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REPORT

on granting discharge to the Commission in respect of the implementation of the budget of the European Coal and Steel Community (ECSC) for the 1998 financial year
(C5-0153/2000 – 2000/2077(DEC))

Committee on Budgetary Control

Rapporteur: Bashir Khanbhai

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PROCEDURAL PAGE

By letter of 31 June 1999 the Court of Auditors submitted to Parliament, pursuant to Articles 45 and 78g of the ECSC Treaty, the Court of Auditors' report on the financial statements of the ECSC at 31 December 1998 (2000/2077(DEC)).

By letter of 28 October 1999 the Court of Auditors submitted to Parliament, pursuant to Article 45c of the ECSC Treaty, the annual report on the ECSC for the financial year 1998 (including the Statement of assurance concerning the ECSC), together with the Commission's replies.

At the sitting of 29 March 2000 the President of Parliament will announce that she had forwarded these documents to the Committee on Budgetary Control as the committee responsible (C5-0153/2000).

The Committee on Budgetary Control appointed Bashir Khanbhai rapporteur at its meeting of 23 February 2000.

At its meetings of 13 March and 22 March 2000 it considered the draft report.

At the latter meeting it adopted:

the proposal for a decision granting discharge to the Commission in respect of the implementation of the budget of the ECSC for the 1998 financial year by 16 votes to 0 with 1 abstention,

the proposal for a decision closing the accounts in respect of the implementation of the budget of the ECSC for the 1998 financial year by 16 votes to 0 with 1 abstention,

and the motion for a resolution containing the comments accompanying the decision to grant discharge to the Commission in respect of the implementation of the budget of the ECSC for the 1998 financial year by 16 votes to 0, with 1 abstention.

The following were present for the vote: Diemut R. Theato, chairman; Herbert Bösch and Freddy Blak, vice-chairmen; Jean-Louis Boursanges (for Raffaele Costa), Mogens Camre (for Isabelle Caullery), Anne Ferreira, Salvador Garriga Polledo (for Thierry B. Jean-Pierre), Brigitte Langenhagen, Mair Eluned Morgan, Jan Mulder (for Lousewies van der Laan), Giovanni Saverio Pittella (for Helmut Kuhne), José Javier Pomés Ruiz, Heide Rühle (for Claude Turmes), Bart Staes, Gabriele Stauner, Michiel van Hulten, Kyösti Tapio Virrankoski (for Antonio Di Pietro).

The explanatory statement will be presented orally in plenary sitting.

The report was tabled on 28 March 2000.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

I. PROPOSAL FOR A DECISION

Decision of the European Parliament on granting discharge to the Commission in respect of the implementation of the budget of the European Coal and Steel Community (ECSC) for the 1998 financial year

(C5-0153/2000 – 2000/2077(DEC))

The European Parliament,

- having regard to the Court of Auditors' report on the financial statements of the ECSC at 31 December 1998,¹
 - having regard to the Court of Auditors' Annual Report on the ECSC for the financial year 1998 (including the statement of assurance concerning the ECSC), and the Commission's replies², (C5-0153/2000)
 - having regard to the special report³ of the Court of Auditors on the management and control of interest-rate subsidies by the Commission,
 - having regard to the ECSC Treaty, and in particular Article 78g thereof,
 - having regard to Rule 93 and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0092/2000),
1. Proposes granting discharge to the Commission in respect of management of the ECSC for the 1998 financial year, but requires the following reports to be submitted before 15 August 2000:
 - (a) a report by OLAF on the follow-up to allegations of fraud communicated in November 1998 to the Commission and transmitted to the Guardia di Finanza in Italy in October 1999
 - (b) an evaluation report by the Commission on buildings acquired from funds of the ECSC, including criteria used and explanations as to why and how buildings were acquired and disposed of
 - (c) an evaluation report by the Commission on loans granted to officials from funds of the ECSC including criteria used and explanations as to who decided on the granting of loans and the category and nationality of officials who benefited from loans;
 2. Instructs its President to forward this decision and the resolution containing its comments to the Commission, the Council, the Court of Auditors, the ECSC Consultative Committee and each of the other institutions and to have them published in the Official Journal (L series).

¹ OJ C240, 25.8.1999

² OJ C338, 25.11.1999

³ OJ C217, 29.7.1999

II. PROPOSAL FOR A DECISION

Decision of the European Parliament closing the accounts in respect of the implementation of the budget of the European Coal and Steel Community (ECSC) for the 1998 financial year

(C5-0153/2000 – 2000/2077(DEC))

The European Parliament,

- having regard to the Court of Auditors' report on the financial statements of the ECSC at 31 December 1998,⁴
 - having regard to the Court of Auditors' Annual Report on the ECSC for the financial year 1998 (including the statement of assurance concerning the ECSC), and the Commission's replies⁵, (C5-0153/2000)
 - having regard to the ECSC Treaty, and in particular Article 78g thereof,
 - having regard to Rule 93 and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0092/2000),
1. Notes that the ECSC balance sheet, profit and loss accounts and implementation of the ECSC operating budget for the 1998 financial year amounted to:

⁴ OJ C240, 25.8.1999

⁵ OJ C338, 25.11.1999

ECSC BALANCE SHEET AT 31 DECEMBER 1998

ASSETS

	(all figures in €)	31 December 1998	31 December 1997
Balance with central banks		27 373	555 027
Loans/advances to credit institutions		1 655 753 225	2 120 510 437
Loans/advances to customers		1 680 676 255	1 925 994 228
Bonds/other fixed income securities		1 559 191 292	1 623 506 318
Tangible and intangible assets		1 293 461	2 623 844
Other assets		8 083 389	87 399 574
Prepayments and accrued income		121 505 439	169 427 311
		<hr/>	<hr/>
TOTAL ASSETS		5 026 530 434	5 930 016 739
Off balance sheet commitments		372 924 076	590 786 635

LIABILITIES

	(all figures in €)	31 December 1998	31 December 1997
Amounts owed to credit institutions		1 847 547 032	2 277 710 073
Debts evidenced by certificates		958 179 659	1 359 610 749
Other liabilities		29 591 303	12 788 060
Accruals and deferred income		93 919 208	121 190 289
Provisions for liabilities and charges		122 906 181	87 376 377
Commitments for ECSC operating budget		695 662 822	853 779 193
		<hr/>	<hr/>
Total liabilities vis-à-vis third parties		3 747 806 205	4 712 454 741
Provisions for financing operating budget		476 042 442	441 712 926
Provisions for large exposures		23 000 000	27 000 000
Reserves		777 340 723	745 678 210
Value adjustment reserve		0	313 119
Surplus brought forward		1 195 230	537 606
Surplus for the financial year		1 145 834	2 320 137
		<hr/>	<hr/>
Net total		1 278 724 229	1 217 561 998
		<hr/>	<hr/>
TOTAL LIABILITIES		5 026 530 434	5 930 016 739
Off balance sheet commitments		497 605 519	712 444 915

PROFIT AND LOSS ACCOUNTS FOR YEAR ENDING 31 DECEMBER 1998

CHARGES

	(all figures in €) 31 December 1998	31 December 1997
Interest payable and similar charges	232 061 730	331 419 509
Commissions payable	561 449	844 743
Net losses on financial operations	73 457 022	15 931 380
Administrative expenditure	5 000 000	5 000 000
Value adjustments (tangible assets)	407 994	573 251
Other operating charges	267 708	382 650
Value adjustments (loans/advances/provisions)	62 437 283	9 190 689
Total operating charges	374 193 186	363 342 222
Extraordinary charges	137 845	580 380
Conversion difference	2 735 343	746 892
Legal commitments for the financial year	153 992 955	180 869 553
Allocation to provision for operating budget	26 000 000	274 000 000
Allocation to the guarantee fund	30 000 000	31 256 356
Total charges	587 059 329	850 795 403
Surplus for the financial year	1 145 834	2 320 137
TOTAL	588 205 163	853 115 540

INCOME

	(all figures in €) 31 December 1998	31 December 1997
Interest received and similar income	346 079 959	420 240 962
Net profit on financial operations	24 526 800	13 235 896
Value adjustment (loans/advances/provisions)	67 963 378	46 198 844
Other operating income	2 729 291	22 507 685
Total operating income	441 321 690	502 183 387
Withdrawal from the value adjustment reserve	313 119	746 892
Income relating to operating budget	146 570 354	301 054 072
Transfer from provision for operating budget	0	49 131 189
TOTAL INCOME	588 205 163	853 115 540

IMPLEMENTATION OF THE ECSC OPERATING BUDGET

OUT-TURN

	(all figures in €)	31 December 1998	31 December 1997
<u>Expenditure</u>			
Administrative expenditure		5 000 000	5 000 000
Legal commitments		153 992 955	180 869 553
Financing of future operational budgets		26 000 000	274 000 000
Total		184 992 955	459 869 553
<u>Revenue</u>			
Levy		0	101 640 567
Fines		6 686 169	0
Interest subsidies		4 808 477	4 168 145
Miscellaneous		831 970	0
Cancellations of legal commitment		134 243 738	195 235 395
Surplus from previous budget		0	49 131 189
Net balance for the year		38 422 601	109 694 257
Total		184 992 955	459 869 553
BUDGET OUT-TURN		0	0

RESULT FOR FINANCIAL YEAR

	(all figures in €)	31 December 1998	31 December 1997
Result from non-budgetary operations after deducting the net balance allocated to the operating budget		31 145 834	33 576 493
Out-turn of the budget		0	0
Total		31 145 834	33 576 493
Allocation to provision for operating budget		0	0
Allocation to the Guarantee Fund		-30 000 000	- 31 256 356
RESULT BEFORE ALLOCATION		1 145 834	2 320 137

2. Closes the accounts relating to the implementation of the general budget of the ECSC for the 1998 financial year;

3. Instructs its President to forward this decision and the resolution containing its comments to the Commission, the Council, the Court of Justice, the Court of Auditors and the European Investment Bank and to have it published in the 'Legislation' series of the Official Journal of the European Communities.

III. MOTION FOR A RESOLUTION

Resolution of the European Parliament containing the comments accompanying the decision to grant discharge to the Commission in respect of the implementation of the budget of the European Coal and Steel Community (ECSC) for the 1998 financial year (C5-0153/2000 – 2000/2077(DEC))

The European Parliament,

- having regard to the Court of Auditors' report on the financial statements of the ECSC at 31 December 1998,⁶
 - having regard to the Court of Auditors' Annual Report on the ECSC for the financial year 1998 (including the statement of assurance concerning the ECSC), and the Commission's replies⁷, (C5-0153/2000)
 - having regard to the special report⁸ of the Court of Auditors on the management and control of interest-rate subsidies by the Commission,
 - having regard to Article 78g and Article 97 of the ECSC Treaty,
 - having regard to Rule 93 and Annex V of its Rules of Procedure
 - having regard to the report of the Committee on Budgetary Control (A5-0092/2000),
- A. whereas Article 2 of the ECSC Treaty lays down objectives of economic expansion, growth of employment and a rising standard of living,
- B. whereas in 1998, under a climate of very low market prices and a depressed freight market, coal restructuring in Germany and the effects of liberalisation of the electricity and gas markets in the United Kingdom, EU production of hard coal fell by 12% from the previous year to 107 million tonnes,
- C. whereas in its special report⁹ on the management and control of interest-rate subsidies by the Commission, the Court of Auditors concluded that, with regard to measures to create jobs under Article 56 of the ECSC Treaty, subsidies had almost no real impact and were more like a windfall for the beneficiaries,
- D. whereas in 1998, depressed demand from Asia due to the economic crisis, resulted in a slow down in the demand for steel in the motor industry, mechanical and electrical engineering but slow improvements in the buildings industry, resulting in production of 160 million tonnes,

⁶ OJ C240, 25.8.1999

⁷ OJ C338, 25.11.1999

⁸ OJ C217, 29.7.1999

⁹ Special Report No 3/99, OJ C 217, 29.7.1999, paragraph 3.11

- E. whereas the balance sheet of the ECSC declined by €903 million from the previous year to €5.027 billion, with 56.4% as loans and 39.1% as liquid assets,
- F. whereas the balance sheet reported that in comparison with the previous year, Off balance sheet commitments received fell from €590 million to €372 million, commitments given fell from €712 million to €497 million, whereas Other assets fell from €87 million to €8 million, of which €5.4 million constituted loans to officials, whereas Other liabilities rose from €12 million to €29 million, whereas Provisions for liabilities and charges rose from €87 million to €122 million,
- G. whereas the profit and loss account posted a fall of €264 million from the previous year to €588 million, whilst on the Charges side, Net losses on financial operations rose from €15 million to €73 million, Value adjustments (loans, advances, provisions) rose from €9 million to €62 million and Allocations to provision for the operating budget fell from €274 million to €26 million, whilst on the Income side, Interest received fell from €420 million to €345 million and Income relating to the ECSC operating budget fell from €301 million to €146 million,
- H. whereas the Budget Out-turn indicated a fall from €459 million in the previous year to €184 million, with fines rising from 0 to €6 million, and the Net balance for the year falling from €109 million to €38 million,
- I. whereas from 1 January 1998, the Commission reduced the levy on coal and steel products to 0%, deciding to divide up its resources between social and research aid,
- J. whereas in the run up to the expiry of the ECSC Treaty on 23 July 2002, its solvency ratio increased from 28.3% at the end of 1997 to 32.8%, a step closer to the stated goal of 100%, due to an increase in the Guarantee Fund and a substantial decrease in the volume of outstanding loans,
- K. whereas the resolution of the European Council on growth and employment adopted in Amsterdam on 16 and 17 June 1997 and the Council resolution of 21 June 1999 on the future of the ECSC call for the revenues of outstanding reserves to be used for a research fund for sectors related to the coal and steel industries,
- L. whereas under current forecasts the Commission estimates that reserves for the ECSC to use for funding research will amount to €1.1 billion in 2002,
- M. whereas the Directorates-General for Economic and Financial Affairs, Research, Energy and Transport, Employment and Budget jointly manage the operating budget of the ECSC resulting during the course of 1998 in total expenditure of €185 million, with €84 million allocated as aid for research, €43 million for aid for redeployment, and €27 million for social measures for coal,
- N. whereas it appears that the Commission has not yet fully enacted Parliament's recommendations laid down in its discharge resolution for financial year 1997¹⁰, when Parliament called for outstanding legal problems to be solved in the disposal of buildings

¹⁰ A4-03132/99, 4 May 1999

acquired by the ECSC with excess funds, in Lisbon and Milan in 1986, Canberra in 1987 and Windhoek in 1992,

- O. whereas the last independent assessment and evaluation of direct financial returns on ECSC steel research programmes carried out between 1981 and 1990 was commissioned in June 1994,
- P. whereas the Annual Report on the ECSC for the financial year 1998 was adopted by the Court of Auditors on 22 and 23 September 1999,
- Q. whereas, since the adoption of the Merger Treaty, only a small part (equivalent to a flat rate) of the administrative expenses arising from the research activities of the ECSC is financed from the budget in question, while the major part of the expenses is paid out of the general budget and whereas, with a view to the expiry of the Treaty, an assessment of real staffing needs and a reorganisation of the Commission's services must be undertaken,
- R. whereas the Court of Auditors concludes that the financial statements of the ECSC at 31 December 1998 give an accurate picture of the assets, of the financial situation and of the results of its operations for the financial year ending at the same date,
- S. whereas the Court of Auditors states that the legality and regularity of the transactions, on the whole, are adequately guaranteed and therefore proposes a positive statement of assurance,

Independent appraisal of the added-value of the ECSC

- 1. Is deeply concerned that the Court of Auditors has concluded in its special report on the management and control of interest-rate subsidies by the Commission, that subsidies had almost no real impact on the creation of jobs under programmes launched under Article 56 of the ECSC Treaty,
- 2. Calls on the Commission before the expiry of the ECSC Treaty on 23 July 2002 to appraise the impact of the ECSC in meeting objectives of economic expansion, growth of employment and a rising standard of living laid down in the Treaty;
- 3. Notes that the Commission, in accordance with the ECSC Treaty, has individualised the social aid measures and research support measures;

Prudent approach to winding down the ECSC

- 4. Calls on the Commission to assure Parliament that steps have been taken to raise the solvency ratio from the level of 32.8% on 31 December 1998, to the level of 100% before 23 July 2002;
- 5. Notes the strength of the balance sheet of the ECSC which stood at €5.027 billion at the end of 1998, but is concerned by the management of loans and the effective use of liquid assets;

Handover plan for successor of ECSC

6. Observes that although in 1997 the Amsterdam European Council on growth and employment called for the revenues of outstanding reserves to be used for research after the expiry of the ECSC Treaty, a decision confirmed in the resolution adopted by the Council on 21 June 1999; stresses in consequence the need to establish effective systems to monitor the quality of projects and contracts in the area of coal and steel with a view to the activities of the future research fund;
7. Calls upon the Commission to present an independent report evaluating the ECSC's research activities with a view to the continuation of these activities after the expiry of the ECSC Treaty, using the ECSC's accumulated reserves;
8. Calls for the Commission to publish criteria against which research projects in the coal and steel area are selected, monitored and appraised;
9. Calls for greater coordination between the various directorates-general jointly managing the operating budget of the ECSC and calls for a rationalisation of the various services who will be responsible for the management of funds upon the expiry of the Treaty;
10. Reminds the Commission of the resolutions it adopted on 28 October 1999 on the operational budget of the ECSC and the budget of the European Union, in which it called on the Commission to carry out an assessment of real staffing needs with a view to the expiry of the ECSC Treaty, and, in consequence, a reorganisation of the directorates-general concerned, as well as to present Parliament with a report on the subject;

State of play of previous recommendations

11. Regrets the absence of a full reply from the Commission to the recommendations contained in the European Parliament's resolution on the discharge in respect of the 1997 financial year, and calls on the Commission to take appropriate and vigorous measures to follow these recommendations within the shortest possible time;

Winding up of the ECSC

12. Reminds the Commission that Parliament will continue to monitor the effective use of taxpayers' money in the operations of the ECSC,
13. Instructs its President to forward this resolution to the Commission, the Council, the Court of Justice, the Court of Auditors and the European Investment Bank.