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REPORT

on the Commission report on the measures taken in the light of the observations of the European Parliament in its 1997 discharge resolution (COM(2000) 224 – C5-0223/2000 – 2000/2113(DEC))

Committee on Budgetary Control

Rapporteur: Lousewies van der Laan

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PROCEDURAL PAGE

On 13 March 2000 the Commission submitted to Parliament, pursuant to Article 89(5) of the Financial Regulation, its report on the measures taken in the light of the observations of the European Parliament in its 1997 discharge resolution (COM(2000) 224 – 2000/2113(DEC)).

At the sitting of 19 May 2000, the President of Parliament announced that she had referred this document to the Committee on Budgetary Control as the committee responsible and to all interested committees for their opinions (C5-0223/2000).

At its meeting of 24 May 2000, the Committee on Budgetary Control confirmed the appointment of Lousewies van der Laan as rapporteur.

It considered the Commission document and the draft report at its meetings of 7 November and 5 and 12 December 2000.

At the last meeting it adopted the motion for a resolution unanimously.

The following were present for the vote: Herbert Bösch, acting chairman; Lousewies van der Laan, vice-chairman and rapporteur; Bert Doorn (for Raffaele Costa), Christos Folias (for Brigitte Langenhagen), Christopher Heaton-Harris, Helmut Kuhne, José Paulo Martins Casaca (for Anne Ferreira), John Joseph McCartin (for Gabriele Stauner), Mair Eluned Morgan, Jan Mulder (for Antonio Di Pietro), José Javier Pomés Ruiz, Heide Rühle (for Claude Turmes), Bart Staes, Rijk van Dam and Michiel van Hulten.

The Committee on Culture, Youth, Education, the Media and Sport decided on 28 November 2000 not to deliver an opinion.

The report was tabled on 14 December 2000.

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

MOTION FOR A RESOLUTION

Resolution of the European Parliament on the Commission report on the measures taken in the light of the observations of the European Parliament in its 1997 discharge resolution (COM(2000) 224 – C5-0223/2000 – 2000/2113(DEC))

The European Parliament,

- having regard to its resolution of 19 January 2000¹, containing the comments which form part of the decision giving discharge to the Commission in respect of the implementation of the general budget of the European Communities for the 1997 financial year,
 - having regard to the Commission report of 11 April 2000, on the measures taken in the light of the comments contained in the resolution accompanying the decision giving it discharge in respect of the implementation of the budget for the 1997 financial year (COM(2000) 224 – C5-0223/2000),
 - having regard to Article 89(8) of the Financial Regulation,
 - having regard to Annex V, Article 6 of its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0397/2000),
- A. whereas Parliament decided to postpone discharge for the 1997 financial year pending commitments from the Commission regarding reform;
- B. whereas Parliament called on the Commission to address problems relating to eight areas; namely the closure of accounts, institutional management and supervision, staff policy, Technical Assistance Offices, the discharge authority's access to information, management of Community policies in partnership (SEM2000), combating fraud and corruption and the delivery of external aid, including that provided to Palestine;
- C. whereas Parliament made three requests to the European Court of Auditors, namely to monitor systematically responses to previous criticisms, to draw up common agreements with national courts of auditors in order to carry out complementary checks on Community policies, and to assess the policy of administrative decentralisation;
- D. whereas Parliament called on its Secretary-General and on the Constitutional Affairs Committee, in their respective areas, to create appropriate general procedures for the handling of confidential documents;
- E. whereas Parliament reserves the right to return to appraise progress by the Commission, the Court of Auditors and the Secretary-General of Parliament under the forthcoming discharge procedure;

General appraisal of progress

¹ OJ L..

1. Welcomes, on balance, steps taken by the Commission to tackle the underlying causes of problems highlighted by Parliament but will remain vigilant, in the forthcoming discharge exercise, to ensure that the Commission fulfils previous commitments;
2. Acknowledges that, of the eight recommendations adopted by Parliament, the Commission has made some progress in five areas namely the closure of accounts, institutional management and supervision, Technical Assistance Offices, management of Community policies in partnership (SEM2000), and combating fraud and corruption;
3. Regrets that, as regards two of the key areas identified by Parliament, the Commission still needs to improve staff policy and deliver rapid and effective external aid, especially to Palestine;

Closure of the accounts

4. Welcomes the Commission proposal, adopted on 26 July 2000, to simplify the Financial Regulation¹ and replace the interim solution which was efficiently adopted by the Commission in reply to Parliament's call for an urgent revision of financial control; hopes that this will lead to more comprehensive, transparent and timely financial statements in the long-term;
5. Welcomes the Commission's adoption of an Action Plan² of 17 February 2000 and will continue to monitor its implementation to ensure that it will reduce the unacceptably high percentage of significant errors relating to payments procedures, identified by the Court of Auditors in its statement of assurance and requires that the Commission in an effort to reduce errors names the Member States who fail to tackle errors especially in the highest spending areas;
6. Is concerned that the backlog amounted to €52.524 billion at the end of 1997, €58.848 at the end of 1998, and €70.916 billion at the end of 1999; notes that 'backlog' confusingly comprises normal outstanding commitments as well as old commitments dating back more than five years and dormant commitments where no payments have been made over the past two years; calls on the Commission to make this distinction clearly in its reports;
7. Notes that, following Parliament's request, the Commission submitted a strategy paper on 16 November 2000 in which it indicates how it will clear the abnormal backlog of € 4.990 billion before the end of 2003 and adopt measures to prevent the accumulation of abnormal outstanding commitments, and calls on each Commission Directorate-General to inform Parliament on a bi-annual basis on progress towards meeting this goal;

Institutional problems of management and supervision

8. Notes that the Commission has responded to Parliament's call for a systematic follow-up and review of recommendations following internal and external audits by setting up an Audit Progress committee, chaired by the Commissioner responsible for Budgets; calls on the Commission to provide a detailed mandate and to submit a summary on a

¹ Proposal for a Council Regulation(EC; ECSC, Euratom) on the Financial Regulation, COM(2000) 461 final

² SEC(2000)276 Action Plan for improving financial management and procedures

quarterly basis of planned and completed tasks, starting from March 2001; regrets that this could not be done sooner; calls on the Commission to delegate follow-up to special Court of Auditors reports to the individual Commissioner responsible; and requests that the Commission's Audit Progress Committee follows up Parliament's discharge recommendations pertinent to its mandate;

9. Acknowledges that, in response to Parliament's request, the Commission will present Annual Activity Reports for each Directorate-General, which include an appraisal of qualitative and quantitative targets, for the first time, in March 2001;

Staff policy

10. Welcomes the fact that the Commission has made the codes of conduct for the Commissioners and their private offices legally binding as requested by Parliament in paragraph 13 of its 1997 discharge resolution;
11. Notes that, in response to Parliament's call for professional human resource management, the Commission presented the results of the so-called Peer Group exercise on 26 July 2000 which identifies core and so-called negative priorities, but is concerned about the legal basis, as well as scale and the selection criteria of the early retirement scheme, foreseen for some 600 officials;
12. Welcomes the fact that following a commitment on 11 April 2000 to seek Parliament's opinion in October 2000 by means of a consultative document regarding the inclusion of rules and obligations on whistleblowing in the Staff Regulations and a consultative document on ways to modernise the disciplinary procedure, the Commission adopted, on 29 November 2000, consultative documents on raising concerns about serious wrongdoing¹ and on the reform of disciplinary proceedings²;
13. Expects an explanation in writing of why the Commission will not comply with Parliament's request for the creation of an external chamber for budgetary discipline;

Technical Assistance Offices

¹ SEC(2000)2078

² SEC(2000)2079

14. Notes that, in response to Parliament's partial satisfaction with its attempts at rationalisation of 124 TAOs whose annual cost for 1365 staff amounts to €133.6 million, on 11 April 2000 the Commission promised a Communication in September 2000 and notes that, in preparation for a Communication from the Commission on externalisation of the management of Community programmes, including presentation of a framework regulation for a new type of executive agency, the Commission,
- (a) provided a document in May 2000 setting out the concepts and definitions for externalisation measures,
 - (b) adopted in May 2000 measures for the improvement of the management of external aid programmes involving externalisation measures,
 - (c) adopted a communication in July 2000 on the budgetary implications for 2001 of reincorporation of tasks performed by TAOs
 - (d) adopted the conclusions on the Peer Group review on 26 July 2000 leading directly to the Amending Letter 1/2001 which identifies the tasks that should be retained by the Commission or could be subcontracted to third parties,
 - (e) adopted on 26 July 2000 proposals for the recasting of the financial regulation that include a regulatory framework for externalisation,
 - (f) presented proposals for dismantling TAOs in its letter of amendment no 1 to the preliminary draft budget of 2001 on 4 September 2000,

and welcomes an orderly transition plan which foresees that, of a total of 124 TAOs:

- 62 will be replaced by the end of 2001 (787 staff and €71.5 million),
- 6 will be replaced after 2001 (121 staff and €12.6 million) and
- 56 TAOs will be allowed to lapse (457 staff and €49.4 million);

14.

The discharge and management of Community policies in partnership (SEM2000)

15. Welcomes the fact that the Commission committed itself to providing the Committee on Budgetary Control with detailed information on the work of the Personal Representatives Group, which acts as an informal forum on shared financial management, in particular the Common Agricultural Policy and Structural Funds;

Combating fraud and corruption

16. Invites the Commission to clarify, as soon as possible, the terms of reference of the proposed Financial Irregularities panel so that it does not undermine the powers of the Anti-Fraud Office;
17. Recalls that, in response to Parliament's request for a full list of cases in which it is suspected that Commission officials or other employees may be involved in fraud and corruption, the Director of the Anti-Fraud Office, OLAF, has supplied a confidential register;

External aid; aid to the autonomous Palestinian territories

18. Welcomes that, as regards external aid, in response to Parliament's call for it to submit a programme setting out in detail its strategies before 31 March 2000, the Commissioners responsible for external relations presented an outline of proposals on 30 March 2000¹ before unveiling a communication on the reform of external relations on 16 May 2000² which proposes a reunification of the project cycle, the creation of a body for project identification and implementation, extensive devolution of project management to the Commission's external delegations and urgent measures to eliminate old and dormant commitments;
19. Looks forward to receiving before 15 March 2001 a special report by the Court of Auditors on country programming, project preparation and the role of delegations in managing the Commission's external aid programme;
20. Is encouraged by the Commission's efforts, hampered by an absence of Head of Delegation in Jerusalem, violence on the ground since 28 September 2000 and the subsequent evacuation of the International Management Team in October 2000, to ensure that the 230-bed European Hospital in Gaza, a flagship project launched in 1990 and 97% complete in 1996, will be fully operational by 15 January 2001 and welcomes the fact that:
- dermatological services have been on offer to out-patients on a half-day basis since 15 July 2000³ and
 - six departments have been offering full services to in-patients since 15 October 2000⁴ (dermatology, ophthalmology, general surgery, paediatrics, gynaecology and internal services),

and calls on the Commission to ensure that:

- (a) all remaining departments are opened,
 - (b) old equipment is replaced and
 - (c) remedial work is completed as soon as possible;
21. Regrets that, in spite of the political importance of the region for the European Union, from mid-1999 to mid-2000, in the absence of the head of Delegation, the Commission office to the West Bank and Gaza was represented by one Administrator; calls on the Commission to better organise its staffing in order to avoid that the post of Head of Delegation is left vacant for more than one month;

¹ Letter from Commissioners Patten and Nielson, 30.03.2000

² Communication to the Commission on the Reform of the management of External Assistance

³ Letter from Commissioner Patten, 25 July 2000

⁴ Letter from Commissioner Patten, 21 November 2000

22. Welcomes the official transmission, before 15 December 2000, of a special report by the Court of Auditors on management by the Commission of the programme of assistance to Palestinian society and looks forward to a detailed examination of recommendations in order to address deficiencies that the Court believes are not unique to the programme of assistance to Palestine, but affect EU cooperation generally;

Court of Auditors

23. Welcomes the commitment of the Court of Auditors to monitor systematically in its annual reports actions taken by the Commission following past criticisms;
24. Encourages the Court of Auditors in its on-going efforts to promote cooperation between national courts of auditors, and welcomes the creation of *ad hoc* working groups on the audit of State aid and on cooperation with candidate countries, under the so-called Contact committee which comprises heads of the Supreme Audit Institutions of the European Union and calls on the Court of Auditors to regularly inform Parliament of these activities;
25. Recalls that it called on the Court of Auditors to report on the Commission's policy of administrative decentralisation and looks forward to a thorough financial and performance audit in due course;

European Parliament

26. Welcomes the fact that its request to the Secretary-General of Parliament to implement procedures for the handling of confidential documents, including the setting up of a secure archive, secure reading room, formal rules of access and an access register, has resulted in a proposal to the Bureau, which will deliberate on the matter in December 2000, and calls for implementation before 15 January 2001;
27. Instructs its President to forward this resolution and the report of its committee to the Council and the Commission, and to the Court of Auditors for information.