1 **BASIC INFORMATION**

1.1 CRIS Number: HR2005/7/1

1.2 Title: **Capacity Building and Project Preparation Facility (CaBaPPF)**

1.3 Sector: 99810

1.4 Location: Croatia

1.5 Duration: 24 months

2 **OBJECTIVES**

2.1 **Overall Objective(s)**

The overall objective of the **Capacity Building and Project Preparation Facility (CaBaPPF)** is to improve planning and implementation of Phare and IPA funds in Croatia to speed up the implementation of the *acquis communautaire*.

2.2 **Project purpose**

The purpose of the CaBaPPF is to ensure that the Croatian authorities submit high-quality project proposals to the EC and to support effective implementation of Phare and IPA projects in Croatia.

2.3 **European Partnership (EP) and NPIEU priority**

The project will enhance the authorities’ ability to prepare projects that help Croatia meet the full range of its European Partnership and NPIEU priorities. The project has been designed in a flexible manner to support the initiatives which are in line with the EP and NPIEU. Also the findings of the relevant European Commission's upcoming regular reports can be the source of the projects to be funded under the CaBaPPF.

2.4 **Contribution to National Development Plan**

Generally the contribution to the NDP is not applicable, but upon completion of the National Development Plan in Croatia, also the preparation of the Economic and Social Cohesion priority area projects may be funded under the CaBaPPF.

2.5 **Cross Border Impact**

Not applicable.

3 **DESCRIPTION**

3.1 **Background and justification**

The Project Preparation Facility (PPF) scheme introduced by the European Commission for the former candidate countries has been used for the fast and flexible interventions to support the adoption of *acquis communautaire* and for the preparation of projects to be funded under the pre-accession programmes. Also under CARDS 2002, 2003 and 2004 the similar Administrative Capacity Building
Facilities (ACBF) in Croatia have been fully absorbed (CARDS 2002 – fully committed, CARDS 2003 – fully committed, CARDS 2004 – 75%), which also proves the sustainability and wide usage of the similar instrument in Croatia.

The PPF projects have been considered being successful in terms of delivering short-term assistance in:
- Designing effective strategic plans in different sector areas, often followed by the more detailed investment strategies;
- Supporting planning and programming the EU funded projects by assisting in stakeholder consultations, drafting the Project Fiches and their annexes;
- Drafting the tender documents for the implementation of the EU funded projects.

It is proposed that based on the lessons learned from the former candidate countries - the similar needs of the Croatian state administration should also be supported. It is necessary to take into consideration, that:

1) In many cases the Croatian institutions need support in drafting the appropriate sector strategies to form the framework of the effective change initiatives. As the Croatian Government has decided to take up the steps to substantially reform the public administration and to adopt the agenda of EU accession, many existing strategies to date need thorough refinement and subsequently require support in the form of technical assistance. In some cases the technical assistance is needed to enhance existing strategies or develop sub-strategies, such as investment strategies. Furthermore, PHARE and IPA programming also require the existence of strategic documents, drafting which would sometimes need outside support.

2) Croatian state institutions lack experience in programming and achieving mature project proposals under tight programming deadlines. It is foreseen that the programming of PHARE and IPA (the latter of which is intended to open for Croatia starting from financial year 2006 according to proposal of Council Regulation COM(2004)0067 – C6-0000/2005 – 2004/0222(CNS) establishing an Instrument for Pre-accession Assistance (IPA)) will more increasingly be targeted both to financing institution building and economic and social cohesion projects. With the previous experience in programming CARDS projects, much more emphasis is to be put on the effective stakeholder consultations. In many cases additional preparations are needed in order to provide the projects with adequate cost-benefit analyses, feasibility studies and/or market analyses to guarantee that the financed projects target well the specific needs and that the funds are used in the most efficient manner possible.

3) The third pillar that often requires additional short-term interventions in Croatia is the area related to the implementation of the EU financed projects. In many cases thorough project implementation documentation in the form of technical specifications or terms of reference need to be drafted in order to initiate the tender procedures for acquiring the services or supplies required. Often the technical know-how required for drafting for the project implementation documentation is either too specific for the Croatian institutions or alternatively the drafting process would prove to be unreasonably time consuming for the non-specialists of the field. In those cases the assistance of experts would allow speedier approach and also provide the Croatian authorities with hands-on training.
However, in many cases in the former candidate countries, technical assistance experts engaged under the Project Preparation Facility were taking over the workload of the state administration. The same has been frequently the case also with CARDS 2002-04 ACBF projects.

It must be therefore ensured that the Croatian state administration also receives on-the-job training and guidance from the experts delivering the agreed outcomes. By doing so, the capacity of the Croatian state administration bodies would be enhanced to tackle with the similar problems in the future. Therefore the interventions under the facility in Croatia must to a maximum extent be related also to training and capacity building of the Croatian state administration bodies.

Based on the problem analysis above, it is proposed that the **Capacity Building and Project Preparation Facility (CaBaPPF)** is set up under Phare 2005 programme in order to tackle the problems spelt out above.

The CaBaPPF should consist of two components, which are targeting the same types of assistance with different means:

1. **Technical assistance contract for Capacity Building Facility (CaBA)**
   The Capacity Building Facility consists of a single Technical Assistance contract which provides both long-term and short-term expertise targeted at increasing administrative capacity across the sector areas. The CaBA is mainly addressing the institution building needs of the Croatian state administration bodies.

2. **Pool of small contracts for Project Preparation Facility (PPF)**
   The Project Preparation Facility consists of unallocated sum of funds which should cover the financing of the small technical assistance and twinning light projects, amounting between 50 000 - 200 000 EUR per single project.

The involvement of the civil society stakeholders was not considered during the preparation of the present project fiche as it is found not applicable in preparing the project proposals to be funded under the CaBaPPF. The CaBaPPF addresses the needs and requirements of the Croatian state institutions and the NGOs are not seen as directly benefiting or having role in project's activities.
3.2 **Sectoral rationale**  
Not applicable.

3.3 **Results**  
Upon its completion, the Capacity Building and Project Preparation Facility should have rendered the following results.

Result 1: Administrative Capacity of Croatian State Administration increased for implementing the obligations arising from European Partnership and NPIEU.

Result 2: Capacity of the Croatian state administration increased for the preparation of well justified and good-quality project proposals and tender documentation:
- Sector strategies or investment strategies prepared;
- Stakeholder consultations carried out during the project preparation phase;
- Project fiches prepared;
- Feasibility studies/market studies/cost-benefit analyses for investment components in the projects and technical designs and bills of quantity prepared and provided as annexes to the fiches;
- Logframes prepared and finalised and provided as annexes to the fiches;
- Project tender documentation (terms of reference, technical specifications, other supporting materials for tender dossiers) prepared.

3.4 **Activities (including Means)**  
The activities of the project include some or all of the following activities, but should not be strictly limited to the following list:
- Drafting or assessment of sector strategies or multi-sector strategies for the harmonisation of national legislation with the *acquis*, and its implementation, or for the future use of EU pre-accession funds. The special focus of the strategies should identify remaining “gaps” in compliance with the acquis and to assess institutional readiness for its full implementation;
- Drafting of (pre-)feasibility and impact studies in relation to Croatia’s compliance with the acquis communautaire and carrying out (pre-)investment studies (environmental impact assessments, business plans, market studies, economic and cost-benefit analysis, investment appraisals etc) for the upcoming investments;
- Carrying out or facilitating workshops for the stakeholder consultations or for project preparation;
- Preparation of project fiches, logframes and all subsequent annexes to programming documents;
- Preparation of procurement documents (terms of reference, technical specifications, bills of quantities, guidelines for grant schemes and other supporting documents for tender dossiers);
- Providing training and study tours relevant to any of the above-mentioned activities.

3.5 **Linked Activities**  
Previous projects carried out in this field are as following:
• CARDS 2002 “Capacity Building Facility for Croatian State Institutions” 3,5 MEUR – funds absorbed¹;
• CARDS 2003 “Further Support to Selected Croatian Institutions under a Capacity Building Facility” 2 MEUR – funds absorbed;
• CARDS 2004 “Administrative Capacity Building - Public Administration Reform” 6,6 MEUR – 75% of funds allocated, remaining 25% covered with a potential list of projects to be financed.

- Also the following facilities are used to support short-term and small-scale assistance schemes as either complementary or alternative source of financing:
  • TAIEX assistance.
  • SIGMA programme under the CARDS regional programme, primarily in public finance and public administration reform provides further small-scale and short-term assistance regarding civil service matters, fiscal management, financial control, audit, procurement and tax administration.
  • Swedish Institutional Support Fund (under SIDA bilateral assistance) for short-term acquis-related projects, mostly under 100 000 EUR.
  • Small-Scale Technical Assistance Facility (managed by the European Commission Delegation in Croatia).

- In broad terms, all institution building projects financed under the national CARDS programme since 2001 and all Phare 2005 institution building projects can be considered as linked activities to the CaBaPPF.

3.6 Lessons learned

The absorption of funds is dependent on an adequate flow of information to potential beneficiaries. With respect to that, an effective co-ordination of the Ministry of Foreign Affairs and European Integration plays a crucial role. Application procedures need to be kept as simple as possible. As has been the case with the CARDS 2002-2004 ACBF, after the first round of call for proposals, the remaining funds can be allocated on the "highest priority" principle.

Due to several linked activities, it is necessary that the co-ordination between these different financing activities is carried out in due manner. Also the European Commission Delegation in Croatia should be well informed and participate in the financing decisions.

The experience with the CARDS 2002-2004 ACBF indicates that a supply component can sometimes be crucial for a successful technical assistance project (e.g. specialised software). It is therefore proposed to include a possibility for a supply component in a project financed under this facility, provided that it is limited and based on a proper needs assessment study.

Also several lessons learned from the former candidate countries have been taken into consideration as elaborated under section "3.1 Background and justification" above.

¹ All the project data related to absorption and implementation of ACBF funds given as of March 2005, during the time of drafting the present Project Fiche.
4  Institutional Framework

4.1 Sustainability and ownership

Overall management of two project components: Capacity Building Facility and Project Preparation Facility shall be carried out by the Ministry of Foreign Affairs and European Integration (MFAEI), who will secure responsible staff for dissemination of information about opportunities under the CaBaPPF.

The areas that need support in terms of technical assistance shall be subsequently identified by the MFAEI. The MFAEI will decide the appropriate means of support. This includes the verification whether the funding requests of the line ministries will be supported using the Capacity Building Facility or Project Preparation Facility. The MFAEI will subsequently coordinate project applications and project preparation, and monitor project implementation in close co-operation with the EC Delegation and the Central Finance and Contracting Unit (CFCU). This should ensure sustainability and build capacity for the programme and project management at the national level. The analysis of sustainability of each individual project needs to be done at the time of project application.

4.2 Set-up of the Component 1 - Capacity Building Facility

The Capacity Building Facility shall provide 2-3 long-term experts and a pool of short-term experts. The team leader of the Technical Assistance contract providing the Capacity Building Facility must ensure the co-ordination of the activities of the long-term experts and the pool of short-term experts while liaising with the MFAEI and with the EC Delegation.

The long-term experts must be continuously based in Zagreb, Croatia. They should deliver and facilitate continuous training on the strategy drafting, project preparation, tender document preparation and other activities related to the CaBaPPF activities.

The pool of short-term experts must be available for short-term missions in order to supply focused assistance in specific sector areas of *acquis communautaire*. The support includes, but is not limited to drafting feasibility studies, impact assessments, drafting tender documentations.

The sector where the short-term expertise is sought must be identified on the basis of priorities identified in the European Partnership and NPEUI. The short-term expertise requirements must be identified in the Terms of Reference of the Technical Assistance contract after the mutual consultations between the MFAEI and EC Delegation. However, the contractor providing the short-term experts in the framework of the Technical Assistance assignment must remain flexible to respond to the particular needs of the MFAEI and with the EC Delegation.

4.3 Project selection of the Component 2 – Project Preparation Facility

The use of the Project Preparation Facility will be linked to the institutional set up for identifying and preparing a project pipeline to be financed under Phare and IPA. The projects financed under the PPF should be amounting between 50 000 - 200 000 EUR per single project.
The MFAEI will on the basis of the projects identified for support under the Phare National Programme, carry out a technical check of the summary descriptions and draw up a list of projects to be supported under this facility. This list will be sent to the EC Delegation for endorsement prior to the tender dossier elaboration. The EC Delegation shall be closely involved in discussing and refining this list before its formal submission. The MFAEI's proposal to the EC Delegation will include a summary description of the preparatory support required by each of the target projects.

The agreed summary descriptions of the projects will be developed into full Terms of Reference by the relevant beneficiaries. Once the Terms of Reference have been approved by the EC Delegation and/or the CFCU, the CFCU will make a call for proposals (for framework contracts) or proceed directly to contracting (direct contracts). If twinning light is decided to be used then the procedures foreseen in the twinning manual will apply.

4.4 Risk analysis

The underlying assumption is that there is a continuous commitment by the Government of Croatia for the EU Accession and the public administration reform. The risk assessment with regard to the specific projects under this facility needs to be made at the time of proposing specific projects. However, there are potential risks involved especially with regard to the CaBaPPF. In the following the likelihood of a risk is indicated in brackets:

- The late signing of the Financing Memorandum does not allow the CaBaPPF to be used for priority areas (high);
- Beneficiary institutions do not have sufficient language skills and capacity to draft relevant project planning and design documents (medium);
- There are delays because qualified experts cannot be identified and mobilised (low/medium).

5 Detailed Budget (in Thousand EUR)

<table>
<thead>
<tr>
<th>€M</th>
<th>Phare/Pre-Accession Instrument support</th>
<th>Co-financing</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>National Public Funds (*)</td>
<td>Other Sources (**)</td>
<td>Total Co-financing of Project</td>
</tr>
<tr>
<td>Year 2005 - Investment support jointly co funded</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment support – sub-total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of total public funds</td>
<td>max 75 %</td>
<td>min 25 %</td>
<td></td>
</tr>
</tbody>
</table>
### Year 2005 Institution Building support

<table>
<thead>
<tr>
<th>Sub-project</th>
<th>2.175.000</th>
<th></th>
<th>2.175.000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-project 2</td>
<td>2.340.000</td>
<td></td>
<td>2.340.000</td>
</tr>
<tr>
<td>IB support</td>
<td>4.515.000</td>
<td></td>
<td>4.515.000</td>
</tr>
</tbody>
</table>

| Total project 2005 | 4.515.000 |             | 4.515.000 |

(*) contributions from National, Regional, Local, Municipal authorities, FIs loans to public entities, funds from public enterprises

(**) private funds, FIs loans to private entities

1. All **investment** sub-projects supported by PHARE must receive co-financing from **national public funds**. Minimum requirement for co-financing from national public funds is 25% of the combined PHARE and national contributions to the overall investment support.

2. Many Institution building projects will also have a degree of co-financing – this should be quantified and included wherever possible.

3. Expenditure related to equipment (regulatory infrastructure or ESC-related) and to Technical Assistance supporting investment (e.g. pre-feasibility study/supervision of works/technical specifications) should be considered as Investment support in the project fiche.

4. All co-financing must be provided on a joint basis. Parallel co-financing will, in principle, not be accepted. Exceptions to this rule have to be agreed with the Commission in advance.

5. All co-financing should be clearly quantified, also the degree of certainty of such co-financing (i.e. for National Public Funds: is it already earmarked in local or national budget, for FIs Loans, private funds: are they already approved/under appraisal, etc.).

6. Where parallel co-financing is accepted and justified per exception to the normal rule it should be provided in monetary form. If this is not possible there should be clear criteria set out for the valuation of any non-monetary contributions (that should be quantified in the table).

7. If twinning is involved, clearly state the expected budget of the twinning covenant.

8. The financial engineering of the project should be closely monitored against actual delivery during implementation and against the objectives that were set in the project fiche so that corrective actions may be taken where required.

### 6 IMPLEMENTATION ARRANGEMENTS

#### 6.1 Implementing Agency

Programme Authorising Officer
Ms Vladimira Ivandić
Assistant Minister
Ministry of Finance
Katanciceva 5
10000 Croatia
6.2 Twinning
Not applicable.

6.3 Non-standard aspects
Not applicable, because the Practical Guide to contract procedures financed from the General Budget of the European Communities in the Context of External Actions (the PRAG) will be strictly followed. In exceptional circumstances, the direct award process may be considered for projects of smaller scale.

6.4 Contracts
Technical assistance contract for Capacity Building Facility will be announced as a single international tender in the total amount of maximum 3 000 000 EUR.

Assistance contracts for Project Preparation Facility may be contracted through a few relatively large contracts to cover all assistance needs in each year or, alternatively, through a larger number of smaller contracts for each specific piece of assistance. The total number of contracts under Project Preparation Facility should therefore be 2 to 35. Mainly the framework contract for technical assistance or twinning light should be used as methods for contracting the services. In special cases minor supplies may be contracted within the TA contract(s).

7 IMPLEMENTATION SCHEDULE

7.1 Start of tendering/call for proposals: November 2005
7.2 Start of project activity: January 2006
7.3 Project completion: November-December 2008

8 EQUAL OPPORTUNITY
Experts engaged under the project will not be disadvantaged on the basis of their gender, ethnic origin or disabilities.

9 ENVIRONMENT
n/a

10 RATES OF RETURN
n/a

11 INVESTMENT CRITERIA (APPLICABLE TO ALL INVESTMENTS)
n/a

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2 The dates are subject to change depending on the actual signature of the Financing Memorandum.
12 CONDITIONALITY AND SEQUENCING

In all cases where assistance is provided under this facility, there must be a strong emphasis on ensuring that the facility provides a lasting improvement in the capacity of Croatian institutions to prepare projects themselves in future.

The projects financed under this Facility will be located mainly in Zagreb in premises provided by the various Project Partners. Study visits, workshops, seminars etc. will be either organised in Zagreb or organised in Brussels, the EU Member States and/or in the candidate countries.

Annexes to the Project Fiche:
Annex 1 – Logframe
Annex 2 – Detailed Implementation Chart
Annex 3 – Contracting and Disbursement Schedule
## Capacity Building and Project Preparation Facility (CaBaPPF)

**Ministry of Foreign Affairs and European Integration**

<table>
<thead>
<tr>
<th>Programme name and number</th>
<th>HR2005/7/1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall objective</strong></td>
<td></td>
</tr>
<tr>
<td>Improve planning and implementation of Phare funds in Croatia to speed up the implementation of the <em>acquis communautaire</em>.</td>
<td>Proposed projects meet Phare quality thresholds for proposals.</td>
</tr>
<tr>
<td><strong>Project purpose</strong></td>
<td></td>
</tr>
</tbody>
</table>
| Croatian authorities will submit high-quality project proposals to the EC and ensure effective implementation of Phare projects in Croatia. | - Increased quality of Project Fiches (No. fiches returned by MFAEI for rewriting)  
- No. of tenders launched  
- % of available funding absorbed | - Progress Reports on the implementation of the EU Accession Strategy  
- EC records  
- CFCU records |
| **Results**               |             |
| Result 1 – Administrative Capacity of Croatian State Administration increased for implementing the obligations arising from European Partnership and NPIEU | - No. and quality (relevance) of *acquis* related sectoral strategies developed  
- Project proposals to Commission show increasing quality and relevance  
- No of studies, tender dossiers produced and submitted within the deadlines set  
- Average time to prepare project documents of acceptable quality | - EC Regular Report  
- Sectoral strategy/procurement docs produced  
- Minutes of the meetings  
- Mission reports, workshop outputs  
- CFCU records |
| Result 2 – Project Preparation Facility implemented |             |
| **Activities**            |             |
| A technical assistance project and a number of demand-driven contracts submitted for the financing under CaBaPPF that are implemented via: | 2 175 000 € for:  
- Technical Assistance |
| - Drafting or assessment of strategies, studies (EIA, CBA etc), project fiches, logframes, procurement documents;  
- Carrying out or facilitating workshops;  
- Providing training and study tours relevant to any of the above-mentioned activities. | 2 340 000 € for:  
- Technical Assistance (framework contracts) or Twinning Light |
| **Means**                 |             |
| **Assumptions**           |             |
| Continuous commitment of the senior staff and beneficiary institutions  
Good quality training is made available to line institutions |

**Preconditions:**

1. Sufficient administrative capacity at Ministry of Foreign Affairs and European Integration and line ministries
2. Ownership and motivation of stakeholders to effectively participate and gain from available support and training
### ANNEX 2 – DETAILED IMPLEMENTATION CHART

<table>
<thead>
<tr>
<th>Capacity Building and Project Preparation Facility (CaBaPPF)</th>
<th>Detailed Implementation Chart</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
</tr>
<tr>
<td>CaBA implementation</td>
<td></td>
</tr>
<tr>
<td>PPF tendering</td>
<td>T</td>
</tr>
<tr>
<td>PPF contracting</td>
<td>C</td>
</tr>
<tr>
<td>PPF implementation</td>
<td></td>
</tr>
</tbody>
</table>

NB! Due to demand-based nature of the PPF it is not possible to accurately predict precise timing of the project phases.

### ANNEX 3 – CONTRACTING AND DISBURSEMENT SCHEDULE

#### Capacity Building and Project Preparation Facility (CaBaPPF)

<table>
<thead>
<tr>
<th>Cumulative contracting schedule by quarters in EUR (provisional)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
</tr>
<tr>
<td>I</td>
</tr>
<tr>
<td>CaBA Technical Assistance</td>
</tr>
<tr>
<td>Contracts under PPF</td>
</tr>
</tbody>
</table>

**TOTAL (EUR):**

| 2006 | 2007 | 2008 |
| 500 000 | 3 500 000 | 4 000 000 |
| 4 000 000 | 4 175 000 | 4 515 000 |

#### Cumulative disbursement schedule by quarters in EUR (provisional)

| 2006 | 2007 | 2008 |
| 200 000 | 1 900 000 | 2 100 000 |
| 2 800 000 | 3 400 000 | 4 300 000 |
| 4 175 000 | 4 515 000 | 4 515 000 |

**TOTAL (EUR):**

| 2006 | 2007 | 2008 |
| 200 000 | 1 900 000 | 2 100 000 |
| 2 800 000 | 3 400 000 | 4 300 000 |
| 4 175 000 | 4 515 000 | 4 515 000 |

NB! Due to demand-based nature of the PPF it is not possible to accurately predict precise timing of contracting and disbursements.