




# Procedure file

Basic information		
DEC - Discharge procedure	1997/2075(DEC)	Procedure completed
1996 discharge: EC general budget		
Subject 8.70.03.07 Previous discharges		

Key players			
European Parliament	Committee responsible		Rapporteur
	<div>CONT</div> Budgetary Control		Appointed 28/10/1997
			PPE <a href="#">ELLES James</a>
	Former committee responsible		
	<div>CONT</div> Budgetary Control		28/10/1997
			PPE <a href="#">ELLES James</a>
	<div>CONT</div> Budgetary Control		28/10/1997
			PPE <a href="#">ELLES James</a>
	Former committee for opinion		
	<div>AGRI</div> Agriculture and Rural Development		
	<div>ECON</div> Economic and Monetary Affairs, Industrial Policy		03/09/1997
			PPE <a href="#">PEIJS Karla M.H.</a>
	<div>ENER</div> Research, Technological Development and Energy		29/04/1997
			PSE <a href="#">MCNALLY Eryl Margaret</a>
	<div>RELA</div> External Economic Relations		01/12/1997
			PPE <a href="#">SCHWAIGER Konrad K.</a>
	<div>JURI</div> Legal Affairs, Citizens' Rights		The committee decided not to give an opinion.
	<div>REGI</div> Regional Policy		18/11/1997
			PSE <a href="#">NAPOLETANO Pasqualina</a>
	<div>TRAN</div> Transport and Tourism		20/01/1998
			UPE <a href="#">BAZIN Jean-Pierre</a>
	<div>ENVI</div> Environment, Public Health and Consumer Protection		06/01/1998
			ELDR <a href="#">EISMA Doeke</a>
	<div>DEVE</div> Development and Cooperation		26/11/1997
			V <a href="#">TELKÄMPER Wilfried</a>
	<div>LIBE</div> Civil Liberties and Internal Affairs		30/06/1998
			PPE <a href="#">CEDERSCHIÖLD</a>

Council of the European Union		<a href="#">Charlotte</a>	
	<b>LIBE</b> Civil Liberties and Internal Affairs		17/12/1997
		PPE <a href="#">NASSAUER Hartmut</a>	
	<b>PECH</b> Fisheries		02/12/1997
		ELDR <a href="#">TEVERSON Robin</a>	
	<b>FEMM</b> Women's Rights		25/11/1997
		V <a href="#">VAN DIJK Nel B.M.</a>	
	Council configuration	Meeting	Date
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2095</a>	19/05/1998
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2072</a>	09/03/1998
	<a href="#">Competitiveness (Internal Market, Industry, Research and Space)</a>	<a href="#">2007</a>	21/05/1997
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2004</a>	12/05/1997
	Industry	<a href="#">2001</a>	24/04/1997
	<a href="#">Competitiveness (Internal Market, Industry, Research and Space)</a>	<a href="#">1970</a>	26/11/1996

Key events			
26/11/1996	Debate in Council	<a href="#">1970</a>	
24/04/1997	Debate in Council	<a href="#">2001</a>	
29/04/1997	Non-legislative basic document published	SEC(1997)0399	Summary
12/05/1997	Debate in Council	<a href="#">2004</a>	
16/05/1997	Committee referral announced in Parliament		
21/05/1997	Debate in Council	<a href="#">2007</a>	
17/03/1998	Vote in committee		Summary
17/03/1998	Committee report tabled for plenary	<a href="#">A4-0097/1998</a>	
31/03/1998	Debate in Parliament		Summary
31/03/1998	Decision by Parliament	T4-0179/1998	Summary
19/05/1998	Resolution/conclusions adopted by Council		
10/12/1998	Vote in committee		Summary
15/12/1998	Debate in Parliament		Summary
17/12/1998	Decision by Parliament	<a href="#">A4-0502/1998</a>	
17/12/1998	Report referred back to committee		
20/04/1999	Vote in committee		Summary
20/04/1999	Committee report tabled for plenary	<a href="#">A4-0196/1999</a>	

03/05/1999	Debate in Parliament		
04/05/1999	Decision by Parliament	T4-0384/1999	Summary
04/05/1999	End of procedure in Parliament		
03/07/1999	Final act published in Official Journal		

### Technical information

Procedure reference	1997/2075(DEC)
Procedure type	DEC - Discharge procedure
Legal basis	Rules of Procedure EP 99
Stage reached in procedure	Procedure completed
Committee dossier	CONT/4/08855; CONT/4/08843; CONT/4/10657

### Documentation gateway

Non-legislative basic document		SEC(1997)0399	29/04/1997	EC	Summary
Document attached to the procedure		SEC(1997)0401	29/04/1997	EC	
Document attached to the procedure		SEC(1997)0403	29/04/1997	EC	
Document attached to the procedure		COM(1997)0188	30/04/1997	EC	Summary
Economic and Social Committee: opinion, report		<a href="#">CES0992/1997</a> <a href="#">OJ C 355 21.11.1997, p. 0072</a>	01/10/1997	ESC	Summary
Court of Auditors: opinion, report		RCC0020/1996 <a href="#">OJ C 348 18.11.1997, p. 0001</a>	18/11/1997	CofA	
Document attached to the procedure		<a href="#">N4-0168/1998</a>	09/03/1998	CSL	Summary
Committee report tabled for plenary, single reading		<a href="#">A4-0097/1998</a> <a href="#">OJ C 138 04.05.1998, p. 0005</a>	17/03/1998	EP	
Text adopted by Parliament, single reading		T4-0179/1998 <a href="#">OJ C 138 04.05.1998, p. 0019-0043</a>	31/03/1998	EP	Summary
Document attached to the procedure		COM(1998)0276	06/05/1998	EC	Summary
Document attached to the procedure		COM(1998)0278	06/05/1998	EC	
Committee report tabled for plenary, single reading		<a href="#">A4-0502/1998</a> <a href="#">OJ C 098 09.04.1999, p. 0006</a>	10/12/1998	EP	
Committee report tabled for plenary, single reading		<a href="#">A4-0196/1999</a> <a href="#">OJ C 279 01.10.1999, p. 0005</a>	20/04/1999	EP	
Text adopted by Parliament, single reading		T4-0384/1999 <a href="#">OJ C 279 01.10.1999, p. 0025-0114</a>	04/05/1999	EP	Summary

### Final act

31999BP0703(01)  
[OJ L 168 03.07.1999, p. 0014-0018](#)

OBJECTIVE: to present the revenue and expenditure account and the financial statements of transactions effected under the 1996 budget (section III - Commission). CONTENT: this document summarizes the utilization of Commission appropriations in 1996 heading by heading. The Commission states, first, that the budget takes account of enlargement to Austria, Finland and Sweden and secondly, that in accordance with the interinstitutional agreement of 29 October 1993, the financial perspectives were not revised. However, they were adjusted in line with changes to the gross national product and prices and to the conditions of execution: 1) technical adjustment of financial perspectives: this adjustment was carried out in February 1995 when the ceiling on appropriations for payment was set at ECU 81.267 million, i.e. 1.19% of GNP; 2) adaptation to conditions of execution: this adaptation gave rise to the transfer to 1996 and 1997 of appropriations for commitment cancelled in 1994 under the Structural Funds (ECU 1.738 million). After technical adjustment and adaptation of the financial perspectives, the ceiling on appropriations for payment was increased to 1.20% of GNP for 1996. With regard to the implementation of the budget, the Commission announced that 96.9% of appropriations for commitment were implemented or carried over to 1997. This excellent result was explained by a significant increase in the rate of utilization of appropriations under EAGGF- Guarantee (beginning of cruise control of the CAP reform, measures to deal with the BSE crisis and measures due to enlargement) and the Structural Funds (definitive start up of programmes). According to the data at the end of 1996, total appropriations for payment under way represent 1.15% of GNP (compared with 1.05% in 1995).?

## 1996 discharge: EC general budget

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OBJECTIVE: to propose an action plan to reform customs transit in Europe, the main objective of which is to strengthen the efficiency and security of Community customs transit. The action plan, which covers both internal aspects (Community customs procedures) and external aspects of the customs policy (beyond the scope of the common customs territory), is based on five main lines of attack: . a simple and coherent system which is easy for customs officers and operators to understand and apply; . the implementation of modern procedures (computerization); . adaptation to the diversity of operations and situations; . increased fraud prevention and protection of interests; . better availability of information. CONTENT: the adoption of this action plan to reform customs transit follows on from the publication by the Commission in October 1996 of a report and communication on customs transit which highlighted the weaknesses of the present system: - saturated documentary procedures; - weakened system security; - fraud involving considerable sums etc. It also responds to the conclusions of the temporary committee of inquiry of the European Parliament into transit (12 March 1997). The action plan presents all the regulatory and operational measures which the Commission intends to submit in order to boost the efficiency and security of customs transit and protection of the financial interests of the Member States and the Community. The plan also comes within the framework of the "Customs 2000" Community action programme (COD95087) which seeks to strengthen cooperation between customs administrations and attain a level of integration comparable to that of a single Community administration. The main measures planned are to: - strengthen cooperation between customs administrations and decide on a common approach to fraud prevention in the 23 countries in question (Member States of the European Union, countries of the EFTA, Poland, Hungary, Czech Republic and Slovakia); - set up joint inspection teams in the customs services to ensure that the regulations are applied by the customs administrations; - draft a new single convention on simpler European customs formalities to replace the various legal frameworks which currently coexist; - conclude a "memorandum of understanding" between customs and operators setting out their reciprocal responsibilities and commitments; - draft a national transit procedure management plan in each country in order to improve the time taken to return copy 5 of the "T" document and to complete formalities; - create a European network of national coordinators and local correspondents in each main customs office; - give a clear affirmation of the responsibility of operators (principal) to check and control the goods entrusted to them and monitor the transit operations which they institute; - resort more frequently to sealing vehicles, which will need in future to be approved for the purpose and to carry a "T" plate (as for "TIR"); - set up a joint inquiry agency and crime unit at Community level; - harmonize the powers of customs officials in order to guarantee a uniform level of security throughout the territory covered; - adjust the amount and type of guarantee on the basis of the risks incurred and re-examine the guarantee waiver in the case of transit operations by sea, air and rail; - reorganize recovery procedures in order to guarantee equal treatment of debtors and solve difficulties which arise as the result of the different territories of application of taxes; - improve training for customs officials in the 23 countries by distributing a transit manual backed up by training courses.?

## 1996 discharge: EC general budget

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The Committee welcomes the Action Plan for transit in Europe, because it provides for a long overdue comprehensive modernization of the transit system with clear goals and deadlines and in particular the current political determination to give European customs administrations new status. This means providing them with the necessary authority as well as better equipment. The close collaboration between the Council, the Commission and the EP on one hand and the debate with the operators on the other hand has proved over the last twelve months that it is possible to set up a new transit system resulting from a wide-ranging consensus between all the parties concerned. Such a partnership must be continued in the future. ?

## 1996 discharge: EC general budget

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In its recommendation on the discharge to be granted to the European Commission on the implementation of the budget of the European Communities for the 1996 financial year, the Council made a number of comments relating to the points highlighted by the Court of Auditors in its report on the implementation of the 1996 budget by the Commission. The Council first recognised the need to ensure that taxpayers' money was used well. To that end, it pointed out that it wished for particular attention to be afforded to future management so that all the necessary lessons could be learnt from mistakes made (this being particularly important on the eve of the major Community political reforms resulting from enlargement) and to achieving results. For the Council, healthy financial management should ensure that expenditure was appropriate and justified. The Community had to conduct a rigorous evaluation of its needs and could not under the discharge procedure, merely observe that the credits had been effected. Stating that, for the third consecutive year, the Court of Auditors had not been able to give a positive overall assurance of the legality and regularity of the transactions underlying the payments in the financial year (SOA), the Council considered that the error rate was excessively high and unacceptable. That error rate was particularly worrying in the implementation of the Structural Funds, although the implementation of the EAGGF-Guarantee Section had improved since the introduction of the new clearance of accounts procedure. The Council considered that work should be done in the following areas: - consideration of the findings of the Court of Auditors in

the implementation of the 1999 budget, - proposal of reforms under AGENDA 2000 in accordance with the principles of good financial management (particularly within the framework of the CAP), - rationalisation of the number of programmes (e.g. SME programme), - definition of clear objectives for certain Community programmes such as PHARE and TACIS, - improvement of the grant of financing to candidate third countries, - wider spread of expenditure over the year, - compliance with legal bases in budget implementation. At the same time, the Council welcomed the perseverance with which the Commission implemented the SEM 2000 initiative and called for efforts to be made to prevent wastage of Community monies. It also welcomed the measures taken with a view to recovering the sums incorrectly paid under PHARE and TACIS and the Commission decision to clarify its rules and procedures with a view to preventing irregularities. In addition, the Council recommended that the Member States ensure that the credits reached their recipients in the desired time, conduct the necessary controls and cooperate fully to recover the incorrectly paid sums. Considering, moreover, that, following ratification of the Treaty of Amsterdam, the Member States would have to cooperate to ensure that credits were used in accordance with the principle of good management, it called on the Commission to propose legislation for clear implementing rules in order to allow the Member States to ensure that the fund is soundly managed at national level. Pointing out, lastly, its great interest in the Commission's follow-up report following the discharge procedures, it called on the Commission and the Member States to learn all the necessary lessons from the recommendation and the criticisms appearing in the document. In conclusion, and in the light of the comments made in its recommendation, the Council recommended that the European Parliament grant a discharge to the Commission for the implementation of the budget of the Communities for the 1996 financial year.?

## 1996 discharge: EC general budget

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The Committee proposed, as it voted to adopt the report by James ELLES (EPP, UK), that Parliament's plenary should postpone a decision on whether to grant the discharge for the 1996 budget. The result of the vote was 19 in favour and 1 abstention. The committee set out the main reasons why it wishes Parliament to postpone the decision and asked the Commission to inform it by 15th September 1998 of all steps it has taken to remove the obstacles to a decision. The reasons put forward by the committee were as follows: -the failure to implement the recommendations of its committee of inquiry into the transit system, especially with regard to the computerised control system; -the lack of democratic accountability in the fight against fraud within the EU institutions; -the lack of coherence and sound financial management which led to a low level of implementation of all major foreign policy programmes, i.e. Bosnia-Herzegovina, PHARE, TACIS and the decentralised MED measures; -regarding the agricultural sector, the delays in implementing the Integrated Control System and the failure to implement recommendations made by the BSE Committee; -the lack of any precise information as to the results of the measures for job creation in SMEs through the Structural Funds; -mismanagement, in particular as regards staff.

## 1996 discharge: EC general budget

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Commissioner Liikanen took note of the decision to defer discharge and assured Parliament that the Commission would do everything in its power to comply with these wishes. With regard to the fight against fraud, the Commission was looking at measures involving the consolidation of the powers and mandate of UCLAF within the Commission to ensure its independence. As regards SMEs, the Commission had launched an overall assessment of aid programmes, the final result of which should be available towards the end of the year. In the external policy field, the Commission had proposed a review of the regulations on reconstruction aid in the former Yugoslavia and would strengthen its delegation in Sarajevo. As regards the decentralisation of Phare activities, the Commission was actively pursuing its consideration of the possibilities and, as regards the audits by the Court of Auditors on the activities of the European Investment Fund, a new meeting would be proposed with the Court for the purpose of reaching an agreement on this issue. Finally, in the field of administrative and budget management, the Commission had undertaken a vast programme of internal reform. The Commissioner considered that the SEM 2000 initiative had provided the foundations and instruments to build up healthy financial management and the MAP 2000 project complemented this in the personnel and administrative field as it set out a framework for modernisation based on the principles of decentralisation, simplification and rationalisation. In addition, the Commission was now dealing with the difficult question of the linguistic implications of the forthcoming enlargements.

## 1996 discharge: EC general budget

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In adopting the report by Mr James ELLES (EPP, UK) on the discharge for the 1996 budget, Parliament decided to postpone its decision on the discharge to 15 September 1998 when the Commission will have taken all the steps needed to remove the obstacles outlined in the resolution. Parliament justified its refusal to grant a discharge for a series of reasons, including: - the non-execution of the recommendations of Parliament's Committee of Inquiry into the Transit System, especially regarding the computerised control system; - the lack of democratic accountability in the fight against fraud inside the European Institutions (Parliament referred in particular to the alleged frauds and irregularities in the tourism sector and the fraud associated with the implementation of the MED programmes and on which Parliament requested clarification before 31 July 1998). Parliament called in particular for a strengthening of the role of UCLAF, the Commission's internal anti-fraud unit; - the lack of coherence and sound financial management which led to a low level of execution of foreign policy programmes: . Bosnia-Herzegovina: Parliament called for a small parliamentary delegation to carry out on-the-spot inspections during summer 1998. It also suggested in the interests of effectiveness to concentrate on- the-spot decision-making powers in Sarajevo in the hands of a Director-General, . PHARE: Parliament called for increased local responsibility for activities implemented in the beneficiary countries, . TACIS: this programme, which was heavily criticized, should increase its degree of success with regard to nuclear aspects in Ukraine, . MED: Parliament called for the full recovery of amounts incorrectly paid; - regarding the agricultural sector, the delay in the implementation of the integrated control system and the large number of recommendations from the BSE committee still not implemented; - the lack of any precise information as to the results of the proposed measures for job creation in SMEs through the Structural Funds (Parliament was concerned in particular by the Court of Auditors' revelation that while Funds have been made available in the Community budget for a virtually unmanageable number of measures to promote SMEs, only very few of the appropriations have been utilized). Lastly, Parliament called on the Commission to redefine its staff policy by submitting realistic estimates of its needs to the budgetary authority in the light of policy priorities and the requirements of enlargement. ?

## 1996 discharge: EC general budget

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Presenting its annual report on protection of the financial interests of the Communities, the Commission analyses the principal developments in 1997. In the area of traditional own resources, the amounts involved in cases of fraud known to the Commission have risen from ECU 796 million in 1996 to ECU 1 billion in 1997. This represents an increase in fraud incidence from 5.8% in 1996 to 6.5% in 1997. The Common Agricultural Policy and structural policy managed by the Member States account for the bulk of budget expenditure. In both these areas detected fraud and irregularities have declined. In the EAGGF-Guarantee Fund, the reduction in the amount of detected irregularities and fraud is 13% in relation to 1996 (ECU 317 million in 1997 down from ECU 365 million in 1996). In the area of Structural Funds, it is 50% (ECU 77 million in 1997 down from ECU 152 million in 1996). Both on the income and on the expenditure side, organised crime remains active. International criminal networks are targeting highly taxed products (cigarettes and alcohol), agricultural products of high value or with a high world market/internal market price differential (e.g. beef, olive oil and butter) and goods from third countries traded under a preferential tariff regime (fisheries products, textiles, electronics and motor vehicles). Experience has shown that tight cooperation between the Commission's anti-fraud services and Member States allow for efficient investigations into this type of transnational organised crime. The dismal recovery record constitutes another major concern highlighted in the report. In agriculture 65% of money defrauded before 1994 remains unaccounted for. A certain progress has been achieved in 1997 but more needs to be done to improve recovery. The report mentions certain improvements; investigations have been intensified and more focused on organised crime. The use of task groups charged with coordinating the investigations in specific sectors has been extended to the alcohol sector and led to a number of successes in complex cases. The Commission has carried out the first 'on the spot' checks in the investigation of irregularities at economic operators. Generally, cooperation between the Commission and the Member States has improved. ?

## 1996 discharge: EC general budget

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The Committee, following several extremely close votes, adopted the report by James ELLES (EPP, UK) recommending to the House that the Commission be granted the budgetary discharge for 1996. The final vote was 14 in favour and 13 against. The fiercest battle was over paragraph 19, where the two options - whether or not to grant the discharge - were set out. Neither of the two amendments put to the vote on this paragraph and advocating one or other of the two solutions obtained a majority: the result was a tie (14-14). Only when the vote on the initial paragraph 19 was held - by split vote - did the option of granting the discharge win the day. This paragraph reads "In the light of these considerations, [Parliament] decides to give ["give" adopted by 14 votes to 13] a discharge to the Commission in respect of the implementation of the general budget of the European Union for the 1996 financial year". The proposal that the discharge be granted is accompanied by a call for a work programme to be established over the next twelve months to ensure significant change with a view to modernising the Commission by 1st January 2000. The work programme would include: the establishment of an Anti-Fraud Office along the lines of the Bösch report (by 30th June 1999); a report on the statute for EU officials, with proposed changes (by 31st March 1999); a report on the screening of the Commission services (by 31st March 1999), including a separation of duties between the permanent civil service and technical assistance offices; the presentation of a draft code of conduct for nominations of senior officials (by 28th February 1999), adoption of such a code by 30th April 1999 and all nominations of senior officials to be frozen until adoption of the code; a legislative proposal for the revision of the Financial Regulation including reference to personal responsibility of Commissioners, including the agencies (decentralised bodies) (by 28th February 1999); Commissioners' declarations of their financial interests to be transparent and publicly available.

## 1996 discharge: EC general budget

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Presenting his report, Mr James ELLES (EPP, UK) wondered whether the fairly heavy criticism contained in the motion for a resolution merited refusal to grant discharge. He set out the main concerns of Parliament which was not happy with the way in which the Commission had responded to its resolution of March 1998 on this same discharge. Parliament remained concerned about the Commission's independence in the fight against fraud and its refusal to make available all the documents on the ECHO Office. The resolution therefore proposed an action programme aimed at resolving these issues well beyond the 1996 discharge procedure. As a reminder, discharge was a technical matter with no political overtones and was not equivalent to a motion of censure of the Commission. During the debate, Mrs Pauline GREEN, President of the Socialist Group, announced that her group would table a motion of censure (which it would vote against) if Parliament did not vote on the discharge. This would therefore, given the procedure's current possibilities, give its confidence to the current European Commission.

## 1996 discharge: EC general budget

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The Committee has adopted the report by James ELLES (EPP, UK) proposing that Parliament should close the accounts for the 1996 financial year. The resolution recalls Parliament's final decision not to give a discharge to the Commission for the 1996 budget and, in an annexed text, reproduces the reasons for this decision which were adopted by Parliament on 17th December 1998. The report argues that Parliament should note the budget accounts for 1996 and continue with its work on the accounts for subsequent financial years.?

## 1996 discharge: EC general budget

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Adopting the resolution by James Elles (PPE, UK) on the accounts of the European Communities in respect of the 1996 financial year, the European Parliament recalls its definitive decision not to grant discharge to the Commission in respect of the 1996 financial year and the reasons therefore as voted by Parliament on 17/12/98, namely: - the non-execution of the recommendation of its Committee of Inquiry into the Transit System, especially regarding the computerised control system; - the lack of democratic accountability in the fight against fraud inside the European Institutions; - the lack of coherence and sound financial management which led to a low level of execution of all major foreign policy programmes, i.e. Bosnia-Herzegovina, PHARE, TACIS and MED; - regarding the agricultural sector, the delay in the implementation of the Integrated Control System and the number of recommendations still not implemented from the BSE committee; - the lack of any precise information as to the results of the proposed measures for job creation in SMEs through the Structural Funds. The Parliament takes note of the EC budget for the 1996 financial year, so that the work on the accounts of later years may be proceeded with as well as taking note of the data established by the Commission in order to close the accounts for the financial year 1996.?

