



COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND THE COUNCIL

**extending and amending Council Regulation (EC) No 1659/98
on decentralised cooperation**

(presented by the Commission)

EXPLANATORY MEMORANDUM

The Declaration of the Council and of the Commission of 10 November 2000 on the Community's development policy stresses the importance of ownership of development strategies by partner countries and the widest possible participation by all sections of society. In the context of a policy geared to the objective of poverty alleviation, the participation of civil society must be encouraged with a view to creating conditions for greater equity, for the inclusion of the poor in the benefits of growth and for strengthening the democratic fabric of society. Support for the development of the capacities of non-state actors in the partner countries should help facilitate their participation in the dialogue on strategies and the implementation of aid programmes. The participation of a broad spectrum of actors is also one of the fundamental principles of the new ACP-EC Partnership Agreement signed in Cotonou.¹

Decentralised cooperation is now at a watershed. It is time to move on from an experimental phase to one of consolidation of the concept on a larger scale in the context of official cooperation. Nevertheless, it is important that a budget instrument be maintained, coordinated with the EDF and other instruments of cooperation with the developing countries and acting principally as a catalyst for the change of scale and for cases where official cooperation is still unable to contribute significantly to the intended participatory development. This approach is in line with the recommendations made in the external evaluation of budgetline B7-6430 (now B7-6002) carried out in 2000. The evaluation showed that the budgetline had played its experimental role and that the concept should now be applied to other cooperation instruments. The evaluation recommended keeping for the time being a recast budgetline aimed at facilitating and supporting consolidation of the decentralised cooperation approach. With a view to greater consistency between the decentralised cooperation (B7-6002) and NGO co-financing (B7-6000) budgetlines, it is also proposed to look at the possibility of preparing a single legal basis on the empowering of civil society and the other decentralised local actors concerned in the developing countries for both budgetlines concerned². Such a single legal basis might replace today's regulations on decentralised cooperation and NGO cofinancing².

The initial concern is to ensure the continuity of the present budget instrument, while allowing the necessary time for thorough discussion together with all the partners concerned, the preparation and implementation of the procedure for adopting a new regulation and the introduction of a budget instrument adapted to the new strategic guidelines.

Regulation (EC) No 1659/98, which establishes the implementing procedures of the measures concerned, is due to expire on 31 December 2001. Its period of validity should now be extended for an additional two years, i.e. up to 31 December 2003.

The financial reference amount will also have to be adjusted. In the current regulation, the figure was EUR 18 million. The attached proposal specifies a reference amount of EUR 24 million for the longer period of 1999 to 2003. That amount is justified on the one hand by the commitment rate achieved thus far, i.e. EUR 10.467 million (appropriations made available by the budgetary authority), on the other by the amount of EUR 7 million proposed under the 2002 PDB and a similar amount anticipated for 2003. The planned increase for 2002 and 2003 is warranted by the scale of the financing needs observed in recent years, which have far exceeded the sums provided by the budget authority. The quality of requests has, moreover, improved appreciably.

¹ OJ L 317, 15.12.2000, p.1

² OJ L 213, 30.7.1998, p. 6 and p.1.

The Commission also proposes a number of amendments to reflect the changing role of the committees towards the formulation of strategic guidelines.

For these reasons the Commission proposes that the European Parliament and the Council adopt the annexed regulation.

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 179(1) thereof,

Having regard to the proposal from the Commission,³

Acting in accordance with the procedure laid down in Article 251 of the Treaty,⁴

Whereas:

- (1) Council Regulation (EC) No 1659/98 of 17 July 1998 on decentralised cooperation is applicable until 31 December 2001.⁵
- (2) The above Regulation should be extended until 31 December 2003 and the financial allocation and reference period indicated in Article 4(1) adjusted.
- (3) Regulation (EC) No 1659/98 should be amended accordingly,

HAVE ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 1659/98 is hereby amended as follows:

1. Article 4(1) is replaced by the following:

"1. Community financing of the operations referred to in Article 1 shall cover a period of five years (1999 to 2003). The financial allocation for the implementation of this programme for the period 1999 to 2003 shall be EUR 24 million.

The annual appropriations shall be authorised by the budgetary authority within the limits of the financial perspective."

³ OJ C ...

⁴ OJ C ...

⁵ OJ L 213, 30.07.1998, p. 6.

2. Article 9 is replaced by the following:

"1. Every two years, in accordance with the procedure referred to in Article 8(2) and (3), the Commission shall adopt strategic guidelines and priorities for the implementation of operations in the years ahead. It shall inform the European Parliament thereof.

2. The programming of aid provided pursuant to this Regulation shall, as far as possible, closely complement and be consistent with aid provided under other Community development cooperation instruments and take particular account of the cooperation strategy with the country or region concerned."

3. The first two subparagraphs of Article 10 are replaced by the following:

"As part of the annual report to the Council and Parliament on the implementation of development policy, the Commission shall present a summary of the operations financed and an evaluation of the implementation of this Regulation during the year, as well as details of the decentralised cooperation actors with whom contracts have been concluded."

4. Article 12 is replaced by the following:

"Eight months at least before this Regulation expires, the Commission shall submit to the European Parliament and the Council an overall assessment of the operations financed by the Community under this Regulation, accompanied by suggestions concerning the future of this Regulation."

5. The second subparagraph of Article 13 is replaced by the following:

"It shall apply until 31 December 2003."

Article 2

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, [...]

For the European Parliament
The President

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

Policy area(s): Development and relations with ACP countries

Activity/ies: 6803 - Development cooperation policy and sectoral strategies

TITLE OF ACTION: DECENTRALISED COOPERATION

1. BUDGET LINE(S) + HEADING(S)

B7-6002 - "Decentralised cooperation"

2. OVERALL FIGURES

2.1 Total allocation for action (Part B): €14 million for commitment

2.2 Period of application: 2002 - 2003

2.3 Overall multiannual estimate of expenditure:

(a) Schedule of commitment appropriations/payment appropriations (financial intervention)
(see point 6.1.1)

(€ million to three decimal places)

	Year n 2002	[n+1] 2003	[n+2]	[n+3]	[n+4]	Total
Commitments	7	7				14
Payments	7	7				14

(b) Technical and administrative assistance and support expenditure(see point 6.1.2)

Commitments						
Payments						

Subtotal a+b						
Commitments						
Payments						

- (c) Overall financial impact of human resources and other administrative expenditure (*see points 7.2 and 7.3*)

Commitments/ payments							
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TOTAL a+b+c							
Commitments							
Payments							

2.4 Compatibility with financial programming and financial perspective

Proposal is compatible with existing financial programming.

Proposal will entail reprogramming of the relevant heading in the financial perspective.

Proposal may require application of the provisions of the Interinstitutional Agreement.

2.5 Financial impact on revenue⁶

Proposal has no financial implications (involves technical aspects regarding implementation of a measure).

OR

Proposal has financial impact - the effect on revenue is as follows:

NB. All details and observations relating to the method of calculating the effect on revenue should be shown in a separate annex.

(€ million to one decimal place)

Budget line	Revenue	Prior to action [year n-1]	Situation following implementation of action							
			[Year n]	[n+1]	[n+2]	[n+3]	[n+4]	[n+5]		
	a) Revenue in absolute terms									
	b) Change in revenue	Δ								

3. BUDGET CHARACTERISTICS

Type of expenditure		New	EFTA contribution	Contribution from applicant countries	Heading in financial perspective
Non Comp.	Diff.	NO	NO	NO	No 4

⁶ For further information, see separate explanatory note.

4. LEGAL BASIS

Regulation (EC) No 1659/98 (to be renewed)

5. DESCRIPTION AND GROUNDS

5.1 Need for Community intervention⁷

5.1.1 Objectives pursued

Budget heading B7-6002 (ex B7-6430) on "Decentralised cooperation" is intended to support operations and initiatives on sustainable development undertaken by decentralised cooperation actors of the Community and the developing countries, in particular those designed to promote:

- a more participatory approach to development, responsive to the needs and initiatives of people in developing countries;
- a contribution to the diversification and reinforcement of civil society and grassroots democracy in the countries concerned;
- the mobilisation of decentralised cooperation actors in the Community and the developing countries in pursuit of these objectives within structured programmes.

This merely requires the legal basis of the existing heading to be renewed for an additional two-year period.

5.1.2 Measures taken in connection with ex ante evaluation

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5.1.3 Measures taken in connection with ex post evaluation

An external evaluation was carried out in 2000.

The main conclusions and lessons for the future can be summarised as follows:

The heading had played an experimental role but the current approach of practical implementation of decentralised cooperation exceeded the scope of the current budget instrument. The importance of closer involvement of non-state actors in development cooperation has meanwhile been confirmed at political level. It is now time to move to a phase of consolidation of the concept on a larger scale mainly in the context of official aid. This results in a commitment for EU cooperation because implementation of decentralised cooperation on a wider scale will depend on the use of EDF, ALA, MEDA and TACIS funds and, in the immediate term, on the extension of programming dialogue, as recommended by the Cotonou Agreement, to decentralised actors as cooperation partners. However, not all the conditions for such a change of scale have been met and, in many individual cases, official cooperation is not yet able to contribute significantly to the intended participatory development. The evaluation therefore also recommends that a revamped budget heading be provisionally maintained so as to improve the quality of EU assistance, have a catalysing effect on the change of scale

⁷ For further information, see separate explanatory note.

and allow time to examine alternative financing solutions for the future in the meantime.

Before the end of 2003, the Commission will submit to the European Parliament and the Council an overall assessment of the operations financed by the Community under this Regulation, accompanied by suggestions concerning the future of the current Regulation which covers heading B7-6002.

5.2 Actions envisaged and budget intervention arrangements

The heading allows for the (co)financing by means of grants of individual development operations submitted directly by decentralised actors in the Community and the developing countries. The EU's contribution corresponds as a rule to 80%. In exceptional and duly substantiated cases, the financing can sometimes be 100%.

5.3 Methods of implementation

Direct management by the Commission using regular staff.

6. FINANCIAL IMPACT

6.1 Total financial impact on Part B (over the entire programming period)

(The method of calculating the total amounts set out in the table below must be explained by the breakdown in Table 6.2.)

6.1.1 Financial intervention

Commitments (€ million to three decimal places)

Breakdown	[Year n] 2002	[n+1] 2003	[n+2]	[n+3]	[n+4]	[n+5 and subs. Years]	Total
Action 1	7	7					14
Action 2							
Etc.							
TOTAL							

6.1.2 *Technical and administrative assistance, support expenditure and IT expenditure
(Commitment appropriations)*

	[Year n]	[n+1]	[n+2]	[n+3]	[n+4]	[n+5 and subs. Years]	Total
1) Technical and administrative assistance:							
(a) Technical assistance offices							
(b) Other technical and administrative assistance: - intra-muros: - extra-muros: <i>of which for construction and maintenance of computerised management systems</i>							
Subtotal 1							
2) Support expenditure:							
(a) Studies							
(b) Meetings of experts							
(c) Information and publications							
Subtotal 2							
TOTAL							

6.2 Calculation of costs by measure envisaged in Part B (over the entire programming period)⁸

(Where there is more than one action, give sufficient detail of the individual measures to be taken for each one to allow the volume and costs of the outputs to be estimated.)

Commitments (€ million to three decimal places)

Breakdown	Type of outputs(projects, files)	Number of outputs (total for years 1...n)	Average unit cost	Total cost (total for years 1...n)
	1	2	3	4=(2X3)
<u>Action 1</u>				
- Measure 1				
- Measure 2				
<u>Action 2</u>				
- Measure 1				
- Measure 2				
- Measure 3				
Etc.				
TOTAL COST				

(If necessary, explain the method of calculation)

7. IMPACT ON STAFF AND ADMINISTRATIVE EXPENDITURE

7.1 Impact on human resources

Types of post		Staff to be assigned to management of the action using existing and/or additional resources		Total	Description of tasks arising from the action
		Number of permanent posts	Number of temporary posts		
Officials or Temporary staff	A B C	2			<i>If necessary, a fuller description of the tasks may be annexed</i>
Other human resources					
Total		2			

⁸ For further information, see separate explanatory note.

7.2 Overall financial impact of human resources

Type of human resources	Amount €	Method of calculation *
Officials Temporary staff		
Other human resources (specify budget line)		
Total		

The amounts are total expenditure for twelve months.

7.3 Other administrative expenditure deriving from the action

Budget line (number and heading)	Amount €	Method of calculation
Overall allocation (Title A7) A0701 - Missions A07030 - Meetings A07031 - Compulsory committees ⁽¹⁾ A07032 - Non-compulsory committees ⁽¹⁾ A07040 - Conferences A0705 - Studies and consultations Other expenditure (specify)		
Information systems (A-5001/A-4300)		
Other expenditure - Part A (specify)		
Total		

The amounts are total expenditure for twelve months.

(1) Specify the type of committee and the group to which it belongs.

I.	Annual total (7.2 + 7.3)	€
II.	Duration of action	years
III.	Total cost of action (I x II)	€

(In the estimate of human and administrative resources required for the action, DGs/Services must take into account the decisions taken by the Commission in its orientation debate (APS) and when adopting the preliminary draft budget (PDB). This means that DGs must show that human resources can be covered by the indicative pre-allocation made when the PDB was adopted.

Exceptional cases (i.e. those where the action concerned could not be foreseen when the PDB was being prepared) must be referred to the Commission for a decision on whether and how (by means of an amendment of the indicative pre-allocation, an ad hoc redeployment exercise, a supplementary/amending budget or a letter of amendment to the draft budget) implementation of the proposed action can be accommodated.

8. FOLLOW-UP AND EVALUATION

8.1 Follow-up arrangements

Once approved by Commission departments, projects are implemented by decentralised actors under the supervision of the Commission's departments (EuropeAid) and delegations in the developing countries concerned.

8.2 Arrangements and schedule for the planned evaluation

Before the end of 2003, operational proposals will be put forward regarding the introduction of a revised budget instrument based on new strategic guidelines and taking account of the conclusions and recommendations of the external evaluation carried out in 2000.

(Describe the planned schedule and arrangements for interim and ex post evaluations to assess whether the intervention has achieved the objectives set. In the case of multiannual programmes, at least one thorough evaluation is needed during the life cycle of the programme. For other activities, ex post or mid-term evaluations should be carried out at intervals not exceeding six years).

9. ANTI-FRAUD MEASURES

EuropeAid will be responsible for the administrative monitoring of contracts and payments. Implementation of projects is checked at each stage of the project cycle (selection, contracts, performance of contracts, payments) by Commission officials in Brussels and the delegations. These checks respect contractual obligations and the principles of cost/benefit analysis and sound financial management. In addition, EuropeAid, DG Audit and the Court of Auditors will carry out audits and checks, including some on-the-spot, on expenditures authorised under the budget heading and the satisfactory implementation of operations.