

EUROPEAN PARLIAMENT

1999



2004

Session document

FINAL
A5-0239/2001

26 June 2001

REPORT

on Draft Supplementary and Amending Budget n° 3/2001 of the European Union for the financial year 2001
(9802/2001 - C5-0271/2001 - 2001/2049(BUD))

SECTION III - Commission
SECTION VI - Economic and Social Committee
SECTION VII - Committee of the Regions

and

on Draft Supplementary and Amending Budget n° 4/2001 of the European Union for the financial year 2001
(9803/2001 - C5-0272/2001 - 2001/2094(BUD))

SECTION III - Commission

Committee on Budgets

Rapporteurs:
Jutta Haug (Section III - Commission)
Markus Ferber (Other Sections)

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PROCEDURAL PAGE

In connection with the budgetary procedure for the financial year 2001, the Committee on Budgets appointed Jutta D. Haug rapporteur (Section III – Commission) and Markus Ferber (Other Sections) at its meeting of 28 July 1999.

The Commission presented Preliminary Draft Supplementary and Amending Budget n° 3/2001 on 2 May 2001 and Preliminary Draft Supplementary and Amending Budget n° 4/2001 on 30 May 2001 and forwarded them to Parliament (SEC(2001) 663 and SEC(2001) 793).

The Council established Draft Supplementary and Amending Budgets n° 3/2001 and n° 4/2001 on 15 June 2001 and forwarded them to the Parliament (9802/2001 and 9803/2001).

At the sitting of 2 July 2001 the President of Parliament will announce that she had referred Draft Supplementary and Amending Budgets n° 3/2001 and n° 4/2001 to the Committee on Budgets as the committee responsible and to all the interested Committees for their opinions (C5-0271/2001 - 2001/2049(BUD), C5-0272/2001 - 2001/2094(BUD)).

The committee considered the Draft Supplementary and Amending Budgets n° 3/2001 and 4/2001 as well as the draft report at its meeting of 28 May, 11, 20 and 25 June 2001.

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

The following were present for the vote: Terence Wynn, chairman; Reimer Böge, vice-chairman; Jutta D. Haug, rapporteur; Ioannis Averoff, Kathalijne Maria Buitenweg, Joan Colom i Naval, Carlos Costa Neves, Den Dover, Göran Färm, Salvador Garriga Polledo, Neena Gill, Catherine Guy-Quint, Wilfried Kuckelkorn, Juan Andrés Naranjo Escobar, Giovanni Pittella, Heide Rühle, Per Stenmarck, Alejo Vidal-Quadras Roca, Kyösti Tapio Virrankoski, Ralf Walter and Brigitte Wenzel-Perillo.

The Opinion of the Committee on Budgetary Control on the Draft Supplementary and Amending Budget n° 3/2001 is attached.

The report was tabled on 26 June 2001.

The deadline for tabling amendments is Thursday, 28 June 2001 at 12.00.

MOTION FOR A RESOLUTION

European Parliament resolution on Draft Supplementary and Amending Budget n° 3/2001 of the European Union for the financial year 2001 - Section III - Commission, Section VI - Economic and Social Committee, Section VII - Committee of the Regions (9802/2001 - C5-0271/2000 - 2001/2049(BUD)) and on Draft Supplementary and Amending Budget n° 4/2001 of the European Union for the financial year 2001 - Section III - Commission (9803/2001 - C5-0272/2001 - 2001/2094(BUD))

The European Parliament,

- having regard to Article 272 of the EC Treaty, Article 78 of the ECSC Treaty, and Article 177 of the EURATOM Treaty,
- having regard to the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities, as last amended by Regulation (EC, ECSC, EURATOM) No 762/2001¹,
- having regard to the Interinstitutional Agreement of 6 May 1999 between the European Parliament, the Council and the Commission on budgetary discipline and improvement of the budgetary procedure²,
- having regard to Council Decision 94/728/EC, Euratom of 31 October 1994³ on the system of the European Communities' own resources,
- having regard to Council Decision (2000/597/EC, Euratom) of 29 September 2000⁴ on the system of the European Communities' own resources,
- having regard to the general budget of the European Communities for the financial year 2001, finally adopted on 14 December 2000⁵
- having regard to Preliminary Draft Supplementary and Amending Budgets n° 3/2001 and n° 4/2001 of the European Union for the financial year 2001 presented by the Commission respectively on 2 May 2001 and on 30 May 2001 (SEC(2001) 0663 and SEC(2001) 0793)),
- having regard to Draft Supplementary and Amending Budgets n° 3/2001, and n° 4/2001 as established by the Council on 15 June 2001 (9802/2001 - C5-0271/2001 and 9803/2001 - C5-0272/2001),
- having regard to Rule 92 of and Annex IV to its Rules of Procedure,
- having regard to the report of the Committee on Budgets and the opinion of the Committee on Budgetary Control (A5-0239/2001),

A. whereas Draft Supplementary and Amending Budget n° 3/2001 amends the establishment

¹ OJ L 111, 20.4.2001, p.1.

² OJ C 172, 18.6.1999, p.1.

³ OJ L 293, 12.11.1994, p. 9.

⁴ OJ L 253, 7.10.2000, p. 42.

⁵ OJ L 56, 26.2.2001, p. 1.

plans of the Commission, as regards research and development activities and the European Anti-Fraud Office (OLAF), as well as the establishment plans of the Economic and Social Committee and the Committee of the Regions,

- B. whereas Draft Supplementary and Amending Budget 4/2001 concerns the balance for the financial year 2000 and an increase in payment appropriations for assistance to the reconstruction of the Western Balkans in 2001,
- C. whereas Council has adopted at the same time the Draft Supplementary and Amending Budgets n° 3/2001 and n° 4/2001, therefore it is necessary to merge the two procedures in order to avoid needless administrative burden,
- D. whereas there has been a substantial increase in the number of posts for OLAF agreed by the budgetary authority over the past two years: 224 in the 2000 budget and 300 in the 2001 budget, and whereas the setting up of the management and operational structures of OLAF has been subject to considerable Commission delay,
- E. whereas Parliament, the Council and the Commission have established legislative provisions, which confer on the Director-General of OLAF appointing authority powers in relation to OLAF staff in particular establishment of the office's preliminary draft budget which may not be altered by the Commission before it is sent to the budgetary authority,
- F. whereas in the 2001 budget, Parliament significantly amended OLAF's establishment plan, in particular by increasing the number of temporary posts from 13 to 42% and the number of B posts in relation to A posts, and placed the remaining 76 new posts in the reserve until all staff working for OLAF have been reassessed in accordance with the resolution of 16 May 2000 on protecting the Communities' financial interests and the fight against fraud,
- G. whereas Draft Supplementary and Amending Budget n° 3/2001 contains significant changes to the OLAF establishment plan adopted by Parliament in December 2000 in particular regarding the balance between permanent and temporary posts as well as the creation of new specialised units while the 2001 Budget has not been properly implemented yet,
- H. whereas the mid-term strategy to staff OLAF should be presented by the Director of OLAF and approved by OLAF Supervisory Committee by the end of October 2001;
- I. whereas Draft Supplementary and Amending Budget n° 3/2001 also covers for the Committee of Regions (CoR) and the Economic and Social Committee (ESC) the recruitment of two temporary A grade staff, as well as contract extension for another temporary A grade staff member and one temporary B grade staff member for monitoring the refurbishment of the Belliard building,
- J. whereas the two committees will become owners of the building at the end of the lease contract, and have therefore to monitor all the financial, technical and legal aspects of the refurbishment, involving both the appropriations made available by the Community budget as well as the monies invested by the owner of the building,
- K. whereas the Commission entered the final calculation of the correction of budgetary imbalances in favour of the United Kingdom for 1997 in the PDSAB 4/2001, as well as updated correction figures for 1999 and 2000 in order to reduce inaccuracies and reduce the

need for significant adjustments to the final calculations;

- L. whereas the balance is the difference between revenue and expenditure pursuant to Article 15 of Regulation (EC, Euratom) No 1150/2000¹, and whereas the balance from the 2000 budget presents a surplus of € 11.6 billion, which is to be entered as revenue in the 2001 budget through SAB 4/2001,
 - M. whereas revenue for 2000 was higher than expected and the level of expenditure under the 2000 budget was one of the lowest in recent years, with a particularly low implementation rate of only 88% of the appropriations made available by the budgetary authority,
 - N. whereas the Commission has failed to implement the appropriations decided by the budgetary authority on the basis of the priorities of the Union, thus denying citizens the possibility of benefiting from its budget;
 - O. whereas responsibility for this must be shared between the Commission and the Council which by adopting the appropriate legal bases late, jeopardises implementation of the available funding;
 - P. whereas the budget adopted must be more closely followed up and monitored by the budgetary authority in order to anticipate and prevent under-utilisation of appropriations as far as possible;
1. Decides to deal with the two Draft Supplementary and Amending Budgets in a single procedure in order to avoid needless administrative costs and to speed up implementation of the proposed changes, and adopts Supplementary and Amending Budget n° 3/2001, after the vote of budgetary amendments, which includes Draft Supplementary and Amending Budgets n° 3/2001 and n° 4/2001, adopted by the Council;
 2. Welcomes that the Commission has revised through PDSAB n° 3/2001 its forecasts on administrative RTD expenditure made in PDB 2001, which will lead to a transfer of €5.6 million from administrative to operational expenditure;
 3. Agrees to set up 27 new posts for shared-cost RTD projects but decides that the 15 posts dedicated for administrative purposes should be placed in the lower levels of the corresponding categories (A7, A8, B5 and C5);
 4. Agrees that payment appropriations must match commitment appropriations as stated in the Financial Regulation, particularly in the case of the Balkans where take-up of appropriations is high and rapid, and therefore stresses the need for supplementary payments to cover the gap between commitments (€ 839 million) and payments (€ 515 million) for Chapter B7-54;
 5. Takes note that the Commission indicates needs in payment appropriations at € 420 million for the Balkans and that an additional €30 million are necessary to finance a grant to the Former Republic of Yugoslavia; considers necessary, for the time being, to avoid further reductions or redeployment, and welcomes the budgetary decision to provide € 100 million

¹ OJ L 130, 31.5.2000, p. 1.

additionally to cover these estimated needs;

6. Agrees to the additional remarks for Article B7-702A allowing administrative expenditure for Articles B7-704 and B7-709 to be covered without requiring additional appropriations;
7. Considers that the adjustments in the OLAF establishment plan in DSAB n° 3/2001 do not reflect the objectives that OLAF should achieve according to Parliament's approach;
8. Agrees to the part of DSAB n° 3/2001 that deals with the Economic and Social Committee and the Committee of the Regions;
9. Agrees to the part of the DSAB n° 4/2001 that deals with the revenue side of the budget;
10. Is deeply concerned about the budgetary rigour of the Commission and the Council, when the expenditure of the year 2000 was over-estimated by 8.5 billion euro, or 10.6%;
11. Amends Draft Supplementary and Amending Budgets n° 3/2001 and n° 4/2001 concerning the following elements:
 - **Research establishment plan:** Place 15 posts in the lower levels of the corresponding categories;
 - **OLAF establishment plan:**
Welcomes the approval of the budgetary amendment to the OLAF establishment plan modifying the breakdown between permanent and temporary posts and restoring the 3 posts deleted by the Council and enters € 3,8 Mio in reserve until a redeployment of 10 A officials from OLAF to the Commission services is achieved and until a favourable opinion is given by OLAF Supervisory Committee;
 - **B7-54:** Increase payment appropriations required for the EU assistance in the Balkans;
12. Instructs its President to forward this resolution to the other institutions.

EXPLANATORY STATEMENT

Procedure

The Commission presented on 2 May 2001 its Preliminary Draft Supplementary and Amending Budgets (PDSAB) n° 3/2001, which modifies the establishment plans of the Commission, as regards research and development activities and OLAF, and those of the Economic and Social Committee and the Committee of the Regions. On 30 May, significantly later than expected, the Commission adopted its PDSAB n° 4/2001 concerning the balance of the 2000 financial year and supplementary appropriations for payments for assistance to the reconstruction of the western Balkans.

The President of Parliament has asked the President of the European Commission in a letter to combine the two PDSABs, which were drafted and discussed by the Commission in parallel. Unfortunately, Mr Prodi did not respond positively on this request of Parliament, and so missed the occasion to underscore the intention of the Commission to develop a more efficient style of work and to simplify procedures. On the other hand, the Council has a strong interest to adopt the part on balance as quickly as possible, considering that the Parliament has no role on the general statement of revenue of the budget; a position which has repeatedly been rejected by Parliament.

While the Council, obviously for this reason, has decided to maintain two separate procedures for its Draft Supplementary and Amending Budgets (DSABs) n° 3/2001 and n° 4/2001, the rapporteurs propose to deal with the two DSABs in parallel, in order to underscore, firstly, the Parliament's dedication to improve the efficiency in the budgetary procedure and, secondly, Parliament's position that the revenue part has to be dealt with in a similar way as the with the expenditure part of the budget.

Research and Development (DSAB n° 3/2001)

The Commission has presented a request for 27 new posts required for shared-cost projects. This request is a result from a combination of savings to be achieved by simplifying procedures, increasing the scale of projects, shifting the emphasis of international cooperation and ending certain administrative functions. The latter will save a total of 98 posts, which could then be redeployed to cover part of the 110 posts needed for the establishment of the European Research Area. Consequently, an additional 12 posts are still required for the European Research Area, as well as an extra 15 posts to improve the control of RTD-related financial operations.

The Commission proposes to reduce staff working for direct actions under the Joint Research Center by two scientific posts (one A4 and one B5) and one administrative post (C5). On the other hand, it plans to increase staff working for indirect actions by 14 scientific posts (one A4, three A5, five A6, three A7, one B4 and one B5) and 16 administrative posts (two A6, three A7, three A8, two B4, three B5, one C4 and two C5).

Apart from these requests, additional measures are proposed for the redeployment of staff between programmes. However, these changes will have relatively limited repercussions on the general budget. Most of the transfers between specific programmes will be neutral from a budgetary perspective due to redeployment. In the case of the adjustment of the establishment

plan ("opération blanche"), which intends to secure the exchange of 19 research posts for the specific programme on information society, the new posts cannot be used until early 2002, whereby the costs of the operations have been incorporated in the preliminary draft budget for 2002 and not in the PDSAB n° 3/2001.

The additional expenditure required by the 27 new posts will be covered by administrative savings of €5.6 million, which will not be necessary for the smooth operation of each programme. Consequently, the Commission has revised the forecasts on administrative expenditure compared to the initial estimates made in PDB 2001.

The Committee on Budgets has traditionally requested that all new posts should be set up in the lower grades of A, B and C categories, and that most of these posts should be dedicated for operational rather than administrative purposes. In the PDSAB n° 3/2001, the Commission has taken a different approach, whereby 12 posts would be dedicated for scientific purposes and 15 posts for the administration. Similarly, the new posts are spread between the different categories: one A4, three A5, seven A6, six A7, three A8, three B4, four B5, one C4 and two C5. (Out of these posts, one A4, one B5 and one C5 post will be redeployed from the Joint Research Centre.)

Furthermore, it can be questioned whether these changes are really necessary taking into account that the three institutions have already begun discussions on the 6th framework programme. On the other hand, the fact that PDSAB n° 3/2001 is neutral from a budgetary perspective reduces financial pressures, whereby the budgetary authority could take a more flexible approach.

According to Commission services, the 15 new posts required for the improvement of financial control could be concentrated to the lower end of the A, B and C categories as most of these functions can be learned relatively quickly and do not require professional seniority. However, the 12 new posts needed for the establishment of the European Research Area would be used to reinforce the political capacities of DG Research, which requires extensive professional experience and, consequently, staff in the higher categories (A4, A5 and A6).

The rapporteur is prepared to accept the Commission's proposal on the 12 scientific A posts. On the other hand, the distribution of the 15 administrative posts should be revised. The PDSAB n° 3/2001 on research and development should be modified so that all of the new posts dedicated for financial control are placed in A7, A8, B5 and C5 categories. This would entail the reduction of two A6, three B4 and one C4 administrative posts compared to the Commission's proposal, and an increase of one A7 post, one A8 post, three B5 posts and one C5 post in administration. The eventual savings should be transferred for operational purposes.

Furthermore, the rapporteur considers that the Commission should look for an alternative approach to the proposal stated in the preliminary draft budget 2002, according to which a total of 175 posts would be reduced in the Joint Research Center. Instead of a linear cut, the rapporteur would prefer a more focused approach, whereby the reductions of staff should be concentrated on institutes, which produce the lowest added-value in terms of research output and which may have become redundant. The Commission should prepare this proposal by 15 September so that it could be taken into account before the Committee on Budgets and the Parliament vote on the first reading of budget 2002.

Balkans (DSAB 4/2001)

Over the past two years, the Western Balkans have been submitted to political and budgetary tension. In 2000 and 2001, the use of the flexibility instrument (€ 200 million) allowed to cover the gap between the needs and the shortage under the ceiling of Heading 4.

A multiannual envelope of € 4.665 billion is the reference amount decided for the CARDS programme which funds the Western Balkans over the rest of the period (2000-2006).

However, because the level of payments is always closely looked at by the Council during the annual procedure, the negotiations between the two arms of the budgetary authority usually lead to a compromise which happens to be satisfactory for some programmes and insufficient for some others.

In parallel to strong budgetary support, and under the particular pressure of Parliament, the Commission has set in place new procedures and appropriate structures to accelerate and decentralise the decision making process in Sarajevo, Pristina and Belgrade.

For all these reasons, the proportion of contracted and paid appropriations is particularly high while the absorption capacities on the ground, at least in Bosnia Herzegovina and in Kosovo are also high.

In the case of chapter B7-54, all the elements have been combined to create a short fall of € 382 million. The needs for payments are urgent at this stage of the year since the EAR (European Agency for Reconstruction) had already exhausted its payment appropriations on Heading B7-546 at the end of the first quarter. A reinforcement of € 110 million has been found provisionally from another line.

The global short fall of headings B7-541, B7-546 amounts € 423 million but, according to the Commission, there is a surplus of € 41,3 million for heading B7-542 due to absorption capacities limited to 60% of the forecast for Serbia, that the Commission intends to redeploy. The resulting gap is € 381.7 million which the Commission intends to cover by an additional amount of € 350 million only;

The rapporteur disagrees with such an approach including redeployment at this stage of the year. She considers that, if the needs are evaluated to € 423 million, the request for additional funding should be based on the needs according to sound management principles. She cannot accept from a budgetary point of view, that realistic needs (confirmed by the level of implementation) are not covered by the appropriate funding only to save € 30 million for the Member States while in the same SAB they will get € 11.6 billion returned. In addition, the new proposal for macrofinancial assistance to the Federal Republic of Yugoslavia (COM(2001) 277 final) entails new needs evaluated to € 30 million. Therefore she proposes to amend the SAB and to budgetise a global amount of € 450 million of additional payments.

Item	Heading	Amount of Needs	Justification	Amount of Financing DSAB	Justification	Comm. Proposal 4/2001	Amend	Rap. Proposal 4/2001
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B7-541	Assistance for the countries of the western Balkans	136,5	Necessity to adjust payments for rapid implementation of reconstruction process	85,0	Covered by SAB n° 3/2001	85,0	70,0	155,0
B7-546	Aid for the Reconstruction of Kosovo	286,5		265,0		265,0	0,0	265,0
B7-541 + B7-546				31,7	Redeployment			
B7-542	Assistance for the process of democratisation in FRY			41,3	Redeployment			
B7-548	Macro-financial assistance to FRY (COM(2001)277 final)			30,0	Redeployment		30,0	30,0
Total		423,0		453,0		350,0	100,0	450,0
Other needs	Macro-financial assistance	30,0	Macro-financial assistance to FRY (COM(2001)277 final)					
Grand total		453,0		453,0		350,0		450,0

Human Rights (DSAB 4/2001)

The Parliament has reintroduced two budgetary lines B7-704 ("*Support for the activities of international criminal tribunals and for the setting-up of the International Criminal Court*") and B7-709 ("*Support for democratic transition and the supervision of electoral processes*"). The Commission proposes to add a remark to item B7-702A which exists, allowing this item to cover the administrative expenditure for the other two items. The rapporteur agrees on the proposal provided the amount entered on line B7-702A (€ 1.990 million) can also cover the administrative needs of lines B7-704 and B7-709 with no additional funding.

OLAF (DSAB n° 3/2001)

OLAF has been established by Regulation EC No 1073/1999 of the European Parliament and of the Council of 25 May 1999¹ with the objective to combat fraud, corruption and other illegal action against the Union's financial interests.

To emphasise OLAF's autonomy, article 13 of the basic regulation stipulates that a specific budget line should be created in part A of the budget (A-360) with a separate establishment plan published in the budget. OLAF was to be staffed progressively with the objective of 300 posts. The budgetary authority agreed on 137 posts in 1999, 224 posts in 2000 and 300 posts in 2001.

Since the creation of OLAF, Parliament has underlined the specific nature of OLAF, in particular the need for a high and updated level of expertise and therefore the necessity to focus on specialists (mainly trained in the Member States appropriate departments and on investigators able to act at technical level. In terms of organigramme, this means a high

¹ OJ L 136, 31.05.1999, p. 1

proportion of temporary posts (as flexibility enables turnover more easily) and B posts (for technicians to work on the ground).

Since the creation of OLAF, the Commission on its side, has tried to transfer the structure of UCLAF to OLAF despite Parliament's disquiet based on the proven inefficiency of UCLAF and on the specificity of OLAF.

The establishment plan of Budget 2000 was drafted by OLAF's new Director General who, taking his duties in March 2000 only, had to endorse the decisions taken by his predecessor, responsible for UCLAF and, according to EP (COCOBU), with a great number of permanent posts and not enough B posts for the tasks entrusted to OLAF.

In summer 2000, OLAF supervisory committee underlined that there had been no significant improvement in the way the Union was organising protection of its financial interests in particular concerning the recruitment of qualified staff.

OLAF establishment plan for the 2001 budget tried to compensate the number of temporary posts and of B category posts although leaving the remaining new posts (76) in reserve until the full assessment by recruited staff to the principles stated by EP's resolution of 16 May 2000 on the protection of communities' financial interests and the fight against fraud.

The Commission justifies the needs for an SAB in view to achieve OLAF's structure and enable the office to be fully operational. Doing so, it significantly alters the organigramme agreed by the budgetary authority in December 2000.

The main changes consist in:

- The establishment of a new directorate to handle intelligence and operational strategy;
- The establishment of an internal financial control and audit unit;
- The reinforcement of the cigarettes task force;
- The establishment of a unit responsible for recovery of amounts lost through fraud;
- The establishment of a unit responsible for monitoring enlargement and support for the future new Member States;
- The increase of 26 statutory posts and the reduction of temporary posts by the same number;
- The increase of 30 A posts and the reduction of B posts by the same number
- The request for the release of the 76 posts placed in reserve.

In reality, these important changes aim to restore the profile of OLAF 2000 Budget which EP had disagreed with and intend to reverse OLAF's change of direction taken in Budget 2001 about which the Commission had raised problems of executability.

In addition, according to COCOBU and in particular to its budget rapporteur, Mr Heaton-Harris, who has sent a written question to the Commission, SAB n° 3/2001:

- Enables the Commission to regularise the situation of supernumerary officials paid by the budget while their (permanent) posts are not available in the organigramme.

- By modifying the balance between temporary and permanent posts and between A and B posts wanted by the budgetary, puts in danger the future efficiency of OLAF because of non suitable staff for the tasks entrusted to the office by the regulation.
- Creates unnecessary bureaucratic (intelligence strategy) for limited life span activities (green Paper).

In conclusion, the rapporteur proposes to agree on the compromise which consists in:

- a different breakdown between permanent and temporary A and B posts;
- the redeployment of 10 A grade officials from OLAF to the Commission services before the end of Octobre 2001;
- entering € 3,8 million in the reserve, corresponding to 38 new posts until a global mid-term strategy on OLAF staff is approved by OLAF Supervisory Committee.

Economic and Social Committee and the Committee of the Regions (DSAB n° 3/2001)

This part of the DSAB deals with the recruitment of two temporary A staff, as well as the prolongation of one other temporary A grade and one temporary B grade for the monitoring of the refurbishment of the Belliard building.

On 15 December 2000 the contract between the two Committees and the owner of the Belliard buildings for the take-over and refurbishment of the Belliard building was signed. In its resolution on the first reading of the 2001 Draft Budget and in the resolution on the guidelines for 2002 the Parliament asked the Committees to carefully monitor the refurbishment. The refurbishment has many financial, technical and legal aspects.

The budgetary authority allowed for the years 2000 and 2001 two temporary posts (1 A7 and 1 B5) for the preparation of the take-over and for drawing up the refurbishment plans. But now that the contract has been signed and construction works will start soon it is necessary that those works will be monitored carefully.

The contract contains a clause, which says that at the end of the lease period the Committees will become the owners of the buildings. This implies that the two Committees do not only have to monitor how the € 26 million from the Community budget will be spent, but also how the similar amount that the owner of the Belliard buildings now invests will be spent.

To that aim the Committees ask the prolongation of the two temporary posts until the end of 2003, and two new temporary posts: 1 A5, a civil engineer to overlook the whole project and to be responsible for the completion (Fr: "*reception*") of the building, and 1 A7 for checking the specific technical requirements.

The civil engineer should be an experienced, senior, architect. Such a person can only be recruited at an A5 level.

The two Committees do not ask extra appropriations as they will make the required funds available by postponing the recruitment of staff for posts vacant at the moment. A secretary will be made available to the monitoring unit by internal redeployment.

Revenue part (SAB 4/2001)

With SAB 4/2001 the Commission has entered the final surplus from the 2000 financial year in the 2001 budget (chapter 30), as provided for in Article 32, 3rd paragraph, of the Financial Regulation. Already in the Letter of Amendment 2/2001, the Commission had proposed to enter € 900 million as part of the estimated surplus, which was accepted by the budgetary authority. In the PDSABs 1/2001 and 2/2001, the Commission proposed to enter additional amounts as available surplus in chapter 30 in order to avoid a change in the call for own resources, anticipating partly SAB 4/2001. The cost of SAB 1/2001 and 2/2002 covered by the anticipated surplus totalled € 735.6 million.

After the closure of accounts the Commission now has stated a surplus totalling more than € 11.6 billion, which affords to enter additional € 9 977.1 million in chapter 30. This high surplus will reduce significantly the need to call-in own resources during the 2001 financial year. The following table shows that the budget expenditure has increased since the adoption of the final budget by more than € 1 billion, which results in an increase of the percentage of GNP of the EU budget from 1.06 to 1.08%, partly also due to the reduced prediction for the 2001 GNP. Taking into account the surplus (and other revenue, which has not been adjusted in the PDSAB 4/2001), own resources are only required to cover about € 81.3 billion of the 2001 budget. This represents 0.94% of the Community's GNP, and leaves a margin of more than € 28.4 billion to the own resources ceiling of 1.27% of the GNP.

	initial 2001 budget		2001 budget incl. SABs 1, 2, 4	
	in € billion	% of GNP	in € billion	% of GNP
GNP 2001	8.765,156		8.641,908	
Budget expenditure (payments)	92,569	1,06%	93,655	1,08%
Own resources total	90,972	1,04%	81,345	0,94%
“Contributive” (VAT and GNP) own resources	76,713	0,88%	65,745	0,76%
Own resources ceiling	111,317	1,27%	109,752	1,27%
Difference between OR total and OR ceiling	20,345	0,23%	28,407	0,33%

The Commission's PDSAB 4/2001 gives no reasons to explain the high surplus from the 2000 budget corresponding to an exceptionally weak implementation record.

The Commission also presented updated forecasts of customs duties and of the VAT and GNP bases, as it has done since the SAB 1/1998. This practice makes it more likely that the figures entered in the budget will be closer to the final balance of the budget as the calculation of own resources in the initial budget. Results are, inter alia, an increase of € 1.49 billion in the customs duties, totalling now about € 15.1 billion, and reduction of the estimates for the 2001 GNP.

The final correction of budgetary imbalances in favour of the United Kingdom for 1997 shows an increase (compared to the calculation in the SAB 1/1998) of € 1 580.1 million resulting in a

total of € 3 557.7 million. Obviously, the correction for 1997 was not updated between 1998 and 2001, which has maintained the high inaccuracy of the estimation over the years. The update of the correction for 1999 estimates an increase of € 1.3 billion, while the updated figure for the own resources for 2000 show a decrease of € 803.9 million corresponding to a total of € 4 426.6 million. In total the UK correction increases from € 5 230.5 million in the initial budget to € 7 306.2 million in SAB 4/2001. The own resources of the other Member States increase accordingly, but this is more than compensated through the high surplus from the 2000 budget (except for Ireland).

Supplementary and Amending Budget 4/2001

Budget 2000: Balance

Revenues

Own resources	Budget 2000	Revenues 2000	Diff.	Adjustments	Surplus revenues
	(1)	(2)	(3) = (2-1)	(4)	(5) = (3+4)
Traditional own resources	13.704	15.267	1.563		1.563
VAT resources	34.049	34.188	139	1.005	1.144
GNP resources	36.899	37.067	168	327	495
Reserves	906	186	-720		-720
Correction in favour of the UK		-70	-70		-70
Surplus B'1999	3.209	3.209	0		0
Miscellaneous revenues	674	1.546	872		872
Total	89.441	91.393	1.952	1.332	3.284

Breakdown by headings

	B'2000 - PA	Payments	Difference	Carry-Overs	Cancelled	Surplus expenditure
	(1)	(2)	(3) = (1-2)	(4)	(5)	(6) = (3-4+5)
1. Common Agricultural Policy	40.973	40.385	588	52	18	554
2. Structural Operations	31.802	25.378	6.424	1.470	1.538	6.492
3. Internal Policies	5.698	5.228	470	382	285	373
4. External Actions	3.643	3.609	34	174	44	-96
5. Administrative Expenditure	4.723	4.267	456	391	68	133
6. Reserves	906	186	720	0	0	720
7. Pre-accession Aid	1.696	1.203	493	143	0	350
Total	89.441	80.256	9.185	2.612	1.953	8.526
Surplus revenues						3.284
Exchange rate						-191
TOTAL Surplus 2000						11.619

19 June 2001

OPINION OF THE COMMITTEE ON BUDGETARY CONTROL

for the Committee on Budgets

on Draft Supplementary and Amending Budget No 3/2001 of the European Union for the financial year 2001
(9802/2001 - C5-0271/2001 - 2001/2049(BUD))

SECTION III - Commission

SECTION VI - Economic and Social Committee

SECTION VII - Committee of the Regions

Draftsman: Christopher Heaton-Harris

PROCEDURE

The Committee on Budgetary Control appointed Christopher Heaton-Harris draftsman at its meeting of 26 April 2001.

It considered the draft opinion at its meeting of 18 June 2001.

At the last meeting it adopted the following conclusions unanimously.

The following were present for the vote: Diemut R. Theato, chairman; Christopher Heaton-Harris, draftsman; Rijk van Dam, Christos Folias, (for José Javier Pomés Ruiz), Michiel van Hulst, Helmut Kuhne, Brigitte Langenhagen and Emmanouil Mastorakis (for Michel-Ange Scarbonchi).

SHORT JUSTIFICATION

Preconditions for OLAF's independence

OLAF, the European Anti-Fraud Office, is to play a key role in combating fraud, corruption, and other illegal actions adversely affecting the Union's financial interests. Parliament, the Council, and the Commission were and remain united in their determination to bring this about and in May 1999 accordingly adopted a legislative package¹ to enable OLAF to carry out its investigation tasks independently, although, organisationally, the office will continue to be part of the Commission.

To emphasise OLAF's autonomy, Article 13 of the OLAF Regulation² has stipulated that the appropriations for OLAF must be entered under a special budget heading in Part A of the section relating to the Commission and broken down in detail in an annex to that part. The posts allocated to OLAF must likewise be identified separately and listed in an annex to the Commission's establishment plan.

Furthermore, in Article 6 of its Decision of 28 April 1999 establishing OLAF³, the Commission has conferred wide-ranging powers on the Director-General of OLAF where budgetary and personnel matters are concerned. The Director-General acts as the appointing authority in relation to OLAF staff and draws up the office's preliminary draft budget, which may not be altered by the Commission before it is sent to the budgetary authority.

The number of posts earmarked for OLAF has also been increased substantially to 224 in the 2000 budget and 300 in the 2001 budget.

OLAF is proving slow to set up

To date, however, OLAF has been set up at a much more sluggish pace than expected:

- (a) The Director-General could not take up his duties until March 2000.
- (b) The management posts ranking below the Director-General were not filled until a short time ago, although the necessary provision was already made in the 2000 budget. It was only in the spring of this year, after agonisingly long deliberations with the Commission about the proper procedure, that the Director-General was able to start with these appointments
- (c) Experienced investigators and public prosecutors from the Member States' appropriate departments have only recently begun to be recruited on a significant scale.
- (d) In addition, not enough progress has been made in the redeployment of those officials who do not match OLAF's new requirements. Their transfer to other departments has been made more difficult by the fact that, in spring 1999, the Commission transferred the entire staff of UCLAF, the forerunner of OLAF, to OLAF without imposing limiting conditions.

¹ See OJ L 136, 31.5.1999.

² Regulation (EC) No 1073/1999 of the European Parliament and of the Council of 25 May 1999 concerning investigations conducted by the European Anti-Fraud Office (OLAF), OJ L 136, 31.5.1999, p. 1.

³ OJ L 136, p. 20.

Despite insistent warnings from the chairman of the Committee on Budgetary Control and the committee rapporteur responsible for OLAF, other appointments were made thereafter to key positions before the Director-General could take up his duties, again restricting his latitude for action.

In summer 2000 Parliament was thus obliged to note with grave disquiet that, according to the estimation of the OLAF Supervisory Committee¹, there had as yet been no noticeable improvement in practice in the way in which the Union was organising protection of its financial interests and the continuing obstruction in the recruitment of qualified personnel to OLAF posed the danger of irreparable damage.

The 2001 budget underlines OLAF's change of direction

In the 2001 budget, Parliament, prompted by the circumstances described above, has not only increased the total number of available posts from 224 to 300, but also significantly altered the structure of the OLAF establishment plan²:

- (a) The proportion of temporary posts was raised from 13% to 42% and hence more than trebled. In addition, the proportion of category B posts compared with category A posts was increased substantially. The two measures in combination were intended to enable public prosecutors and experienced investigators from the appropriate departments of the Member States to be recruited on a large scale.
- (b) The number of permanent category A posts was reduced in order to create more temporary posts to enable OLAF to attain the goal of enhancing its operational efficiency more rapidly.
- (c) According to an express stipulation in the remarks accompanying the establishment plan, one of the director's posts was assigned for the management of internal investigations.
- (d) Another director's post was converted into a temporary post to be used to coordinate fraud prevention in the applicant countries.
- (e) A total of 76 posts were placed in the reserve on the understanding that they should remain there until, in accordance with paragraphs 20 and 21 of Parliament's resolution of 16 May 2000 on protecting the Communities' financial interests and the fight against fraud, the aptitude of all staff working for OLAF had been reassessed and the Commission had accepted the Director's resulting redeployment decisions.

The 2001 budget has to date not been properly implemented

More than five months after it entered into force the OLAF budget is still not being properly implemented. The most serious irregularity lies in the fact that the number of established category A officials being paid from the budget is markedly higher than the number of permanent posts available³. The budget provides for 53 permanent posts, but 69 officials in all are being paid

¹ Progress Report of the OLAF Supervisory Committee (July 1999 to July 2000), Conclusion (OJ C 360, 14.12.2000, p. 25).

² OJ L 56, 26.2.2001, p. 159.

³ See written questions P-1430/01 and E-1513/01.

(situation as at May 2001).

To remedy this situation, the OLAF Director-General could have and should have initiated the procedure set out in Article 41 of the Staff Regulations, which expressly stipulates that supernumerary officials must be assigned non-active status when the budgetary authority reduces the number of posts in a given grade¹.

Alternatively, the officials who had become supernumerary could have been transferred to other Commission departments in the interests of the service.

Changes proposed in the supplementary and amending budget

By contrast, the changes being proposed in the supplementary and amending budget (SAB) would halt the restructuring of OLAF half-way through and in some respects even reverse it.

Under the SAB the number of **permanent category A posts** is to be raised again (from 53 to 84), thus reverting to the situation under the 2000 budget.

The number of category A posts as a whole (permanent and temporary posts) would consequently increase to 144, and **almost every second OLAF official would therefore be a category A official**. At the same time the number of category B posts would fall to 92. OLAF would thus have, as the saying goes, too many generals and not enough Indians. As to why the number of permanent category A posts needs to be increased, the specific reasons put forward are not convincing, as can be seen merely by considering the following questions:

1. Why does the number of **permanent** posts have to be increased in order to recruit 15 public prosecutors as **temporary** staff? Would it not be possible to use existing temporary posts that have still to be filled?
2. Why does OLAF need more permanent posts to boost the staff complement of its Directorate for Intelligence and Operational Strategy? In this case too, there are enough temporary posts. Why are they not being used and why is it even being proposed in the supplementary and amending budget to reduce their number?
3. Does OLAF really need three additional permanent posts to draw up the Green Paper on the European Prosecutor? Assuming that the Green Paper is necessary in the first place, would it not be better to make use of temporary posts, given that the task of drafting it has a limited life span?

Compromise reached by the Rapporteur on fight against fraud and the Director of OLAF

In discussions with the Director of OLAF the permanent Rapporteur on fight against fraud agreed the following compromise solution:

¹ The officials concerned have priority when posts falling vacant or newly created in their grade are to be filled. During the first three months of their non-active status they receive a monthly allowance equal to their basic salary, which is reduced to 85% of the basic salary in the fourth to six months, 70% for the next five years, and 60% thereafter. The allowance can be terminated if the officials are offered new posts and turn them down without good reason.

- "1. Currently OLAF has 69 A-grade officials with a permanent contract, but only 53 A-posts available. This irregular situation will be corrected
 - * by 10 A-grade-officials leaving OLAF (take-over by other Commission services "dans l'intérêt du service" or early retirement or Article 41 - non-active status);
 - * by transforming 6 permanent B-posts into permanent A-posts
2. In line with the recommendations of the OLAF-Supervisory Committee, the current reserve of 76 posts in the establishment plan is reduced to 38 posts. This reserve of 38 posts can be released after a favourable opinion by the Supervisory Committee in autumn.
3. Instead of 1 temporary and 4 permanent A2-posts there will be 3 temporary and 2 permanent A2-posts. The three temporary A2 -posts are earmarked as follows:

"Investigations and Operations, Anti-Corruption"
"Intelligence and Operational Strategy"
"Co-operation with the candidate countries"
4. The necessary modifications to the Draft Budget 2002 are made in autumn."

This compromise was discussed in a joint meeting of Chairmen and Rapporteurs from the Committee on Budgets and the Committee on Budgetary Control with Commissioner Schreyer on 13 June 2001. **Commissioner Schreyer made a commitment that the redeployment of 10 A-grade-officials from OLAF to other Commission services would take place before the end of October 2001 at the latest.**

CONCLUSIONS

The Committee on Budgetary Control calls on the Committee on Budgets, as the committee responsible, to incorporate the following points in its motion for a resolution:

The European Parliament,

1. Confirms its goal to enhance OLAF's operational efficiency by recruiting on a large scale public prosecutors and experienced investigators from the Member States,
2. Welcomes the Commission's commitment for redeployment of 10 A-grade officials currently working for OLAF to other Commission services,
3. Approves the necessary changes to the OLAF establishment plan and to the budget.