

REPORT ON THE ACTIVITIES OF THE SIXTH,
SEVENTH AND EIGHTH EUROPEAN
DEVELOPMENT FUNDS

REPORT ON THE ACTIVITIES OF THE SIXTH, SEVENTH AND EIGHTH EDFs (*)

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(*) The Commission's replies are on page 198.

Table 1 — Utilisation of the sixth, seventh and eighth EDFs as at 31 December 1998

(Mio ECU)

Resources and utilisation (ACPs and OCTs)	Sixth EDF	Seventh EDF	Eighth EDF	Total
Initial allocation	7 500,0	10 940,0	12 840,0	31 280,0
EIB special contribution	60,0			60,0
Resources collected	8 103,3 ⁽¹⁾	7 014,3 ⁽²⁾	1 099,1	16 216,7
Resources still to be collected from the Member States	0,0	4 640,0	11 760,0	16 400,0
Transfers of resources between the sixth and seventh EDFs	(181,7)	181,7		0,0
Transfers of resources between the seventh and eighth EDFs		(253,0)	253,0	0,0
Transfers of resources between the sixth and eighth EDFs	(39,0)		39,0	0,0
Net resources	7 882,6	11 583,0	13 151,1	32 616,7
Payments prior to 1998	6 777,6	6 575,0	0,0	13 352,6
1998 payments	153,9	819,1	466,6	1 439,6
Decisions still to be settled	557,5	3 041,2	1 757,5	5 356,2
Utilisation	7 489,0	10 435,3	2 224,1	20 148,4
Balance available for new uses	393,6	1 147,7	10 927,0	12 468,3

⁽¹⁾ Including a transfer of resources from the fourth EDF.⁽²⁾ Including a transfer of resources from the fifth EDF.

Source: On-line accounting system (OLAS).

CHAPTER I — IMPLEMENTATION OF THE SIXTH, SEVENTH AND EIGHTH EDFs UP TO 31 DECEMBER 1998

1. The origin of the European Development Funds (EDFs) is to be found in the signing of international conventions ⁽¹⁾ between the Member States of the European Union and 71 African, Caribbean and Pacific States (ACP), plus Council decisions in respect of the association of 24 overseas countries and territories (OCTs). The Commission is responsible for managing the EDFs, without prejudice to the responsibilities of the European Investment Bank as regards the management of certain forms of aid.

2. In 1998, the sixth ⁽²⁾, seventh ⁽³⁾ and eighth ⁽⁴⁾ EDFs were implemented simultaneously since, although they were each, in principle, supposed to last for five years, the utilisation of the appropriations that had been allocated was not limited in time. Only when the Commission considers that the implementation of a fund is nearing its end does it transfer the balance to the next fund.

⁽¹⁾ Including the first, the 1964 Yaoundé Convention.⁽²⁾ Third Lomé Convention (OJ L 86, 31.3.1986).⁽³⁾ Fourth Lomé Convention (OJ L 229, 17.8.1991).⁽⁴⁾ Fourth Lomé Convention as amended in Mauritius (OJ L 156, 29.5.1998).

3. **Table 1** shows how funds allocated to the sixth, seventh and eighth EDFs had been used as at 31 December 1998. Payments during the financial year amounted to 1 439,6 Mio ECU. (Commitments, after deduction of decommitments, totalled 2 296,3 Mio ECU in 1998). The corresponding amounts for 1997 were 1 212,7 Mio ECU and 616 Mio ECU respectively. Thirteen years after its entry into force, disbursements under the sixth EDF represented 87,9 % of its resources. Disbursements under the seventh EDF constituted 63,8 % at the close of the eighth year of its implementation, while the figure was 70,3 % at the same stage for the sixth EDF. The disbursement rate of the eighth EDF was 3,5 % at the close of the first year of its implementation, while it was 1,8 % for the seventh EDF.

4. The Financial Protocol for the seventh EDF expired on 1 March 1995 and the ACP-EC Council of Ministers decided on 3 November 1995 that the balances of the financial instruments relating to the system of stabilisation of export earnings (Stabex), the special financing facility for ACP and OCTs mining products (Sysmin) and structural adjustment support, emergency aid and refugees would remain assigned to their respective objectives until depletion.

5. On 4 November 1995, the ACP States and the Member States of the European Union signed an agreement amending the Fourth Lomé Convention. Following the ratification of this convention, the correspond-

ing eighth EDF, with a total allocation fixed at 13 132 Mio ECU for the ACP countries and the OCTs, entered into force on 1 June 1998. In 1995, it was agreed that, of the resources allocated to the eighth EDF, 292 Mio ECU should come from transfers from previous EDFs, including 13 Mio ECU from the balances of the closed fourth EDF. This decision, however, only partially resolves the question of unpaid balances from closed EDFs ⁽⁵⁾ since, firstly, there were still balances remaining at the time and, secondly, new balances had meanwhile appeared. At 31 December 1998 these balances in fact amounted to 274,1 Mio ECU, i.e. the appropriations transferred from the fourth to the sixth EDF (110,1 Mio ECU) ⁽⁶⁾ and from the fifth to the seventh EDF (437,7 Mio ECU) ⁽⁷⁾ only gave rise to payments to the extent of 273,7 Mio ECU, i.e. 50 % of the transfers. This being the case, the Commission should propose that the Council should set up a mechanism to prevent appropriations from remaining unused in the future.

CHAPTER II — FOLLOW-UP OF PREVIOUS OBSERVATIONS

Introduction

6. The Court has investigated the follow-up given by the Commission to observations made by the Court in a number of reports on subjects audited in the period 1994 to 1996. The results of this follow-up examination are set out below.

Technical cooperation

7. In 1996, the Court carried out an audit of technical cooperation activities (studies, technical assistance by experts, supervision of works) in the framework of the sixth and seventh EDFs, the results of which were communicated to the Commission by early 1997. In the follow-up enquiry, carried out on a number of aspects of technical cooperation, it was found that in most cases the problems identified earlier were still persisting.

⁽⁵⁾ Already referred to in paragraph 12.7 of the Annual Report concerning the financial year 1996 (OJ C 348, 18.11.1997).

⁽⁶⁾ A reduction of 13 Mio ECU compared with 1997.

⁽⁷⁾ A reduction of 6,5 Mio ECU compared with 1997.

8. As a general rule, contracts for technical cooperation (service contracts) are concluded following a restricted invitation to tender (RIT). According to the Commission's internal rules, service contracts exceeding 2 Mio ECU have to be awarded following an open tendering procedure (RIT after prequalification), the only exception being operations in 'very specific' technical fields.

9. In practice, however, in 1997 the Commission concluded 51 % (by value) of the contracts by private treaty, 42,6 % by RIT and 6,4 % by open tender procedure. Of all 80 contracts over 2 Mio ECU, 43 contracts were awarded after a restricted invitation to tender without prequalification and only 37 contracts followed an open tender procedure.

10. In the past, most of the private treaty contracts were awarded after consultation of one candidate only. At the end of 1997 a new procedure was established designed to ensure that at least three prospective tenderers would be consulted with the aim of widening competition. This constitutes a major improvement as compared with the previous practice.

11. In its contracting procedures for service contracts the Commission takes the geographical distribution into account for all contracts awarded after private treaty and for a number of contracts awarded after a restricted invitation to tender (see **Table 2**). The consequence is that the service contracts are more evenly distributed over the Member States than those for works or supplies (for which the geographical distribution is not applied). However, such a system of geographical distribution distorts competition.

12. The share of service contracts awarded to ACP — and OCTs — consultants is tiny; by volume (i.e. by contractual amount) all ACP — and OCTs — countries together account for 9,3 % of all service contracts. The average contract amount for awards to Member States (and third countries), at 250 000 ECU, is two-and-a-half times that for ACP countries (99 000 ECU).

13. The low share of the ACP countries in the award of service contracts does not reflect the political intentions of the convention, which stresses the importance of the autonomous development of the ACP countries. The Commission should find ways to expand the share

Table 2 — Geographical distribution of works, supplies and service contracts awarded for the sixth and seventh EDFs as on 31.12.1997 (the percentages given refer to the contractual amount)

Member State	Works (%)	Supplies (%)	Services (%)
France	33,7	23,2	20,5
Italy	33,1	12,7	11,0
United Kingdom	5,3	20,8	15,8
Germany	4,9	15,1	13,7
Belgium	6,0	8,0	13,8
Netherlands	2,6	13,1	7,4
Portugal	3,7	2,3	3,5
Spain	9,0	3,3	3,0
Denmark	1,7	0,9	3,9
Ireland	0,1	0,2	4,3
Luxembourg	0,1	0,2	1,9
Greece	—	0,2	1,2
Total	100,0 ⁽¹⁾	100,0	100,0
	Works (Mio ECU)	Supplies (Mio ECU)	Services (Mio ECU)
Total	1 659,6	907,1	1 397,2
ACP States	658,9	261,7	145,9
OCTs	9,6	1,4	3,8
Third countries	1,4	30,7	49,2
Grand total	2 329,5	1 200,9	1 596,2 ⁽¹⁾

⁽¹⁾ Differences due to roundings.

Source: Doc. SEC(98) 1353/2, Annex 1, page 3.

of ACP and OCTs consultants in the award of service contracts, even if it is often difficult to identify experienced indigenous consultants.

14. For contracts concluded under the EDF, the possibility, pursuant to Article 298(3)(d) of the convention, whereby complementary operations of a project may be awarded by private treaty, is interpreted by the Commission in the sense that contracts for complementary operations are usually awarded to the contractor to whom the initial contract was awarded, thereby excluding competition. This practice should be limited to cases such as supervision contracts for works which could not be completed within the planned deadlines.

15. For service contracts financed by the EDF, the Commission has a special standard appraisal form which normally has to be filled in at the end of each service contract, in close cooperation between the delegation, the desk officer and the technician. This form could be an important tool to assess the quality of the services carried out by the consultant. At the time the audit was carried out (the beginning of 1999), no such form had been supplied to the Court.

16. The Commission has still not developed a new standard contract, containing a clause requiring the consultant to insure himself against the financial consequences of unsatisfactory performance of the contract.

17. Monitoring and evaluation are essential for effective cost control. Very little has been done in this respect by the Commission: no survey by cost element is undertaken, nor are statistics kept by country, by year of conclusion of the contract, or by type of contract. This lack of proper cost analysis makes it impossible to measure cost-effectiveness.

18. Since the volume and the potential impact of technical cooperation are important, the quality of this instrument and its management should be assessed regularly. Even if the Commission included evaluations

of technical cooperation in the context of thematic or geographical evaluations, its staff have not undertaken a global and concise evaluation of technical cooperation as an instrument, or of the utility of the activities carried out under service contracts.

Regional cooperation under the sixth EDF

19. In its Annual Report concerning the financial year 1994, which was published in November 1995, the Court summarised its findings concerning regional cooperation under the sixth EDF ⁽⁸⁾.

20. Following the Court's observations ⁽⁹⁾, the Commission started to improve its collaboration with, and support for, regional organisations. These organisations have been given, on a case-by-case basis and under agreed procedures, a mandate to set the thematic policy framework for regional cooperation and to review the regional indicative programmes (RIPs).

21. The Commission has increasingly supported these regional organisations by the creation and financing of programming units. This, together with the introduction of annual regional reviews of the RIPs, should contribute to regular and substantial control over the preparation and implementation of regional programmes.

22. Delegations have been given a larger role in programming and monitoring by the appointment of two advisors for regional cooperation in the southern Africa and Caribbean region.

23. Nothing has been done in response to the Court's observation that a report needs to be submitted to the discharge authority every year on the overall implementation of regional cooperation and on the state of progress of and adjustments to the RIPs.

Assistance from the seventh EDF in support of structural adjustment

24. In response to a request by the European Parliament, during 1995 the Court of Auditors examined operations in support of structural adjustment financed from the seventh EDF, the results of which were set out

⁽⁸⁾ OJ C 303, 14.11.1995.

⁽⁹⁾ In particular those mentioned in paragraphs 12.70, 12.73 and 12.74.

in its Annual Report published in November 1996 ⁽¹⁰⁾.

25. An endeavour to simplify, clarify and strictly apply the basic conditions for the release of successive instalments of this EDF aid was one of the main recommendations.

26. The Commission has undertaken several activities resulting from its new approach in the area of the conditionality of its aid for structural adjustment in the ACP countries. The following should be mentioned:

- (a) the presentation of a 'donor conditionality reformulated' document to the SPA financial donors in December 1996 and its approval by this body as the basis for the implementation of a pilot test regarding conditionality in Burkina Faso. The document divides the conditionalities into three areas, the macroeconomic framework, budgetary management, balanced economic growth and social aspects, in conjunction with the reform programmes and the coordination of the financial donors;
- (b) a proposal for new avenues to be promoted in the area of conditionality in its draft 'Commission note to the Council on structural adjustment support' and more specifically:
 - (i) simplification of disbursement conditions by adhering to the main conditions agreed with the Bretton Woods institutions;
 - (ii) adoption of a form of conditionality based on results;
 - (iii) adjustment of the disbursements in accordance with the expected results.

27. The Court has noted the steps taken by the Commission to achieve a simplification and clarification of conditionality and a rapid implementation of its new concept and recommends that the Commission should continue its efforts to improve the formulation and observance of conditionality.

⁽¹⁰⁾ OJ C 340, 12.11.1996.

28. In its report, the Court also recommended that, in the case of budgetary aid, the Commission should step up its assessments of the Beneficiary States' procedures for the drafting and implementation of the whole budget (transparency, degree of centralisation, speed) and the auditing of all expenditure on the basis of the financial statements published by the ACP States.

29. The Court notes the measures undertaken by the Commission in the area of the evaluation and improvement of budgetary procedures in the ACP countries. The Commission has included conditions in its agreements concerning the support for structural adjustment which aimed to improve the budgetary procedures, especially concerning sectors supported by the Commission in its programmes, and it has carried out analyses in order to assess to what extent the conditions had been fulfilled. There is less evidence that improvements have been made on overall procedures leading to clear, unambiguous and transparent budgets for the execution of which the responsibilities are clearly set. In general, little information is available on improvements of the reliability and timeliness of financial reporting on the execution of the whole of the budget. The Court recommends that the Commission should intensify its efforts concerning the qualitative assessment of all public finance in ACP States as an important condition for budgetary aid.

Putting works contracts out to tender

30. In its Annual Report concerning the financial year 1996, published in November 1997 ⁽¹¹⁾, the Court presented the results of its audit of the tender procedures for works contracts. Observations were made on the lack of justification for the part of the contract to be paid in foreign (non-local) currency. It also recommended improving information on the ACP States' rules concerning customs and taxes in order to ensure that tenders were in conformity with the legislation of the recipient country.

31. The Court has not obtained any information which indicates improvement in this area.

Stabex

32. In July 1995, the Court published a special report on Stabex within the framework of the First Financial Protocol of the Fourth Lomé Convention ⁽¹²⁾.

33. The Court noted in this report that little effort had been made under Stabex to remedy the institutional weaknesses of the beneficiary countries, be it statistical cooperation or substantial analyses in respect of the sectors affected by loss of revenue.

34. The Commission endeavoured to develop statistical cooperation with the ACP States concerned by means of technical assistance granted to some countries and, more generally, by training programmes for statisticians and by improving external trade statistics. The Court would encourage the Commission to expand technical assistance, in order to improve the statistics, to include all countries eligible for Stabex transfers.

35. The Court would like to point out that the delegations are obliged to certify the accuracy of the statistical data and thus systematically check their reliability. Also, the key elements in the substantial analyses (referred to in Article 209(1) of the Fourth Lomé Convention) should be rigorously checked. The Commission has not provided any information to show that there has been an improvement in this area.

36. The Court noted in its report that the complementarity of the Stabex objectives with those of the other EDF financial instruments was not guaranteed. The use of Stabex funds is now linked to concentration sectors (indicated in the country's national indicative programmes) and to the structural adjustment programmes of the countries concerned by means of the 'frameworks of mutual obligations'.

CHAPTER III — OTHER OBSERVATIONS

Sources of financing for actions in ACP countries

37. Since 1964, European development aid has been governed by conventions agreed between the Member States of the European Community and the beneficiary ACP States. The financing of the aid is channelled

⁽¹¹⁾ OJ C 348, 18.11.1997.

⁽¹²⁾ OJ C 167, 3.7.1995.

Table 3 — Budget financing for ACP countries (Sincom payments 1998)

(Mio ECU)

	Lines containing ACP actions		Lines, 100 % ACP actions		Total amount relevant lines
	Number of lines	Amount ACP actions	Number of lines	Amount ACP actions	
B7-2 Food aid	4	287,9	—	—	626,3
B7-3 Southern Africa	1	0,3	1	12,6	85,9
B7-6 Other cooperation	11	124,0	1	15,0	289,2
B7-7 Human rights	1	13,5	1	0,0	14,4
B7-8 71 Banana products	—	—	1	8,2	8,2
Total budget financing ACP countries	17	425,7	4	35,8	1 024,0

through the successive European Development Funds (EDFs) set up by the corresponding conventions.

38. Aid to the ACP States has thus been given exclusively through the EDFs, with the exception of food aid, which, because of the link with European agricultural policy and not for conceptual reasons, has been channelled through the budget. This meant that a coherent system for aid to the ACP States was established, even though in practice some problems and weaknesses could be observed.

39. In particular after the first enlargement, it was felt that aid should also be given to other developing countries. This aid was to be given through the budget.

40. Once budget headings for development aid existed, certain actions for ACP States began to be financed, gradually and on an ad hoc basis, from the general budget. Usually such actions were concentrated on certain themes (e.g. sexual equality issues, democratisation) for which the conventions in force had not laid down any actions at the time of signature. Although such financing for ACP countries had been marginal for a long period, in recent years the amounts paid for actions in the ACP countries have been considerable.

41. In 1998, total payments for actions for ACP countries, channelled through Titles B7-2, B7-3, B7-6, B7-7 and B7-8 (excluding fishery agreements) of the budget were some 460 Mio ECU (425,7 Mio ECU + 35,8 Mio ECU; see **Table 3**), which compares with 1 440 Mio ECU payments by the EDF in that year.

42. This situation complicates the management of aid given to the ACP States considerably, as the various sources of funding have to follow different rules (within the budget as well as between the budget and the EDFs) and as different departments at the Commission are responsible for the different policies, and for carrying them out. In particular, problems arise when a certain action is simultaneously funded by the EDF and a number of budget headings, such as for example the rehabilitation programme for ACP countries. This programme was funded by the EDF and by Titles B7-2, B7-3 and B7-6 of the budget. It was found that in such a situation no overall picture is available at a central point on the level of financing and on the progress of the actions. In general, the situation is not transparent.

43. The systems should be reconsidered with a view to obtaining coherent management of the instruments. The budget, the accounts on the execution of the budget and the EDF should provide information which enables management to obtain a comprehensive overview of the execution of aid programmes in the ACP countries.

Non-application of rules for structural adjustment actions

44. In the Court's Annual Report concerning 1997 it was observed that, for the EDF, the regulations were frequently not applied, partly due to the fact that the legislation was not adapted to the type of aid ⁽¹³⁾.

⁽¹³⁾ Annual report 1997, page 153, paragraphs 9-13 (OJ C 349 of 17.11.1998).

45. Although there has not been a direct financial impact, the conditionality was not strictly observed in a number of cases. Some other specific rules are not respected because it is felt that the rules do not correspond (any more) to the nature of the aid. For example, Article 291.1, which stipulates that a financing agreement is to be signed within 60 days of the Commission's decision, is rarely respected: usually more time is required because conditions stipulated in the agreement are to be fulfilled before its signature. Equally, the requirements of Article 250(3) of the Lomé IV Convention are not always applied: the article specifies that payments for structural adjustment are to be made to bank accounts opened in one of the Member States and that these payments are to be considered as advances, the use of which is to be regularised by the presentation of supporting documents. In a number of cases payments are made to bank accounts outside the European Union. In the case of direct budget support, payments are not considered advances.

46. A number of the above anomalies can be avoided if the Commission makes proposals to adjust the text of the next convention to take account of the changes in the nature of the instrument.

Analysis of advances and dormant commitments

47. For the financing of certain actions managed partly by Member State bodies and partly by the Commission's delegations, the Commission pays advances (mainly costs of consultants and scholarships). At certain intervals justifications for expenditure are presented, to be included in the EDF cost accounts. In order to have a certain control over the outstanding advances, it is necessary regularly to reconcile the amounts in the accounts with the amounts presented by the organisations which keep the advances. Such reconciliation is rarely executed by the Commission for advances paid to delegations. The Commission should systematically use reconciliation for all its advances. In general, reconciliation should be carried out more frequently and all differences identified and explained.

48. Similar observations can be made on dormant commitments: in three cases the projects remained open because advances had not been cleared for a long period (6,7 Mio ECU) and nine cases (55,7 Mio ECU) remained open for claims, some of which have been pending for a long time. A quicker solution for such cases should be sought. Conversely, due to a lack of analysis, the situation of six actions (9,6 Mio ECU) was classified as

'unknown' whereas a more careful analysis would have produced the pertinent information that the commitments should remain open.

Price revisions and advances for works contracts

49. For works, in accordance with the contracts, advances are usually paid to the contractor after the contract has been signed. Often the advances are of the magnitude of 30 % of the contract amount. From the moment that a certain proportion of the works is completed the advances are gradually reimbursed by deducting them from the declared expenditure.

50. According to the contracts, the reimbursements start when the payments of the amounts due arrive at a level of — usually — 50 % of the contract amount. The interpretation of this rule differs considerably depending on the ACP region or country. According to one interpretation, the reimbursement of advances starts when (according to the percentages given above) 50 % of the works are completed, i.e. when total payments have amounted to 80 % of the contract amount (30 % advance, plus 50 % of invoiced contract amount). According to a different interpretation, reimbursement of advances starts when the total payment (including those for advances) has reached 50 %. Apart from the lack of consistency, it may be asked whether it is justified to allow long-term advances till total payments reach 80 % of the contract amount.

51. Also, different clauses for price revision are applied, which can have important financial consequences: in the French-speaking ACP countries in general price revision clauses are applied which are linked to certain, specified, statistical indices, whereas in the English-speaking ACP countries in general a system of compensation of specifically proven and justified price increases is applied. The Commission should examine whether the utilisation of two different systems is justified.

Cases of litigation

52. Although the Commission is not a contracting party, cases of litigation and subsequent claims presented by contractors are nevertheless charged to the EDF after a settlement in many cases. The Commission should consider including an estimate of the financial consequences of the claims in an annex to the financial statements.

CHAPTER IV — STATEMENT OF ASSURANCE ON THE EUROPEAN DEVELOPMENT FUNDS

Statement of Assurance relating to the activities of the sixth, seventh and eighth European Development Funds ('EDFs') for the financial year ended 31 December 1998

I. The European Court of Auditors ('the Court') has examined the accounts of the sixth, seventh and eighth EDFs for the financial year ended 31 December 1998. These accounts consist of the balance sheets as at 31 December 1998, the statements of sources and uses of funds, the statements of revenue and payments, the table of debts, the accompanying notes and the revenue and expenditure accounts for the financial year ended on the same date. They are the responsibility of the Commission and are presented in communication COM(1999) 227 final of 11 May 1999 from the Commission to the European Parliament, the Council and the Court. Pursuant to the Financial Regulations ⁽¹⁾, the Court is required to provide the Parliament and the Council with a statement of assurance as to the reliability of the accounts and to the legality and regularity of the underlying transactions.

II. The Court carried out the audit in accordance with its audit policies and standards. These adapt generally accepted international auditing standards to the EDF context. The audit comprised an appropriate range of procedures, designed to examine, on a test basis, evidence relating both to the amounts and disclosures in the accounts and the legality and regularity of the transactions underlying the accounts. It also included an assessment of the accounting principles used and of significant estimates made by management, as well as of the presentation of the accounts. Through the audit the Court obtained a reasonable basis for the opinion expressed below.

Reliability of the accounts

III. The figures presented in the balance sheets, the statements of sources and uses of funds, the revenue and expenditure accounts, the table of debts and the explanatory notes are affected by the following main errors and weaknesses:

- (a) the advances for scholarships and technical assistance amounting to 26,65 Mio ECU include expenditure to be regularised of 9,04 Mio ECU and a further 4,65 Mio ECU for which the degree of expenditure is unknown;
(see paragraphs 65-66)
- (b) the amount of commitments unlikely to be used as presented by the Commission (18,1 Mio ECU to be decommitted plus 1 057 Mio ECU unlikely to be used) is estimated to be understated by some 73,94 Mio ECU;
(see paragraphs 72-75)

IV. No table of revenue is included and the table of debts is incomplete despite being an explicit requirement of the financial regulations.

(see paragraphs 70-71)

⁽¹⁾ Article 73 of the Financial Regulation of the eighth EDF, applied by analogy to the sixth and seventh EDFs.

Legality and regularity of the underlying transactions

V. As regards the eighth EDF, the Chief Authorising Officer as well as all persons with subdelegated powers have acted without being covered by the formal authorisation.

(see paragraph 79)

VI. Moreover, the audit showed a high incidence of failures to comply with regulations affecting the assigned funds of the eighth EDF, which often indicated a failure to properly apply control procedures, but where no direct effect on the amount of the transaction was identified ('formal' errors).

(see paragraph 83)

VII. The Court's audit again revealed a significant incidence of formal errors affecting the primary commitments.

(see paragraphs 81-82)

VIII. The audit revealed a considerable incidence of errors which affected the amount of the payments made ('substantive' errors).

(see paragraph 84)

IX. The audit also showed a significant number of formal errors.

(see paragraph 85)

X.

— Except for the effects of the matters summarised in paragraphs III and IV above, the Court is of the opinion that the accounts for the financial year 1998 reliably reflect the revenue and expenditure of the sixth, seventh and eighth EDFs for the year and their financial situation at the end of the year.

— Except for the effects of the matters summarised in paragraph V above, the Court is of the opinion that the transactions underlying the revenue entered in the accounts for the financial year, taken as a whole, are legal and regular.

— Except for the effects of the matters summarised in paragraph V above, the Court is of the opinion that the transactions underlying the appropriations of the eighth EDF for the financial year, taken as a whole, are legal and regular.

— Except for the effects of the matters summarised in paragraphs V and VII above, the Court is of the opinion that the transactions underlying the primary commitments for the financial year, taken as a whole, are legal and regular.

— Except for the effects of the matters summarised in paragraphs V and VI above, the Court is of the opinion that the transactions underlying the assigned funds of the eighth EDF for the financial year, taken as a whole, are legal and regular.

— Except for the effects of the matters described in paragraphs V, VIII, and IX above, the Court is of the opinion that the transactions underlying the payments for the financial year, taken as a whole, are legal and regular.

15 October 1999

Jan O. KARLSSON

President

European Court of Auditors
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Information supporting the Statement of Assurance

Introduction

53. The following text should be read in conjunction with the preceding statement of assurance on the reliability of the accounts of the sixth, seventh and eighth EDFs and the legality and regularity of the underlying transactions for the financial year 1998. It provides further explanation of the observations in the statement of assurance which lead to the qualified opinion on the reliability of the accounts. It also summarises the main conclusions leading to the Court's opinions on the legality and regularity of transactions underlying the accounts, which is qualified for the eighth EDF, for primary commitments and for payments of the sixth, seventh and eighth EDFs ⁽¹⁾.

Scope of the audit

54. Although the accounts for the financial year ended 31 December 1998 of the sixth EDF are to be forwarded to the Court not later than 15 April, and of the seventh and eighth EDFs not later than 1 May of the following financial year respectively, they were only made available to the Court on 18 May 1999.

55. The audit involves an analytical review of financial data and direct substantive testing on a sample basis of the transactions underlying the accounts of the sixth, seventh and eighth EDFs ⁽²⁾ directed at determining whether transactions comply with the related rules and regulations and are properly accounted for.

⁽¹⁾ The opinions expressed and the terminology used in this statement of assurance are identical in nature to those given in 1997 and previous years.

⁽²⁾ For contributions and other revenue as well as for appropriations, the underlying transactions were audited 100 %. The primary commitments, assigned funds and payments examined in the context of the sampling procedures accounted for 44, 64 and 36 % respectively of the value of total primary commitments, assigned funds and payments for the year. The sample comprised 54 primary commitments, 20 assigned funds and 155 payments. Negative commitments and payments were examined by means of analytical control.

56. The audit was planned and performed so as to obtain sufficient, relevant and reliable audit evidence to determine whether, taken as a whole, the financial statements are reliable and the underlying transactions legal and regular. Not all irregularities are intentional, nor do they necessarily have a detrimental effect on the EDF funds. Errors detected in the course of the statement of assurance audit, and reported here, should not be taken as generally representing fraud. Certain cases of deliberate irregularity to the detriment of the EDF funds cannot, by their very nature, be detected by the normal audit procedures. The primary responsibility for the prevention, detection and investigation of irregularities rests with those responsible for the management of EDF revenue and expenditure.

57. In view of the Financial Regulation for the eighth EDF, which requires, in addition to primary commitments and payments, appropriations and assigned funds to be accounted for, these transactions also constitute underlying transactions ⁽³⁾ for which a statement on legality and regularity is issued ⁽⁴⁾.

Limitations on the audit work relating to underlying transactions

58. The Court audited the underlying transactions on the basis of documentation obtained at central departments in Brussels and, when necessary, from the delegations in the ACP States. The audit did not involve visits on the spot to check whether the expenditure incurred by the final beneficiary was legal and regular. For certain types of payments related to macroeconomic support (i.e. Stabex and structural adjustment) the audit work is limited to the legality and regularity of the payments in ECU to the ACP State.

⁽³⁾ Appropriations refer to the overall allocation of amounts set up by the Member States for an instrument of development cooperation. Primary commitments make funds available for a project or programme on the basis of a financing decision. The recording of contracts concluded for the implementation of a project or programme is called assigned funds (also referred to as secondary commitments). Finally, payments of expenditure are made on the basis of contracts.

⁽⁴⁾ Financial Regulation of 16 June 1998 for the eighth EDF, Articles 1, 15(3), 24, 37, 38 and 67 (OJ L 191, 7.7.1998, pp. 54 to 66).

59. The practical implementation of the audit was affected by difficulties in obtaining information resulting from the reorganisation of the Commission's services in the external actions area. Practically all information requested was received, but only at a very late stage.

Accounting standards, policies and procedures

60. The Court has repeatedly drawn attention to the need for adequate accounting standards, policies and procedures to be established and consistently applied⁽⁵⁾. The Commission continues not to apply consistently its accounting principles, which are explicitly mentioned in the financial statements and the accounting plans for the sixth, seventh and eighth EDFs.

61. In particular, although the cash accounting method is explicitly stated as being one of the main principles of EDF accounting policy⁽⁶⁾, it is not consistently applied to the accounting for debtors and advances:

- (a) the counterpart entries corresponding to 'Stabex debts from Member States to be recovered'⁽⁷⁾ (669,14 Mio ECU) and the 'Interest for late payment of EDF contribution' (1,86 Mio ECU) were recorded as revenue although they had not been collected. No reference is made to this;
- (b) advances on contracts amounting to 457,41 Mio ECU, disclosed as management information in Annex 3.4 of the financial statements, are — in line with the cash accounting principle — included in the expenditure of the year as final payments and therefore not shown as an asset in the balance sheet; the same is true for structural adjustment payments to ECU denominated bank accounts, which repre-

sent advances to be cleared⁽⁸⁾. On the other hand, advances for study awards and technical assistance, amounting to 26,65 Mio ECU, are not included in the expenditure of the year, but are regarded as receivable and recorded as an asset in the balance sheet.

62. A problem of consistency also occurs as regards the revaluation of current assets, as the portfolio of bonds within the Stabex bank account amounting to 221,45 Mio ECU was not revalued to the market value at 31 December 1998 of 220,62 Mio ECU, whereas the bank account balances held in Member States' currencies were revalued at year end in ECU, resulting in an unrealised loss of 0,65 Mio ECU for 1998.

63. In certain cases, the information presented in the financial statements was inaccurate. In general, the drafting of the financial statements, and in particular the explanatory notes, is not done with sufficient attention. For illustration, the following examples are given:

- (a) The liabilities in the balance sheet for the eighth EDF contain an item entitled 'Stabex contributions and interest', the balance of which is 13,62 Mio ECU. This description is wrong because the item in fact refers to interest and not contributions. The wording of the corresponding note 3.1.17 contains the same mistake.
- (b) Following a classification error, the balance sheet total for the sixth EDF is underestimated by 924,5 Mio ECU. The item 'Cash advances from the sixth EDF', which was entered under liabilities for a negative amount of 924,5 Mio ECU, should be deleted and this amount should be included as a positive amount among the assets under a 'Debtors' heading, consistent with its entry under the 'Creditors' heading on the liabilities side of the sixth EDF's balance sheet.

The reliability of the accounts

64. The accounts are qualified due to both the absence of a table of revenue and the incompleteness of the

⁽⁵⁾ Annual report concerning the financial year 1997, Part II, paragraphs 9 to 13, OJ C 349 (17.11.1998, pp. 164 and 165).

⁽⁶⁾ Financial statements 1998, COM(1999) 227 final Chapter I, pp. 2-5.

⁽⁷⁾ Article 54(a) of the Financial Regulation in respect of the eighth EDF introduces the possibility for the Member States to defer payment of their Stabex contributions, thus creating an open-ended debt that generates interest.

⁽⁸⁾ Article 250(3) of Lomé IV bis Convention (OJ L 156, 29.5.1998).

table of debts despite the disclosure of this information being defined in detail by the Financial Regulations ⁽⁹⁾, and furthermore in respect of the errors arising from the issues dealt with in paragraphs 65 to 77. In other respects the Court found that the accounts reflect reliably the EDF's revenue and expenditure for the year as well as the financial situation at year end.

Errors affecting the balance sheets

Advances for scholarships and technical assistance

65. Apart from being disclosed as debtors in the balance sheet of the sixth EDF, Annex 3.3 of the financial statements gives a breakdown of the advances for scholarships and technical assistance, amounting to 26,65 Mio ECU, into three groups:

- (a) 2,76 Mio ECU of advances managed directly by Commission delegations in the ACP States. Of this amount only 0,3 Mio ECU was confirmed to the Court by 40 delegations, thus leading to an overstatement of the advances by at least 2,4 Mio ECU. Specifically, for 20 delegations with advances totalling 0,28 Mio ECU no accounting movements were made after 1994 and the corresponding amount confirmed by the delegations totals only about 2 000 ECU. Moreover, out of these 20 advances eight have had no movements since their introduction into the Commission's online accounting system in 1991;
- (b) 2,25 Mio ECU of advances managed by Member States' agencies;
- (c) 21,65 Mio ECU of advances managed by three specialised agencies for technical assistance. For one of these agencies which is in liquidation (the European Association for Cooperation), the advances of 4,65 Mio ECU have not been reconciled by the Commission. For another agency with advances of 15 Mio ECU, 8,36 Mio ECU have been confirmed by the agency as advances not yet spent.

66. As the Commission accounts for final expenditure after receipt of the related expenditure reports and supporting documents, the advances are permanently over-

⁽⁹⁾ Articles 66(2), 70(2)(a), and 66(2)(d) and (e) of the Financial Regulations for the sixth, seventh and eighth EDF respectively.

stated by the amount of expenditure already incurred but not yet reported by the managing agents due to considerable time-lags in reporting and accounting. Apart from obtaining final expenditure reports as soon as possible the Commission should provide an indication of the extent to which these advances have been utilised. The Court's audit revealed that the utilisation of the advances shown in the assets at the year end amounts to at least 9,04 Mio ECU (33,9 % of 26,65 Mio ECU), and that for a further 4,65 Mio ECU (17,5 %) the degree of expenditure is unknown.

Cash at bank

67. The balances of the ACP and European paying agents' bank accounts, as well as the Stabex special accounts, which amount in total to 584,09 Mio ECU, contain differences of 10,81 Mio ECU ⁽¹⁰⁾ due to cut-off and disclosure problems. As regards the Stabex special accounts, the Court draws attention to the fact that the balance disclosed in the assets of 407,53 Mio ECU was regularised, as indicated in the notes to the financial statements, in March 1999, in order to arrive at a balance of 408,07 Mio ECU.

68. Moreover, the Stabex special accounts presented within the asset 'cash at bank' contains 221,45 Mio ECU of bonds whose nature as tradable securities is only disclosed in the explanatory notes to the financial statements. The value of the securities is understated by 0,54 Mio ECU because a part of the interest purchased was not taken into account.

Errors affecting the revenue and expenditure accounts

Administrative and financial costs

69. The administrative and financial costs amounting to 0,27 Mio ECU as broken down only in cumulative figures in the notes to the financial statements are materially misstated due to classification errors and off-setting of profits and losses. As a result, the administrative and financial costs of the year are understated by at least 0,69 Mio ECU.

⁽¹⁰⁾ An overstatement (totalling 10,26 Mio ECU) of the balances of three ACP and three European paying agent bank accounts, an understatement (totalling 0,54 Mio ECU) of the Stabex special accounts and the omission of a bank account (0,01 Mio ECU) and the corresponding liability as its funds are stated to belong to Denmark.

Errors affecting the table of debts, the table of revenue and the management accounts and annexes

70. The table of debts provided for under Article 66(e) of the Financial Regulation governing the eighth EDF does not contain all the debts established, and, moreover, it includes neither the claims on Stabex contributions and interest (669,14 Mio ECU) nor the interest to be received in respect of late payments of Member States' contributions (1,86 Mio ECU). Furthermore, it does not contain the cancellation of established entitlements, whereas there is at least one waiver of the exchange difference on the German contribution of 0,11 Mio ECU.

71. Although Articles 66(2), 70(2)(a) and 66(2)(d) of the respective Financial Regulations for the sixth, seventh and eighth EDFs require a table of revenue to be included in the financial statements, this information was not provided for 1998.

Situation of long-standing commitments to be settled

72. As management information given in Annex 3.1 of the financial statements, the Commission presents an analysis of the commitments amounting to 457 Mio ECU (of which 98,3 Mio ECU relating to actions managed by the EIB under mandate) for which there have been no movements in the accounts for over 18 months. The Court identified further commitments answering to the Commission's definition amounting to 3,9 Mio ECU, leading to a total amount of 460,9 Mio ECU. It is to be noted that, although the Commission modified the content of the definition of long-standing commitments to be settled in comparison with 1997, neither the change nor its financial impact (28,04 Mio ECU lower) are indicated in the financial statements.

73. Out of the long-standing commitments to be settled, the Commission identified an amount of 18,1 Mio ECU which needs to be closed (5,2 Mio ECU for the sixth EDF and 12,9 Mio ECU for the seventh EDF). The audit work performed indicates that a further 73,94 Mio ECU⁽¹⁾, bringing the total of 92,04 Mio ECU, should be decommitted and added to the fund balances of the sixth and seventh EDF of 1 541,3 Mio ECU available for re-use (**Table 1.1** of Chapter 1).

⁽¹⁾ Of which 15,7 Mio ECU still relates to a Sysmin project for Togo that has had no movements since its opening in 1989.

74. Stabex transfers of 103,8 Mio ECU, due to Sudan under the seventh EDF, are included in the commitments to remain open. In June 1999, the Commission took steps to get the National Authorising Officer's approval for the closure of the projects.

75. The same annex also indicates that, of the 5 356 Mio ECU outstanding commitments (i.e. financing decisions taken but not paid out), an estimated 1 057 Mio ECU (19,7 %) are unlikely to be paid out. This amount mainly represents the contingency reserves made when the commitments are drawn up. The Court considers the steady increase of the portion of contingencies from 10,4 % in 1996 and 14,2 % in 1997 to the present figure of 19,7 % as a matter of serious concern.

Advances on contracts as at 31 December 1998

76. Unlike advances on scholarships and technical assistance (see paragraphs 65 and 66), advances paid on works, supplies and service contracts as well as on work programmes are accounted for as final expenditure, which leads to an overstatement of the expenditure for the year and a corresponding understatement of the debtors as long as those advances are not cleared through eligible expenditure incurred.

77. In Annex 3.4 of the financial statements, the total amount of outstanding advances amounting to 457,41 Mio ECU is understated by 2,32 Mio ECU as negative advances on contracts are not separately revealed. These negative advances could indicate that contractors reimbursed more than the advances received.

The legality and regularity of underlying transactions

78. The statement of assurance provides a qualified opinion on the legality and regularity of all transactions of the eighth EDF (see paragraphs 79 and 83), of primary commitments (see paragraphs 81 and 82) and of payment transactions of the sixth, seventh and eighth EDFs (see paragraphs 84 and 85).

79. Contrary to Article 311(1) of the Lomé IV bis Convention, the Commission did not appoint the Chief

Authorising Officer of the eighth EDF, who is responsible for managing the resources of the EDF, until July 1999. This leads to a situation where all actions taken in 1998 which were to be taken by the Chief Authorising Officer, as well as those to be taken by all persons acting under subdelegation of powers, are not covered by the formal authorisation.

Errors affecting the legality and regularity of contributions and other revenue transactions

Substantive legality/regularity errors

80. The Court notes that progress has been made in exercising control over interest earnings since 1997. However, the continuing incidence of errors detected by the Court for the financial year 1998, although in general of very small individual financial impact, nevertheless indicates a need to apply adequate control procedures systematically. The Commission is requested to strengthen and document systematic controls and take immediate corrective action whenever necessary ⁽¹²⁾.

Errors affecting the legality and regularity of primary commitments

Formal legality/regularity errors

81. The Court's audit again revealed a significant incidence of formal errors which do not have a directly quantifiable effect on the amounts of the transactions concerned. This principally involves cases where the rules applied by the EIB for risk capital transactions on the 3 % interest rate ceiling ⁽¹³⁾ and for the use of on-lending margins ⁽¹⁴⁾ were not respected. The other main categories consisted of not informing the EDF Committee properly in the field of structural adjustment and not complying with conditions prior to the signature of the Financing Agreement.

⁽¹²⁾ The same observation applies to bank charges.

⁽¹³⁾ The risk capital in question is provided to borrowers explicitly in the form of loans. The borrower uses the funds as participations in third undertakings. Article 234(1)(c) of Lomé IV bis states: 'In the case of loans to the ACP or to intermediaries the interest rate shall, in any case, be less than 3 %'.

⁽¹⁴⁾ Annual Report concerning the financial year 1997, Part II, paragraph 34 (OJ C 349, 17.11.1998) and Annual Report concerning the financial year 1996, Volume II, paragraph 22.24 (OJ C 348, 18.11.1997).

82. Although required by the Lomé Conventions, official requests of the ACP State concerned lack for grants ⁽¹⁵⁾ in a number of cases.

Errors affecting the legality and regularity of assigned funds

Formal legality/regularity errors

83. For emergency aid, the recording in the accounts was made before the signature of the corresponding contract in 8 of the 10 cases audited. The same happened for a service contract which to date remains to be signed. In two cases, contracts were signed without performance bonds being provided by the contracting party.

Errors affecting the legality and regularity of payments

Substantive legality/regularity errors

84. The majority of the substantive errors found in the Court's audit concerned the non-application of the necessary retention for guarantee purposes ⁽¹⁶⁾. Other errors include lack of justification of final payment for works and duplication of payment.

Formal legality/regularity errors

85. For 1998, even though the situation had improved since 1997, there was a significant incidence of formal errors across most instruments of the EDF. A serious type of formal errors remained in the non-provision of legally prescribed bank guarantees ⁽¹⁷⁾. One of these cases concerned the same final payment, for which no justification was provided, as mentioned in the previous paragraph. In one case for structural adjustment and in another for the EIB, conditions for the release of payments were only partly fulfilled. Other errors consisted of the payment of an advance not foreseen by contractual stipulation, non-utilisation of prescribed European bank accounts or ACP paying agent accounts, unauthorised signatures, insufficient support for price revision and failure to observe payment deadlines.

⁽¹⁵⁾ Article 285 of Lomé IV bis Convention (OJ L 156, 29.5.1998).

⁽¹⁶⁾ Annual Report concerning the financial year 1997, Part II, paragraph 37(a) (OJ C 349, 17.11.1998).

⁽¹⁷⁾ Annual Report concerning the financial year 1997, Part II, paragraph 38 (OJ C 349, 17.11.1998).

COMMISSION REPLY

CHAPTER I — IMPLEMENTATION OF THE SIXTH, SEVENTH AND EIGHTH EDFs AT 31 DECEMBER 1998

5. The figure of ECU 274.1 million represents the unpaid balances still outstanding from closed EDFs, down by ECU 61.8 million on 1997. Allowance must also be made for the fact that part of the unpaid balances is already committed. The remaining uncommitted balances amount to ECU 83.9 million (March 1999), i.e. 14.8 % of the allocations transferred from the closed funds.

The Commission has proposed that all uncommitted funds be consolidated under a single management system. This proposal is presently being discussed with the Member States and the ACP. In preparation for this simplification, new commitments are in the first place made from funds available under the eighth EDF.

CHAPTER II — FOLLOW-UP OF PREVIOUS OBSERVATIONS

Technical cooperation

7–18. Taking on board suggestions made by the Court following its audits and by the budgetary authority, the Commission has taken a number of steps to improve technical cooperation in the following fields:

8, 9, 11 and 14. Harmonisation of tendering procedures. Tendering procedures are in the process of being harmonised. Competition will thus be increased by extending and improving the procedures for publishing contract notices and the specific selection criteria. According to the manual of procedures to be adopted shortly, calls for tenders will be published for service contracts worth more than EUR 200 000. This will mark a significant change for the EDF, as the present threshold above which contract notices are published and preselection procedures are held is EUR 2 million. Moreover, a framework contract notice has been published for the selection of service firms for short-term tasks (maximum one year), which is worth less than EUR 200 000.

Since 1998, individual experts employed by the Commission on contracts have been selected from a database. The experts included in the database were chosen after a call for applications published in the Official Journal.

Consultancy firms, individual experts or other service providers are selected on the basis of objective criteria such as their methods and competence. This approach is not at odds with the desire to increase competition by avoiding discrimination on historical or linguistic grounds. Harmonising tendering procedures should serve to increase competition and improve the selection criteria.

10, 11 and 12. Share of contracts with the ACP countries. The Commission can confirm that, since the end of 1997, a new procedure has been in place which is designed to guarantee that at least three potential tenders are considered in order to increase competition.

The Commission is also trying to improve the flow of information to beneficiary countries in order to increase the number of firms applying for contracts for aid to non-member countries, in particular EDF contracts. The posting of information on SCR's tenders website and the harmonisation of procedures should broaden participation in calls for tenders by firms in beneficiary countries, in particular consortia.

Around 2 700 firms are registered in the Commission's directory of firms (FIBU). About 400 are firms in ACP countries, which can therefore be considered for inclusion on the restricted lists.

Nevertheless, the award of each contract follows evaluation criteria which aim to find the best tender for the funds available. If, in this context, either an offer from an ACP firm is not the best or no ACP firm meets the required standard for inclusion on a balanced shortlist, the award of the contract to an ACP firm cannot be made just in order to increase the ACP quota to the detriment of the technical quality of the project.

15. Assessment forms to be filled in at end of contract. The Commission issued instructions in March 1998 requiring delegations to fill in an assessment form at the end of each

completed technical assistance contract worth more than ECU 40 000. These instructions apply to contracts expiring after 1 February 1998.

The Commission has now provided the Court with assessment sheets for some of the contracts in its sample.

16. *Standard service contract.* A standard model contract for use by departments is being drawn up. It will cover all aid programmes to non-member countries. Standard models are also being drawn up for supplies and works contracts.

17. *Monitoring of cost-effectiveness.* While the Commission does not keep statistics on the basis advocated by the Court, it cannot be inferred from this that the Commission has not paid attention to the issue of cost-effectiveness in the area of technical cooperation. Moreover, increased competition between potential contractors as a result of the improvements to the tendering procedures mentioned earlier will help to secure better value for money.

18. *Evaluation.* While the Commission shares the Court's view that the quality and management of technical cooperation must be reviewed regularly, it does not agree that a global evaluation of technical cooperation as an instrument is necessarily the only way of doing so.

Given the considerable extent to which the roles and effectiveness of technical assistance vary with the policies and programmes they serve, and the local contexts, it has been considered in recent years when programming larger thematic evaluations that this subject would be better studied as part of wider analyses of specific policies and programmes rather than as a separate subject. Accordingly, the recent consolidated evaluations of all EU aid to the ACP, ALA, MED regions and the overall Phare and Tacis evaluations for 1997 looked at the issue, in varying degrees of detail.

Commission departments have recently been planning a specific evaluation of project preparation and certain other forms of technical assistance, which should be completed before the end of 1999.

Regional cooperation under the sixth EDF

19. In line with the increased emphasis of the Lomé IV Convention, signed in December 1989, on regional coopera-

tion, the Commission stepped up its collaboration and support for regional organisations with a clear mandate for regional economic integration. This was reflected in the regional indicative programmes prepared and carried out under the seventh EDF. The regional indicative programmes for the eighth EDF further strengthened the collaboration with regional organisations.

23. Although strictly speaking there is no legal obligation under the Lomé Convention, the Commission considers it important to provide adequate information on the general situation of regional cooperation. Such information should be available not only to the discharge authority, but also to a wider audience interested in development matters. At present, the country annual reports already contain a section dealing with the involvement in regional cooperation programmes. In addition a detailed annual report is prepared for some of the regional programmes including the Caribbean, the Pacific and the Indian Ocean. Moreover, the overall annual report on the EDF contains a brief summary description of all the regional programmes. With a view to future EU-ACP cooperation, the situation of regional integration in the ACP countries needs to be followed closely. Therefore, in addition to the existing reporting arrangements, the Commission intends to draw up an annual overview report on regional cooperation which would include a brief assessment of progress towards regional economic integration.

Assistance from the seventh EDF in support of structural adjustment

29. The consolidation of sound, transparent and efficient budget procedures in the ACP countries is a major task which cannot yield immediate results. However, the Commission has already undertaken to give this dimension a central role in its support work.

As regards the availability of reliable, up-to-date information on budget implementation in the ACP countries, this type of information is kept in the delegations, given the volume of the relevant documentation. More detailed information on this subject could certainly be supplied at the Court's request.

The Commission entirely agrees with the Court's recommendation on the qualitative assessment of public finances in the ACP countries. The Commission will step up its efforts in this field, as far as the available human and financial resources allow.

Putting works contracts out to tender

30–31. The Commission feels that the situation concerning works contracts has improved with regard to the two points highlighted in the report:

(a) Parts of contracts paid in foreign currency. Under present rules, all requests for payment in foreign currency must be duly substantiated.

Following the Court's observations in its 1996 report, the Commission reminded contracting authorities, via its delegations, to ensure that any request for payment under contracts in foreign currency is duly substantiated. The Commission has repeated this reminder whenever tender files are sent to it for approval.

The Commission is taking a close look at the relevance of the supporting documents produced by the tenderer.

(b) Tax and customs arrangements. The Commission also ensures that Articles 308, 309 and 310 of the Lomé IV Convention relating to tax and customs arrangements are included in the call for tenders file. However, despite the Commission's best efforts, it has not been possible to obtain information from the ACP States on the applicable national income tax regimes within the system provided for in the Lomé Convention.

Stabex

34–35. The Commission feels that it has developed statistical cooperation with the ACP countries with a view to remedying institutional weaknesses in beneficiary countries.

The training programme for statisticians is being continued in 1999. A new, revamped programme, drawing on past experience, is being prepared for the period 2000–05. The Commission intends to expand cooperation on external trade statistics to include, among other things, institutional aspects. It will also continue to offer one-off technical assistance where required.

The Commission believes that, bearing in mind the resources they have at their disposal, the delegations do generally check the reliability of statistics and the key elements of the substantial analyses drawn up by the ACP countries.

The Commission intends to bring the problem to the attention of delegations in countries eligible for this system and to remind them of the need for checks and supervision in the areas mentioned by the Court.

CHAPTER III — OTHER OBSERVATIONS

Sources of financing for measures in ACP countries

42–43. The European Development Fund is governed by successive conventions signed by the European Union and the ACP countries (national or regional authorities), enshrining the principle of partnership between them. The conventions set a framework for assistance, defining the financial aspects and target sectors. They are transposed mainly by joint indicative programmes (one per ACP State or region), trade cooperation programmes and a variety of other instruments.

By contrast, operations financed by the budget are carried out at the initiative of the EU or NGOs which the EU decides to support. They are directed primarily at the population of the ACP countries, irrespective of the government in power, and consist mainly of food aid, aid channelled through NGOs and democratisation measures.

Rehabilitation programmes, cited by the Court as an example of a hybrid operation, are implemented at a key, post-conflict but pre-development period. As a result, they may indeed be financed from either the budget or the EDF, depending on the speed with which political dialogue is re-established with the country concerned. Sometimes rehabilitation measures financed under the budget heading are indispensable, as the countries in question have not ratified the Lomé Convention, for want of an established authority.

Thus, the EDF is an instrument for financing operations in partnership with the ACP countries, whereas the budget provides funding for additional, independent measures. The two sources of financing complement each other.

Since 1998, operations financed from the two sources have been better coordinated and enjoyed a more coherent profile as a result of the annual country reviews in which all operations are analysed, discussed and, where necessary, re-targeted.

The EDF and the budget are thus complementary instruments which allow the Commission to adapt to the extremely variable circumstances in which external aid is provided to the ACP countries and overseas countries and territories.

Non-application of rules for structural adjustment actions

45. The conditions required for disbursement were not entirely met in only a few specific cases, where the Commission felt that the steps taken by governments towards meeting those conditions was proof enough of their commitment.

As regards the cases where the deadline for signing the financing agreements was not met, the Commission will ensure that, in future, decisions to finance structural adjustment support are not taken until the conditions required for signature of the agreements are met or about to be met. The Commission will also see to it that where payments have to be made to accounts outside the European Union on the grounds of sound financial management, they are channelled through accounts in Europe operated by the recipient banks. Finally, as regards the clearance of advances, the Commission considers that where direct budgetary support is provided (rather than import support), tranches of structural adjustment aid can no longer be regarded as advances. All clearance operations are therefore irrelevant.

Analysis of advances and dormant commitments

47. Whenever possible the Commission reconciles its accounts for advances paid to third parties, with confirmations obtained from the parties in question. This is a standard accounting procedure. All differences are analysed and acted upon as far as resources permit. All the advances paid to Member State agencies are reconciled. As far as the delegations are concerned the Commission is in the process of preparing reconciliations for all active accounts. The non-active ones will, as previously noted, be closed as soon as they are cleared.

48. The total amount of 'slow-moving' commitments identified at the end of the year decreased by ECU 81.1 million (15 %) between 1997 and 1998. As already stated in the reply to paragraphs 29 and 30, the Commission continually monitors 'slow-moving' projects and attempts to resolve the causes blocking them. To obtain information on projects is sometimes difficult due to the absence of a delegation (present or past) in the country in question. The situation of the commitments does also evolve over time.

Price revisions and advances for works contracts

49–50. According to Article 46(2) of the 'General conditions for works contracts financed by the EDF', the advances must not exceed 30 % of the contract price. Under Article 46(8), the procedure for repaying the advances must be stipulated in the special conditions. The reimbursement procedures are a result of many considerations, such as conditions stated in the tender dossier, and will vary depending on the type of contract, country etc.

51. The same is true for price revision clauses, which if applicable must also be specified in the special conditions. This means that they are unique for the contract and adapted to the circumstances of each individual situation.

Cases of litigation

52. Cases likely to pose problems are followed up. However, estimating or assessing the amount at stake in such cases can sometimes be difficult.

CHAPTER IV — STATEMENT OF ASSURANCE ON THE EUROPEAN DEVELOPMENT FUNDS

*Information supporting the statement of assurance***Scope of the audit**

54. The EDF financial statements as at 31 December 1998 were adopted by the Commission on 11 May.

Limitations on the audit work relating to underlying transactions

59. The delays mentioned by the Court were indeed caused by the reorganisation of the Commission departments responsible for external relations, which took effect only from the end of 1998. The information in question has been supplied to the Court.

Accounting standards, policies and procedures

60. The Commission can confirm that the accounting principles applied to the EDF financial statements are in strict accordance with the various Financial Regulations and the charts of accounts for the sixth, seventh and eighth EDFs.

61. The EDF accounts are kept according to the principles of cash accounting. However, under Article 66(2) of the Financial Regulation for the eighth EDF, the financial statement must include a balance sheet of the EDF's assets and liabilities at the end of the preceding financial year.

(a) The amounts to be received in respect of Stabex and the interest on late payment of EDF contributions must be shown in the balance sheet on the assets side so that the assets and liabilities are presented in accordance with the Financial Regulation.

(b) The amounts totalling ECU 26.65 million represent funds made available to stock market management services. The advances paid to third parties managing scholarships and technical assistance contracts on behalf of the Commission are of a different nature from advances paid for specific contracts. The individual item of expenditure for which the advance is intended is not known at the time of payment. This type of advance is therefore treated as receivable on the balance sheet until the corresponding expense reports are received. The treatment of advances on contracts is commented on under paragraph 31.

62. The purchase value of securities bought in connection with the management of Stabex funds was ECU 220.03 million. This amount corresponds to the book value of the securities (ECU 220.34 million) plus interest accrued since their purchase (ECU 1.42 million). At 31 December 1998, the value of these securities, including interest, was ECU 223.16 million.

In line with the practice followed in previous years, this portfolio was entered in the balance sheet under its purchase value.

At the end of the financial year, the balances of the various accounts denominated in national currencies must be converted into ecus. The result of this operation was an exchange rate loss of ECU 0.65 million.

63. The explanatory notes in the report on the balance sheets and revenue and expenditure accounts for the sixth, seventh and eighth EDFs, which was sent to the budgetary authority, are designed to be read and understood by as broad a public as possible.

The figure of ECU 924.5 million entered in the balance sheet for the eighth EDF corresponds to the cash advance granted to the eighth EDF. It was entered on the liabilities side of the eighth EDF for the sake of consistency with the balance sheet for the sixth EDF. The Commission is planning to review its presentation of the balance sheet.

The reliability of the accounts

64. The Commission feels that the Court's criticisms are not serious enough to fundamentally affect the reliability of the accounts.

The Commission will include a table of revenue in its next report, although most of this information is already contained in the financial statements. As in previous years, the table of debts in the financial report comprises only amounts to be recovered from operators. The other amounts referred to by the Court appear in the balance sheet.

Errors affecting the balance sheets

Advances for scholarships and technical assistance

65. The amount of advances managed by delegations outstanding at the end of 1998 has decreased by almost half. This is due in part to reduced numbers of students and in part to absorption of the accounting backlog. For Member States where no accounting backlog exists, the 12 % decrease is due to reduced activity. Advances paid to agencies managing technical assistance contracts has increased due to the shift to two new agencies during the year.

(a) Advances managed by delegations:

At present 45 delegations have scholarship advance accounts. Only in 15 of these countries are there currently students. Of the total advances outstanding, 80 % concern these countries. The fact that there are many accounts which have recorded no movements for some time is a reflection of this situation. The non-active accounts will be closed once the advances have been cleared.

(b) Advances managed by Member State agencies:

The advances paid to Member State agencies are all reconciled.

(c) Advances for technical assistance:

Presently technical assistance contracts are managed by three agencies. Full reconciliations have been made for the advances paid during 1998 to the two new agencies, whose contracts started in the second half of 1998. For the agency in liquidation (AEC), the Commission has not yet received the final expense report and can therefore not appreciate whether the advance was used up before the end

of 1998. The advance outstanding at 31 December 1998 represents approximately one and a half months' expenditure for AEC.

66. The Commission can only account for expenditure against advances paid after receipt of reports of this expenditure with supporting documents. The time lags for reporting of expenditure vary depending on the conditions agreed with the recipient. The Court's suggestion that the Commission should provide an estimate of the extent to which advances have been utilised before receiving the final report amounts to requesting a preliminary expense report before the final one. The Commission has already experienced some difficulties in obtaining the final report on time and has therefore not attempted to obtain preliminary ones too.

As for the various amounts considered by the Court in arriving at the above conclusion, the Commission has the following comments:

The Court's argument for concluding that the accounts are overstated is related to the fact that the advance has been spent although not reported to the Commission.

This situation is inherent in advance accounting. It is materially impossible to include in the accounts for the 1997 financial year all expenditure made by the advance recipients during that year, if the accounts for the year are to be prepared on a reasonably timely basis. The last entries are now entered into the computer system by the end of January. Strictly speaking this does of course represent a negligible misstatement of the activity of the financial year, as does reconciling items.

Cash at bank

67. The various disclosure errors in the balance of the ACP and European paying agents' bank accounts can be explained as follows:

- The problem (which was already raised in 1997) is caused by a time lag between actual payment and entry in the EDF accounts.
- The supporting documents arrived on 8 February, after the accounts had been closed.
- The supporting documents arrived in May 1999. The delay is explained by the situation in the country concerned.

— The documents did not arrive until 2 February 1999, after the accounts had been closed.

— The corresponding amount was originally booked to interest on deposited funds and not to Stabex.

— In this case the Commission is awaiting the information it needs from the Danish authorities to make the transfer and close the account.

Errors affecting the table of debts, the table of revenue and the management accounts and annexes

70. The table of debts in the report comprises only amounts to be recovered from operators. Other amounts, such as those mentioned by the Court, are included in the balance sheet.

71. See reply to paragraph 64.

Situation of long-standing commitments to be settled

72–75. In the financial statements (Annex 3.1), the Commission presents information on funds which may be available for reuse. There are two sources for such funds: slow-moving commitments (72–74) and funds not expected to be used under existing commitments (75).

72. The computer program used to identify slow-moving commitments was improved during the year to better reflect the definition of these commitments, which remains unchanged, i.e. commitments where there have been no positive movements during the 18 months preceding the end of the financial year in question. It is correct that the effect of this improvement of the program caused commitments totalling ECU 28.04 million to be excluded from the analysis of slow-moving projects as presented this year. The exclusion of projects not managed by the delegations totalling ECU 3.9 million from the list of slow-moving commitments is due to a programming error now corrected.

73. The accounts show the Commission's legal commitments concerning the implementation of the EDF. Commitments are entered into the accounts when the funding decision is taken by the Commission. A financing agreement is then entered into by the Commission and the ACP State concerned. This document is binding for both parties and a project can only be closed if the national authorising officer agrees and confirms that the implementation of the project is completed. The reduction of the funds allocated to an ongoing project is usually made at the request of the national authorising officer.

The Commission identifies projects that appear to be 'slow-moving' in order to initiate their closure where possible and prevent funds from being unnecessarily tied up. The Commission's analysis of sleeping commitments shows that, at the end of 1998, ECU 18.1 million could be decommitted. These are projects where both parties have agreed to start the closure procedure.

The Court maintains that another ECU 73.9 million should be closed. The classification of these commitments into categories, i.e. to be closed, is made as of 31 December of the financial year in question. Due to time constraints in connection with the closing of the accounts, the work (gathering of supporting facts) has to start before the end of the year and is finalised during the month of February the following year. The Commission maintains that its classification of these commitments is as accurate as can be reasonably expected. The situation of these commitments is, however, evolving over time.

74. The Commission does, however, continually monitor slow-moving commitments. In the case of Sudan, the Commission did in fact ask for the NAO's approval of project closures. The authorisation to close some projects was granted. The Stabex transfers amounting to ECU 103.8 million were, however, excluded.

75. The appropriate size of a contingency reserve can only be judged at the time of closure of the project. In view of the complicated and time-consuming procedure necessary to increase the amount of financing available for a project it is possible that there is a tendency to create conservative contingency reserves.

Advances on contracts as at 31 December 1998

76. The nature of advances paid to third parties managing scholarships and technical assistance contracts on behalf of the Commission is different from that of advances on contracts. As far as advances on contracts are concerned, the Financial Regulation does not require the Commission to distinguish payments of advances from interim and final payments. The Commission maintains that these advances, which are paid within the framework of the implementation of EDF-contracts, represent expenditure for the EDF on the same basis as interim and final payments and they are therefore included in the expenditure for the year.

77. The Commission has, however, recognised the usefulness of information on advances paid in order to monitor their proper clearance. During 1995 the system of accounting for advances was improved allowing for the presentation for the first time in the financial statements for 1996 of an annex

detailing outstanding advances at year end. In its report on the financial year 1998, the Commission has again presented information on advances on contracts (in Annex 3.4).

The negative advances of ECU 2.32 million mentioned by the Court are in most cases a result of incomplete information on advances from the period before 1995. The new system does not allow for the closure of contracts with negative advances. These accounting anomalies are corrected when the contracts are closed. The amount of negative advances has hence diminished from ECU 17.5 million at 31 December 1997 to ECU 2.32 million at 31 December 1998.

The legality and regularity of underlying transactions

78–79. At its 1444th meeting on 28 July 1999, the Commission formally extended to the eighth EDF its decision of 29 June 1992 designating, as Chief Authorising Officer, the Member of the Commission in charge of development aid. All decisions taken under the eighth EDF up to the time of the decision formed an annex to the communication to the Commission at its meeting of 28 July.

This state of affairs has no negative consequences for EDF management.

Errors affecting the legality and regularity of contributions and other revenue transactions

Substantive legality/regularity errors

80. The Commission promises to improve its banking control procedures.

Errors affecting the legality and regularity of primary commitments

Formal legality/regularity errors

81. As regards structural adjustment support, the Commission acknowledges that, in one case only, it failed to give full information to the EDF Committee. In the other two cases, the failure to refer to evaluations can be explained by the fact that the studies in question were outdated and not relevant. Any information passed on to the committee on the basis of these evaluations would not have been useful.

The Commission felt that partial compliance with the two conditions for signature of the financing agreement was an adequate sign of the government's commitment to carrying out the approved reforms. The conditions were met in full as a result of developments in subsequent months.

Errors affecting the legality and the regularity of assigned funds

Formal legality/regularity errors

83. The Commission recognises that one contract was recorded in the accounts before being signed. It has, however, been signed now.

In two cases contracts were signed before performance bonds had been obtained. In one case this was deliberately done in order to conform to local bank practice, which did not allow the issuing of bank guarantees without a contract.

Errors affecting the legality and the regularity of payments

Substantive legality/regularity errors

84. It should be noted that the seven substantive errors identified by the Court have had no negative financial impact on the EDF. A commentary on some of the cases is given below.

(i) Five cases in total for which the prescribed retention had not been taken place:

- one concerned a case where the intention was to replace the retention by a bank guarantee as allowed by the regulation. The guarantee was, however, incorrectly prepared;
- the remaining four cases all concerned service contracts, for technical assistance. For such contracts the Commission takes the view that the contracting authority approves each tranche of the contract as it pays the invoice for the work done. To withhold retention money while accepting the work would be a contradiction. The Commission therefore allows the ACP authorities to negotiate special conditions taking precedence over the general conditions or authorises payment of 100 % of the value of the work done.

The application of the 10 % retention requirement for technical assistance contracts appears illogical and gives rise to unintended financial consequences. The fact that no retention is made is of no financial consequence, since the payments are always made after the service has been rendered and accepted. The error is therefore of a formal rather than substantive nature.

(ii) One case of justification of final payment:

In the case in point, the project is co-financed by the EDF. The last payment, which was made to the government of an ACP country, does not represent the final payment to the contractor and no final acceptance certificate is therefore necessary.

(iii) One case of double payment:

The error, which has since been corrected (i.e. payment reimbursed by the contractor), occurred in connection with the testing of a new accounting system for the delegations. The Commission therefore believes the error to be of a formal rather than a substantive nature since it represents a unique situation.

Formal legality/regularity errors

85. It should be stressed that these errors are of a purely formal nature. In this context the Commission would like to repeat its agreement to the Court's suggestion in its 1997 report that the regulation of the European Development Fund might be unnecessarily complicated.

(a) For four payments bank guarantees were not in accordance with prescribed rules according to the Court:

In one case the failure to provide a performance guarantee for the contract in question was already noted by the Court in 1995. However, the transaction examined by the Court this year relates to a final payment. In this case, there is no longer any need for a performance guarantee (release within 30 days after the date when the final account is signed — Article 15(8) of the general conditions for works contracts).

In another case the performance guarantee was denominated in the currency of the contract instead of in the two currencies specified for payments.

In the third case the total advances paid for materials exceeded the guarantee. All advances were, however, reimbursed.

In the last case the delegation admits to not having received a guarantee.

- (b) *The Commission acknowledges that two payments were not made within the prescribed period. One of these payments concerned reimbursement of the EIB, where Article 60(4) of the Financial Regulation requires payment within 21 days of receipt of the request for payment. The value date of the payment, which is the date of economic significance, was, however, respected. The other was a case where the delay was due to the unwillingness/inability of the national authorising officer to handle the issue.*
- (c) *Unauthorised signatories: In two cases the person signing on behalf of the NAO was formally authorised to do so only at a later stage.*
- (d) *Non-utilisation of prescribed European bank accounts or ACP paying agent accounts:*
- *Because of Cape Verde's special situation and for the sake of consistency, the Community assistance was paid in foreign currency to the transitional account opened by the Central Bank to accommodate contributions from all those supporting the adjustment programme. It so happened that the account was opened in New York.*
- *Management of all foreign exchange transactions relating to Haiti is entrusted to Citibank, New York, under IMF supervision. The account opened at that bank is meant to receive all external support for Haiti. The Commission has complied with this agreement for the sake of efficiency in the management of the Central Bank's external assets.*
- (e) *Conditions for structural adjustment:*
- The Commission felt that partial compliance with the two conditions for signature of the financing agreement was an adequate sign of the government's commitment to carrying out the approved reforms. The conditions were met in full as a result of developments in subsequent months.*

ANNEXES

ANNEX I

Financial information on the general budget of the European Union

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*PRELIMINARY NOTES***SOURCES OF FINANCIAL DATA**

The financial data contained in this Annex have been drawn from the revenue and expenditure accounts and the balance sheets of assets and liabilities of the European Communities ⁽¹⁾ and from other financial records provided by the Commission. The geographical distribution is in accordance with the indices of the country codes in the Sincom system. As the Commission has pointed out, allocating expenditure by Member States is merely an accounting exercise which gives a very limited view of the benefits that each Member State derives from the Union.

MONETARY UNIT

All the financial data are presented in millions of ECU (Mio ECU), rounded to one decimal place. They always represent the rounding-off of each exact value and not the sum of the rounded-off figures.

NOMENCLATURE

For each financial year the Court uses the financial perspectives corresponding to that financial year for the presentation of the historical data.

ABBREVIATIONS AND SYMBOLS

EC	European Community(ies)
ECSC	European Coal and Steel Community
EEC	European Economic Community
EAEC or Euratom	European Atomic Energy Community
EFTA	European Free Trade Association
EU	European Union
GNP	gross national product
VAT	value-added tax
ATS	Austrian schilling
BEF	Belgian franc
DEM	German mark
DKK	Danish crown (krone)
ESP	Spanish peseta
FIM	Finnish markka
FRF	French franc
GBP	Pound sterling
GRD	Greek drachma
IEP	Irish pound (punt)
ITL	Italian lira
LUF	Luxembourg franc
NLG	Dutch guilder
PTE	Portuguese escudo
SEK	Swedish crown (krona)

⁽¹⁾ In the case of the 1998 financial year: revenue and expenditure account and balance sheet relating to operations under the 1998 budget (Doc SEC(1999) 412-415).

ECU	European currency unit (as from 1 January 1981)
Mio ECU	million European currency units
DA	differentiated appropriations
NDA	non-differentiated appropriations
CA	commitment appropriations
PA	payment appropriations
AFC	appropriations for commitment
AFP	appropriations for payment
B	Belgium
DK	Denmark
D	Germany
EL	Greece
E	Spain
F	France
IRL	Ireland
I	Italy
L	Luxembourg
NL	Netherlands
A	Austria
P	Portugal
FIN	Finland
S	Sweden
UK	United Kingdom
EU-15	total of the 15 Member States of the European Community
FR	financial regulation of 21 December 1977 (see also the foreword on cover page II)
OJ	<i>Official Journal of the European Communities</i>
S	budgetary section
Ss	budgetary subsection
T	budgetary title
Ch	budgetary chapter
0,0	data between zero and 0,05
—	lack of data
%	percentage
D	diagram referred to within other diagrams (e.g. D III)

BACKGROUND INFORMATION ON THE GENERAL BUDGET

1. ORIGIN OF THE GENERAL BUDGET

The general budget was created by the Merger Treaty ⁽²⁾ (Article 20). It replaced, on 1 January 1968, the three separate EC budgets which existed before that date: the ECSC administrative budget, the EEC budget and the Euratom

⁽²⁾ Merger Treaty (8 April 1965): Treaty establishing a Single Council and Single Commission of the European Communities.

operating budget. The Euratom research and investment budget was incorporated into the general budget as from 1971 by the Treaty of Luxembourg ⁽³⁾ (Article 10).

2. LEGAL BASIS

The general budget is governed by the financial provisions of the Treaties of Paris ⁽⁴⁾ (Article 78 ECSC) and Rome ⁽⁵⁾ ⁽⁶⁾ (Articles 199 to 209 EEC and Articles 171 to 183 Euratom) and by the financial regulations ⁽⁷⁾.

3. MAIN BUDGETARY PRINCIPLES LAID DOWN IN THE TREATIES AND THE FINANCIAL REGULATION

All items of Community revenue and expenditure are to be included in a single budget (unity). Revenue is to be used without distinction to finance all expenditure and, like the expenditure, is to be entered in full in the budget and subsequently in the accounts without any adjustment of one item against another (universality). The appropriations are specialised according to their nature or intended use (speciality). The budget is authorised for one financial year only (annuality). Budgetary revenue and expenditure must balance (equilibrium). There are some exceptions to these general principles.

4. CONTENT AND STRUCTURE OF THE GENERAL BUDGET

The budget consists of a 'General statement of revenue' and a 'Statement of revenue and expenditure', which itself is subdivided into six sections: (I) Parliament; (II) Council (annexed until 1994: Economic and Social Committee); (III) Commission ⁽⁸⁾; (IV) Court of Justice; (V) Court of Auditors; (VI) Economic and Social Committee and Committee of the Regions.

Within each section ⁽⁸⁾, items of revenue and expenditure are classified under budget headings (titles, chapters, articles and, where applicable, items) according to their type or the use to which they are to be applied.

5. MONETARY UNIT OF THE GENERAL BUDGET

The budget is established and implemented in ecus. The ecu is a unit based on a basket of national currencies. Following the revision of September 1989, the basket of currencies is made up as follows: ECU 1 = BEF 3,301 + DEM 0,6242 + DKK 0,1976 + ESP 6,885 + FRF 1,332 + GBP 0,08784 + GRD 1,440 + IEP 0,008552 + ITL 151,8 + LUF 0,130 + NLG 0,2198 + PTE 1,393.

The rates of conversion at 31 December 1998 between the ecu and the national currencies were as follows: ECU 1 = ATS 13,7603 = BEF 40,3399 = DEM 1,95583 = DKK 7,44878 = ESP 166,386 = FIM 5,94573 = FRF 6,55957 = GBP 0,705455 = GRD 329,689 = IEP 0,787564 = ITL 1 936,27 = LUF 40,3399 = NLG 2,20371 = PTE 200,482 = SEK 9,48803.

⁽³⁾ Treaty of Luxembourg (22 April 1970): Treaty amending certain budgetary provisions of the Treaties establishing the European Communities and of the Merger Treaty.

⁽⁴⁾ Treaty of Paris (18 April 1951): Treaty establishing the European Coal and Steel Community (ECSC).

⁽⁵⁾ Treaty of Rome (25 March 1957): Treaty establishing the European Economic Community (EEC).

⁽⁶⁾ Treaty of Rome (25 March 1957): Treaty establishing the European Atomic Energy Community (Euratom).

⁽⁷⁾ Mainly the financial regulation of 21 December 1977 (OJ L 356, 31.12.1977); see in this respect the foreword on cover page II.

⁽⁸⁾ Section III (Commission) is subdivided into Part A 'Staff and administrative appropriations' and Part B 'Operating appropriations' which is further subdivided into main sectors of activity. Section VI (Economic and Social Committee and Committee of the Regions) is subdivided into Part A 'Economic and Social Committee', Part B 'Committee of the Regions' and Part C 'Joint organisational structure'.

6. FINANCING OF THE GENERAL BUDGET (BUDGETARY REVENUE)

The general budget is mainly financed from the Communities' own resources: agricultural levies, sugar and isoglucose levies; customs duties; VAT-based own resources and GNP-based own resources. For more detailed information see the legislation in force ⁽⁹⁾.

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

7. TYPES OF BUDGET APPROPRIATIONS

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

- a) differentiated appropriations (DA) are used to finance multiannual activities in certain sectors. They comprise commitment appropriations and payment appropriations:
 - commitment appropriations (CA) make it possible to enter into legal obligations during the financial year for activities whose implementation extends over several financial years;
 - payment appropriations (PA) make it possible to cover expenditure arising from commitments entered into during the financial year and/or preceding financial years.
- b) non-differentiated appropriations (NDA) make it possible to ensure, during the financial year, the commitment and payment of expenditure relating to annual activities.

It is thus important to establish the following two totals for the same financial year:

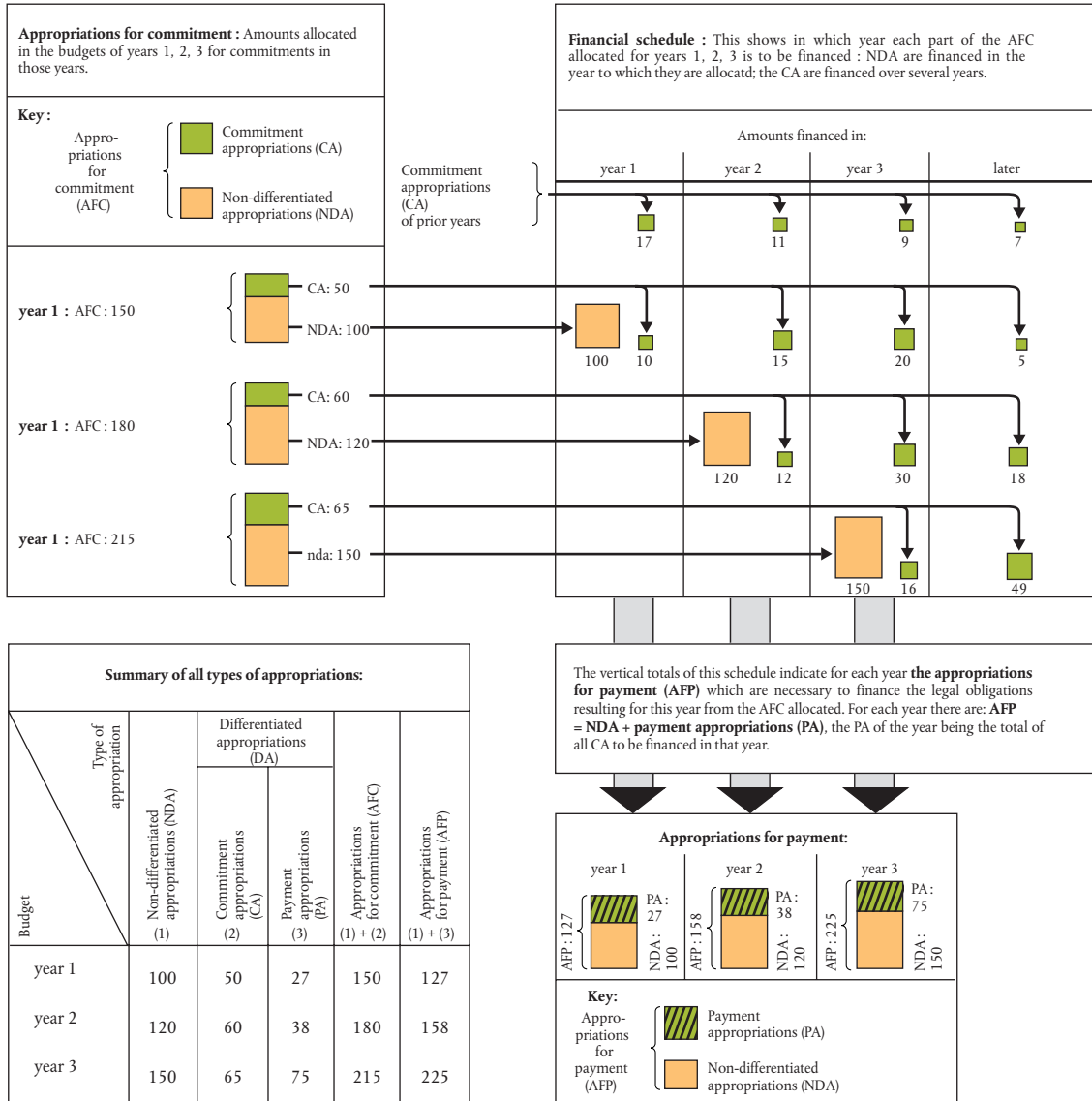
- a) the total of appropriations for commitments (AFC) ⁽¹⁰⁾ = non-differentiated appropriations (NDA) + commitment appropriations (CA) ⁽¹⁰⁾;
- b) the total of appropriations for payments (AFP) ⁽¹⁰⁾ = non-differentiated appropriations (NDA) + payment appropriations (PA) ⁽¹⁰⁾.

Revenue raised in the budget is intended to cover the total appropriations for payments. Commitment appropriations do not need to be covered by revenue.

⁽⁹⁾ Principal legal acts relating to own resources: Sixth Council directive of 17 May 1977, common system of VAT: uniform assessment basis (OJ L 145, 13.6.1977); Council Decision 88/376/EEC, Euratom, of 24 June 1988 (OJ L 185, 15.7.1988); Council Regulation (EEC, Euratom) No 1552/89 of 29 May 1989 (OJ L 155, 7.6.1989); Council Regulation (EEC, Euratom) No 1553/89 of 29 May 1989 (OJ L 155, 7.6.1989); Council Directive 89/130/EEC, Euratom of 13 February 1989 on the harmonisation of the compilation of GNP (OJ L 49, 21.2.1989).

⁽¹⁰⁾ It is important to note the differences between 'appropriations for commitments' and 'commitment appropriations' and between 'appropriations for payments' and 'payment appropriations'. The two terms 'commitment appropriations' and 'payment appropriations' are used exclusively in the context of differentiated appropriations.

The following simplified presentation (with illustrative amounts) shows the impact of these types of appropriations in each budget year.



8. IMPLEMENTATION OF THE GENERAL BUDGET

8.1. Responsibility for implementation

The Commission implements the budget on its own responsibility in accordance with the financial regulation and within the limits of the appropriations allotted; it also confers upon the other institutions the requisite powers for the implementation of the sections of the budget relating to them ⁽¹¹⁾. The financial regulation lays down the implementation procedures and, in particular, the responsibilities of the authorising officers, accounting officers, administrators of imprest accounts and financial controllers of the institutions ⁽¹²⁾. In certain specific areas (mainly the EAGGF-Guarantee and the Structural Funds) the management of Community funds is shared with the Member States.

8.2. Implementation of revenue

The estimated revenue is entered in the budget subject to change by amending and supplementary budgets.

The budgetary implementation of revenue consists of establishing the entitlements and recovering the revenue due to the Communities (own resources and other revenue); it is governed by certain special provisions ⁽¹³⁾. The actual revenue of a financial year is defined as the total of sums collected against entitlements established during the current financial year and sums collected against entitlements still to be recovered from previous financial years.

It should be noted that the Member States, acting on behalf of the Communities, are responsible for the collection of amounts due in respect of customs duties, agricultural levies and sugar and isoglucose levies. The Member States keep 10 % of the corresponding amounts payable to cover their collection costs.

8.3. Implementation of expenditure

The estimated expenditure is entered in the budget.

The budgetary implementation of expenditure, i.e. the evolution and utilisation of appropriations, may be summarised as follows:

a) appropriations for commitments:

- i) *evolution of appropriations*: the total appropriations for commitments available in a financial year are made up as follows: initial budget (NDA and CA) + amending and supplementary budgets + supplementary receipts ⁽¹⁴⁾ + transfers ⁽¹⁵⁾ + commitment appropriations carried over from the preceding financial year ⁽¹⁶⁾ + non-automatic carry-overs ⁽¹⁷⁾ from the preceding financial year not yet committed (NDA) + released commitment appropriations from preceding financial years which have been made available again ⁽¹⁸⁾ + repayments of advances giving rise to re-utilisation ⁽¹⁹⁾,

⁽¹¹⁾ Articles 78d ECSC, 274 EC, 179 Euratom and 22(2) of the financial regulation.

⁽¹²⁾ Articles 21 to 55 and 73 to 77 of the financial regulation.

⁽¹³⁾ Articles 28 to 35 of the financial regulation and Council Regulations (EEC, Euratom) Nos 1552/89 and 1553/89 of 29 May 1989 (OJ L 155, 7.6.1989).

⁽¹⁴⁾ Article 96(2) of the financial regulation.

⁽¹⁵⁾ Articles 26, 95 and 104 of the financial regulation.

⁽¹⁶⁾ Article 7(2)(a) of the financial regulation.

⁽¹⁷⁾ Article 7(1)(a) and 7(3) of the financial regulation.

⁽¹⁸⁾ Article 7(6) of the financial regulation.

⁽¹⁹⁾ Article 7(7) of the financial regulation.

- ii) *utilisation of appropriations*: the final appropriations for commitments are available in the financial year for use in the form of commitments entered into (appropriations for commitments utilised = amount of commitments entered into);
 - iii) *carry-overs of appropriations from one financial year to the next financial year*: non-differentiated appropriations belonging to the financial year which have not been committed may be carried over non-automatically to the next financial year after approval by the budgetary authority ⁽¹⁷⁾. Non-utilised commitment appropriations of the financial year may be carried over by the Commission to the following financial year ⁽¹⁶⁾. In the case of expenditure on behalf of third parties, carry-overs may be repeated;
 - iv) *cancellation of appropriations*: the balance is cancelled.
- b) appropriations for payment:
- i) *evolution of appropriations*: the total appropriations for payments available in a financial year are made up as follows: initial budget (NDA and PA) + amending and supplementary budgets + supplementary receipts ⁽¹⁴⁾ + transfers ⁽¹⁵⁾ + appropriations carried over from the previous financial year in the form of automatic carry-overs ⁽²⁰⁾ or non-automatic carry-overs ⁽²¹⁾ + repayments of advances giving rise to re-utilisation ⁽¹⁹⁾;
 - ii) *utilisation of appropriations*: the appropriations for payment are available in the financial year for use as payments (utilised appropriations for payments = amount of payments made from the appropriations of the financial year);
 - iii) *carry-overs of appropriations from one financial year to the next financial year*: non-utilised appropriations of the financial year may be carried over to the next financial year in the form of automatic ⁽²⁰⁾ or non-automatic ⁽²¹⁾ carry-overs. In the case of expenditure on behalf of third parties, carry-overs may be repeated;
 - iv) *cancellation of appropriations*: the balance is cancelled.
 - v) *total payments during the financial year*: payments against appropriations for payments of the financial year plus payments against appropriations for payments carried over from the preceding financial year;
 - vi) *actual expenditure charged to a financial year*: expenditure charged to the consolidated revenue and expenditure account (see paragraph 8.4) = payments against appropriations for payments of the financial year plus appropriations for payments of the financial year carried over to the following financial year.

8.4. *The consolidated revenue and expenditure account and the balance of the financial year*

After the closure of each financial year the consolidated revenue and expenditure account is drawn up. The balance of the year, which is to be entered in the budget of the next financial year on the occasion of an amending budget, is determined therein ⁽²²⁾.

9. PRESENTATION OF THE ACCOUNTS

The accounts for a given financial year are forwarded not later than 1 May of the following financial year to Parliament, the Council and the Court of Auditors; these accounts comprise a revenue and expenditure account and a balance sheet, together with an analysis of the financial management ⁽²³⁾.

⁽²⁰⁾ Article 7(1)(b) of the financial regulation.

⁽²¹⁾ Article 7(1)(a) and 7(2)(b) of the financial regulation.

⁽²²⁾ Article 32 of the financial regulation and Articles 15 and 16 of Council Regulation (EEC, Euratom) No 1552/89 (OJ L 155, 7.6.1989).

⁽²³⁾ Articles 78 to 82 of the financial regulation.

10. EXTERNAL AUDIT

Since 1977 the external audit of the general budget has been carried out by the Court of Auditors of the European Communities ⁽²⁴⁾. The Court of Auditors examines the accounts of all revenue and expenditure of the general budget. It must provide the European Parliament and the Council with a statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions. It also considers whether revenue has been received and expenditure incurred in a lawful and regular manner, and whether the financial management has been sound. The audits may be carried out before the closure of the financial year in question and are performed on the basis of records and, where necessary, on the spot in the institutions of the Communities and in the Member States. The Court of Auditors draws up an annual report for each financial year and may also, at any time, submit its observations on specific questions and deliver opinions at the request of one of the institutions of the Communities.

11. DISCHARGE AND FOLLOW-UP

As from 1977 the following provisions are applicable ⁽²⁵⁾: Parliament, on the recommendation of the Council, gives, before 30 April of the second year following the financial year in question, discharge to the Commission on the implementation of the budget. To this end the Council and Parliament in turn examine the accounts presented by the Commission and the annual report of the Court of Auditors. The institutions must take appropriate action on the comments appearing in the decisions giving discharge and report on the measures taken ⁽²⁶⁾.

DIAGRAMS

GENERAL BUDGET FOR THE FINANCIAL YEAR 1998 AND BUDGETARY IMPLEMENTATION DURING THE FINANCIAL YEAR 1998

- D I General budget 1998 - Estimated revenue and final appropriations for payments
- D II General budget 1998 - Appropriations for commitments
- D III Appropriations for commitments available in 1998 and utilisation thereof, by financial perspective heading
- D IV Appropriations for payments available in 1998 and utilisation thereof, by financial perspective heading
- D V Payments made in 1998, by financial perspective heading
- D VI Payments made in 1998, in each Member State

HISTORICAL DATA IN RESPECT OF THE IMPLEMENTATION OF THE GENERAL BUDGET (1994-98)

- D VII Evolution and utilisation of appropriations for payments for the period 1994 to 1998, by financial perspective heading

⁽²⁴⁾ Articles 45a, 45b and 45c ECSC, 246, 247 and 248 EC, 160a, 160b and 160c Euratom and Articles 83 to 90 of the financial regulation.

⁽²⁵⁾ Articles 78g ECSC, 276 EC and 180b Euratom.

⁽²⁶⁾ Article 89 of the financial regulation.

Diagram I

General budget 1998 — Estimated revenue and final appropriations for payments

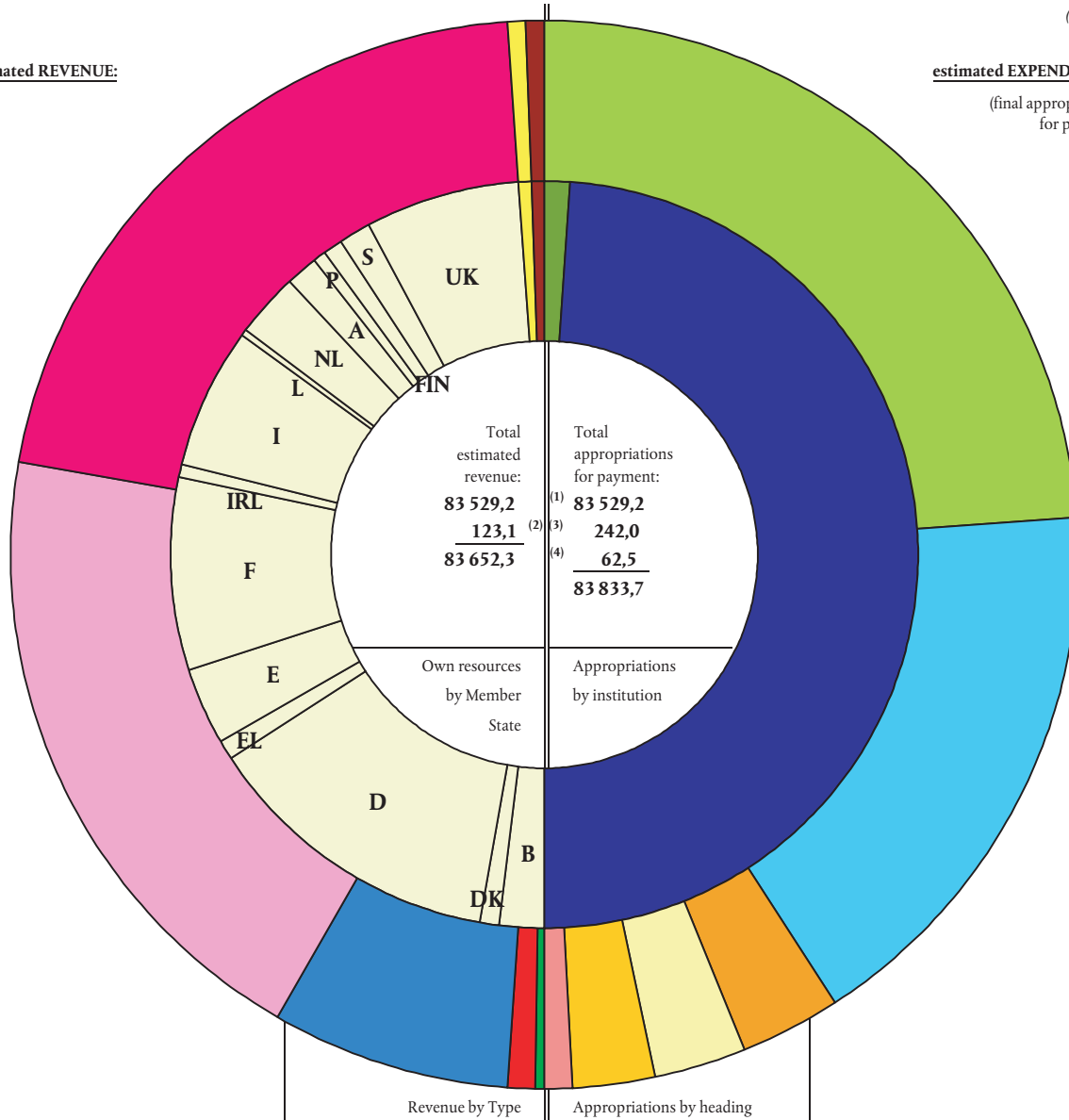
[for revenue criteria, see 'Background information on the general budget', point 8.2 and for more detailed information, see Chapter 1, table 1.1 and for expenditure criteria, see 'Background information on the general budget', point 8.3 and for more detailed information, see Diagram IV, column (a)]

(Mio ECU and %)

estimated REVENUE:

estimated EXPENDITURE:

(final appropriations for payment)



Revenue Key:

■ Total own resources (by Member State)	
■ Agricultural levies	623,9 (0,7 %)
■ Sugar and isoglucose levies	1 047,1 (1,3 %)
■ Customs duties	12 072,2 (14,4 %)
■ VAT-based own resources and financial contributions	32 752,8 (39,2 %)
■ GNP-based own resources	35 405,2 (42,3 %)
■ Other Revenue	747,1 (0,9 %)
■ Surplus available from the previous year	1 004,0 (1,2 %)

Expenditure Key

Financial perspective headings:

■ 1. Common agricultural policy	39 859,0 (47,5 %)
■ 2. Structural operations	28 643,4 (34,2 %)
■ 3. Internal policies	5 103,4 (6,1 %)
■ 4. External action	4 465,8 (5,3 %)
■ 5. Administrative expenditure	4 509,1 (5,4 %)
■ 6. Reserves	1 154,0 (1,4 %)
■ 7. Compensation	99,0 (0,1 %)
■ Appropriations available for other institutions	1 660,3 (2 %)
■ Appropriations available to the commission	82 173,4 (98 %)
of which operating appropriations	79 324,6 (94,6 %)

(¹) Approps. after supplementary and amending budget.

(²) Revenue from participation by outside bodies.

(³) Transfer between headings, assigned revenue and approps. made avail. again.

(⁴) EFTA expenditure.

Diagram II

General Budget 1998 — Appropriations for commitments

[after supplementary and amending budgets: for more detailed information, see Diagram III, column (b)]

(Mio ECU and %)

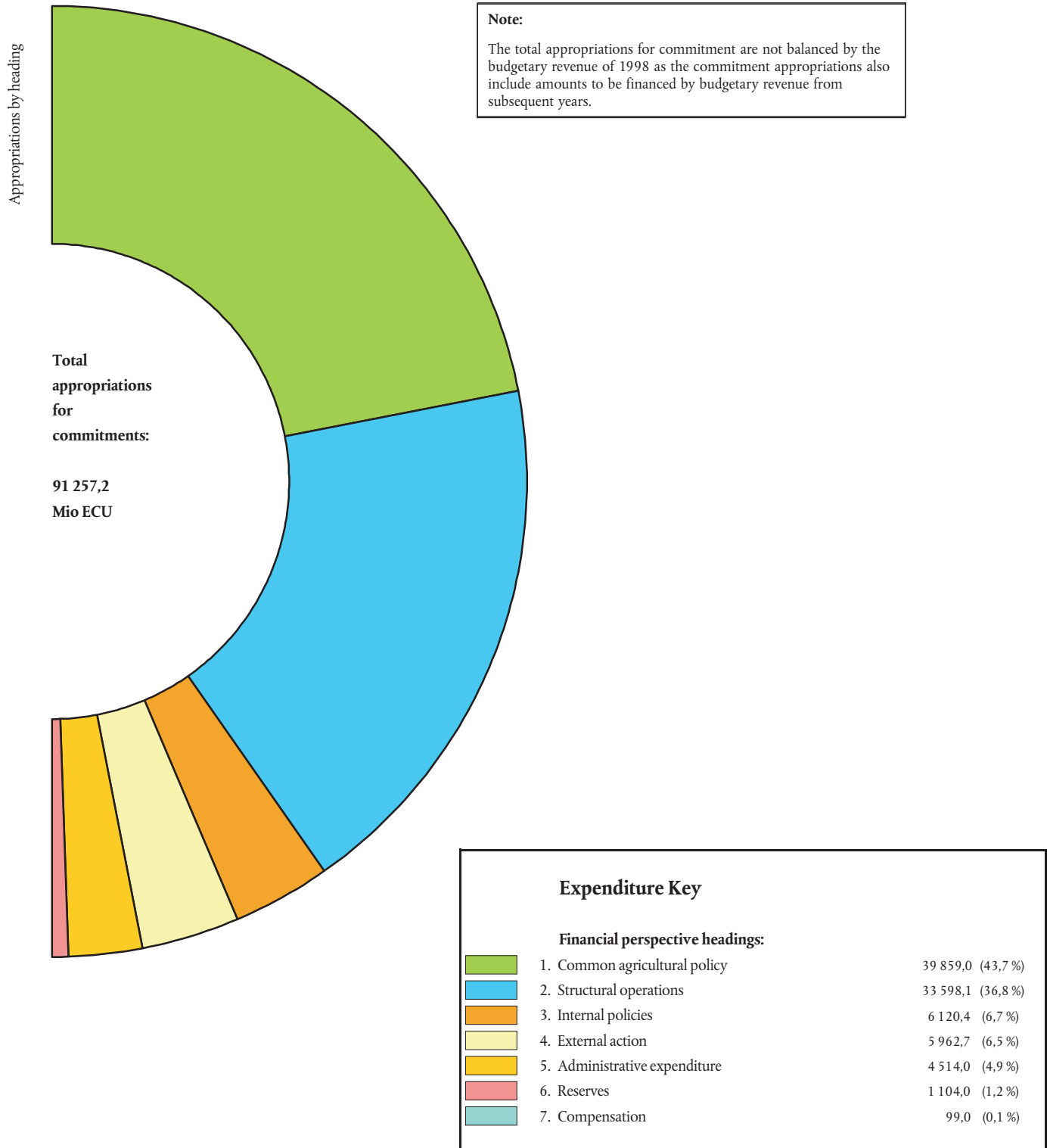


Diagram III
Appropriations for commitments available in 1998 and utilisation thereof,
by financial perspective heading

(Mio ECU)

Financial perspective headings and sectors [the sections (S), subsections (Ss), titles (T), and chapters (Ch) corresponding to the 1998 budgetary nomenclature are shown in brackets]	Financial Perspective	Final appropriations		Utilisation of appropriations				
		Amount ⁽¹⁾ ⁽²⁾	Rate (%)	Commit. made in 1998	Utilisation rate (%)	Carry-overs to 1999 ⁽³⁾	Cancellations	Rate (%)
		(a)	(b)/(a)	(c)	(c)/(d)	(d)	(e) = (b - c - d)	(e)/(b)
1. Common agricultural policy	43 263	39 859,0 ⁽⁴⁾	92,1	38 748,1	97,2	400,0	710,9 ⁽⁴⁾	1,8
Markets		37 996,0 ⁽⁴⁾		36 900,5	97,1	400,0	695,5 ⁽⁴⁾	1,8
1.1 Arable crops (Ch. B1-10)		18 105,0 ⁽⁴⁾		17 945,2	99,1	—	159,8	0,9
1.2 Sugar (Ch. B1-11)		1 804,0 ⁽⁴⁾		1 776,6	98,5	—	27,4 ⁽⁴⁾	1,5
1.3 Oils and fats and protein plants (Ch. B1-12 and 13)		2 650,0		2 644,2	99,8	—	5,8	0,2
1.4 Fruits and vegetables (Ch. B1-15)		1 544,0		1 509,5	97,8	—	34,5	2,2
1.5 Wine (Ch. B1-16)		756,0		700,0	92,6	—	56,0	7,4
1.6 Tobacco (Ch. B1-17)		885,0		870,3	98,3	—	14,7	1,7
1.7 Milk products (Ch. B1-20)		2 676,0		2 596,7	97,0	—	79,3	3,0
1.8 Meat, eggs, poultry (Ch. B1-21 to 24)		7 082,0		7 023,0	99,2	—	59,0	0,8
1.9 Various markets (Ch. B1-14 and B1-18)		1 237,0 ⁽⁴⁾		1 223,8	98,9	—	13,2 ⁽⁴⁾	1,1
1.10 Other operations (Ch. B1-25 to 30)		1 257,0 ⁽⁴⁾		611,1	48,6	400,0	245,9 ⁽⁴⁾	19,6
1.11 Accompanying measures (T. B1-4 et 5)		1 863,0		1 847,6	99,2	—	15,4	0,8
2. Structural operations	33 461	33 598,1	100,4	33 366,1	99,3	28,9	203,1	0,6
Structural funds	30 482	30 619,1	100,4	30 389,0	99,2	28,9	201,2	0,7
2.1 EAGGF - Guidance (Ch. B2-10)		4 183,1	⁽¹⁾	4 183,1	100,0	—	0,0	0,0
2.2 FIG (Ch. B2-11)		464,2		451,4	97,2	—	12,8	2,8
2.3 ERDF (Ch. B2-12)		14 147,6		14 139,1	99,9	8,5	0,0	0,0
2.4 ESF (Ch. B2-13)		8 733,5		8 733,5	100,0	—	—	—
2.5 Community initiatives (B2-14)		2 780,6		2 597,4	93,4	20,4	162,9	5,9
2.6 Fraud combat, monitoring, transit. meas. (Ch. B2-15, 16 and 18)		310,2		284,7	91,8	—	25,5	8,2
2.7 Cohesion fund (T. B2-3)		2 871,0		2 870,9	100,0	—	0,1	0,0
2.8 EEA financial mechanism (T. B2-4)		108,0		106,2	98,4	—	1,8	1,6
3. Internal policies	6 003	6 120,4 ⁽⁴⁾	102,0	5 917,3	96,7	135,9	67,1 ⁽⁴⁾	1,1
3.1 Research and technological development (Ss. B6)		3 770,0	⁽¹⁾	3 621,9	96,1	115,4	32,7	0,9
3.2 Other structural operations (Ch. B2-5 to 9)		256,2		250,7	97,9	2,4	3,1	1,2
3.3 Training, youth and social operations (Ss. B3)		850,8 ⁽⁴⁾		825,3	97,0	14,6	10,9 ⁽⁴⁾	1,3
3.4 Energy, euratom and environment (Ss. B4)		190,5		189,2	99,3	—	1,3	0,7
3.5 Consumers, internal market, industry and networks (Ss. B5)		1 052,9		1 030,2	97,8	3,5	19,1	1,8
4. External action	6 201	5 962,7 ⁽⁴⁾	96,2	5 670,6	95,1	53,1	239,0 ⁽⁴⁾	4,0
4.1 Food aid (T. B7-2)		1 118,6		1 111,2	99,3	0,0	7,4	0,7
4.2 Cooperation (T. B7-3 to B7-5)		3 922,6 ⁽⁴⁾		3 765,8	96,0	28,1	128,7 ⁽⁴⁾	3,3
4.3 Other cooperation measures (T. B7-6)		410,2		340,1	82,9	20,2	49,9	12,2
4.4 Initiatives for democracy and human rights (T. B7-7)		92,4		85,6	92,6	0,1	6,7	7,3
4.5 External aspects of community policies (B7-8)		380,8 ⁽⁴⁾		330,0	86,7	4,6	46,2 ⁽⁴⁾	12,1
4.6 Support expenditure for external policies (Ch. B7-95)		—		—	—	—	—	—
4.7 Common foreign and security policy (Ss. B8)		38,0		37,9	99,6	0,1	0,1	0,2
5. Administrative expenditure	4 541	4 514,0	99,4	4 266,6	94,5	175,4	71,9	1,6
5.1 Parliament (S. I)		1 065,5		906,9	85,1	150,0	8,5	0,8
5.2 Council (S. II)		320,3		317,2	99,0	—	3,1	1,0
5.3 Commission (S. III)		2 849,1		2 775,5	97,4	25,4	48,3	1,7
5.4 Court of justice (S. IV)		120,1		119,0	99,0	—	1,2	1,0
5.5 Court of auditors (S. V)		59,1		57,5	97,2	—	1,6	2,8
5.6 Economic and social committee/Committee of the regions (S. VI)		99,9		90,6	90,7	—	9,3	9,3
6. Reserves	1 176	1 104,0	93,9	272,4	24,7	—	831,6	75,3
6.1 Monetary reserve (T. B1-6)		578,0		—	—	—	578,0	100,0
6.2 Guarantee Reserve (Ch. B0-23 et 24)		338,0		272,4	80,6	—	65,6	19,4
6.3 Emergency aid reserve (Ch. B7-91)		188,0		—	—	—	188,0	100,0
7. Compensation	99	99,0	100,0	99,0	100,0	—	—	—
7.1 Compensation to new member states (T. B0-5)		99,0		99,0	100,0	—	—	—
Grand total appropriations for commitments	94 744	91 257,2	96,3	88 340,1	96,8	793,4	2 123,7	2,3
Grand total appropriations for payments	90 581	84 541,2	93,3	80 713,0	95,5	1 563,0	2 265,2	2,7

⁽¹⁾ Budget appropriations amended after taking account of CAs carried over from 1997 or made available again in 1998, appropriations corresponding to receipts for services performed on behalf of outside bodies, non-automatic carry-overs from 1997, transfers between budget headings and EFTA appropriations. As a consequence the ceiling foreseen for some financial perspective headings is exceeded by the available appropriations.

⁽²⁾ Excluding the re-use of revenue for the current financial year and revenue carried over from the previous financial year, amounting to 267,3 Mio ECU.

⁽³⁾ Including appropriations still available relating to services performed on behalf of outside bodies.

⁽⁴⁾ After distribution of provisional appropriations (Ch. B0-40): Ch. B1-10 (153 Mio ECU), B1-11 (24 Mio ECU), B1-14 (10 Mio ECU), B1-30 (13 Mio ECU), Ss. B3 (0,6 Mio ECU), T. B7-4 (53 Mio ECU) and B7-8 (16,7 Mio ECU).

Diagram IV
Appropriations for payments available in 1998 and utilisation thereof,
by financial perspective heading

(Mio ECU)

Financial perspective headings and sectors [the sections (S), subsections (Ss), titles (T), and chapters (Ch) corresponding to the 1998 budgetary nomenclature are shown in brackets]	Final approps. ⁽¹⁾ ⁽²⁾	Utilisation of appropriations				
		Payments made in 1998	Utilisation rate (%)	Carryovers to 1999	Cancellations	Rate (%)
		(a)	(b)/(a)	(c)	(d) = (a - b - c)	(d)/(a)
1. Common agricultural policy	39 941,4	38 810,0 ⁽³⁾	97,2	415,5	715,9 ⁽³⁾	1,8
Markets	38 078,4	36 962,4 ⁽³⁾	97,1	415,5	700,5 ⁽³⁾	1,8
1.1 Arable crops (Ch. B1-10)	18 105,0	17 945,2 ⁽³⁾	99,1	—	159,8 ⁽³⁾	0,9
1.2 Sugar (Ch. B1-11)	1 804,0	1 776,6 ⁽³⁾	98,5	—	27,4 ⁽³⁾	1,5
1.3 Oils and fats and protein plants (Ch. B1-12 and 13)	2 652,8	2 646,0	99,7	0,8	6,0	0,2
1.4 Fruits and vegetables (Ch. B1-15)	1 544,0	1 509,5	97,8	—	34,5	2,2
1.5 Wine (Ch. B1-16)	797,9	741,9	93,0	—	56,0	7,0
1.6 Tobacco (Ch. B1-17)	887,1	868,3	97,9	2,3	16,5	1,9
1.7 Milk products (Ch. B1-20)	2 676,0	2 596,7	97,0	—	79,3	3,0
1.8 Meat, eggs, poultry (Ch. B1-21 to 24)	7 083,3	7 024,3	99,2	—	59,0	0,8
1.9 Various markets (Ch. B1-14 and B1-18)	1 237,0	1 223,8 ⁽³⁾	98,9	—	13,2 ⁽³⁾	1,1
1.10 Other operations (Ch. B1-25 to 30)	1 291,2	630,0 ⁽³⁾	48,8	412,4	248,8 ⁽³⁾	19,3
1.11 Accompanying measures (T. B1-4 et 5)	1 863,0	1 847,6	99,2	—	15,4	0,8
2. Structural operations	28 643,4	28 366,0	99,0	204,9	72,5	0,3
Structural funds	26 086,6	25 811,0	98,9	204,9	70,7	0,3
2.1 EAGGF - Guidance (Ch. B2-10)	3 521,5	3 521,5	100,0	—	0,0	0,0
2.2 FIG (Ch. B2-11)	407,8	407,7	100,0	—	0,1	0,0
2.3 ERDF (Ch. B2-12)	11 815,1	11 794,6	99,8	20,5	0,0	0,0
2.4 ESF (Ch. B2-13)	7 602,8	7 602,8	100,0	—	0,0	0,0
2.5 Community initiatives (B2-14)	2 451,1	2 271,6	92,7	130,3	49,3	2,0
2.6 Fraud combat, monitoring, transit. meas. (Ch. B2-15, 16 and 18)	288,3	212,9	73,8	54,1	21,4	7,4
2.7 Cohesion fund (T. B2-3)	2 448,8	2 448,8	100,0	—	0,0	0,0
2.8 EEA financial mechanism (T. B2-4)	108,0	106,2	98,4	—	1,8	1,6
3. Internal policies	5 246,8	4 878,5 ⁽³⁾	93,0	163,5	204,7 ⁽³⁾	3,9
3.1 Research and technological development (Ss. B6)	3 292,2	3 116,3	94,7	119,3	56,7	1,7
3.2 Other structural operations (Ch. B2-24 to 29)	216,4	209,4	96,8	1,2	5,8	2,7
3.3 Training, youth and social operations (Ss. B3)	787,5	649,1 ⁽³⁾	82,4	35,3	103,1 ⁽³⁾	13,1
3.4 Energy, euratom and environment (Ss. B4)	178,4	165,9	93,0	1,0	11,5	6,5
3.5 Consumers, internal market, industry and networks (Ss. B5)	772,2	737,8	95,5	6,7	27,7	3,6
4. External action	4 515,6	4 067,7 ⁽³⁾	90,1	198,4	249,6 ⁽³⁾	5,5
4.1 Food aid (T. B7-2)	935,3	843,5	90,2	0,0	91,8	9,8
4.2 Cooperation (T. B7-3 to B7-5)	2 752,6	2 514,0	91,3	142,2	96,5	3,5
4.3 Other cooperation measures (T. B7-6)	313,7	281,6 ⁽³⁾	89,8	15,0	17,0 ⁽³⁾	5,4
4.4 Initiatives for democracy and human rights (T. B7-7)	82,8	65,9	79,6	14,2	2,7	3,2
4.5 External aspects of community policies (B7-8)	395,5	332,2 ⁽³⁾	84,0	26,0	37,3 ⁽³⁾	9,4
4.6 Support expenditure for external policies (Ch. B7-95)	3,5	2,3	64,5	—	1,2	35,5
4.7 Common foreign and security policy (Ss. B8)	32,2	28,2	87,7	0,9	3,1	9,6
5. Administrative expenditure	4 941,0	4 219,4	85,4	580,7	140,9	2,9
5.1 Parliament (S. I)	1 156,0	862,0	74,6	267,2	26,8	2,3
5.2 Council (S. II)	359,0	302,9	84,4	47,9	8,3	2,3
5.3 Commission (S. III)	3 130,5	2 791,5	89,2	248,1	90,9	2,9
5.4 Court of justice (S. IV)	125,3	118,0	94,1	5,8	1,6	1,3
5.5 Court of auditors (S. V)	61,2	57,1	93,3	2,3	1,8	2,9
5.6 Economic and social committee/Committee of the regions (S. VI)	109,1	87,9	80,6	9,6	11,5	10,6
6. Reserves	1 154,0	272,4	23,6	—	881,6	76,4
6.1 Monetary reserve (T. B1-6)	578,0	—	—	—	578,0	100,0
6.2 Guarantee Reserve (Ch. B0-23 et 24)	338,0	272,4	80,6	—	65,6	19,4
6.3 Emergency aid reserve (Ch. B7-91)	238,0	—	—	—	238,0	100,0
7. Compensation	99,0	99,0	100,0	—	—	—
7.1 Compensation to new member states (T. B0-5)	99,0	99,0	100,0	—	—	—
Grand Total	84 541,2	80 713,0	95,5	1 563,0	2 265,2	2,7

⁽¹⁾ Budget appropriations amended after taking account of transfers between budget headings, revenue in respect of services performed on behalf of outside bodies, appropriations made available again following the refunding of payments on account and appropriations carried forward from previous year. The latter explains the difference of 707,5 Mio ECU between the final appropriations in this Diagram and the total in Diagram I.

⁽²⁾ Excluding the re-use of revenue for the current financial year and revenue carried over from the previous financial year, amounting to 135,9 Mio ECU.

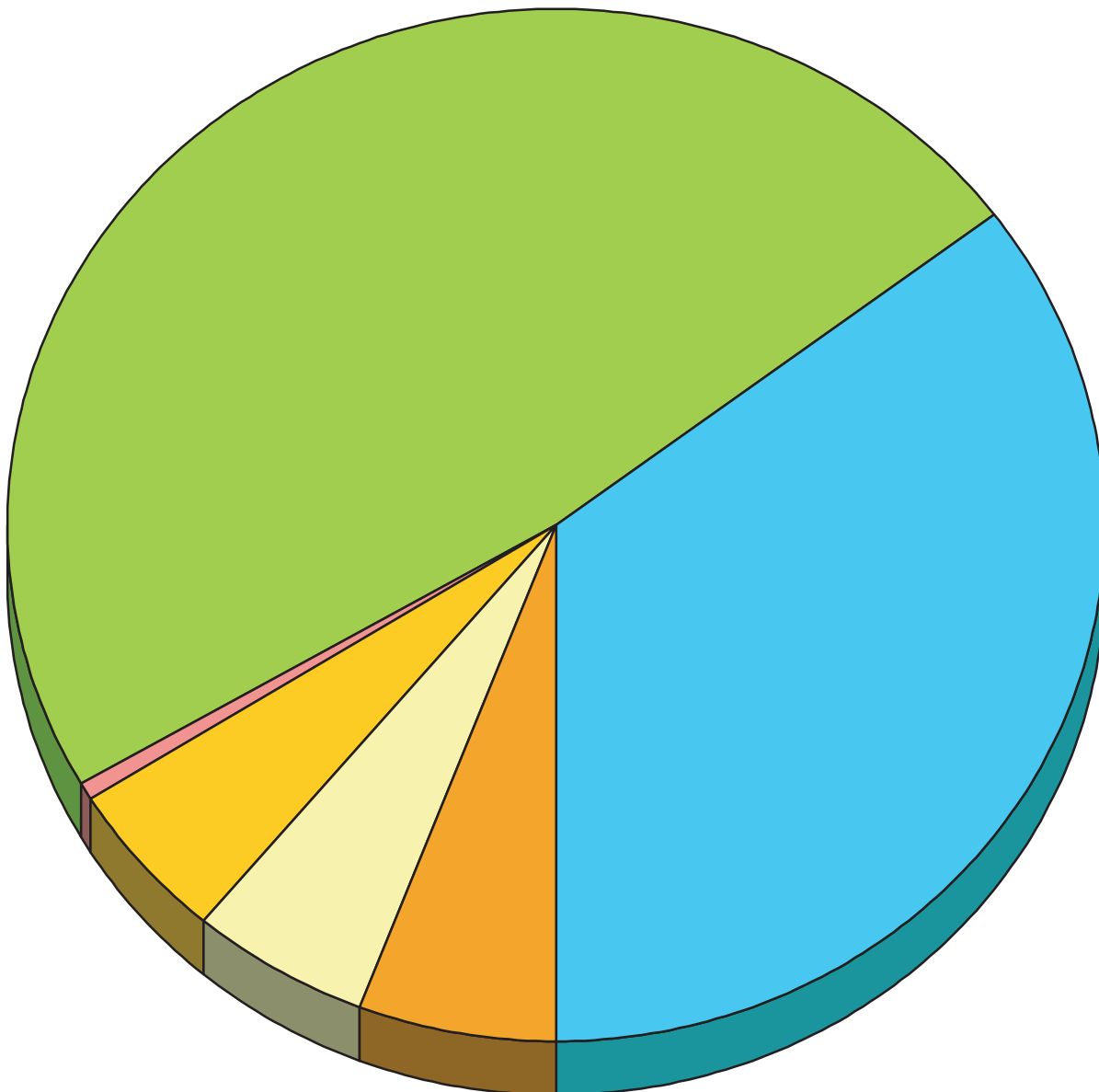
⁽³⁾ After distribution of provisional appropriations (Ch. B0-40): Ch. B1-10 (153 Mio ECU), B1-11 (24 Mio ECU), B1-14 (10 Mio ECU), B1-30 (13 Mio ECU), Ss. B3 (0,4 Mio ECU), T. B7-6 (1 Mio ECU) and B7-8 (4,1 Mio ECU).

Diagram V Payments made in 1998, by financial perspective heading

Note: Payments made in 1998 = payments against 1998 appropriations plus payments against carry-overs from 1997

(Mio ECU and %)

Total: 80 713,0 Mio ECU



Key

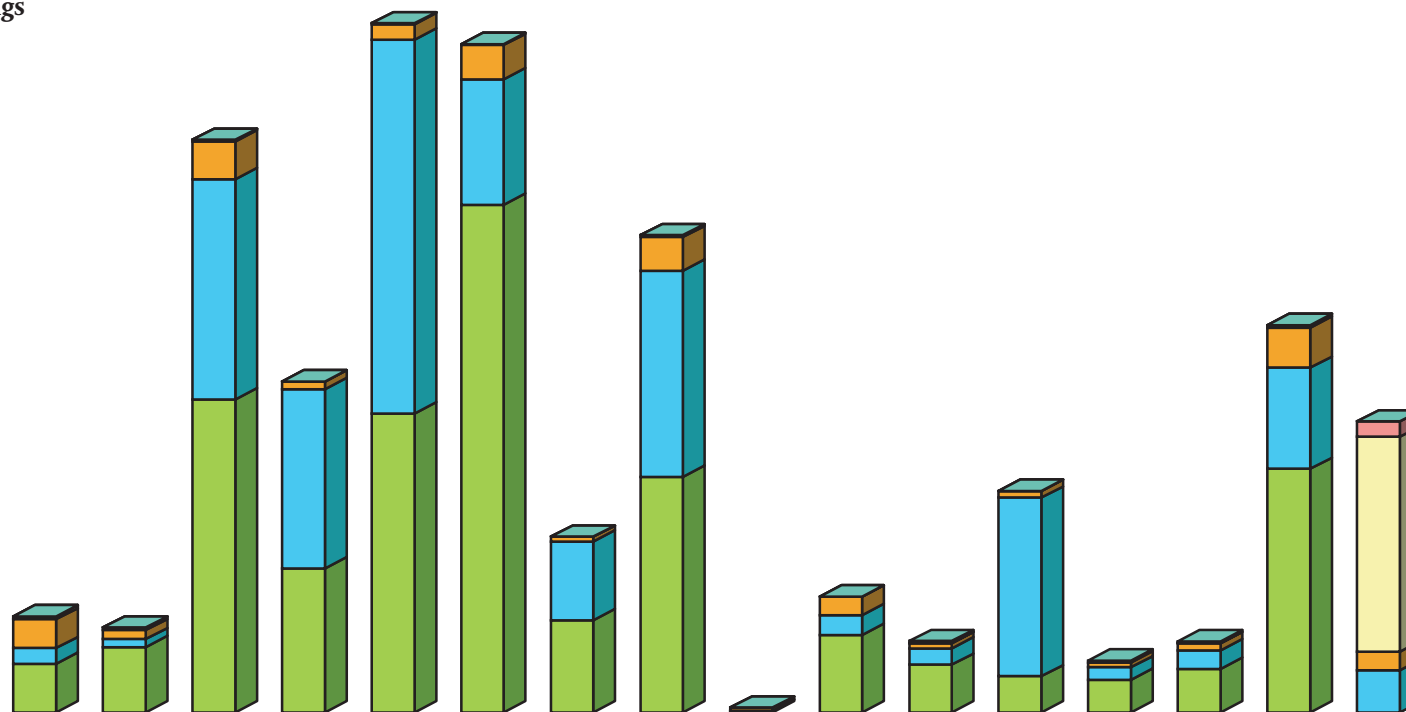
	1. Common agricultural policy	38 810,0 (48,1 %)
	2. Structural operations	28 366,0 (35,1 %)
	3. Internal policies	4 878,5 (6,0 %)
	4. External action	4 067,7 (5,0 %)
	5. Administrative expenditure	4 219,4 (5,2 %)
	6. Reserves	272,4 (0,3 %)
	7. Compensation	99,0 (0,1 %)

Diagram VI Payments made in 1998, in each Member State ⁽¹⁾

Note: Payments made in 1998 = payments against 1998 appropriations plus payments against carry-overs from 1997

Financial perspective headings

(Mio ECU and %)



	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK	Misc.	Total
— Common agricultural policy	859,7	1 155,0	5 556,7	2 557,4	5 304,6	9 014,3	1 633,7	4 183,2	17,7	1 374,7	843,2	639,6	576,4	770,9	4 322,6	0,0	38 810,0
— Structural operations	281,5	142,6	3 913,1	3 179,4	6 644,5	2 225,9	1 396,6	3 661,6	13,4	348,0	291,7	3 171,3	223,0	328,9	1 797,8	746,7	28 366,0
— Internal policies	511,4	159,7	670,8	137,3	271,6	608,0	88,8	595,5	49,2	329,3	89,6	116,5	83,2	127,8	710,7	⁽²⁾ 329,1	4 878,5
— External action	50,8	45,1	26,5	2,3	14,3	17,6	0,7	30,6	2,7	5,9	4,0	1,4	1,6	1,4	47,3	⁽³⁾ 3 815,4	4 067,7
— Reserves	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	⁽⁴⁾ 272,4	272,4
— Compensation	—	—	—	—	—	—	—	—	—	—	35,0	—	33,0	31,0	—	—	99,0
TOTAL	1 703,5 2,2 %	1 502,4 2,0 %	10 167,2 13,3 %	5 876,5 7,7 %	12 235,0 16,0 %	11 865,9 15,5 %	3 119,7 4,1 %	8 470,9 11,1 %	83,0 0,1 %	2 057,9 2,7 %	1 263,4 1,7 %	3 928,8 5,1 %	917,3 1,2 %	1 260,1 1,6 %	6 878,4 9,0 %	5 163,6 6,8 %	76 493,6 100,0 %

⁽¹⁾ The geographical breakdown is not by payments made to the Member States, but by expenditure according to where the sums were paid, following the data shown in the Commission's computerised accounting systems (SINCOM-CB/D and SINCOM2-SI2 for the JRC).

⁽²⁾ Including an amount of 83,8 Mio ECU paid to the European Investment Fund, the European Investment Bank, the Publications Office, the Commission's services and the Translation Center for Bodies of the EU.

⁽³⁾ Including an amount of 0,3 Mio ECU paid by the Commission to the European Investment Bank.

⁽⁴⁾ Including an amount of 272,4 Mio ECU paid by the Commission to the Guarantee Fund.

Diagram VII
Evolution and utilisation of appropriations for payments for the period
1994 to 1998, by financial perspective heading

Financial perspective headings/financial year (for the definition of headings, see Diagram IV)		Utilisation of appropriations				Share of payments in the total (payments and cancellations) ⁽²⁾
		Final appropriations ⁽¹⁾	Payments	Carryover to next year	Cancellations	
		(a)	(b)	(c)	(d) = (a - b - c)	
1. Common agricultural policy	1994	35 650,8	33 605,4	64,3	1 981,2	(*) 94,4
	1995	36 913,9	34 497,7	51,7	2 364,5	(*) 93,6
	1996	40 816,7	39 080,9	426,9	1 308,8	96,8
	1997	41 187,9	40 623,2	82,4	482,3	98,8
	1998	39 941,4	38 810,0	415,5	715,9	98,2
2. Structural operations	1994	21 737,3	15 767,0	640,3	5 330,0	(***) 74,7
	1995	24 121,3	19 292,0	4,3	4 825,0	(***) 80,0
	1996	25 758,6	24 426,8	36,4	1 295,5	(*) 95,0
	1997	26 426,1	26 059,2	—	366,9	98,6
	1998	28 643,4	28 366,0	204,9	72,5	99,7
3. Internal policies	1994	4 278,8	3 907,1	121,8	249,8	(*) 94,0
	1995	4 703,2	4 004,5	173,6	525,1	(**) 88,4
	1996	5 335,3	4 544,4	160,2	630,7	(**) 87,8
	1997	5 371,3	4 934,7	182,3	254,2	95,1
	1998	5 246,8	4 878,5	163,5	204,7	96,0
4. External action	1994	3 691,0	3 151,8	188,0	351,2	(**) 90,0
	1995	4 257,4	3 449,4	146,2	661,9	(**) 83,9
	1996	4 642,7	3 804,8	225,8	612,1	(**) 86,1
	1997	4 678,3	3 992,0	49,8	636,5	(**) 86,2
	1998	4 515,6	4 067,7	198,4	249,6	(*) 94,2
5. Administrative expenditure	1994	4 021,9	3 565,6	358,0	98,3	97,3
	1995	4 358,6	3 873,9	355,3	129,4	96,8
	1996	4 540,8	3 962,5	453,6	124,7	96,9
	1997	4 739,9	4 129,2	432,4	178,3	95,9
	1998	4 941,0	4 219,4	580,7	140,9	96,8
6. Reserves	1994	1 334,2	307,9	—	1 026,3	(***) 23,1
	1995	996,0	250,8	—	745,3	(***) 25,2
	1996	997,0	235,4	—	761,6	(***) 23,6
	1997	1 202,0	286,1	—	915,9	(***) 23,8
	1998	1 154,0	272,4	—	881,6	(***) 23,6
7. Compensation	1994	—	—	—	—	100,0
	1995	1 547,0	1 547,0	—	—	100,0
	1996	764,0	701,0	—	63,0	(*) 91,8
	1997	212,0	212,0	—	—	100,0
	1998	99,0	99,0	—	—	100,0
General budget - Total	1994	70 714,0	60 304,8	1 372,4	9 036,8	(**) 87,0
	1995	76 897,4	66 915,2	731,1	9 251,2	(**) 87,9
	1996	82 855,1	76 755,7	1 302,9	4 796,5	(*) 94,1
	1997	83 817,5	80 236,4	746,9	2 834,2	96,6
	1998	84 541,2	80 713,0	1 563,0	2 265,2	97,3

⁽¹⁾ After supplementary receipts and transfers between budget headings.

⁽²⁾ The indicator (e) expresses the evolution of the share of appropriations finally paid during the financial years. The difference in relation to 100 % expresses the 'share of appropriations finally cancelled. Indicators (e) less than 95 % are marked (*), those less than 90 % (**), and those less than 80 % (***)

ANNEX II

Financial information on the European Development Funds (EDFs)

(Position as at 31 December 1998)

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BASIC INFORMATION ON THE EDFs (POSITION AS AT 31 DECEMBER 1998)

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The sixth, seventh and eighth EDFs

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- D 2 The seventh EDF: allocation, financing, distribution of aid, overall utilisation
- D 3 The eighth EDF: allocation, financing, distribution of aid, overall utilisation
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BASIC INFORMATION ON THE EDFs (POSITION AS AT 31 DECEMBER 1998)

THE FIRST FIVE EDFs

1. Basic information and detailed financial information on the first three EDFs was most recently given in the Annual Report of the Court of Auditors concerning the financial year 1980. Information on the fourth EDF was given in the Annual Report concerning the financial year 1986 and information on the fifth EDF in the Annual Report concerning the financial year 1990. Only a few minor sums transferred to the sixth EDF still remain to be paid under the fourth EDF. A summary of the payments made under the first five EDFs is given in Diagram 4.

THE SIXTH, SEVENTH AND EIGHTH EDFs

Legal provisions

2. Legal basis in respect of the ACP States:

- (a) Sixth EDF: Third ACP-EEC Convention, signed in Lomé on 8 December 1984 (Lomé III);

- (b) Seventh EDF: Fourth ACP-EEC Convention, signed in Lomé on 15 December 1989 (Lomé IV);
- (c) Eighth EDF: Fourth ACP-EC Lomé Convention as revised by the agreement signed in Mauritius on 4 November 1995 (Lomé IV bis);

3. Legal basis in respect of the OCTs:

- (a) Sixth EDF: Council Decision 86/283/EEC of 30 June 1986;
- (b) Seventh EDF: Council Decision 91/482/EEC of 25 July 1991;
- (c) Eighth EDF: not yet adopted.

4. Establishment of the EDFs:

- (a) Sixth EDF: internal agreement of 19 February 1985;
- (b) Seventh EDF: internal agreement of 16 July 1990;
- (c) Eighth EDF: internal agreement of 20 December 1995.

5. Financial regulations:

- (a) Sixth EDF: Financial Regulation 86/548/EEC of 11 November 1986;
- (b) Seventh EDF: Financial Regulation 91/491/EEC of 29 July 1991;
- (c) Eighth EDF: Financial Regulation 98/430/EC of 16 June 1998.

Allocations, financing, distribution and type of aid

6. The EDF allocations after amendments ⁽¹⁾ by the Council are as follows:

- (a) Sixth EDF: ECU 7 921,6 Mio;
- (b) Seventh EDF: ECU 11 825,3 Mio;
- (c) Eighth EDF: ECU 13 137,5 Mio.

7. The EDFs are financed by the Member States of the European Communities in proportions laid down in the internal agreements (see also Diagrams 1 and 2).

⁽¹⁾ The initial allocations were amended by Council decisions and have been increased by various items of revenue, such as reconstitution of Stabex transfers and bank interest or supplementary contributions from the Member States.

8. The abovementioned internal agreements provide for distribution of the allocations of the EDFs between the ACP States and the OCTs and between grants, special loans, risk capital, Stabex ⁽²⁾ and Sysmin ⁽³⁾.

9. Part of the allocation in the form of grants is reserved for exceptional aid, support operations for structural adjustment and for interest rate subsidies on loans granted by the European Investment Bank. The rest of the allocation in the form of grants and the allocation in the form of special loans is distributed among the recipient countries, with the exception of funds for the regional projects, administrative costs and a contingency reserve. The amounts thus allocated to the recipient countries, called indicative programmes in the case of ACP States, are used to finance the projects adopted.

Monetary unit

10. EDF allocations are denominated in ecus; for the purpose of converting the monetary units previously applied into ecus, it has been agreed that 1 u.a. = 1 EUA = 1 ECU.

Date of entry into force

— sixth EDF: 1 May 1986;

— seventh EDF: 1 September 1991;

— eighth EDF: 1 June 1998.

Financial implementation

11. The Commission draws up a timetable of requests for contributions which, in principle, are to be paid quarterly by the Member States of the European Communities. The use of the EDF resources is shown in the accounts in three stages: (I) financing decision; (II) signing of contracts against funds allocated to national authorising officers; (III) authorisation of payments to contractors.

External audit

12. The Court of Auditors is responsible for the external audit of the EDFs, in accordance with the Treaty.

Authority giving discharge

13. The European Parliament gives discharge for the financial management of the EDFs, on the recommendation of the Council (in accordance with the internal agreements).

⁽²⁾ System designed to guarantee the stabilisation of earnings from exports by the ACP States to the Community (Lomé I, Article 16; Lomé II, Article 23; Lomé III, Article 147; Lomé IV, Article 186).

⁽³⁾ System designed to aid ACP States whose economies are largely dependent on the mining sectors and in particular to help them cope with a decline in their capacity to export mining products to the Community (Lomé II, Article 49; Lomé III, Article 176; Lomé IV, Article 214).

Diagram 1
The sixth EDF: allocation, financing and distribution of aid, overall utilisation

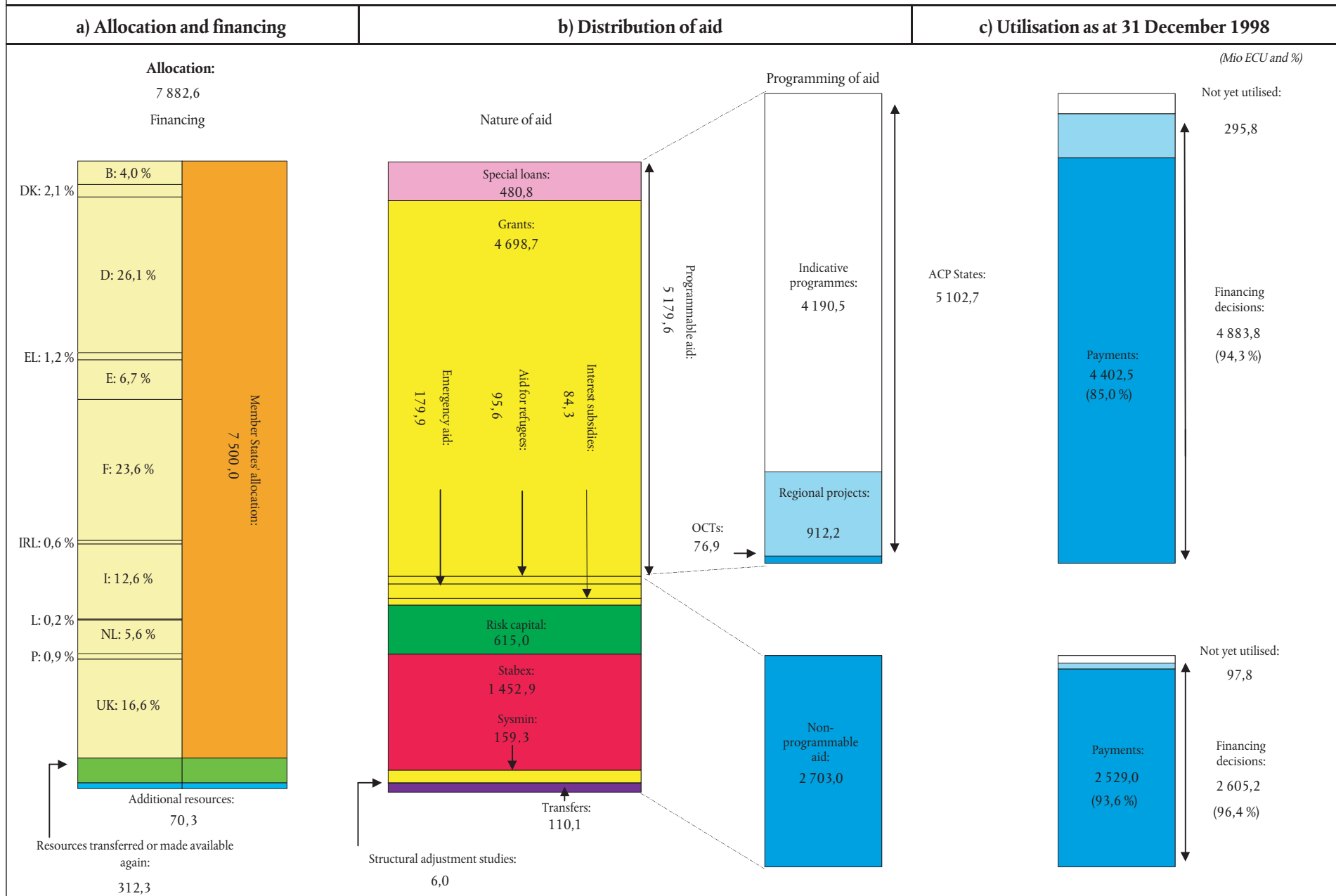


Diagram 2
The seventh EDF: allocation, financing and distribution of aid, overall utilisation

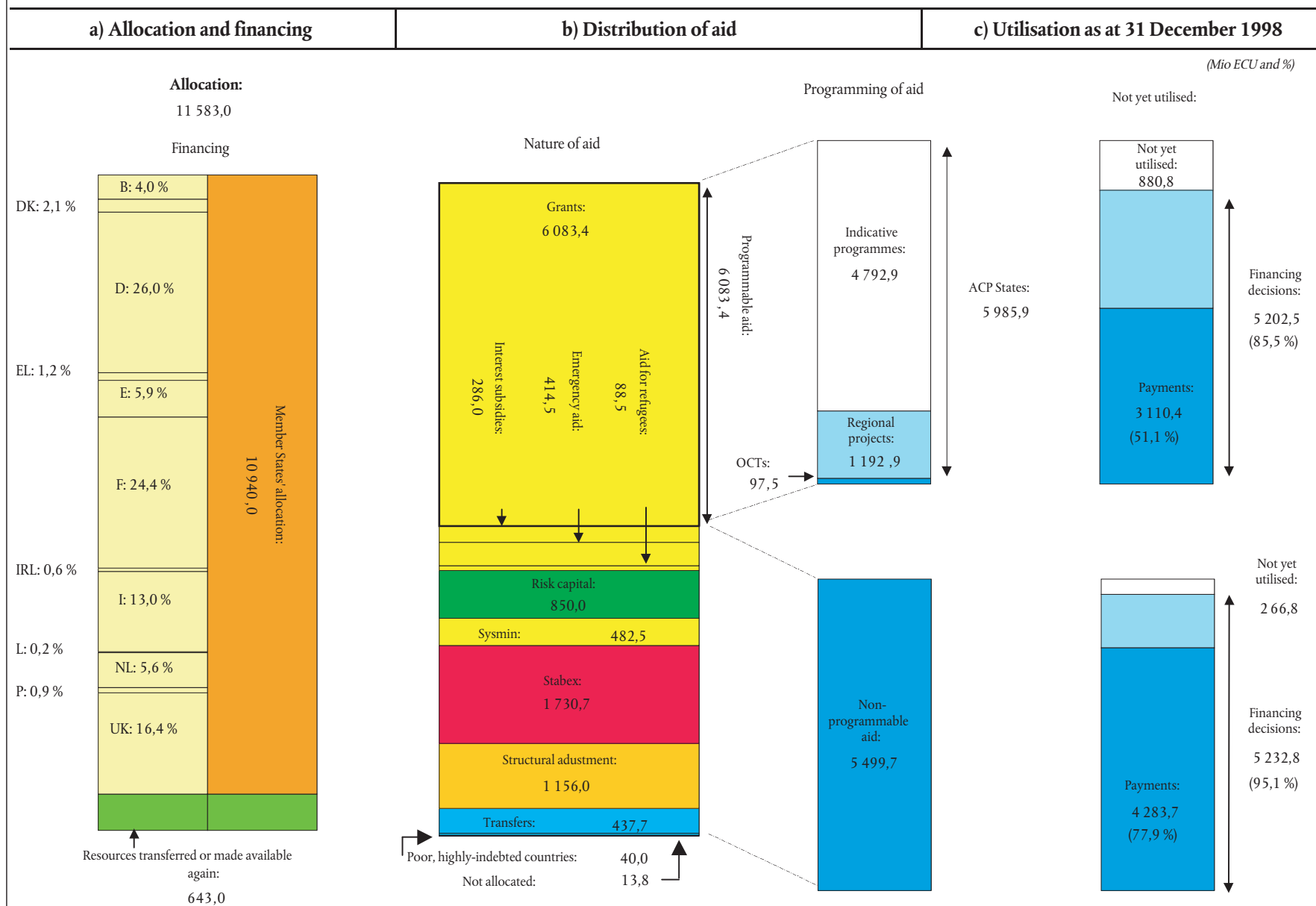


Diagram 3
The eighth EDF: allocation, financing and distribution of aid, overall utilisation

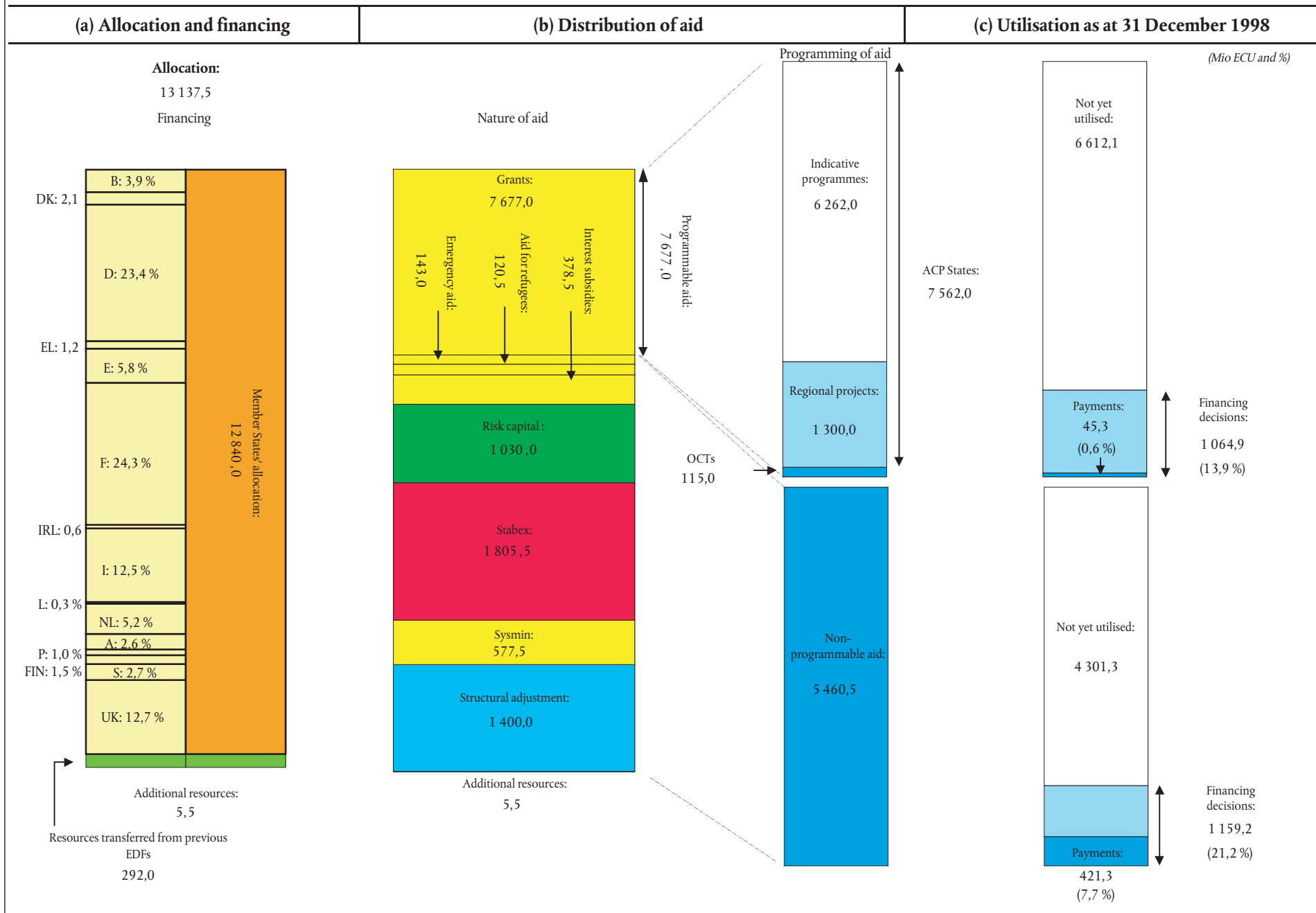


Diagram 4
The eight EDFs — figures showing the evolution of annual payments (1960-98)

(Mio ECU)

Year	1 st EDF	2 nd EDF	3 rd EDF	4 th EDF	5 th EDF	6 th EDF	7 th EDF	8 th EDF	Total
1960/1	19,2								19,2
1962	53,3								53,3
1963	65,3								65,3
1964	83,4								83,4
1965	84,8	21,9							106,7
1966	76,7	31,6							108,3
1967	61,7	42,9							104,6
1968	38,6	67,9							106,5
1969	25,6	89,4							115,0
1970	16,1	129,5							145,6
1971	11,4	120,5	22,5						154,4
1972	10,1	78,6	42,8						131,5
1973	9,9	49,4	98,5						157,8
1974	5,5	25,9	140,6						172,0
1975	2,4	23,3	182,7						208,4
1976	2,9	17,2	131,0	97,5					248,6
1977	0,6	16,3	79,8	148,0					244,7
1978	0,8	7,9	66,0	326,3					401,0
1979	0,4	4,1	37,4	423,4					465,3
1980	0,3	2,5	19,8	459,3					481,9
1981	0,4	0,9	20,7	445,8	195,9				663,7
1982		0,4	11,2	305,5	330,1				647,2
1983		0,1	14,2	285,2	419,2				718,7
1984		0,1	8,2	185,2	509,5				703,0
1985			6,0	105,7	586,3				698,0
1986			3,6	108,5	617,9	116,7			846,7
1987			2,2	70,2	412,9	352,6			837,9
1988				38,4	350,2	807,7			1 196,3
1989				32,2	240,7	1 024,2			1 297,0
1990				22,1	194,0	1 040,4			1 256,5
1991					136,4	859,3	195,5		1 191,2
1992					137,9	914,8	888,8		1 941,5
1993					76,4	571,6	705,6		1 353,6
1994						449,2	1 332,4		1 781,6
1995						268,2	1 295,5		1 563,7
1996						199,1	1 118,3		1 317,4
1997						173,8	1 038,9		1 212,7
1998						153,9	819,1	466,6	1 439,6
Total	569,4	730,4	887,2	3 053,3	4 207,4	6 931,5	7 394,1	466,6	24 239,9

ANNEX III

Reports and opinions adopted by the Court of Auditors during the last five years

The Court of Auditors is required by the terms of the Treaties to produce an annual report. It is also required, by the Treaties and other regulations, to produce annual reports on certain Community bodies and activities. The Treaties further give the Court the power to submit

observations on specific questions and to deliver opinions at the request of one of the institutions. The reports and opinions adopted by the Court during the last five years are listed below.

Title	Publication
Annual reports and statements of assurance	
Seventeenth annual report concerning the financial year 1993	OJ C 327, 24.11.1994
Eighteenth annual report concerning the financial year 1994 Statements of assurance (general budget and EDF) concerning the financial year 1994	OJ C 303, 14.11.1995 OJ C 352, 30.12.1995
Nineteenth annual report concerning the financial year 1995 Statements of assurance (general budget and EDF) concerning the financial year 1995	OJ C 340, 12.11.1996 OJ C 395, 31.12.1996
Twentieth annual report and statements of assurance (general budget and EDF) concerning the financial year 1996	OJ C 348, 18.11.1997
Twenty-first annual report concerning the financial year 1997: — Report and statement of assurance on the activities financed from the general budget — Report and statement of assurance on the activities of the sixth and seventh EDFs	OJ C 349, 17.11.1998
Twenty-second annual report concerning the financial year 1998: — Report and statement of assurance on the activities financed from the general budget — Report and statement of assurance on the activities of the sixth, seventh and eighth EDFs	Published in this OJ
Special annual reports	
Report on the financial statements of the European Coal and Steel Community at 31 December 1993	OJ C 211, 2.8.1994
Report on the financial statements of the European Coal and Steel Community at 31 December 1994	OJ C 244, 21.9.1995
Report on the financial statements of the European Coal and Steel Community at 31 December 1995	OJ C 251, 29.8.1996
Report on the financial statements of the European Coal and Steel Community at 31 December 1996	OJ C 242, 8.8.1997
Report on the financial statements of the European Coal and Steel Community at 31 December 1997	OJ C 255, 13.8.1998
Report on the financial statements of the European Coal and Steel Community at 31 December 1998	OJ C 240, 25.8.1999
Annual report on the ECSC for the financial year 1993	OJ C 346, 7.12.1994

Title	Publication
Annual report on the ECSC for the financial year 1994	OJ C 329, 7.12.1995
Annual report on the ECSC for the financial year 1995	OJ C 377, 13.12.1996
Annual report on the ECSC for the financial year 1996	OJ C 380, 15.12.1997
Annual report on the ECSC for the financial year 1997	OJ C 352, 18.11.1998
Annual report on the ECSC for the financial year 1998	In the process of being published
Report on the 1993 accounts of the Euratom Supply Agency	Not published in OJ
Report on the 1994 accounts of the Euratom Supply Agency	Not published in OJ
Report on the 1995 accounts of the Euratom Supply Agency	Not published in OJ
Report on the 1996 accounts of the Euratom Supply Agency	Not published in OJ
Report on the 1997 accounts of the Euratom Supply Agency	Not published in OJ
Report on the 1998 accounts of the Euratom Supply Agency	Not published in OJ
Report on the 1993 JET financial statements	Not published in OJ
Report on the 1994 JET financial statements	Not published in OJ
Report on the 1995 JET financial statements	Not published in OJ
Report on the 1996 JET financial statements	Not published in OJ
Report on the 1997 JET financial statements	Not published in OJ
Report on the 1998 JET financial statements	Not published in OJ
Report on the 1993 accounts of the European Foundation for the Improvement of Living and Working Conditions (Dublin)	OJ C 387, 31.12.1994
Report on the 1994 accounts of the European Foundation for the Improvement of Living and Working Conditions (Dublin)	OJ C 354, 30.12.1995
Report on the 1995 accounts of the European Foundation for the Improvement of Living and Working Conditions (Dublin)	OJ C 81, 13.3.1997
Report on the financial statements and management for the financial year 1996 of the European Foundation for the Improvement of Living and Working Conditions (Dublin)	OJ C 393, 29.12.1997
Report on the financial statements and management for the financial year 1997 of the European Foundation for the Improvement of Living and Working Conditions (Dublin)	OJ C 406, 28.12.1998
Report on the financial statements and management for the financial year 1998 of the European Foundation for the Improvement of Living and Working Conditions (Dublin)	In the process of being published

Title	Publication
Report on the 1993 accounts of the European Centre for the Development of Vocational Training (Berlin)	OJ C 378, 31.12.1994
Report on the 1994 accounts of the European Centre for the Development of Vocational Training (Thessalonica)	OJ C 354, 30.12.1995
Report on the 1995 accounts of the European Centre for the Development of Vocational Training (Thessalonica)	OJ C 81, 13.3.1997
Report on the financial statements and management for the financial year 1996 of the European Centre for the Development of Vocational Training (Thessalonica)	OJ C 393, 29.12.1997
Report on the financial statements and management for the financial year 1997 of the European Centre for the Development of Vocational Training (Thessalonica)	OJ C 406, 28.12.1998
Report on the financial statements and management for the financial year 1998 of the European Centre for the Development of Vocational Training (Thessalonica)	In the process of being published
Report on the accounts of the European Schools for the financial year 1993	Not published in OJ
Report on the accounts of the European Schools for the financial year 1994	Not published in OJ
Report on the accounts of the European Schools for the financial year 1995	Not published in OJ
Report on the accounts of the European Schools for the financial year 1996	Not published in OJ
Report on the accounts of the European Schools for the financial year 1997	Not published in OJ
Report on the accounts of the European Schools for the financial year 1998	Not published in OJ
Report on the operational efficiency of the management of the European Monetary Institute for the financial year 1994	OJ C 394, 31.12.1996
Report on the operational efficiency of the management of the European Monetary Institute for the financial year 1995	OJ C 394, 31.12.1996
Report on the operational efficiency of the management of the European Monetary Institute for the financial year 1996	OJ C 42, 9.2.1998
Report on the operational efficiency of the management of the European Monetary Institute for the financial year 1997	OJ C 164, 10.6.1999
Report on the financial statements of the Community Plant Variety Office (Angers) for the financial years 1995 and 1996	OJ C 393, 29.12.1997
Report on the financial statements of the Community Plant Variety Office (Angers) for the financial year 1997	OJ C 406, 28.12.1998
Report on the financial statements of the Community Plant Variety Office (Angers) for the financial year 1998	In the process of being published
Report on the financial statements of the Office for Harmonisation in the Internal Market for the period from 1 September 1994 to 31 December 1995	OJ C 81, 13.3.1997

Title	Publication
Report on the financial statements of the Office for Harmonisation in the Internal Market (Alicante) for the financial year 1996	OJ C 393, 29.12.1997
Report on the financial statements of the Office for Harmonisation in the Internal Market (Alicante) for the financial year 1997	OJ C 406, 28.12.1998
Report on the financial statements of the Office for Harmonisation in the Internal Market (Alicante) for the financial year 1998	In the process of being published
Report on the financial statements of the European Agency for Safety and Health at Work (Bilbao) for the financial year 1996	OJ C 393, 29.12.1997
Report on the financial statements of the European Agency for Safety and Health at Work (Bilbao) for the financial year 1997	OJ C 406, 28.12.1998
Report on the financial statements of the European Agency for Safety and Health at Work (Bilbao) for the financial year 1998	In the process of being published
Report on the financial statements of the European Environment Agency for the period from 1 September 1994 to 31 December 1995	OJ C 81, 13.3.1997
Report on the financial statements of the European Environment Agency (Copenhagen) for the financial year 1996	OJ C 393, 29.12.1997
Report on the financial statements of the European Environment Agency (Copenhagen) for the financial year 1997	OJ C 406, 28.12.1998
Report on the financial statements of the European Environment Agency (Copenhagen) for the financial year 1998	In the process of being published
Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction for the period from 1 November 1994 to 31 December 1995	OJ C 81, 13.3.1997
Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction (Lisbon) for the financial year 1996	OJ C 393, 29.12.1997
Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction (Lisbon) for the financial year 1997	OJ C 406, 28.12.1998
Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction (Lisbon) for the financial year 1998	In the process of being published
Report on the financial statements of the European Agency for the Evaluation of Medicinal Products for the period from 1 September 1994 to 31 December 1995	OJ C 81, 13.3.1997
Report on the financial statements of the European Agency for the Evaluation of Medicinal Products (London) for the financial year 1996	OJ C 393, 29.12.1997
Report on the financial statements of the European Agency for the Evaluation of Medicinal Products (London) for the financial year 1997	OJ C 406, 28.12.1998

Title	Publication
Report on the financial statements of the European Agency for the Evaluation of Medicinal Products (London) for the financial year 1998	In the process of being published
Report on the financial statements of the Translation Centre for Bodies of the European Union (Luxembourg) for the financial years 1995 and 1996	OJ C 393, 29.12.1997
Report on the financial statements of the Translation Centre for Bodies of the European Union (Luxembourg) for the financial year 1997	OJ C 406, 28.12.1998
Report on the financial statements of the Translation Centre for Bodies of the European Union (Luxembourg) for the financial year 1998	In the process of being published
Report on the financial statements of the European Training Foundation for the period from 1 November 1994 to 31 December 1995	OJ C 81, 13.3.1997
Report on the financial statements of the European Training Foundation (Turin) for the financial year 1996	OJ C 393, 29.12.1997
Report on the financial statements of the European Training Foundation (Turin) for the financial year 1997	OJ C 406, 28.12.1998
Report on the financial statements of the European Training Foundation (Turin) for the financial year 1998	In the process of being published
Report on the financial statements of the European Monitoring Centre for Racism and Xenophobia (Vienna) for the period from 1 May to 31 December 1998	In the process of being published
Opinions	
Opinion No 1/94 on: — the proposal for a Council regulation (EC, Euratom) amending Regulation (EEC, Euratom) No 1552/89 implementing Decision 88/376/EEC, Euratom on the system of the Communities' own resources; — the proposal for a Council regulation (ECSC, EC, Euratom) amending the financial regulation of 21 December 1977 applicable to the general budget of the European Communities	OJ C 115, 26.4.1994
Opinion No 2/94 on a proposed amendment to the financial regulation of the European Schools	Not published in OJ
Opinion No 3/94 on a proposal for a Council regulation (EC, Euratom, ECSC) amending Regulation (Euratom, ECSC, EEC) No 549/69 determining the categories of officials and other servants of the European Communities to whom the provisions of Article 12, the second paragraph of Article 13 and Article 14 of the protocol on the privileges and immunities of the European Communities apply	OJ C 290, 18.10.1994
Opinion No 4/94 on a proposed Council regulation (EC, ECSC, Euratom) amending the financial regulation of 21 December 1977 applicable to the general budget of the European Communities	OJ C 383, 31.12.1994
Opinion No 5/94 on a proposal for a Council (EC) regulation amending Council Regulation (EEC) No 729/70 concerning the financing of the common agricultural policy and the financial regulation of 21 December 1977 applicable to the general budget of the European Communities	OJ C 383, 31.12.1994

Title	Publication
Opinion No 1/95 on the draft financial regulation applicable to the European Training Foundation	Not published in OJ
Opinion No 2/95 on the draft financial regulation in respect of the European Monitoring Centre for Drugs and Drug Addiction	Not published in OJ
Opinion No 3/95 on the draft financial regulation in respect of the Office for Harmonisation in the Internal Market	Not published in OJ
Opinion No 4/95 on the draft financial regulation in respect of the European Environment Agency	Not published in OJ
Opinion No 5/95 on a proposal to amend Article 24 of the statute governing teaching staff of the European Schools	Not published in OJ
Opinion No 6/95 on the Commission's clearance decision for the financial year 1991	OJ C 10, 15.1.1996
Opinion No 7/95 on the draft financial regulation for the European Agency for the Evaluation of Medicinal Products	Not published in OJ
Opinion No 1/96 concerning the proposal for a financial regulation application to the Translation Centre for Bodies of the European Union	Not published in OJ
Technical opinion on the financial commitments for the Court of Justice's buildings	Not published in OJ
Opinion No 2/96 concerning the proposal for a financial regulation applicable to the European Agency for Safety and Health at Work	Not published in OJ
Opinion No 3/96 concerning the proposal for a Council decision setting up a European guarantee fund to promote cinema and television production	OJ C 338, 11.11.1996
Opinion No 4/96 concerning the management of data-processing resources in the European Parliament	Not published in OJ
Opinion No 5/96 concerning a draft amendment to the financial regulation of the European Agency for the Evaluation of Medicinal Products	Not published in OJ
Opinion No 6/96 concerning a draft amendment to the financial regulation of the European Environment Agency	Not published in OJ
Opinion No 1/97 on the conditions governing the implementation of expenditure under the common foreign and security policy (CFSP)	Not published in OJ
Opinion No 2/97 concerning a proposal for a Council regulation (Euratom, ECSC, EC) determining the powers and obligations of agents authorised by the Commission pursuant to Article 18(2) and (3) of Regulation (EEC, Euratom) No 1552/89	OJ C 175, 9.6.1997
Opinion No 3/97 on the draft financial regulation applicable to development finance cooperation under the fourth ACP-EC Convention amended by the agreement of 4 November 1995	OJ C 223, 22.7.1997

Title	Publication
Opinion No 4/97 on a proposal for a Council regulation (Euratom, ECSC, EC) amending the financial regulation of 21 December 1977 applicable to the general budget of the European Communities (COM(96) 351 final)	OJ C 57, 23.2.1998
Opinion No 5/97 on a proposal for a Council regulation (EC, Euratom) amending Council Regulation (EEC, Euratom) No 1552/89 implementing Council Decision 94/728/EC, Euratom on the system of the European Communities' own resources	OJ C 15, 19.1.1998
Opinion No 6/97 on the draft financial regulation of the Community Plant Variety Office (Angers)	Not published in OJ
Opinion No 1/98 concerning a proposal for a Council regulation (EC, Euratom) implementing Decision 94/728/EC, Euratom on the system of the European Communities' own resources	OJ C 145, 9.5.1998
Opinion No 2/98 on a proposal for a Council regulation (Euratom, ECSC, EC) amending Regulation (Euratom, ECSC, EEC) No 549/69 determining the categories of officials and other servants of the European Communities to whom the provisions of Article 12, the second paragraph of Article 13 and Article 14 of the protocol on the privileges and immunities of the Communities apply	OJ C 191, 18.6.1998
Opinion No 3/98 on the draft financial regulation applicable to the European Monitoring Centre for Racism and Xenophobia	Not published in OJ
Opinion No 4/98 on a proposal for a Council regulation (EC) amending Regulation (EEC, Euratom, ECSC) No 259/68 laying down the staff regulations of officials and the conditions of employment of other servants of the European Communities, and the other regulations applicable to them with regard to the establishment of remuneration, pensions and other financial entitlement in euro	Not published in OJ
Opinion No 5/98 on a proposal for a Council regulation (EC) amending Regulation (EEC, Euratom, ECSC) No 259/68 laying down the staff regulations applicable to officials and other servants of the European Communities (subject: weighting)	Not published in OJ
Opinion No 6/98 on a proposal for a Council regulation (EC) amending Regulation (EEC, Euratom, ECSC) No 259/68 laying down the staff regulations applicable to officials and other servants of the European Communities (subject: parliamentary assistants)	Not published in OJ
Opinion No 7/98 on the effectiveness of the methods of recovery applied by the ESC and on the new system introduced by the ESC for the administration and reimbursement of travel expenses	Not published in OJ
Opinion No 8/98 on a proposal for a Council regulation (EC) establishing an agri-monetary system denominated in euro (ref. 98/0214) and a proposal for a Council regulation (EC) relating to transitional measures concerning the introduction of the use of the euro under the common agricultural policy (ref. 98/0215)	OJ C 368, 27.11.1998
Opinion No 9/98 on the proposal for a Council regulation (EC, ECSC, Euratom) amending the financial regulation of 21 December 1977 applicable to the general budget of the European Communities (proposal submitted by the Commission in document (COM(1998) 206 final of 3 April 1998)	OJ C 7, 11.1.1999

Title	Publication
Opinion No 10/98 on certain proposals for regulations within the Agenda 2000 framework	OJ C 401, 22.12.1998
Opinion No 11/98 on a proposal for amendment of Regulation No CB-1-95 of 27 February 1996 of the Budget Committee of the Office for Harmonisation in the Internal Market (Alicante) (financial regulation)	Not published in OJ
Opinion No 1/99 on a proposal for an amendment of the financial regulation of the European Monitoring Centre for Drugs and Drug Addiction (Lisbon)	Not published in OJ
Opinion No 2/99 on the amended proposal for a Council regulation (EC, Euratom) concerning investigations conducted by the Fraud Office	Not published in OJ
Opinion No 3/99 on an amended proposal for a Council regulation (EC, ECSC, Euratom) amending the financial regulation of 21 December 1977 applicable to the general budget of the European Communities (proposal presented by the Commission in document COM(1998) 676 final of 20 November 1998)	Not published in OJ
Opinion No 4/99 on a proposal for an amendment to the financial regulation of the European Agency for Safety and Health at Work (Bilbao)	Not published in OJ
Opinion No 5/99 on the additional voluntary pension scheme and fund for Members of the European Parliament	Not published in OJ
Opinion No 6/99 concerning the draft amendment of the Obnova regulation with a view to the creation of an agency for the reconstruction of Kosovo	Not published in OJ
Opinion No 7/99 concerning a proposal to amend the financial regulation of the Translation Centre for Bodies of the European Union (Luxembourg)	Not published in OJ
Opinion No 8/99 on a Council proposal for a decision concerning the European Union's system of own resources	OJ C 310, 28.10.1999
Special reports and other observations	
Special Report No 1/94 concerning the follow-up to the Court's Special Report No 2/92 and continuation of the Court's audit of major beneficiaries of export refunds	OJ C 75, 12.3.1994
Special Report No 2/94 on the import programmes carried out under the sixth EDF	OJ C 97, 6.4.1994
Special Report No 3/94 on the implementation of the intervention measures provided for by the organisation of the market in beef and veal	OJ C 356, 14.12.1994
Special Report No 4/94 on the urban environment	OJ C 383, 31.12.1994
Observations on the proposal for a Council regulation (EC) on the implementation of the EC investment partners financial instrument for the countries of Latin America, Asia, the Mediterranean region and South Africa	Not published in OJ
Special Report No 1/95 on the cohesion financial instrument	OJ C 59, 8.3.1995
Observations on the proposal for a regulation (EC, Euratom) on the protection of the Communities' financial interests and on the proposal for an act establishing a convention for the protection of the Communities' financial interests (COM(94) 214 final, 15 June 1994)	Not published in OJ

Title	Publication
Special Report No 2/95 concerning the Stabex fund in the context of the first financial protocol of the fourth Lomé Convention	OJ C 167, 3.7.1995
Special Report No 3/95 on the implementation of the intervention measures provided for by the common organisation of the market in the sheepmeat and goatmeat sector	OJ C 285, 28.10.1995
Special Report No 4/95 on the management of EAGGF-Guidance expenditure in Portugal from 1988 to 1993	OJ C 345, 22.12.1995
Special Report No 5/95 concerning the signing without prior approval of the contract for the building of the European Parliament's new chamber in Strasbourg	OJ C 27, 31.1.1996
Special Report No 1/96 on the MED programmes	OJ C 240, 19.8.1996
Special Report No 2/96 concerning the administrator's accounts and the administration of Mostar by the European Union (EUAM)	OJ C 287, 30.9.1996
Special Report No 3/96 on tourist policy and the promotion of tourism	OJ C 17, 16.1.1997
Reports on operations financed from contributions from non-member States which are members of the European Economic Area for the financial years 1994 and 1995	Not published in OJ
Special Report No 4/96 on the accounts of the European electoral unit set up by the joint foreign and security policy action concerning the observation of the Palestinian elections	OJ C 57, 24.2.1997
Special Report No 1/97 on the Commission decisions of 10 April 1996 and 20 November 1996 on the clearance of the accounts for the financial year 1992 and certain expenditure for the financial year 1993	OJ C 52, 21.2.1997
Special Report No 2/97 concerning humanitarian aid from the European Union between 1992 and 1995	OJ C 143, 12.5.1997
Special Report No 3/97 concerning the decentralised system for the implementation of the Phare programme	OJ C 175, 9.6.1997
Special Report No 4/97 on the audit of certain aspects of German reunification measures involving EAGGF compensation payments and export refunds	OJ C 144, 13.5.1997
Special Report No 5/97 on management of the Community cereals trade involving export refunds, special import arrangements and regional aid schemes	OJ C 159, 26.5.1997
Special Report No 6/97 concerning Tacis subsidies allocated to Ukraine	OJ C 171, 5.6.1997
Special Report No 7/97 on the audit of the European Association for Cooperation (EAC)	Not published in OJ
Special Report No 1/98 in respect of bilateral financial and technical cooperation with non-member Mediterranean countries	OJ C 98, 31.3.1998

Title	Publication
Special Report No 2/98 on the Commission's decisions of 23 April 1997 and 30 July 1997 on the clearance of accounts for 1993 of guarantee expenditure for agriculture of the European Agricultural Guidance and Guarantee Fund (EAGGF)	OJ C 121, 20.4.1998
Special Report No 3/98 concerning the implementation by the Commission of EU policy and action as regards water pollution	OJ C 191, 18.6.1998
Special Report No 4/98 on importation at reduced rate of levy into the Community and disposal of New Zealand milk products and Swiss cheese	OJ C 127, 24.4.1998 and OJ C 191, 18.6.1998
Special Report No 5/98 on reconstruction in former Yugoslavia (1996–97)	OJ C 241, 31.7.1998
Special Report No 6/98 concerning the assessment of the systems of resources based on VAT and GNP	OJ C 241, 31.7.1998
Special Report No 7/98 in respect of the European Community development aid programme regarding South Africa (1986 — 96)	OJ C 241, 31.7.1998
Special Report No 8/98 concerning the Commission departments specifically involved in the fight against fraud, notably the Unit for the Coordination of Fraud Prevention (UCLAF)	OJ C 230, 22.7.1998
Special Report No 9/98 concerning the protection of the financial interests of the European Union in the field of VAT on intra-Community trade	OJ C 356, 20.11.1998
Special Report No 10/98 concerning the expenses and allowances of the Members of the European Parliament	OJ C 243, 3.8.1998
Special Report No 11/98 concerning the development of the Phare and Tacis private sector for the 1991 — 96 period (programmes in support of SMEs, regional development and the reorganisation of businesses)	OJ C 335, 3.11.1998
Special Report No 12/98 on the implementation of the operational programmes relating to the promotion of rural development in the Objective 5b areas	OJ C 356, 20.11.1998
Special Report No 13/98 concerning the use of risk analysis techniques in customs control and the clearance of goods	OJ C 375, 3.12.1998
Special Report No 14/98 on the closure of the forms of ERDF assistance	OJ C 368, 27.11.1998
Special Report No 15/98 on the assessment of Structural Fund interventions for the 1989–93 and 1994–99 periods	OJ C 347, 16.11.1998
Special Report No 16/98 on the implementation of appropriations for structural operations for the programming period 1994 — 99	OJ C 347, 16.11.1998
Special Report No 17/98 on support for renewable energy sources in the shared-cost actions of the JOULE-Thermie programme and the pilot actions of the Altener programme	OJ C 356, 20.11.1998
Special Report No 18/98 concerning the Community measures to encourage the creation of joint enterprises in the fisheries sector	OJ C 393, 16.12.1998

Title	Publication
Special Report No 19/98 concerning the Community financing of certain measures taken as a result of the BSE crisis	OJ C 383, 9.12.1998
Special Report No 20/98 on the audit of physical checks of agricultural products receiving export refunds	OJ C 375, 3.12.1998
Special Report No 21/98 concerning the accreditation and certification procedure as applied to the 1996 clearance of accounts for EAGGF-Guarantee expenditure	OJ C 389, 14.12.1998
Special Report No 22/98 concerning the management by the Commission of the implementation of measures to promote equal opportunities for women and men	OJ C 393, 16.12.1998
Special Report No 23/98 concerning the information and communication measures managed by the Commission	OJ C 393, 16.12.1998
Special Report No 24/98 concerning risk capital operations financed from the resources of the European Development Funds	OJ C 389, 14.12.1998
Special Report No 25/98 concerning operations undertaken by the European Union in the field of nuclear safety in central and eastern Europe (CEEC) and in the new independent States (NIS) (1990 to 1997 period)	OJ C 35, 9.2.1999
Special Report No 1/99 concerning the aid for the use of skimmed milk and skimmed milk powder as animal feed	OJ C 147, 27.5.1999
Special Report No 2/99 on the effects of the CAP reform in the cereals sector	OJ C 192, 8.7.1999
Special Report No 3/99 on the management and control of interest rate subsidies by the Commission	OJ C 217, 29.7.1999
Special Report No 4/99 concerning financial aid to the overseas countries and territories under the sixth and seventh EDFs	OJ C 276, 29.9.1999