

Co-delegation

❖ Concept

❖ Process

Concept



Purpose of Co-delegation:

- Represents a legal way of contributing to the Joint Fund by describing the Joint Fund Structure and establishing contractual relationships with all Lead IFIs and the Joint Fund Managers
- Facilitates a replication to the maximum extent possible of the WBIF structure in one agreement (idea is to align obligations of entrusted entities under the FR with the agreements reached in the WBIF facility)
- Allows all IFIs access to funds without any need for a sub-delegation structure where one would need to exercise scrutiny over others
- Allows identification of all entrusted entities in the Financing Decision by describing the co-delegation (compliance with Article 84 FR)



Co-delegation Agreement- 1st PHASE

- One Co-delegation agreement is signed between the Commission and all IFIs for a long term duration (eg until 2020)
- Represents the general framework for the annual IPA allocations to the Joint Grant Facility (JGF) - it does not include any amounts or projects
-> does not require a Financing Decision!
- It is not a template but a tailor made agreement for the WBIF (Commission Decision)



Co-delegation Agreement - 1st PHASE

Co-delegation agreement lays down all possible conditions for the delegation of budget implementation tasks:

- ❖ *conditions required under the FR*
- ❖ *tailor made WBIF specific conditions on payment procedures, reporting requirements and remuneration*
- ❖ *roles and responsibilities of the Managers and the Lead IFIs*



Co-delegation Agreement – 1st PHASE

ROLE OF MANAGERS:

Managers of the Co-delegation = Managers of the Joint Fund (EBRD/EIB)

- ✓ Management of IPA Funds through the Joint Fund
- ✓ Disbursement of funds from Joint Fund to Lead IFIs
- ✓ Collection of funds recovered from Lead IFIs
- ✓ Collection of reports from Lead IFIs and submission of reports to Commission/bilateral donors/PFG/SC

ROLE OF LEAD IFIs:

- ✓ Implementation of projects approved by the SC under their own rules and procedures
- ✓ Assume responsibility and accountability for the funds disbursed to them by the Managers including recovery
- ✓ Provide reporting according to the requirements defined in the Co-delegation Agreement
- ✓ Are severally liable – not jointly



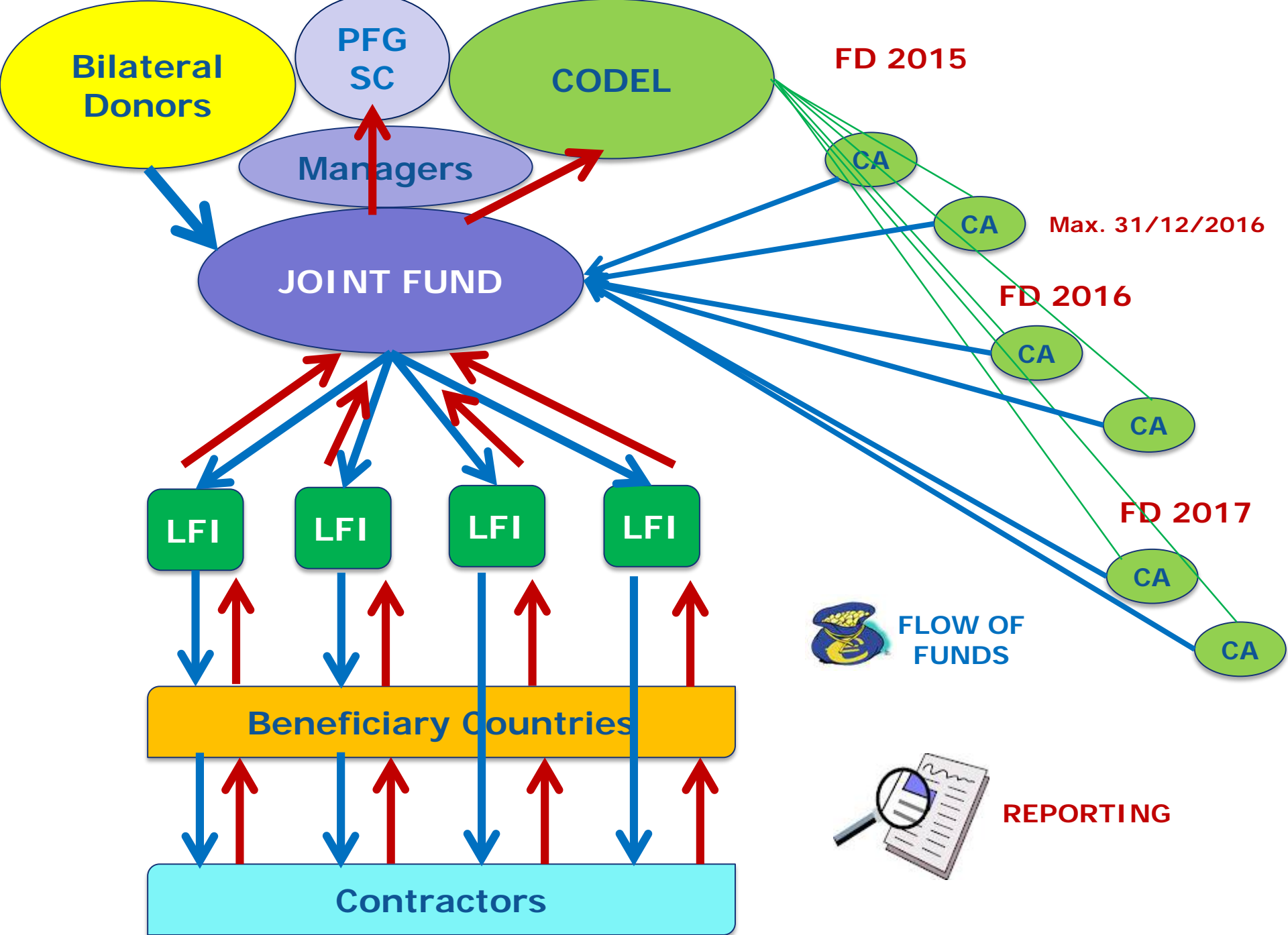
Contribution Arrangement – 2nd PHASE

- Represents the Special Conditions of the Co-delegation Agreement
 - Is signed twice a year following each SC meeting
 - Commits an amount equivalent to the IPA contribution to projects approved during a given SC meeting -> requires a Financing Decision!
 - Contains all the projects approved during a given SC meeting in form of annexed description of the actions and their duration
- > all other conditions are defined in the Co-delegation Agreement!



Contribution Arrangement – 2nd PHASE

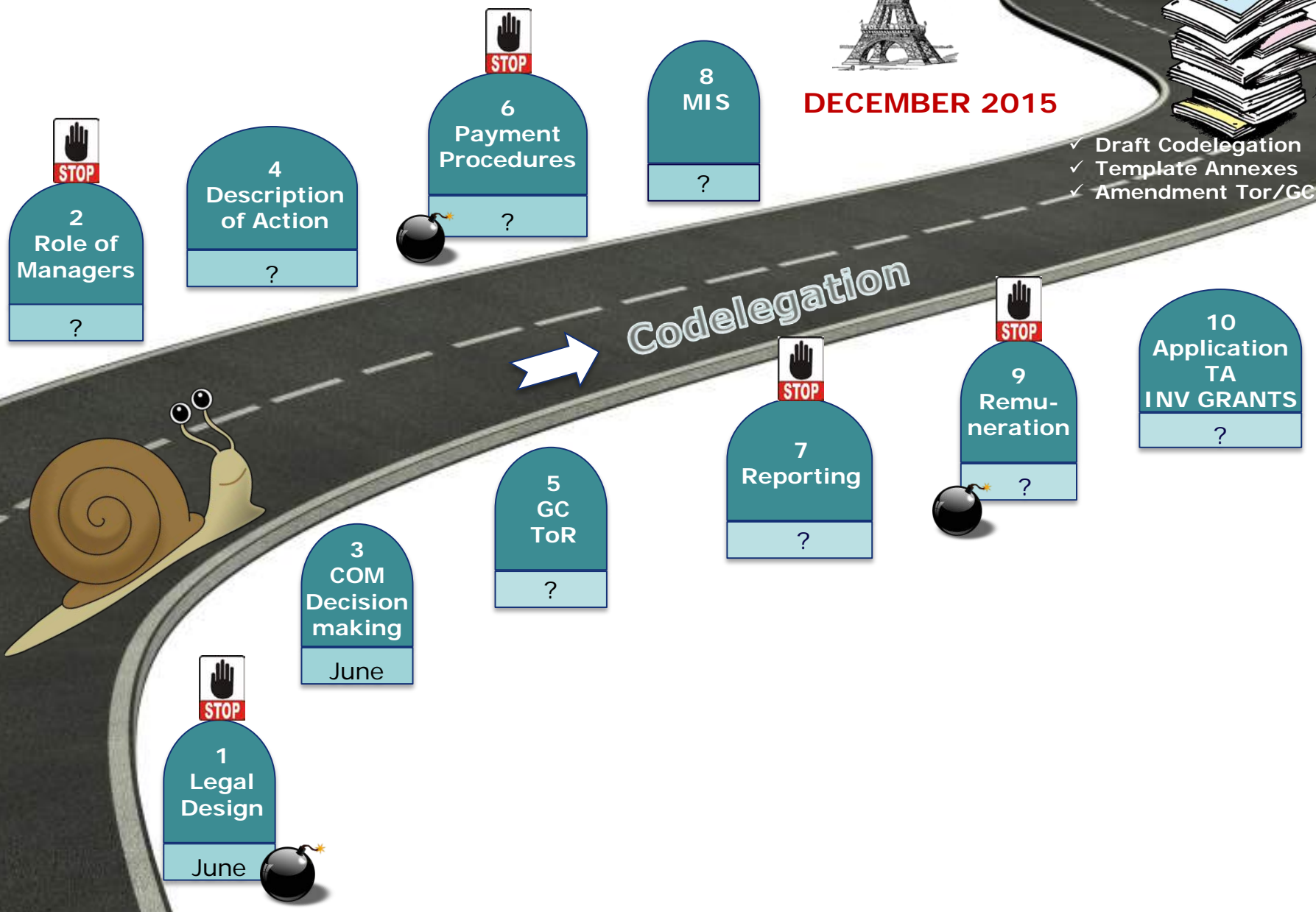
- Payment procedures and reporting requirements apply to each Contribution Arrangement
- N+1 deadline applies to each Contribution Arrangement (each Financing Decision allocation must be 'consumed' by Contribution Arrangements signed by N+1, N being the year of the Financing Decision)





PROCESS

- *Plan: presentation to the December SC of*
 - final version of Co-delegation
 - Template for Contribution Arrangements
 - Templates for reporting/description of the action/budget table
 - Proposed text for amended ToR and GC
- *A number of issues is still open and needs to be discussed/negotiated/agreed in a systematic way including all stakeholders with fixed deadlines;*
- *Commission to prepare a Roadmap with tasks/milestones and deadlines*



DECEMBER 2015



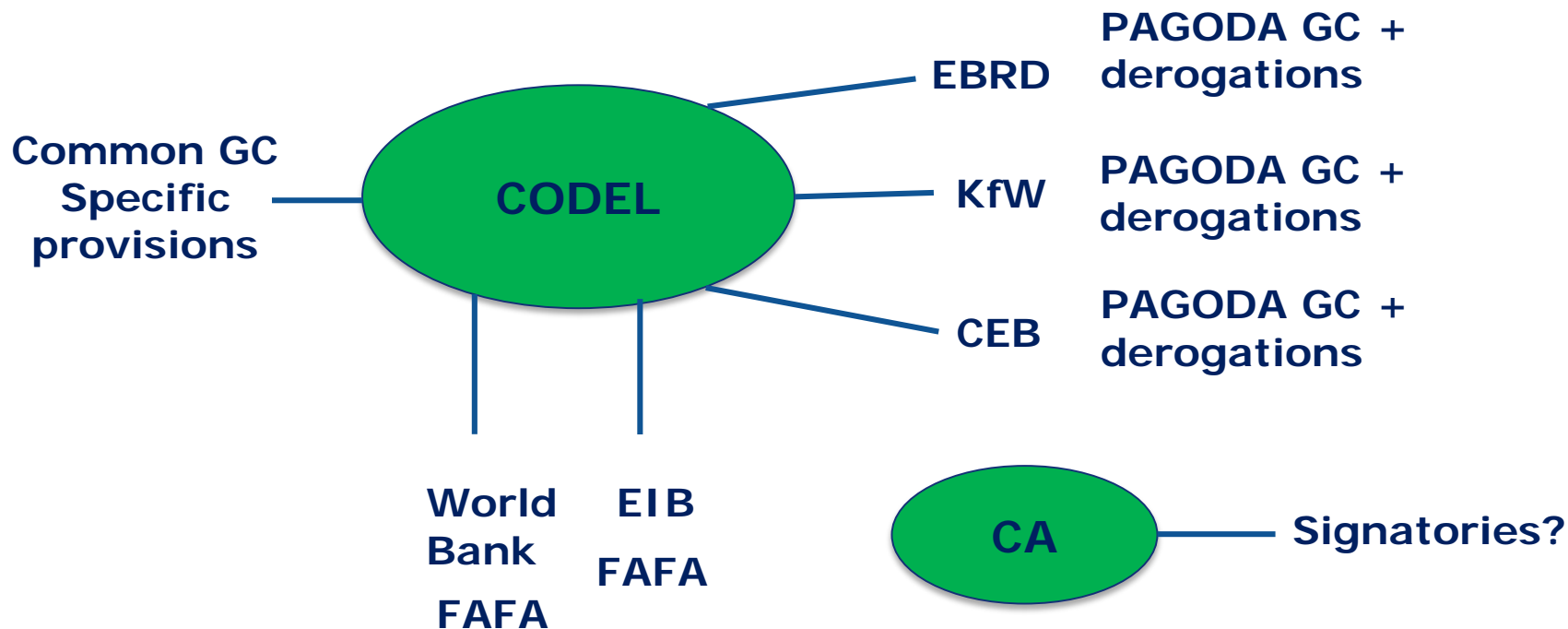
- ✓ Draft Codelegation
- ✓ Template Annexes
- ✓ Amendment Tor/GC





OPEN ISSUES FOR AGREEMENT

1. Legal Design





OPEN ISSUES FOR AGREEMENT

2. Precise role and responsibilities of Managers

- ✓ Payment Requests to Commission
- ✓ Disbursement to Lead IFIs based on payment conditions set out in the Co-delegation Agreement
- ✓ Channeling of recoveries
- ✓ Collecting reports from Lead IFIs
- ✓ Submission of reports to PFG/SC/Commission

- ✓ Share of tasks between the Managers?
- ✓ Joint or several responsibility?



OPEN ISSUES FOR AGREEMENT

3. Commission internal decision making

- ✓ Objective is to obtain a mandate from the Commissioner to approve finally selected projects at the SC meeting
- ✓ SC meeting to be preceded by a Commission internal consultation process amongst other DGs and the Cabinet



OPEN ISSUES FOR AGREEMENT

4. Format/template of description of the Action

- ✓ How can we improve quality of the application form/project fiche
- ✓ Integrate the conclusions of the EUBEC Technical Working Group on contracting, monitoring and reporting
- ✓ Achieve a faster time to sign Contribution Arrangements after SC meeting if application form/project fiche can feed directly into the description of the action



OPEN ISSUES FOR AGREEMENT

5. Joint Grant Facility ToR and Joint Fund GC

- ✓ Agenda 2020?
- ✓ Possibility to finance risk sharing instruments?
- ✓ Harmonise reporting requirements?
- ✓ Delete IPA I eligibility criteria – define other eligibility criteria (eg VAT)



OPEN ISSUES FOR AGREEMENT

6. Payment procedures:

- **Buydgetary Authority:** insists on thorough management of payment appropriations (cash available to Commission Services)
- Reduction in pre-financing if the amount cannot be justified with immediate operational requirements - Commission cannot pay 100% of the funds allocated to the facility to the co-delegates
- The flow of funds must be based on real needs according to the actual progress of the projects
- Agree on % of intitial pre-financing (eg 30%) to be paid out at signature of each Contribution Arrangement
- Furhter pre-financing based on eg reports showing that at least 70% of previous pre-financing has been used (**PAGODA: legal commitments signed/in some cases: aggregate disbursements**)



OPEN ISSUES FOR AGREEMENT

7. Reporting Requirements (1):

Payment conditions

Purpose:

- trigger of further pre-financing
- monitoring of cash needs according to progress of project implementation

Content of the report:

- Further pre-financing based on eg reports showing that at least 70% of previous pre-financing has been used (PAGODA: legal commitments signed/in some cases: aggregate disbursements)

Frequency: whenever a payment request is submitted



OPEN ISSUES FOR AGREEMENT

7. Reporting Requirements (2):

Progress/final Reports and Management Declaration

Purpose:

- Monitoring of progress (results, objectives achieved, proper management of project)
- Statement to taxpayer and Budgetary Authority on progress in financial terms (retrospective)
- Commission internal: clearing of pre-financing

Content of the Report:

- includes information on the **implementation costs incurred** as well as the **legal commitments** entered into by the Organisation during the reporting period
- Management Declaration + independent Audit opinion

Frequency:

Progress Reports tbd in Special Conditions (eg yearly)

Management Declaration: yearly

Enlargement

usually after organisation's audit



OPEN ISSUES FOR AGREEMENT

8. MIS

- ✓ Structure/architecture/terminology
- ✓ What data
- ✓ Who inputs the data
- ✓ Who verifies and validates data input in case of delegation



OPEN ISSUES FOR AGREEMENT

9. Remuneration:

Idea is to reproduce to the extent possible the remuneration structure agreed in the GC of the Joint Fund and the ToR of the Joint Grant Facility

- ✓ 1% for each Manager
- ✓ 4% for each Lead IFI for TA
- ✓ 2% for each Lead IFI for investment grants



OPEN ISSUES FOR AGREEMENT

10. Application of Co-delegation Structure

- ✓ TA
- ✓ INV GRANTS



NEXT STEPS

- ❖ **Presentation of Concept, baseline principles and roadmap to DG NEAR Management**
- ❖ **Provide written concept paper ahead of June SC on:**
 - ❖ **Co-delegation with baseline principles**
 - ❖ **Roadmap with tasks/milestones against timing**
- ❖ **Get approval of June SC and mandate to implement the roadmap until December SC**