

# Setting up of a European Agency for Reconstruction

1999/0132(CNS) - 23/06/1999 - Legislative proposal

**PURPOSE:** proposed revision of Regulation 1628/98/EC on aid to the countries of the former Yugoslavia (the "Obnova Regulation") in order to introduce adjustments to cope with the specific situation in Kosovo and to lay down provisions governing the establishment and operation of the European Agency for Reconstruction (EAfR). **CONTENT:** The programme aims to back the peace process begun by the agreements ending the fighting by implementing operations focusing on the reform of institutions and the economic system, the return of refugees and bolstering democracy. EU assistance is conditional on adherence to the political and economic conditions attached to the peace conditions. The period covered by the programme is up to 31 December 2004. The types of expenditure envisaged are : - 100% grants, - grant part of joint financing with other official or private donors, - co-financing possible. The operations financed will generally be covered entirely by grants, but some may attract a mixture of grants and loans. These operations will be in the form of interest-rate subsidies from the European Investment Bank resources or investment-project loans from other international financial institutions. The first phase of reconstruction efforts in Kosovo is based on an initial estimate of requirements of between EUR 500 million and 700 million over three years 2000-2002. It is considered too soon to estimate the total costs of requirements and this is why there is a cost bracket in the financial statement for the year 2001 and 2002. The first non-humanitarian aid operations to be carried out this year have been costed at EUR 150 million. This sum includes the funds needed to set up the Agency requested by the Council (EUR 38 million). As soon as the Agency is set up, contracts to hire personnel for at least a year will have to be signed and material and equipment purchased to get the agency and local offices up and running. The Agency will have considerable autonomy and will be given an annual budget by the Commission on the basis of its work programmes. It will also have its own financial regulation, which means its management can be decentralised. Subject to the annual budget procedure, the Commission proposes that EUR 1.900 million be entered in Chapter B7-54 for the reconstruction of Kosovo over the period 2000-2004.