

Annex 2

Action Fiche : Support to the Implementation of the Action Plan Programme and the Association Agreement (SAAP III)

1. IDENTIFICATION

Title/Number	Support to the Implementation of the Action Plan Programme and the Association Agreement (SAAP III) ENPI/2009/020-492		
Total cost	EC Contribution: €20,000,000		
Aid method / Method of implementation	Project approach - Decentralised Management		
DAC-code	15040	Sector	Government Administration

2. RATIONALE

2.1. Sector context

The European Neighbourhood Policy - ENP Action Plan (AP), signed between the EU and Egypt in 2007, supports Egypt's reform efforts by reinforcing cooperation between the two parties in a number of areas including political, economic, and social development. The implementation of the AP will allow Egypt and the EU to further develop their strategic partnership through a significant degree of economic integration, deepening of political, cultural and social co-operation, aiming at promoting the modernisation of the Egyptian economy and society.

At the national level, Egypt's reform strategy is being accompanied with relevant regulatory, legislative and institutional measures to improve the performance of its public administrations and create an enabling and competitive business environment. In its plan for 2006/7-2012, the Egyptian government considers the quality of and access to public services at the forefront of its reform agenda- priorities include transport, energy, health, and education sectors.

Progress has been made towards achieving greater efficiency through relevant separation between the government regulatory and monitoring functions and operational aspects, while encouraging market liberalisation, and ensuring practices of good governance.

At the central level, new laws for civil service and decentralization are underway. Some national initiatives were also recently made to upgrade public services through administrative simplification and e-services as well as reforming organizational structures and building the capacities of human resources.

At sector level, recent market-related reforms encompassed the amendment/enactment of some legislation like those with respect to investment and special economic zones, export promotion, intellectual property rights, money laundering and banking, e-signature, customs, antitrust and competition, corporate tax, liberalisation of the energy market, antidumping and consumer protection.

Meanwhile, weaknesses in the Egyptian administration are a major obstacle to implement reform initiatives and to align the country's legislative and regulatory framework with international standards. In particular, national resources and technical capacity to achieve a greater pace of reform are limited against the background of embedded deficiencies resulting from many years of centralised systems.

It is within this context that the European Commission (EC) is launching the Support to the Implementation of the Action Plan Programme and the Association Agreement (SAAP III). The new programme builds upon and complements, in its objectives and activities, the Support to the Association Agreement (SAAP) and the Support to the Implementation of the Action Plan and Association Agreement Programmes (SAAP II) where *institutional twinning* is a key instrument for implementation. The twinning instrument can efficiently address reform needs through the transfer of know-how by experienced European senior civil servants to their Egyptian counterparts. SAAP III will further support the development of the legal and institutional capacity of the Egyptian government through the approximation to the European standards, legal practices and institutional best practices.

2.2. Lessons learnt

The new programme will build on the lessons learnt and experience gained from other EC programmes and particularly from the ongoing programmes "Support to the Association Agreement Programme (SAAP)" and the "Support to the Implementation of the Action Plan and Association Agreement Programmes (SAAP II)". Under these programmes there are currently 13 ongoing twinning operations and 5 under formulation. A further 15 operations are under consideration. The sectors covered include statistics, tourism, postal services, railway safety, water quality, road safety, telecommunications regulation, among others. Austria, France, Italy and Germany have been the main partners for these operations.

Relevant recommendations of the monitoring and evaluation missions on previous envelopes (SAAP and SAAP II) will be taken into consideration. In particular, the implementation of SAAP III will build on the success of the first two twinning envelopes (e.g. greater awareness of the twinning instrument, increased experience and improved capacity of the Programme Administration Office to implement twinning operations). The programme will also mitigate some weaknesses identified in the implementation of the first wave of launched projects (some overambitious project fiches and relevant assessment of the beneficiary's absorption capacity to engage in institutional twinning or technical assistance projects). Increased focus will be made on strengthening the capacity of the Programme Administration Office (PAO) and improving its internal monitoring mechanism, information dissemination, and reporting. Improved coordination with the EC Delegation will lead to better identification of twinning prospects and selection of new projects.

Best practices from other similar twinning programmes in partner countries will also be considered.

2.3. Complementary actions

Legislative and institutional reform is currently supported by SAAP (€25,000,000) and SAAP II (€17,000,000) with which the new programme will be directly linked. SAAP III will be very similar in objectives and expected results and will use the

same administrative structure for implementation: the Programme Administration Office (PAO) affiliated to the Ministry of International Cooperation.

The design of new twinning projects will be very much in line with the relevant ongoing and future EC Sector Policy Support in various areas (Transport, Water, Education, etc.).

Coordination with other donors' programmes supporting administrative and sector reform will be ensured. Other instruments (TAIEX and SIGMA) will be utilised in complement to the twinning instrument and technical assistance provided through this programme. Other activities funded by the EU Member States in sectors like Energy, Transport, Education, and Sustainable Environment will be particularly taken into consideration.

SAAP III will be *per se* also in line with national initiatives and programmes targeted at administrative development and reforms in various sectors.

2.4. Donor coordination

Cooperation and coordination among EU Member States is carried out in the context of the regular meetings of the EU Development Counsellors in which the EC and EU Member States exchange information on their respective current and future programmes and discuss possibilities for increase cooperation and synergies.

Given the cross cutting nature of regulatory and institutional reforms, the Development Partners' Group and its nine thematic sub-groups serves as another mechanism for coordination with donor agencies active in Egypt within particular sectors.

3. DESCRIPTION

3.1. Objectives

The overall objective is to strengthen cooperation between the EU and Egypt as well as contribute to Egypt's reform process in the context of the ENP Action Plan (ENP AP) and the Association Agreement (AA). SAAP III is to support the Egyptian Government in implementing the EU-Egypt ENP Action Plan and the Association Agreement, which will in turn contribute to the achievement of sustainable reform and strengthened cooperation with the EU. In particular, the project aims to:

- Support the Egyptian public administration in upgrading its legislative and institutional framework through approximation to EU legislation and best practice (*acquis communautaire*), taking into consideration national reform priorities and implementation needs of the ENP AP and the AA.
- Improve the capacity of governmental administrations and entities involved in the implementation of the ENP AP and the AA.

3.2. Expected results and main activities

The programme will contribute to national efforts towards strengthening the regulatory, monitoring, and operational functions of the public administration, particularly through the utilisation of Institutional Twinning. Technical assistance shall be provided as such to strengthen institutional capacities of the public administration, or be used as preparatory/complementary phase for twinning projects.

SAAP III will follow a "demand driven" approach, and is therefore designed as a relatively flexible mechanism to respond to inherent and evolving challenges that might arise during the implementation of the AP and AA. Prioritisation of intervention areas (twinning and technical assistance) will be regularly and jointly agreed between the EC and the Ministry of International Cooperation.

Twinnability of candidate institutions shall be directly dependent upon the potential contribution of the area/sector to the European and/or the Egyptian priorities, the expected impact on governance reform, political commitment, technical readiness of the respective beneficiary institution and relevance to the implementation of the ENP EU – Egypt Joint Action Plan, with a view towards achieving the following results:

- Improved legislative and regulatory context through approximation with EU legislation and regulation;
- Improved institutional capacity of the Egyptian public administration particularly in fields specified in the ENP AP and the Association Agreement;
- Improved conditions necessary for the EU-Egypt economic cooperation and other cooperation areas (e.g. political development and governance, and social development);
- Improved awareness of the ENP Action Plan and the Association Agreement.
- As a key energy partner for the EU, energy should also form part of the support provided under SAAP III.

3.3. Risks and assumptions

National commitment towards implementing the ENP Action Plan and the Association Agreement is assumed, as well as commitment towards political, governance, economic and social reform. It is also assumed that there is a sufficient relevant absorption capacity to carry out twinning operations with the candidate administrations.

3.4. Crosscutting Issues

Further to gender and sustainable environment, issues like administrative reform, good governance and human rights will be cross-cutting in the definition, design, and implementation of the activities funded under this project.

3.5. Stakeholders

The direct beneficiaries of the Programme will be different entities of the Egyptian administration playing a crucial role in the Government's reform efforts as well as in the successful implementation of the AP and the AA (not only line Ministries but also Agencies, Administrations, Organisations, etc).

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

The implementation method will be substantial decentralised management through the signature of a financing agreement with the Government of Egypt.

The Programme Administration Office (PAO) within the Ministry of International Cooperation will manage the programme, except for framework contracts, audits and evaluations, which are managed by the Commission. In addition, the Commission

may conclude and manage contracts relating to visibility, in agreement with the PAO. The management responsibility of the PAO includes procurement and award procedures and payments.

The Commission controls ex ante the contracting procedures for procurement contracts > €50,000 and ex post for contracts • €50,000. The Commission controls ex-ante the contracting procedures for all grant contracts.

Through the programme estimates, payments are fully decentralised for the relevant contracts that have been decentralised and for operating costs.

To allow for this level of decentralisation, the Authorising officer has carried out an assessment of the criteria mentioned in article 56 of the Financial regulation: the award procedures will follow the Twinning Manual and remain subject to ex-ante control by the Commission; a final audit will be conducted by external experts contracted by the Commission; the publication of beneficiaries is imposed by a provision of the general conditions of the financing agreement. The internal control system and the accounting system have been assessed at the level of the PAO. The control environment offers sufficient guaranties, with a segregation of functions within the role of authorising officer, between the initiation and the verification roles. All payments are subject to double signature. Specific instructions to staff members who would come across serious irregularities or fraud have been given. The accounting system is a mixed accounting system, based on cash accounting, but allowing for some accrual transactions. It is exclusively used for EU project funding and enables the correct use of Community funds to be verified. Financial reporting foreseen for the programme estimates will allow the use of funds to be properly encoded in the Commission information and accounting system.

4.2. Procurement and grant award procedures

Twinning contracts are awarded and implemented in accordance with the applicable Twinning Manual.

All other contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the ENPI regulation.

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities.
- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to

start the action before the grant is awarded, in accordance with Article 112 of the Financial Regulation applicable to the general budget.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

4.3. Budget and calendar

The total programme cost is estimated at €20,000,000, which shall be financed from the general budget of the European Communities, the indicative break-down of the EC contribution will be as follows:

Operational fund (Twinning and Technical Assistance)	18,000,000
Technical assistance to the PAO (Financial Advisor)	200,000
Programme Management (PAO)	1,405,000
Audit and Evaluation	85,000
Visibility	180,000
Contingency	130,000
Total	20,000,000

The operational fund will be used for technical assistance (service contracts) and twinning projects (grant contracts).

The total amount of imprest individual budgetary commitments must be fixed and communicated before the start of the implementation of the programme.

Adjustments between the amounts committed under specific individual budgetary commitments and imprest individual budgetary commitments can take place only during the “date + 3 years” period.

The programme will last 72 months starting from the date of signature of the Financing Agreement. This execution period will comprise 2 phases according to the conditions provided for in article 4.1 of the General Conditions:

- (1) Operational implementation phase that starts from the entry into force of the financing agreement and will have duration of 48 months.
- (2) Closure phase of a duration of 24 months that starts from the expiry date of the operational implementation phase.

4.4. Performance monitoring

The overall performance will be monitored by the EC Delegation in Cairo. Day-to-day technical and financial monitoring will be a continuous process as part of the Beneficiary responsibilities. The PAO shall utilise and improve its internal technical and financial, monitoring mechanism.

Independent consultants recruited directly by the Commission will carry out external monitoring following the ROM methodology (Result Oriented Monitoring).

4.5. Evaluation and audit

Independent consultants recruited directly by the Commission on specifically established terms of reference will carry out external evaluations, as follows:

- a final evaluation, at the beginning of the closing phase;
- possibly, an ex-post evaluation;
- possibly, evaluation for individual twinning projects

The EC shall appoint, in accordance with EC procurement rules, a reputable external auditor/accountant to monitor the programme's expenditures and accounts.

4.6. Communication and visibility

Activities to improve awareness and exchange of information are envisaged, awareness activities may address the ENP priorities, progress of reform aspects in relation to the programme's intervention areas, progress of the twinning portfolio/technical assistance, and relevant European best practices.

Various visibility mechanisms will be utilized such as holding conferences, workshops and roundtables with direct stakeholders, as well as using visibility printed materials and the media.