

adopted 12/4/05

P6_TA(2005)0100

Discharge 2003: European Agency for Reconstruction

1. European Parliament decision on the discharge to the Director of the European Agency for Reconstruction in respect of the implementation of its budget for the financial year 2003 (N6-0216/2004 - C6-0235/2004 - 2004/2051(DEC))

The European Parliament,

- having regard to the Court of Auditors' report on the annual accounts of the European Agency for Reconstruction for the financial year 2003, together with the Agency's replies¹,
 - having regard to the Council's recommendation of 8 March 2005 (6864/2005 - C6-0076/2005),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities² and in particular Article 185 thereof, and to Council Regulation (EC) No 1646/2003 of 18 June 2003 amending Regulation (EC) No 2667/2000 on the European Agency for Reconstruction and in particular Article 8 thereof³,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities⁴ and, in particular, Article 94 of Regulation (EC, Euratom) No 2343/2002,
 - having regard to Rules 70 and 71 of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Foreign Affairs (A6-0074/2005),
1. Gives discharge to the Director of the European Agency for Reconstruction, in respect of the implementation of its budget for the financial year 2003;
 2. Records its comments in the accompanying resolution;
 3. Instructs its President to forward this decision and the accompanying resolution to the Director of the European Agency for Reconstruction, the Council, the Commission and the Court of Auditors, and to have them published in the Official Journal of the European Union (L series).

¹ OJ C 41, 17.2.2005, p. 35.

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 245, 29.9.2003, p. 16.

⁴ OJ L 357, 31.12.2002, p. 72.

accepted 12/4/05

2. European Parliament resolution containing the comments accompanying the decision on the discharge to the Director of the European Agency for Reconstruction in respect of the implementation of its budget for the financial year 2003(N6-0216/2004 - C6-0235/2004 - 2004/2051(DEC))

The European Parliament,

- having regard to the Court of Auditors' report on the annual accounts of the European Agency for Reconstruction for the financial year 2003, together with the Agency's replies¹,
 - having regard to the Council's recommendation of 8 March 2005 (6864/2005 - C6-0076/2005),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities² and in particular Article 185 thereof, and to Council Regulation (EC) No 1646/2003 of 18 June 2003 amending Regulation (EC) No 2667/2000 on the European Agency for Reconstruction and in particular Article 8 thereof³,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities⁴ and, in particular, Article 94 of Regulation (EC, Euratom) No 2343/2002,
 - having regard to Rules 70 and 71 of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Foreign Affairs (A6-0074/2005),
- A. whereas the European Court of Auditors (ECA) stated, in its abovementioned report, that the Agency's accounts do not present a true and fair view of the Agency's actual economic and financial situation,
- B. whereas the ECA expressed certain reserves with regard to the funds entrusted to external bodies (both national and international), that Court also stated however that the transactions underlying the Agency's annual accounts were legal and regular,
- C. whereas the ECA had certain reserves as to the validity of some of the supporting documents,
- D. whereas the ECA expressed certain reserves concerning the procurement procedure,

¹ OJ C 41, 17.2.2005, p. 35.

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 245, 29.9.2003, p. 16.

⁴ OJ L 357, 31.12.2002, p. 72.

E. whereas on 21 April 2004 the European Parliament gave discharge¹ to the Director of the Agency in respect of the implementation of its budget for the 2002 financial year, on the basis of the report of the ECA, and in so doing Parliament in its resolution inter alia:

- invited the Agency to give rapidly a positive follow-up to the Court's and the Parliament's suggestion to introduce a reliable general accounting tool in all its centres abandoning the use of spreadsheets for its general accounts,
- expected the Agency, promptly to respond to the ECA invitation to clarify the status of funds made available to specialised bodies for the financing of loan programmes in specific fields and to adopt the appropriate solutions as regards the way in which these funds should be recorded in the Agency's financial statements,
- invited the Commission's Internal Audit Service to look into this matter to identify potential systemic failures and make the necessary recommendations for remedying such problems,

1. Notes the following figures for the accounts of the European Agency for Reconstruction (EAR) for the financial years 2003 and 2002;

Revenue and expenditure account for the financial years 2003 and 2002 (in EUR 1000)

	2003	2002
Revenue		
Commission grants	275.280	462.804
Financial revenue	3.955	5.978
Miscellaneous revenue	1.517	495
Counterpart funds	379	497
Contributions from third parties	28.034	500
Total revenue (a)	309.164	470.274
Expenditure		
<i>Staff - Title I of the budget</i>		
Payments	17.027	17.771
Appropriations carried over	306	206
<i>Administration - Title II of the budget</i>		
Payments	5.261	6.211
Appropriations carried over	1.215	2.037
<i>Operating activities - Title III of the budget</i>		
Payments	69.565	138.512
Appropriations carried over	265.352	293.106
Total expenditure (b)	358.725	457.844
Outturn for the financial year (a - b)⁽¹⁾	-49.560	12.430
Balance carried over from the previous financial year	-112.908	-73.127
Payments on the Commission's behalf	-5.231	-25.407
Payments to be made on the Commission's behalf	-515	0
Cancellations of appropriations carried over from previous financial years	30.649	5.463
N-1 appropriations carried over which lapse (Titles I and II)	146	135
Complement: 2001 appropriations carried over	0	-32.423
Financial revenue to be repaid	-3.955	0
Counterpart fund adjustments	400	0
Exchange-rate differences	23	22
Balance for the financial year	-140.951	-112.908
NB: Any discrepancies in totals are due to the effects of rounding.		
Source: This table summarises the data from the revenue and expenditure account included in the final financial statements of the Agency for the financial year 2003.		
⁽¹⁾ Calculated according to the principles laid down in Article 15 of Council Regulation (EC, Euratom) 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p.8).		

¹ OJ L 330, 4.11.2004, p. 1.

2. Notes that in 2003 the total portfolio overseen by the EAR was EUR 1 900 million of which 81% was contracted and 67,5% disbursed for assistance programmes across its four operational centres (Belgrade, Podgorica, Pristina and Skopje), and that the EAR's total budget for 2003 was EUR 358,6 million, the bulk of which was for assistance programmes, and that out of the EUR 327,8 million of new EC credits received by the EAR in 2003, EUR 62,3 million was for Kosovo, EUR 200 million for Serbia, EUR 12 million for Montenegro and EUR 33,5 million for the Former Yugoslav Republic of Macedonia;

Implementation of the budget

3. Notes the ECA observation on the practice in the Agency's budget, as adopted by the Governing Board, which does not observe the principle of differentiated appropriations, which results in an accounting out-turn for the financial year that bears no relation to the economic reality, and in a cumulative deficit as of 31 December 2003, i.e. EUR 140,95 million, which is largely artificial;
4. Notes in the answers of the Agency, that it has now taken steps to clarify the financial presentation of its operation, which results in a consolidated revenue and expenditure account for the whole period 2004, therefore expects that the problem will be solved for the discharge procedure 2004;
5. Encourages the Commission and the ECA to reinforce their co-operation with the EAR in this field in order to guarantee its budget implementation efficiency;

Financial statements

6. Notes the ECA's repeated observations on the weaknesses of the Agency's accounting system, in particular the keeping of the general accounts on a single entry basis;
7. Welcomes the answer by the Agency, which says it has now fully overcome the weaknesses mentioned by the Court and is now using double entry general accounting system along with the budgetary tool SI2;
8. Invites the Commission to undertake all means necessary to allow all Agencies to share as quickly as possible the Commission's new accounting system as introduced on 1 January 2005;
9. Expresses its surprise that the ECA has still not received clarification as to the status of funds made available to specialised bodies for the financing of loan programmes in specific fields and invites the Agency to adopt the appropriate solutions as regards the way in which these funds should be recorded in the Agency's financial statements;
10. Understands from the Agency that only a minor balance of these funds is still remaining and was almost fully expended at the end of 2004; invites the EAR Director to give a full report to the competent committee on the implementation and efficiency of such loan programmes on the earliest occasion;
11. Notes that the Agency has in the meantime reinforced its accounting staff and instruments and hopes that the improvements undertaken in 2004 will put an end to the repetition of negative remarks by the ECA on this issue;

12. Is pleased to note that the average time taken by the EAR to make payments for assistance programmes in 2003 was 9 days;
13. Notes the specific conditions under which the Agency is operating and expresses its recognition for the achievements of the Agency in the fulfilment of its mandate; calls on the Commission to give the necessary support to the EAR to ensure its full adaptation to the procedures and requirements of the new position of the Agency within the Commission (following enlargement);
14. Notes that since 2003 major changes in the tender system have been undertaken, which should guarantee the transparent treatment of each tender;
15. Welcomes in this respect 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; encourages both the Director and the Commission, as well as the ECA, to go on with this procedure of immediate action and to enhance the required risk analysis in particular as regards sectors with a high risk profile;
16. Notes that OLAF 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 bid¹; points out that, under the rules governing calls for tenders, even the attempt by a tenderer to obtain confidential information concerning a call for tenders procedure entails his exclusion from the procedure;
17. Fails to understand why, according to information supplied by the Commission ('Questions for written answers to Commissioners Michel and Ferrero-Waldner' of 3 December 2004) the OLAF final report on this case could not be submitted to members of the Agency's Governing Board; expects this situation to be remedied forthwith so that the Agency's supreme decision-taking body can form a complete picture of events;
18. Urges the EAR Director in future to apply Article 103 of the Financial Regulation consistently and to suspend the execution of contracts where serious errors or irregularities or fraud have occurred in the award procedure;
19. Calls on the EAR Director, the Commissioner responsible, the ECA and the OLAF Director to inform the European Parliament as soon as possible of such actions and findings;
20. Notes the report of the Commission's Internal Audit Service on the activities of the EAR, in line with the request in the European Parliament's 2002 discharge of the Agency;

Legality and regularity of the underlying transactions

21. Notes the ECA's call for a reduction in the number of authorising officers (56 by the end of 2003) and recognises the efforts by the Agency, which limited this number by February 2004 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;

¹ OLAF fifth activity report for the year ending June 2004 (Case Study, p. 34)

22. Welcomes the participation of the Agency's Director in the hearing in the context of the Discharge procedure 2003 which led to a number of clarifications on the level of its achievements in the implementation of its mandate; expects that the Agency will undertake all the necessary actions to achieve fully sound financial management;
23. Recognises the fact that the presence of the EAR's Director before the Committee on Budgetary Control, and on a later occasion before the Committee on Foreign Affairs, has been helpful in clarifying certain issues and providing explanations for certain situations which had been of genuine concern to the European Parliament, in particular, the question of the allocation of tasks between the Commission's "deconcentrated" delegations in the region and the EAR's operational centres;

General points addressed to the Commission and the Agencies

24. Recalls its position that while it 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; also stresses that before the Commission defines the framework conditions for the use of regulatory agencies an inter-institutional agreement should spell out common guidelines; this should happen before setting up a harmonised framework for the structure of the agencies;
25. Notes the Commission's position¹ with regard to delegating responsibility for the execution of tasks to bodies, including agencies, other than the Commission's core administration; takes the view that this does not answer Parliament's call for in-depth consideration at inter-institutional level of the structure of existing agencies; therefore invites the Commission to provide clarification on this point and on the future overall inter-institutional agreement related to the new arrangements to be set up within or in parallel with the Financial Perspective²;
26. Invites the Commission to organise and perform in the medium term, e.g. on a standard three-year cycle, a cross-cutting analysis of the evaluations carried out on individual Agencies in order to
 - (a) 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;
 - (b) make an assessment of the broader European added value of the Agencies' outputs in their respective area of activity and of the relevance, efficiency and effectiveness of the Agency model in implementing or contributing to EU policies;
 - (c) determine and enhance the impact of the Agencies' actions in terms of the proximity, accessibility and visibility of the EU to its citizens;

¹ As set out in Annex 1 of the Communication from the Commission to the Council and the European Parliament "Building our common future, Policy challenges and Budgetary means of the Enlarged Union 2007-2013", (COM(2004)0101, p. 38).

² See Annex to the Commission's report on the follow-up to 2002 Discharges (COM(2004)0648, p. 108).

27. Expects such an overall analysis to be available by the end of 2005 so as to cover the three year period from the time of the introduction of the new Financial Regulation and the consequent new framework in the Agencies' system;
28. Invites the Agencies to participate actively in such a process and to cooperate with the Commission, providing the necessary input on matters that they feel are of substance to their functioning, role, remit and needs, as well as on any matter which could help to improve the whole discharge procedure, with a view to contributing to the success of such a process and increasing the accountability and transparency of the Agencies; invites Agencies to present such input also to its competent committees;
29. Calls on the Commission, in parallel with this exercise, to present by the end of 2005 at the latest, proposals for changes to be made in the existing Agencies' Constituent Acts with a view, inter alia, to optimising its relationship with the Agencies; such proposals should aim at
 - (a) increasing communication between the Commission and the Agencies,
 - (b) establishing or expanding co-operation in defining needs to be covered and objectives, outputs to be produced and the strategy to achieve them, and in setting standards for monitoring and evaluation,
 - (c) enhancing complementary action, better organising the necessary resources and their effective allocation to produce results, and devising a communication strategy for dissemination of those results;
30. Emphasises that, before any decision is taken to propose the creation of a new agency, the Commission must undertake a strict evaluation of the need and added value of the function of this agency, bearing in mind existing structures, the principles of subsidiarity, budgetary austerity and the simplification of procedures;
31. Expects the Commission to present swiftly the guidelines concerning staff policy of the Agencies that Parliament had requested the Commission to present before the end of the 2005 budgetary procedure;

General points addressed to the Agencies

32. Expects to receive from now on, from each of the Agencies, the report summarising information on the audits carried out by the Internal Auditor, the recommendations made and the action taken on these recommendations in accordance with Article 72(5) of Regulation (EC, Euratom) No 2343/2002;
33. Invites the Agencies to make further efforts to apply correctly the staff regulations and rules applicable to other civil servants with regard to their staff (recruitment procedures and relevant decisions taken, personal files, calculation of remuneration and other entitlements, promotions policy, percentage of vacant posts, quotas for respecting gender equality, etc.);
34. Notes that, in general, the respective percentage of male and female employees in the overall staff composition of the Agencies shows that an imbalance between men and

women exists; regrets that men make up about one third of staff and are over-represented in high grade positions while women are generally over-represented in low grade positions; expects the Agencies to take immediate and effective measures to correct this situation;

35. Calls on the Agencies to ensure that all the relevant provisions of Directive 2002/73/EC of the European Parliament and of the Council of 23 September 2002 amending Council Directive 76/207/EEC on the implementation of the principle of equal treatment for men and women as regards access to employment, vocational training and promotion, and working conditions¹ are introduced in their respective staff policies;
36. Expects the Agencies, in response to the relevant observations of the ECA, to comply fully with the budgetary principles as set out in the Financial Regulation, in particular those of unity and budgetary accuracy; calls on the Agencies that have not yet done so to fulfil the Financial Regulation's requirements on accounting matters and to strengthen further their procedures as regards internal management and control with the aim of increasing accountability, transparency and European added value;
37. Encourages the Agencies, especially those whose activities have points in common with the activities or missions of other Agencies, to strengthen their co-operation, thus opening up opportunities for developing synergies; invites them to formalise, where appropriate, such co-operation through specific agreements (joint declarations, memoranda of understanding, decisions on joint planning and actions/programmes presenting complementary characteristics) so as to ensure that there is no duplication of work, that each Agency's output is clearly identified and that the result of joint efforts maximises the added value and the impact of their work; expects to be informed regularly on this issue;
38. Calls on the Agencies to pay special attention to procedures for the award and management of contracts; invites them to take all appropriate measures as regards their administrative structures in order to strengthen their internal control procedures, channels and management; takes the view that such measures may include, where necessary or feasible, 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, to ensure monitoring and to carry out follow-up, as required; on this matter, calls on the Commission and the ECA to strengthen co-operation with the Agencies;
39. Notes the difficulties to which some Directors, in particular of the 'newly created' Agencies, referred with regard to the Agencies' compliance with the calendar and deadlines for reporting as set in the Financial Regulation; invites the Agencies' Directors, in the perspective of the forthcoming review of the Financial Regulation to be held in 2005, to inform its Committees on Budgets and Budgetary Control of the difficulties encountered so far so that these may be considered in the framework of the review; expects the Directors to make specific proposals for alternative arrangements as to deadlines that may best suit their functioning requirements while respecting the reporting obligations of the Agencies as provided for in the Financial Regulation;
40. Notes the positive response by the Agencies' Directors to the call by Parliament's committee responsible for preparing discharge for the establishment of a more precise system of communication, in particular as regards the transmission by the Agencies to that committee of documents relating to the Agencies' reporting obligations; takes the view that better

¹ OJ L 269, 5.10.2002, p. 15.

organisation of such communication will strengthen its co-operation with the Agencies and enhance democratic control;

41. Invites the Directors of the Agencies from now on to accompany their annual activity report, which is presented together with financial and management information, with a declaration of assurance concerning the legality and regularity of operations, similar to the declarations signed by the Directors General of the Commission;
42. Invites the Agencies to develop a comprehensive strategy of communication addressing the need to make available, in the appropriate form, the results of their work to the general public beyond the presentation of such results to the Institutions, Member States' competent services, specialists, partners or specific beneficiaries; calls on the Agencies, in view of the development of such a strategy, to intensify their co-operation and exchange information on best practice aimed at achieving this goal; expects its competent committees to be duly informed by the Agencies, before the next discharge exercise, on the progress made in devising such a strategy in order to ensure the effective and timely monitoring of their activities;

General points addressed to the ECA and the Agencies

43. Welcomes the ECA's initiative to add a table to its specific reports on the Agencies presenting summary information on the competences, governance, resources available and products/output of the particular agency; takes the view that this enhances the clarity and transparency of the work of these Community bodies, while providing a useful basis for comparison, where appropriate, with a view to helping set up the harmonised framework for the Agencies that Parliament has called for;
44. Invites the ECA 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, with the view to establishing a methodology that prepares the ground for a positive budget discharge from the start of the process; expects to be informed regularly of the progress made and the implementation of best practices;
45. Calls on the ECA and the Agencies to enhance transparency in the *procédure contradictoire* prior to the ECA's final report, so as to avoid any contradiction or ambiguity which could jeopardise the credibility of the whole exercise; in this respect, invites the ECA and the Commission to propose a feasible way of updating information on the improvements made and/or the problems found, from the time when the ECA's preparatory report is first discussed until the time of the decision as to whether to grant discharge, in order to offer the most accurate picture of the situation of the Agencies.

EUROPEAN PARLIAMENT

2004



2009

Session document

FINAL
A6-0074/2005

22.3.2005

REPORT



1. on the discharge to the European Agency for Reconstruction for the financial year 2003 (N6-0216/2004 – C6-0235/2004 – 2004/2051(DEC))
2. on the discharge to the European Centre for the Development of Vocational Training for the financial year 2003 (N6-0207/2004 – C6-0226/2004 – 2004/2050(DEC))
3. on the discharge to the European Foundation for the Improvement of Living and Working Conditions for the financial year 2003 (N6-0208/2004 – C6-0227/2004 – 2004/2060(DEC))
4. on the discharge to the European Environment Agency for the financial year 2003 (N6-0209/2004 – C6-0228/2004 – 2004/2053(DEC))
5. on the discharge to the European Agency for Safety and Health at Work for the financial year 2003 (N6-0213/2004 – C6-0232/2004 – 2004/2061(DEC))
6. on the discharge to the European Agency for the Evaluation of Medicinal Products for the financial year 2003 (N6-0212/2004 – C6-0231/2004 – 2004/2056(DEC))
7. on the discharge to the Translation Centre for the Bodies of the European Union for the financial year 2003 (N6-0214/2004 – C6-0233/2004 – 2004/2062(DEC))
8. on the discharge to Eurojust for the financial year 2003 (N6-0220/2004 – C6-0239/2004 – 2004/2063(DEC))
9. on the discharge to the European Training Foundation for the financial year 2003 (N6-0210/2004 – C6-0229/2004 – 2004/2058(DEC))
10. on the discharge to the European Monitoring Centre for Drugs and Drug Addiction for the financial year 2003 (N6-0211/2004 – C6-0230/2004 – 2004/2055(DEC))
11. on the discharge to the European Monitoring Centre on Racism and Xenophobia for the financial year 2003 (N6-0215/2004 – C6-0234/2004 – 2004/2059(DEC))
12. on the discharge to the European Food Safety Authority for the financial year 2003 (N6-0217/2004 – C6-0236/2004 – 2004/2054(DEC))

13. on the discharge to the European Maritime Safety Agency for the financial year 2003 (N6-0218/2004 – C6-0237/2004 – 2004/2057(DEC))
14. on the discharge to the European Aviation Safety Agency for the financial year 2003 (N6-0219/2004 – C6-0238/2004 – 2004/2052(DEC))

Committee on Budgetary Control

Rapporteurs: Inés Ayala Sender and Carl Schlyter

CONTENTS

	Page
1.a PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION on the discharge to the Director of the European Agency for Reconstruction in respect of the implementation of its budget for the financial year 2003	7
1.b MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION containing the comments accompanying the decision on the discharge to the Director of the European Agency for Reconstruction in respect of the implementation of its budget for the financial year 2003	9
2.a PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION on the discharge to the Director of the Centre for the Development of Vocational Training in respect of the implementation of its budget for the financial year 2003	18
2.b MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION containing the comments accompanying the decision on the discharge to the Director of the Centre for the Development of Vocational Training in respect of the implementation of its budget for the financial year 2003.....	20
3.a PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION on the discharge to the Director of the European Foundation for the Improvement of Living and Working Conditions in respect of the implementation of its budget for the financial year 2003	27
3.b MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION containing the comments accompanying the decision on the discharge to the Director of the European Foundation for the Improvement of Living and Working Conditions in respect of the implementation of its budget for the financial year 2003.....	29
4.a PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION on the discharge to the Executive Director of the European Environment Agency in respect of the implementation of its budget for the financial year 2003.....	35
4.b MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION containing the comments accompanying the decision on the discharge to the Executive Director of the European Environment Agency in respect of the implementation of its budget for the financial year 2003.....	37
5.a PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION on the discharge to the Director of the European Agency for Safety and Health at Work in respect of the implementation of its budget for the financial year 2003	44

1.a PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on the discharge to the Director of the European Agency for Reconstruction in respect of the implementation of its budget for the financial year 2003
(N6-0216/2004 - C6-0235/2004 - 2004/2051(DEC))**

The European Parliament,

- having regard to the Court of Auditors' report on the annual accounts of the European Agency for Reconstruction for the financial year 2003, together with the Agency's replies¹,
 - having regard to the Council's recommendation of 8 March 2005 (6864/2005 - C6-0076/2005),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities² and in particular Article 185 thereof, and to Council Regulation (EC) No 1646/2003 of 18 June 2003 amending Regulation (EC) No 2667/2000 on the European Agency for Reconstruction and in particular Article 8 thereof³,
 - having regard to the Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities⁴ and, in particular, Article 94 of Regulation (EC, Euratom) No 2343/2002,
 - having regard to Rules 70 and 71 of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy (A6-0074/2005),
1. Gives discharge to the Director of the European Agency for Reconstruction, in respect of the implementation of its budget for the financial year 2003;
 2. Records its comments in the accompanying resolution;
 3. Instructs its President to forward this decision and the accompanying resolution to the Director of the European Agency for Reconstruction, the Council, the Commission and

¹ OJ C 41, 17.2.2005, p. 35

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 245, 29.9.2003, p. 16.

⁴ OJ L 357, 31.12.2002, p. 72.

the Court of Auditors, and to have them published in the Official Journal of the European Union (L series).

1.b MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

containing the comments accompanying the decision on the discharge to the Director of the European Agency for Reconstruction in respect of the implementation of its budget for the financial year 2003

(N6-0216/2004 - C6-0235/2004 - 2004/2051(DEC))

The European Parliament,

- having regard to the Court of Auditors¹ report on the annual accounts of the European Agency for Reconstruction for the financial year 2003, together with the Agency's replies¹,
 - having regard to the Council's recommendation of 8 March 2005 (6864/2005 - C6-0076/2005),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities² and in particular Article 185 thereof, and to Council Regulation (EC) No 1646/2003 of 18 June 2003 amending Regulation (EC) No 2667/2000 on the European Agency for Reconstruction and in particular Article 8 thereof³,
 - having regard to the Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities⁴ and, in particular, Article 94 of Regulation (EC, Euratom) No 2343/2002,
 - having regard to Rules 70 and 71 of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy (A6-0074/2005),
- A. whereas the European Court of Auditors (ECA) stated, in its abovementioned report, that the Agency's accounts do not present a true and fair view of the Agency's actual economic and financial situation,
- B. whereas the ECA expressed certain reserves with regard to the funds entrusted to external bodies (both national and international), that Court also stated however that the transactions underlying the Agency's annual accounts were legal and regular,

¹ OJ C 41, 17.2.2005, p. 35

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 245, 29.9.2003, p. 16.

⁴ OJ L 357, 31.12.2002, p. 72.

- C. whereas the ECA had certain reserves as to the validity of some of the supporting documents,
- D. whereas the ECA expressed certain reserves concerning the procurement procedure,
- E. whereas on 21 April 2004 Parliament gave discharge to the Director of the Agency in respect of the implementation of its budget for the 2002 financial year, on the basis of the report of the ECA, and in so doing Parliament in its resolution *inter alia*:
- invited the Agency to give rapidly a positive follow-up to the Court's and the Parliament's suggestion to introduce a reliable general accounting tool in all its centres abandoning the use of spreadsheets for its general accounts,
 - expected the Agency, promptly to respond to the ECA invitation to clarify the status of funds made available to specialised bodies for the financing of loan programmes in specific fields and to adopt the appropriate solutions as regards the way in which these funds should be recorded in the Agency's financial statements,
 - invited the Commission's Internal Audit Service to look into this matter to identify potential systemic failures and make the necessary recommendations for remedying such problems,

1. Notes the following figures for the accounts of the European Agency for Reconstruction for the financial years 2003 and 2002;

Revenue and expenditure account for the financial years 2003 and 2002 (in EUR 1000)

	2003	2002
Revenue		
Commission grants	275.280	462.804
Financial revenue	3.955	5.978
Miscellaneous revenue	1.517	495
Counterpart funds	379	497
Contributions from third parties	28.034	500
Total revenue (a)	309.164	470.274
Expenditure		
<i>Staff - Title I of the budget</i>		
Payments	17.027	17.771
Appropriations carried over	306	206
<i>Administration - Title II of the budget</i>		
Payments	5.261	6.211
Appropriations carried over	1.215	2.037
<i>Operating activities - Title III of the budget</i>		
Payments	69.565	138.512
Appropriations carried over	265.352	293.106
Total expenditure (b)	358.725	457.844
Outturn for the financial year (a - b)⁽¹⁾	-49.560	12.430
Balance carried over from the previous financial year	-112.908	-73.127
Payments on the Commission's behalf	-5.231	-25.407
Payments to be made on the Commission's behalf	-515	0
Cancellations of appropriations carried over from previous financial years	30.649	5.463
N+1 appropriations carried over which lapse (Titles I and II)	146	135
Complement: 2001 appropriations carried over	0	-32.423
Financial revenue to be repaid	-3.955	0
Counterpart fund adjustments	400	0
Exchange-rate differences	23	22
Balance for the financial year	-140.951	-112.908
<small>NB: Any discrepancies in totals are due to the effects of rounding. Source: This table summarises the data from the revenue and expenditure account included in the final financial statements of the Agency for the financial year 2003. ⁽¹⁾ Calculated according to the principles laid down in Article 15 of Council Regulation (EC, Euratom) 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p 8).</small>		

2. Notes that in 2003 the total portfolio overseen by the EAR was EUR 1.9 billion of which 81% was contracted and 67.5% disbursed for assistance programmes across its four operational centres (Belgrade, Podgorica, Pristina and Skopje), and that the EAR's total budget for 2003 was EUR 358.6 million, the bulk of which was for assistance programmes, and that out of the EUR 327.8 million of new EC credits received by the EAR in 2003, EUR 62.3 million was for Kosovo, EUR 200 million for Serbia, EUR 12 million for Montenegro and EUR 33.5 million for the Former Yugoslav Republic of Macedonia;

Implementation of the budget

3. Notes the ECA observation on the practice in the Agency's budget, as adopted by the Governing Board, which does not observe the principle of differentiated appropriations, which results in an accounting out-turn for the financial year that bears no relation to the economic reality, and in a cumulative deficit as of 31 December 2003, i.e. EUR 140.95 million, which is largely artificial;
4. Notes in the answers of the Agency, that it has now taken steps to clarify the financial presentation of its operation, which results in a consolidated revenue and expenditure account for the whole period 2004, therefore expects that the problem will be solved for the discharge procedure 2004;
5. Encourages the Commission and the ECA to reinforce their co-operation with the EAR in this field in order to guarantee its budget implementation efficiency;

Financial statements

6. Notes the ECA's repeated observations on the weaknesses of the Agency's accounting system, in particular the keeping of the general accounts on a single entry basis;
7. Welcomes the answer by the Agency, which says it has now fully overcome the weaknesses mentioned by the Court and is now using double entry general accounting system along with the budgetary tool SI2;
8. Invites the Commission to undertake all means necessary to allow all Agencies to share as quickly as possible the Commission's new accounting system as introduced on 1 January 2005;
9. Expresses its surprise that the ECA has still not received clarification as to the status of funds made available to specialised bodies for the financing of loan programmes in specific fields and invites the Agency to adopt the appropriate solutions as regards the way in which these funds should be recorded in the Agency's financial statements;
10. Understands from the Agency that only a minor balance of these funds is still remaining and was almost fully expended at the end of 2004; invites the EAR Director to give a full report to the competent committee on the implementation and efficiency of such loan

programmes on the earliest occasion;

11. Notes that the Agency has in the meantime reinforced its accounting staff and instruments and hopes that the improvements undertaken in 2004 will put an end to the repetition of negative remarks by the ECA on this issue;
12. Is pleased to note that the average time taken by the EAR to make payments for assistance programmes in 2003 was 9 days;
13. Notes the specific conditions under which the Agency is operating and expresses its recognition for the achievements of the Agency in the fulfilment of its mandate; calls on the Commission to give the necessary support to the EAR to ensure its full adaptation to the procedures and requirements of the new position of the Agency within the Commission (following enlargement);
14. Notes that since 2003 major changes in the tender system have been undertaken, which should guarantee the transparent treatment of each tender;
15. Welcomes in this respect 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; encourages both the Director and the Commission, as well as the ECA, to go on with this procedure of immediate action and to enhance the required risk analysis in particular as regards sectors with a high risk profile;
16. Notes that OLAF 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 bid¹; points out that, under the rules governing calls for tenders, even the attempt by a tenderer to obtain confidential information concerning a call for tenders procedure entails his exclusion from the procedure;
17. Fails to understand why, according to information supplied by the Commission ('Questions for written answers to Commissioners Michel and Ferrero-Waldner' of 3 December 2004) the OLAF final report on this case could not be submitted to members of the Agency's Governing Board; expects this situation to be remedied forthwith so that the Agency's supreme decision-taking body can form a complete picture of events;
18. Urges the Director of the European Agency for Reconstruction in future to apply Article 103 of the Financial Regulation consistently and to suspend the execution of contracts where serious errors or irregularities or fraud have occurred in the award procedure;
19. Calls on the EAR Director, the Commissioner responsible, the ECA and the OLAF Director to inform the EP as soon as possible of such actions and findings;
20. Notes the report of the Commission's Internal Audit Service on the activities of the EAR,

¹ OLAF activity report for the year ending June 2004 (Case Study, p. 34)

in line with the request in the EP's 2002 discharge of the Agency;

Legality and regularity of the underlying transactions

21. Notes the ECA's call for a reduction in the number of authorising officers (56 by the end of 2003) and recognises the efforts by the Agency, which limited this number by February 2004 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;
22. Welcomes the participation of the Agency's Director in the hearing in the context of the Discharge procedure 2003 which led to a number of clarifications on the level of its achievements in the implementation of its mandate; expects that the Agency will undertake all the necessary actions to achieve fully sound financial management;
23. Recognises the fact that the presence of the EAR's Director before the Committee on Budgetary Control, and on a later occasion before the Committee on Foreign Affairs, has been helpful in clarifying certain issues and providing explanations for certain situations which had been of genuine concern to Parliament, in particular, the question of the allocation of tasks between the Commission's "deconcentrated" delegations in the region and the EAR's operational centres;

General points addressed to the Commission and the Agencies

24. Recalls its position that while it 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; also stresses that before the Commission defines the framework conditions for the use of regulatory agencies an inter-institutional agreement should spell out common guidelines; this should happen before setting up a harmonised framework for the structure of the agencies;
25. Notes the Commission's position¹ with regard to delegating responsibility for the execution of tasks to bodies, including agencies, other than the Commission's core administration; takes the view that this does not answer Parliament's call for in-depth consideration at inter-institutional level of the structure of existing agencies; therefore invites the Commission to provide clarification on this point and on the future overall inter-institutional agreement related to the new arrangements to be set up within or in parallel with the Financial Perspective²;
26. Invites the Commission to organise and perform in the medium term, e.g. on a standard three-year cycle, a cross-cutting analysis of the evaluations carried out on individual Agencies in order to

¹ As set out in Annex 1 of Commission communication "Building our common future" 2007-2013, (COM(2004)0101, p. 38).

² See Annex to the follow-up report to discharge for 2002 (COM(2004)0648, p. 108).

- a) 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;
 - b) make an assessment of the broader European added value of the Agencies' outputs in their respective area of activity and of the relevance, efficiency and effectiveness of the Agency model in implementing or contributing to EU policies;
 - c) determine and enhance the impact of the Agencies' actions in terms of the proximity, accessibility and visibility of the EU to its citizens;
27. Expects such an overall analysis to be available by the end of 2005 so as to cover the three year period from the time of the introduction of the new Financial Regulation and the consequent new framework in the Agencies' system;
28. Invites the Agencies to participate actively in such a process and to cooperate with the Commission, providing the necessary input on matters that they feel are of substance to their functioning, role, remit and needs, as well as on any matter which could help to improve the whole discharge procedure, with a view to contributing to the success of such a process and increasing the accountability and transparency of the Agencies; invites Agencies to present such input also to its competent committees;
29. Calls on the Commission, in parallel with this exercise, to present by the end of 2005 at the latest, proposals for changes to be made in the existing Agencies' Constituent Acts with a view, inter alia, to optimising its relationship with the Agencies; such proposals should aim at
- a) increasing communication between the Commission and the Agencies,
 - b) establishing or expanding co-operation in defining needs to be covered and objectives, outputs to be produced and the strategy to achieve them, and in setting standards for monitoring and evaluation,
 - c) enhancing complementary action, better organising the necessary resources and their effective allocation to produce results, and devising a communication strategy for dissemination of those results;
30. Emphasises that, before any decision is taken to propose the creation of a new agency, the Commission must undertake a strict evaluation of the need and added value of the function of this agency, bearing in mind existing structures, the principles of subsidiarity, budgetary austerity and the simplification of procedures;
31. Expects the Commission to present swiftly the guidelines concerning staff policy of the Agencies that Parliament had requested the Commission to present before the end of the 2005 budgetary procedure;

General points addressed to the Agencies

32. Expects to receive from now on, from each of the Agencies, the report summarising information on the audits carried out by the Internal Auditor, the recommendations made

and the action taken on these recommendations in accordance with Article 72(5) of the framework Financial Regulation 2343/2002;

33. Invites the Agencies to make further efforts to apply correctly the staff regulations and rules applicable to other civil servants with regard to their staff (recruitment procedures and relevant decisions taken, personal files, calculation of remuneration and other entitlements, promotions policy, percentage of vacant posts, quotas for respecting gender equality, etc.);
34. Notes that, in general, the respective percentage of male and female employees in the overall staff composition of the Agencies shows that an imbalance between men and women exists; regrets that men make up about one third of staff and are over-represented in high grade positions while women are generally over-represented in low grade positions; expects the Agencies to take immediate and effective measures to correct this situation;
35. Calls on the Agencies to ensure that all the relevant provisions of Directive 2002/73/EC of the European Parliament and of the Council of 23 September 2002 amending Council Directive 76/207/EEC on the implementation of the principle of equal treatment for men and women as regards access to employment, vocational training and promotion, and working conditions¹ are introduced in their respective staff policies;
36. Expects the Agencies, in response to the relevant observations of the ECA, to comply fully with the budgetary principles as set out in the Financial Regulation, in particular those of unity and budgetary accuracy; calls on the Agencies that have not yet done so to fulfil the Financial Regulation's requirements on accounting matters and to strengthen further their procedures as regards internal management and control with the aim of increasing accountability, transparency and European added value;
37. Encourages the Agencies, especially those whose activities have points in common with the activities or missions of other Agencies, to strengthen their co-operation, thus opening up opportunities for developing synergies; invites them to formalise, where appropriate, such co-operation through specific agreements (joint declarations, memoranda of understanding, decisions on joint planning and actions/programmes presenting complementary characteristics) so as to ensure that there is no duplication of work, that each Agency's output is clearly identified and that the result of joint efforts maximises the added value and the impact of their work; expects to be informed regularly on this issue;
38. Calls on the Agencies to pay special attention to procedures for the award and management of contracts; invites them to take all appropriate measures as regards their administrative structures in order to strengthen their internal control procedures, channels and management; takes the view that such measures may include, where necessary or feasible, 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, to ensure monitoring and to carry out follow-up, as required; on this matter, calls on the Commission and the ECA to strengthen co-operation with the Agencies;

¹ OJ L 269, 5.10.2002, p. 15.

39. Notes the difficulties to which some Directors, in particular of the 'newly created' Agencies, referred with regard to the Agencies' compliance with the calendar and deadlines for reporting as set in the Financial Regulation; invites the Agencies' Directors, in the perspective of the forthcoming review of the Financial Regulation to be held in 2005, to inform its Committees on Budgets and Budgetary Control of the difficulties encountered so far so that these may be considered in the framework of the review; expects the Directors to make specific proposals for alternative arrangements as to deadlines that may best suit their functioning requirements while respecting the reporting obligations of the Agencies as provided for in the Financial Regulation;
40. Notes the positive response by the Agencies' Directors to the call by Parliament's committee responsible for preparing discharge for the establishment of a more precise system of communication, in particular as regards the transmission by the Agencies to that committee of documents relating to the Agencies' reporting obligations; takes the view that better organisation of such communication will strengthen its co-operation with the Agencies and enhance democratic control;
41. Invites the Directors of the Agencies from now on to accompany their annual activity report, which is presented together with financial and management information, with a declaration of assurance concerning the legality and regularity of operations, similar to the declarations signed by the Directors General of the Commission;
42. Invites the Agencies to develop a comprehensive strategy of communication addressing the need to make available, in the appropriate form, the results of their work to the general public beyond the presentation of such results to the Institutions, Member States' competent services, specialists, partners or specific beneficiaries; calls on the Agencies, in view of the development of such a strategy, to intensify their co-operation and exchange information on best practice aimed at achieving this goal; expects its competent committees to be duly informed by the Agencies, before the next discharge exercise, on the progress made in devising such a strategy in order to ensure the effective and timely monitoring of their activities;

General points addressed to the ECA and the Agencies

43. Welcomes the ECA's initiative to add a table to its specific reports on the Agencies presenting summary information on the competences, governance, resources available and products/output of the particular agency; takes the view that this enhances the clarity and transparency of the work of these Community bodies, while providing a useful basis for comparison, where appropriate, with a view to helping set up the harmonised framework for the Agencies that Parliament has called for;
44. Invites the ECA 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, with the view to establishing a methodology that prepares the ground for a positive budget discharge from the start of the process; expects to be informed regularly of the progress made and the implementation of best practices;

45. Calls on the ECA and the Agencies to enhance transparency in the *procédure contradictoire* prior to the ECA's report on discharge, so as to avoid any contradiction or ambiguity which could jeopardise the credibility of the whole exercise; in this respect, invites the ECA and the Commission to propose a feasible way of updating information on the improvements made and/or the problems found, from the time when the ECA's preparatory report is first discussed until the time of the decision as to whether to grant discharge, in order to offer the most accurate picture of the situation of the Agencies.