

IPA 2010 CROATIA PROJECT FICHE

HR-2010-04-40-01

1. Basic information

- 1.1 CRIS Number: IPA/2010/022-460
- 1.2 Title: **Flexible Facility for Reinforcement of Administrative Capacity**
- 1.3 ELARG Statistical Code: 04.40 – Supporting Programmes: Project Preparation Facility/Technical Assistance Facility
- 1.4 Location: Croatia

Implementing arrangements:

- 1.5 Implementing Agency:
Central Finance and Contracting Agency (CFCA)

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- 1.6 Beneficiary (including details of SPO)
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Financing :

1.7 Overall cost: EUR 3 967 720

1.8 EU contribution: EUR 3 570 948

1.9 Final date for contracting: 2 years following the date of conclusion of the Financing Agreement.

1.10 Final date for execution of contracts: 2 years following the end date of contracting.

1.11 Final date for disbursements: 3 years following the end date for contracting

2. Overall Objective and Project Purpose

2.1 Overall Objective:

To improve effectiveness of Croatia's preparations for EU accession and to ensure effectiveness and efficiency of the EU programmes in Croatia.

2.2 Project purpose:

To provide flexible technical support (twinning, twinning light, technical assistance) to Croatian authorities aimed at addressing specific needs identified in the course of the negotiations process, as well as to reinforce the institutional capacity for the management of EU funds. This facility will also be used for the projects which are too small to be justified as specific and separate projects under IPA rules.

2.3 Link with AP/NPAA / EP/ SAA

Accession partnership states as a priority the reinforcement of capacity for programming, project preparation, monitoring, evaluation and financial management and control, particularly of line Ministries, to implement EU pre-accession programmes as a preparation for EU cohesion policy. This project is necessary to continue the process of capacity building directly relevant to the *acquis* and introduce reforms to improve the effectiveness of the public administration generally. The State Administration Reform Strategy (SARS), which covers the period 2008-2011, is being updated to reflect the main priorities of the Economic Recovery Programme (ERP) of the government. Revision of the SARS is a key prerequisite for successful implementation of the reforms, especially in preparation for management of the Structural Funds.

The project is applicable to the priorities in all chapters of the Program of the Government of the Republic of Croatia for assumption and implementation of the *acquis communautaire* 2010 where the need for small scale projects will arise.

2.4 Link with MIPD

The MIPD 2009-2011 states, under Executive summary for the IPA Component I, that institution building will also be provided through the *supporting programmes* (fourth area of intervention) for the management of IPA projects and for the re-enforcement of institutional capacity for the management of EU funds.

Furthermore the fourth strategic objective for IPA component I is to re-enforce Croatia's institutional capacity via the supporting programmes for the management of EU funds and projects preparation.

Strategic choices in the area of supporting programmes state that some flexible technical assistance will continue to be provided under IPA component I to the Croatian authorities for assisting them in acquis implementation, project preparation and implementation, as well as reinforcing their institutional capacity for the management of IPA funds.

Furthermore Expected Results in the area of supporting programmes state that the capacity of the Croatian authorities to develop pipelines of projects for IPA support and for managing the IPA funds is substantially increased.

2.5 Link with National Development Plan (where applicable)

Not applicable.

2.6 Link with national/ sectoral investment plans(where applicable)

Not applicable.

3. Description of project

3.1 Background and justification:

Croatia received EU candidate status in June 2004. With regard to pre-accession programmes, in addition to Phare, ISPA and SAPARD which have been open to Croatia since October 2004, Croatia receives assistance under the IPA programme from the year 2007 onwards. Over 2007 and 2008 the Croatian authorities have been preparing for implementation of the IPA programme by establishing an IPA Coordination Authority, as well as the necessary IPA Managing Authorities and Implementing Agencies. European Commission decided on 28 October 2008 to confer management powers relating to the component I – Transition Assistance and Institution Building of the Instrument for the Pre-Accession Assistance (IPA) on the Republic of Croatia.

The European Commission's latest Progress Report on Croatia¹ in relation to Croatia's implementation of EU regional policy and the coordination of structural instruments states that Croatia needs to further strengthen considerably its administrative capacities in the implementation of pre-accession funding under Phare/ISPA and IPA. Particular effort is also needed in ensuring proper management and coordination of various ongoing (and planned) technical assistance actions and training activities aiming at enhancement of administrative capacity. Administrative capacity needs to be

¹ COM(2009) 533 - 14 October 2009

significantly increased in order for Croatia to achieve absorption under IPA and the future Structural Funds. Preparations in this area are not very advanced. Croatia needs to significantly increase its efforts towards preparing a comprehensive and quality project pipeline or implementation of IPA as well as for the Structural Funds/Cohesion Fund. It needs to substantially increase administrative capacity in existing IPA structures and adequately prepare them for the future. The project pipeline for both IPA and the Structural Funds needs to be strengthened to ensure absorption of funds.

Croatia's accession preparation includes the need to establish a flexible institution building instrument to address specific issues of limited scope. This facility will provide the possibility to respond to emerging tasks in a more flexible and immediate way. In particular, projects will be supported in those areas in which an urgent or unforeseen task would come up during the accession negotiations or which have a high priority. Also projects which are too small to be justified as specific and separate projects under IPA rules will be funded through this project.

In order to address these issues Flexible Facility for Reinforcement of Administrative Capacity has been planned under IPA 2010. This project will primarily provide assistance foreseen under the framework of Technical Assistance Facility, although assistance foreseen under the framework of Project Preparation Facility could also be provided in fully justified cases.

The assistance will be provided, *inter alia*, for the following actions:

- supporting *acquis communautaire* implementation;
- reinforcing the institutional and administrative capacity for the management of EU funds (IPA, structural and cohesion funds).

This project will be managed by Central Office for the Development Strategy and Coordination of EU Funds (CODEF) which has a lead role as IPA Coordinating Authority and Sectoral Authority for the Component I of IPA Programme - Transition Assistance and Institution Building.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)

Flexible Facility for Reinforcement of Administrative Capacity should be able to prepare adequate programmes and projects for IPA funding in order to strengthen the institutions and administrative capacity for the full application of the *acquis communautaire* in Croatia and will therefore improve the effectiveness of Croatia's preparations for EU accession. It will also help in strengthening the capacity of institutions responsible for management of current and future pre-accession assistance as well as in increasing their capacity for the management of EU Structural funds.

Overall management of the project shall be carried out by the Central Office for Development Strategy and Coordination of EU Funds (CODEF), who will secure responsible staff for dissemination of information about opportunities under this project.

The areas that need support in terms of technical assistance, twinning light, twinning shall be subsequently identified by the CODEF. The CODEF will decide the appropriate means of support and will subsequently coordinate project applications and project preparation, and monitor project implementation in close co-operation with the Delegation of the European Union to Croatia (EUD) and the Central Finance and Contracting Agency (CFCA). This should ensure sustainability and build capacity for the programme and project management at the national level.

Additionality is ensured. EU funding will not replace other funding from the government or other donors and the EU funded intervention/project will result in benefits which would not occur otherwise.

3.3 Results and measurable indicators:

Results:

Result 1:

Concrete administrative structures and management systems in place which satisfy the requirements of the *acquis communautaire* for a number of areas.

Result 2:

Institutional reform and capacity building ensured for effective implementation and management of current pre-accession assistance as well as increasing capacity for the management of the EU Structural and Cohesion funds.

Measurable indicators:

- Number of project proposals prepared
- Number of project proposals accepted/rejected by the EUD
- Number of TORs developed
- Number of expert working days utilized
- Specific identified tasks have been completed with the help of Member States experts or Technical Assistance.

3.4 Activities:

An envelope for as yet unspecified **institution building** (twinning, twinning light, technical assistance) will be established. Central Office for the Development Strategy and Coordination of EU Funds (CODEF) will launch a call for proposals in order to allocate the funds available under this facility to a number of sub-projects which will be implemented by the final beneficiaries.

Upon receiving the project proposals from the final beneficiaries CODEF will, in cooperation with the Delegation of the European Union to Croatia (EUD), select the projects for financing following a number of fundamental criteria and principles:

- Projects will be based on priorities identified in the last revised Accession Partnership, NPAA focusing on preventing shortages identified in the annual Progress Report for Croatia in order to reinforce administrative capacity of Croatia's institutions.
- The project will target very specific areas where Institution Building support is required in relation to the challenges and requirements of the EU

integration process and to the negotiation chapters; preparation for future structural and regional policies, and preparation of relevant administrative structures for future accession.

- The beneficiary lays out a clear work programme, how it intends to achieve the result and what means it will deploy. The project should make the commitment of the beneficiary to achieve the guaranteed result explicit.
- Size and budget of projects will be subject to individual assessment.
- Type of assistance – technical assistance, twinning light, twinning - will be subject to individual assessment depending on the nature of assistance requested.
- The degree of maturity of projects ("implementation readiness") as well as the absorption capacity of the related Croatian beneficiary institutions will be important factors when deciding on giving priority to and sequencing the projects.
- All projects should be in full compliance with the respective Commission's guidelines and procedures for implementation of projects identified under this Facility.

3.5 Conditionality and sequencing:

Conditionality

Projects to be implemented through twinning or twinning light require the full commitment and participation of the senior management of the beneficiary institution. In addition to providing the twinning partner with adequate staff and other resources to operate effectively, the senior management must be fully involved in the development and implementation of the policies and institutional change required to deliver the project results.

Sequencing

Due to the nature of facility type projects for the time being it is not possible to foresee the precise timing of contracting and disbursements.

3.6 Linked activities

The following projects are linked with Flexible Facility for Reinforcement of Administrative Capacity and were implemented as a pool for financing small-scale projects for technical assistance:

- CARDS 2002 "Capacity Building Facility for Croatian State Institutions" EUR 3,5 M – funds absorbed;
- CARDS 2003 "Further Support to Selected Croatian Institutions under a Capacity Building Facility" EUR 2 M – funds absorbed;
- CARDS 2004 "Capacity Building and Project Preparation Facility" EUR 6,6 M – funds absorbed

Also, under the Phare programme, three facility type projects have been implemented:

- Phare 2005 “Capacity Building and Project Preparation Facility” EUR 4,5 M, with the aim of Capacity of the Croatian state administration increased for the preparation of well justified and good-quality project proposals and tender documentation. The main target is preparation of Phare project documentation. All the funds have been allocated.
- Phare 2005 “Unallocated Institution Building Envelope” EUR 2 M, with the objective of to meet the requirements related to specific urgent and unforeseen needs identified in the course of the accession negotiation process.
- Phare 2006 “Project Preparation Facility and Unallocated Institution Building Envelope” EUR 2,628 M with the overall objective to improve effectiveness of Croatia’s preparations for EU accession.
Under the IPA programme facility type projects continued to be programmed and implemented:
- IPA 2007 “Technical Assistance Facility” EUR 4 M – all the funds have been allocated.
- IPA 2008 “Facility for Project Preparation and Reinforcement of Administrative Capacity” EUR 3,7 M – all the funds have been allocated
- IPA 2009 “Facility for Project Preparation and Reinforcement of Administrative Capacity” EUR 6,5 M – the funds will be allocated in the first quarter of 2010.

3.7 Lessons learned

From the very beginning of using of facilities, Croatian state institutions as potential beneficiaries showed huge interest for this kind of assistance.

Facilities provide an opportunity to identify new beneficiaries, which have no previous experience with EU funds, and to give them an opportunity to implement an EU funded project and to strengthen their capacity. This is a case especially for relatively small beneficiaries such as agencies, decentralized institutions, but also for some larger beneficiaries.

Facilities also provide the possibility to Croatian institutions to fund projects which are too small to be justified as specific and separate projects under IPA rules. These smaller projects provide a more targeted assistance and are more unlikely to meet implementation difficulties.

The experience shows that the demand for this type of assistance, under CARDS, Phare and IPA programme, has always been very high and this type of assistance has been particularly useful to respond quickly to urgent needs in preparation towards accession. This facility is expected to provide Croatia with the possibility to respond to the tasks linked to the further strengthening of the administrative capacity for the full implementation of the *acquis communautaire*.

2009 Country Program Interim Evaluation of EU Pre-accession Assistance to Croatia, under point 5.2 Relevance, states that the small projects facilities established under each PHARE and TAIB programs evolved over time. Initially, a particular emphasis was placed on the support to project pipeline preparation. Recently, these facilities have become more complementary to ordinary programs,

with a special focus on the reinforcement of administrative capacities. When required, facility projects can be used to address specific, urgent gaps coming out in the course of negotiations. With the progressive closing of chapters, the recourse to such facility projects is expected to decrease in quantitative terms, but at the same time to significantly increase with respect to their relevance. A tentative classification of the assistance provided through the facilities by type of objective pursued is drafted in Table 1 below.

Recommendations under an evaluation finalised in 2009 regarding Public Administration Reform in Croatia include the need to continue to promote an appreciation and acceptance of Public Administration Reform in Croatia. This project supports this process.

Table 1 *Use of Project Facilities*

Programs	Specific Negotiations issues	Acquis-related capacity building of public bodies	Support to strategy and policy making, and public administration reform	Support to EU funds management
PHARE	22%	45%	18%	15%
TAIB	24%	50%	17%	10%
Total	23%	47%	18%	12%

4. Indicative Budget (amounts in EUR)

			SOURCES OF FUNDING										
			TOTAL EXP.RE	TOTAL PUBLIC EXP.RE	IPA CONTRIBUTION		NATIONAL PUBLIC CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(e)	EUR (b)=(c)+(d)	EUR (c)	% (2)	Total EUR (d)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (e)	% (3)
Activity 1: Flexible Facility for Reinforce- ment of Administrati- ve Capacity	X		3 967 720	3 967 720	3 570 948	90	396 772	10	396 772				
TOTAL IB			3 967 720	3 967 720	3 570 948	90	396 772	10	396 772				
TOTAL INV													
TOTAL PROJECT			3 967 720	3 967 720	3 570 948	90	396 772	10	396 772				

NOTE: DO NOT MIX IB AND INV IN THE SAME ACTIVITY ROW. USE SEPARATE ROW

Amounts net of VAT

(1) In the Activity row use "X" to identify whether IB or INV

(2) Expressed in % of the **Public** Expenditure (column (b))

(3) 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
Contracts	2Q/2011	4Q/2011	4Q/2014

Due to the nature of this project for the time being it is not possible to foresee the precise timing of tendering, contracting and disbursements.

All projects should in principle be ready for tendering in the 1ST Quarter following the signature of the Financing Agreement.

6. Cross cutting issues (where applicable)

6.1 Equal Opportunity

Equal opportunities and non-discrimination principles will be respected as regarding gender as well as minorities at the programming and implementation stage. Based on the fundamental principles of promoting equality and combating discrimination, participation in the project will be guaranteed on the basis of equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

6.2 Environment

Not applicable.

6.3 Minorities

The project does not directly involve activities with a minority's impact.

ANNEXES:

Annex 1: Logical framework matrix

Annex 2: Amounts contracted and disbursed per Quarter over the full duration of Programme

Annex 3: Description of Institutional Framework

Annex 4: Reference to laws, regulations and strategic documents

Annex 1: Logical framework matrix

Flexible Facility for Reinforcement of Administrative Capacity		Programme name and number IPA 2010	IPA/2010/022-460
Central Office for Development Strategy and Coordination of EU Funds		Contracting period expires: 2 years following the date of conclusion of the Financing Agreement	Disbursement period expires: 3 years following the end date for contracting
		Total budget : EUR 3 967 720	IPA budget: EUR 3 570 948
Overall objective	Objectively verifiable indicators	Sources of Verification	
To improve effectiveness of Croatia's preparations for EU accession and to ensure effectiveness and efficiency of the EU programmes in Croatia.	<ul style="list-style-type: none"> - Time taken for negotiations reduced - Acceleration of number of Chapters closed in accession negotiations - Absorption rate of the EU programmes 	<ul style="list-style-type: none"> - Progress report - EU regular reports - Croatian Government reports - JMC reports - NF financial records 	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
To provide flexible technical support (twinning, twinning light, technical assistance) to Croatian authorities aimed at addressing specific needs identified in the course of the negotiations process, as well as to reinforce the institutional capacity for the management of EU funds. This facility will also be used for the projects which are too small to be justified as specific and separate projects under IPA rules.	<ul style="list-style-type: none"> - Acceleration of progress within ministries/institutions towards meeting the requirements of the acquis and Structural and Cohesion Funds strategy - Number of negotiation chapters opened and closed - Fulfilment of negotiation benchmarks - Percentage of available funding for EU programmes absorbed 	<ul style="list-style-type: none"> - Progress report - EU Regular Reports - Croatian Government reports - JMC reports - NF financial records 	

Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>Result 1: Concrete administrative structures and management systems in place which satisfy the requirements of the <i>acquis communautaire</i> for a number of areas.</p> <p>Result 2: Institutional reform and capacity building ensured for effective implementation and management of current and future pre-accession assistance as well as increasing capacity for the management of the EU Structural and Cohesion funds.</p>	<ul style="list-style-type: none"> - Number of project proposals prepared - Number of project proposals accepted/rejected by the EUD - Number of TORs developed - Number of expert working days utilized - Specific identified tasks have been completed with the help of MS experts or Technical Assistance 	<ul style="list-style-type: none"> - EU Regular Reports - Minutes of SPO/PIU meetings - Mission consultants reports, workshop outputs - SMSCs reports - CFCA records 	
Activities	Means	Costs	Assumptions
An envelope for as yet unspecified institution building (twinning, twinning light, technical assistance) would be established in the framework of Flexible Facility for Reinforcement of Administrative Capacity.	TA/ Twinning/ Twinning Light	EUR 3 967 720	
			Preconditions
			-

ANNEX II: amounts (in €) Contracted and disbursed by quarter for the project

Contracted	2011			2012				2013			
	II	III	IV	I	II	III	IV	I	II	III	IV
Flexible Facility for Reinforcement of Administrative Capacity			2 000 000			1 967 720					
Cumulated			2 000 000			3 967 720					
Disbursed	2011			2012				2013			
	II	III	IV	I	II	III	IV	I	II	III	IV
Flexible Facility for Reinforcement of Administrative Capacity					2 000 000			1 967 720			
Cumulated					2 000 000			3 967 720			

Due to the nature of Flexible Facility for Reinforcement of Administrative Capacity, for the time being it is not possible to foresee the precise timing of contracting and disbursements, and the number and value of contracts.

ANNEX III: Description of Institutional Framework

Overall management of the project shall be carried out by the Central Office for the Development Strategy and Coordination of EU Funds (CODEF), as the administration unit responsible for overall aid coordination and IPA Coordination Authority, as well as the National IPA Coordinator (NIPAC).

Currently, CODEF supports the Croatian state administration bodies in the preparation of project proposals in line with the priorities from the European Partnership and National Programme for the Integration of the Republic of Croatia into the European Union and also assists the state administration bodies in preparation for IPA programme.

The areas that need support shall be identified by the CODEF which will, together with the potential beneficiary institutions, decide on the appropriate means of support.

CODEF will subsequently coordinate project applications and project preparation, and monitor project implementation in close co-operation with the Delegation of the European Union to the Republic of Croatia and the Central Finance and Contracting Agency (CFCA).

ANNEX IV: Reference to laws, regulations and strategic documents:

1. Council Decision of 12 February 2008 on the principles, priorities and conditions contained in the **Accession Partnership** with Croatia and repealing Decision 20046/145/EC
2. Program of the Government of the Republic of Croatia for assumption and implementation of the *acquis communautaire* 2010
3. IPA Multi-annual Indicative Planning Document (MIPD) 2009-2011
4. Croatia 2009 Progress Report COM (2009) 533 of 14 October 2009

ANNEX V: Details per EU funded contract

The exact number and budget of contracts will be known following the selection of sub-projects under this facility. Four types of contracts are foreseen under this facility: service contracts, framework contracts, twinning contracts and twinning light contracts.