COMMISSION DECISION

PH/2005/1012 OF 04/07/2005

Establishing a multi-beneficiary programme for improving governance and management in Croatia.

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EEC) No 3906/89 of 18 December 1989 on economic aid to certain countries of central and eastern Europe, and in particular Article 8 thereof,

Whereas:

(1) Regulation No 3906/89 lays down the rules and conditions for the granting of economic aid to certain countries of Central and Eastern Europe.

(2) Croatia is a candidate for membership of the European Union. It needs to strengthen its administrative and judicial structures necessary for the effective implementation and enforcement of the acquis.

(3) 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 (1) c) of Commission Regulation (EC, Euratom) No 2342/2002, laying down detailed rules for the implementation of the Financial Regulation.

(4) The measures provided for by this Decision are in accordance with the opinion of the Committee on Aid for Economic restructuring in certain countries of Central and Eastern Europe, rendered on 10 June 2005.

HAS DECIDED AS FOLLOWS:

Article 1

The programme described in the Annex to the present decision is hereby adopted.

---

Article 2

The maximum amount of Community assistance shall be € **600,000** to be financed through Budget line 22-02-06 in 2005.

Done at Brussels,

For the Commission
ANNEX – Multi-beneficiary programme for improving governance and management in Croatia

1. Identification

Countries: Croatia
Programme: Programme for improving governance and management, Sigma
Year: 2005
EC Contribution: € 600.000
Sector Classification: 15020
Group Code: O
Responsible Authority: Commission Operational Services in Brussels
Implementing Authority: OECD
Budget line: 22-02-06
CRIS number: 2005/017129
Expiry date: Commitments: 30 November 2005
Execution: 30 November 2006
Task Manager: Henning Ehrenstein, DG ELARG

2. Summary
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 recognised reputation in its field of expertise, in particular public administration reform and the efficient management of public funds. The SIGMA programme is currently supporting administrative reforms in the ten new EU Member States (EU Transition Facility), Bulgaria, Romania, Turkey (PHARE) and to the Balkan countries, including Croatia (CARDS). This financing proposal provides for a new PHARE financed contract to cover Croatia, reflecting its award of candidate country status and the planned start of EU accession negotiations. The contract would allow activities on a similar level and following the same objectives as the current contract providing for support to Bulgaria, Romania and Turkey.
3. Background

Further challenges

The Commission’s Opinion on the Application of Croatia for membership of the European Union noted that Croatia needs to continue legislative alignment while at the same time strengthening administrative and judicial structures that are necessary for the effective implementation and enforcement of the EU acquis. The European Council meeting on 17 December 2004 noted that administrative capacity is uneven and enforcement of legislation needs to be improved.

The Commission has also signalled its intention to closely monitor the evolution of administrative capacities during the negotiations process. Previous assessments of Croatia undertaken within the CARDS process indicate that general management systems of government need to be upgraded. These include the policy making system, public expenditure management and internal and external financial control, civil service and administrative law, and integrity systems to ensure administrative regularity.

Pre-Accession Assistance

With the acceptance of Croatia as a candidate country, management of assistance will now be driven by the needs of accession and the requirements of the EU acquis. Financing of new EU financial assistance projects will now be provided through Phare. Assistance will be modelled on the current programmes for Bulgaria, Romania and Turkey for which the Commission signed a contract with the OECD in May 2004 for a duration of 31 months.

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 recognised reputation in its field of expertise, in particular public administration reform and the efficient management of public funds. SIGMA was considered “highly satisfactory” by an external evaluation in 2003.

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 a base of comparative knowledge, a data base on Member States systems and reform strategies, skilled staff on whom SIGMA can draw, and access to networks of practitioners form 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. OECD’s Public Management Committee is a unique source of expertise, knowledge of administration in Member States and access to practitioners who can be mobilised to support reforms in beneficiaries.

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 inter-governmental 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 reform of the public administration of EU candidate countries so as to enhance the capacities to implement EU policies and in particular the *acquis communautaire*. To this end, activities under this financing proposal will focus on two building blocks: public administration reform and management of funds.

The specific objectives of building block I, public administration reform, are to improve the overall administrative framework through:

- enhanced civil service legislation, strategy and co-ordination/management;
- improved strategy, co-ordination and management of policy processes including legislation
- a more efficient anti-corruption policy;
- enhanced administration of legal processes (in particular the judiciary) and improved administrative justice;
- a more coherent legal business environment including regulatory and supervisory frameworks/capacities
- conceptual and methodological support for decentralised organisation and management

The specific objectives of building block II, management of funds, are to enhance the allocation and control of financial resources through:

- implementation of the budgetary and treasury reform including coordinated expenditure planning and management at all levels of government;
- implementation and enforcement of the acquis in public procurement, development of procurement capacities;
- enforcement of *acquis* compliant public internal financial control and internal audit standards;
- improved external audit and anti-fraud co-ordination notably taking into account the findings of the Multi-country Anti-fraud PHARE Programme
- preparation for strategic planning for assistance needs and project development as well as structural and rural development funds and EDIS

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 Croatia as defined following detailed consultations between the Commission and the Croatian authorities.
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 work will be carried out with shared responsibility with national institutions in the candidate countries, and subject to co-ordination with other Commission assistance.

The main beneficiary institutions in Croatia include the Ministry Finance, the State Audit Office, Office for Internal Supervision, the Ministry of Justice, Administration and Local Administration, the Ministry of European Affairs, the Central State Administrative Office for Public Administration. The Government Secretariat, the Public Procurement Office. The National Co-ordination point will be determined with the Government once the contact has been signed. It will be managed in close association with the National Aid Co-ordinator.

The intended results of the operation are that the central management systems of the Government of Croatia should be strengthened so that they are better able to support and control the institutions delivering reliable enforcement of the acquis, and policy capacities (and hence negotiating capacities) are professionalised and able to respond to the needs of the accession process.

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 the OECD will be awarded by a direct agreement. It should take the form of the standard contribution agreement between the EC and the OECD. The agreement shall expire on 30 November 2006.

SIGMA also benefits from other contracts with the Commission. The Commission will ensure transparency and coordination across contracts, in particular as concerns the contract under the CARDS regional programme which also covers Croatia. Where SIGMA resources are used across contracts, cost attribution mechanisms are in operation.

The budget for this programme is pre-defined in a separate annex to the contract in which the estimated amounts for each eligible expenditure type are set out in line with Financial Provisions (Art 14) of the General Conditions applicable to European Community contribution agreements with international organisations.
Actions undertaken by SIGMA are subject to ex-ante approval by Commission services on the basis of detailed project definition sheets. The programming and implementation of these actions must be closely co-ordinated with all relevant Commission services both centrally and in the Delegations. Similarly, all progress and/or evaluation reports will be copied to the Commission services involved.

An evaluation of SIGMA in 2003 has concluded with the following recommendations which should be taken into account during the implementation of this project:

- objectives and activities should be defined more clearly and concretely in the programming documents which should include indicators of achievement;
- ensure good communication with the Commission, including its Delegations during the project design stages;
- ensure appropriate dissemination of project results;
- ensure adequate forward planning of projects.

7. Cost and financing

The funding of € 600.000 made available under the 2005 pre-accession funds will contribute to the staff and operational costs of the SIGMA programme for the years 2005 and 2006. The financing will be complementary to any existing contract, i.e. contracts 2004/085-965, 2004/083-488 and 2003/75065. The total expenditure for the SIGMA Programme amounts to €612,000 with €600,000 financed by Community funds and €12,000 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 Regulations, 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 on the spot checks and inspections by the Commission services 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 programme. This will be done in close liaison with Commission Services. Further details are at the Annex 'Information and Publicity'.
Annexes: Indicative Cumulative Quarterly Contracting and Disbursement Schedules; Information and Publicity for the Phare, Ispa and Sapard Programmes of the European Communities; ‘Conclusions and Recommendations’: Monitoring and Interim Evaluation No R/ZZ/PAD-SIGMA/02.152 of 15 April 2003 SIGMA Activity Report 2003
Annex: Indicative Cumulative Quarterly Contracting and Disbursement Schedules

Cumulative Quarterly Contracting Schedule:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2</td>
<td>-</td>
<td>€600,000</td>
</tr>
<tr>
<td>Q3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Q4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Q1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Q2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Q3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Q4</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Cumulative Quarterly Disbursement Schedule (figures in € thousand):

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2</td>
<td>-</td>
<td>200</td>
</tr>
<tr>
<td>Q3</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Q4</td>
<td>400</td>
<td>400</td>
</tr>
<tr>
<td>Q1</td>
<td>400</td>
<td>600</td>
</tr>
<tr>
<td>Q2</td>
<td>600</td>
<td>600</td>
</tr>
<tr>
<td>Q3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>