STANDARD SUMMARY PROJECT FICHE

1. Basic Information

1.1 Désirée Number: CZ2002/000-282.10.02
1.2 Twinning Number: CZ02/IB/SPP/02
1.3 Title: SOP Industry – Building Implementation Capacity
1.4 Sector: Economic and Social Cohesion
1.5 Location: Czech Republic

2. Objectives

2.1 Overall objective
The Ability to take on obligations of membership, including adherence to the aims of political, economic and monetary union with particular reference to ensuring that funding and development opportunities presented through Structural funds are realized.

2.2 Project purpose
Finalization and testing of management, control and implementation system for SF assistance so that it’s effective and fully functional and the Managing Authority and Intermediate bodies are fully compliant with Regulation 1260/99.

2.3 Accession Partnership and NPAA priority
AP priorities: Regional policy and co-ordination of structural instruments
- define the bodies in charge of the implementation of Structural Funds and the Cohesion Fund, in particular the managing and paying authorities; establish a clear division of responsibilities and improve the administrative capacity, in particular in terms of recruitment and training; ensure effective inter-ministerial co-ordination,
- continue to develop, rationalise and streamline the national development plan and define the implementation structures of the final plan; develop project and programme generation and implementation capacity at central and regional level; continue development of monitoring and evaluation capacity; ensure availability of all relevant statistical data,
- align with the specific financial management and control procedures for future Structural and Cohesion Funds under the relevant Community Regulations


2.4 Contribution to National Development Plan
* Measures on institution building in the industrial sector are contained in the SOP Industry 2001 - 2006, which forms a part of the NDP.
* The Industry SOP was prepared in September 2000 and considered by the Government of the Czech Republic on 8th November 2000.
* The draft SOP Industry 2004-06 is being revised and updated and ex-ante evaluated before submission to the Czech Government at the end of 2002, along with its Programme Complement. The strategy and priorities defined for the Czech Republic will be developed within the framework of the National Development Plan, from which the Operational Programmes will ensue.

2.5 Cross Border Impact
N.a.
3. Description

3.1 Background and justification

Gaps related to requirements of Council Regulations 1260/99 laying down general provisions on the SFs and 438/01 on management and control systems for assistance under SFs are being identified by ongoing projects, verification audits (BDA, CzechIndustry), ex-ante evaluation of the Industry SOP (see section 3.2). The purpose of the project is to fill these gaps so that the management, control, implementation monitoring and evaluation system for SF assistance is effective and fully functional. The project will also contribute to ensuring compliance with other key Regulations including 448/01 on financial corrections to assistance under SFs, 1159/00 on information and publicity measures, 1685/00 on eligibility of expenditure of co-financed operations 1164/1994 and any other relevant legislation.

A systems audit of all MAs, PA and intermediaries will be carried out at the turn of 2003/2004. The audit will result in series of recommendations, which this project will assist in implementing.

MIT has been running test SOP Industry for two years in form of SOP Industry 2001 and 2002, and SOP Industry 2003 will be running from 2003. These programmes have a role of exercises that should allow for a necessary experience in the process of managing, monitoring, evaluation and controlling SF/ERDF assistance. Even though SOP 2001-3 are financed from the Czech budget, the procedures manuals and implementation structures are based, as far as possible, on the relevant SF regulations. Procedure manuals create “SOP 2003 package”.

In mid May Programmes “Transfer” and “Quality” of Phare 2000 have started. The aim of this project is to review the structures implementing the Phare 2000 programmes and propose improvements to allow for closer convergence with SFs systems to be used after accession. The project will also contribute to the finalisation of the Phare 2003 programme.

However, attention needs to be paid to ensure that the administrative organisation for the Industry SOP (through testing the above programmes) is kept simple, efficient and transparent with a clear definition of the responsibilities for the different bodies involved.

The current SOP Industry Implementation Structure is composed of central and regional bodies. On the central level, the MA (European Integration Dept. has been nominated as MA, however, it is likely that this may be changed in the course of up to the end 2002 due to organizational changes.) intends to sub-delegate some functions to other MIT departments, as well as to the intermediate bodies at regional and central level, although the European Commission’s key advice is to keep structures and processes simple and transparent and not spread responsibilities too widely. The implementation structure will be detailed in the Operational Programme and Programme Complement (as required in the Communications Action Plan), which is to be submitted to the EC along with all the OPs and NDP by the end of 2002/beginning of 2003.

Chapter 21 mentioned CzechIndustry as a potential IB, although the final selection of all Intermediate bodies to implement measures will depend on the outcome of the ex-ante evaluation of the Industry SOP by the end of this year, and the subsequent negotiations with the EC during 2003. The CzechIndustry is currently being tested under EDIS, within its 1st stage. Already functioning for the SOP 2001/2002 programmes, is a sub-committee for programming which, among other tasks, prepares, discusses and recommends Programming documents/manuals for SF assistance for approval by the Monitoring Committee, which will perform the same function under SFs.

Phase I of an EC commissioned Administrative Capacity Study generated a number of key indicators (see annex) relevant for estimating the capacities and needs of candidate countries in the areas of: Programming, Implementation, Management, Financial Control and Monitoring and Evaluation. Phase II of the study will make a gap assessment based on the indicators developed, and will result in a country study to be presented to the Czech Republic, as with all CCs, early in 2003. This should provide an ongoing reference point for the project, and ensure that the main gaps and problems identified can be tackled within the covenant.

3.2 Linked activities
- Under the Phare 1997 (CZ 9705-01) programme, advice was provided on the initial development of policies, programmes and structures for the implementation of Structural Funds.
Under the Phare 1998 programme (CZ 9807-01) "Establishment of National Development Strategy & Support Structure for SFs & CF" the Twinning project managed by MRD was completed in June 2001, and provided short term assistance to the MoIT to analyse present implementation structures and provide assistance on the SOP document.

Under the Phare 1999 (CZ 9902-01). The results of the programme will provide for a co-ordinated approach for involvement of various agencies (RDAs, BDAs & RPIcs/BICs) delivering advice and support to SMEs at the regional level.

Under the Phare 2000 programme (CZ 2000-09-01) "Consolidation of the National Development Strategy" the Twinning project commenced in September 2001 and will be completed in February 2003. It is expected that through the assistance provided by this project a revised SOP industry will be prepared and the structures for implementation of SF-like programmes focused on productive sector development will be established, trained and operational.

Under the Phare 2000 programmes CZ 2000-09-02 and 03 investment will go to 2 selected target NUTS II regions (Ostravsko and North-West Bohemia). Their implementation will provide experience necessary for successful implementation of newly proposed projects. Within activities of the submitted project capability of all structures involved in the implementation of these measures will be tested.

Under the Phare 2001 (CZ 01-10-03) "Finalising of structures and measures to increase absorption capacity at the national and regional levels" will be addressed the existing absorption and development capacity problems by training and targeting "hands-on" support to development agents and potential project promoters on the ground. Furthermore the project is to develop skills and competence among persons to be involved in relevant managing, monitoring and payment authorities at both central and regional level.

Under the Phare 2002 (CZ2002/000-282.10.04) Start up compliance and system audits of SF/CF implementation structures: This technical assistance project addresses an AP priority and aims to provide a comprehensive gap assessment in the form of independent systems audit. All Managing Authorities, the Paying Authority and the relevant intermediary bodies shall be subject of the audit. The project should result in an independent confirmation of the implementing arrangements for the use of the Structural Funds and the Cohesion Fund, and the duties described in Council Regulation 1260/99, and 438/01, 448/01, 1159/00 and 1685/01 in particular. The project should ensure that the Paying Authority is able to perform all its duties as required by the relevant acquis. The project is directly linked to the results of CZ202.10.01 to 03 projects. The project should be based on the outputs of assistance programmed under existing relevant Phare projects CZ9903.01.01 and CZ0109.01. The project is conditional on respect by the Czech authorities of their commitments made within the framework of negotiations on Chapter 21.

Other related projects:

- Management & Control of the EC Funds and National Public Sources/Preparation for EDIS (CZ01-09-01) - technical assistance project for MoF carried out through twinning assistance provided by the state administration of the Member states (Ireland and France) and through the private sector inputs. Projects to prepare for EDIS for ISPA and Phare (stage 1 for Phare and ISPA scheduled to start beginning of 3rd quarter 2002, stage 2 to be completed by the first quarter of 2003, 3rd stage to be completed by 3rd quarter 2003). Input to be provided by private TA and through the twinning project above.

- Project No CZ-00-04-05 Strengthening Regulation and Enforcement of the Public Procurement Acquis - the outcomes of this project shall be used especially for assessing the tendering and contracting procedures.

- Some Phare implementing agencies (Centre for Regional Development, Czech Industry and National Training Fund) that are envisaged to become intermediary bodies for respective operational programmes have been audited for grant schemes to be implemented under Economic and Social Cohesion component of the Phare Programme 2003. (Project No SSTA 1999 - ZZ 9909 Assessment and audit of the Phare Implementing Agencies and associated intermediaries' capacity for the implementation of grant schemes financed from the Phare 2003 programme.)

3.3 Results

The bodies responsible for SF assistance implementation are able to perform the duties resulting from their functions so that Reg. 1260/99, Art. 34 and related regulations are properly fulfilled. The related regulations are EC Regulations and MIT manuals transforming these Regulations into MIT internal instructions. The tasks stipulated in 1260/99, Art. 34 and 438/01, and 1159/00, are broken down as follows:

As for 1260/99, Art. 34:

a) System to gather reliable financial and statistical information is set up
- Industry SOP's IT system is reviewed and tested and recommendations for ensuring compatibility with the overall monitoring system (MSSP) are implemented.
- Capacity of all the relevant bodies, under the overall coordination of the MA, is developed so that all are in a position to operate the system, including to gather, evaluate and process reliable financial and statistical data on implementation for the monitoring system.
- Monitoring indicators are reviewed and recommendations provided for modification.

b) **Adjustment of Programme Complement**
- Procedures manual for adjusting the Programme Complement reviewed, taking into account the ongoing practices and key recommendations of the administrative capacity study, which will be available by the beginning of 2003.
- Capacity to adjust the Programme Complement is developed among all bodies involved, including IBS implementing measures.

c) **Drawing up and submitting to the Commission the Annual Implementation Report:**
- Capacity of all the relevant bodies, under the overall coordination of the MA, is developed so that all are in a position to produce and get approved by the Monitoring Committee the AI Report according to the Art. 37/1260.
- Template of the AI Report and guidance is designed and/or reviewed for final approval.

d) **Bodies taking part in the management and implementation of assistance maintain a separate accounting system**
- Capacity of all the relevant bodies (under the overall coordination of and guaranteed by the MA), is developed and staff trained and given clear guidance and thus in a position to maintain separate accounting systems.

e) **The correctness of operations is ensured, including internal controls**
- Capacity of all the relevant bodies, under the overall coordination of the MA, is developed and staff trained and given clear guidance to be in a position to perform all tasks and internal (audit) controls concerning: assessing applications, application and selection procedures, selection and priority criteria, payments, ongoing and sample (physical and financial) checks and controls,
- Eligible expenditure and verification guidelines (produced under CZ 0010.01) are reviewed and modified to the SOP Industry structures agreed,
- Role of the Internal Audit Dept. (established) within the MIT is defined, and staff fully aware and trained in internal audit matters concerning the financial control obligations stipulated in Regulations 1260 and 438,
- Draft Implementation Documents (Specimens, Forms, Sample Contracts, Application Form) revised and finalised.

f) **Ensuring compliance with Community policies**
- Capacity of all the relevant bodies, including potential Final Beneficiaries identified in the Programme Complement, is developed and staff trained and given clear guidance to be in a position to ensure that all Community policies are complied with at all stages.
- Manuals (produced under CZ 0010.01) are reviewed within close coordination with the CSF MA and modified to the SOP Industry structures agreed.

g) **Info and publicity measures adopted**
- Capacity of all the relevant bodies, including potential Final Beneficiaries identified in the Programme Complement, is developed and staff trained and given clear guidance to be in a position to ensure compliance with the obligations concerning information and publicity are complied with at all stages.
- Capacity of all the relevant bodies is developed, trained and involved in drawing up the Communication Action Plan so that it can be effectively implemented by them,
- Information and publicity materials including guidelines for applicants (how to apply) designed and checked, and subsequently printed & produced and disseminated,
- Info brochures and other material developed, printed and distributed (as a part of a separate private input contract(s) within twinning),
- Web-site of SOP Industry developed and recommendations for re-design implemented.

h) **MIT Paying Unit able to effect payments and meet the requirements of the Guidance issued by the Paying Authority.**
- Manual of payments procedures written and relevant staff trained in procedures.
i) SOP Industry structures and processes are tested in SOP 2003, Phare 2003 and Phare 2000 Programmes “Transfer” and “Quality” implementation
   - Results testing the programmes analysed, recommendations provided for adjustment in structures

j) Recommendations made under the Action Plan of CZ 2002/000-282.10.04 (external audit) are implemented.

3.4 Activities
In general, and for all activities, attention needs to be paid to ensure that the administrative organisation for the Industry SOP (through testing programmes, training and providing advice) is kept simple, efficient and transparent with a clear definition of the responsibilities for the different bodies involved.

(i) Twinning
   - Train and/or assist ministerial staff (cca 15 people), Intermediaries and FBs (bodies responsible for SF assistance) on duties resulting from their functions, so that Reg. 1260/99, Art. 34, on Management by the managing authority and related regulations are properly fulfilled. Train bodies responsible for SF assistance MIT Manuals and Directives, which create “SOP 2003 package”, and propose amendments where necessary
   - Revise procedures manuals, which will have been written, provide comments to them and oversee updating to be done by MA and IB staff
   - Ensure that each Intermediary in relation to its tasks and duties, receives documentation and instruction, and develops skills to report succinctly on the tasks they undertake
   - Help to develop coordination and cooperation between Ministry and Intermediaries and Final Beneficiaries to be able to fulfil effectively their duties.

a) System to gather reliable financial and statistical information is set up
   - Check the set of collected information and check that programme and project data is captured at all levels of the cascade, so that SOP IT system entirely fulfils its role of SOP Industry information system and is able to provide all the necessary information on implementation of SF assistance required for monitoring, assessment and reporting,
   - Ensure that SOP IT system is able to provide MSSF with required data by means of verifying compatibility of both systems (and to deliver relevant info to MA CSF),
   - Examine whether monitoring indicators designed by MIT are in place and able to provide sufficient data for monitoring and evaluation.
   - Establish system (person responsible) for ongoing cross-checks with Monitoring system and information requirements for the Annual Implementation Report

b) Adjustment of Programme Complement
   - Check the procedures manual for adjusting Programme Complement;
   - Examine whether there is a capacity for adjusting Programme Complement and capability for adjusting it.

c) Drawing up and submitting to the Commission the Annual Implementation Report:
   - Train/assist the relevant bodies charged with the task of drawing up and submitting AI
   - Review/amend in partnership the template of the AI Report and provide guidance on organisation, using the monitoring system, using information for different purposes to draw up the report
   - Assist MA in elaborating a task timetable for bodies attributed tasks for the AI report

d) Bodies taking part in the management and implementation of assistance maintain a separate accounting system
   - Train and guide the MIT staff that is responsible for ensuring a separate accounting system

e) The correctness of operations is ensured, including internal controls
   - In partnership with main staff, design task checklist and set out timetable for training/assisting MIT and IB staff ensuring correctness of operations to be in position to perform all tasks
   - Assist the staff of Internal Audit Department so it is fully aware and trained in internal audit matters concerning the financial control obligation
   - Review expenditure and verification guidelines produced under CZ 0010.01 and amend if necessary
   - Review draft Implementation Documents and amend in partnership with implementing bodies where necessary
f) **Ensuring compliance with Community policies**
- Train/assist relevant staff to be in a position to ensure that all Community policies are complied with
- Revise manuals for given body (European Integration Dept.) so it is able ensure compliance with Community policies
- Introduce other models for/methods and tools of compliance, and ensure consistency/development with Communications Action Plan, draft implementation forms, etc.

g) **Info and publicity measures adopted**
- Train MIT Staff (2 people) on Info and Publicity Strategy implementation, and develop tools and procedures for circulating information, inviting feedback and ensuring cross-checks on compliance with stipulations under regulation 1159.
- Carry out seminars, assist Executive Units in Communication Action Plan Implementation
- Establish appropriate channels for providing information to those persons who could benefit from schemes, and ensure linkage with other sites, seminars/info dissemination, etc accordingly
- Design info and publicity materials, propose distribution channels
- Production of information and publicity materials: preparation, printing and distribution of information and publicity materials (as a part of a separate private input contract(s) within twinning)
- Assist in Web-site design

h) **Financial Flows**
- Train the staff of MIT Paying Unit so it is aware in payment procedures (in accordance with methodology on financial flows of EU funds)
- Review the manual of payments, and amend to SOP Industry structures where necessary

i) **Testing systems through national and Phare programmes**
- Adapt existing audit checklists and procedures manuals to develop simple tools/methods for testing the Ministry staff in implementing SOP 2003, Phare 2003 and Phare 2000 "Transfer" and "Quality" programmes during the programme implementation cycle (mostly in form of "on spot assistance", but covering selection, info & publicity, reporting, monitoring and evaluation and checks.
- The SOP 2003 Programme is expected to be launched at the beginning of 2003 - assist in phases of (using tools developed) for assessment and selecting proposals, implementation, monitoring, checks, evaluation.
- This activity will also be coordinated with the verification audit developed under CZ2002/000-282.10.04 (Action Plan implementation – assist in phases of monitoring, controlling, evaluation

j) **Implementation of recommendations ensuing from the external audit (CZ2002/000-282.10.04)**
- Review recommendations (as timing allows) and propose steps for action to implement recommendations speedily

3.5 **Lessons learned**
The outputs of the previous projects have been fully taken into account, and a separate activity which will be part of the inception report will be to review the guaranteed results of the previous CZ 0010.01 project; in addition, the previous twinning project will produce a gap-list as part of the final report which will be used as a basis for starting under this project, as will the Administrative Capacity Study, Phase II mentioned above and the ongoing results of the verification audits for grant schemes and the EDIS process.

4. **Institutional Framework**

**Ministry of Industry and Trade**

MIT is has been appointed as Managing Authority for Operational Programme Industry according to the Government Resolution No. 102/2002.

Monitoring Committee of SOP Industry is led by MIT and is composed of regional partners, representatives of other relevant sectors (MRD, MoLSA, MF), social partners (Chamber of Union Association, Union of Industry and Transport, Chamber of Commerce, Parliament). NGOs will be invited into Monitoring Committee before accession of the Czech republic into EU.

Subcommittee for Programming prepares, discusses and recommends Programming documents/manuals for SF assistance for approval to Monitoring Committee. It is responsible for proposing changes of the
programming documents, support programmes and measures and allocation of finances. It coordinates partnership of MIT and other relevant sectors and regions. According to the Ministry Resolution No. 13/2002 a specialized MIT dpt. is charged with a function of MA OP (). Certain functions, and yet to be defined, may be delegated to other MIT departments and State Agencies financed by MIT, but the responsibility will remain with the Managing Authority.

Ministry of Finance

Ministry of Finance has been appointed the Paying Authority for Structural Funds and will delegate a part of its duties on Paying Units in ministries. Paying Unit of MIT will be appointed by end July (MIT Budget and Finance Dpt).

Ministry of Regional Development

MoRD is the national co-ordinator for implementation of the policies in ESC and implementation of Structural Funds and Cohesion Fund. MoRD will be the Managing Authority for CSF.

5. Detailed Budget (mil.€)

<table>
<thead>
<tr>
<th>Phare Support</th>
<th>Investment Support</th>
<th>Institution Building</th>
<th>Total Phare (=I+IB)</th>
<th>National Co financing</th>
<th>IFI</th>
<th>TOTAL</th>
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<tr>
<td>Twinning Covenant</td>
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<td>Total</td>
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The twinning covenant will include a budget for preparation, printing and distribution of info and publicity materials of about 40,000 €. Such contract(s) shall be procured by the CFCU.

6. Implementation Arrangements

6.1. Implementing Agency

Responsibility for the administration related to the procedural aspects of procurement, contracting and accountancy will rest with the CFCU, PAO: Jan Slavíček.

MIT will be responsible for technical aspect of the project and its overall coordination and implementation. Currently, the Department of the EU integration is in charge of future MA role, however, the organisational changes and discussions at MIT who is going to be future MA are still under way, MIT is not able confirm the name of the task manager for this project at this moment (October 2002). The name of this person will be known by December 2002. The current contact point is Mr. Petr Martan (martan@mpo.cz).

MIT states that PAAs and MTEs will be based all in the same building as the MA of MIT.

6.2. Twinning

1 PAA located in MIT, and working with staff of the Managing Authority + other possible MIT departments and Intermediate Body/ies.

1 PAA working with regional Execut. Ags.

Length: 2 x 14 p/m

Requirements: SF experience in key position at ministry or implement. body level;
Knowledge of ERDF implementation process and related regulations, productive sector experience, knowledge of control and audit procedures, knowledge of information and publicity issues.

1 MTE for establishing audit trail/impl. of 438/01

Length: 6 months

Requirements: SF experience in key position at ministry or implement. body level;
Knowledge of ERDF implementation process and related regulations, productive sector experience, knowledge of control and audit procedures, knowledge of information and publicity issues.

2 MTE for training on SF implementation processes and related regulations, and (if required and not provided by the PAAs) on info and publicity issues.

Length: 2 x 6 p/m

Requirements: SF experience in key position at ministry or implement. body level;
Knowledge of ERDF implementation process and related regulations, productive sector experience, knowledge of control and audit procedures, knowledge of information and publicity issues.
6.3. Non-standard aspects
N.a.

6.4. Contracts

Twinning Covenant: 0,9 MEUR (the twinning agreement will include budget of app. 40,000€ for a separate private input contract(s) that shall be procured by the CFCU)

7. Implementation Schedule

7.3. Start of project activity 1.Q/2003
7.3. Project Completion 2 Q/2004

8. Equal Opportunity

Equal opportunity principles and practices in ensuring equitable gender participation in the Project will be guaranteed

9. Environment
n.a.

10. Rates of Return
n.a.

11. Investment Criteria
n.a.

12. Conditionality and Sequencing

Regarding the overall accession preparation, the important milestones relating to this project are the following; developments in square brackets not directly part of the project, but are considered linked activities.

• By the end of 2002 at the latest
NDP, OPs and SPDs including Programme complements worked out according to the requirements of Reg. 1260/1999, including an ex-ante evaluation in the sense of Article 41, and submitted to the EC, [includes also: agreement obtained from all intermediate bodies to be involved in measures implementation, all implementing bodies/units established and staff structures in place, monitoring system agreed with all MAs and users and their roles defined including procedures with Czech Statistical Office, development of the HRD strategy by the MRD and the government office to achieve full administrative capacity of all MAs by accession, draft guidelines for MAs covering common approach in all fields related to effective administration of SF and CF produced under CZ00-10-01.]
(Please see Annex 4 for a full list of all the guaranteed results of the CZ 0010.01 project which should be in place by the start of this project).
[EDIS preparation – Phase 1: “Gap Assessment” completed for both Phare and ISPA Implementing Agencies, and Phase 2: “Gap Plugging” launched.]

• By the beginning of 2003
[Czech co-financing (premises and equipment for twinning) available by the start of this Project].

[EC assesses the documents received and informs the Czech side as the timetable for starting negotiations of the Community Support Framework, which will run throughout 2003].

[EDIS preparation – Phase 2: “Gap Plugging” completed by 1st quarter of 2003]

• By mid-2003

8
All common and specific guidelines for MAs and JROP procedures manuals prepared [and ready to be evaluated as part of the complementary project entitled ‘Start up compliance and system audits of SF/CF implementation structures’].

[EDIS preparation – Phase 3: “Compliance Assessment” completed and request for awarding EDIS sent by NAO to the Commission.

- During second half of 2003
  Intensive training of all responsible staff in MAs on common procedures and in MA JROP and its IBs on detailed procedures; external audit arranged by the MoF carried out.

[EDIS preparation – Phase 4: “Verification Audit & Commission Decision” completed]

- During second half of 2003/first half 2004
  All recommendations of the audit arranged by the MoF including any potential amendments to MA CSF/MA JROP procedures fulfilled.

Verification of the IT system (probably last quarter of 2003).
- Beginning 2004
  Training of key staff on any amended procedures based on the audit arranged by the MoF financed and undertaken by responsible authorities
  A systems audit of all MAs, PA and intermediaries will be carried out at the turn of 2003/2004. The audit will result in series of recommendations which this project will assist in implementing.

ANNEXES TO PROJECT FICHE

1. Logical framework matrix
2. Detailed implementation chart
3. Contracting and disbursement schedule
4. Guaranteed results of the Phare project CZ 2000.10.01
# LOGFRAME PLANNING MATRIX

**Project title:** SOP Industry - Building Implementation Capacity  
**Programme number:** CZ2002/000-282.10.02  
**Contracting period expires:**  
**Disbursement period expires:**

<table>
<thead>
<tr>
<th>Beneficiary institution: Ministry of Industry and Trade and Intermediate bodies</th>
<th>Overall objective</th>
<th>Project purpose</th>
<th>Results</th>
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<td>Objectively verifiable indicators</td>
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<td>Sources of Verification</td>
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<td>Acknowledgement by the European Commission</td>
<td>The management, control and implementation system for SF assistance is clear in all aspects and fully functional</td>
<td>As for 1260/99, Art. 34:</td>
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<tr>
<td></td>
<td>EC Regular Report on Progress in Accession</td>
<td>Possible result of negotiations on CSF</td>
<td>a) System to gather reliable financial and statistical information is set up</td>
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<td>- Compatibility with MSSF prepared by MRD checked</td>
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<td>- Dpt. charged with transferring data to EC and to other resorts trained</td>
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<td>- Monitoring indicators reviewed by end of 2003</td>
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<td>- 13 Executive Units in regions/ FBs assisted in updating database</td>
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<td>b) Adjustment of Programme Complement</td>
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<td>- Staff of MIT relevant Department trained on Programme Complement adjustment and other duties from</td>
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<td>a) SOP IT system working, able to provide with data from SOP 2003 and Phare 2000 implementation</td>
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<td>- Finalized manuals, guidelines disposable</td>
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<td>- Link between SOP IT system and MSSF functional</td>
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<td>- Training reports, Staff interviews, On-spot check,</td>
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**As for 1260/99, Art. 34:**

a) System to gather reliable financial and statistical information is set up
- Compatibility with MSSF prepared by MRD checked
- Dpt. charged with transferring data to EC and to other resorts trained
- Monitoring indicators reviewed by end of 2003
- 13 Executive Units in regions/ FBs assisted in updating database

b) Adjustment of Programme Complement
- Staff of MIT relevant Department trained on Programme Complement adjustment and other duties from

**Assumptions**

- SOP Industry and Complement adopted by Government
- Ministerial and IBs' staff nominated, disposable for training
- Relevant staff able to use gained knowledge
- Communication Action Plan approved
- SOP 2003 adopted by the Government, succesful project applications for Phare 2003 funding
- External audit ready
- "SOP 2003 package" of manuals and guidelines finished
- SOP IT system considered as SF assistance Informational system

**Phase budget:** 0.9 M€

**Total budget:** 0.9 M€
2003.
- Capacity to adjust the Programme Complement is developed among all bodies involved, including IBs implementing measures.

c) Drawing up and submitting to the Commission the Annual Implementation Report:
- Capacity of all the relevant bodies, under the overall coordination of the MA, is developed so that all are in a position to produce and get approved by the Monitoring Committee the AI Report according to the Art. 37/1260.
- Template of the AI Report and guidance is designed and/or reviewed for final approval.

d) Bodies taking part in the management and implementation of assistance maintain a separate accounting system
- Capacity of all the relevant bodies (under the overall coordination of and guaranteed by the MA), is developed and staff trained and given clear guidance and thus in a position to maintain separate accounting systems.

e) The correctness of operations is ensured, including internal controls
- Capacity of all the relevant bodies, under the overall coordination of the MA, is developed and staff trained and given clear guidance to be in a position to perform all tasks and internal (audit) controls concerning: assessing applications, application and selection procedures, selection and priority criteria, payments, ongoing and sample (physical and financial) checks and controls.
- Eligible expenditure and verification guidelines (produced under CZ 0010.01) are reviewed and modified to the SOP Industry structures agreed.
- Role of the Internal Audit Dept. (established) within the MIT is defined, and staff fully aware and trained in internal audit matters concerning the financial control obligations stipulated in Regulations 1260 and 438,
- Draft Implementation Documents (Specimens, Forms, Sample Contracts, Application Form) revised and finalised.

f) Ensuring compliance with Community policies
- Capacity of all the relevant bodies, including potential Final Beneficiaries identified in the Programme Complement, is developed and staff trained and given clear guidance to be in a position to ensure that all Community policies are complied with at all stages.
- Manuals (produced under CZ 0010.01) are reviewed within close coordination with the CSF MA and modified to the SOP Industry structures agreed.

g) Info and publicity measures adopted
- Capacity of all the relevant bodies, including potential Final Beneficiaries identified in the Programme Complement, is developed and staff trained and given clear guidance to be in a position to ensure compliance with the obligations concerning information and publicity are complied with at all stages.
- Capacity of all the relevant bodies is developed, trained and involved in drawing up the Communication Action Plan so that it can be effectively

MIT manuals (cca 4 people)
- Chairman, Vice-Chairman and secretariat of Subcommittee for Programming briefed on consequences of adjusting the Programme Complements during programming Period
d) Drawing up and submitting to the Commission the Annual Implementation Report
- Staff of MIT responsible for drawing the Annual Implementation Report provided with template of Report and instructed
- Capacity of relevant bodies developed
- Bodies taking part in the management and implementation of assistance are maintaining a separate accounting system
- Staff of MIT ensuring the separate accounting on ministerial level trained (cca 3 people)
- 13 Executive Units informed on consequences of ensuring separate accounting at support recipients
e) The correctness of operations is ensured
- Intermediary Body staff responsible for ensuring the implementation of the SF assistance trained in all aspects of ensuring the correctness of operations (Department of MIT or State Organization – will be decided by October 2002)
- 13 Executive Units trained in ensuring the correctness of operations at support recipient’s level and cooperation with IB at this matter
- Internal Audit Dept. trained (cca
implemented by them,
- Information and publicity materials including guidelines for applicants (how to apply) designed and checked, and subsequently printed & produced and disseminated,
- Info brochures and other material developed, printed and distributed,
- Web-site of SOP Industry developed and recommendations for re-design implemented.

b) MIT Paying Unit able to effect payments and meet the requirements of the Guidance issued by the Paying Authority.
- Manual of payments procedures written and relevant staff trained in procedures.

d) SOP Industry structures and processes are tested in SOP 2003, Phare 2003 and Phare 2000 Programmes “Transfer” and “Quality” implementation
- Results testing the programmes analysed, recommendations provided for adjustment in structures

j) Recommendations made under the Action Plan of CZ 2002/000-282.10.04 (external audit) are implemented

<table>
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<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
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<td>implementation during year 2003.</td>
<td>j) Recommendation by the external audit implemented</td>
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</table>
- Train and/or assist ministerial staff (cca 15 people), Intermediaries and FBs (bodies responsible for SF assistance) on duties resulting from their functions, so that Reg. 1260/99, Art. 34, on Management by the managing authority and related regulations are properly fulfilled. Train bodies responsible for SF assistance MIT Manuals and Directives, which create “SOP 2003 package”, and propose amendments where necessary.
- Revise procedures manuals, which will have been written and provide comments to them and oversee updating to be done by MA and IB staff.
- Ensure that each Intermediary in relation to its tasks and duties, receives documentation and instruction, and develops skills to report succinctly on the tasks they undertake.
- Help to develop coordination and cooperation between Ministry and Intermediaries and Final Beneficiaries to be able to effectively fulfill their duties.

a) - Check the set of collected information and check that programme and project data is captured at all levels of the cascade, so that SOP IT system entirely fulfills its role of SOP Industry information system and is able to provide all the necessary information on implementation of SF assistance required for monitoring, assessment, and reporting.
- Ensure that SOP IT system is able to provide MSSSF with required data by means of verifying compatibility of both systems (and to deliver relevant info to MA CSF).
- Examine whether monitoring indicators designed by MIT are in place and able to provide sufficient data for monitoring and evaluation.
- Establish system (person responsible) for ongoing crosschecks with Monitoring system and information requirements for the Annual Implementation Report.

b) - Check the procedures manual for adjusting Programme Complement.
- Examine whether there is a capacity for adjusting Programme Complement and capability for adjusting it.

c) - Train/assist the relevant bodies charged with the task of drawing up and submitting AI.
- Review/amend in partnership the template of the AI Report and give guidance.
- Assist MA in elaborating a task timetable for bodies providing input for AIR.

d) - Train and guide the MIT staff that is responsible for ensuring a separate accounting system.

- In partnership with main staff, design task checklist and set out timetable for training/assisting MITand IB staff ensuring correctness of operations a to be in position to perform all tasks.
- Assist the staff of Internal Audit Department so it is fully aware and trained in internal audit matters concerning the financial control obligations.
- Review/amend (if necessary) expenditure and verification guidelines produced under CZ 0010.01.
- Review/amend in necessary draft Implementation Documents.

-Twining:
1 PAA located on MIT working with staff of MIT departments
and Intermediate Body/ies.
1 PAA working with regional Execut. Ags.
Length: 2 x 14 p/m
Twinner: 0,40 ME PAA
Assistant: 0,04 ME
Seminars/trans, etc: 0,13 ME
Requirements: SF experience in key position at ministry or implement. body level; knowledge of ERDF implementation process and related regulations; productive sector experience
1 MTE for establishing audit trail/impl. of 438/01
Length: 6 months
2 MTE for training on SF implementation processes and related regulations, and (if required and not provided by the PAAs) on info and publicity issues
Length: 2 x 6 p/m
3x6 p/m MTE’s: 0,29 ME

Development, printing and distribution of info materials of an estimated value of 0,04 EUR to cover the graphical design, printing, supply and distribution of information and publicity materials

- Bodies involved in training are willing to participate the project actively.
- “SOP 2003 Package” disposable for revision.
- SOP IT system finished by end of 2002 and ready for SOP 2003 and Phare 2003 implementation.
- Financing of SOP 2003 approved by the Government.
- MIT and IB staff disposable for training.

Linked programmes:
- Under the Phare 1997 (CZ 9705-01) programme, advice was provided on the initial development of policies, programmes and structures for the implementation of Structural Funds.
- Under the Phare 1998 programme (CZ 9807-01) “Establishment of National Development Strategy & Support Structure for SFs & CF” a short term assistance focused on institution building was provided for the MoIT. Result is analyses of existing implementing structure and set of proposals of new structures.
- Phare 2000 (CZ 0010-01): it is expected that through the assistance provided by this project a revised SOP Industry will be prepared as well as Programme Complement and the structures for implementation of SF-like programmes focused on productive sector development will be established.
- Phare 2001 (CZ 01-10-03): this programme consists of two components. Component 1 is aimed at increasing absorption capacity on regional level. Component 2 is aimed at administrative capacity and includes developing of training, not training itself.
f) - Train/assist relevant staff to be in a position to ensure that all Community policies are complied with
   - Revise manuals for given body (European Integration Dept.) so it is able ensure compliance with Community policies
   - Introduce other models for methods and tools of compliance, and ensure consistency/development with Communications Action Plan, draft implementation forms, etc

  g) - Train MIT Staff (2 people) on Info and Publicity Strategy implementation, and develop procedures for circulating information and ensuring cross-checks on compliance with stipulations under regulation 1159.
   - Carry out seminars, assist Executive Units in Communication Action Plan Implementation
   - Establish appropriate channels for providing information to those persons who could benefit from schemes, and ensure linkage with other sites, seminars/info dissemination, etc accordingly
   - Design info and publicity materials, propose distribution channels
   - Production of information and publicity materials: preparation, printing and distribution of information and publicity materials
   - Assist in Web-site design

h) - Train the staff of MIT Paying Unit so it is aware in payment procedures (in accordance with methodology on financial flows of EU funds)
   - Review the manual of payments, and amend to SOP Industry structures where necessary

i) - Adapt existing audit checklists and procedures manuals to develop simple tools/methods for testing the Ministry staff in implementing SOP 2003, Phare 2003 and Phare 2000 “Transfer” and “Quality” programmes during the programme implementation cycle (mostly in form of “on spot assistance”, but covering selection, info & publicity, reporting, monitoring and evaluation and checks.
   - The SOP 2003 Programme is expected to be launched at the beginning of 2003 - assist in phases of (using tools developed) for assessment and selecting proposals, implementation, monitoring, checks, evaluation.
   - This activity will also be coordinated with the verification audit developed under CZ2002/000-282.10.04 (Action Plan implementation - assist in phases of monitoring, controlling, evaluation

j) - Review recommendations (as timing allows) and propose steps for action to implement recommendations speedily

Preconditions

- Intermediary ensuring SF assistance implementation established
- Designation of at least one person to be responsible for information and publicity
# Detailed Implementation Chart

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<th>Action</th>
<th>Year</th>
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<td>2002</td>
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<td>Call for twinning proposals</td>
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### CONTRACTING AND DISBURSEMENT SCHEDULE BY QUARTER

#### Cumulative Quarterly Contracting Schedule (mil. €)

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<tr>
<th>Project</th>
<th>1Q/02</th>
<th>1Q/02</th>
<th>3Q/02</th>
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#### Cumulative Quarterly Disbursement Schedule (mil. €)

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GUARANTEED RESULTS OF THE PHARE PROJECT CZ 2000.10.01 REVISED

To be achieved by the end of the project

Update of the National Development Plan for 2003-06 ready for presentation for the negotiation of CSF

The NDP the Joint ROP and SOPs (including Programme Complements) and SPDs for Prague have undergone ex-ante evaluation in accordance with Article 41 of Regulation 1260.

JROP, SOPs and SPDs for Prague with Programme Complements prepared ready for negotiation as Operational Programmes

Implementation structures agreed and established for JROP and also for SOPs and SPDs. This means tasks of Managing and Paying Authorities and delegation to intermediate bodies finalised and agreed. Units operating but not at full strength –increase in capacity to take place in 2003 (detail of structure for each OP contained in Programme document or Programme Complement)

Systems and structures established for full consultation of different partners (local and regional authorities, relevant NGOs) and for inter-ministerial co-ordination

Weaknesses and gaps in structures identified for action during 2003

Monitoring Committees and other committees envisaged for implementation established

Key performance indicators established and agreed for all Programme documents

Monitoring system design phase completed and ready for roll-out to all users in 2003

Rules for financial management, verification and control established and financial flows clarified

Ex ante evaluations completed and strategy for future evaluation elaborated

Clear project pipeline established for bringing forward projects for potential funding. Procedures tested in pilot regions through call for proposals for schemes under Phare 2000. Phare 2002 and 2003 to be used during 2003 to prepare concrete projects ready for application for Structural Funds in 2004

Parallel arrangements identified to deal with phasing out of Phare and transition to Structural Funds

Systems and structures for Cohesion Fund (adapted from ISPA practices) identified and prepared for implementation on Accession.

Final Beneficiaries identified and aware of their role and responsibilities

Model projects and model schemes from Member States developed as examples for Czechs

Manual(or Guidelines) produced in draft format to be finalised and elaborated in more detail during 2003 as follows'
1.1. FOR Managing Authorities and intermediate bodies


ESF Manual Produced by MoLSA on operation of European Social Fund.

Verification Manual (5 per cent on -the-spot checks) Produced by Ministry for Regional Development with other Ministries particularly MoF.

Evaluation Guidelines Produced by Ministry for Regional Development.

Information and publicity Guidelines Produced by Ministry for Regional Development.

Eligible expenditure guidelines Ministry for Regional Development for ERDF and MOLSA for ESF.

Draft Operational manual for Monitoring System Ministry for Regional Development.

FOR FINAL BENEFICIARIES

Application forms set produced by Ministry for Regional Development (agreed with MOLSA for ESF) to match with fields in Monitoring System. Guidelines on completing forms to be completed in 2003.

Compliance draft guidelines for Final Beneficiaries (co-ordinated by Ministry for Regional Development)

State Aids produced by MOIT

Procurement produced by MRD

Equal Opportunities Produced by MOLSA

Environmental Impact Produced by Ministry of Environment