Basic information

2004/2051(DEC) DEC - Discharge procedure	Procedure completed
2003 discharge: European Agency for reconstruction **Subject** 8.70.03.07 Previous discharges	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	AYALA SENDER Inés (PSE) AYALA SENDER Inés (PSE) SCHLYTER Carl (Verts /ALE)	26/07/2004 22/09/2004 22/09/2004

Committee for opinion	Rapporteur for opinion	Appointed
AFET Foreign Affairs	SAMUELSEN Anders (ALDE)	30/11/2004

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	2646	2005-03-08

Key events

Date	Event	Reference	Summary
07/06/2004	Non-legislative basic document published	N6-0216/2004	Summary
10/01/2005	Committee referral announced in Parliament		
16/03/2005	Vote in committee		
16/03/2005	Additional information		Summary
23/03/2005	Committee report tabled for plenary	A6-0074/2005	
12/04/2005	Decision by Parliament	T6-0100/2005	Summary
12/04/2005	Debate in Parliament		
12/04/2005	End of procedure in Parliament		

27/07/2005	Final act published in Official Journal		

Technical information

Procedure reference	2004/2051(DEC)
Procedure type	DEC - Discharge procedure
Legal basis	Rules of Procedure EP 102
Stage reached in procedure	Procedure completed

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, single reading		A6-0074/2005	23/03/2005	
Text adopted by Parliament, single reading		T6-0100/2005 OJ C 033 09.02.2006, p. 0029-0220 E	12/04/2005	Summary

Council of the EU

Document type	Reference	Date	Summary
Supplementary non-legislative basic document	06864/2005	08/03/2005	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
OS	Non-legislative basic document	N6-0216/2004	07/06/2004	Summary
CofA	Court of Auditors: opinion, report	N6-0016/2005 OJ C 041 17.02.2005, p. 0035-0043	09/12/2004	Summary

Additional information

Source	Document	Date
European Commission	EUR-Lex	

Final act

Budget 2005/0538
OJ L 196 27.07.2005, p. 0060-0060 Summary

2003 discharge: European Agency for reconstruction

2004/2051(DEC) - 07/06/2004 - Non-legislative basic document

PURPOSE : to present the accounts and the financial statement of the European Agency for Reconstruction for the financial year 2003.

CONTENT : this report presents the expenditure and the activities carried out by the Agency in 2003.

The total commitment appropriations in 2003 amounted to EUR 359, 5 million.

The year 2003 has been the fourth year of activity of the centre in Pristina (Kosovo), the third year of activity of the centres of Belgrade (Serbia) and Podgorica (Montenegro) and the second year of activity for the centre in Skopje (fYROM).

Agency-managed programmes follow the orientations of the Country Strategy Papers and Multi-annual Indicative Programme for Serbia & Montenegro and FYROM and principally concentrate on three main areas of intervention. These are: (i) to carry out physical and economic reconstruction (rehabilitation and repair of infrastructure and public utilities, such as energy, housing, water, transport); (ii) to lay the foundation for the development of a market-oriented economy (support to enterprise development, agriculture); and (iii) to support the establishment of democracy, institution building and the rule of law

(strengthening of local administration, NGOs, the media and the judiciary).

In 2003 physical reconstruction needs were still great, and are therefore still being met by EU-funded projects managed by the Agency. However, the Agency has successfully made the shift away from tangible emergency rehabilitation works towards longer-term sustainable development, in promoting a market economy and supporting social development.

By the end of 2003 the Agency was overseeing a total port-folio of EUR 1.9 billion of which 81% contracted and 67.5% disbursed for assistance programmes across its four operational centres.

The Agency’s final budget for 2003 amounted to EUR 358.6 million, from which EUR 331.7 million for assistance programmes and EUR 26.8 million for administrative expenditure.

More specifically, the credits for assistance programmes mentioned above (EUR 331,7 million) include EUR 327.8 million of new EC credits received by the Agency in 2003 for the implementation of the programmes; EUR 62.3 million for Kosovo (from which EUR 16.3 million only put at the disposal at the Agency at the end of December 2003); EUR 220 million for Serbia; EUR 12 million for Montenegro; EUR 33.5 million for FYR Macedonia; EUR 4 million of credits entrusted by other donors (the Danish Government for FYROM).

Beside these credits received in 2003, the Agency also had at its disposal EUR 234.1 million of credits corresponding to programmes from previous years not yet contracted.

2003 discharge: European Agency for reconstruction

2004/2051(DEC) - 08/03/2005 - Supplementary non-legislative basic document

Having examined the revenue and expenditure account for the financial year 2003, the balance sheet of

revenue and expenditure at 31 December 2003 of the European Agency for Reconstruction and the report by the Court of Auditors on the annual accounts of the Agency for the financial year 2003, the Council recommends that the European Parliament give a discharge to the Director of the Agency in respect of the implementation of the budget for the financial year 2003.

To recall, EUR 229.7 million in payments related to previous financial years have been made. EUR 91.9 million in payments related to the financial year 2003 have been made. Observations in the Court of Auditors' report in relation to the financial year 2003 call for certain comments by the Council, which are annexed to this Recommendation. The Court considers that the Agency's accounts do not present a true and fair view of the Agency's actual economic and financial situation in 2003, however, it does take note of the Agency's corrective actions in 2004 regarding the situation pointed out by the Court.

In the comments accompanying the recommendation, the Council regrets the fact that in the Court's opinion the Agency's accounts do not present a true and fair view of the Agency's actual economic and financial situation. Moreover, it notes with great concern that the Court has not been able to give a reasonable assurance on the legality and regularity of some part of underlying transactions.

The Council is very disappointed about the Court' Statement that it is unable to express an opinion on the legality and regularity of underlying transactions for payments of EUR 21.4 million. It stresses the importance of providing the Court with necessary information on the above-mentioned underlying transactions. In this context, it also urges the Commission to undertake the appropriate actions to ensure a satisfactory implementation and control of EU funds in case of joint management with UNMIK and other international organisations.

It regrets that the Court has observed anomalies in the payments and urges the Agency to take immediately appropriate measures to remedy the situation.

As to procurement the Council deplores that anomalies in the procedures followed by the Agency call into question the respect of the principle of equality between tenderers and expects the Agency to remedy its contract awarding procedures accordingly.

The Council takes note of the Agency's assurance that it has taken steps to clarify the financial presentation of its financial operations to comply with the Commission's new central IT system (ABAC) approach and that it has introduced a computerised double entry general accounting system. However, the Council states that these late measures do not remedy the failures in the financial year 2003.

It requests that the Agency correct its way of reporting the funds paid to financial intermediaries by entering them under loan programmes under the assets in the balance sheet. It takes note of the measures taken and to be taken by the Agency to improve its financial management system especially in view of the implementation of the accounting rules governing revenue and expenditure under accruals-based accounting.

The Council underlines that the Agency should step up corrective action, as soon as possible, concerning the observation of the Court relating to insufficient supervision by the Agency of one of its financial bodies.

It urges the Agency to improve its supervision of procedures relating to the commitment and validation of expenditure so as to avoid the anomalies mentioned in the Court's report.

The Council insists that the Agency continue to strengthen its system of internal control relating to the selection of staff responsible for evaluation and checking the decisions made by the evaluation committees in the framework of awarding of contracts.

It notes the efforts deployed by the Agency to ensure the legality and regularity of the underlying transactions concerning the agreements with third parties including the implementation of grants.

Finally, the Council takes note of the measures undertaken by the Agency in order to reduce the number of authorizing officers by delegation and sub-delegation following the observation of the Court.

2003 discharge: European Agency for reconstruction

2004/2051(DEC) - 09/12/2004 - Court of Auditors: opinion, report

This Court of Auditors report focuses on the results of the audit carried out by the Court at the European Agency for Reconstruction.

The Court’s first serious observation is that the Agency’s accounts do not give a true picture of the Agency’s actual economic and financial situation. Furthermore, because of the lack of information on the final use of funds granted by the Agency to other national and international organizations, the Court was not in a position to give an opinion on the legality and regularity of related operations involving payments of up to EUR 21.4 million. Errors were corrected in regard to the validity of certain supporting documents and contractual provisions that were not respected. In addition, rules regarding delegation of public powers had been flaunted. The Court also mentions that irregularities in procedures in the award of contracts (in one in five cases examined) were such that equality principles between bidders had not been respected.

The report states that the budget made available to the Agency for the 2003 financial year had risen to EUR 358.6 million comprising 97.4% of Community subsidies but that this amount could rise to EUR 592.1 million if EUR 233.5 million of commitment appropriations from previous years are added. Given this high differential, the credits committed would amount to EUR 358.7 million and only would have been paid up to the ceiling of EUR 91.9 million. The Court considers that around EUR 267 million should be brought forward to 2004. As regards cancelled credits, they amount to EUR 5.5 million for the 2003 financial year and to EUR 30.8 million for previous financial years.

The Court makes other observations concerning the execution of the Agency’s budget regarding several aspects including:

- budgetary implementation: The Agency’s budget does not observe the principle of differentiated appropriations, as a result of which the Agency presents as expenditure not only payments for the period charged to the appropriations for the financial year but also all the outstanding payments in respect of commitments for the financial year, irrespective of the extent to which these commitments have been implemented. The accounting out-turn for the financial year therefore bears no relation to the economic reality of the Agency’s operations.

- weak accounting system: The efforts made by the Agency to improve its budgetary, financial and accounting management should be stepped up with a view to the consolidation of the Agency’s accounts with those of the Community institutions, which will take place as from the financial year 2005.

- budgetary control: The management of one financial body which the Agency had set up in Kosovo, the management of which had been entrusted to an external consultant, was characterised by significant shortcomings (e.g. defective accounts, inadequate analysis of borrower-related risk, inadequate documentation provided in support of loan applications). The Agency’s supervision was not sufficient to identify these shortcomings and take the necessary corrective action as swiftly as possible.

2003 discharge: European Agency for reconstruction

2004/2051(DEC) - 12/04/2005 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution drafted by co-rapporteurs Inés AYALA SENDER (PES, ES) and Carl SCHLYTER (Greens/EFA, SE) giving discharge to the Director of the European Agency for Reconstruction, in respect of the implementation of its budget for the financial year 2003. (Please see the summary of 16/03/05.)

Parliament’s resolution is in two parts: the first concerns the discharge itself and the second part deals with an accompanying resolution on the management and implementation of the budget. The accompanying resolution also carries general points addressed to the Commission and the Agencies.

Parliament noted that certain practices in the Agency's budget resulted in an accounting out-turn for the financial year that bears no relation to the economic reality, and in a cumulative deficit of approximately EUR 141 million, which is largely artificial. Parliament expected that this problem would be solved for the discharge procedure 2004.

On the financial statements, Parliament pointed out that since 2003 major changes in the tender system have been undertaken, which should guarantee the transparent treatment of each tender. It welcomed the immediate action taken by the Director of the Agency when discovering irregularities in the conclusion of one of the major infrastructure contracts, including the automatic suspension of the person responsible and the transmission of the dossier to OLAF. The latter found strong evidence that the successful firm received assistance from the Agency employee suspended in connection with the infrastructure contract in question in preparing the documents relating to its bid. Parliament recalled that, under the rules governing calls for tenders, even the attempt by a tenderer to obtain confidential information concerning a call for tender procedure entails his exclusion from the procedure.

With regard to the legality and regularity of the underlying transactions, Parliament recognized

the efforts by the Agency in limiting the number of authorizing officers to only 20 delegations and sub-delegations, which should allow a proper financial implementation while ensuring an efficient implementation of the actions planned at local level.

General points addressed to the Commission and the Agencies: Parliament supported the Commission's efforts to establish a limited number of models, at least for future 'regulatory' agencies. It took the view that the structure of current and future agencies merited in-depth consideration at inter-institutional level. Before the Commission defines the framework conditions for the use of regulatory agencies, an inter-institutional agreement should spell out common guidelines. Parliament invited the Commission to perform by the end of 2005 a cross-cutting analysis of the evaluations carried out on individual Agencies in order to:

- reach conclusions with regard to the coherence of Agency activity with EU policies in general and as regards the synergies existing or to be developed between the agencies and Commission departments and the avoidance of overlapping between them;

- make an assessment of the broader European added value of the Agencies' outputs in their respective area of activity and of the relevance and effectiveness of the Agency model in implementing or contributing to EU policies;

- determine the impact of the Agencies' actions in terms of the proximity and visibility of the EU to its citizens.

In parallel with this exercise, the Commission should present proposals for changes to be made in the existing Agencies' Constituent Acts with a view to optimising its relationship with the Agencies. Before any decision is taken to propose the creation of a new agency, the Commission must undertake a strict evaluation of the added value of the function of this agency, bearing in mind existing structures, the principles of subsidiarity, budgetary austerity and the simplification of procedures.

General points addressed to the Agencies:

Parliament wanted to receive from each of the Agencies, the report summarizing information on the audits carried out by the Internal Auditor, the recommendations made and the action taken on these recommendations in accordance with Regulation 2343/2002/EC. Agencies should also make further efforts to apply correctly the staff regulations and rules applicable to other civil servants with regard to their staff. Parliament made some remarks on the imbalance between men and women in high-grade positions in the agencies, and stated that relevant provisions on equal opportunities must be observed.

In response to the relevant observations of the Court of Auditors, the Agencies must comply fully with the budgetary principles as set out in the Financial Regulation, in particular those of unity and budgetary accuracy.

Parliament went on to encourages the Agencies to strengthen their co-operation, thus opening up opportunities for developing synergies, and avoiding duplication of work. Parliament expected to be informed regularly on this issue.

It called on the Agencies to pay special attention to procedures for the award and management of contracts, and to strengthen their internal control procedures. Parliament suggested the setting-up of specialised units entrusted with the task of advising, on the basis of risk analysis, on how best to prepare contract award procedures.

General points addressed to the European Court of Auditors and the Agencies:

Parliament asked Court of Auditors and the Agencies to strengthen their co-operation in order to enhance the procedures and technical tools to improve the sound management of all the budgetary and finance issues. They should do this in order to establish a methodology that prepares the ground for a positive budget discharge from the start of the process.

2003 discharge: European Agency for reconstruction

2004/2051(DEC) - 12/04/2005 - Final act

OBJECTIVE: granting of discharge for implementing the EU's general budget for 2003 – European Agency for Reconstruction.

LEGISLATIVE ACT: Decision 2005/538/EC of the European Parliament concerning the discharge for implementing the general budget of the EU for the 2003 financial year (European Agency for Reconstruction). CONTENT: With this Decision, the European Parliament grants discharge to the Director of the European Agency for Reconstruction for the implementation of the budget for the 2003 financial year.

This decision is in line with the European Parliament’s resolution adopted on 12 April 2005 and comprises a series of observations that form an integral part of the discharge decision (please refer to the summary of the opinion of 12/04/2005).