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COMMUNICATION FROM THE COMMISSION

Reconstruction in former Yugoslavia:

**EU AID ADMINISTRATION AND
INTERNATIONAL AID COORDINATION**

I. Introduction

In its communication to the Council of 2 October and subsequent texts on the subject, particularly the working document presented to the (General Affairs) Council meeting of 30 October, the Commission stressed the demands which will be made of the international community as a whole, and the European Union in particular, in aid of the reconstruction of the former Yugoslavia. The reconstruction effort will require the combined forces of many donors including particularly the United States, fellow OECD members, the Islamic Conference countries and the international financial institutions.

The contribution of the European Union and its Member States will involve major decisions on both the administration of Community aid (and the management of the projects concerned) and coordination of the efforts of all the agencies working on the spot, as well as the beneficiary countries.

Given the EU's own considerable contribution plus its responsibility for seeing that political conditions are met, and its experience in supplying aid, it is bound to have to play a key role in coordinating aid. The international financial institutions will also be required to use their experience and influence so that, for example, essential coordination tasks could be devolved to the World Bank.

With this perspective in mind, the Commission and the World Bank will devise a joint coordination scheme covering all reconstruction projects. The Commission has been in close consultation with the World Bank for some weeks; following a joint evaluation mission to Sarajevo from 22 to 31 October and planning meetings in Washington on 9 and 10 November, the two sides are largely in agreement on reconstruction in former Yugoslavia and specifically on coordinating international aid to achieve it. The Commission and the World Bank are agreed that reconstruction will need to encompass political and economic reform in order to ensure that assistance efforts are implemented in a stable environment. They are also agreed that the regional dimension of coordination should be taken into account. The schemes set out in this communication are based on the coordination structure agreed with the World Bank.

II. Administration of EU aid

The EU's substantial contribution to reconstruction in former Yugoslavia requires provisions for administering Community funds for this purpose both within Commission departments and in the beneficiary countries.

- (a) In the Commission departments, the administration of funds specifically earmarked for reconstruction will mean restructuring the DGs immediately involved, which are currently understaffed and unsuited to the purpose. A new

Task Force for Reconstruction in Former Yugoslavia is planned, to ensure transparency and coordinate the inputs of the relevant Commission departments. Other measures will be needed to ensure that the Commission can carry out the new tasks it is being given.

- (b) There will be a need for similar measures on the spot in the beneficiary countries. The Commission has no delegations in the area at present, except in Belgrade -- and Serbia will not be targeted for reconstruction aid proper. By contrast, there is no Commission team or representative in Bosnia-Herzegovina, which has been hard hit and is likely to receive a great deal of aid. The only potentially useful instrument for identifying and possibly implementing and monitoring reconstruction projects in Bosnia-Herzegovina is the IMG, which receives 40-42% of its resources from Community funds.

Commission teams should therefore be sent to Bosnia-Herzegovina, and Croatia if necessary, on the understanding that their responsibilities will include coordinating their activities with those of other established donors.

III. Coordination

The extent of the international contribution, the number of donors and potential beneficiaries and the range of instruments available mean effective coordination of aid for reconstruction in former Yugoslavia is vital. As the Commission stressed in its proposals and the Council agreed in its document of 30 October, the parameters for such coordination are as follows:

- effective use of available funds and sectors not covered by international aid;
- use of the various donors' own expertise and know-how;
- grouping together of as many donors as possible;
- optimum transparency and availability of information on local needs and projects undertaken, and
- the creation of structures in the beneficiary countries capable of absorbing international aid.

The instruments of coordination are: a reconstruction conference, a small coordination body (Steering Committee) and local coordination structures.

(a) Reconstruction Conference

Only a joint effort by the international community will be up to the challenge of reconstruction in former Yugoslavia, and particularly Bosnia-Herzegovina. Any unilateral effort by a single country, group of countries or even international agency is likely to be doomed to failure. If the political stakes are to be fully grasped and substantial funds mobilized, it will be necessary to call an international conference on the reconstruction of Bosnia-Herzegovina as a whole, with the participation of all potential donors. The Commission plans to call such a conference jointly with the World Bank; the G7 has approved the idea. The conference will be held when circumstances permit, i.e. when sufficient progress

has been made in the peace process, and will follow on from the London conference proposed by the British Government.

Considerable preparation will be needed in terms of collecting data, establishing priorities, seeking funds, deciding who to invite (countries and international organizations) and drafting some conclusions. The Commission and the World Bank have been in agreement on working together on preparing the conference thus far.

(b) Small coordination body

The first step in coordinating reconstruction aid is to set up a small coordination body (a steering committee). This body must be able to issue recommendations on lines of action, general strategies and priorities. It should receive monitoring reports on reconstruction projects and be in a position to collate all relevant data on the needs identified, available resources and ongoing projects. It should also supervise compliance with the political and economic conditions for international aid and report regularly on aid implementation. It should be sufficiently representative without being larger than eight to ten members, and should meet no more than once a month. A database containing key information on aid for reconstruction should be created from the outset.

(c) Local coordination structures

If international aid is to be used effectively, we must create local coordination structures, which should include Steering Committee members. These bodies will draw on the experience and advice of donors and beneficiaries. The Commission will be given the resources to take part in the local structures, and where the IMG already provides such a structure it will be necessary to make optimum use of it and adapt it for potential new tasks. On-the-spot coordination will require closer cooperation with national, cantonal and local authorities in countries receiving the aid. If technical assistance is needed to create such a structure, it must be supplied.

IV. Conclusion

- For the administration of Community funds for reconstruction in former Yugoslavia, the Commission will take appropriate steps to furnish the necessary human and material resources both in Commission departments and locally in the beneficiary countries.
- The Commission and the World Bank will call a donors' conference on the reconstruction of Bosnia-Herzegovina and will work together closely to this end.
- Aid coordination will be entrusted to a small body responsible for mapping out projects, strategies and general priorities.
- Local coordination structures will be set up and will draw on the experience of the IMG.

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