Basic information

2005/2108(DEC) DEC - Discharge procedure	Procedure completed
2004 discharge: European Agency for Reconstruction **Subject** 8.70.03.07 Previous discharges	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	GUIDONI Umberto (GUE /NGL)	20/04/2005

Committee for opinion	Rapporteur for opinion	Appointed
AFET Foreign Affairs	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	2716	2006-03-14

European Commission

Commission DG	Commissioner
Budget	

Key events

Date	Event	Reference	Summary
09/03/2005	Non-legislative basic document published	N6-0003/2005	Summary
19/01/2006	Committee referral announced in Parliament		
21/03/2006	Vote in committee		Summary
27/03/2006	Committee report tabled for plenary	A6-0095/2006	
26/04/2006	Debate in Parliament		
27/04/2006	Decision by Parliament	T6-0169/2006	Summary
27/04/2006	Results of vote in Parliament		

27/04/2006	End of procedure in Parliament		
06/12/2006	Final act published in Official Journal		

Technical information

Procedure reference	2005/2108(DEC)
Procedure type	DEC - Discharge procedure
Legal basis	Rules of Procedure EP 102
Stage reached in procedure	Procedure completed
Committee dossier	CONT/6/28441

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE367.982	03/02/2006	
Amendments tabled in committee		PE370.231	28/02/2006	
Committee report tabled for plenary, single reading		A6-0095/2006	27/03/2006	
Text adopted by Parliament, single reading		T6-0169/2006	27/04/2006	Summary

Council of the EU

Document type	Reference	Date	Summary
Supplementary non-legislative basic document	05972/2006	06/02/2006	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
OS	Non-legislative basic document	N6-0003/2005 OJ C 332 28.12.2005, p. 0015	09/03/2005	Summary
CofA	Court of Auditors: opinion, report	N6-0003/2006 OJ C 332 28.12.2005, p. 0015-0022	10/11/2005	Summary

Additional information

Source	Document	Date
European Commission	EUR-Lex	

Final act

Budget 2006/0824
OJ L 340 06.12.2006, p. 0074-0074 Summary

2004 discharge: European Agency for Reconstruction

2005/2108(DEC) - 27/04/2006 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution drafted by Umberto **GUIDONI** (GUE/NGL, IT) and granted discharge to the Director of the European Agency for Reconstruction for the implementation of the Foundation's budget for the financial year 2004. In its accompanying comments, Parliament noted with concern the reservation concerning the accounts expressed by the Court of Auditors on the grounds that it could not be certain that the transactions relating to counterpart funds, credit line schemes and special funds had been completely recorded in the absence of effective internal control procedures for long-term receivables. Parliament insisted that all transactions should be capable of verification by the Court of Auditors.

Furthermore, in order to address the serious problems of unreliability and accusations of corrupt practices currently surrounding award of public procurement contracts and concessions for highly sensitive projects such as mobile telephony, Parliament urged the Commission and the Agency, in close cooperation with UNMIK and its Financial Investigation Unit (FIU), to lay down clear public procurement rules, to establish internal and supreme audit institutions and to keep Parliament informed as to progress made. The Commission and the Court of Auditors should also include within the annual report on the European Agency for Reconstruction a chapter on the activities of both OLAF and the FIU in respect of programmes and projects carried out in Kosovo that have received Community funding.

Parliament noted the Commission's intention to end the Agency's mandate at the end of 2008 and to hand over the Agency's activities to the Commission's own delegations and local offices. It felt that the Agency had achieved positive results despite both numerous criticisms from the Court of Auditors throughout its existence and a lack of support from the Commission. Parliament also noted the problems faced by the Agency in recruiting suitable staff because of the short-term mandate of the Agency. Instead of phasing out the Agency according to a pre-set timetable, the time span of the mandate should depend on political and economic criteria and developments. The mandate should be lengthened and broadened for policy reasons. This would also help to improve the Agency's ability to recruit and keep suitably qualified staff. Experience gained by and with the reconstruction agency could be used to provide reconstruction assistance wherever needed, for example in Iraq, Afghanistan, Pakistan, India and the countries affected by the Tsunami, as a second stage after immediate humanitarian needs have been addressed by the Humanitarian Aid Office.

Parliament was disappointed to note that the Court of Auditors had again discovered anomalies in the award of contracts due to inappropriate selection criteria. The Agency must set more realistic selection criteria and apply them strictly in order to guarantee transparent and fair treatment of tenderers.

Parliament also made a series of general remarks on the agencies. As well as spending money properly, agencies should also strive to spend money as efficiently and effectively as possible. The Court of Auditors was asked to consider the possibility of extending its specific annual reports on the agencies to include an examination of performance and achievement of objectives. The following aspects should be taken into account: duplication of work among the agencies must be avoided as much as possible and measures designed to improve transparency and communication with the public must be clarified, along with Community affirmative action measures at all levels of recruitment, training and the assignment of responsibilities.

Parliament noted that Community agencies did not always have a good image or good press and that many of them did not deserve such a negative image. EU citizens should be made aware of this, and Parliament called on the Commission to act accordingly, using whatever means it considers necessary.

Furthermore, the enlargement of the European Union in 2004 had affected the structures and operating arrangements of the Community agencies in many ways, and several of the agencies draw attention to these effects in their activity reports, focusing in particular on the increase in the number of administrators. The Commission needed to assess the problems encountered and recommend the regulatory changes required.

The Commission had made a commitment to harmonising the way in which activity reports concerning its directorates-general were presented. Parliament called for a similar approach to be taken in respect of the activity reports of the Communities" agencies, which differed significantly in terms of content. The Commission should point out to the agencies the information and activity indicators that they must provide.

Finally, Parliament asked the Commission to improve synergies between agencies by making cooperation more effective, avoiding duplication of work and addressing shortcomings, in particular as regards common areas such as training, the implementation of Community policies across the board, the use of the latest management systems and solving problems relating to sound management of the budget.

2004 discharge: European Agency for Reconstruction

2005/2108(DEC) - 06/02/2006

Having examined the Agency’s revenue and expenditure account and the observations made by the Court of Auditors, the Council recommends the European Parliament to give a discharge to the Director of the Agency in respect of the implementation of the budget for the financial year 2004.

In doing so, it confirms that EUR 201.6 million (58 %) of the EUR 346.9 million in appropriations carried forward from the financial year 2003 to the financial year 2004 have been used. In addition, EUR 207.9 million in appropriations have been carried forward from the financial year 2004 to the financial year 2005 and EUR 6.5 million have been cancelled.

In parallel, the Council makes accompanying comments on the discharge which should be followed up. In particular, it:

§ deplores the absence of effective internal control procedures for long term receivables implying uncertainty concerning the complete recording of the transactions relating to counterpart funds, credit time schemes and special funds and urges the Agency to take the necessary corrective action;

§ is disappointed about persistent anomalies having affected decisions in awarding contracts noted again by the Court as in its 2003 report. It underlines the importance of formal tendering procedures as a guarantee of the equality between tenderers and expects the Agency to continue to remedy its contract awarding procedures in order to comply with the Court's recommendations;

§ notes in the Court's statement that the Agency has not put in place an active treasury management policy. It urges the Agency to take all necessary measures to avoid keeping considerable amounts in bank accounts and to check earnings on interest. Moreover, it underlines the need, as recommended by the Court, to make reconciliations between the bank accounts and the Agency's accounts on a regular basis;

§ takes note of the outcome of the review made by the Court concerning the operations entrusted to the United Nations Mission in Kosovo (UNMIK) and requests the Agency to ensure a constant application of audit trail, in particular in cases where UNMIK is directly managing the contracts, in accordance with the agreement between the Commission and the United Nations;

§ notes the serious difficulties met by the Agency in closing the operations in cases where UNMIK was acting on behalf of the local government departments, mainly due to the absence of adequate accounts for the projects and of sufficient justification for the expenditure, and calls on the Agency to pay more attention to the financial organisation of the beneficiaries in order to be able to fully fulfil its responsibilities;

§ takes note of the Court's observation concerning the lack of a standardised system of dealing with payment requests and non-existence of criteria for the kind of supporting evidence necessary for a payment to be made and invites the Agency to continue its efforts to remedy the situation.

2004 discharge: European Agency for Reconstruction

2005/2108(DEC) - 27/04/2006 - Final act

PURPOSE: to grant discharge to the European Agency for Reconstruction for the financial year 2004.

LEGISLATIVE ACTS: Decisions 2006/824/EC and 2006/825/EC of the European Parliament on the discharge for the implementation of the budget of the European Agency for Reconstruction for the financial year 2004 and closure of the accounts for the year in question.

CONTENT: with the present decisions, the European Parliament grants discharge to the Director of the European Agency for Reconstruction for the implementation of the Agency's budget for the financial year 2004 and approves the closure of the accounts.

This decision is in line with the European Parliament’s resolution adopted on 27 April 2006 and comprises a series of observations that form an integral part of the discharge decision (please refer to the summary of the opinion of 27/04/2006).

2004 discharge: European Agency for Reconstruction

2005/2108(DEC) - 10/11/2005 - Court of Auditors: opinion, report

This report from the Court of Auditors concerns the results of the audit carried out by the Court on the annual accounts of the European Agency for Reconstruction for the financial year ended 31 December 2004.

The Court states that its audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular. The Agency’s accounts for the financial year ended 31 December 2004 are, in all material respects, reliable. The transactions underlying the Agency’s annual accounts, taken as a whole, are legal and regular. The observations which follow do not call the Court’s opinion into question.

The report shows that the appropriations entered in the final budget amount to EUR 374.6 million with EUR 299 million committed and EUR 91.2 million paid. EUR 207.9 million was carried over to 2005, and EUR 6.5 million cancelled. The outstanding commitments carried over from the previous financial year were EUR 346.9 million.

The Court makes the following observations:

- although significant funds were maintained throughout the year, the Agency has no active treasury management policy in place; considerable amounts are maintained on current bank accounts without their earnings being checked by the Agency;

- reconciliations between bank accounts and the Agency’s accounting records are not regularly carried out. With the introduction of accruals accounting in 2005, it is even more relevant that bank accounts be reconciled with the accounting records on a monthly basis;

- in the absence of effective internal control procedures for long-term receivables the Court cannot be certain that the transactions relating to counterpart funds, credit line schemes and special funds have been completely recorded;

- one of the main problems the Agency faces is the difficulty in recruiting agents capable of carrying out the difficult tasks with which it is entrusted. The policy of renewing the mandate of the Agency for short periods of time increases this problem as very few individuals with the required profile will relocate under these circumstances;

- in its 2003 report, the Court noted anomalies which had affected decisions in awarding contracts. In 2004 this situation was again observed. Tenders are the subject of formal procedures which constitute the main guarantee against unequal treatment between tenderers. It is therefore essential to ensure that procedures are strictly applied. Many of the difficulties encountered were due to the fact that criteria set in calls for tender were open to interpretation because they were unsuited to the practical situation;

- a review of operations entrusted to the United Nations Mission in Kosovo (UNMIK) was carried out. It has covered all 16 operations still open in the Agency's accounts totalling 30.7 million euro (2004 payments EUR 2,5 million). In those cases where UNMIK is directly managing the contracts, the Agency made payments without exercising adequate financial control. The frequent absence of audit trail requires an in-depth review of the applicability of the agreement signed between the Commission and the United Nations;

- in the cases of funds where UNMIK was acting on behalf of the local government departments, the management of these operations was entirely left to these departments. The Agency has not paid sufficient attention to the proper financial organisation

of the beneficiaries because it assumed this was the legal responsibility of UNMIK and was then faced with serious difficulties in closing the operations mainly due to an absence of adequate accounts for the projects and of sufficient justification for the expenditure;

- concerning supporting documentation for payments, a standardised system of dealing with payment requests needs to be adopted and criteria set on the kind of supporting evidence that is necessary for a payment to be made.

The Agency responds point by point to the Court's observations:

- the funds available in the Agency's bank accounts are commensurate with its disbursement needs, taking into account that payments may reach peaks of EUR 45 million in a single month and that there was in December 2004 a total outstanding amount of EUR 345 million to be paid on contracted funds. Disruption in treasury due to delays in receiving the requested tranches of the EC subsidy also needs to be avoided. The Agency follows a treasury policy in line with the Commission's practice. Following the Court's observation, guidance from DG Budget will be sought. Recovery orders are issued to ensure proper recording in the accounts. In 2004, EUR 2.9 million was earned on the EAR bank accounts;

- the Agency agrees to perform bank reconciliations on a monthly basis;

- in accordance with its commitments taken in the context of the 2003 discharge procedure, the Agency has entered in the final 2004 accounts the original value of the investment less a provision for bad debts for all counterpart funds and credit line schemes and the unspent amount for special funds. All of these activities have undergone or are undergoing external audits in 2005. The Agency considers that the accounts provide a fair and complete view of the EAR long term receivables. Any minor adaptation needed will be made in the 2005 balance;

- the Agency operates under difficult circumstances in a demanding environment and is fully aware of the risk involved in managing substantial amounts of assistance under such conditions. It therefore established an elaborated procurement system with clear division of tasks amongst its operational, procurement and finance staff. The EAR has taken appropriate measures to address the issues raised by the Court in its annual report for 2003 finalised and published end of 2004; thus the improvements could not be visible in 2004 but will be appreciated in the context of the audit for the 2005 exercise;

- the Agency attempts to ensure that UNMIK respects its relevant obligations. The EAR's policy is to insist on receiving in due time and form the reports provided for in the contracts, and to reject them if inappropriate. No further payments are made without checking the financial data and documents required. The EAR also funds audits at the most appropriate stage of implementation, normally in view of, or immediately after, the closure of a contract. These audits are 'subject to the internal and external auditing procedures laid down in the Financial Regulations, rules and directives of the United Nations';

- the terms of the EAR grant agreements with UNMIK are clear on the respective shares of responsibility. UNMIK is the responsible organisation regarding government departments. Conscious of the difficulties mentioned, the Agency provided technical and financial advice in the framework of certain grant agreements. This practice will be further extended in future. The Agency's final payments to UNMIK are conditional on the respect of financial requirements, based on reports by independent auditors;

- the Agency uses a workflow (financial circuit) with two verifications prior to authorisation and standard checklists. An Instruction Note with the detailed procedure for processing invoices was updated in mid-2004. Efforts to further strengthen and standardise these rules will continue.

2004 discharge: European Agency for Reconstruction

2005/2108(DEC) - 14/03/2006

The Council approved, without discussion, recommendations to the European Parliament on the discharge to be given to the directors of the following Community bodies for execution of the 2004 budget:

- European Agency for Safety and Health at Work
- European Environment Agency
- European Training Foundation
- European Foundation for the Improvement of Living and Working Conditions

- European Maritime Safety Agency
- Eurojust
- European Food Safety Authority
- European Centre for the Development of Vocational Training
- Translation Centre for the Bodies of the European Union
- European Medicines Agency
- European Monitoring Centre on Racism and Xenophobia
- European Monitoring Centre for Drugs and Drugs Addiction
- European Aviation Safety Authority
- European Agency for Reconstruction

(for details of the Council recommendations, please refer to the respective summaries of 6 February 2006).

2004 discharge: European Agency for Reconstruction

2005/2108(DEC) - 09/03/2005 - Non-legislative basic document

PURPOSE : presentation of the final accounts of the European Agency for Reconstruction (EAR) for the financial year 2004.

CONTENT : this document published in the Official Journal of the EU sets out a detailed account of the implementation of the 2004 budget, including the revenue and expenditure and the balance sheet for the year concerned.

According to this document, the final budget amounted to EUR 374,6 millionincluding an EU grant of 96,7 %.

In 2004, the Agency's aimed is to manage the principal aid programmes in Serbia and Montenegro (Republic of Serbia, Kosovo and Republic of Montenegro) and in the former Yugoslav Republic of Macedonia (FYROM). Operational centres are based in Belgrade, Pristina, Podgorica and Skopje with a high level of management autonomy while the general headquarters are based in Thessaloniki (Greece).

The principal operational activities are as follows :

In KOSOVO:

- start-up grants, loans, training and business advice to small businesses;

- legal assistance to vulnerable persons;

- loans provided from the EAR credit schemes;

- substantial and complex repairs to the fire damaged thermal power plant Kosovo B;

- rehabilitation of the 'Sunny Hill' district heating sub-station in Pristina;

- six bridges reopened between Pristina and the border crossing with FYROM.

In SERBIA:

- draft laws in Public Administration Reform;

- training programmes for special police bodies;

- rehabilitation programme for hospitals;

- new jobs created due to loans from the Revolving Credit Fund;

- training support to enterprises;

- overhaul of thermal power plants;

- regional training centres for adults; pilot schools rehabilitated and supplied with IT equipment;

- works on the Sloboda bridge and the Horgos border crossing point with Hungary.

In MONTENEGRO:

- specialised training to border police and to civil servants;

- central IT database of the Ministry of Interior;

- Agency for Human Resources Management, regional centres for vocational education and training;

- veterinary laboratory;

- new Roads Directorate and transport laws;

- master plans for wastewater and solid waste;

- Electric Utility unbundling/restructuring, energy efficiency strategy.

In the FYROM:

- 90 % of Internally Displaced Persons returned to their pre-conflict homes;

- training of mainly ethnic Albanians to become public servants;

- new jobs created and jobs preserved due to loans to SMEs from the Revolving Credit Fund; Agency for Entrepreneurship Promotion and SME Observatory set up;

- three new institutes developed and their staff trained.

The total operating expenditure amounted to EUR 268 965. A deficit, from operating activities, of EUR 53 398 000 was recorded. In total, 2004 ended with a negative economic result which amounted to EUR 53 929 000.

As regards the staffing policy, the EAR officially set out 114 posts in its establishment plan. 88 are currently occupied + 173 other posts (local staff) giving a total of 261 posts (against 267 in 2003) assigned to administrative and operational tasks. Staff expenditure represented EUR 17 575 000.