

**APPENDIX TO THE ACTION FICHE “Support to the implementation of the Action Plan”**

**REGARDING THE VERIFICATION OF THE CONDITIONS FOR  
DECENTRALISED MANAGEMENT PROVIDED FOR IN ART. 56 OF THE EC  
REGULATION 1605/2002 (FINANCIAL REGULATION)**

The Financial Regulation (FR) (Council Regulation No. 1605/2002) and its implementation rules (Commission Regulation No. 2342/2002) are applicable to the Budget Line 19.080101(ENPI South)

In view of setting up the implementation modalities for the new Financing Agreement “Support to the implementation of the Action Plan (ENPI 2007/19249), and particularly regarding the degree of decentralisation of payments in the framework of twinning and technical assistance activities, the delegation of Egypt has carried out an ex-ante assessment on a certain number of criteria enumerated in article 56 of the Financial regulation to be respected by the Programme Administration Office (PAO), created within the Egyptian Ministry of International Cooperation. Decentralisation of payments is important to ensure successful continuation of the implementation of this type of programmes, to increase ownership of the beneficiary country and to use as much as possible the national structures (these last two criteria are in line with Paris Declaration on aid effectiveness).

The assessment made confirmed that the criteria envisaged by Article 56.2 of the Financial regulation are fulfilled as stated in the table below.

**Summary table**

<b>Article [56.1] [56.2] FR criterion</b>	<b>Comment</b>
(a) Transparent procurement and grant-award procedures, which are non-discriminatory and exclude any conflict of interests and which are in accordance with the relevant FR provisions	<i>No ex-ante assessment was necessary for this criterion as the applicable procurement rules and grant awarding rules for this project are those of the EC (PRAG &amp; Twinning Manual)</i>
(b) An effective and efficient internal control system for the management of operations, which includes effective segregation of the duties of authorising officer and accounting officer or of the equivalent functions	<i>The control system was found to be materialised through a Manual of Procedures which was discussed and reviewed and was found effective and efficient. Management/governance structure in place, segregation of roles/duties in place for authorising and executing financial transactions, double signature on project account in place. Monitoring of the project done through Commission services and ROM instrument.</i>

<p>(c) An accounting system that enables the correct use of Community funds to be verified and the use of funds to be reflected in Community accounts.</p>	<p><i>The PAO (Programme Administrative Office) uses the accounting system "QuickBooks pro" which allows the use of mixed currencies (EURO and Egyptian currency). This is a mixed accounting system based on cash accounting but allowing some accrual transactions which allow checking the use of Community funds. The IT infrastructure and server plan are documented, access and back up procedures seem adequate.</i></p> <p><i>Some weaknesses were spotted on the timings and the content of the financial reporting, in order to address these shortcomings, technical assistance is provided.</i></p>
<p>(d) An independent external audit exercised by a national institution for independent external auditing</p>	<p><i>In the frame of the grant contract (twinning contracts) and service contracts (TA) expenditure verification reports are included in the contract to be executed by an <u>independent external auditor</u> ( at interim payments and/or at the final payment). For (EU) MS administrations the auditor is designated in accordance with the regulation prevailing for theMSP.</i></p> <p><i>Moreover ad-hoc audits in the course of the implementation of the project could be called upon by Commission. Checks can also be carried out by OLAS and Court of Auditors.</i></p>
<p>(e) Adequate annual ex post publication of beneficiaries of funds deriving from the EC budget.</p>	<p><i>Adequate clauses are included in General Conditions (art. 11) of the Financing Agreement to be signed with the Egyptian authorities</i></p>
<p>Prevention of irregularities and fraud and recovery of funds if necessary</p>	<p><i>Adequate clauses are included in General Conditions (art. 19) of the Financing Agreement to be signed with the Egyptian authorities</i></p>
<p>The Commission will ensure supervision, evaluation and control of the implementation of the tasks entrusted</p>	<p><i>Adequate clauses are included in General Conditions (art.20) of the Financing Agreement to be signed with the Egyptian authorities</i></p>

**Conclusion:** M. Cornaro, Director AIDCO/A, confirms that the conditions placed by Article 56 the FR are reasonably being met.

On this basis, the Director proposes that the applicable implementation method to the Annual Action Programme 2007, "Support to the implementation of the Action Plan" for Egypt will be **decentralised management for the twinning activities and TA service contracts** and submits it to the Commission for decision.

Date:

Signature:

M. CORNARO

Sub-delegated Authorising officer