

Follow-up questions to the EEAS
- allegations of corruption against a high EEAS official -

The EEAS bought a residence in the area of Rolling Hills, Tirana Albania. It came to our knowledge that the price of the 345 square meter villa was € 1.65 million that would correspond to € 4780 per square meter.

1. Can the Commission confirm the above-mentioned figures?

The EEAS confirms that the residence of the Head of Delegation in Albania, located in the area of Rolling Hills, was purchased for an amount of € 1.649 million.

The 345 sqm figure referred to in the purchase act, the notary deed and in press reports corresponds to the surface area of the construction, i.e. the surface on which the residence is built. The total living area of the residence is 585 sqm on a plot of land of 1,613 sqm. Therefore, the paid price corresponds to € 2,819 per sqm of living area.

2. If yes, what was the reason for that high price per square meter given that the average price for property in the same category and in the same area, the Rolling Hills, seems to range from € 1000 to € 2000 per square meter?

As mentioned in the answer to question 1, the price per square meter of living area amounted to € 2,819. While this is higher than the price range of €1,000 to €2,000 mentioned, it should be emphasised that such comparisons are only meaningful if they are made on the same or similar basis, i.e. comparable in terms of location, finishing, exposure, surface area, size of the plot, orientation, etc.

In accordance with article 134.1.h, the residence was acquired following a real estate market prospection for rental and/or purchase offers. Nine real estate agencies were contacted; five of them submitted 15 offers in total out of which five were shortlisted for site visits. Based on an independent evaluation of an

external expert, a visit of Headquarters' staff in charge of buildings and an evaluation of the security aspects by the Regional Security Officer, it was concluded that the building Rolling Hills (No. 34) was the most attractive in terms of quality of the construction, size, separation between private and representation area, location, functionality, representation and security. The initial price for the proposed residence was €1,750,000 which, following negotiations, was lowered to €1,649,000.

The agreed price was neither at the high nor at the low side. Another more or less equivalent, but cheaper, villa in the same neighbourhood was not acceptable mainly for security reasons: in order to comply with the EEAS security requirements, the cheaper villa would have had to be equipped with armoured windows, the height of the surrounding wall would have had to be increased from 1.8 m to 2.5 m but this was not authorised. Furthermore, the villa was also on a slope which represented a danger in case of earthquake.

3. What was the reason to buy that expensive property instead of renting it or another one?

As confirmed in the annual working document 2016 on the EEAS building policy (prepared in accordance with article 203 § 3 of the Financial Regulation) and transmitted to the budgetary authority on the 7 July 2016 to the President of the BUDG Committee (our reference Ares(2016)3222132 - 06/07/2016), the EEAS pursues a policy that gives in the long term preference to full ownership over renting if financially attractive.

Once the property was identified (on the basis of the previously described procedure) a financial evaluation was carried out comparing purchase of the residence with a continuation of renting the previous accommodation (rent and security costs of €101,488/year) but also taking into account the running costs of the new residence estimated at €10.800/year.

This evaluation led to the conclusion that the total purchase and installation costs of the new residence would be amortized in about 17 years (assuming a 3 percent inflation rate as forecasted by the IMF) in comparison with the previously rented residence. This ignores a possible increase in property prices.

This is not unlikely given that the country is on a clear path towards EU integration, having achieved EU candidate status in June 2014.

Taking into account that the EEAS has established that a possible purchase is of interest when the recovery period is around 15 years, the option to buy was the most attractive.

Please note that these calculations did not take into account savings resulting from holding representation activities in the new residence which was not possible in the previously rented accommodation.

Other options for rent and lease were discarded for different reasons (e.g. security, size, functionality, image, balance between private and official areas and/or works to be carried out).

4. Was a public procurement procedure launched? How many offers had been received?

The purchase was done in line with the provisions of Article 134(1) g) of the rules of application of the FR that stipulate that "The contracting authority may use the negotiated procedure regardless of the estimated value of the contract, in the following cases: (...) for building contracts, after prospecting the local market". These provisions were applied by the Delegation. In addition, EEAS HQ dispatched a specific mission to Tirana to evaluate other potential options.

Please note that the EP was consulted on 2 December 2014 on a transfer of appropriations (n°2-2014) which included the funding of the purchase of a residence in Albania (our reference Ares(2014)4026515). This was approved 11 December 2014 of which the EEAS was informed by a note signed by the chairman of the COBU (your reference D(2014)59689 – 320446 12.12.2014). COBU requested additional information which was provided on 9 January 2015 (our reference Ares(2015)83214). Upon COBU's request further additional information was provided on 5 February 2015 (our reference Ares(2015)471823) and on 31 March 2015 (our reference Ares(2015)1409221). Please note that formal parliamentary agreement was not solicited for this

building project, as the total cost (€1,649,000) was below the €3 million threshold mentioned in article 203 of the Financial Regulation.

5. Could you please inform us about the exact date when the negotiations about the new property started and the date when the purchase contract was signed?

The negotiations were part of a long process which started in mid-2014 with the launching of the market survey. The building file was submitted on 9 September 2014. The price of the residence mentioned was €1,750,000, which could be lowered after negotiations to €1,649,000. The purchase contract was signed on 27 February 2015.

6. Who was in charge of the negotiations?

It is current practise that negotiations are carried out by the Delegations, notably the Head of Delegation or his representative (usually the Head of Administration) and the Division responsible for infrastructure at the EEAS HQs. In the case of the purchase of the Residence in Albania the price was negotiated by the Delegation before the current Head of Delegation took office on 1 October 2014. The negotiations were concluded during an EEAS HQs mission that took place on 11 November 2014.

7. Is there an OLAF investigation ongoing?

The EEAS has not been informed that OLAF has decided to open an investigation into the purchase of the residence in Tirana. In accordance with established practice, any questions on possible OLAF investigations should be addressed directly to OLAF.

8. Could you please list the staff turnover between the (unofficial) start of the negotiations and the signature of the purchase contract?

There is no "unofficial" start of the negotiations (see question. Between May 2014 and February 2015, two local agents were recruited by the Delegation,

both in the Press and Information Section: Ms Dasara DIZDARI-ZENELI – LA I on 01/08/2014 and Mr Ernest BUNGURI - LA II on 01/01/2015.

- 9. Is the EEAS aware of any relatives, of members of the Albanian government, who are working for the EU-delegation? If yes, could you please provide us with the respective names?**

The EEAS confirms that to the best of our knowledge no member of staff currently working for the EU Delegation in Tirana is a relative of a high-ranking member of the Albanian government.

- 10. In public, we see allegations of corruption against a high-ranking official of the EEAS. Can the EEAS confirm any investigation?**

These allegations are part of an aggressive disinformation campaign from local media. The EEAS is not aware of such an investigation.

- 11. Does the EEAS together with the Commission investigate these recruitment procedures?**

The Commission and the EEAS follow standardised procedures to recruit staff under different statuses and contracts.

The recruitment of local staff is carried out by Delegations in line with established administrative guidelines. Local staff is bound by rules of ethics and potential conflict of interest.

The EEAS and the Commission investigate recruitment procedures only if made aware of possible irregularities.