



COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF 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. The White Paper on European Governance COM (2001) 428 final stresses that the Commission will improve the dialogue with governmental and non-governmental actors in third countries when developing policy proposals with an international dimension.

On 7 November 2002, in line with and in addition to the principles enshrined in those texts, the Commission adopted the Communication on the Participation of Non-State Actors in EC Development Policy COM (2002) 598 final . In the context of a policy geared to the objective of poverty reduction, the Communication clarified what is expected of non-state actor organisations in partner countries. The aim of non-state actor involvement is to create 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 the participation of a broad spectrum of actors in the dialogue on strategies and the implementation of aid programmes. This is also one of the fundamental principles of the new ACP-EC Partnership Agreement signed in Cotonou.¹ The Communication (COM/2002/598) concluded that non-state actors are increasingly being involved in EC development policy throughout the various co-operation programmes and policy dialogues with partner countries.

The Commission ordered an evaluation of the budget instrument on decentralised co-operation (B7-6002) which was completed in March 2003. This evaluation shows that the budget heading is still important as a complementary instrument recommending better geographical and thematic targeting for the eligible actions, further involvement of decentralised actors from developing countries and further diversification of decentralised non-state actors. The evaluation concluded that the Budget Line should still be maintained as a necessary complement to the different instruments of co-operation. Its main recommendations aim at increasing the Budget Line coherence and at clarifying its specific character. Different options are proposed to better target eligible actions and to facilitate the involvement of decentralised co-operation actors from partner countries.

The decentralised co-operation instrument has a specific added value for supporting well-focused actions in specific situations where traditional instruments cannot be used or are not relevant. This is particularly the case in difficult partnerships where official co-operation is still unable to contribute significantly to the intended participatory development. The budget instrument can also contribute in extreme cases where official co-operation is suspended allowing to sustain vibrant civic structures. The budget instrument can also support the diversification of decentralised actors as potential partners (trade unions, economic and social partners, local and municipal authorities, universities, the media etc) and the participation of decentralised actors in international fora to put forward their needs and be consulted on development policy.

¹ OJ No L 317, 15.12.2000, p.1

Regulation (EC) No1659/98 amended and extended by Regulation (EC) No 955/2002, which establishes the implementing procedures of the measures concerned, is due to expire on 31 December 2003. Its period of validity should now be extended for a three-year period, with financial reference amounts fixed until 31 December 2006. The financial reference amount will have to be adjusted. In the current regulation, the figure was EUR 24 million. The attached proposal specifies a reference amount of EUR 18 million for the period of 2004 - 2006. This amount is being justified on the grounds of the strategic approach to provide a balanced and equitable support for decentralised co-operation where the traditional instruments of co-operation do not exist or are not relevant.

That amount has been calculated on the one hand on the committed credits performed from 1998 to 2003 (EUR 25,4million) giving an average rate per year of EUR 4,2 million and on the other hand on an amount of EUR 6million committed in 2003 and a EUR 5million anticipated for 2004. However, it should be pointed out that financing needs observed in recent years have far exceeded the sums provided by the budget authority and that the quality of requests has improved appreciably.

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

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

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

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,²

Acting in accordance with the procedure laid down in Article 251 of the Treaty,³

Whereas:

- (1) Council Regulation (EC) No 1659/98 of 17 July 1998 on decentralised cooperation was applicable until 31 December 2001.⁴
- (2) The above Regulation was amended and extended by Regulation (EC) No 955/2002 of the European Parliament and of the Council until 31 December 2003.⁵
- (3) An evaluation completed in 2003 has led to the conclusion that the Budget Line should be more focused.
- (4) The decentralised co-operation instrument has a specific added value to supporting operations in specific situations and difficult partnerships where traditional instruments cannot be used or are not relevant as well as to supporting the diversification of decentralised actors as potential partners in the development process.
- (5) Regulation (EC) N° 1659/98 should be amended and extended until 31 December 2006 following the completion of the evaluation and the adoption of the Commission Communication on the Participation of Non-State Actors in EC Development Policy COM 598 (2002). The financial framework and reference period indicated in Article 4(1) should be adjusted.
- (6) Regulation (EC) No 1659/98 should be amended accordingly,

HAVE ADOPTED THIS REGULATION:

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

1. Article 1 shall be replaced by the following:

² OJ C ...

³ OJ C ...

⁴ OJ L 213, 30.07.1998, p. 6.

⁵ OJ L 148, 6.6.2002, p.1

The Community shall support operations and initiatives undertaken by decentralised co-operation agents of the Community and the developing countries centred on poverty reduction and sustainable development in particular in situations of difficult partnerships where other instruments cannot be used. Such operations and initiatives shall promote:

- a more participatory approach to development, responsive to the needs and initiatives of the populations in the developing countries,

- a contribution to the diversification and reinforcement of civil society and grassroots democracy in the countries concerned.

All developing countries shall be eligible for operations to promote decentralised co-operation.

2. The following sentence shall be added to Article 2:

- information and the mobilisation of decentralised co-operation agents and participation in international fora to enhance dialogue on policy formulation

3. Article 3 shall be replaced by the following :

- The cooperation partners eligible for financial support under this Regulation shall be decentralised cooperation agents in the Community or the developing countries, such as: local (including municipal) authorities, non-governmental organisations, local trader's' associations and local citizens' groups, cooperatives, trade unions, economic and social actors organisations, consumer organisations, women's and youth organisations, teaching and research institutions, universities, churches, media, political foundations and any non-governmental associations likely to contribute to development.

4. Article 4(1) shall be replaced by the following:

"1. Community financing of the operations referred to in Article 1 shall cover a period of three years time). The financial framework for the implementation of this programme for the period 2004 to 2006 shall be EUR 18 million.

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

5. In paragraph 2 of Article 7:

ECU shall be replaced by EURO

6. The following sentence shall be added to paragraph 3 of Article 7 :

Particular needs of countries where official cooperation is unable to contribute significantly to the objectives defined in Article 1.

7. In Article 10:

ECU shall be replaced by EURO

8. Article 12 shall be replaced by the following:

Before the end of 2006, 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 the suggestions concerning the future of the Regulation.

9. The second subparagraph of Article 13 shall be replaced by the following:

"It shall apply until 31 December 2006 ."

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- - 210213 "Decentralised cooperation"

2. OVERALL FIGURES

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

2.2 Period of application: 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 2004	[n+1] 2005	[n+2] 2006	[n+3] 2007	[n+4] 2008	[n+5] 2009	Total
Commitments	4.8	6.1	6.1				17
Payments	1.4	3.23	5.06	4.26	2.44	0.61	17

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

Commitments	0.2	0.4	0.4				
Payments							

Subtotal a+b							
Commitments	5	6,5	6,5				18
Payments*	1,5	3,45	5.4	4,4	2,6	0,65	18
RAL au 31/12/2003*	2,5	1,5	1,0				5

* Estimations

- (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)

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

⁶ For further information, see separate explanatory note.

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

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- 210213 (ex B7-6002 and ex B7-6430) on "Decentralised cooperation" is intended to support operations and initiatives undertaken by decentralised cooperation actors of the Community and the developing countries centred on poverty reduction and sustainable development in particular in the case of difficult partnerships where other instruments cannot be used. Such operations and initiatives shall 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;

This merely requires the legal basis of the existing heading to be renewed for an additional three-year period from 2004 to 2006.

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 and a new one was concluded in March 2003.

The main conclusions of the two evaluations and lessons for the future were 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

⁷ For further information, see separate explanatory note.

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

This heading should be maintained as a necessary complement to the EDF and other instruments of co-operation and ensure better geographical and thematic targeting of eligible actions, further involvement of decentralised actors from developing countries and further diversification of the decentralised non-state actors. Therefore, it will be necessary to reduce the minimum amount requested for the eligibility of individual proposals.

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] 2004	[n+1] 2005	[n+2] 2006	[n+3]	[n+4]	[n+5 and subs. Years]	Total
Action 1: the development of human and technical resources and local rural and urban social and economic development in the developing countries	4.2	5.5	5.5				15.2
Action 2: information and the mobilisation of decentralised co-operation agents and participation in international fora to enhance dialogue on policy formulation	0.4	0.4	0.4				1.2
Action 3: support for strengthening the institutional capacities of such agents and their capacity for action	0.1	0.1	0.1				0.3
Action 4: methodological back up and follow-up for operations	0.1	0.1	0.1				0.3
TOTAL	4.8	6.1	6.1				17

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

	[Year n] 2004	[n+1] 2005	[n+2] 2006	[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>	0.2	0.4	0.2				
Subtotal 1	0.2	0.4	0.2				0.8
2) Support expenditure:							
(a) Studies, evaluations			0.2				
(b) Meetings of experts							
(c) Information and publications							
Subtotal 2			0.2				0.2
TOTAL	0.2	0.4	0.4				1

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	Not available						
<u>Action 2</u> - Measure 1 - Measure 2 - Measure 3 Etc.							
TOTAL COST					Not available		

(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	Not available yet		<i>If necessary, a fuller description of the tasks may be annexed</i>
Other human resources				
Total		Not available yet	Not available	

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	Not available	
Other human resources (specify budget line)	Not available	
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)	Not available	
Information systems (A-5001/A-4300)	Not available	
Other expenditure - Part A (specify)	Not available	
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)	Not available
II. Duration of action	Years
III. Total cost of action (I x II)	Not available

(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 2006, 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 2006.

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.