



Decentralisation under IPA: General Principles of the Process

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Assistance under CARDS

2005/2006 Allocations for Serbia:

Institution Building 42%

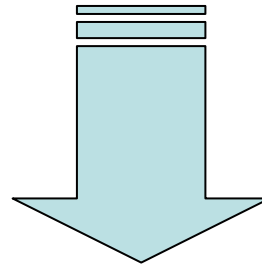
Economic, Social, Environment 44%

Other 14%



Why Decentralisation ? (1)?

- Unlike other external funds, pre-accession instruments are intimately associated with and tailor-made to the candidate & potential candidates' **N° 1 political objective:**



EU ACCESSION



Why Decentralisation ? (2)

Procedural Objectives:

- To enable beneficiary countries to, themselves, manage properly and effectively EU pre-accession funds, in order to **improve their own financial management systems** and to **increase ownership** of EU assistance.
- To prepare for candidate status, under which DIS will be required for components 3, 4 and 5.
- Long-term: To gradually **prepare** candidate countries to manage, upon accession, structural and agricultural **EU funds**.



Scope

Decentralised Management implies

- **A stake of the beneficiary in the whole project cycle:**
Programming, Implementation (Tendering & Contracting) and Follow-Up (Monitoring & Evaluation)
- **An increased number of interlocutors: All actors involved in management of pre-accession aid**

BUT

- **Conferral of management of EU funds to the beneficiary country requires a Commission decision. Only implementation tasks (tendering & contracting) are conferred.**



Legal basis / Principles

■ EC Financial Regulation

- Commission is required to verify compliance by beneficiary countries with requirements, e.g.:
 - Effective **segregation of duties** between authorising officer and accounting (payment) officer
 - Effective system of **internal controls**
 - Independent **external audit** function
 - Procurement procedures ruling out all **conflicts of interest**.
- Beneficiary country must conduct **regular checks** on financed actions

■ Implementing Rules of EC Financial Regulation

- Requirement to perform checks prior to decentralising management.
- Requirement to review/ reassess system in case of substantial changes



Decentralisation under IPA

For decentralisation of management, a Commission decision is required.

Conferral either

- in **partly decentralised** mode: EC retains ex-ante controls
- In **fully decentralised** mode: full waiver of ex-ante controls

Verification audit determines level of decentralisation. Compliance is monitored continuously, but **does not relieve the beneficiary country of its financial control obligations.**



Required Functions at Nat. Level

- **National IPA Coordinator (NIPAC)**
 - Senior representative of the national administration, with over-all responsability for implementation
- **National Authorising Officer (NAO)**
 - Senior representative of the national administration, at equal seniority as NAC, acting as head of the National Fund and holding over-all accountability for implementation. Functionally independent from NIPAC.
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- **National Fund (NF)**
 - Reporting to NAO. Ensures national co-financing. Is responsible for the execution of all financial management and reporting, incl. to Commission
- **Central Finance and Contracts Unit (CFCU)**
 - Reporting to NAO. Responsibility for budgeting, tendering, contracting, payments, accounting and financial reporting for programmes / projects entrusted to it: it acts as Implementing Agency for component 1(at least).
- **Audit Authority**
 - Organisational independence; provides topical audit reports and annual audit report
- **Other Bodies, as required**



Responsibilities of NIPAC

Programming

- Common Framework => European partnership, regular reports, strategy paper
- Translation of European Partnership priorities into projects



Under IPA: Establishment of clear strategy – overall as well as for IPA components 1, 2

Monitoring and Evaluation

- **Overall Monitoring of programmes/strategies and of measures and ensure adequate global reporting**
- Co-chairs with Commission relevant Monitoring Committees
- In charge of Evaluation



Responsibilities of NAO under IPA

Implementation

- **Overall Financial Responsibility (examples)**
 - **Personal liability** of NAO vis-à-vis Commission
 - **Appoints** Authorising Officers (AO)
 - **Manages** the funds from the Commission
 - Ensures the well-functioning of the **reporting system**
 - Responsible for irregularities (incl. Reporting) – **zero tolerance policy on Corruption & Fraud**
- **Tendering & Contracting**
- **Payments (to beneficiaries)**
- **Reporting**



Decentralisation - Conditions

A – Clear Political Will Required

Responsibility of National Authorities

- Ownership: good management control system required
- Mobilisation: Strong involvement of political leadership needed from the start

B - Continuous Process

Responsibility of National Authorities

- Permanent obligation to provide quality of delivery of the system.
 - Must establish own verification systems independent of the Commission
 - ensure the correctness of their transactions submitted to the EC.
 - **Ex-ante control by the Commission is NO substitute for national controls!**

Role of Commission

- After decision conditionalities are to be monitored and periodically verified (ex-post)
 - **If significant change, Commission will reassess => Obligation by national authorities to notify in advance**



Roadmap to Decentralised Management

Preparation for Accreditation: (at least 15-24 months)

- **Phase 0: Set-up of Structures** – Resp. of national authorities
- **Phase 1: Gap assessment** – Resp. of national authorities
- **Phase 2: Gap Plugging** – Resp. of national authorities

Endorsement/ «accreditation» at national level by NAO (min. 3-4 months)

- **Phase 3: Compliance assessment** – Resp. of national authorities
 - *Submission of accreditation package by the NAO to the EC requesting to confer management on a decentralised basis*

Commission Decision Phase (min. 3-4 months)

- **Phase 4: Commission Decision to « decentralise »** 12



IPA COMPONENT I: Main cycles

■ A - Programming Phase

Responsible Authority*:

- National Aid Co-ordinator (NIPAC)

* vis-à-vis Commission

■ B – Implementation phase

Responsible Authority*:

- National Authorising Officer (NAO)

* vis-à-vis Commission

■ C - Monitoring & Evaluation Phase

Responsible Authority*:

- National Aid Co-ordinator (NIPAC)

* vis-à-vis Commission



Implementation at National level

■ Other required key actors & functions/ responsibilities for IPA COMPONENT I:

Programme Authorising Officer (PAO) and CFCU

Role: CFCU is responsible for effective performance of following tasks at sectoral/(sub-)programme level:

- Project Selection/ Tendering & Contracting;
- Payments;
- Monitoring and reporting of operational and financial execution



Implementation at National level

■ **Other actors & functions/ responsibilities:**

- Line Ministries/ delegated bodies
- under authority of a Senior Programme Officer

- **Role:**

Carry out specific implementation tasks delegated to them by CFCU



Actors with NO involvement in operational management during implementation

A - At National Level

■ Internal Audit

- Located as separate unit/ department within **NF; IAs (incl. CFCU), Line Ministries**
- Internal Auditors should be fully independent and report to the highest management level consistent with the distributing of IAs within the administration.
- In a decentralised system, their work is coordinated by the Central Harmonisation Unit (CHU) which may report outside the pre-accession aid system.

■ External Audit

- Head of the Supreme Audit Institution responsible to Parliament to carry out external audits of the administration.

B - At EC Level

- **EC Delegation:** Whenever the Commission decides to undertake ex-ante controls over tendering and contracting, this will be part of **its own internal control**; it is not to be seen as part of the internal control of the national administration!



Finally: A practical consideration

Requirement:

- Managing and Implementing authorities must be set up at national level

Objective:

- Implementing structures under IPA should prepare the future managing authorities of Cohesion, Structural, Agricultural instruments in order to avoid transition costs, including implementation delays

Constraints:

Need to exploit (limited) capacity already in place

- flow of funds as quickly as possible
- limited number of implementing structures and a strong coordination over components regional development and human resources

Sensitive issues:

- ✓ financial management
- ✓ audit and control
- ✓ public procurement