Phare 2006 Project Fiche

1. Basic Information

1.1 CRIS Number: HR2006/018-113/7/1

1.2 Title: Development of Institutional Capacity and Project Pipeline for Structural Funds

1.3 Sector: 99810

1.4 Location: Croatia

1.5 Duration: 36 months

2. Objectives

2.1 Overall Objective(s):

To prepare the Croatian public administration for Croatia’s effective participation in EU structural policy.

2.2 Project Purpose:

To develop the institutional and human capacity of the Croatian central and regional/administration for the management and absorption of the EU Structural Funds.

2.3 Accession Partnership (AP) and National Programme for the Integration of the Republic of Croatia into the EU (NPIEU) priority

The Accession Partnership1 (AP) defines the following priorities under acquis chapter 22: ‘Regional Policy and Coordination of Structural Instruments’:

- In the short-term:

  1. To develop a comprehensive and coherent strategy in the field of regional development

  2. To select and build up the capacity of key Managing Authorities and (Implementing) Bodies for the implementation of structural instruments.

- In the medium-term:

  1. To ensure a clear distribution of responsibilities and strengthen coordination, both at inter-ministerial level and between national and regional authorities;

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2. To continue to build up of capacity in the designated Managing and Paying Authorities;

3. To improve the design and implementation of regional development plans;

4. To set up proper monitoring and evaluation systems and to enhance financial management and control procedures;

5. To introduce adequate regional statistics.

In response to short-term priority (1) and to mid-term priorities (1) and (3), the Croatian authorities have elaborated a National Strategy for Regional Development (NSRD) and are preparing a single legal framework which aims to incorporate the existing fragmentary legislation relating to underdeveloped Croatian regions. In the drafting of this framework, account is being taken of the need to harmonise Croatian laws with the obligations of the EU Structural Funds Regulations (NPIEU, 2005: measures 276 and 291).

This project will address:

- Short-term priority (2) and mid-term priorities (2) and (4) through developing the capacity of future SF Managing Authorities (MAs), Implementing Bodies (IBs) and Paying Authorities (PAs) to undertake the management of the Operational Programmes covered by Croatia’s future ‘National Strategic Reference Framework’ (NSRF)

- Mid-term priorities (1) and (3) by preparing a pipeline of national, regional and local projects

2.4 Coherence with National Development Plan (and/or Structural Funds Development Plan)

The current project is an institution building project and the requirement for coherence with the National Development Plan as such is not directly applicable. However, as the project aims to develop the institutional capacity for the management of Structural Funds upon accession, the following developments in the field of national development planning need to be mentioned:

Under the current EC requirement an overall strategic planning document will be required for the future programming of IPA² Components III (Regional Development) and IV (Human Resources). This document, the Croatian ‘Strategic Coherence Framework’ (SCF) is currently under preparation. The content of the SCF will be drawn from existing national strategic documents, principally: the NSRD; ISPA environment and transport strategies; EC Regular Reports on Croatia’s progress towards EU accession; the draft Joint Assessment Paper (JAP), the draft Joint Inclusion Memorandum (JIM) and other relevant national strategic documents.

The Government of Croatia plans to use the SCF as a pre-cursor to the preparation of its NSRF, which each Member State will need to elaborate for the EU Structural Funds over the period 2007-13. This project will support the preparation of an NSRF for Croatia and will: (i) build the institutional capacity and (ii) formulate appropriate

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² IPA=Instrument for Pre-Accession. IPA will have 5 Components, namely: (I) Transition Assistance and Institution Building; (II) Regional and Cross-Border Co-operation; (III) Regional Development; (IV) Human Resource Development; (V) Rural Development
projects to ensure the implementation of Croatia’s NRSF and its Operational Programmes, this being a major contribution towards achieving the project’s purpose of establishing the administrative capacity to manage future Structural Funds.

2.5 Cross Border Impact

Not applicable

3. Description

3.1 Background and Justification:

3.1.1 Croatian experience of EU programme /project cycle management
From 2001 to 2004 Croatia was a beneficiary of the EU CARDS programme which, over this time period, was the largest single assistance programme running in the country with a collective funding volume of M€ 262 (national CARDS component), allocated to 119 individual projects. In June 2004, Croatia became an EU Candidate Country with the consequence that the EU pre-accession programmes, Phare, ISPA and Sapard, became available; over the period 2005-2006 they replaced CARDS as the main source of external assistance funding. These programmes, themselves, will be replaced by the single, integrated ‘Instrument for Pre-Accession’ (IPA) from 2007 onwards.

Programming, Project Identification & Formulation
To date, the Croatian administration has extensive experience of the first 3 stages of the EU project cycle namely: ‘programming’; ‘identification’ and ‘formulation’. Over 4 successive years (2001-4) the responsible authorities established a good track record for identifying and formulating CARDS project proposals and of submitting relevant and well prepared projects within the agreed deadlines. CARDS annual programming was suspended in 2004 and 2005 was the first year of Phare and ISPA programming in Croatia. Programming of these pre-accession instruments represented a significant departure from previous CARDS practices for 2 reasons:

(i) Project Identification was more complex because, unlike the preceding CARDS programme, both Phare and ISPA are specifically accession-driven to the point that project proposals are deemed ineligible for funding if they are not clearly related to the adoption of the acquis (Phare) or meeting EU standards and joining EU networks (ISPA). This adds an additional layer of programming documents against which projects must be identified, namely the European /Accession Partnership, the NPIEU, national environment and transport strategies.

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3 The total allocation for Croatia from the pre-accession envelope in the budget period 2005-2006 amounts to 245 million € (160 M€ from Phare; 60 M€ from ISPA and 25 M€ from Sapard).

4 The standard EU project cycle has 5 stages: (1) Programming; (2) Identification; (3) Formulation; (4) Implementation (including monitoring); (5) Evaluation (including audit). EC Project Cycle Management Guidelines, March 2004.

5 CARDS projects were identified from the following programming documents: Croatia’s Stabilisation and Association Agreement (SAA); the Croatia Country Strategy Paper and its associated Multi-annual Indicative Programme (MIP), 2002-4.
(ii) Project Formulation was more demanding because, unlike CARDS\(^6\), Phare and ISPA Project Fiches are expected to be implementation documents in their own right. Accordingly, Project Fiches, of necessity, include considerable detail on how projects will be implemented and contain compulsory annexes covering detailed implementation schedules; commitment and disbursement schedules; lists of relevant legislation; summaries of appropriate sector strategies and feasibility studies.

Implementation, Monitoring and Evaluation
The situation at the time of preparing this project proposal (March 2006) is that Phare projects have yet to start and the Croatian Government’s experience of implementing EU assistance programmes is limited to the CARDS programme. The experience of the Croatian administration in managing procurement procedures; project monitoring /evaluation; financial control and audit therefore needs to be reinforced.

One major consequence of Croatia's Candidate Country status is that the management of all projects funded by the Phare and ISPA programmes will be decentralised. Since 2004 the responsible Croatian authorities have been in the process of establishing an implementation system for the management of EU-funded projects /programmes. This system is based on a standard model system developed by the EC (the “Decentralised Implementation System –DIS) and used by all the former and current Candidate Countries. An essential pre-condition for the full decentralisation of programme management responsibilities is that the implementation system is fully accredited\(^7\), a process which involves an independent assessment by both national and EC auditors.

The main elements of the Croatian DIS are: the National Fund (NF), the Central Contracting and Financing Unit (CFCU), a network of 21 Senior Programming Officers (SPOs) and a monitoring system comprised of a Joint Monitoring Committee (JMC) plus 6 Sectoral Monitoring Sub-Committees (SMSCs). These elements were in place by mid-2005 and accordingly the Croatian Government formally applied to the EC for DIS-accreditation on 3/6/05 (for the Phare programme) and 27/7/05 (for the ISPA programme). The Final EC Audit Report was sent to the Croatian Government on 6/12/05; it contained no ‘blocking’ findings and in the auditor’s opinion the proposed system to manage EU assistance funds in Croatia complies: “in all material aspects with the key criteria of the Financial Regulations”. Accordingly a positive EC decision on DIS accreditation is expected in early 2006.

3.1.2 Preparations for the Instrument for Pre-Accession (IPA)
2006 will be the last year of Phare and ISPA in Croatia and IPA 2007 programming is expected to start soon after the finalisation of the Phare 2006 programme in March 2006. The shift from Phare /ISPA to IPA will present another significant challenge for the Croatian Government in that IPA Components III and IV (Regional Development and Human Resource Development) are intended to prepare the administration to manage upcoming EU Structural Funds (SF) and will be based on SF Programming principles.

In practice this means that projects for IPA Components III and IV will be identified from multi-annual SF-type Operational Programmes (see Table 1, below) which are consistent with a national Strategic Coherence Framework (SCF). The institutional

\(^6\) EC programming guidance for CARDS programming 2001-4 limited CARDS Project Fiches to a maximum length of 3 pages (including an annexed logical framework) and contained little if any implementation information.

\(^7\) Accreditation is an EC pre-condition for the financial decentralisation of projects funded by the EU pre-accession programmes Phare and ISPA.
requirements for IPA implementation are currently being elaborated by the EC in the form of a Commission implementing regulation, this regulation is expected to be in place shortly after the IPA Council framework regulation has been adopted in the spring of 2006. Current EC guidance indicates that there will be a need to designate a National IPA Coordinator (NIPAC) and establish a NIPAC secretariat. The NIPAC and its secretariat will be responsible for programming and monitoring the implementation of IPA and for ensuring overall coordination of all IPA Components. In addition, a ‘Sectoral Coordinator’ for Components III and IV will be responsible for coordinating the Operational Programmes under these components within the framework of the SCF so as to ensure integrated programming and synergy. The NIPAC and the Component III and IV Sectoral Coordinator will be located in the Central Office for Development Strategy (CODS).

For each Operational Programme (OP), it will be necessary to establish a Managing Authority (MA) within the responsible ministry. The institutional framework for managing IPA components III and IV in Croatia is shown in Figure 1, below. The responsibilities of the MAs for Components III and IV should follow, as closely as possible, the institutional framework and responsibilities of SF- MAs as defined in the existing EC Regulations (as listed in Table 1, below).

These MAs should, from the outset, operate in a decentralised mode (DIS) with EC ex-ante controls of their implementing functions and there will be a need for each MA to be DIS-accredited by EC auditors. Eventually, it is foreseen that Component III and IV MAs will move towards the ‘Extended-DIS’ (EDIS) and will be EDIS-accredited to function under EC ex-post controls.

Table 1: Structural Funds Requirements for Operational Programmes and Managing Authorities

<table>
<thead>
<tr>
<th>Operational Programmes</th>
<th>Operational Programmes contain the following:</th>
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<tbody>
<tr>
<td></td>
<td>Programme priorities;</td>
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<td></td>
<td>Summary description of the measures planned to</td>
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<td></td>
<td>implement programme priorities;</td>
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<td></td>
<td>Indicative financing plan for each priority and each year of</td>
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<td></td>
<td>the programme;</td>
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<td></td>
<td>Implementation provisions</td>
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<table>
<thead>
<tr>
<th>Managing Authorities</th>
<th>Responsibilities of Operational Programme Managing Authorities are as follows:</th>
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<tbody>
<tr>
<td></td>
<td>To draft Operational Programme documentation (if designated as a body responsible for its preparation)</td>
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<td></td>
<td>To chair and provide a secretariat for the Monitoring Committee</td>
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<td></td>
<td>To assemble statistical and financial data required for monitoring and evaluation</td>
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<td></td>
<td>To produce annual Implementation Reports</td>
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<td></td>
<td>To organize and coordinate mid-term evaluations</td>
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<td></td>
<td>To submit payment claims to the Paying Authority</td>
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<td></td>
<td>To report to an overall Monitoring Committee</td>
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</tbody>
</table>
The CODS is currently engaged in establishing the institutional arrangements and operational procedures that will be needed to manage IPA Component III and IV projects and programmes. The institution and capacity building activities being undertaken by CODS will be supported throughout 2006 by technical assistance provided under the CARDS 2003 project: ‘Support to National Development Planning’ (see Section 3.5, Linked Activities).

Over the course of 2006 CODS, with the support of CARDS 2003 technical assistance, will undertake the following tasks with respect to the IPA programme management:

Planning and Programming
- Drafting the SCF, in cooperation with the relevant line ministries and the EC services
- Coordinating the responsible line ministries in their preparation of IPA-OPs. (OPs under preparation are shown in Figure 1, below).
- Ex-ante evaluation of programming documents (SCF & OPs)
- Preparing a methodology for the elaboration of the NSRF & associated OPs

Institution Building
- Coordinating the designation of the MAs for the IPA OPs.
- Training needs analysis of IPA Sector Coordinator (CODS) and MAs. Preparation of training plan. Implementation of training
- Preparation of manuals of operation of the Sector Coordinator and MAs.
- Preparing the existing SMSC for Economic and Social Cohesion and CSF and OP monitoring committees to carry out the monitoring of IPA-OPs.

Legal Basis for the Implementation of SCF/NSRF
- Review of the existing legal basis for the implementation of the EU-funded programmes
- Drafting legal acts to support the management arrangements for IPA

Publicity
- Developing a website and preparing publicity and information materials, for use by CODS, both on IPA generally and specifically on IPA Components III and IV.

Support in the coordination of existing and preparation of up-coming projects
- Coordinating CARDS & Phare assistance in the area of Economic and Social Cohesion so that: (i) the institution building components are targeted at future MAs and Implementing Bodies and (ii) the investment components are consistent with the intervention areas and geographical focus of future IPA Operational Programmes.
- Preparation of the workplan and an indicative plan for utilisation of resources for the current project.

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8 One of 6 Sectoral Monitoring Sub-Committees (SMSCs) set up under the DIS to monitor Phare projects and programmes.
3.1.3 Identified Problems in the Preparations for Structural Funds

The acquis under chapter 22: ‘Regional Policy and Coordination of Structural Instruments’ consists mostly of framework and implementing regulations which define the rules for drawing up, approving and implementing Structural Funds (SF) programmes. Whilst the chapter 22 acquis does not require direct transposition into national legislation it obliges Member States to take the responsibility for designing and implementing SF programmes in an accountable and cost-effective manner.

Accordingly, Member States must have in place: (a) an appropriate institutional framework and (b) adequate administrative capacity to ensure the sound management and financial control of the SFs i.e. to ensure their programming, implementation, monitoring and evaluation. The EC’s latest Progress Report on Croatia\(^9\) points out that, to date, Croatia has achieved limited progress in this area.

The Regular Report identifies 4 groups of problems relating to: (i) programming; (ii) central management; (iii) regional & local management; (iv) monitoring and evaluation. These problems are detailed in Table 2, below.

Table 2: Problems Identified in Relation to *Acquis* Chapter 22  

(EC Regular Report, 9/11/05)

<table>
<thead>
<tr>
<th>Problem Area</th>
<th>Specific Problems</th>
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<tbody>
<tr>
<td><strong>Programming</strong></td>
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<tr>
<td></td>
<td>• Lack of National Development Plan</td>
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<td></td>
<td>• Lack of defined Operational Programmes</td>
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<td><strong>Central Management</strong></td>
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<td></td>
<td>• Lack of clear objectives for ministries</td>
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<td></td>
<td>• No decision on IPA Managing Authorities</td>
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<td>• No decision on IPA Implementing Bodies</td>
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<td></td>
<td>• Need to build capacity in Managing &amp; Paying Authorities and Implementing Bodies</td>
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<tr>
<td></td>
<td>• Lack of inter-ministerial coordination procedures and mechanisms</td>
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<td></td>
<td>• Poor coordination between central ministries</td>
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<td></td>
<td>• Lack of established management responsibilities and task divisions between ministries</td>
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<td></td>
<td>• Insufficient financial control capacity</td>
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<td><strong>Regional/Local Management</strong></td>
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<td></td>
<td>• NUTS II regions not defined</td>
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<td></td>
<td>• Lack of regional statistics</td>
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<td></td>
<td>• Lack of coordination between central and local levels</td>
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<td></td>
<td>• Need to integrate local/regional development plans into national development plans</td>
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<tr>
<td><strong>Monitoring &amp; Evaluation</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Lack of a clearly defined framework for monitoring and evaluation</td>
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</tbody>
</table>

The institutional framework for managing future SFs will be developed with the support of CARDS assistance over the course of 2006. The first component of the proposed project will focus on the problems identified in the area of central management; specifically it will build the administrative capacity of MAs, PAs and IBs. In addition, the project will support the drafting of the NSRF in preparation for upcoming SFs. The second, project pipeline, component will build future absorption capacity for SFs by preparing projects, particularly infrastructure projects, needed to implement the NSRF-OPs. Projects to be prepared will be identified at both central and local levels.

Most of the former Candidate Countries experienced problems with the absorption of pre-accession funds. Often these were not the result of a lack of project ideas but rather the lack of the skills and experience needed to turn those ideas into satisfactory project proposals which could be rapidly implemented. SF grant schemes typically provide a multiplicity of funding opportunities, at all levels, with a wide range of possible eligible expenditures. However, all SF aid schemes are characterised by the
need to identify appropriate and well-prepared projects, this is often a rate-limiting step in the successful absorption of available funding. In addition, it is probable that those eligible to submit applications for future SF support will constitute a far wider group than those who are currently eligible for support from the pre-accession funds. It is likely, therefore, that the problems experienced, to date, in preparing good quality project proposals will be exacerbated on Croatia’s accession to the EU. The project pipeline component of the proposed project addresses this important issue.

With regard to the local level, the Regular Report notes that several counties are in the process of preparing regional programmes with EU technical assistance (mostly funded under the CARDS programme. The proposed project will ensure that projects identified at both local and nationally levels will be relevant for the implementation of the NRSF and its OPs.

3.2 Sectoral rationale

Not applicable

3.3 Results

The results of the project will be:

1. Legal and institutional framework in place for managing SFs.
2. Increased capacity and operational efficiency of selected SF MAs, IBs, PAs, the Certifying and Audit Authorities and Monitoring Committees.
3. Strategic and implementation documents for SFs prepared (NSRF and its OPs).
4. Sustainable training capacity on the management of SFs established within the Croatian administration.
5. Pipeline of national and local /regional projects for SFs prepared.

3.4 Activities (including Means)

The project results will be achieved through the implementation of the following activities, if and when, required:

*Legal Framework*

1. Updating of the IPA management legal framework established under the CARDS 2003 project, in order to make adequate legal provisions for the implementation of Structural Funds upon accession
2. Drafting all the relevant inter-institutional agreements between the MAs, IBs, PAs, Certifying Authority and Audit Authority.

*Institutional Set-Up for SF Management*

3. Carrying out functional reviews and capacity assessment of the MAs, IBs, PAs, the Certifying Authority and the Audit Authority. The functional review will especially take into account the requirements for the management of Structural Funds
that go **beyond the requirements for the management of pre-accession assistance (IPA)**

4. Defining mission statements and the roles and responsibilities of all key institutional actors in the management of Structural Funds.

5. Preparation of internal procedures manuals and job specifications for use by the MAs, IBs, PAs, the Certifying Authority and the Audit Authority addressing all aspects of the SF- Programme Cycle (programme planning, project generation and appraisal, project implementation, payment and financial management project monitoring, project evaluation, audit)

6. Providing advice and assistance on the setting-up and management of inter-ministerial coordination and consultative mechanisms, at the central and local/regional level, in programme planning, implementation and monitoring

7. Organising study visits to the SF administrations in EU Member States

**Programming and Monitoring**

8. Assistance and support to the NSRF MA in drafting the Croatian National Strategic Reference Framework (on the basis of the methodology developed under CARDS 2003 project)

9. Assistance and support to the OP MAs in the further elaboration of NSRF OPs and associated Programme Complements

10. Assistance to the MAs in the operation and management of NSRF and OP Monitoring Committees (with full respect for partnership principle)

**Project Pipeline Preparation**

11. Assistance in the preparation of mature project proposals and tender documentation for the Structural Funds for the institutions at the central state level (especially demanding infrastructure projects)

12. Assistance in the preparation of project proposals and tender documentation for the Structural Funds for the institutions at the regional/local level (demanding infrastructure projects and grant schemes)

**Publicity and Training**

13. Preparation of a training needs assessment on the basis of the functional reviews; capacity assessment and job descriptions carried out in (3), (4) and (5) above, for the staff of MAs, IBs, PAs, the Certifying Authority and the Audit Authority (in programming, project generation and appraisal, project implementation, payment and financial management project monitoring, project evaluation, audit)

14. Design and implementation of a training programme for the staff of MAs, IBs, PAs, the Certifying Authority and the Audit Authority to close the identified skills gap between their existing knowledge level and that required by their job description, including the “train the trainers” programme.

15. Support the MAs in developing a Communications and Publicity Action Plan on the SFs implementation (NSRF and associated OPs/Programme Complements).
The above activities will be implemented by means of two service contracts:

1. IB service or twinning contract to the value of €2,000,000

2. Project preparation pipeline for the institutions at the central state level and the institutions and other stakeholders at the local/regional level to the value of €5,000,000

All the institution building elements of the current project will directly build on the results of the CARDS 2003 Support to National Development Planning project and implement the workplan developed under the CARDS 2003 project.

The local/regional part of the project pipeline component will build on and expand the ‘Project Generation Facility’ established under the CARDS 2004 programme (see Section 3.5, Linked Activities).

3.5 Linked Activities:

The problems described in Section 3.1 are partially addressed by other, existing projects:

CARDS 2003 – Support to National Development Planning

The project will among other things support the (a) development of the partnership mechanism for national development planning; (b) establishment of the Coordinating Authority and Managing Authorities for the IPA; (c) training of staff of the Coordinating Authority for the IPA; (d) establishment of a Learning Network to serve as a medium for an electronic inter-change of experience for all the stakeholders in the national planning process; (e) preparation of the Strategic Coherence Framework to serve as an overall strategic document for the use of the IPA funds; Operational Programmes for IPA. A more detailed description is given in Section 3.1.2.

CARDS 2004 – Support to the CFCU after Accreditation

The project will support the operation of the newly accredited DIS system for the management of pre-accession funds in Croatia (Phare and ISPA, alternatively Component I and II of IPA) under the responsibility of the Central Finance and Contracting Unit (CFCU) of the Ministry of Finance. It will also assist in establishing the preconditions required for the waiver of ex ante controls in the Croatia's DIS system, and support the creation of all necessary elements of the EDIS system to allow the Commission to conduct the necessary verifications to accredit the EDIS system, at the request of the National Authorising Officer.

CARDS 2004 – Support to the Management of Economic and Social Cohesion Projects

The project will support the CFCU (located in the Ministry of Finance) and the Ministry of Sea, Tourism Transport and Development in establishing procedures and institution building for the management of regional grant schemes. It will also provide assistance in generating project proposals in the counties which will apply for the Phare funding and other public tenders.

CARDS 2004 – Sustainable Development in Areas of Special State Concern
One element of this large project (1.5 out of 15 M€) will establish a ‘Project Generation Facility’ to prepare some 25 business related infrastructure projects for funding under Phare 2005-6 ‘Economic and Social Cohesion’ programmes and will train a target of 80 local and national stakeholders in project preparation.

ISPA - Technical Assistance Component

This project is meant to give an active support to the ISPA Implementing Agency, the Central Finance and Contracting Unit of the Ministry of Finance, in effective and sound financial and technical management and implementation of ISPA measures by engaging short-term experts on a case-by-case basis with main aim to support Sector Authorising Officer in ensuring high level of tender documentations’ quality and efficient evaluation process. The measure should also provide support to the National ISPA Co-ordinator in preparation and organisation of the monitoring activities, as well as measures in order to give additional momentum to existing significance and visibility to the measures implemented within ISPA.

Phare 2005 – Capacity Building and Project Preparation Facility

This project will, in part, run parallel with the proposed project and will support the National Aid Coordinator (for Phare and CARDS) in the coordination of IPA strategic planning and project preparation. The project will also provide support to the Ministry of Finance in the development of IPA implementation modalities and to the line institutions for the preparation of: sector and investment strategies; Project Fiches; feasibility and market studies; business plans; cost benefit analyses and procurement documentation.

3.6 Lessons learned:

The recently completed CARDS 2003 project: ‘Support to the National Aid Coordinator in Coordination and Monitoring of EU Assistance’ has shown that in the case of Project Implementation Units (PIUs) the successful establishment of new structures requires engagement of senior staff in the state administration, and existence of a legislative basis for their operation. Otherwise, the EU-programme management bodies tend to be understaffed and subject to high staff turnover with a consequent decline in operational efficiency. If this experience is to be avoided with the new SF structures they will need a sound administrative basis which at minimum:

- Establishes MAs, IBs, PAs, Certifying and Audit Authorities as entities based on the relevant legislation
- Identifies the institutions in which the MAs, IBs, PAs, Certifying and Audit Authorities will be located
- Establishes minimum staffing levels for each identified structure
- Gives outline job descriptions and profiles for staff working in MAs, IBs, PAs, Certifying and Audit Authorities
- Gives a model structure for an MA /IB and shows how it is linked to its parent institution
- Stipulates functions /services
Many of the former Candidate Countries experienced difficulties in making the transition from the Phare JMC-SMSC monitoring system to SF Monitoring Committees after EU accession. This was largely due to changing institutional responsibilities and the absence of participation from economic and social partners in Phare committees. The proposed project should clearly define institutional responsibilities for the monitoring of SF programmes after accession and should introduce a wider partnership into IPA monitoring committees by way of preparation for their SF equivalents.

4. **Institutional Framework**

The likely institutional framework for the NIPAC, IPA Components III & IV Sector Coordinator and OP-MAs is shown in Figure 1, above (Section 3.1).

The Contracting Authority for the proposed project will be the CFCU which will be responsible for the financial management of the project. However, the CFCU will delegate most technical aspects of project management to the main beneficiary, namely the Central Office for Development Strategy (CODS) and to the institutions that will be responsible for the management of sector-specific components of IPA/Structural Funds.

A Project Steering Committee (PSC) to oversee the management of the project will be established and chaired by CODS. The membership of the PSC is likely to be composed of representatives from: the CFCU and the future MAs, IBs, PAs, Certifying & Audit Authorities. The EC Delegation will have observer status on the PSC.

The PSC is expected to meet quarterly for the duration of the project. The PSC will be responsible for advising CODS on the implementation of the project and approving project Progress Reports.

CODS will provide the secretariat to the PSC.

5. **Detailed Budget**

| Year 2006 Institution Building support | | | |
|--------------------------------------|-----|-----|
| Contract 1 (Institution Building)    | € 2,000,000 | € 2,000,000 |
| Contract 2 (Project pipeline)        | € 5,000,000 | € 5,000,000 |
| IB support                           | € 7,000,000 | € 7,000,000 |
| **Total project 2006**               | **€ 7,000,000** | **€ 7,000,000** |
6. Implementation Arrangements

6.1 Implementing Agency

The Central Financing and Contracting Unit (CFCU) at the Ministry of Finance is responsible for the tendering, contracting and disbursement of all the project’s components in line with DIS principles and the PRAG.

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Central Finance and Contracting Unit
Ministry of Finance
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10 000 Zagreb, CROATIA
Phone: +385 1 459 1245
Fax: +385 1 459 1075
E-mail: cfcu@mfin.hr

Technical management of the project will be delegated to
Nataša Mikuš, Deputy State Secretary
Central Office for Development Strategy
10 000 Zagreb, CROATIA
Tel: +385 1 4569 262
Fax: +385 1 6303 216
Email natasa.mikus@vlada.hr

Upon the nomination of individual MAs, IBs, PAs, Certifying and Audit Authorities, technical management of individual project components will be transferred from the Central Office for Development Strategy to individual institutions that will receive assistance under those components. The Central Office for Development Strategy will continue to be responsible for overall technical coordination.

6.2 Twinning

Twinning National Contact Point
Mrs Ivana Kovačević
Ministry of Finance, Administrative Office
Katančićeva 5
10000 Croatia

6.3 Non-standard aspects

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.

6.4 Contracts

Two service or twinning contracts of €2,000,000 and €5,000,000 (total €7,000,000) will be awarded in Year 1 of the Project. This includes an allowance of €30,000 for audit of the two projects.

7. Implementation Schedule

7.1 Start of tendering/call for proposals
Terms of reference will be prepared before the signature of the Financing Memorandum for Phare 2006. Tendering is expected to commence within one month of the signature of the Financing Memorandum.

7.2 Start of project activity

The project is expected to commence within 9 months of the date of signature of the Financing Memorandum.

7.3 Project completion

The project is expected to be completed within 36 months from the date of signature of the Financing Memorandum.

8. Equal Opportunity

The project will ensure that gender equality is addressed in all procedures and operational manuals prepared for the management of Structural Funds.

9. Environment

The project will ensure that the environment and sustainable development are addressed in all procedures and operational manuals prepared for the management of Structural Funds. All infrastructure projects prepared for the project pipeline component will be subject to environmental impact assessment (EIA).

10. Rates of return

Not applicable.

11. Investment criteria (applicable to all investments)

11.1 Catalytic effect

Not applicable

11.2 Co-financing

Not applicable

11.3 Additionality

Not applicable

11.4 Project readiness and size

Not applicable

11.5 Sustainability
11.6 Compliance with state aids provisions

Not applicable

12. Conditionality and sequencing

A sound legal and administrative basis for SF structures should be established.

The Action Plan for the project must be prepared within the scope of the CARDS 2003 Support to National Development Planning Project.
### ANNEXES TO PROJECT FICHE

**LOGFRAME PLANNING MATRIX FOR:** Development of Institutional Capacity and Project Pipeline for EU Structural Funds Post-Accession.

<table>
<thead>
<tr>
<th>Programme name and number</th>
<th>HR2006/018-113/7/1</th>
</tr>
</thead>
</table>

**Central Office for Development Strategy**

<table>
<thead>
<tr>
<th>Contracting period expires</th>
<th>Execution of contracts period expires: 30.11.09</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.11.08</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total budget: €7.000.000</th>
<th>PHARE budget: €7.000.000</th>
</tr>
</thead>
</table>

### Overall objective
To prepare the Croatian public administration for Croatia’s effective participation in EU structural policy.

<table>
<thead>
<tr>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closure of Chapter 22 negotiations</td>
<td>Accession Partnership</td>
<td>Political support for institution building for SFs</td>
</tr>
<tr>
<td></td>
<td>EC Regular Reports of Croatia’s Progress towards Accession</td>
<td>Government makes adequate human and financial resources available</td>
</tr>
</tbody>
</table>

### Project purpose
To develop the institutional and human capacity of the Croatian central and regional/local administration for the management and absorption of EU Structural Funds.

<table>
<thead>
<tr>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of DIS-accredited MAs</td>
<td>Accession Partnership</td>
<td>Political support for institution building for SFs</td>
</tr>
<tr>
<td>Number of ex-ante appraised &amp; approved OPs</td>
<td>EC Regular Reports of Croatia’s Progress towards Accession</td>
<td>Government makes adequate human and financial resources available</td>
</tr>
<tr>
<td>NSRF approved</td>
<td>CODS Reports</td>
<td></td>
</tr>
</tbody>
</table>

### Results

1. Legal and institutional framework in place for managing SFs.

2. Increased capacity and operational efficiency of selected SF MA, IBs, PAs, the Certifying and Audit Authorities and Monitoring Committees.

3. Strategic and implementation documents for SFs prepared (NSRF and its OPs).

4. Sustainable training capacity on the management of SFs established within the Croatian administration.

5. Pipeline of national and local/regional projects for SFs prepared

<table>
<thead>
<tr>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
<th>Activities to Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of CODS-MA Operational Agreements in place</td>
<td>CODS Reports</td>
<td>Legislation defining institutional structures adopted</td>
<td></td>
</tr>
<tr>
<td>Number of permanent staff /MA</td>
<td>EC Auditors Reports</td>
<td>Government makes adequate human and financial resources available</td>
<td></td>
</tr>
<tr>
<td>% staff turnover MA</td>
<td>MA Implementation Reports</td>
<td>Staff turnover low</td>
<td></td>
</tr>
<tr>
<td>% of MA performance targets achieved (based on MA performance indicators)</td>
<td>Project Progress Reports</td>
<td>Staff available and receptive for training</td>
<td></td>
</tr>
<tr>
<td>Number of Calls for Proposals /OP</td>
<td>Monitoring Reports</td>
<td>Sufficient number of good quality projects prepared</td>
<td></td>
</tr>
<tr>
<td>Number of successfully trained staff in MAs /IBs /PAs /Certifying &amp; Audit Authorities</td>
<td>Number of trained trainers within Croatian public administration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of trained trainers within Croatian public administration</td>
<td>Number of hits on the CODS website</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of inter-ministerial consultative meetings held /month</td>
<td>Number of Operational Manuals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activities</td>
<td>Means</td>
<td>Costs</td>
<td>Assumptions</td>
</tr>
<tr>
<td>------------</td>
<td>-------</td>
<td>-------</td>
<td>-------------</td>
</tr>
<tr>
<td><strong>Legal Framework</strong></td>
<td>Two service or twinning contracts</td>
<td>€2 million €5 million</td>
<td>Government makes adequate human and financial resources available Staff turnover low Staff available and receptive for training Sufficient number of projects proposed</td>
</tr>
<tr>
<td>1. Updating of the IPA management legal framework established under the CARDS 2003 project, in order to make adequate legal provisions for the implementation of Structural Funds upon accession</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Drafting all the relevant inter-institutional agreements between the MAs, IBs, PAs, Certifying Authority and Audit Authority.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Institutional Set-Up for SF Management</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Carrying out functional reviews and capacity assessment of the MAs, IBs, PAs, the Certifying Authority and the Audit Authority. The functional review will especially take into account the requirements for the management of Structural Funds that go beyond the requirements for the management of pre-accession assistance (IPA)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Defining mission statements and the roles and responsibilities of all key institutional actors in the management of Structural Funds.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Preparation of internal procedures manuals and job specifications for use by the MAs, IBs, PAs, the Certifying Authority and the Audit Authority addressing all aspects of the SF- Programme Cycle (programme planning, project generation and appraisal, project implementation, payment and financial management project monitoring, project evaluation, audit)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Providing advice and assistance on the setting-up and management of inter-ministerial coordination and consultative mechanisms, at the central and local/ regional level, in programme planning, implementation and monitoring</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Organising study visits to the SF administrations in EU Member States</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Programming and Monitoring</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Assistance and support to the NSRF MA in drafting the Croatian National Strategic Reference Framework (on the basis Two service or twinning contracts</td>
<td>€2 million €5 million</td>
<td>Government makes adequate human and financial resources available Staff turnover low Staff available and receptive for training Sufficient number of projects proposed</td>
<td></td>
</tr>
</tbody>
</table>
9. Assistance and support to the OP MAs in the further elaboration of NSRF OPs and associated Programme Complements

10. Assistance to the MAs in the operation and management of NSRF and OP Monitoring Committees (with full respect for partnership principle)

**Project Pipeline Preparation**

11. Assistance in the preparation of mature project proposals and tender documentation for the Structural Funds for the institutions at the central state level (especially demanding infrastructure projects)

12. Assistance in the preparation of project proposals and tender documentation for the Structural Funds for the institutions at the regional/local level (demanding infrastructure projects and grant schemes)

**Publicity and Training**

13. Preparation of a training needs assessment on the basis of the functional reviews; capacity assessment and job descriptions carried out in (3), (4) and (5) above, for the staff of MAs, IBs, PAs, the Certifying Authority and the Audit Authority (in programming, project generation and appraisal, project implementation, payment and financial management, project monitoring, project evaluation, audit)

14. Design and implementation of a training programme for the staff of MAs, IBs, PAs, the Certifying Authority and the Audit Authority to close the identified skills gap between their existing knowledge level and that required by their job description, including the “train the trainers” programme.

15. Support the MAs in developing a Communications and Publicity Action Plan on the SFs implementation (NSRF and associated OPs/Programme Complements).

**Preconditions:**

A sound legal and administrative basis for SF structures should be
The Action Plan for the project must be prepared within the scope of the CARDS 2003 Support to National Development Planning Project.
### Detailed implementation chart

<table>
<thead>
<tr>
<th>Development of Institutional Capacity for the Management of EU Structural Funds Post-Accession</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract 1 – Institution Building</td>
<td>T</td>
<td>T</td>
<td>T</td>
</tr>
<tr>
<td>Contract 2 – Project pipeline-central &amp; regional levels</td>
<td>T</td>
<td>T</td>
<td>T</td>
</tr>
</tbody>
</table>
### Contracting and Disbursement Schedule, by Quarter, for Full Duration of Project

#### Development of Institutional Capacity for the Management of EU Structural Funds Post-Accession

<table>
<thead>
<tr>
<th>Contract</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7,000,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contract</th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract 1</td>
<td>2,000,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>1,500,000</td>
<td>1,500,000</td>
<td>1,500,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Contract 2</td>
<td>5,000,000</td>
<td>2,000,000</td>
<td>2,000,000</td>
<td>2,000,000</td>
<td>3,500,000</td>
<td>3,500,000</td>
<td>3,500,000</td>
<td>5,000,000</td>
</tr>
</tbody>
</table>

#### CUMULATIVE TOTAL (EUR): 7,000,000
4     Reference list of feasibility/pre-feasibility studies

No feasibility/pre-feasibility studies were undertaken.
5 Reference list of relevant laws and regulations *(compulsory)*

1. Conclusion of the Government of Croatia on the preparation of Strategic Coherence Framework for IPA

2. Decree of the Internal Organisation of the Central Office for Development Strategy