Community aid to Bosnia and Herzegovina. Special report 2/2000, Court of Auditors

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PURPOSE: presentation of the Court of Auditors' special report 2/2000 on assistance provided by the Union to Bosnia-Herzegovina. CONTENT: As soon as the Dayton-Paris peace agreements had been signed in December 1995, the European Union (EU) allocated considerable resources not only to reconstruction but also to support for the Office of the High Representative (OHR) and to back measures to restore democracy in Bosnia-Herzegovina. These measures concerned human rights, the news media and support for the electoral process. The measures concerning human rights and the news media were mostly financed directly by the Commission, whereas support for the OHR or the electoral process took the form of joint financing. This report presents the Court's observations following an examination of these various areas in 1998 and 1999. The Court's audit shows that although the Commission contributes more than half of what the OHR spends, it has not, since 1996, implemented all of the monitoring which the application of the principles of sound management would have required. It should have paid closer attention to establishing precise financial rules and ensured that the basic principles of internal control were applied. The arrangements for submitting the OHR's accounts and granting discharge to the High Representative remained confused. By mid-1999, the High Representative considered that he had done what was needed to rectify the shortcomings in internal control. The financial aid given to the Bosnian public institutions for the defence of human rights took the form of projects, which was ill-suited to the constraints they were operating under and led to delays in the funds being made available. Financing in the form of a budgetary contribution and the introduction of rigorous budgetary procedures would have made it easier to raise the institutions' awareness of the sort of practices which ensure that public funds are soundly managed. Owing to the diverse nature of the budget headings utilised and in the absence, prior to 1997, of an explicit strategy for attaining the stated objectives, aid for the development of civil society often covered the operating expenditure of bodies whose permanent nature was not guaranteed and their results were not evaluated. This was true of most of the support channelled through the Council of Europe, whereas support given to social areas had the side-effect of relieving the State of its basic responsibilities. Aid granted to organisations which aim to increase public awareness of democratic values proved more convincing thanks to a level of personal commitment by beneficiaries which may offset the lack of financial resources. As regards its principal assistance in the news media sector, the Commission found itself faced with a fait accompli which led it to finance ineligible equipment worth 2 Mio ECU and support the operations of a television network without making adequate checks. Generally speaking, the Commission's monitoring of financings in the area of human rights and democracy in Bosnia-Herzegovina falls far short of the requirements for implementing the principles of sound management. As regards support for the electoral process, the financial control of cooperation with the OSCE as part of the common foreign and security policy remains inadequate. Funds are frozenfor prolonged periods and the legal framework chosen for financial cooperation between the Commission and the OSCE ought to be revised. Where sums are still to be settled once measures have been implemented, the Commission departments which authorise expenditure are slow to make the necessary arrangements to clear the financing. The Court's issued a series of recommendations: - Without prejudice to the responsibilities of the OHR's management bodies, the Court considers that, in accordance with Article 274 of the Treaty establishing the European Community, the Commission should, if not require a body to the budget of which it contributes more than 50% to adopt rules and follow procedures which guarantee responsible management and reliable internal control, then at least envisage such a step. - In the case of bodies such as the OHR or the OSCE, the Commission should reach with these latter framework agreements which, taking account of the mechanisms and constraints characteristic of their management, define the procedures for providing and checking contributions from the EU budget. In the latter case, it is no doubt preferable to assume that the financing is fungible and that the funds provided by the EU cannot be dissociated from other funds, in which case overall checks must be carried out in respect of management. -

As regards support provided in the form of projects, care must be taken to ensure that the terms of reference stipulate in a precise and quantified way the measures to be undertaken so that the projects' budgets can become genuine monitoring tools and to prevent the eligibility of the expenditure from being contested. - In order further to promote the development of civil society, the Commission should implement measures which are targeted more on the basis of the priorities which it itself has chosen for the Balkan region, to wit the implementation of democratic principles, the introduction of the rule of law, as well as respect for and protection of minorities. - Lastly, a monitoring system which is close to the projects in these various areas should be set up at the local level.