STANDARD SUMMARY PROJECT FICHE

1. Basic Information

1.1. Desiree Number: SI0205.03
    Twinning Number: SI 02/IB/OT/03

1.2. Title: Establishment of the Management and Control System designed for the effective and sound implementation of EU Structural and Cohesion Funds within the future Paying Authority at the Ministry of Finance of the Republic of Slovenia.

1.3. Sector: Economic and Social Cohesion

1.4. Location: Slovenia

A package for institutional building for the future implementation of the EU Structural Funds (SF) and the Cohesion Fund (CF) in Slovenia consists of three project fiches:

a) Setting up a coherent system for the Structural Funds in Slovenia for the Managing Authority (MA) and the ERDF measures implementation.

b) Development of programming and management capacities for the ESF implementation

c) Establishment of the Management and Control System designed for the effective and sound Implementation of EU Structural and Cohesion Funds within the future Paying Authority at the Ministry of Finance of the Republic of Slovenia.

All fiches have to be thus considered in conjunction with each other. The candidates may apply for one, two or all of referred projects.

The assistance for preparation of the institutions for implementation of the Cohesion Fund within this fiche is targeted to the functions of the Paying Authority. Support to the bodies responsible for the implementation of the projects eligible for the Cohesion Fund is to be provided to the sectoral ministries through ISPA programme.

2. Objectives

2.1. Overall Objective

To establish an institutional framework with necessary administrative capacity to be able to effectively co-ordinate and implement the Structural and Cohesion Funds in Slovenia. And more precisely: strengthening of future Paying Authority in order to achieve, upon accession, sound and efficient management of EU Structural and Cohesion Funds.
2.2. Project Purpose

Institutional preparations for the financial management of the Structural and Cohesion Funds are to be completed.

The project will aim at achieving complete conformity with EU requirements in the setting up of the administrative body to which the Slovenian Government has entrusted responsibilities in relation to payment and financial control for the future implementation of the Structural and Cohesion funds. In particular, the project will provide assistance in completion of harmonisation tasks related to payment and financial control of EU funded programmes. In addition the project will contribute to designing a clear structure concerning

- the distribution of responsibilities between the Ministry of Finance as Paying Authority and the Ministry of Economy as managing Authority and the Ministry of Labour as intermediate body for managing ESF measures;
- the financial flows between the different authorities

2.3. Accession Partnership and NPAA Priority

The project relates to the priorities of the Accession Partnership (AP) and the National Programme on the Adoption of the Acquis (NPAA) and is tackling a current need. The project is in line with the AP and the NPAA.

The priorities and intermediate objectives for Regional policy and co-ordination of structural instruments as defined in the chapter four of the AP are:

1. Establish a territorial organisation in line with and allowing for effective implementation of the Structural Funds Regulations;
2. Establish a clear division of responsibilities for the management of the Structural Funds and the Cohesion Fund, improve the administrative capacity of the institutions involved and the implementation of the funds in particular the Managing and Paying Authorities, especially in terms of recruitment and training;
3. Prepare a coherent development plan as required by the Structural Funds Regulations and define the implementation structures of the final plan;
4. Set up the coherent monitoring and evaluation system for Structural Funds, in particular for ex-ante evaluation and for the collection and processing of the relevant statistical information and indicators;
5. Align with the specific financial management and control provisions for future Structural and Cohesion Fund(s) under the relevant EC regulations;
6. Develop the technical preparation of projects eligible to the Structural and Cohesion Funds assistance (project pipeline).

2.4. Contribution to the National Development Plan for 2001-2006

According to the roadmap, Slovenia should complete the NDP preparations and submit proposal on structures for Structural Funds implementation by the end of 2001. In the
second phase that will last from January 2002 until the end of accession negotiation. Slovenia will prepare Single Programming Document to be transmitted to the Commission. With this project further development of the NDP and preparation of the SPD will be supported and will contribute to the successful realisation of the roadmap defined. The institutional structure for implementation and supervision of the Structural Funds is described in the Chapter 5 of the National Development Plan for 2001-2006. This project will also support further development of capacities for the efficient and sound management of the Structural Funds. Through the institutional arrangements as defined in the NDP with the support of this project also further development of the Institutional arrangements will be defined and elaborated.

3. Description

3.1. Background and Justification

The financial perspective of the European Union for the period between 2000 and 2006 envisages a major increase in Community Funding for the countries of Central and Eastern Europe. Apart from increased amount of pre-accession assistance and introducing two new financial instruments (ISPA and SAPARD) the EU has also earmarked substantial funds within the EU's structural and cohesion funds for enlargement after 2002.

Upon accession - after an appropriate transition period - gross transfers to Slovenia are expected to rise at fast pace. This represents a huge administrative task for the Slovenian authorities in future responsible for the implementation of the EU programmes. The main objective here is not mere spending, but efficiently utilising Community Assistance for the attainment of national policy objectives.

Considerable work has been done in Slovenia in the past year in order to build up capacity and reflect on the administrative structures need for an efficient implementation of the Structural and Cohesion Funds. Of particular importance has been the work done in the context of the implementation of the Phare, ISPA and SAPARD programmes. In this context besides the CFCU, acting as the sole implementing agency in Slovenia under PHARE and ISPA programmes, the National Fund as the central treasury entity through which the EU aid is directed, has been created.

However, the approaching of the Accession date calls for a more sustained effort and further assistance specifically targeted to those bodies that will, upon accession, be in charge of fulfilling programming, managing, monitoring, payment and financial control tasks in relation to the Structural and Cohesion Funds.

Therefore the NDP has defined in Chapter 5 the key institutions for managing, implementation, monitoring, evaluation and control of the implementation of the EU SF and CF. Slovenia will have one Managing Authority within the Ministry of Economy for implementation of the Structural Funds and one Paying Authority within the Ministry of Finance for implementation of both the Cohesion and Structural Funds.

On that basis assistance should target as a matter of priority the designated Paying Authority for the Structural and Cohesion Funds.
3.2. Linked Activities

No linked activities have been performed in this particular sector in the past.

Under Phare 2002 three Institutional Building projects are foreseen to provide assistance in building the administrative capacity for the implementation of structural funds. Single Steering Committee will be organised to co-ordinate all projects and will consist of representatives of the Ministry of the Economy, the Ministry of Finance, the Ministry of Labour, Family and Social Affairs, the Ministry of Transport, the Ministry of Environment and Spatial Planning, and the Governmental Office for European Affairs. The representatives of other relevant ministries and stakeholders might be invited to the meetings of the SC. The co-ordination will ensure consistency with regards to the respective contributions to the Structural Funds programming documents (see Annex IV).

3.3. Results

The results of the programme are:

**Financial Management and Control:**

3.3.1 In regard to the Structural Funds:

- Paying Authority of the RS for the Structural Funds operational, trained and prepared to deliver the tasks defined in the Council Regulation 1260/1999 as regards the management and control systems for assistance granted under the Structural Funds;
- Paying Authority of the RS ready to assume obligations under the Commission Regulations 438/2001 and 448/2001;
- Completion of harmonisation of tasks related to management and control systems of Paying Authority of EU funded programmes in line with Commission Regulations 1685/2000, 438/2001 and 448/2001;
- Structure for distribution of responsibilities and for financial flows between PA, MA and intermediate body for ESF set up.

3.3.2 In regard to the Cohesion Fund:

- Paying Authority of the RS for the Cohesion Fund operational, trained and prepared to deliver the tasks defined in the Council Regulation 1164/94 as amended by Council Regulations 1264/1999 and 1265/1999 as regards the management and control systems for assistance granted under the Cohesion Fund;
- Completion of harmonisation of tasks related to management and control systems of Paying Authority of EU funded programmes in line with Council regulations 1260/99, 1164/94 as amended by Council Regulations 1264/1999 and 1265/1999
3.4. Activities

**Financial Management and Control:**

This component will assist the Paying Authority in strengthening its capacities and define and establish the appropriate system for the purposes of drawing up and submitting payment applications and receiving payments from the Commission under the Structural and Cohesion Funds.

More specifically, the project covers:

- Support in defining clear role and division of tasks for the MA and PA related to the working procedures and setting up the organisational structure with clear definition and allocation of functions of Paying Authority as laid down by the Council Regulations 1260/1999 and 1164/94 amended by Council Regulations 1264/99 and 1265/99;
- Elaboration of manuals and standard procedures by which claims for reimbursement of expenditure are received, verified and validated and by which payments to beneficiaries are authorised, executed and accounted for, with provisions for the audit trail of management and control systems of paying authority, as laid down in Commission Regulation 438/2001 and the Council Regulation 1164/94 amended by Council Regulations 1264/99 and 1265/99;
- Harmonisation of standards for the certification of expenditure for which payments from the Structural Funds under Article 32 of the Council Regulation 1260/99 are claimed, and lay down in computerised form of the content of such certificates and specification of the nature and the quality of the information on which they rely, as laid down in Commission Regulation 438/2001;
- Harmonisation of standards for the certification of expenditure for which payments from the Cohesion Fund under the Council Regulation 1164/94 amended by Regulations 1264/99 and 1265/99 are claimed, and lay down in computerised form of the content of such certificates and specification of the nature and the quality of the information on which they rely;
- Design in the computerised form of accounting records and the content of accounting information to be held and communicated to the Commission by paying authority for the Funds in the RS;
- Elaboration of procedures linked to the recoveries derived from financial corrections related to assistance granted under the Structural Funds, as laid down in the Commission Regulation 448/2001;
- Elaboration of procedures linked to the recoveries derived from financial corrections related to assistance granted under the Cohesion Fund, as laid down in the Council Regulation 1164/94 amended by Council Regulations 1264/99 and 1265/99;
- Development of methodology for prevention of irregularities in co-operation with the Budget Supervisory Service of the MF;
- Seminars and training on certification procedures concerning certification of interim payments of the Funds for the staff of the Paying Authority;
Study tours for the staff of the Paying Authority to the similar authority in order to strengthen the assistance provided by the experts.

Required input:

The component will be implemented through a twinning assignment, including a PAA for 18 months, responsible for providing advice on the above areas, who will act as the overall co-ordinator and supervisor of the project, co-ordinate the work of short-term EU experts and keep permanent contact with the national authorities.

Profile of the PAA:
- must have sound theoretical experience related to financial management and control methods and internal audit methodology,
- must have knowledge and experience of the recent development of Public Internal Financial Control in the framework of Enlargement as developed by the European Commission,
- must have at least 5 years of practical experience and practical involvement in a Paying Authority of the Structural and Cohesion Funds,
- must have leadership experience,
- must be fluent in English.

The short-term EU experts (six experts, each specialised in particular measure, i.e. Cohesion Fund, ERDF, ESF, EAGG, FIFG and one IT expert) should have the relevant experience and competence to match the project components in the field of the operation of the Paying Authority covering inter alia internal financial control and internal audit under the Structural and Cohesion Funds. Input foreseen for these experts would be of two months each.

Study visits: two 5-days visits for the appointed staff of the future PA

Apart to the study visits organized under this twinning project, each individual appointed at the Paying Authority for following up the implementation of each of the measures under Structural and Cohesion Funds will join the relevant group of trainees of each of the line ministries when visiting the member states under their own twinning projects.

3.5. Lessons learned:

No assistance has been given so far in the area of the Paying Authority. /NA/

4. Institutional Framework

In accordance with the Public Finance Act, payments out of funds provided by pre-accession instruments are executed through the National Fund (NF) within the Ministry of Finance, which acts as a paying agent for the implementing agencies in the RS. After Slovenia joins the EU, the payments for Structural Funds and the Cohesion Fund will be made through one Paying Authority within the Ministry of Finance.
The tasks and responsibilities of the Paying Authority after Slovenia joins the EU will be performed by the National Fund within the Ministry of Finance being the main beneficiary of the project.

5. Detailed Budget (in €)

<table>
<thead>
<tr>
<th></th>
<th>Investment (I)</th>
<th>Institution Building (IB)</th>
<th>Total Phare (I+IB)</th>
<th>National co-financing</th>
<th>IFI</th>
<th>Total</th>
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<tbody>
<tr>
<td>Contract</td>
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<td>503,000</td>
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<td>503,000</td>
<td>503,000</td>
<td>27,000</td>
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<td>530,000</td>
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The national contribution in the amount of min 5% will cover the costs for office space, office support and salaries of the counterpart staff and the necessary obligations deriving from the implementation of the twinning operations in line with the twinning regulations and the text of the covenant.

6. Implementation Arrangement

6.1. Implementing Agency

Ministry of Finance - CFCU
PAO: Mr. Peter Škofic, Head of Unit
SI-1502 Ljubljana, Beethovnova 11.
Tel.: +386-1-478 69 94
Fax.: +386-1-478 62 04
E-mail: peter.skofic@mf-rs.si

The Implementing (Contracting) Authority:

Ministry of Finance - National Fund
SI-1502 Ljubljana, Beethovnova 11
Responsible person:
Ms Mojca Grošelj, State Under-Secretary
Tel.: +386-1-478 63 05
Fax.: +386-1-478 62 04
E-mail: mojca.groselj@mf-rs.si

6.2. Twinning

The twinning package will consist of a PAA, short-term EU experts, training and study visits.

6.3. Non-standard Aspects

Not applicable.
6.4. Contracts

The project will be implemented through 1 twinning covenant of 503,000 €.

7. Implementation Schedule

<table>
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<tr>
<th>Start of Tendering</th>
<th>Start of Project Activity</th>
<th>Completion</th>
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<tbody>
<tr>
<td>07/2002</td>
<td>03/2003</td>
<td>08/2004</td>
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8. Equal Opportunity

The institutions involved in the project are all equal opportunity employers. No discrimination between sexes will apply when selecting participants for training and study visits.

9. Environment: Not applicable.

10. Rates of Return: Not applicable.

11. Investment Criteria: Not applicable.

12. Conditionality and Sequencing

The most important condition and milestone for the project implementation is the finalisation of the National Development Plan. The fifth chapter of the NDP: Institutional arrangements will evolve along with the development of the implementation of this project and in connection with other IB projects.
ANNEXES:

Annex I: LOGFRAME PLANNING MATRIX FOR THE PROJECT
Annex II: DETAILED IMPLEMENTATION CHART
Annex III: CONTRACTING AND DISBURSEMENT SCHEDULE
Annex IV: RULES AND PROCEDURES OF THE STEERING COMMITTEE FOR THE PROJECTS IMPLEMENTATION
## LOGFRAME PLANNING MATRIX FOR THE PROJECT

### Programme name and number:
**SI0205.03**

<table>
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<tr>
<th>Establishment of the Management and Control System designed for the effective and sound implementation of EU Structural and Cohesion Funds within the future Paying Authority at the Ministry of Finance of the Republic of Slovenia</th>
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<td>Contracting period expires: 30.06.2004</td>
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<td>Disbursement period expires: 30.06.2005</td>
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<tr>
<td>Total budget : 530,000 € Phare budget : 503,000 €</td>
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### Overall objective

#### Objectively verifiable indicators
Increased annual absorption of EU funds in Slovenia in comparison to previous years

#### Sources of Verification
Regular monitoring reports of the Joint Monitoring Committee

#### Assumptions
Sufficient human and financial resources allocated to the managing and paying authorities

### Project purpose

#### Objectively verifiable indicators
Positive assessment of Administrative capacity from the Commission.

#### Sources of Verification
Regular monitoring reports of the Joint Monitoring Committee

#### Assumptions
Sufficient human and financial resources allocated to the managing and paying authorities

### Results

#### Objectively verifiable indicators
Paying Authority ready to implement tasks related to Structural Funds and Cohesion Fund implementation

#### Sources of Verification
Reports on the progress of projects (in particular through the JMC)

#### Assumptions
The institutional structure of MF/PA as foreseen by the NDP will not change

#### Means
Public internal financial control developed at the required level.

#### Sources of Verification
Decrees defining tasks and responsibilities of PA

#### Assumptions
The institutional structure of MF/PA as foreseen by the NDP will not change

#### Means
Staff employed by the PA trained

#### Sources of Verification
Manuals for PA

#### Assumptions
The institutional structure of MF/PA as foreseen by the NDP will not change

### Activities

#### Objectively verifiable indicators
Paying Authority designated and ready to assume obligations under Council Regulation1164/94 as amended by Council Regulations 1264/1999 and 1265/1999 (related to CF)

#### Sources of Verification
Ad-hoc Reports by Internal Audit Service and Budget Supervisory Service.

#### Assumptions
The institutional structure of MF/PA as foreseen by the NDP will not change

#### Means

#### Sources of Verification
Staff employed by the PA trained

#### Assumptions
The institutional structure of MF/PA as foreseen by the NDP will not change
## ANNEX II: DETAILED IMPLEMENTATION CHART

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<th>COMPONENT</th>
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<td>Implementation</td>
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ANNEX III: CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE (by quarter for full duration of the programme)

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<td><strong>National co-financing:</strong></td>
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<td><strong>TOTAL:</strong></td>
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ANNEX IV: DRAFT RULES AND PROCEDURES FOR THE STEERING COMMITTEE

A Single Steering Committee is to be established to co-ordinate activities of the three projects:

a) Setting up a coherent system for the Structural Funds in Slovenia for the Managing Authority and the ERDF measures implementation, and for the Managing Authority functions in relation to the Cohesion Fund implementation
b) Development of programming and management capacities for European Social Fund (ESF) implementation
c) Establishment of the Management and Control System designed for the effective and sound Implementation of EU Structural and Cohesion Funds within the future Paying Authority at the Ministry of Finance of the Republic of Slovenia.

The Steering Committee will discuss and approve the official terms of references and operational procedures as part of its first meeting.

The Single Steering Committee will perform all the tasks and functions as bellow:

- Co-ordinate actions of the Pre-Accession Advisors and twinning teams towards common objectives, ensuring complementarity and adding value through offering advice and guidance
- Ensure that relevant ministries act on the accepted recommendations of the projects
- Report on outputs to other relevant bodies, particularly the Council for Structural policy and to the Monitoring Committee responsible for the finalisation of the NDP and SPD by Managing Authority
- Monitor progress of the projects towards their targets and objectives
- Approve any requested amendments to the approved project fiches prior to final agreement by all parties
- Receive reports by the Pre-Accession Advisors for each project, and the nominated Pre-Accession Advisor responsible for the co-ordination of project activities
- Receive reports by Slovenian team leaders for each project
- Request remedial action where projects are found to be failing to meet their targets
- Approve action plans prepared by PAA for the following quarter
- Approve the final outputs of the three projects
- Approve a final reports

Membership of the Steering Committee will consist of:

- Ministry of the Economy (Chair)
- Ministry of the Economy, Department of Regional Policy
- Ministry of Finance
- Ministry of Finance, CFCU
• Ministry of Labour, Family and Social Affairs
• Ministry of Transport
• Ministry of Environment and Spatial Planning
• Government Office for European Affairs
• EC Delegation

Representatives of other Ministries and other stakeholders may be invited to attend meetings of the Steering Committee as agreed by the Steering Committee.

The Steering Committee will consist of up to two representatives of each organisation represented (voting member and suppleant). Government Ministries will normally be represented by the State Under Secretary, or a nominee.

The Steering Committee will meet once every three months. The meeting cycle will be established from the date of the first meeting. All papers will be prepared and circulated 10 days in advance. For the Steering Committee to be considered quorate at least one representative of each organisation identified above must be in attendance.

Meetings of the Steering Committee will be undertaken in English. All reports will be submitted in English.

The National Agency for Regional Development will act as a Secretariat for the Steering Committee. A member of NARD will attend each meeting of the Steering Committee to take minutes of the meeting, noting any decisions and action points.

The Steering Committee will identify any other bodies that should be officially informed about the decisions taken by the Steering Committee.