



# **Decentralisation under IPA and Lessons Learned from DIS under PHARE and ISPA**

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# Why Decentralisation ?

## Decentralisation aims at

- **increasing ownership** of EU assistance and at using **spill-overs** from DIS to improve beneficiary' **own financial management system, and thus to make progress on chapter 32.**
- preparing for membership through decentralised implementation of all IPA components, especially those which are the « precursors » of EU structural and agricultural **EU funds.**



**Decentralised Management implies a stake of the beneficiary country in the whole project cycle:**

**Programming, Implementation (Tendering & Contracting) and Follow-Up (Monitoring & Evaluation)**

**BUT**

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



**The Commission decision to decentralise management** is based on Article 164, EC Financial Regulation.

Conferral either

- in **partly decentralised** mode: EC retains ex-ante controls (initially)
- In **fully decentralised** mode: full waiver of ex-ante controls (after test-phase)



## ■ Article 164 of EC Financial Regulation

- Commission is required to verify compliance by beneficiary countries with requirements laid down in Article 164 FR point 1, in particular:
  - 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 (Article 164, point 2 and article 53 (6) FR)

## ■ Article 35 Implementing Rules of EC Financial Regulation

- (referring to Articles 53, 56 FR)
- Requirement to perform checks prior to decentralising management (Article 35, p 1): For the purposes of sound financial management there must be adequate
  - Procedures applied
  - Control systems
  - Accounting systems
  - Procurement and award procedures
- Requirement to review / reassess system in case of substantial changes (Article 35, pt.2)



# From Partial to Full DIS

- The level of conferral of management of EU funds (partial or full DIS) depends on preparation by beneficiary and **verification audit by Commission.**
- **From partial to full DIS** without ex-ante-controls: the Commission **may** consider to **move in steps**, e.g. by implementing agency (IA)/ Managing Authority (MA).
- Compliance is monitored continuously, but **does not relieve the beneficiary country of its fin. control obligations**



## A – Clear Political Will Required

Mobilisation: Strong involvement of political leadership/ state-national authorities needed from the start

## B - Continuous Process

- Permanent obligation to provide quality of delivery of the system.
  - Must establish own verification systems independently of the Commission
  - Seek to ensure correctness of transactions submitted to the EC
  - **Ex-ante control by the Commission is NO substitute for national controls!**
- After decision conditionalities are monitored by Commission and periodically verified (ex-post)
  - **If significant change, Commission will reassess => Obligation by national authorities to notify in advance**



## SOME TYPICAL ERRORS

### 1. Structure and Organisation

- **Insufficient separation of duties between Programming/Evaluation (NIPAC) and implementation (NAO). E.g.: NIPAC was hierarchically superior to CFCU.**
- **4-eyes principle within IA/ MAs, i.e. **between initiation and verification, is not understood by staff.****
- **Internal Controls: Insufficient risk analysis and lack of involvement of managerial level**
- **Incomplete procedures (and manuals)**





## TYPICAL ERRORS

### 2. Responsibilities of Authorising Officers

- **Insufficient effective accountability of Programme Authorising Officers or Senior Programme Officers for contract signature.**
- **Insufficient systems control / supervision by CFCU over implementing bodies / SPOs / line ministries.**



## TYPICAL ERRORS

### 3. Functioning in Practice

- **Insufficient formality in delegating responsibilities from the Implementing Agency to other bodies. IA does not effectively exercise its responsibility.**
- **Inadequate staffing, high turnover.**
- **Insufficient conditions for reporting irregularities and fraud (definition, understanding and prevention of irregularities)**
- **Unclear ex-ante control systems and responsibilities**
- **Lacking analysis and follow-up of EC delegation comments**