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REPORT

on giving discharge to the Commission in respect of the implementation of the budget of the European Coal and Steel Community (ECSC) for the 2001 financial year
(C5-0556/2002 – 2002/2185(DEC))

Committee on Budgetary Control

Rapporteur: Brigitte Langenhagen

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PROCEDURAL PAGE

By letter of 17 June 2002 the Court of Auditors submitted to the European Parliament, pursuant to Articles 78d and 45c of the ECSC Treaty, its report on the financial statements of the ECSC as at 31 December 2001 (2002/2185(DEC)).

By letter of 7 November 2002 the Court of Auditors submitted to the European Parliament, pursuant to Article 45c of the ECSC Treaty, its annual report on the ECSC for the 2001 financial year (including the Statement of Assurance concerning the ECSC), together with the Commission's replies.

At the sitting of 4 December 2002 the President of Parliament announced that he had forwarded these documents to the Committee on Budgetary Control as the committee responsible (C5-0556/2002).

At its meeting of 4 November 2002 the Committee on Budgetary Control had appointed Brigitte Langenhagen rapporteur.

It considered the draft report at its meetings of 19 February and 19 March 2003.

At the latter meeting it adopted

1. the proposal for a decision on giving discharge to the Commission in respect of the implementation of the budget of the European Coal and Steel Community (ECSC) for the 2001 financial year by 13 votes to 3.
2. the motion for a resolution containing the observations which form an integral part of the Decision giving discharge to the Commission in respect of the implementation of the budget of the European Coal and Steel Community for the 2001 financial year by 13 votes to 3.

The following were present for the vote: Diemut R. Theato, chairman; Freddy Blak and Herbert Bösch, vice-chairmen; Brigitte Langenhagen, rapporteur; María Antonia Avilés Perea, Juan José Bayona de Perogordo, Mogens N.J. Camre, Christopher Heaton-Harris, Renzo Imbeni (for Michiel van Hulten), Helmut Kuhne, John Joseph McCartin (for Generoso Andria), Francisca Sauquillo Pérez del Arco (for Eluned Morgan), Ole Sorensen, Bart Staes, Gabriele Stauner and Jeffrey William Titford.

The explanatory statement will be presented orally in plenary sitting.

The report was tabled on 27 March 2003.

PROPOSAL FOR A DECISION

1. Decision of the European Parliament giving discharge to the Commission in respect of the implementation of the budget of the European Coal and Steel Community (ECSC) for the 2001 financial year (C5-0556/2002 – 2002/2185(DEC))

The European Parliament,

- having regard to the report of the Court of Auditors on the financial statements of the ECSC as at 31 December 2001¹,
 - having regard to the Court of Auditors' Annual Report (including the Statement of Assurance concerning the ECSC) for the financial year 2001, together with the Commission's replies (C5-0556/2002)²,
 - having regard to the ECSC Treaty and, in particular, to Article 78g thereof,
 - having regard to Rules 93 and 93a of and Annex V to its Rules of Procedure,
 - having regard to the Council Recommendation of 7 March 2003 (C5-0087/2003),
 - having regard to the report of the Committee on Budgetary Control (A5-0068/2003),
1. Gives the Commission discharge in respect of the implementation of the budget of the ECSC on the basis of the figures shown in the annex below relating to the implementation of the ECSC operating budget for the 2001 financial year;
 2. Records its observations in the attached resolution;
 3. Instructs its President to forward this Decision, together with the resolution containing its observations which forms an integral part thereof, to the Commission, the Council, the Court of Justice, the Court of Auditors, the Economic and Social Committee and the European Investment Bank and to have them published in the Official Journal (L series).

¹ OJ C 158, 3.7.2002.

² OJ C 302, 5.12.2002.

MOTION FOR A RESOLUTION

**2. Resolution of the European Parliament containing the observations which form an integral part of the Decision giving discharge to the Commission in respect of the implementation of the budget of the European Coal and Steel Community for the 2001 financial year
(C5-0556/2002 – 2002/2185(DEC))**

The European Parliament,

- having regard to Articles 78g and 97 of the ECSC Treaty,
- having regard to the Protocol on the financial consequences of the expiry of the ECSC Treaty and on the Research Fund for coal and steel¹ annexed to the Treaty establishing the European Community approved in Nice on 26 February 2001,
- having regard to Article 89(7) of the Financial Regulation of 21 December 1977 and to Article 147(1) of the Financial Regulation of 25 June 2002, pursuant to which ‘all the Community institutions shall take all appropriate steps to act on the observations accompanying the [European Parliament’s] discharge decision’,
- having regard to the ECSC Financial Report for the 2001 financial year, published by the European Commission’s Directorate-General for Economic and Financial Affairs (Financial Operations Service)²,
- having regard to the report of the Court of Auditors on the financial statements of the ECSC as at 31 December 2001³,
- having regard to the Court of Auditors’ Annual Report (including the Statement of Assurance concerning the ECSC) for the financial year 2001, together with the Commission’s replies (C5-0556/2002)⁴,
- having regard to the Joint Declaration of the European Parliament, the Council and the Commission concerning post-ECSC arrangements adopted on 21 November 2001 in the context of the ‘trialogue’ budgetary procedure (Council of the European Union)⁵,
- having regard to the Council Recommendation of 7 March 2003 (C5-0087/2003),
- having regard to the Council’s resolutions of 20 July 1998 and 21 June 1999⁶ concerning the expiry of the Treaty establishing the European Coal and Steel Community,
- having regard to the Decision taken by the Representatives of the Governments of the Member States, meeting within the Council, of 27 February 2002 on the financial

¹ OJ C 80, 10.3.2001, p. 67.

² ISBN 92-894-3735-9.

³ OJ C 158, 3.7.2002.

⁴ OJ C 302, 5.12.2002.

⁵ SN 4609/01 Rev 1.

⁶ OJ C 247, 7.8.1998 and OJ C 190, 7.7.1999, p. 1.

consequences of the expiry of the ECSC Treaty and on the research fund for coal and steel¹ in order to govern the administration of the 'ECSC in liquidation' until the entry into force of the Treaty of Nice, and having regard to the statements made in connection therewith by the Commission and the Representatives of the Governments of the Member States, meeting within the Council²,

- having regard to the Council Decision of 1 February 2003³ laying down implementing provisions for the Protocol on the financial consequences of the expiry of the ECSC Treaty and on the Research Fund for Coal and Steel annexed to the Treaty establishing the European Community,
 - having regard to the Council Decision of 1 February 2003⁴ laying down multiannual financial guidelines for managing the assets of the ECSC in liquidation and, on completion of the liquidation, of the Coal and Steel Research Fund,
 - having regard to the Council Decision of 1 February 2003⁵ laying down the multiannual technical guidelines for the research programme of the Research Fund for Coal and Steel,
 - having regard to the communication from the Commission to the Council, the European Parliament, the ECSC Consultative Committee, the Economic and Social Committee and the Committee of the Regions entitled 'Expiry of the ECSC Treaty – Financial activities after 2002'⁶,
 - having regard to the follow-up report of 3 February 2003 presented by the Commission to its report on the implementation of the budget of the ECSC for the 2000 financial year (A5-0079/2002),
 - having regard to Rules 93 and 93a of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0068/2003),
- A. whereas, in the light of the imminent expiry of the ECSC Treaty, the ECSC has not granted any new loans (from borrowed funds) since 1997, and whereas, as in the previous year, it did not engage in any borrowing activity in 2001, although, as at 31 December 2001, loans outstanding amounted to EUR 1 150 million from borrowed funds and EUR 117 million from own funds,
- B. whereas, in 2001, the ECSC continued to finance research and redeployment of workers with an additional EUR 77 million for the first and EUR 80 million for the second of these purposes from its operating budget and with a further commitment of EUR 27 million for the Rechar programme of social measures in the coal industry,

¹ OJ L 79, 22.3.2002, p. 42.

² OJ L 79, 22.3.2002, p. 60.

³ OJ L 29, 5.2.2003, p. 22.

⁴ OJ L 29, 5.2.2003, p. 25.

⁵ OJ L 29, 5.2.2003, p. 28.

⁶ COM(2000) 518 and COM(2001) 121.

- C. whereas, since 1 January 1998, the ECSC levy on coal and steel products, which had, until then, been one of the main resources of the ECSC budget, has been set by the Commission at 0%,
- D. whereas the ECSC's main sources of funding are now represented by the net balance from the management of the various reserves and the cancellation of commitments which have not been implemented,
- E. whereas the ECSC balance sheet, which has been in decline since 1997, shows a fall in 2001 of EUR 684 million compared with 2000, with loans to credit institutions and to customers representing 48.2% of total assets,
- F. whereas net losses on financial operations fell from EUR 24 million to EUR 12 million, and whereas interest received fell from EUR 249 million to EUR 215 million and net profit on financial transactions from EUR 26 million to EUR 19 million, with income relating to the ECSC operating budget also falling from EUR 75 million to EUR 65 million,
- G. whereas it was possible, as at 23 July 2002, to cover in full from reserves loans still outstanding which are not covered by guarantees from a Member State, and whereas the amount of those loans was calculated at EUR 580 million as at 31 December 2001 and was covered in full by the Guarantee Fund,
- H. whereas, as at 23 July 2002, the liquid assets administered by the ECSC stood at EUR 1.6 billion and the various reserves at EUR 945 million,
- I. whereas the resolution of the European Council on growth and employment adopted in Amsterdam on 16 and 17 June 1997 and the resolution of the European Council of 21 June 1999 on the future of the ECSC referred to above call for the revenues of outstanding reserves to be used for a research fund for activities related to the coal and steel industries,
- J. whereas the sum remaining after deduction of repayment of outstanding debt should be deemed to be 'own resources' in terms of the EU budget which should yield annual interest to the sum of approximately EUR 60 million, to be allocated to research related to the coal and steel industries (outside the Framework programme for research),
- K. whereas the expiry of the ECSC Treaty on 23 July 2002 entailed the complete disappearance of the ECSC's legal regime and procedures and the dissolution of the Consultative Committee set up by that Treaty,
- L. whereas the annual report on the ECSC for the financial year 2001 was adopted by the Court of Auditors on 6 June 2002,
- M. whereas the Court of Auditors concludes that the financial statements of the ECSC as at 31 December 2001 give a true and fair view of the assets and financial situation of the European Coal and Steel Community as at 31 December 2001 and of the results of its operations for the financial year ending on the same date,

- N. whereas the Court of Auditors notes that, on the whole, the legality and regularity of the transactions are adequately guaranteed and therefore proposes giving a positive Statement of Assurance,
1. Welcomes the progress made in connection with the cessation of the activities of the ECSC and, in particular, the Decision taken by the Representatives of the Governments of the Member States, meeting within the Council, of 27 February 2002 on the financial consequences of the expiry of the ECSC Treaty and on the research fund for coal and steel in order to govern the administration of the 'ECSC in liquidation' until the entry into force of the Treaty of Nice on 1 February 2003, thereby creating the requisite legal basis;
 2. Urges the Commission to publish, by the end of 2003 and in all the official languages, an overview of the work undertaken by the ECSC since it was established;
 3. Urges the Commission, further, to publish, by the end of 2003, an overall assessment of research originally funded by the ECSC, in particular an assessment of the coal research programme and the criteria proposed for the selection of new coal research projects, as has already been done for the steel sector; deems such assessments to be an essential basis for the work of the proposed new Research Fund for Coal and Steel;
 4. Notes that all of the loans outstanding after 23 July 2002 which are not covered by guarantees from a Member State will be covered in full by the ECSC reserves and acknowledges the strategy adopted by the European Commission of prudent financial management of the ECSC up to the expiry of the Treaty; notes that the same considerations must apply to the 'ECSC in liquidation';
 5. Notes the progress in reducing administrative costs reported in the document entitled 'Expiry of the ECSC Treaty: Impact on the Administrative Costs at the Commission' (submitted to the Committee on Budgetary Control by Commissioner Schreyer on 8 March 2001); calls, however, for this information and the estimates to be updated and calls on the Commission to inform Parliament at regular intervals of the outcome of its Annual Policy Strategy with regard to redeployment of those staff currently involved in administering the activities of the ECSC and/or of the 'ECSC in liquidation';
 6. Welcomes the progress made in transferring to the Economic and Social Committee (ESC) the experience acquired in the context of the ECSC and, in particular, the fact that the Economic and Social Committee's new Consultative Committee on Industrial Change (CCIC), which consists of members of the ESC and of delegates from the representative trade organisations from the coal and steel sector and from allied sectors, was established on 24 October 2002 and that it held its inaugural meeting on 28 November 2002; invites the CCIC to publish the findings of its deliberations on a regular basis in all the official languages;
 7. Welcomes the successful conclusion of the negotiations with the applicant countries concerning conditions for their participation in the new Research Fund for Coal and Steel, whereby the payment of their contributions, which will be determined in accordance with the size of their mineral resources, will be staggered to take account of their respective economic situations, and calls on the Commission to give it regular

progress reports on the implementation of the decisions taken as a result of those negotiations;

8. Calls on the Commission to review all outstanding commitments systematically before the end of 2003 and to cancel any amounts in respect of which it is unlikely that there will be any movement in the future;
9. Calls on the Commission to explain forthwith why it has not yet improved the accounts relating to loans to officials, with particular reference to the presentation of the missing reports promised for the end of 2001 in its replies to point 22 of the Annual Report of the Court of Auditors¹ and promised afresh, in its answers to points 14 and 15 of the annual report of the Court of Auditors², for the autumn of 2002;
10. Welcomes the introduction by the Commission of a performance measurement system with a view to securing comparative data on yield and expects them to be published in future financial reports relating to the ECSC and to the 'ECSC in liquidation';
11. Urges the Commission once again to ensure maximum transparency when disclosing data affecting the value of the ECSC's assets;
12. Stresses that it will continue to monitor the effective use of taxpayers' money, especially for the purpose of research in the areas of coal and steel, even after the liquidation of the ECSC.

¹ OJ C 366, 20.12.2001, p. 11.

² OJ C 302, 5.12.2002, p. 10.

ANNEX**ECSC BALANCE SHEET AS AT 31 DECEMBER 2001¹****ASSETS**

	(all figures in €)	31 December 2001	31 December 2000
Balance with central banks		63 130	84 650
Loans/advances to credit institutions		497 195 024	645 009 949
Loans/advances to customers		1 087 591 599	1 501 804 675
Securities		1 613 101 204	1 723 746 372
Tangible and intangible assets		0	0
Other assets		7 092 794	5 170 347
Prepayments and accrued income		82 534 005	96 173 610
TOTAL ASSETS		<u>3 287 577 756</u>	<u>3 971 989 603</u>
Off-balance-sheet commitments		310 674 984	430 881 628

LIABILITIES

	(all figures in €)	31 December 2001	31 December 2000
<u>LIABILITIES VIS-À-VIS THIRD PARTIES:</u>			
Amounts owed to credit institutions		604 294 572	981 630 568
Debts evidenced by certificates		836 250 262	1 062 076 396
Other liabilities		301 104	7 494 034
Accruals and deferred income		78 061 265	91 947 305
Total liabilities vis-à-vis third parties		1 518 907 203	2 143 148 303
ECSC operating budget		530 720 948	835 516 282
<u>PROVISIONS:</u>			
Guarantee Fund		580 000 000	565 000 000
Provisions for major exposures		6 000 000	17 000 000
Other provisions		150 699 271	158 663 347
Total provisions		736 699 271	740 663 347
Budget for financing research in the coal and steel sector		240 000 000	0
<u>RESERVES AND SURPLUS:</u>			
Special Reserve		118 000 000	176 055 284
Former Pension Fund		40 000 000	74 577 321
Assets of the Research Fund for coal and steel		92 632 605	0
Surplus brought forward		2 029 066	213 454
Surplus for the financial year		8 588 663	1 815 612
Total reserves and surplus		261 250 334	252 661 671
TOTAL LIABILITIES		<u>3 287 577 756</u>	<u>3 971 989 603</u>
Off-balance-sheet commitments		300 196 287	426 626 265

¹ OJ C 158, 3.7.2002, p. 2.

**PROFIT AND LOSS ACCOUNTS FOR YEAR ENDING
31 DECEMBER 2001¹**

(all figures in €) **31 December 2001** **31 December 2000**

CHARGES

Interest payable and similar charges	141 299 615	170 536 669
Commission paid	379 849	439 219

NET LOSSES ON FINANCIAL OPERATIONS

Exchange-rate difference	268 248	862 006
Losses on bonds and other fixed-income securities	2 248 893	6 703 555
Value adjustments for bonds and other fixed-income securities	6 760 668	2 960 265
Value adjustments for shares and other variable-income securities	3 072 877	13 920 110
Total losses on financial operations	12 350 686	24 445 936

Administrative overheads	5 000 000	5 000 000
Value adjustments for land and buildings	0	166 180
Other operating charges	1 711 089	315 884

Value adjustments for loans and advances	4 743 980	12 590 342
Allocation to the Guarantee Fund	15 000 000	12 000 000
Allocation to other provisions for liabilities and charges	2 057 973	17 134 135
Total value adjustments for loans and provisions	21 801 963	41 724 477

Extraordinary charges	31 139	270 668
Legal commitments for the financial year	184 554 560	129 942 347
Allocation to the provisions for financing the ECSC operating budget	240 000 000	0

TOTAL CHARGES	607 128 891	372 841 380
Surplus for the financial year	8 588 663	1 815 612
TOTAL	615 717 554	374 656 992

INCOME

Interest receivable and similar income	214 741 377	248 795 316
Commissions received	253 300	93 400
Net profit on financial operations	19 075 670	26 444 507
Withdrawals of value adjustments for loans and advances and from the provisions for liabilities and commitments	63 955 793	14 155 711
Other operating income	83 387	2 122 461
Extraordinary income	1 879 316	2 427 191
Income relating to the ECSC operating budget	64 523 231	74 618 406
Withdrawal from the provision for financing the ECSC operating budget	251 205 480	6 000 000

TOTAL INCOME	615 717 554	374 656 992
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¹ OJ C 158, 3.7.2002, p. 4.

ANALYSIS OF THE RESULT FOR THE FINANCIAL YEAR

Out-turn of the ECSC operating budget¹

	(all figures in €)	31 December 2001	31 December 2000
<u>Expenditure</u>			
Administrative expenditure		5 000 000	5 000 000
Legal commitments		184 554 560	129 942 347
Financing of future operating budgets		0	0
Total		189 554 560	134 942 347
<u>Revenue</u>			
Levy			
Fines		4 540 000	
Repayment of interest subsidies		826 462	1 955 203
Miscellaneous		1 158 428	1 035 599
Financing of future operating budgets		77 000 000	6 000 000
Cancellations of legal commitments		57 998 341	71 627 605
Net balance for the year		48 031 329	54 323 940
Total		189 554 560	134 942 347
Budget out-turn		0	0

¹ OJ C 158, 3.7.2002, p. 19.

Analysis of the result for the financial year including non-budgetary operations¹

(all figures in €)

Result	31 December 2001	31 December 2000
Gross operating margin before changes in provisions		
— Lending/borrowing operations	1 485 339	2 179 046
— Interest on bank accounts	1 919 600	2 604 998
— Transactions concerning portfolio securities	78 473 087	78 095 255
— Losses on loans and advances	-1 376 363	—
— Exchange-rate difference	-268 248	-862 006
— Miscellaneous	27 257	1 691 025
Total	80 260 672	83 708 318
Net changes in provisions		
— Provision for liabilities and charges	1 419 117	-3 134 135
— Provision for major exposures	11 000 000	1 000 000
— Value adjustments in respect of loans and advances	44 734 723	565 369
— Provision for financing the operating budget/budgetary contingencies	174 205 480	-14 000 000
— Budget for financing coal and steel research	-240 000 000	—
— Guarantee Fund	-15 000 000	-12 000 000
Result after changes in provisions	56 619 992	56 139 552
Amount allocated to financing the ECSC operating budget (= net balance)	-48 031 329	-54 323 940
Result after deducting the net balance but before allocation of the surplus	8 588 663	1 815 612

¹ OJ C 158, 3.7.2002, p. 18.