Former-Yugoslavia: Mostar administration. Special report 2/96 Court of Auditors

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OBJECTIVE: Presentation of the Court of Auditors' Special Report 2/96 concerning the accounts of the Administrator and the European Union Administration, Mostar (EUAM). SUBSTANCE: In the introduction to its report, the Court of Auditors recalls that the EUAM formally commenced operations on 23 July 1994 when the Administrator took up his appointment in Mostar. The EUAM's initial mandate - to create the conditions leading to a unified city of Mostar - was for a maximum of two years ending, at the latest, on 22 July 1996. The Council Decision of 16 May 1994 provided for an initial budget of ECU 32 million to be used to finance the initial establishment and the activities of a new European Union Administration of the city of Mostar. Subsequent decisions increased the total available budget to ECU 144 million. In 1995, the Court of Auditors carried out an integrated inspection concerning both the activities of the EUAM and the Administrator's accounts. Those funds included appropriations allocated directly by the Member States of the EU and appropriations drawn from the general budget of the EU. The audit carried out by the Court consisted of examining whether all revenue as at 31 August 1995 had been received and that all expenditure for that date had been incurred in a lawful and regular manner and whether the financial management was sound. In its conclusions, the report emphasizes that the setting up of the EUAM, the first major Joint Action of the EU, had been undertaken in extremely difficult circumstances connected with the conflict in Bosnia-Herzegovina and that its objectives were extremely ambitious. In terms of a contribution to the restoration of a single administration with a joint police force in Mostar, to the organization of free elections and to securing of freedom of movement, the report takes the view that progress was slow because of the unwillingness of the various parties to work together. On the other hand, considerable progress had been made in the areas of rehabilitation, reconstruction and redevelopment (in particular in the eastern part of the city). Furthermore, after the shelling in 1995, the construction work undertaken on the initiative of the local people themselves increased. When the EUAM was established, the method chosen for appointing personnel from the Member States was unsatisfactory, and this impeded the smooth functioning of the team. Furthermore, insufficient attention was paid to the need for EUAM to have from the outset financial procedures and systems with an integrated system of financial accounts and the budget reporting, and sufficient staff in that area. Nonetheless, the major weaknesses in terms of financial management were gradually overcome, despite the extremely difficult circumstances, and they have not had a seriously adverse impact on effectiveness of the EUAM. Finally, the report notes that the central decision-making and management structures are too diffuse to be effective. The Commission is the only part of the structure with operational expertise and capacity, and its powers in implementing a CFSP Joint Action are too narrow. On the basis of these statements, the Court of Auditors makes the following recommendations: - it is essential to put in place an effective permanent structure for the management of CFSP Joint Actions; an interinstitutional agreement will be required; - as regards the CFSP, planning should ensure that adequate financial management and accounting procedures and systems are established from the outset, with sufficient qualified staff; - finally, the procedures for appointing expatriate staff to Joint Actions must be improved.