COMMISSION DECISION

of 2004
on the grant of Transition Facility for strengthening institutional capacity through the SIGMA Programme

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to the Act of Accession 2003, in particular Article 34 thereof,

Whereas:

• Article 34 of the Act of Accession provides the possibility of granting a temporary financial assistance, the Transition Facility to the new Member States to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds.

• The actions funded by this Decision in the areas of public administration reform, management and control of financial resources and fight against fraud and corruption are eligible for funding according to Article 34(2) of the Act of Accession.

• Pursuant to Article 34(4) of the Act of Accession, the Transition Facility is implemented in accordance with Article 53(1)(a) of Council Regulation (EC) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities.

• SIGMA is a joint operation of the EU and OECD which has built up an unparalleled expertise in issues of administrative reform covered by the objectives of this programme. No other European organisation has similar access and comparative experience and expertise as OECD, justifying the application of Article 168 of Commission Regulation 2342/2002 (Implementing Rules)\(^1\).

• The measures provided for by this Decision are in accordance with the opinion of the Committee on Aid for Economic Restructuring in certain countries in Central and Eastern Europe, rendered on 14 May 2004.

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HAS ADOPTED THIS DECISION:

Article 1

The Commission approves a grant of **€5 million** to the OECD as Transition Facility to finance the activities set out in point 4 of the Annex.

Article 2

1. Contracts covered by the grant shall be signed no later than 31 December 2004.

2. The deadline for execution of contracts shall be 31 December 2006.

Done at Brussels, […]

For the Commission

 […]

Member of the Commission
1. Identification

Countries: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic, Slovenia

Programme: Programme for improving governance and management, SIGMA

Year: 2004

EC Contribution: € 5 million

Sector Classification: AD

Group Code: O

Responsible Authority: Commission Operational Services in Brussels

Implementing Authority: OECD

Budget line: 22-03-01

CRIS number: 2004/006-218

Expiry date: Contracting: 31 December 2004
Execution: 31 December 2006

Task Manager: Alain van Hamme, DG ELARG

2. Summary

SIGMA is a joint initiative of OECD and the European Union, launched in 1992. It was considered “highly satisfactory” by an external evaluation in 2003. SIGMA has a contract through 31 December 2004 for all Phare countries. An additional contract provides for intensification of SIGMA’s efforts for Bulgaria, Romania and Turkey in 2004 – 2006. The present proposal is to support the efforts of the New Members States, under the Transition Facility to meet the 2003 Comprehensive Monitoring Report conclusions on general administrative and judicial capacity including the fight against corruption and the protection of the financial interests of the Community.
3. Background

Further challenges

The 2003 Comprehensive Monitoring Report for the Accession countries indicates the need for further efforts to improve general administrative and judicial capacities, so as to reliably enforce the *acquis communautaire*.

In addition, the 2003 Comprehensive Monitoring Report states that the management of public funds, including public internal financial control, remains to be improved, and it points to the need for a continued reform of the judiciary and further efforts to combat fraud and corruption.

Article 34 of the Act of Accession 2003, which establishes the Transition Facility, provides for “... financial assistance to the new Member States to develop and strengthen their administrative capacity...”. In that context, specific references are made to anti corruption, protection of the Communities’ financial interests and “strengthening public administration according to needs identified in the Commission’s comprehensive monitoring report...”.

Post-Accession Assistance

Article 34 of the Act of Accession 2003 establishes the Transition Facility and foresees that the assistance for the new Member States to strengthen administrative capacities is decided according to the Phare Regulation. For the sake of efficiency and economies of scale the Commission has decided that programming and implementation of the Transition Facility should follow Phare methodology and management procedures. In line with this approach, it is proposed to extend funding from the Transition Facility for the Sigma programme, established as one of the key Phare instruments to deliver Institution Building assistance. Reform of general systems for public procurement, public internal financial control, expenditure management (budgeting) and prevention of fraud are needed to underpin the sound and effective management of Community Funds. Such measures cannot be funded from the Technical Assistance components of the Funds themselves and thus fall under the remit of the Transition Facility. These systems will be a main focus of Sigma’s efforts.

SIGMA

The SIGMA programme is a joint operation of the EU and OECD, principally financed by the EU. It was started in 1992, and has built up a well recognised reputation in its field of expertise, in particular public administration reform and the efficient management of public funds.

The SIGMA programme is based in the OECD’s Governance Directorate, which has been working on public administration reform with Member States for almost 30 years. The Governance Directorate provides an unparalleled base of comparative knowledge, a data base on Member States systems and reform strategies, skilled staff on which SIGMA can draw, and access to networks of practitioners from all Member States in all of SIGMA’s work areas. The Governance Directorate has contributed to the administrative reforms in many Member States. It also ran (until 1994) a special
technical assistance programme for Southern Europe helping the countries through the
democratic transitions of the 1970s and entry into the EU in the 1980s, giving it
unique experience in this area.

Evidence shows that in order to be most effective, advice on public administration
reform must come from experienced practitioners. No other European organisation
has similar access and comparative experience and expertise as SIGMA and the
OECD do in the area of public administration reform. The intergovernmental nature
of OECD and its standing in the countries gives it additional leverage to call on
Member State expertise and to influence the Programme’s beneficiaries.

4. Objectives
The overall objective of the SIGMA Programme is to support the ongoing reforms of
the public administration of beneficiary countries so as to enhance the capacities to
implement EU policies, in particular the *acquis communautaire*, and protect the
Community’s financial interests. The Regulations of the Community Funds provide
for specific technical assistance to accompany their implementation; however,
management of the funds depends on the reliability of general management systems,
particularly expenditure management and budgeting, public procurement and internal
and external financial control, as well as the general capacities to fight against fraud
and corruption. To this end, activities under this financing proposal will focus on three
interlinked building blocks targeting the general management systems: public
administration reform, management and control of financial resources, fight against
fraud and corruption.

**Public Administration Reform:** The specific objectives of building block I, are to
improve the overall administrative framework and the professionalism of civil
servants, through:

- enhancing civil service legislation, human resource development
  strategies (incl. training strategies) and management of human resources;
- enhancing the legal framework of administration (e.g. administrative
  procedure laws, conflict of interest rules);
- upgrading administration of legal processes within the administrative
  justice system;
- improving strategy, co-ordination and management of policy processes
  including legislation;
- introducing a more coherent legal business environment including
  regulatory and supervisory frameworks/capacities;
- providing conceptual and methodological support for decentralised
  organisation and management;
- enhancing professionalisation through institutionalisation of ethics codes,
  service and accountability.
Management and Control of Financial Resources: The specific objectives of building block II, are to enhance the allocation, control, supervision, and reporting of financial resources through:

- strengthening of the budgetary decision-making, budget execution and treasury systems including co-ordinated expenditure planning for operational and capital expenditures within medium term frameworks;
- improving the operation and control of resource flows from the central budget to lower levels of government and other State entities;
- improving the operation and control of revenues, including European Union own resources;
- ensuring correct implementation and improving complaints systems and the transparency of procedures;
- enforcing *acquis* compliant public internal financial control and internal audit standards;
- improving external audit;
- supporting the networking of relevant institutions as appropriate in the area of external audit and public internal financial control.

Fight against Fraud and Corruption: The specific objectives of Building Block III, are to enhance the allocation, control, supervision, and reporting of financial resources through:

- strengthening the Anti-Corruption and Anti-Fraud Structures (among others, the Anti-fraud Co-ordination Service AFCOS);
- introducing an appropriate legal regime to support administrative reliability (e.g. Conflict of Interest Legislation, ethics codes)

Activities to be carried out under the SIGMA Programme will aim at reaching these objectives. A prioritisation of activities will take place according to the concrete needs of the country as defined following detailed consultations between the Commission and the authorities of the countries concerned.

5. Programme description

In order to reach the objectives specified above, the SIGMA Programme will employ a variety of operational delivery mechanisms:

- advice on reforms, design and implementation of strategic development plans;
- peer reviews/assistance;
- analysis and assessment of legal frameworks, methodologies, systems and institutions;
- training
- methodological, technical and strategic input to optimise Commission assistance.

All activities under the Programme will be carried out with joint responsibility with relevant institutions in the new Member States, and subject to co-ordination with other Commission assistance.
Adequate dissemination of programme objectives and results will be ensured, notably through the further development of the SIGMA web site.

6. Implementation

A contract with OECD will be awarded by direct agreement and last until 31 December 2006. The contract funding will cover staff and costs for delivery of operational services.

Until 31 December 2004, the contract will run in parallel with the existing Phare contract.

SIGMA also benefits from a contract for Bulgaria, Romania and Turkey (until 2006) and from a contract with EuropeAid for CARDS countries. Directorates General Enlargement and EuropeAid will ensure transparency and coordination across contracts.

Where SIGMA resources are used across contracts, cost attribution mechanisms are in operation.

Actions undertaken by SIGMA are subject to ex ante approval by Commission services. The programming and implementation of these actions must be closely coordinated with all relevant Commission services, notably through taking into due account other ongoing assistance. All progress and/or evaluation reports will be copied to the Commission services involved.

7. Cost and financing

The funding of €5 million made available under the 2004 envelope of the Transition Facility will contribute to the staff and operational costs of the SIGMA programme for the years 2004 to 2006. The financing will be complementary to existing contracts (see section 6).

The total expenditure for the SIGMA programme amounts to €5.1 million with €5 million financed by Community funds and €100,000 co-financed by the OECD.

8. Audit, monitoring and evaluation

Financial transactions and financial statements shall be subject to the internal and external auditing procedures laid down in the Financial Regulations, Rules and Directives of the OECD. A copy of the audited financial statements shall be submitted to the Commission by the OECD.

The OECD shall:

- keep financial and accounting documents concerning the activities financed by the European Union, and
- make available to the competent bodies of the European Union, upon request, all relevant financial information, including statements of accounts concerning the Programme, whether they are executed by OECD or by subcontractors.
In conformity with its Financial Regulation, the European Union may undertake, including on the spot, checks related to the operations financed by the European Union. All financing agreements or contracts concluded under this programme shall provide for in situ checks by the Commission and the Court of Auditors of the European Communities.

The Commission services, in co-operation with the OECD, will:

- monitor the implementation of the Programme on the basis of six-monthly reports on progress achieved and quarterly activity reports;
- sign contracts with independent consultants to follow progress of the Programme and its components;
- ensure that an ex-post evaluation is carried out after the completion of the Programme.

9. Visibility/Publicity

OECD will be responsible for ensuring that the necessary measures are taken to ensure appropriate publicity for all activities financed from the Transition Facility. This will be done in close liaison with Commission Services.