	59,5	20,3
3.5 Consumers, internal market, industry and networks (Ss. B5)	1 345,9	1 079,2	80,2	34,3	232,4	17,3
4. External action	4 898,9	4 285,8	87,5	112,7	500,4	10,2
4.1 Food aid (T. B7-2)	1 011,2	959,5	94,9	43,3	8,4	0,8
4.2 Cooperation (T. B7-3 to 5)	2 929,6	2 544,5	86,9	54,9	330,3	11,3
4.3 Other cooperation measures (T. B7-6)	433,5	359,9	83,0	3,5	70,0	16,1
4.4 Initiatives for democracy and human rights (T. B7-7)	109,3	99,4	90,9	1,8	8,1	7,4
4.5 External aspects of certain Community policies (T. B7-8)	296,4	234,0	78,9	3,8	58,6	19,8
4.6 Reserve for administrative expenditure — Heading 4 (Ch. B7-96)	5,0	—	—	—	5,0	100,0
4.7 Preaccession strategy for the mediterranean countries (Ch. B7-04 and 05)	63,6	57,6	90,6	0,0	5,9	9,3
4.8 Common foreign and security policy (Ss. B8)	50,4	31,0	61,5	5,4	14,0	27,9
5. Administrative expenditure	6 087,1	5 305,2	87,2	650,1	131,8	2,2
5.1 Parliament (S. I)	1 254,6	985,3	78,5	245,1	24,1	1,9
5.2 Council (S. II)	511,4	410,0	80,2	75,2	26,2	5,1
5.3 Commission (Sec. III)	3 920,9	3 547,1	90,5	302,2	71,5	1,8
5.4 Court of Justice (S. IV)	159,2	147,9	92,9	9,6	1,7	1,1
5.5 Court of Auditors (S. V)	94,0	84,0	89,4	5,8	4,1	4,4
5.6 Economic and Social Committee (S. VI)	89,2	80,7	90,6	6,4	2,0	2,3
5.7 Committee of the Regions (S. VII)	53,1	46,2	87,0	5,2	1,7	3,2
5.8 European Ombudsman and European Data Protection Supervisor (S. VIII)	4,9	3,9	80,5	0,5	0,4	9,2
6. Reserves	363,8	147,9	40,7	—	215,9	59,3
6.1 Guarantee reserve (Ch. B0-23 and 24)	225,8	147,9	65,5	—	77,9	34,5
6.2 Emergency aid reserve (Ch. B7-91)	138,0	—	—	—	138,0	100,0
7. Pre-accession aid	2 798,5	2 239,8	80,0	54,9	503,8	18,0
7.1 SAPARD (Ch. B7-01)	432,9	263,5	60,9	—	169,4	39,1
7.2 ISPA (Ch. B7-02)	717,5	429,0	59,8	1,0	287,5	40,1
7.3 PHARE (pre-accession) (Ch. B7-03)	1 648,1	1 547,4	93,9	53,9	46,8	2,8
8. Reserves and provisions (T. B0-4)	—	—	—	—	—	—
Grand total	98 338,7	90 557,5	92,1	2 246,0	5 535,2	5,6

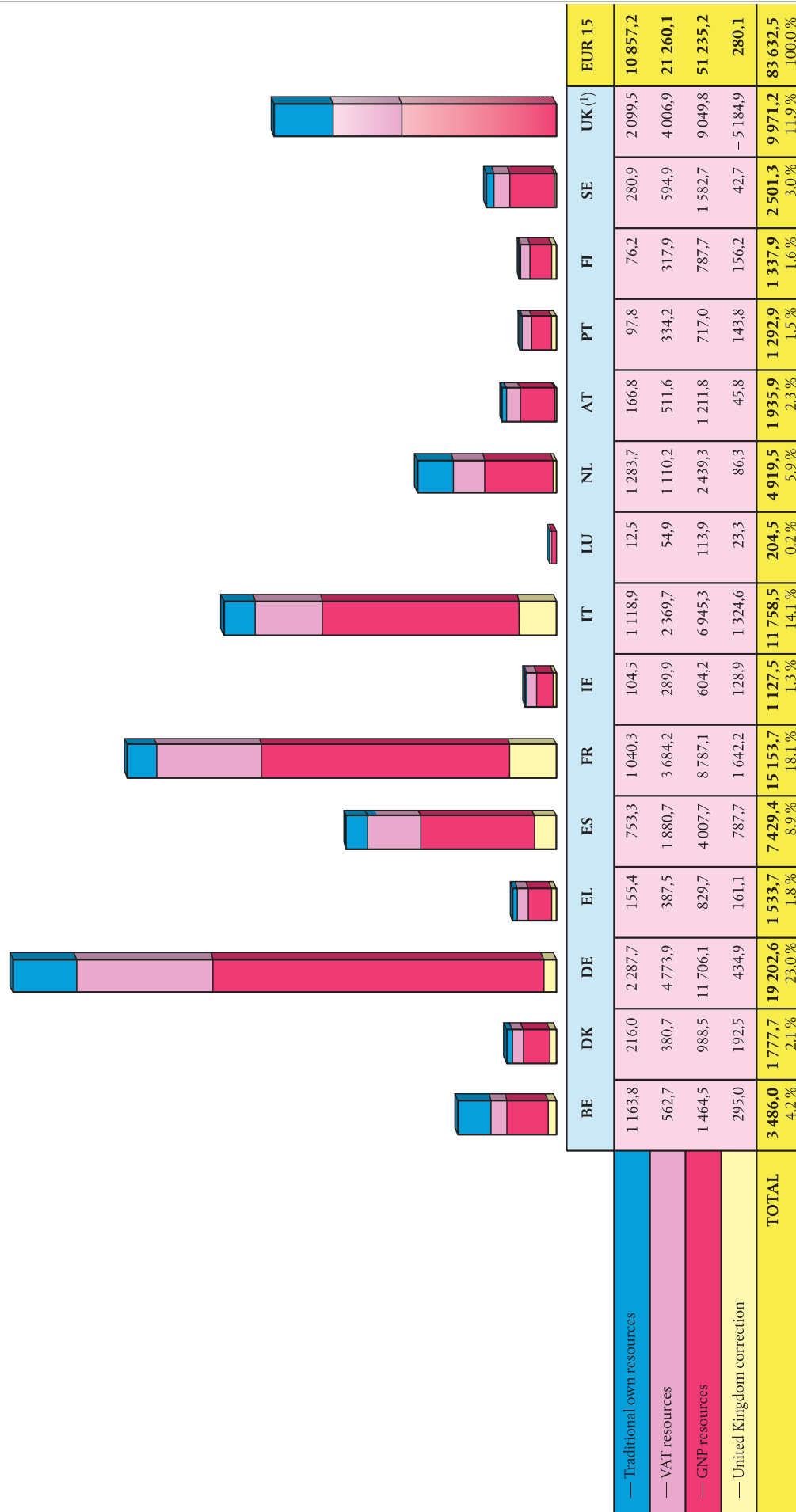
(1) Budget appropriations amended after taking account of transfers between budget headings, appropriations relating to assigned revenue or similar and appropriations carried over from the previous financial year.

(2) Including the section of the EU Solidarity Fund destined for the Member States.

Diagram V
Own resources in 2003, by Member State

Actual revenue

(in million euro and in %)



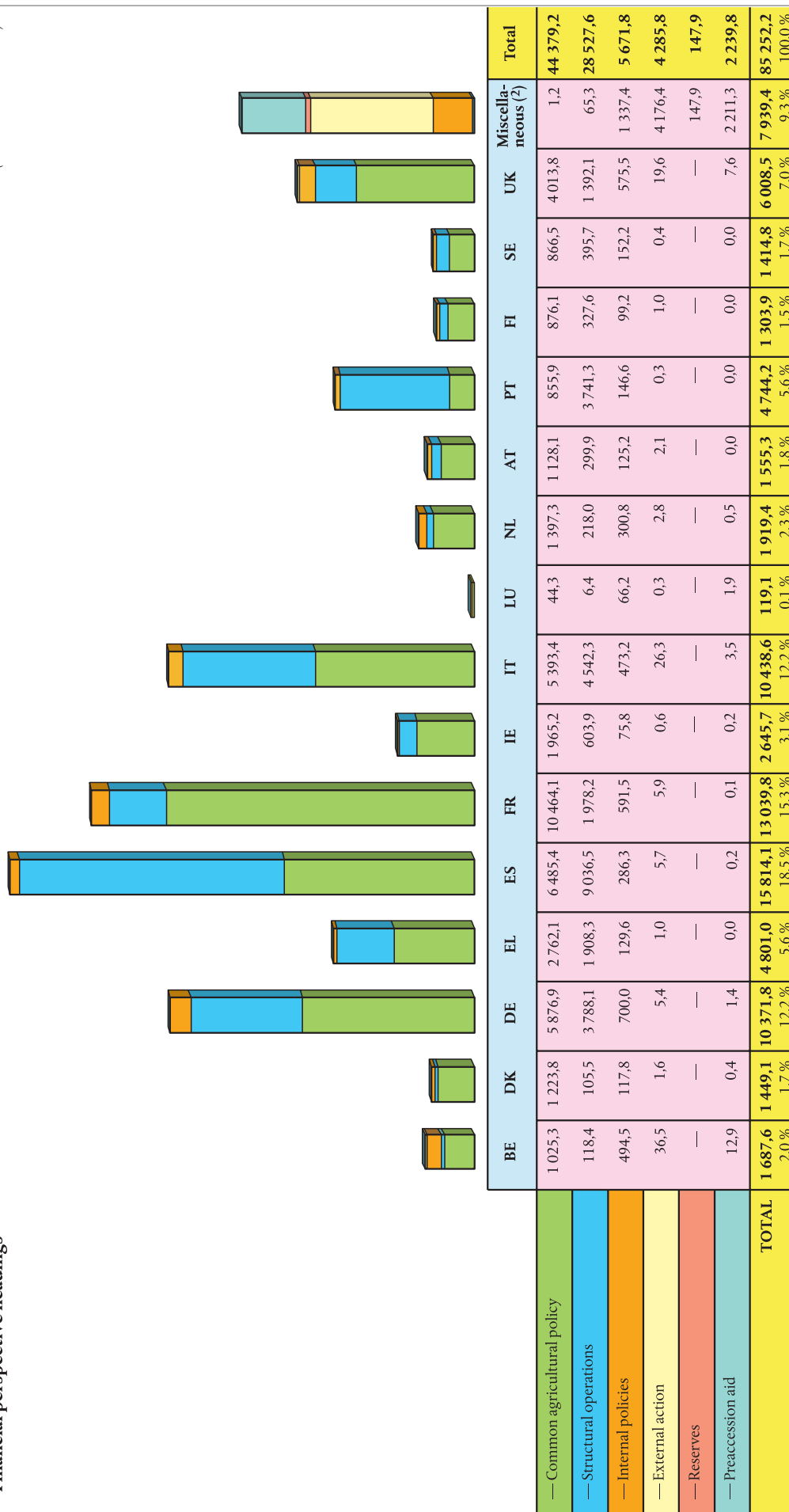
(¹) For the United Kingdom a correction (5 184,9 million euro) is applied to the gross amount of own resources (15 156,1 million euro). The financing of this adjustment is borne by the other Member States. This correction was solely assigned to the VAT and GNP elements of gross own resources in accordance with their respective amounts.

Diagram VI Payments made in 2003, in each Member State (1)

Note: Payments made in 2003 = payments against 2003 operating appropriations 2003 plus payments against carry-overs from 2002.

Financial perspective headings

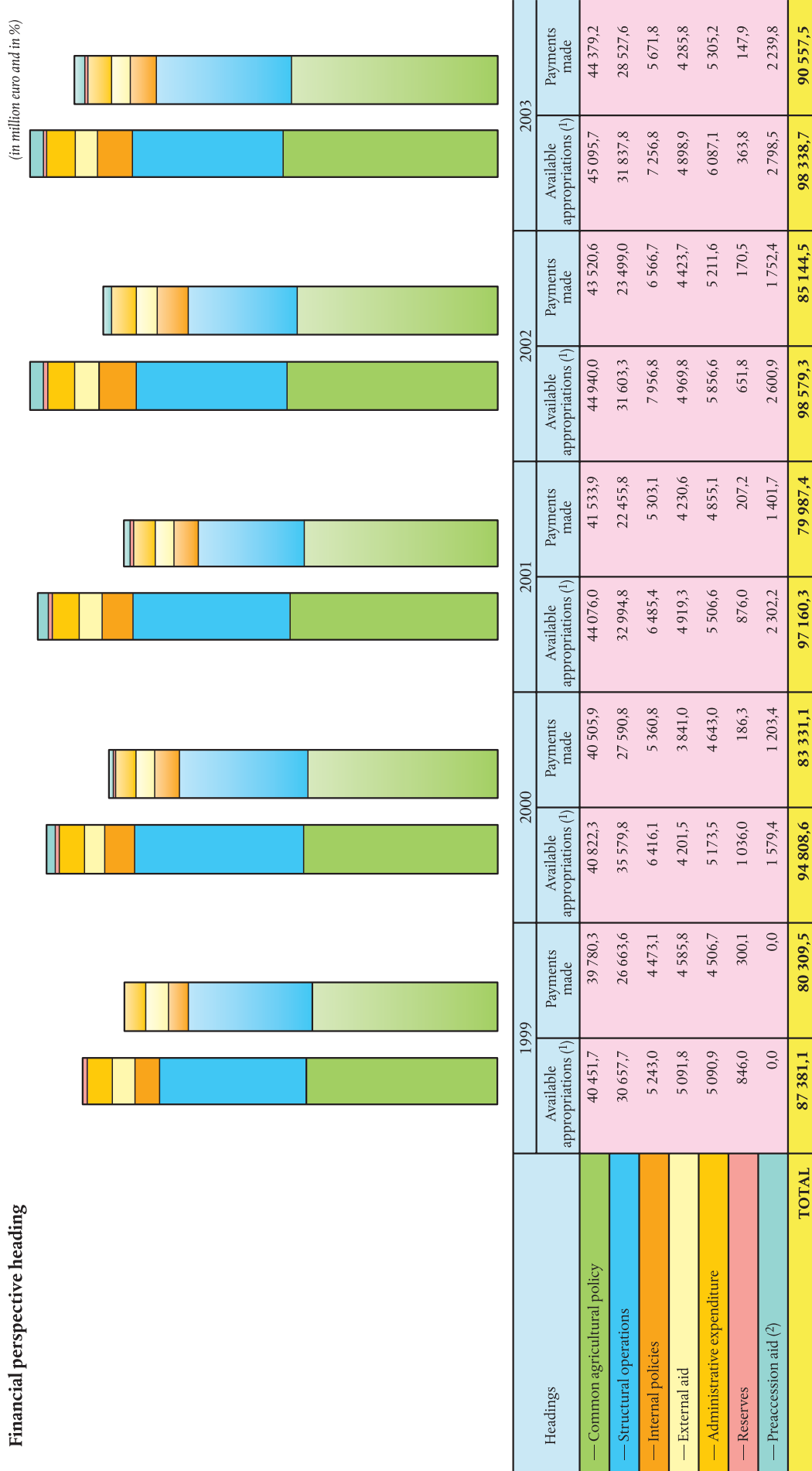
(in million euro and in %)



(1) 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.

(2) The amounts under 'Miscellaneous' include mainly expenditure related to the projects implemented outside the Union and participation by third countries. Expenditure in respect of which the geographical distribution could not be made is also included.

Diagram VII
Evolution and utilisation of appropriations for payment for the period 1999 to 2003, by financial perspective heading



(1) Available appropriations = appropriations for payment of the financial year + appropriations carried over from the previous financial year.
(2) For the 1993 to 1999 period, heading 7 covers compensation paid to the new Member States. For the 2000-2006 period, it covers pre-accession 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 special annual reports on certain Community bodies and activities. The treaties also give the Court the power to sub-

mit 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
Annual Reports 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
Twenty-third annual report concerning the financial year 1999: — 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 342, 1.12.2000
Twenty-fourth annual report concerning the financial year 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	OJ C 359, 15.12.2001, OJ C 92, 17.4.2002 and OJ C 36, 15.2.2003
Twenty-fifth annual report concerning the financial year 2001: — 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 295, 28.11.2002
Twenty-sixth annual report concerning the financial year 2002: — 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 286, 28.11.2003
Twenty-seventh annual report concerning the financial year 2003 — 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, eighth and ninth EDFs	Published in this OJ

Title	Publication
Special Reports	
<i>Own resources</i>	
— 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
— 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
<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
— 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
— Special Report No 4/2001 on the audit of the EAGGF, Guarantee section, 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 — Follow-up to Special Report No 19/98 on BSE	OJ C 324, 20.11.2001
— Special Report No 5/2002 on extensification premium and payment schemes in the common organisation of the market for beef and veal	OJ C 290, 25.11.2002
— Special Report No 6/2002 on the audit of the Commission's management of the EU oilseeds support scheme	OJ C 254, 22.10.2002
— Special Report No 7/2002 on the sound financial management of the common organisation of markets in the banana sector	OJ C 294, 28.11.2002

Title	Publication
— Special Report No 1/2003 concerning the prefinancing of export refunds	OJ C 98, 24.4.2003
— Special Report No 4/2003 concerning rural development: support for less-favoured areas	OJ C 151, 27.6.2003
— Special Report No 9/2003 concerning the system for setting the rates of subsidy on exports of agricultural products (export refunds)	OJ C 211, 5.9.2003
— Special Report No 12/2003 on the sound financial management of the common organisation of the market in dried fodder	OJ C 298, 9.12.2003
— Special Report No 13/2003 on production aid for cotton	OJ C 298, 9.12.2003
— Special Report No 14/2003 on the measurement of farm incomes by the Commission (Article 33(1)(b) of the EC Treaty)	OJ C 45, 20.2.2004
— Special Report No 2/2004 concerning pre-accession aid — Has SAPARD been well managed?	OJ C 295, 30.11.2004
— Special Report No 3/2004 concerning the recovery of irregular payments under the Common agricultural policy	OJ C 269, 4.11.2004
— Special Report No 6/2004 concerning the organisation of the system for the identification and registration of bovine animals in the European Union	Being published
— Special Report No 7/2004 concerning the common organisation of the market in raw tobacco	Being published
— Special Report No 8/2004 on the Commission's management and supervision of the measures to control foot-and-mouth disease and of the related expenditure	Being published
<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
— 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 to 1999)	OJ C 146, 25.5.2000
— Special Report No 15/2000 on the Cohesion Fund	OJ C 279, 2.10.2000
— 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
— Special Report No 3/2002 concerning the Community Initiative Employment — Integra	OJ C 263, 29.10.2002
— Special Report No 4/2002 on local actions for employment	OJ C 263, 29.10.2002

Title	Publication
— Special Report No 7/2003 on the implementation of assistance programming for the period 2000 to 2006 within the framework of the Structural Funds	OJ C 174, 23.7.2003
— Special Report No 4/2004 on the programming of the Community Initiative concerning trans-European cooperation — Interreg III	Being published
<i>Internal policies</i>	
— Special Report No 9/99 concerning research activities in the field of agriculture and fisheries (FAIR programme — Fisheries, agriculture and agro-industrial research)	OJ C 92, 30.3.2000
— Special Report No 9/2000 concerning trans-European-networks (TEN) — telecommunications	OJ C 166, 15.6.2000
— Special Report No 10/2000 on the public contracts awarded by the Joint Research Centre	OJ C 172, 21.6.2000
— Special Report No 9/2001 on the training and mobility of researchers programme	OJ C 349, 10.12.2001
— Special Report No 2/2002 on the Socrates and Youth for Europe Community action programmes	OJ C 136, 7.6.2002
— Special Report No 11/2003 concerning the Financial Instrument for the Environment (LIFE)	OJ C 292, 2.12.2003
— Special Report No 1/2004 on the management of indirect RTD actions under the fifth framework programme (FP5) for research and technological development (1998 to 2002)	OJ C 99, 23.4.2004
<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
— Special Report No 2/2000 on aid given by the European Union to Bosnia-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

Title	Publication
— 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
— 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 and OJ C 159, 3.7.2002
— Special Report No 3/2001 concerning the Commission's management of the International Fisheries Agreements	OJ C 210, 27.7.2001
— 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
— Special Report No 1/2002 concerning macrofinancial assistance (MFA) to third countries and structural adjustment facilities (SAF) in the Mediterranean countries	OJ C 121, 23.5.2002
— Special Report No 2/2003 on the implementation of the food security policy in developing countries financed by the general budget of the European Union	OJ C 93, 17.4.2003
— Special Report No 5/2003 concerning PHARE and ISPA funding of environmental projects in the candidate countries	OJ C 167, 17.7.2003
— Special Report No 6/2003 concerning twinning as the main instrument to support institution-building in candidate countries	OJ C 167, 17.7.2003
— Special Report No 8/2003 concerning the execution of infrastructure work financed by the EDF	OJ C 181, 31.7.2003
— Special Report No 10/2003 concerning the effectiveness of the Commission's management of development assistance to India in targeting the poor and ensuring sustainable benefits	OJ C 211, 5.9.2003
— Special Report No 15/2003 concerning the audit of microproject programmes financed by the EDF	OJ C 63, 11.3.2004
— Special Report No 5/2004 concerning Phare support to prepare Candidate Countries for managing the Structural Funds	Being published

Administrative expenditure

— Special Report No 5/2000 on the Court of Justice's expenditure on buildings (annex buildings Erasmus, Thomas More and Annex 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
— Special Report No 3/2003 on the invalidity pensions scheme of the European institutions	OJ C 109, 7.5.2003

Title	Publication
<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 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	
<i>Financial statements of the ECSC</i>	
— Report on the financial statements of the ECSC at 31 December 1998	OJ C 240, 25.8.1999
— 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 ECSC at 31 December 2000	OJ C 185, 30.6.2001 and OJ C 363, 19.12.2001
— Report on the financial statements of the ECSC at 31 December 2001	OJ C 158, 3.7.2002
— Report on the financial statements of the ECSC at 23 July 2002	OJ C 127, 29.5.2003
<i>ECSC Annual Report</i>	
— Annual Report on the ECSC for the financial year 1998	OJ C 338, 25.11.1999
— Annual Report on the ECSC for the financial year 1999	OJ C 347, 4.12.2000
— Annual Report on the ECSC for the financial year 2000	OJ C 366, 20.12.2001
— Annual Report and Statement of Assurance concerning the ECSC for the financial year 2001	OJ C 302, 5.12.2002
— Annual Report and Statement of Assurance concerning the ECSC for the financial year ended 23 July 2002	OJ C 224, 19.9.2003
<i>Euratom Supply Agency</i>	
— Report on the 1998 accounts of the Euratom Supply Agency	Not published in OJ
— Report on the financial statements of the Euratom Supply Agency for the financial year 1999	Not published in OJ
— 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 statements of the Euratom Supply Agency for the financial year 2001	Not published in OJ
— Report on the financial statements of the Euratom Supply Agency for the financial year 2002	Not published in OJ
— Report on the annual accounts of the Euratom Supply Agency for the financial year 2003	Not published in OJ

Title	Publication
<i>Joint European Torus (JET)</i>	
— Report on the 1998 JET financial statements	Not published in OJ
— Report on the 1999 accounts of the JET joint undertaking	Not published in OJ
— Report on the 2000 accounts of the JET joint undertaking	Not published in OJ
— Report on the 2001 accounts of the JET joint undertaking	Not published in OJ
<i>European Foundation for the Improvement of Living and Working Conditions (Dublin Foundation)</i>	
— 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 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 European Foundation for the Improvement of Living and Working Conditions (Dublin Foundation) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2003	Being published
<i>European Centre for the Development of Vocational Training (Cedefop, Thessaloniki)</i>	
— 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 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 Centre for the Development of Vocational Training (Cedefop, Thessaloniki) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Centre for the Development of Vocational Training for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the European Centre for the Development of Vocational Training for the financial year 2002	OJ C 319, 30.12.2003
— Report on the financial statements of the European Centre for the Development of Vocational Training for the financial year 2003	Being published

Title	Publication
<i>European Schools</i>	
— Report on the accounts of the European School for the financial year 1998	Not published in OJ
— Report on the financial statements of the European Schools for the financial year ended 31 December 1999	Not published in OJ
— Report on the financial statements of the European Schools for the financial year ended 31 December 2000	Not published in OJ
— Report on the financial statements of the European Schools for the financial year 2001	Not published in OJ
— Report on the financial statements of the European Schools for the financial year 2002	Not published in OJ
— Report on the annual accounts of the European Schools for the financial year 2003	Not published in OJ
<i>European Monetary Institute and European Central Bank</i>	
— 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 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 audit of the operational efficiency of the management of the European Central Bank for the financial year 2000	OJ C 341, 4.12.2001
— Report on the audit of the operational efficiency of the management of the European Central Bank for the financial year 2001	OJ C 259, 25.10.2002
— Report on the audit of the operational efficiency of the management of the European Central Bank for the financial year 2002	OJ C 45, 20.2.2004
— Report on the audit of the operational efficiency of the management of the European Central Bank for the financial year 2003	OJ C 286, 23.11.2004
<i>Management of the 'Schengen contracts'</i>	
— 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 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
— 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 functioning of the help desk server of the Management Unit and of the Sirene Network Phase II (Schengen contracts) for the financial year ended 31 December 2000	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 functioning of the help desk server of the management unit and of the Sirene Network Phase II (Schengen contracts) for the financial year ended 31 December 2001	Not published in OJ
— Special Annual Report on the 2002 financial statements relating to the 'Schengen contracts'	Not published in OJ

Title	Publication
<i>Management of 'Sisnet contracts'</i>	
— 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
— 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 2001	Not published in OJ
— Special Annual Report on the 2002 financial statements relating to 'Sisnet'	Not published in OJ
— Special Annual Report on the 2003 financial statements relating to 'Sisnet'	Not published in OJ
<i>Community Plant Variety Office (CPVO, Angers)</i>	
— 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 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 Community Plant Variety Office (CPVO-Angers) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the Community Plant Variety Office for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the Community Plant Variety Office for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the Community Plant Variety Office for the financial year 2003	Being published
<i>Office for Harmonization in the Internal Market (OHIM-Alicante)</i>	
— Report on the financial statements of the Office for Harmonization 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 Office for Harmonization 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 Office for Harmonization in the Internal Market (OHIM-Alicante) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the Office for Harmonization in the Internal Market for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the Office for Harmonization in the Internal Market for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the Office for Harmonization in the Internal Market for the financial year 2003	Being published

Title	Publication
<i>European Agency for Safety and Health at Work (EASH-Bilbao)</i>	
— 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 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 Agency for Safety and Health at Work (EASH-Bilbao) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Agency for Safety and Health at Work for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the European Agency for Safety and Health at Work for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the European Agency for Safety and Health at Work for the financial year 2003	Being published
<i>European Environment Agency (EEA, Copenhagen)</i>	
— 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 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 Environment Agency (EEA-Copenhagen) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Environment Agency for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the European Environment Agency for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the European Environment Agency for the financial year 2003	Being published
<i>European Monitoring Centre for Drugs and Drug Addiction (EMCDDA-Lisbon)</i>	
— 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
— Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA-Lisbon) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— 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	OJ C 372, 28.12.2001
— Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the European Monitoring Centre for Drugs and Drug Addiction for the financial year 2003	Being published

Title	Publication
<i>European Agency for the Evaluation of Medicinal Products (EAEMP-London)</i>	
— 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 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 European Agency for the Evaluation of Medicinal Products (EAEMP)-London) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Agency for the Evaluation of Medicinal Products concerning the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the European Agency for the Evaluation of Medicinal Products concerning the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the European Agency for the Evaluation of Medicinal Products concerning the financial year 2003	Being published
<i>Translation Centre for Bodies of the European Union (TCBEU-Luxembourg)</i>	
— Report on the financial statements of the Translation Centre for 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 Translation Centre for 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 Translation Centre for Bodies of the European Union (TCBEU-Luxembourg) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the Translation Centre for Bodies of the European Union for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the Translation Centre for Bodies of the European Union for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the Translation Centre for Bodies of the European Union for the financial year 2003	Being published
<i>European Training Foundation (ETF-Turin)</i>	
— 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 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 European Training Foundation (ETF-Turin) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Training Foundation for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the European Training Foundation for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the European Training Foundation for the financial year 2003	Being published

Title	Publication
<i>European Monitoring Centre on Racism and Xenophobia (Vienna)</i>	
— Report on the financial statements of the European Monitoring Centre on Racism and Xenophobia (Vienna) for the period from 1 May to 31 December 1998	OJ C 372, 22.12.1999
— 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 Monitoring Centre on Racism and Xenophobia (Vienna) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Monitoring Centre on Racism and Xenophobia for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the European Monitoring Centre on Racism and Xenophobia for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the European Monitoring Centre on Racism and Xenophobia for the financial year 2003	Being published
<i>European Agency for Reconstruction (Thessaloniki)</i>	
— Report on the financial accounts of the European Agency for Reconstruction and the implementation of aid for Kosovo for the year 2000	OJ C 355, 13.12.2001
— Report on the financial statements of the European Agency for Reconstruction for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the European Agency for Reconstruction for the financial year 2002	OJ C 319, 30.12.2003
<i>European Maritime Safety Agency</i>	
— Report on the annual accounts of the European Maritime Safety Agency for the financial year 2003	Being published
<i>European Aviation Safety Agency</i>	
— Report on the annual accounts of the European Aviation Safety Agency for the financial year 2003	Being published
<i>European Food Safety Authority</i>	
— Report on the annual accounts of the European Food Safety Authority for the financial year 2003	Being published

Title	Publication
<i>Eurojust</i>	
— Report on the financial statements of Eurojust for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of Eurojust for the financial year 2003	Being published

Convention

- Report on the accounts drawn up by the Secretary-General of the Convention on the future of the European Union for the financial year 2002 (started on 21 February and ended on 31 December 2002) OJ C 122, 22.5.2003
- Report on the accounts drawn up by the Secretary-General of the Convention on the future of the European Union for the financial year ended 31 December 2003 OJ C 157, 14.6.2004

Galileo Joint Undertaking

- Report on the accounts of the Galileo Joint Undertaking for the financial year ended 31 December 2003 Not published in OJ

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 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 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 OJ C 310, 28.10.1999
- Opinion No 9/99 on a proposal for a Council Regulation (EC) on budgetary discipline OJ C 334, 23.11.1999

Title	Publication
— 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	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
— 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 Harmonization in the Internal Market (OHIM-Alicante)	Not published in OJ
— Opinion No 6/2001 concerning a draft Commission Regulation (Euratom, ECSC, EC) amending Commission Regulation 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
— Opinion No 8/2001 on a proposal for a Council Regulation laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes	OJ C 345, 6.12.2001
— Opinion No 9/2001 on a proposal for a Directive of the European Parliament and of the Council on the criminal-law protection of the Community's financial interests (ref. 2001/0115 (COD — COM (2001) 272 final)	OJ C 14, 17.1.2002
— Opinion No 1/2002 on a proposal to amend the financial regulation of the Office for Harmonization in the Internal Market (OHIM-Alicante)	Not published in OJ
— Opinion No 2/2002 on an amended proposal for a Council Regulation on the Financial Regulation applicable to the general budget of the European Communities	OJ C 92, 17.4.2002

Title	Publication
— Opinion No 3/2002 concerning a proposal for the Financial Regulation applicable to the budget of Eurojust	Not published in OJ
— Opinion No 4/2002 on an amended proposal for a Council Regulation amending regulation (Euratom, ECSC, EC) 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 225, 20.9.2002
— Opinion No 5/2002 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 236, 1.10.2002
— Opinion No 6/2002 on a proposal for a Council Regulation introducing special measures to terminate the service of officials of the General Secretariat of the Council of the European Union	OJ C 236, 1.10.2002
— Opinion No 7/2002 on an amended proposal for a Council Regulation introducing special measures to terminate the service of European Parliament officials and temporary staff working in the political groups	OJ C 236, 1.10.2002
— Opinion No 8/2002 concerning a proposal for a revised Financial Regulation applicable to the budget of the European Agency for Reconstruction	Not published in OJ
— Opinion No 9/2002 concerning the financing of the common agricultural policy	OJ C 285, 21.11.2002
— Opinion No 10/2002 on a Commission proposal for amendment of the constituent acts of Community bodies following the adoption of the new Financial Regulation	OJ C 285, 21.11.2002
— Opinion No 11/2002 on a proposal for a Commission regulation on the framework financial regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget	OJ C 12, 17.1.2003
— Opinion No 12/2002 on the proposal for a Council regulation on a Financial Regulation applicable to the ninth European Development Fund under the ACP/EU Partnership Agreement signed at Cotonou on 23 June 2000	OJ C 12, 17.1.2003
— Opinion No 13/2002 concerning a draft Commission Regulation laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities	OJ C 12, 17.1.2003
— Opinion No 14/2002 on a proposal for a Council Regulation amending the Staff Regulations of officials and the Conditions of employment of other servants of the European Communities	OJ C 21, 28.1.2003
— Opinion No 1/2003 on a proposal for a regulation for the Budget Committee of the Office for Harmonization in the Internal Market (Trade Marks and Designs) Laying down the financial provisions applicable to the Office (Financial Regulation)	Not published in OJ
— Opinion No 2/2003 on a proposal for a regulation of the Administrative Council of the Community Plant Variety Office laying down the financial provisions applicable to the Office (Financial Regulation)	Not published in OJ
— Opinion No 3/2003 concerning the draft financial regulation of the European Food Safety Authority	Not published in OJ
— Opinion No 4/2003 concerning a draft financial regulation applicable to the Translation Centre for bodies of the European Union	Not published in OJ

Title	Publication
— Opinion No 5/2003 on a proposal for a Council Regulation introducing, on the occasion of the accession of Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia, special temporary measures for recruitment of officials of the European Communities	OJ C 224, 19.9.2003
— Opinion No 6/2003 concerning the draft financial regulation of the European Agency for the Evaluation of Medicinal Products	Not published in OJ
— Opinion No 7/2003 on a proposal for a Council regulation amending Regulation (EC, Euratom) No 1150/2000 implementing Decision 2000/597/EC, Euratom on the system of the Communities' own resources	OJ C 318, 30.12.2003
— Opinion No 8/2003 on a proposal for a decision of the European Parliament and of the Council establishing a Community action programme to promote activities in the field of the protection of the Community's financial interests	OJ C 318, 30.12.2003
— Opinion No 9/2003 on a draft Commission regulation on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes	OJ C 19, 23.1.2004
— Opinion No 10/2003 on a proposal for a Council regulation amending Regulation (EC, Euratom) No 2728/94 establishing a Guarantee Fund for external actions	OJ C 19, 23.1.2004
— Opinion No 1/2004 on an amended proposal for a Council Regulation amending the Staff Regulations of officials and the Conditions of Employment of other servants of the European Communities	OJ C 75, 24.3.2004
— Opinion No 2/2004 on the 'single audit' model (and a proposal for a Community internal control framework)	OJ C 107, 30.4.2004