

IPA National Programme 2008 Part II – Bosnia and Herzegovina

Fiche 3: Further Support to the Decentralised Implementation System (DIS)

1. Basic information

- 1.1. CRIS Number:** 2008/20-339
- 1.2. Title:** Further Support to the Decentralised Implementation System (DIS)
- 1.3. ELARG Statistical code:** 01.72 Political criteria/ Administrative support
- 1.4. Location:** Bosnia and Herzegovina

Implementing arrangements:

- 1.5. Contracting Authority:** European Commission
- 1.6. Implementing Agency:** European Commission
- 1.7. Beneficiary:** Ministry of Finance and Treasury of Bosnia and Herzegovina

Project manager in the Ministry of Finance and Treasury:

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Financing:

- 1.8. Overall cost (VAT excluded):** EUR 1 500 000
- 1.9. EU contribution:** EUR 1 500 000
- 1.10 Final date for contracting:** Two years following the date of the conclusion of the Financing Agreement
- 1.11 Final date for execution of contracts:** Two years following the end date of contracting
- 1.12 Final date for disbursements:** One year following the end date for the execution of contracts

2. Overall Objective and Project Purpose

2.1. Overall Objective

Strengthening the BiH public financial management, especially in view of capacity in managing IPA funds under a Decentralised Implementation System (DIS) and thus effectively contributing to the European Integration Process

2.2. Project purpose

To ensure the efficient and effective management and implementation of EU Funds under a Decentralised Implementation System (DIS)

2.3. Link with AP/NPAA / EP/ SAA

Link with European Partnership of Bosnia and Herzegovina

In the Program of realisation of priorities, stemming from the European partnership with Bosnia and Herzegovina adopted by Decision of Council of EU 2006/55/C on 30 January 2006, two priorities are stipulated which are addressed to the Ministry of Finance and Treasury:

- Priority 47a: Developing PIFC Strategy;
- Priority 47b: Introducing and implementing the principles of decentralised accountability of managers and functional independent audit in accordance with international accepted standards and the best practice in EU.

Link with Stabilisation and Association Agreement (SAA)

By implementing the Project Bosnia and Herzegovina will contribute to the further development of an efficient and accountable public administration as stipulated in Article 111 of the SAA, and development of efficient PIFC and external audit in accordance with European Standards as stipulated in Article 90 of the SAA.

2.4. Link with MIPD

Under the political requirements of MIPD 2007-2009, as one of the main area of intervention through IPA Component I - Transition Assistance and Institution Building, key objective refers to support the reform of the public administration.

2.5. Link with national/ sectoral investment plans (where applicable)

Link with Strategy of Integration of Bosnia and Herzegovina in European Union

One of the BiH obligations in the process of accession to the EU is to establish a decentralised system (DIS) of EU programme management, ultimately aimed at full or expanded decentralisation EDIS. This process relies on the principle of partnership between the Commission and BiH. The realisation of DIS process means taking over the responsibilities of

financial management of IPA Funds by Ministry of Finance and Treasury of Bosnia and Herzegovina. In order to assume responsibilities BiH needs to undertake among all:

- Establish and develop capacities in BiH for managing EU assistance programmes under DIS;
- Establish and make operational the National Fund (NF) for the transfer of financial resources between European Commission and BiH;
- Establish and make operational Central Financing and Contracting Unit (CFCU).

Link with the Updated Decentralised Implementation Strategy (DIS)

Implementation of the Decentralised Implementation System (DIS) involves transfer of part of the responsibility for managing the Pre-Accession Assistance from the Commission to the recipient country, i.e.:

- Public procurement/tendering, contracting, budgeting and disbursement of community fund is carried out by the institution established for that purpose: the Central Financing and Contracting Unit (CFCU);
- Request and management of funds from Commission and financial reporting is carried out by the institution established for that purpose: the National Fund (NF).

The purpose of moving from centralised to a decentralised implementation system is to prepare BiH gradually to take over all responsibilities for managing the EU Community Assistance from the Commission when entering the European Union. The decision of the European Commission to allow a recipient country to implement the Decentralised Implementation System (DIS) is based on Council Regulation (EC, Euratom) No. 1605/2002. The requirements to be met by the recipient country in order to be granted a decentralised management arrangement are specified in Article 164(1).

Link with Public Administration Reform Strategy

The overall objective of Public Administrative Reform Strategy is to develop reformed, streamlined, harmonised, effective, transparent and service-oriented public administration, capable of leading Bosnia and Herzegovina through the Stabilisation and Association Process and EU accession. Introducing and implementing of PIFC in accordance with relevant EU standards is one of key components of the Public Administration Reform Strategy. As a result BiH will have a PIFC system able to monitor the efficiency and effectiveness of public administration operations, and ensure transparent use of public funds.

3. Description of project

3.1. Background and justification

The background of introducing and preparing for a decentralised system of EC Assistance to BiH is defined within the new Instrument for Pre-Accession Assistance (IPA) for 2007-2013. The effective implementation of any component of IPA requires the establishment of new institutional structures, the elaboration of strategic frameworks and operational programmes, as well as preparation of pipelines and feasibility studies for infrastructure projects. In order to fully benefit from funding under any component of IPA and, in due course from the structural funds, BiH has taken the first step to establish a functioning DIS and associated institutions (NAO, NAC, NF,

CFCU, Financial Cooperation Committee, Joint Monitoring Committee) along with the previously developed SPOs network.

As BiH is defined as a potential candidate country it only has access to funds under the first two components of IPA and is currently operated under centralised, de-concentrated management (EC Delegation). With the support of the ongoing TA project it is expected that the NF and CFCU will be fully trained and the operational structures in place to carry out all tasks related to DIS; the Working Group for implementation of the DIS Strategy is supported; and cooperation with other stakeholders for DIS is established and the accreditation package prepared. It is expected that further support to DIS under this project will ensure the continued efficient operations of CFCU and NF. The TA will monitor the preparation, checking and approval of tender and contract documentation and procedures executed by CFCU staff, as well as preparation of project management and monitoring procedures in order to ensure proper management of IPA projects by CFCU. Support will be given in order to ensure a high level of tender documentation, high quality and efficient tender evaluations, and appropriate contract management and monitoring, as well as improvement of financial management by CFCU and NF staff.

3.2. Assessment of project impact, catalytic effect, sustainability and cross border impact

The Project activities should contribute to improve financial management capacity of the staff in CFCU and NF, and to improve quality of services provided by CFCU and the operating structure.

3.3. Results and measurable indicators

It is expected that this assistance, targeting primarily the Ministry of Finance and Treasury of Bosnia and Herzegovina, will lead to the NF and CFCU being able to operate effectively. In order to achieve this following results are expected from the project:

NF and CFCU operate in an efficient and effective and sustainable manner with clear segregation of duties in accordance with IPA Regulation rules and principles. They are capable of ensuring the management and implementation of programmes in accordance with the principle of sound financial management.

Indicators

- Timely disbursement of funds related to those contracts assumed from the European Commission Delegation.
- Timely contracting of additional contracts under the decentralised responsibilities.
- Additional targeted trainings delivered in accordance with agreed training plans.
- Cooperation with other DIS stakeholders, in particular NIPAC and SPOs from line institutions.

Indicator

- Delivery of a Communication and Coordination Plan with stakeholders.

- Substantial and quality contribution to the drafting of IPA annual programmes
- Continuous work of the DIS WG

3.4. Activities

Activities under this project will ensure continued efficient operations of CFCU and NF. Following activities will be undertaken as part of a single TA contract:

- Planning and monitoring of the transition process;
- Undertaking of regular gap assessment;
- Training and Capacity building of all DIS stakeholders;
- Stakeholder coordination and management, including drawing up a Communication and Coordination Plan and implementing it.

3.5. Conditionality and sequencing

The main conditionality for the project is the full staffing of the CFCU and NF. The conditionality for the fulfilment of result 2 is full and adequate support to the SPOs by their home institutions.

Under the result 1- NF and CFCU operate effectively

- Sufficient staff and resources dedicated
- Other DIS operational bodies operate in a timely and effective manner.
- Gradual take over projects from EC Delegation.
- Low staff turnover

Under the result 2 – Cooperation with other stakeholders supported.

- Sufficient involvement of DIS stakeholders.
- SPOs supported by units of trained staff.
- Demonstrated political support to the DIS process.

3.6. Linked activities

Through IPA 2007, a technical assistance will support the Development and Implementation of a BiH wide PIFC Strategy contributing to the creation of control financial environment together with developed mechanisms of internal control and internal audit.

UK DFID provides assistance mainly to the Ministries of Finance on the State and Entities level by supporting the strengthening of financial management. The objective of the project is to improve consistency between government policy objectives, expenditure allocation and budget execution through the strengthening of the budget processes at canton (FBiH), entity and State levels.

3.7. Lessons learned

The ongoing Technical Assistance is the first support provided to the NF and CFCU in Bosnia and Herzegovina. The main problem since the beginning of this project has been the lack of counterpart staff in the National Fund and the CFCU, and clearly it is essential that these institutions are adequately staffed if the successful management of EU Funds is to be achieved.

4. Indicative Budget (amounts in EUR)

			SOURCES OF FUNDING									
			TOTAL EXP.RE	IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1	x		1.500.000	1.500.000	100							
TA Contract	-	-	1.500.000	1.500.000	100							-
TOTAL IB			1.500.000	1.500.000	100							
TOTAL INV												
TOTAL PROJECT			1.500.000	1.500.000	100							

Amounts net of VAT

- (1) In the Activity row use "X" to identify whether IB or INV
(2) Expressed in % of the **Total** Expenditure (column (a))

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
TA Contract	Q1 2009	Q3 2009	Q3 2011

6. Cross cutting issues

6.1 Equal Opportunity

The issues of gender quality and human right will be considered very highly and therefore be respected through the project.

6.2 Environment

The project has no implication to the issues of environment.

ANNEXES:

- ANNEX I. Logical framework matrix in standard format
- ANNEX II. Amounts (in €) Contracted and disbursed by quarter for the project
- ANNEX III. Reference to laws, regulations and strategic documents

ANNEX I. Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX for Project Fiche	Programme name and number: Further Support to the DIS System; 2008 / 20-339	
	Contracting period expires: N+2	Disbursement period expires: N+5
	Total budget : 1,500,000 EURO	IPA budget: 1,500,000 EURO

Overall objective	Objectively verifiable indicators	Sources of Verification	
Strengthening the BiH capacity in managing IPA funds and thus effectively contributing to the European Integration Process	Efficient, effective and sound public financial management system set up and operational with full clear and detailed internal control and audit systems.		
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
To ensure the efficient and effective management and implementation of EU Funds under DIS.	Projects and Contracts taken over from EC Delegation implemented by CFCU and NF effectively in accordance with IPA Regulation rules and principles.	<ul style="list-style-type: none"> • Operating documents • Evaluating Reports • Project reports • External audit reports. 	<ul style="list-style-type: none"> • DIS Accreditation granted by EC by mid 2009. <p>Full staffing of the CFCU and NF and adequate support to the SPOs by their home institutions.</p>
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p style="text-align: center;"><u>Result 1</u></p> <p>NF and CFCU are supported through technical assistance to enable them to undertake their task of operating in an efficient, effective and sustainable manner with clear segregation of duties in accordance with IPA Regulation rules and principles.</p>	<p style="text-align: center;"><u>For Result 1</u></p> <ul style="list-style-type: none"> • Sound management of, and timely disbursement of funds related to, those contracts assumed from the European Commission Delegation as well as to timely contracting of additional contracts under their decentralised responsibilities. • Additional targeted trainings 	<p style="text-align: center;"><u>Under Result 1</u></p> <ul style="list-style-type: none"> • Monthly reports on gap assessment with list of activities performed for elimination of operational defects. • Monthly reports feedback • CFCU Reports • NF Reports • PSC Meeting Minutes • Training Plan based on 	<p style="text-align: center;"><u>Under Result 1</u></p> <ul style="list-style-type: none"> • Sufficient staff and resources dedicated • Other DIS operational bodies operate in a timely and effective manner. • Gradual take over projects from EC Delegation. <ul style="list-style-type: none"> • Low staff turnover.

<p style="text-align: center;"><u>Result 2</u></p> <p>Cooperation with other stakeholders supported through the development of a Communication and Coordination Plan with stakeholders.</p>	<p style="text-align: center;"><u>For Result 2</u></p> <p>Effective cooperation with other stakeholders improved through CFCU and NF timely and effective execution of duties under decentralised system.</p>	<p>monthly gap assessment and timetable for delivery of training.</p> <ul style="list-style-type: none"> • Training feedback • Project Steering Committee Meeting Minutes <p style="text-align: center;"><u>Under Result 2</u></p> <ul style="list-style-type: none"> • Communication and Coordination Plan with stakeholders. • Meeting minutes. • Project Reports • Project Steering Committee Meeting Minutes 	<p style="text-align: center;"><u>Under Result 2</u></p> <ul style="list-style-type: none"> • Sufficient involvement of DIS stakeholders. • SPOs supported by units of trained staff. • Demonstrated political support to the DIS process.
Activities	Means	Costs	Assumptions
<ul style="list-style-type: none"> • Planning and monitoring of the transition process; • Undertaking of regular gap assessment; • Training and Capacity building; • Stakeholder coordination and management, including drawing up a Communication and Coordination Plan and implementing it. 	<p>Technical Assistance (service) Minimum tree experts. Duration of the project is 24 months.</p>	<p>1,5 million euro (€300.000 will be paid after the signing of the contract and rest of €1.200.000 will be paid in six equal tranches. Payment of each tranche will be the subject to the quarterly report submission).</p>	

ANNEX II. Amounts (in €) Contracted and disbursed by quarter for the project

Contracted	Q4 2009	Q1/2010	Q2/2010	Q3/2010	Q4/2010	Q1/2011	Q2/2011	Q3/2011	Q4/2011	Q1/2012
TA Contract	1.500.000									
Cumulated	1.500.000									
Disbursed										
TA Contract	450.000		225.000		225.000		225.000		225.000	150.000
Cumulated	450.000		675.000		900.000		1.125.000		1.350.000	1.500.000

ANNEX III. Reference to laws, regulations and strategic documents

1. Draft Stabilisation and Association Agreement page 46 Article 90 and page 54 Article 111.
2. Instrument for Pre-accession Assistance (IPA)-MIPD 2007-2009, page 16,17 and 18.
3. European Partnership with Bosnia and Herzegovina –program of realization of priorities adopted by Decision of Council of Europe EU 2006/55/EC, pages 258 and 259.
4. Strategy on integration of BiH in EU pages 164 and 165
5. PAR Strategy, Action Plan I page 31
6. Decentralised Implementation Strategy (DIS) page 4 and 5