

Programming of the EU Structural Funds & Cohesion Fund

Training manual for Managing Authorities
and Intermediate Bodies

Texts prepared by the team of the Phare 2006 project “Development of Institutional Capacity for the Management of the EU Structural Funds Post-Accession”.

This document should be considered as an informal draft only. It has been prepared in the spirit of providing practical advice to the Croatian authorities in their current situation vis-a-vis the EU Structural Funds and Cohesion Fund post-accession.

The authors reserve the right to amend the document subsequently to rectify any errors which may prove necessary in light of the on-going negotiations with the EU.

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Contact Address

Central Office for Development Strategy
and Coordination of EU Funds

Radnička cesta 80/V

10000 Zagreb, Croatia

tel: +385 (0) 1 4569 173

fax: +385 (0) 1 4569 187

www.strategija.hr

www.strukturnifondovi.hr

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ANNEX 1: Community strategic guidelines

ANNEX 2: Structural Funds and Cohesion Fund Regulations

LIST OF ACRONYMS

CF	Cohesion Fund
CODEF	Central Office for Development Strategy and Coordination of EU Funds
EC	European Commission
EU	European Union
EAFRD	European Agricultural Fund for Rural Development
EFF	European Fisheries Fund
EIB	European Investments Bank
ERDF	European Regional Development Fund
ESF	European Social Fund
HRD	Human Resources Development
IB	Intermediate Body
MA	Managing Authority
NGO	Non Governmental Organisation
NSRF	National Strategic Reference Framework
NUTS	Nomenclature of Units for Territorial Statistics
OP	Operational Programme
PC	Programme Complement
SCF	Structural Funds and Cohesion Fund
SME	Small and Medium Size Enterprise
SWOT	Strengths, Weaknesses, Opportunities and Threats
TNA	Training Needs Analysis

Foreword

The Central Office for Development Strategy and Coordination of EU Funds (CODEF) has prepared and supervises the implementation of the project “Development of Institutional Capacity for the Management of the EU Structural Finds Post-Accession”, financed within the Phare 2006 programme. The overall objective of the project is to prepare the Croatian public administration for Croatia’s effective participation in EU structural policy.

Through assistance in programming, institution building and project pipeline preparation activities, the project provides assistance to the future Managing Authorities, Intermediate Bodies and potential Beneficiaries, to prepare for Croatia’s effective participation in the EU structural policy.

The present publication is addressed to persons working in the future Management Authorities and Intermediate Bodies of the Operational Programmes of the EU Structural and Cohesion Funds post-accession. It examines methodological and technical aspects of programming and projects’ preparation, and in particular, the EC requirements regarding the development of the National Strategic Reference Framework (NSRF) and the Operational Programmes (OPs).

To facilitate dissemination and consultation, this publication is also available online at: www.strategija.hr and www.strukturnifondovi.hr

A. Programming of the EU structural interventions

A.1. Overview of the basic principles of the EU assistance

A.1.1 EU Cohesion policy framework

The European Council of March 2005 called upon the Commission, the Council and the Member States to re-launch the Lisbon strategy by refocusing on growth and employment in Europe, in accordance with the Commission's proposals. The re-launch of the Lisbon Strategy has two main objectives:

- ◇ to deliver stronger, longer-lasting growth, and
- ◇ to create more and better jobs.

The EC regulations, which set the legal framework for the implementation of the Structural Funds and Cohesion Fund (SCF) of the European Union (EU), are accompanied by the *Community Strategic Guidelines*¹ which set the common EU priorities for which the EU funds should be used in 2007-2013.

Meeting the Community's growth and jobs challenge is a basic element of a country's development strategy. It is seen as the lever that will boost all the resources needed to meet the wider economic, social and environmental goals and the specific strategies for the development of the regions.

The on-going debate on the financial framework for the EU up to 2013 is in line with *Lisbon objectives and priorities*, the latter being more and more encrusted within the future EU budget. The Commission's proposals for the Financial Perspectives reflect the following priorities:

- ◇ support and investment to a modern, knowledge-economy needs
- ◇ use resources in ways which will help to adapt to changing economic and social conditions
- ◇ operate programmes which provide the right incentives for Member States to focus their own national public spending on Lisbon objectives.

According to the European Commission (EC) guidance, member states and the social partners must therefore increase their efforts to promote and put in place policies that will allow the people and the economy to move towards the growth objectives of the Union. More specifically:

- a) Member States and the social partners should clearly *identify* and *plan* their contribution to the Lisbon goals.
- b) Regional and local authorities should *design projects*, which take us closer to our Lisbon ambition.
- c) Within the above context, Structural Funds and Cohesion Fund will focus on assisting the delivery of growth and jobs at a local level.

It is clear that the need for increased ownership at all levels of government has been recognized as one of the key factors for success. A sustainable Lisbon strategy requires greater participation at the planning stage and a more decentralized implementation. Lisbon reforms must therefore involve the regional level to a greater extent and at an early stage. The integrated guidelines published by the EC, specify that the EU member states should take every opportunity to involve regional and local governments, social partners and civil society in SCF programming.

Cohesion objectives

Three priority objectives set the basis for the geographical eligibility and the use of the resources:

¹ Brussels, 05.07.2005, COM(2005) 0299, Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013

(a) the **Convergence** objective, which aims at speeding up the convergence of the least-developed Member States and regions by improving conditions for growth and employment through the increasing and improvement of the quality of investment in physical and human capital, the development of innovation and of the knowledge society, adaptability to economic and social changes, the protection and improvement of the environment, and administrative efficiency

(b) the **Regional competitiveness and employment** objective, which shall, outside the least-developed regions, be aimed at strengthening regions' competitiveness and attractiveness as well as employment by anticipating economic and social changes, including those linked to the opening of trade, through the increasing and improvement of the quality of investment in human capital, innovation and the promotion of the knowledge society, entrepreneurship, the protection and improvement of the environment, and the improvement of accessibility, adaptability of workers and businesses as well as the development of inclusive job markets

(c) the **European territorial cooperation** objective, which shall be aimed at strengthening cross-border cooperation through joint local and regional initiatives, strengthening transnational cooperation by means of actions conducive to integrated territorial development linked to the Community priorities, and strengthening interregional cooperation and exchange of experience at the appropriate territorial level.

The Community financial instruments

The Commission adopted on 14 July 2006 a proposal of five new regulations for renewed Structural Funds and instruments. Over the period 2007-2013, these instruments present about one third of the EU budget, or a total of EUR 336.1 billion. The majority of this amount will be spent in less-developed Member States and regions. Structural Funds and instruments aim to promote growth-enhancing conditions for the Union's economy and focuses on three objectives: *convergence*, *competitiveness* and *co-operation*.

Regional policy provides support to the member states to achieve the objectives of the cohesion, through the two Structural Funds and the Cohesion Fund:

- the ERDF (European Regional Development Fund), whose principal objective is to promote economic and social cohesion within the European Union through the reduction of imbalances between regions or social groups
- the ESF (European Social Fund), the main financial instrument allowing the Union to realise the strategic objectives of its employment policy
- the Cohesion Fund (CF), contributes to interventions in the field of the environment and trans-European transport networks

Other relevant instruments are:

- European Agricultural Fund for Rural Development (EAFRD)
- the new Instrument for Pre-Accession (IPA)
- the European Investments Bank (EIB)

The National Strategic Reference Framework

Each Member State has to develop a National Strategic Reference Framework (NSRF), which sets the main priorities for the assistance from the Funds, and ensures that this assistance will be consistent with the Community Strategic Guidelines on Cohesion. The NSRF also identifies and provides with justification of the link between Community priorities, on the one hand, and the National Reform Programme (NRP), on the other.

The NSRF document is prepared under the responsibility of the government of each member state, and it contains the following elements:

- (a) an analysis of development disparities, weaknesses and potential, taking into account trends in the European and world economy;
- (b) the strategy chosen on the basis of that analysis, including the thematic and territorial priorities. Where appropriate these priorities shall include actions relating to sustainable urban development, the diversification of rural economies and areas dependent on fisheries;
- (c) the list of operational programmes for the Convergence and Regional competitiveness and employment objectives;
- (d) a description of how the expenditure for the Convergence and Regional competitiveness and employment objectives will contribute to the European Union priorities of promoting competitiveness and creating jobs, including meeting the objectives of the Integrated Guidelines for Growth and Jobs
- (e) the indicative annual allocation from each Fund by programme;
- (f) for regions of the Convergence objective only:
 - (i) the action envisaged for reinforcing the Member State's administrative efficiency;
 - (ii) the amount of the total annual appropriation provided for under the EAFRD and the EFF;
 - (ii) the information required for ex ante verification of compliance with the additionality principle;
- (g) for Member States eligible for the Cohesion Fund, information on the mechanisms for ensuring coordination between operational programmes themselves and between these and the EAFRD, the EFF and, where appropriate, the interventions of the EIB and of other existing financial instruments.

The NSRF may also contain, where relevant:

- (a) the procedure for coordination between Community cohesion policy and the relevant national, sectoral and regional policies of the Member State concerned;
- (b) for Member States other than those referred to in paragraph (g), information on the mechanisms for ensuring coordination between operational programmes themselves and between these and the EAFRD, the EFF and the interventions of the EIB and of other existing financial instruments.

The information contained in the National Strategic Reference Framework has to take into account the specific institutional arrangements of each Member State.

A.1.2 The EC Regulations

The objectives of the EU Structural Funds are pursued in the framework of a multiannual programming system organized in several stages, comprising the identification of the priorities, the financing, and a system of management and control. The relevant EC legislative framework provides the principles and rules on partnership, programming, evaluation, management (including financial management), monitoring and control of the SCF co-financed actions, on the basis of responsibilities shared between the Member States and the Commission.

The present set of *regulations* is at the basis of all SCF programming action in the EU member states, for the period 2007-2013. The new programming framework proposes a new programming process and a reformed delivery system, i.e. a more targeted and simplified approach for the implementation of the next generation of European national and regional development programmes which will provide for simpler, proportional and more decentralized management of the Structural Funds and Cohesion Fund as far as relations between the Member States and the Commission are concerned.

The main regulations are as follows²:

A **General Regulation**, which defines common principles, rules and standards for the implementation of the three cohesion instruments, the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund. Based on the principle of shared management between the Union and the Member States and regions, this regulation sets out a renewed programming process, based on Community Strategic Guidelines for Cohesion and their follow-up, as well as common standards for financial management, control and evaluation. The reformed delivery system will provide for a simpler, proportional and more decentralised management of the Structural Funds and the Cohesion Fund.

The regulation on the **European Regional Development Fund (ERDF)** defines its role and fields of interventions such as the promotion of public and private investments helping to reduce regional disparities across the Union. The ERDF will support programmes addressing regional development, economic change, enhanced competitiveness and territorial cooperation throughout the EU. Funding priorities include research, innovation, environmental protection and risk prevention, while infrastructure investment retains an important role, especially in the least developed regions.

The regulation on the **European Social Fund (ESF)**, which will be implemented in line with the European Employment Strategy and it will focus on four key areas: increasing adaptability of workers and enterprises, enhancing access to employment and participation in the labour market, reinforcing social inclusion by combating discrimination and facilitating access to the labour market for disadvantaged people, and promoting partnership for reform in the fields of employment and inclusion.

The regulation on the **Cohesion Fund**. CF contributes to interventions in the field of the environment and trans-European transport networks. It applies to Member States with a Gross National Income (GNI) of less than 90% of the Community average which means it covers the new Member States as well as Greece and Portugal. Spain will be eligible to the Cohesion Fund on a transitional basis. In the new period, the Fund will contribute alongside the ERDF to multi-annual investment programmes managed in a decentralised way, rather than being subject to individual project approval by the Commission.

The regulation introducing the **European Grouping of territorial co-operation (EGTC)**. The aim of this new legal instrument is to facilitate cross-border, transnational and/or inter-regional co-operation between regional and local authorities. The latter would be invested with legal personality for the implementation of territorial cooperation programmes based on a convention agreed between the participating national, regional, local or other public authorities.

Finally, the European Commission's **implementing regulation for the Structural and Cohesion Funds 2007-2013**, which represents one set of detailed rules on the management of cohesion policy's financial instruments.

A.1.3 Quality factors in Structural and Cohesion Funds' programming

The "sustainable development" principle

The EU Structural Funds are ruled by the sustainable development principle as a "horizontal objective" together with provisions for a greater partnership participation explicitly including both national and regional levels of the public administration, as well as a wide range of actors, including NGOs.

Handling the horizontal objective 'sustainable development' requires understanding of the following factors:

(i) the existing (especially in the new EU member states) *relationship* between the national/regional/local sustainable development strategies and their perception at the implementation level and the horizontal objective 'sustainable development' of the SCF interventions should be strengthened, but well understood;

² Full texts of the main regulations are included in the Annexes of the present document.

(ii) the sustainable development principle should be activated in comprehensive and holistic operational concepts;

(iii) the tasks of a combined qualitative and administrative management should match with the capacity and resources of the existing implementation structures.

These factors will have to influence the institutional and governance groups (e.g. developing new and appropriate forms of governance, types and effectiveness of partnership etc.) as well as the quality of "controlling" functions of management (efficient steering through selection, monitoring and evaluation, reporting).

The structural funds of tomorrow

In the framework of an enlarged Europe, there is in the recent years a growing debate on the profile of the structural funds of tomorrow.

The new architecture of its objectives -convergence, regional competitiveness and employment, territorial co-operation- and the foreseen menu of fields of activities present a great potential of adaptation to regional and local needs and thus to the formulation of specific concepts for regional sustainable development.

This implies also greater responsibilities at these levels. A clearer distinction between strategic (political) and operational programming should offer opportunities to better validate national and regional sustainable development strategies during programming and annual reviews of the strategy.

Challenges can also be seen in the envisaged further decentralization of responsibilities "to partnerships on the ground", "more transparent partnerships" and in a perceivable "strengthening of monitoring mechanisms" to assure the quality of outputs delivered.

Partnership

The importance of strategic and sustainable partnerships at the national, regional, and local level for an enhanced regional sustainable development process is substantially increasing. The quality of future Structural Funds' programmes in terms of sustainable development will, to a very large extent, reflect the quality of national/regional sustainable development policies and progress made with them.

A wide alliance of partners advocating jointly regional sustainable development, regrouping a region's innovative and entrepreneurial skills including interested political, social and business decision makers, as well as enhanced innovative HRD action, could help to push the necessary learning processes so that the policy preparations of programming the Structural Funds interventions can make appropriate and timely use of such assistance.

A longer term commitment of the partners - over the whole programme period - would increase relevance and recognition and help to gradually bring about also new forms of governance and self-management which, in turn, could constitute positive assets for a region's competence and competitiveness.

A.2 Commission programming guidance

In the new programming period 2007-2013, the Commission intends to maintain the key principles of cohesion policy -programming, partnership, co-financing and evaluation; however, it proposes to enhance the efficiency of the policy by introducing a number of reforms designed:

- To encourage a more strategic approach to programming,
- To introduce further decentralization of responsibilities to partnerships on the ground in the Member States, regions and local authorities,

- To reinforce the performance and quality of programmes co-financed through a reinforced, more transparent partnership and clear, more rigorous monitoring mechanisms, and
- To simplify the management system by introducing more transparency, differentiation and proportionality while ensuring sound financial management.

With respect to *programming*, the entire system is simplified, with “one step in programming instead of two” with the abolition of the Community Support Framework and the Programme Complement³ (PC). In brief:

- ◇ At the political level: on the basis of the draft strategic guidelines adopted by the Council, each Member State prepares a national framework document on its development strategy, which will be negotiated with the Commission and constitute the framework for preparing the thematic and regional programmes.
- ◇ At the operational level: on the basis of the policy document, the Commission will adopt national and regional programmes for each Member State. The programmes will be defined at an aggregate or priority level only, highlighting the most important *operations*.
- ◇ The number of funds is limited to three (ERDF, ESF, Cohesion Fund). ERDF and ESF interventions will aim at operating with only one fund per programme⁴.

The Commission’s legislative proposals make also evident the need for revision of the national regulations and management provisions, taking into consideration the overall Structural Funds regulatory framework.

Reminder of the basic SCF management terminology*

“**operational programme**”: document submitted by a Member State and adopted by the Commission setting out a development strategy with a coherent set of priorities to be carried out with the aid of a Fund, or, in the case of the Convergence objective, with the aid of the Cohesion Fund and the ERDF

“**priority axis**”: one of the priorities of the strategy in an operational programme comprising a group of operations which are related and have specific measurable goals;

“**operation**”: a project or group of projects selected by the managing authority of the operational programme concerned or under its responsibility according to criteria laid down by the monitoring committee and implemented by one or more beneficiaries allowing achievement of the goals of the priority axis to which it relates

“**intermediate body**”: any public or private body or service which acts under the responsibility of a managing or certifying authority, or which carries out duties on behalf of such an authority vis-à-vis beneficiaries implementing operations

“**beneficiary**”: an operator, body or firm, whether public or private, responsible for initiating or initiating and implementing operations. In the context of aid schemes under Article 87 of the Treaty, beneficiaries are public or private firms carrying out an individual project and receiving public aid

* *COUNCIL REGULATION (EC) No 1083/2006*

A.3 Drafting the OPs - Identifying a project pipeline

In the course of the programming period, and for the accurate description of the different OP operations, it is suggested by the Commission, that member states and the relevant institutions responsible for the programming, also proceed with the preparation of a pipeline of projects. With the term “project

³ Additional detail, reflected in the so-called “Programme Complement” (PC) of the 2000-2006 programming period, will no longer be required in the relations between the Commission and the Member States. It is however explicitly clarified that Member States may decide to keep the PC for internal management purposes.

⁴ According to Art 33 of the General Regulation, “Without prejudice to the derogations laid down in the specific regulations of the Funds, the ERDF and the ESF may finance, in a complementary manner and subject to a limit of 10 % of Community funding for each priority axis of an operational programme, actions falling within the scope of assistance from the other Fund, provided that they are necessary for the satisfactory implementation of the operation and are directly linked to it”.

pipeline” is defined a set of sufficiently prepared projects ready for implementation and eligible for Structural Funds and Cohesion Fund co-financing assistance.

In order to ensure smooth implementation and enough absorption since the first months/years of the SCF programming period, it is strongly advised that attention is paid to the selection of mature projects for inclusion in the project pipeline.

Mature projects are those which present a high degree of readiness for implementation, based on a previous needs analysis or feasibility studies, clearly defining targets, internal OP cohesion, external cohesion with other OPs or creating pipelines with other projects implemented previously through other sources, project management provisions and financial breakdown, and replying to all the criteria for eligibility of co-financing by a Fund. Also, projects which could become mature in a relatively short period of time, provided that they will enjoy further preparation by the relevant stakeholders (using other funding mechanisms), from the current period until the commencement of the implementation of the upcoming programming period.

The process of collection of information on mature projects for inclusion in project pipeline include consultations involving representatives of all relevant parties that form the partnership (Local Government representatives, SMEs, NGOs, Economic and Social Partners, etc), with the use of focus groups methodology, as well as organisation of broader working groups meetings, open debates at national/sectoral level.

In most “old” and “new” EU member states, this process adopts a bottom-up approach, giving emphasis to the projects identified at regional and local level.

A.3.1 Operational Programme structure and programming process

The main considerations for the development of an Operational Programme are:

- The weight of the international, European and national environment in the specific sector (or region) and the challenges deriving from the current situation and its perspectives
- The results from the development efforts so far in the achievement of the sectoral objectives and priorities
- The basic development options described in the national strategic reference framework (NDP 2007-2013)
- The integrated Community Strategic Guidelines

As a first step, the Programme priorities can be presented in a concise and structured way, as follows:

Contents of the draft consultation document

1. The position of the sector within the national, European and international context
2. Summary of recent achievements in a specific sector (i.e. in the course of the implementation of pre-accession programmes), according to the following indicative structure:
 - Strengthening the competitiveness
 - Enhancing accessibility of services
 - Environment protection
 - Human resources development and promotion of employment
 - Improvement of the administrative capacity of public administration
 - Strengthening transnational, cross-border and inter-regional co-operation
 - Strengthening regional cohesion and development
 - Other development goals
3. Strengths, weaknesses, opportunities and threats (SWOT) analysis of the sector
4. Main development priorities and justification of their classification
5. Reference to the regional perspective of sectoral priorities
6. Synergies/relationships with other sectoral policies
7. Required institutional and organizational/administrative reforms

Following a regular consultation process, and the development of a draft Operational Programme, a full text is presented to the EC for discussion and negotiations. It includes the analysis of the priorities and operations and follows the structure proposed in the General Regulation for the management of the Structural Funds and the Cohesion Fund.

Contents of the Operational Programme

- a) Analysis of the situation and strategy chosen in response
- b) Justification of the priorities chosen
- c) Information on the priorities and their specific targets
- d) Breakdown of the spheres of assistance by category
- e) A financing plan
- f) Information on complementarity with measures financed by the other SCF
- g) Implementing provisions
- h) Designation of the “compliance assessment body”
- i) An indicative list of major projects

The Programme submission to the EC, follows a two-stage procedure:

a) Following the submission of the first draft, this will be rapidly assessed for completeness against a list of “receivability criteria”. It is however to be noted, that first drafts need to include at least:

- Justification of the strategies
- Reference to innovative policy areas (such as information society)
- Compatibility with other EU policies
- Management arrangements
- Specific operational solutions (such as transparent project selection systems)

b) Once Programmes are deemed complete or “admissible”, they will go through the full process of negotiations.

Drafting the “Programme Complement” (PC)

The Programme Complement is defined by the Commission as a document “implementing the programme strategy and priorities and containing detailed elements of the programme at measure level drawn up by the Member State and revised as necessary by the Monitoring Committee as proposed by the Managing Authority”. According to the General Regulation, a detailed Programme Complement (PC) is no longer required as it was the case for the 2000-2006 programming period. It is however explicitly clarified that Member States may decide to prepare a PC or a similar implementation document for internal management purposes.

The Programme Complement for each Operational Programme contains more detailed information on how the OP strategy and priorities will be implemented. While the OP is a strategic document with a summary of the operations, the Programme Complement provides the detail on these, as well as information on the specific operational arrangements. Therefore, the Programme Complement will include an analysis of the operations and their implementation provisions over the programming period, clear mention of the potential beneficiaries designated for each operation and areas of interventions within the operations, as well as the subsequent financial plan, audit trail, monitoring indicators, specific targets, the expected results and impact, selection criteria, and actions to ensure publicity.

The financial plan must be consistent with the financial plan of the Operational Programme.

The approach to the Programme Complement is usually decided at an early stage of programming, and the major components of the document are drafted in parallel with the Operational Programme. The PC being a more detailed version of the OP, especially as regards the projects’ anticipated/indicative implementation structure and financial provisions, it offers an opportunity for consideration of the SCF requirements and approach when describing the Programme priorities and operations in the OP document, as well as when drafting the Programme financial tables.

In several EU member states, while the OP is drafted, at a rather central level, by the institutions which are (or will be) responsible for the management of the Programme (the Managing Authorities), the Programme Complement is drafted by those agencies which will be implementing the programme (i.e. Intermediary Bodies). The advantages of this approach is the application of a combination of top-down and bottom-up input, and an intensification of co-ordination between national and regional levels in the course of SCF Programming.

Content of the “Programme Complement”

The Programme Complement provides detailed information on the content of operations, including:

- description of actions under each operation
- specific targets, quantified when possible
- justification of the consistency of targets with corresponding OP priorities
- ex-ante evaluation of the proposed actions and demonstration of their consistency with the aims of corresponding priorities/operations
- expected impact of actions at the appropriate level (operation or priority)
- monitoring indicators
- detailed financing plan

In addition, information on the *indicative projects* to be co-financed under each operation.

The individual operations' sheets which make up the Programme Complement should be drafted by the relevant implementing body. The Managing Authority consolidates and finalizes the drafts for submission to prepare the final version of the Programme Complement and to ensure conformity with the OP.

Those responsible for drafting Operational Programmes and Programme Complements are expected to give due regard to a number of factors, and to present final versions in a uniform format.

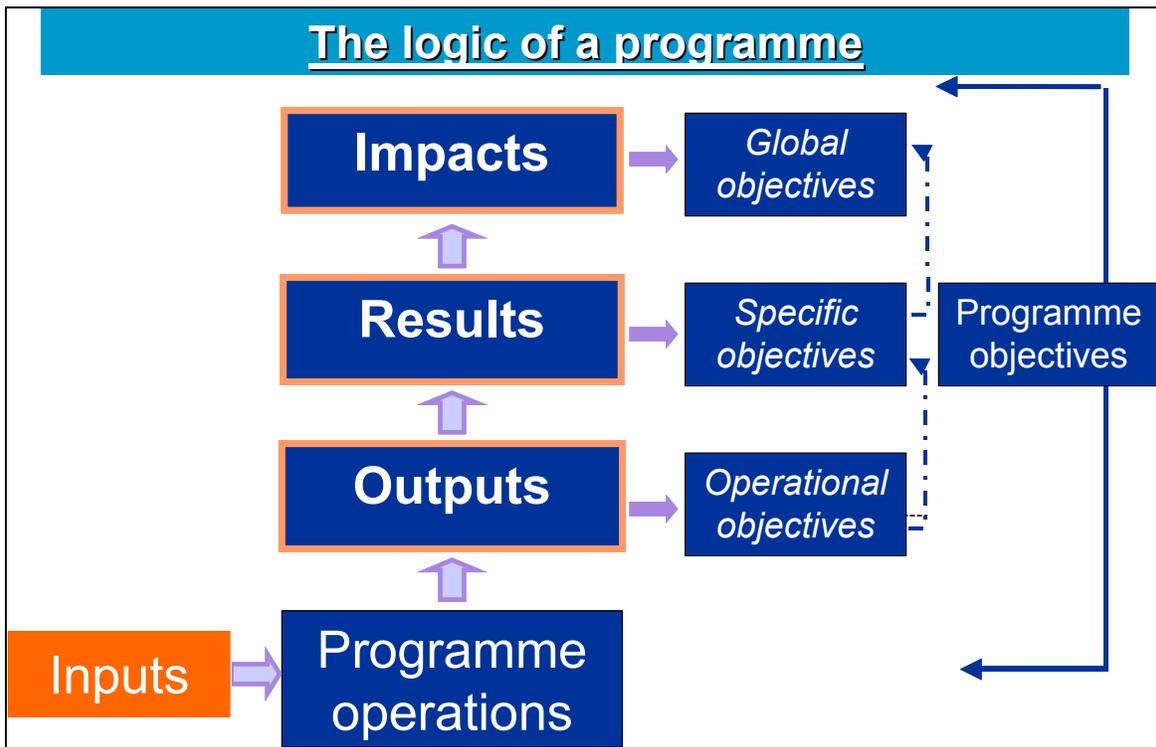
A.3.2 Indicators for monitoring and evaluation

An important part of programming is defining the specific target of the operations, and giving information on indicators used for monitoring the various actions under the OP.

An indicator is defined as the measurement of an objective to be met, a resource mobilized, an effect obtained, a gauge of quality or a context variable.

Indicators are used for the measurement of an objective and/or an output accomplished through the implementation of actions co-financed by the Structural Funds and the Cohesion Fund.

Indicators are just one of several instruments used in the context of monitoring and evaluation of the SCF assistance. They should help Member States and the Commission to move to more results-driven public management, according to the following logic:



In principle we try to identify for each layer of the programme suitable indicators to measure the progress towards achieving the strategy goal. In practice most emphasis is usually put on defining the indicator set at measure level, in particular if we talk about measuring the concrete outputs of measures. The results and eventually the impacts are often obtained by adding up the results per measure up to priority and eventually programme level.

Indicators are included both in the Operational Programme (context and programme indicators) and in the Programme Complement (Indicators at the level of the OP priorities and the subsequent operations). The database with information on all indicators⁵ (including for specific operations, as described in the PC), should be available to the Commission upon request during the whole programming period.

Typology of Structural Funds' indicators

Context and programme indicators

Context indicators reflect the structure of the socio-economic analysis of a programme and they allow the assessment of the needs in order to monitor the evolving general context of a programme.

Programme level indicators (core indicators) are physical and financial indicators, which reflect the variety of interventions and are used to make comparisons or aggregations of data across programmes, priorities or operations.

Output, result and impact indicators

Output indicators describe the investments (i.e. physical infrastructure, services) or activities (support structures, studies) that are financed.

Result indicators describe the direct results of the outputs that the participants (support services, studies) or users (infrastructure) obtain.

Impact indicators describe the contribution to the global objectives of the operation, priority or programme or users (infrastructure) obtain.

⁵ Usually as part of the Management Information System (MIS).

In addition to the above indicators, in order to support the financial programming of the actions, it is recommended to collect *cost benchmark indicators* from previously implemented programmes or from actions financed in the recent years by the state budget.

Cost benchmark indicators can be available from country relevant stakeholder organizations, existing studies, and / or projects implemented in the past. They are used to define unit costs and average costs for the different types of OP interventions (operations), in order to make a realistic allocation of financial resources.

Horizontal policies indicators

Indicators are also developed to measure the impact of the SCF interventions on EU horizontal policies, such as the environment, equal opportunities and Information Society.

For example, in the case of *equal opportunities between men and women*, gender indicators for a training intervention might include:

Resource indicator - funding spent on women and men on this training scheme

Output indicator - number of women and men using this service

Result indicator - number of women and men getting jobs due to this training

Impact indicators - part-time/ full-time employment breakdown, starting pay, all by gender

Sources of indicators

> Context indicators

- Official statistics

> Programme indicators

- Output: project promoters
- Result: project promoters, programme evaluations
- Impact: programme evaluations

> Cost benchmark indicators

- OP stakeholder organizations
- Studies, and / or previous projects

The ideal indicator

The ideal indicator provides very precise information in the Quantity, Quality, Time, Target group and Place (QQTTP). An indicator that includes information about all five issues is very specific and would in principle be the ideal indicator.

A.3.3 Mainstreaming horizontal themes into SCF programming

There exist several horizontal themes which are to be taken into consideration at all levels of programming. The most important are sustainable development, equality between men and women and non-discrimination.

Horizontal themes should clearly appear in the strategic approach of Programmes as a whole, and be integrated in the different sections of programming documents, proving that they are supported by the programming approach adopted by the Member State authorities. This is a double approach, which calls for:

- Integration of horizontal themes into strategies
- Integration of horizontal themes into processes

Within this context, the authorities responsible for drafting the OPs should incorporate elements which prove that the proposed actions reply to the requirements of horizontal themes, by:

- Including breakdown of indicators' data by gender and by size of recipient undertakings
- Making reference to the results of the Strategic Environmental Assessment (when required for the specific OP).

The integration of horizontal themes in various programming documents is also examined during the ex-ante evaluations of the Programmes.

A.4 Public consultations in the framework of programming

Direct public involvement in planning is a basic component of the programming process.

The European Union claims a wide and effective partnership in Structural Funds assistance with social and other relevant partners on the national and regional level. Therefore, partnership should cover the area of preparation, financing, monitoring and evaluation of Structural Funds assistance. As specified in the General Regulation, in the framework of the programming process each Member State shall organise, in accordance with current national rules and practices, a partnership with the authorities and bodies which it designates, namely:

- a) the competent regional, local, urban and other public authorities;
- b) the economic and social partners;
- c) any other appropriate body representing civil society, environmental partners, non-governmental organisations, and bodies responsible for promoting equality between men and women.

In addition, the Member State shall ensure broad and effective involvement of all the appropriate bodies within a large public consultation process, in accordance with national rules and practices taking account of the need to promote equality between men and women and sustainable development through the integration of environmental protection and improvement requirements.

The basic principles of a public consultation process are:

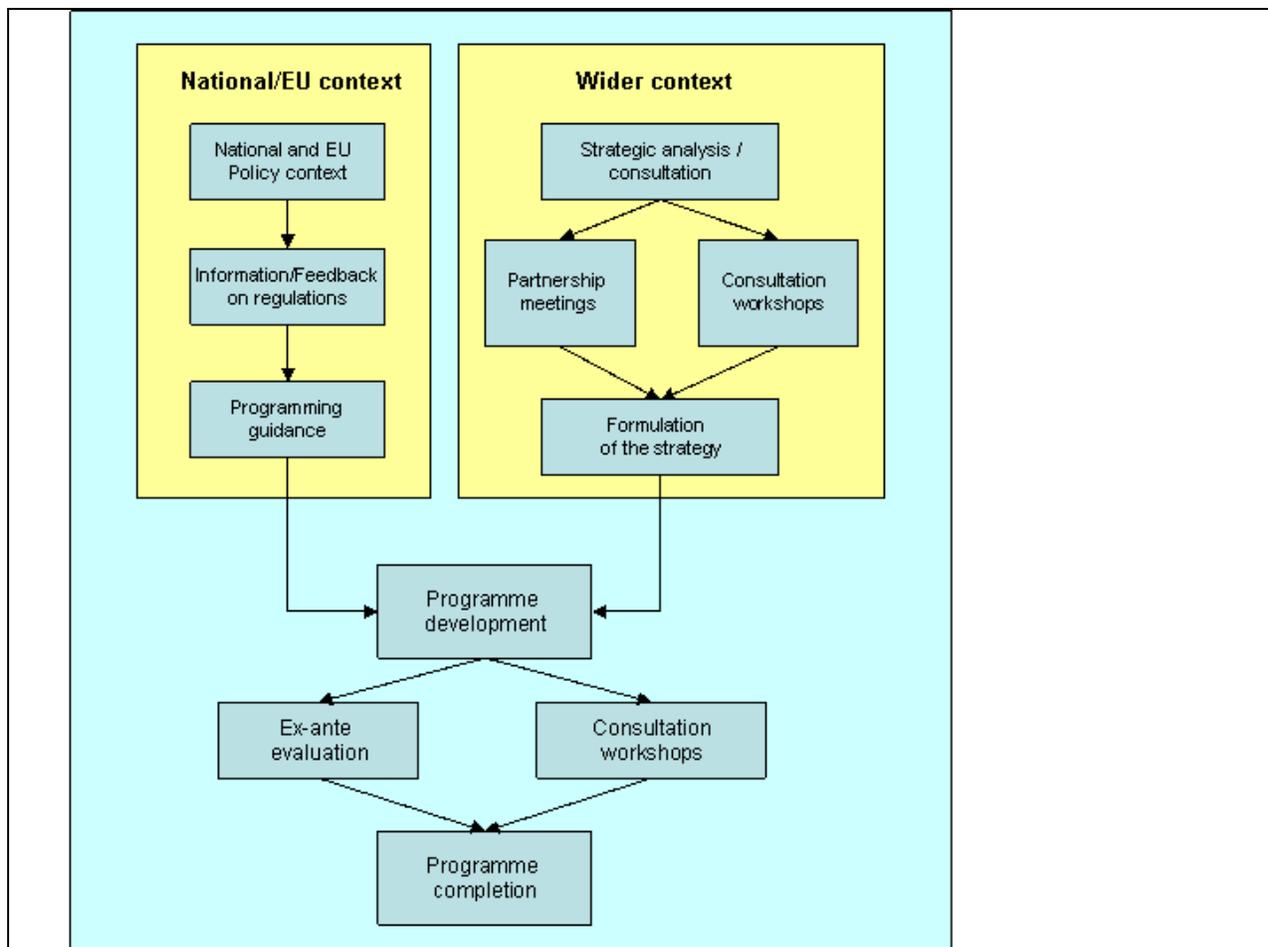
- ◇ transparency and access to information;
- ◇ active dissemination of the information amongst the partners;
- ◇ consultations with the partners.

Partnership in the framework of programming

In principle, the three basic components of SCF programming are:

- The national and European policy and regulatory framework
- The partnership consultations and involvement of a wide spectrum of actors in programming
- The programme formulation and ex-ante evaluation

The following graph illustrates the programming relationships:



Because of its complexity, the process of programming requires central steering by a specified organization. In most member states, this role is assigned to a central government authority and other government authorities currently involved with the management or the implementation of the given SCF operational programme (or those from which will emerge the future Programme Management Authorities). These organizations undertake the responsibility of preparing the strategic analyses, running the consultations and bringing together the various elements that form the partnership. At the end of the process, they are responsible for the completion of the programme and the negotiations with the Commission.

Besides *government authorities*, *regional administrative authorities* are also involved in the programming process, and may obtain a central role in it, or other groupings, such as *regional planning teams* incorporating a number of different organizations of sectoral and/or regional interest.

In most Member States, extended use is made of *external consultants*, especially for the analysis and strategic formulation of programming aspects requiring knowledge of a specific sector (e.g. Information society). Another usual procedure is the creation of *working or thematic groups*, which are in charge of providing input on particular types of operations or thematic approaches in programming (e.g. urban regeneration).

The use of expert support, through the use of external consultants or the formation of working groups, may vary from the continuous and on-going involvement of experts throughout the programming process, to selective involvement of experts at specific points of the process. This is done usually:

- at the moment of the formulation of the strategic analysis, or

- when drafting the Programme and specifying the operations (in the latter case, usually representatives of relevant authorities or government departments are invited to contribute or comment on various parts of the Programme).

Another key element of programming is the wider involvement of partnership through consultation. This is done following various models adopted by the different EU member states or by the regions. In practice, there is no unique model of partnership involvement in programming, and often elements of the various models are incorporated in the approach adopted by the individual member states or regions⁶.

- a) The first model involves the *incorporation of a wide range of partner organizations from an early stage of programming*. Partnership involvement extends to the final formulation of the Programme. This highly inclusive process allows a wider ownership of the strategy, which is a very positive element, especially in multi-annual programming. Also, it gives the possibility to a wide range of partners (even to organizations which are normally outside the SCF circle) to provide concrete input and influence the strategy. Naturally, this model of consultation requires time and extensive resources for co-ordination.
- b) The second model provides for still *relatively extensive consultations, but characterized by more targeted input*, for particular sectors/themes and at particular stages of the programming. This is the most commonly adopted model. Particular partners are involved at distinct stages of programming, especially partners with a more direct link to the implementation of the Programme. This is done usually when the first draft of the Programme is completed, and in some cases close to the completion of a first draft. This approach helps avoid the time and resource constraints of wider consultations, and targets consultation on those partners who can add value to the process.
- c) The third model refers to *a more selective, administratively bounded process*, which mainly involves specific national and regional government departments and agencies. This approach translates SCF programming to a purely administrative consultation and coordination process, and it is mainly adopted when a programming is based on existing strategies, adopted if necessary to meet European objectives.

A.5 Management provisions

The Operational Programme has to include precise information on arrangements made by the Member State and the relevant authorities for the implementation of the Programme.

The Operational Programme needs to include, at least the following information:

- single authority or body, (the "managing authority") responsible for managing the OP
- arrangements for involving partners in the Monitoring Committee and an indication of the different partners
- the way in which the Member States will ensure compatibility with:
the rules on competition, the award of public contracts, the integration of horizontal objectives of the EU (i.e. protection and improvement of the environment, the elimination of inequalities and the promotion of equality between men and women, etc).

In addition, the description of arrangements for:

- managing the Programme as a whole;
- financial control;
- evaluation;

⁶ Concrete examples of partnership formulation and programming processes from various EU Member States are presented in the "case studies" section of the course.

- the systems for monitoring and evaluation (especially the tasks of the Monitoring Committee);
- information and publicity provisions.

Sound explanations should be also included to explain how the overall administrative efficiency of the authorities or bodies responsible for managing the OP will be improved.

Indicatively, the structure of such a chapter of the OP can be the following:

- X. Implementation Arrangements
 - X.1 Introduction
 - X.2 Management
 - X.3 Monitoring and evaluation
 - X.4 Financial management and control
 - X.5 Information and Publicity
 - X.6 Management
 - X.7 Information System

Similarly, the Programme Complement will include for each of the operations the arrangements made for the management of the operation.

Organigramme of the Managing Authority

The authorities responsible for the management of each Operational Programme should at an early stage of programming define the organigramme of the MA and the roles and responsibilities of each of its departments/units.

Managing Authorities may be composed of four units:

> Programming Coordination Unit

The Unit with responsibility to follow the evolution of the SCF policy related to the OP, to communicate with the European Commission and to undertake all actions related to the implementation of Programme management and evaluation provisions, to ensure follow-up of horizontal policies, and to prepare adjustments of the OP, when needed.

> Monitoring & Evaluation Unit

The Unit with responsibility for day-to-day monitoring of OP operations, in close co-operation with the IBs.

> Financial management & control Unit

The unit has responsibility for the authorization of payment requests and financial changes of projects, certification of expenditures, on-the-spot checks, monitoring of the N+2/N+3 rule, co-ordination with the Audit Authority.

> Implementation Support Unit

The Unit dealing mainly with the follow-up of technical assistance, organization of the MC meetings, personnel administration, as well as the implementation of information and publicity actions (mainly nation-wide basis external information, publicity and communication, providing information to potential beneficiaries and the general public).

The manual of operations of the MA should include information on the mission statements of each Unit and job descriptions for its individual officers.

The main monitoring and evaluation mechanisms, as included in the General Regulation for the management of the Structural Funds and the Cohesion Fund:

Managing Authority

The Managing Authority shall be responsible for managing and implementing the OP in accordance with the principle of sound financial management, in particular for:

- a) *ensuring that operations are selected for funding in accordance with the criteria applicable to the operational programme and that they comply with applicable Community and national rules for the whole of their implementation period;*
- b) *verifying that the co-financed products and services are delivered and that the expenditure declared by the beneficiaries for operations has actually been incurred and complies with Community and national rules; verifications on-the-spot of individual operations may be carried out on a sample basis in accordance with the detailed rules to be adopted by the Commission;*
- c) *ensuring that there is a system for recording and storing in computerized form accounting records for each operation under the operational programme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected;*
- d) *ensuring that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;*
- e) *ensuring that the evaluations of operational programmes are carried out in accordance with Article 47 of Regulation (EC) 1083/2006;*
- f) *setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements of Article 90 of Regulation (EC) 1083/2006;*
- g) *ensuring that the certifying authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;*
- h) *guiding the work of the monitoring committee and providing it with the documents required to permit the quality of the implementation of the operational programme to be monitored in the light of its specific goals;*
- i) *drawing up and, after approval by the monitoring committee, submitting to the Commission the annual and final reports on implementation;*
- j) *ensuring compliance with the information and publicity requirements laid down in Article 69 of Regulation (EC) 1083/2006;*
- k) *providing the Commission with information to allow it to appraise major projects.”*

Monitoring Committee

The Monitoring Committee (MC) of an OP will be established to oversee the implementation of the programme and its evaluation. It will draw up its rules of procedure within the country's institutional, legal and financial framework and adopt them in agreement with the Managing Authority in order to exercise its missions in accordance to the Council Regulation. It will be chaired by a representative of the authority responsible for the management of the OP. Its composition shall be decided in agreement with the

⁷ Council regulation (EC)1083/2006, Art. 60

Managing Authority. It will be assisted by a permanent secretariat responsible for the preparation of papers for discussion by the Monitoring Committee or for clearance by written procedure, agendas and minutes of meetings.

At its own initiative or at the request of the Monitoring Committee, a representative of the Commission shall participate in the work of the Monitoring Committee in an advisory capacity. A representative of the EIB and the EIF may participate in an advisory capacity for those operational programmes to which the EIB or the EIF makes a contribution.

The MC will reflect the principles of partnership. It will comprise representatives from other Ministries and Government bodies, the European Commission (in an advisory capacity), social partners and other national organisations with an interest in and contribution to make to the effective implementation of the OP. The Monitoring Committee will aim to have a gender balance amongst its members.

The MC will normally meet at least two times each year and will manage the implementation of the Operational Programme, in particular:

- a) by considering and approving the criteria for selecting the operations financed within six months of the approval of the operational programme and approve any revision of those criteria in accordance with programming needs;
- b) by proceeding with periodical reviews in order to check progress made towards achieving the specific targets of the operational programme on the basis of documents submitted by the Managing Authority;
- c) by examining the results of implementation, particularly achievement of the targets set for each priority and the evaluations referred to in Article 46 of the Council Regulation;
- d) by considering and approving the annual and final reports on implementation referred to in Article 66 of the Council Regulation
- e) by receiving information on the annual control report, or of the part of the report referring to the operational programme concerned, and of any relevant comments the Commission may make after examining that report or relating to that part of the report;
- f) by proposing to the Managing Authority any revision or examination of the operational programme likely to make possible the attainment of Fund objectives referred to in Article 3 of the Council Regulation or to improve its management, including its financial management;
- g) by considering and approving any proposal to amend the content of the Commission decision on the Fund contribution.

In addition, the MC will also be responsible for decisions relating to implementation, policy and visibility of the programme.

Reporting

Annual report

In accordance with art. 66 of the Council Regulation, the Managing Authority will send to the Commission within six months of the end of each full calendar year⁸ of implementation an annual implementation report and by 31 December 2016 a final report on the implementation of the operational programme. The first report will be due by 30 June 2008. The report must be examined and approved by the Monitoring Committee before it is sent to the Commission.

Once the Commission has received the report, it shall indicate within a period of 10 working days from the day of its receipt if the report is considered admissible⁹. The Commission shall inform the Member State of its opinion on the content of an admissible annual report on implementation submitted by the Managing

⁸ By 30 June each year.

Authority within two months from the date of receipt. For the final report on the operational programme, the time limit shall be a maximum of five months from the date of receipt of an admissible report. If the Commission does not respond within the time limit laid down, the report shall be deemed to be accepted.

The annual report shall give a clear view of the implementation of the OP. It shall include the following information:

- a) the progress made in implementing the OP and priorities in relation to their specific, verifiable targets, with a quantification, wherever and whenever they lend themselves to quantification, of the physical indicators and the indicators referred to in Article 36 of the Council Regulation, at the level of priority;
- b) the financial implementation of the OP, detailing for each priority the expenditure paid out by the certification and payment authority and the corresponding public contribution, the total payments received from the Commission, and quantifying the financial indicators referred to in Article 65 of the Council Regulation;
- d) the financial implementation by field of assistance adopted by the Commission in accordance with the procedure referred to in article 104 of the Council Regulation;
- e) the steps taken by the Managing Authority or the Monitoring Committee to ensure the quality and effectiveness of implementation, in particular:
 - i) monitoring and evaluation measures, including data collection arrangements;
 - ii) a summary of any significant problems encountered in implementing the operational programme and any measures taken;
 - iii) the use made of technical assistance;
- f) the information and publicity measures taken for the OP;
- g) a statement by the Managing Authority that, in so far as they are aware, community law has been complied with in the implementation of the OP. Where problems have been encountered, the Managing Authority should qualify the statement and identify these problems and the measures taken to deal with them;
- i) the use made of assistance repaid or re-used following cancellation as referred in Articles 99(2) and 101(3) bis of the Council Regulation to the beneficiaries during the period of implementation of the OP.

The breadth of information transmitted to the Commission shall be proportional to the total amount of public expenditure of the OP, and, where appropriate, such information may be provided in summary form.

Information referred to in points e), f) and i) shall not be included if there was no significant modification since the previous report.

Evaluation

The Managing Authority bears responsibility for providing the resources necessary for carrying out evaluations, organise the production and gathering of the necessary data and use the various types of information provided by the monitoring system.

Ex-ante evaluation

The ex-ante evaluation of the OP is carried out under the responsibility of the national authorities and the future Managing Authority of the OP, which is also responsible for the preparation of the OP programming document.

⁹ "Admissibility" of an annual report is judged according to the relevant provisions of the Council Regulation.

Ex-ante evaluation aims to optimise the allocation of budgetary resources under the OP and improve programming quality. It shall identify and appraise the disparities, gaps and potential for development, the goals to be achieved, the results expected, the quantified targets, the coherence, if necessary, of the strategy proposed for the region, the Community value-added, the extent to which the Community's priorities have been taken into account, the lessons drawn from previous programming and the quality of the procedures for implementation, monitoring, evaluation and financial management.

Monitoring evaluations

During the implementation period of the OP, the OP Managing Authority will be responsible for carrying out regular evaluations linked to the monitoring of the OP, in particular where the monitoring reveals a significant departure from the goals initially set or where proposals are made for the revision of the OP.

The results of those evaluations will be sent to the OP Monitoring Committee and to the Commission.

Strategic evaluations

Strategic evaluations may be carried out by the Commission and at its initiative, in partnership with the OP Managing Authority. Those evaluations will be linked to the monitoring of the OP where the monitoring of programmes reveals a significant departure from the goals initially set. The results shall be sent to the Monitoring Committee.

Ex-post evaluation

The ex-post evaluation of the OP and each of its objectives, will be carried out by the Commission, in close co-operation with the OP Managing Authority,

Ex-post evaluation will examine the extent to which resources were used, the effectiveness and efficiency of the Fund programming and the socio-economic impact of the co-financed actions. It shall also identify the factors having contributed to the success or failure of the implementation of the OP and identify good practice. Ex-post evaluation shall be completed by 31 December 2015.

General principles of the management and control systems

The management and control systems of Operational Programmes set up by Member States shall provide for:

- (a) the definition of the functions of the bodies concerned in management and control and the allocation of functions within each body;
- (b) compliance with the principle of separation of functions between and within such bodies;
- (c) procedures for ensuring the correctness and regularity of expenditure declared under the operational programme;
- (d) reliable accounting, monitoring and financial reporting systems in computerised form;
- (e) a system of reporting and monitoring where the responsible body entrusts the execution of tasks to another body;
- (f) arrangements for auditing the functioning of the systems;
- (g) systems and procedures to ensure an adequate audit trail;
- (h) reporting and monitoring procedures for irregularities and for the recovery of amounts unduly paid.

B. Preparing ERDF/CF projects to be financed under SCF Operational Programmes (2011-2013)

Croatian authorities are already familiar with the concept of building 'project pipelines' to ensure smooth implementation and absorption of EU funds under IPA Component 3. Now they must begin to do the same for the Structural Instruments. A project pipeline can be considered as a set of mature projects fulfilling the eligibility criteria for EU funding. Mature projects are those, which:

- fit the strategy of the Operational Programme concerned and represent eligible expenditure;
- are technically feasible and financially viable;
- possess all relevant regulatory permits and studies;
- have the necessary management and implementation capacities.

This chapter looks specifically at project pipeline development for the European Regional Development Fund (ERDF) and the Cohesion Fund (CF). It aims to provide practical advice to the future Managing Authorities and Intermediate Bodies on the steps they should be taking from now - mid-2009 onwards - to increase the chances of successful future project implementation using these funds.

B.1 Common project preparation background for IPA Component 3 and ERDF/CF

IPA Component 3 represents a useful preparation for ERDF/CF in many respects. There are now numerous similarities between the EU pre-and post-accession funding regimes. The most obvious of these is the multi-annual Operational Programme approach under which investments must collectively achieve quantified targets of outputs, results and ultimately impacts at Priority Axis and Programme level.

Projects financed under both IPA Component 3 and Structural Instruments must be selected and funded according to criteria approved by the relevant programme Monitoring Committee. They must comply with EU and national legal requirements and should contribute to the promotion of key horizontal themes - notably environment and social inclusion. Project implementation is based on a reimbursement principle for EU funding under both pre- and post-accession systems and both have similar approaches to revenue-generating projects. A strict n+3 expenditure discipline operates at programme level for IPA Component 3 and n+3/2 will apply for Structural Instruments.

In approaching project development for ERDF/CF, the initial advice for the Croatian authorities must therefore be to use, as far as they exist, the systems put in place for generating project pipelines under IPA Component 3. In doing so they should also ensure tight operational linkage between project development and programming processes for ERDF/CF (Article 93 - General Regulation 1083/2006).

B.2 Key differences between IPA Component 3 and ERDF/CF

Despite the many similarities, ERDF/CF will also bring a number of important new elements compared to IPA Component 3, relevant for project pipeline development, which include:

- additional eligible fields of intervention;
- potentially broader range of project Beneficiaries;
- more EU resources and larger projects;
- expenditure eligible from date of EU accession;
- higher maximum rate of intervention;
- detailed eligibility rules at the level of the Member State;
- application of State Aid rules as a Member State;

- project Beneficiaries are responsible for public procurement;
- access to EU financial engineering and project preparation instruments.

Each of these key differences is examined in greater detail below.

B.2.1 Additional eligible fields of intervention

There are various fields of intervention referred to in the ERDF Regulation 1080/2006 (Article 4 for the Convergence Objective) and the Cohesion Fund Regulation 1084/2006 which are not mentioned explicitly in the IPA Implementing Regulation 718/2007. These mainly cover the following:

Transport

- integrated strategies for clean transport which contribute to improving the access to and quality of passenger and goods services, to achieving a more balanced modal split, to promoting intermodal systems and to reducing environmental impacts;
- clean urban transport and public transport.

Environment

- investments in integrated pollution prevention and control; aid to mitigate the effects of climate change; promotion of biodiversity and nature protection, including investments in NATURA 2000 sites; aid to SMEs to promote sustainable production patterns through the introduction of cost-effective environmental management systems and the adoption and use of pollution-prevention technologies;
- prevention of risks, including development and implementation of plans to prevent and cope with natural and technological risks;
- energy investments, including in improvements to trans-European networks which contribute to improving security of supply.

Regional development

- local development initiatives and aid for structures providing neighbourhood services to create new jobs, where such actions are outside the scope of the ESF;
- tourism, including promotion of natural assets as potential for the development of sustainable tourism; protection and enhancement of natural heritage in support of socio-economic development; aid to improve the supply of tourism services through new higher added-value services and to encourage new, more sustainable patterns of tourism;
- investments in culture, including protection, promotion and preservation of cultural heritage; development of cultural infrastructure in support of socio-economic development, sustainable tourism and improved regional attractiveness; and aid to improve the supply of cultural services through new higher added-value services;
- investments in health and social infrastructure (including rehabilitation of social housing) which contribute to regional and local development and increasing the quality of life.

It is up to the Member State to decide, during the programming process, how far it wishes to take advantage of the full scope of eligible investments available, based on the strategies being developed for the new Operational Programmes, co-financing and relevant implementation capacities.

It is highly likely that EU investment fields additional to IPA, such as nature conservation, risk prevention, tourism and social infrastructure will increase the input of local authorities, NGOs and other players in Operational Programmes. As Beneficiaries, these organisations will be less experienced in the full range of disciplines needed for EU project implementation under the Structural Instruments than the national institutions.

The main impact of this phenomenon is likely to be felt in the field of regional development / competitiveness and to a lesser extent in the field of environment. Comprehensive training and capacity building of potential Beneficiaries which do not have the necessary experience is a vital accompaniment in the process of project pipeline development.

B.2.2 More EU resources and larger projects

Current EU resource allocations available to Croatia under IPA are shown in the table below. Component 3, which corresponds to ERDF/CF under post-accession funding, ranges between EUR 45 million in 2007 and almost EUR 60 million in 2012.

Allocations from the Structural Instruments after accession (corresponding to IPA Components 2, 3 and 4 and part of Component 1) could rise to a maximum of 3.6%-3.7% of Croatia's annual GDP. At this stage it is difficult to predict exactly what financial allocations the Commission will award to Croatia. ERDF/CF allocations together could account for between EUR 300 million and EUR 600 million per year - i.e. approaching 8-10 times the current allocations to IPA Component 3.

Project sizes are also likely to increase with increased EU funding. A 'major' project under IPA Component 3 is a project with total cost of over EUR 10 million. Under ERDF/CF, a 'major' project is defined as one with total cost of over EUR 50 million and EUR 25 million in the environment sector.

CROATIA							
EU indicative financial allocations to IPA Components 2007-2012 (EUR mn)							
IPA programme Components	2007	2008	2009	2010	2011	2012	Total
I - Transition assistance & institution building	49.6	45.4	45.6	39.5	39.9	40.9	260.9
II - Cross-border cooperation	9.7	14.7	15.9	16.2	16.5	16.9	89.9
III - Regional development	45.0	47.6	49.7	56.8	58.2	59.3	316.6
IV - Human resource development	11.4	12.7	14.2	15.7	16.0	16.0	86.0
V - Rural development	25.5	25.6	25.8	26.0	26.5	27.3	156.7
Total	141.2	146.0	151.2	154.2	157.1	160.4	910.1

Multi-annual Indicative Financing Framework (MIFF) Croatia

The combination of increased resource allocations and increased project size adds greater emphasis to the need for accelerated project pipeline development. Assuming an initial programme phase of 2011- 2013 for the post-accession Structural Instruments, identification and preparation work for potential 'major' projects needs to start immediately. Similarly, work should begin now to train the additional numbers and types of potential Beneficiaries in order to help generate the high volume of projects which will be needed in the future for the Structural Instruments.

B.2.3 Higher maximum EU intervention rates and expenditure eligible from the date of accession

Under the Structural Instruments, the maximum EU intervention rate permitted is 85% of eligible costs, as opposed to 75% for IPA (except in exceptional and duly justified cases). Under Article 53 of the General Regulation of the Structural instruments 1083/2006, Operational Programmes may structure their financial tables to show the EU contribution as a percentage of total eligible costs (including public and private expenditure), or only as a percentage of total eligible public expenditure.

The Commission has encouraged the majority of new Member States to choose the latter option, because it is simpler. Under a recently adopted modification to the General Regulation for the Structural Instruments (Council Regulation 1341/2008), the rules on revenue-generating projects now only apply to project with a total cost of over EUR 1 million.

Unlike IPA Component 3, which (with the exception of certain TA expenditure) requires accreditation of the Operating Structure before expenditure can be eligible, expenditure will be eligible for support from the Structural Instruments in Croatia from the date of EU accession provided it is in line with the relevant Operational Programme. Even such expenditure incurred prior to approval of the programme in question can be counted as eligible if it later satisfies the above conditions. Whilst this situation can help project implementation planning, it also entails the obvious risk that a project which has commenced might not later be selected for EU support.

The programme authorities will need to forward-plan possible programme expenditure profiles in order to manage the post-accession $n+3/2$ situation, in order to judge the likelihood of meeting annual $n+2/3$ targets. In this context they will need to certify significant expenditure early on and will probably seek to approve a number of projects which have already started in order to achieve this. In many Member States it is common practice for at least the first project selection round in the lifetime of an Operational Programme to be open to projects which have already started.

B.2.4 Detailed eligibility rules at the level of the Member State

Detailed eligibility rules for the Structural Instruments are laid down at the Member State level. Such rules might cover issues like the eligibility of in-kind contributions, depreciation and overheads in project budgets, or of items like second-hand equipment or mobile infrastructure.

Clearly the content of the detailed eligibility rules could have significant impact on project preparation. Again, work on the detailed eligibility rules and any related guidelines for project applicants should begin early. This is best done horizontally to provide standard rules applicable to all Operational Programmes. It should be possible to do this in advance of approval of the Operational Programmes with a final review once the programmes are approved.

B.2.5 Application of State Aid rules

When Croatia becomes a Member State it will be required to apply fully EC State Aid rules. Preparation for this will be handled in the context of accession negotiations on Competition Policy. State Aids will have a major influence on the implementation of Structural Instruments. Any aid provided by the post-accession programmes to the private sector will have to comply with financial investment ceilings agreed for different parts of the country and different sizes/types of company and/or fall under the EC's so-called 'block exemptions' (e.g. R&D aid, SME aid, consultancy aid etc.), or 'de minimis' rules. Any Aid which does not fall into these categories will need to be notified separately to the Commission (DG Competition) by Croatia's competition authority and approved by the Commission in advance of implementation.

Approval of notified aid by the Commission can take a long time and adds an element of uncertainty to the project development process. In order to speed up project preparation, particularly during the first round of Structural Instruments, Croatia might be well advised simply to avoid financing aids to the private sector which require separate notification under its new programmes. Collective work with the competition

authority to examine all Key Areas of Intervention of all draft Operational Programmes from the point of view of State Aid compliance is therefore essential. In order to simplify State Aid rules for potential applicants, it is advisable to programme aids of similar type under the same Key Area of Intervention. In this way, State Aid rules effectively become the rules and intervention rate applicable to the Key Areas of Intervention in question.

Where notifiable aid is necessary to the successful implementation of a programme, the programme authorities should do as much work in advance on preparing the notification as is possible and feasible. This would include on-going consultation with the competition authority and informal contact with the relevant services of the Commission, where necessary.

B.2.6 Public procurement handled by project Beneficiaries

One of the biggest differences between IPA and the Structural Instruments is that under the latter, the project Beneficiary is responsible for carrying out public procurement. There will no longer be a separate 'Implementing Agency' to handle this specific task, as under IPA. There will be no more use of PRAG procedures, only application of the national public procurement law.

For IPA Component 3, Croatia has four accredited Implementing Agencies:

- CFCA (Regional Competitiveness OP - RCOP)
- CFCA and Croatian Railways Infrastructure (Transport OP)
- CFCA, Croatian Waters, Environmental Protection & Energy Efficiency Fund (Environment OP)

Three further Implementing Bodies are awaiting accreditation for the RCOP. Implementing Agencies under IPA Component 3 can become Beneficiaries under ERDF/CF.

For Structural Instruments, no such prior accreditation is required, although the penalties for incorrect application of public procurement rules can be severe. As mentioned above, the range of Beneficiary organisations is likely to be much broader for the Structural Instruments in view of the additional investment fields available and the likelihood of much higher financial allocations. Indeed it would be difficult to achieve absorption of the likely financial allocations without a much larger number of Beneficiaries. The eligible Beneficiaries will be defined in each Key Area of Intervention of the respective Operational Programmes.

All defined potential Beneficiaries should be given extensive training in the relevant requirements for public procurement. This training should be integrated, as far as possible, into the project pipeline development process. The Croatian authorities should also consider establishing a specific institution for controlling compliance with public procurement rules at national and local levels. Indeed, they may be obliged to establish such an institution in the context of accession negotiations.

B.2.7 Access to EU financial engineering and project preparation instruments

As a Member State, Croatia will have access to the three relatively new joint initiatives between the Commission and international financial institutions (IFIs):

- JASPERS - Joint Assistance to Support Projects in European Regions
- JEREMIE - Joint European Resources for Micro to Medium Enterprises
- JESSICA - Joint European Support for Sustainable Investment in City Areas

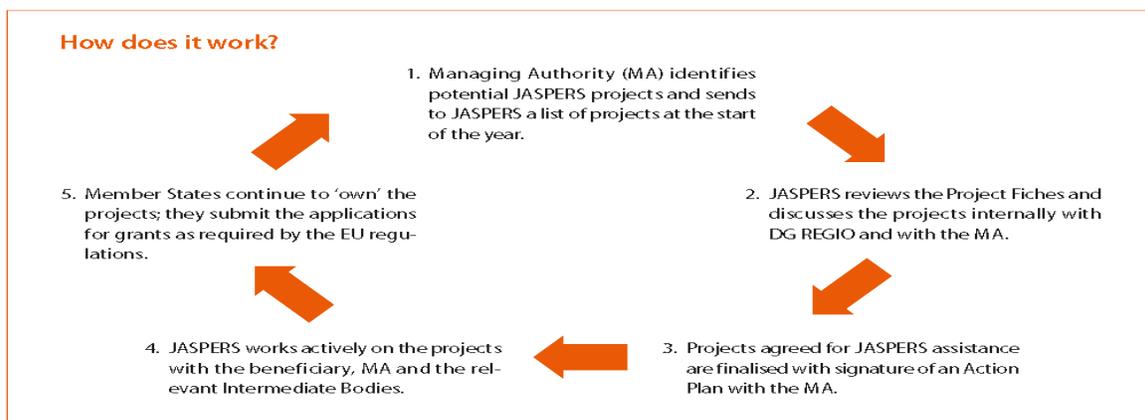
JASPERS provides specialist assistance in preparation of large projects, from the early development stages through to approval. JASPERS usually focuses on 'major' projects, but can also assist non-'major' projects. JASPERS covers preparatory work required to deliver a mature project e.g:

- advice on conceptual development and project structuring ;

- advice on project preparation e.g. cost-benefit analysis, financial analysis, environmental issues, procurement planning ;
- review of documentation: feasibility studies, technical design, tender documents;
- advice on compliance with EU regulations (environmental, competition and others) and conformity with EU policies.

JASPERS assistance is free of charge to the beneficiary. There is no obligation on the Member States to use JASPERS, nor is there any obligation on JASPERS beneficiaries to later borrow from the JASPERS partners (EIB, EBRD, KfW) in project implementation.

Extract from JASPERS brochure 2009



The Croatian Authorities could make an initial application to JASPERS before accession. The relevant regional office for JASPERS is in Vienna.

JEREMIE, a joint initiative of the Commission and the European Investment Fund (EIF), combines resources from Operational Programmes, the EIB, other IFIs, banks, financial intermediaries and investors to provide improved access to finance for SMEs. A Member State wishing to participate in JEREMIE will earmark a proportion of ERDF resources under an Operational Programme for the creation of a special Holding Fund. The Holding Fund's responsibilities include the selection of local financial intermediaries through calls for expression of interest, as well as monitoring the use of funds by financial intermediaries and by beneficiary SMEs. JEREMIE financial intermediaries provide SME-focused financial instruments including guarantees, co-guarantees and counter-guarantees, equity guarantees, (micro) loans, loan security, venture capital and investments into technology transfer funds. The support provided to SMEs is repaid to the Holding Fund to be recycled in future years.

JEREMIE Funding Agreements have so far been concluded between the EIF and Greece, Romania, Latvia, Lithuania and certain French and Italian regions. If Croatia wishes to participate in JEREMIE, this would best be done during the programming phase.

JESSICA is designed to promote sustainable investment in cities and towns, particularly where available public funds are scarce and there is need to avoid increasing public debt. JESSICA acts to harness the private and banking sector contribution to urban development.

Under JESSICA, the programme authorities agree to assign a proportion of the Operational Programme allocation to establish one or more revolving Urban Development Funds (UDF). The UDF invest in Public Private Partnerships and other urban projects included in Integrated Urban Development Plans. Investments made by each UDF are repaid and recycled in future years. A Holding Fund may also be set up (as an option) to invest in one or more UDF. Management of the Holding Fund can be tendered or awarded directly to the EIB.

If the Croatian authorities wished to participate in JESSICA, the first step should be made during the programming phase. As under JEREMIE, the use of the Holding Fund option offers many advantages including reduction of administrative burden for Managing Authorities for supervising, monitoring and reporting on the funds it holds.

N.B. Particularly worthy of note is the fact the OP resources paid into a Holding Fund are immediately classed as spent and can therefore contribute early on to programme-level expenditure in relation to n+3/2. However, given the relative complexity of establishing JEREMIE and JESSICA mechanisms, it is probably more prudent for Croatia to wait for the longer programme period envisaged post 2013.

With specific regard to these key differences between IPA and Structural Instruments, a summary of possible project preparation advice for Managing Authorities and Intermediate Bodies is set out in the table below.

Summary of advice for project preparation in the light of differences between IPA Component 3 and ERDF/CF		
Key difference compared to IPA	Main effect for project level	Recommended action for future Managing Authorities / Intermediate Bodies
• Additional eligible fields of intervention	Broader range of potential Beneficiaries.	Design and deliver specific training actions for potential Beneficiaries in investment fields not covered by IPA.
• More EU resources and larger projects	Larger volume of projects needed. 'Major' projects redefined as projects over EUR 50 million total cost (EUR 25 million in environment sector).	Accelerate and enlarge project pipeline development process. 2009 should see beginning of: 'major' project preparation - training of potential ERDF/CF Beneficiaries, particularly those without IPA experience
• Higher maximum EU intervention rates and expenditure eligible from date of accession	OPs more attractive to broader range of potential Beneficiaries. Helps project implementation planning (if accession date known), but risk of non-selection of project remains.	Make sure potential Beneficiaries are aware of maximum intervention rates. Begin to plan programme-level expenditure looking at annual financial profiles of project proposals. Prepare to allow selection of projects which have already started, at least during first selection round for OPs.
• Detailed eligibility rules at the level of the Member State	Additional set of rules for potential Beneficiaries to take into account. Potential for extra confusion.	Act early to define and agree formally on detailed eligibility rules. Incorporate rules into guidelines for applicants. Use draft guidelines as basis for training potential Beneficiaries.

Summary of advice for project preparation in the light of differences between IPA Component 3 and ERDF/CF		
Key difference compared to IPA	Main effect for project level	Recommended action for future Managing Authorities / Intermediate Bodies
• Application of State Aid rules	Intervention rates must respect aid ceilings on investments in enterprises fixed in EC State Aid rules	Try to programme aid according to current Block Exemptions, de-minimis etc. Avoid the need for notification of aid to the Commission if possible. Programme aid of the same type in the same Key Area of Intervention of an OP.
• Project Beneficiaries responsible for public procurement	Much broader range of organisations will carry out public procurement tasks. National public procurement law to be followed instead of PRAG.	Ensure detailed training in public procurement for all potential Beneficiaries of ERDF/CF Consider establishing national control body for public procurement.
• Availability of JASPERS, JEREMIE and JESSICA	JASPERS - access to free expert assistance for preparing large projects JEREMIE - option to create revolving instrument for SME development. JESSICA - option to create revolving instrument for private involvement in urban development.	Consider making early application to JASPERS, particularly in relation to the larger, or more complex, infrastructure projects under discussion. Analyse during programming process the feasibility of incorporating dedicated allocations for JEREMIE and/or JESSICA.

B.3 Practical steps applicable for preparation of all project types

The difficulties in preparing project pipelines for ERDF/CF while the relevant Operational Programmes are still under construction are clear. There is no easy way to overcome this problem, but a number of practical steps can be taken at this stage which will save valuable time later on. Taking into account the similarities and the differences between IPA Component 3 and ERDF/CF, the following main steps are recommended for all types of projects.

B.3.1 Call for project ideas for ERDF/CF

The partnerships currently involved in programming of ERDF/CF contain a wealth of relevant expertise and experience. As each Operational Programme is coming together, the future Managing Authority should create a project development committee for their programme, incorporating representatives of the main stakeholder groups.

Each future Managing Authority should launch a preliminary (informal) call for project ideas within the respective committees and to other relevant stakeholder, as appropriate. Depending on the current stage of programme development, the Managing Authorities could use draft versions of different Priority Axes as a basis for the call. In the early stages they may prefer to concentrate the call on the mainstream parts of

their programmes and leave out other, newer areas of intervention. Each call should naturally be targeted to the types of potential Beneficiary foreseen for different parts of the respective programme.

Specific tasks related to the call can be delegated to prospective Intermediate Bodies for each programme as necessary. For regional development / competitiveness, some form of regional/local level coordination of the call is likely to be needed.

All of the future Managing Authorities should collaborate to produce a standard project preview form for this purpose. The form should contain as a minimum the following types of information:

<p style="text-align: center;">Project Preview Form (recommended minimum content)</p> <ul style="list-style-type: none">- Project title and location- Main responsible organisation proposing the project- Background and justification of the project- Overall objectives, purpose, results, activities and means- Indication of expected funding package- Indication of the project management team and any related network- Indicative time schedule (including start and end implementation dates)- Links with other relevant projects, if any- Map or site measures plan (where appropriate)- Main items required to bring the project to maturity
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The project previews submitted by potential Beneficiaries in response to the call should be analysed by the relevant future Managing Authorities / Intermediate Bodies, giving an informal opinion in each case on their likelihood of success. These should then be discussed in the framework of each project development committee and a prioritisation of the different project ideas established. Feedback should be given to the originator of each project preview and additional information requested from them as necessary. The prioritisation should enable the future Managing Authorities to gain at least a basic idea of projects likely to come forward for funding for each commitment year of their programme and to begin, where appropriate, to mobilise relevant private sector resources.

The originators of the project previews should be left in no doubt that their participation constitutes no guarantee of future approval. It is nevertheless fair to say that their chances of future approval might be increased since better prepared projects are likely to result from the exercise.

The call exercise could be repeated as necessary, possibly on an annual basis depending on the Operational Programme.

B.3.2 Technical Assistance for ERDF/CF project development

On the basis of the prioritisation obtained from any call for project ideas, the future Managing Authorities will gain an image of the work needed to convert the ideas into mature projects. They should then use IPA funds to bring forward Technical Assistance (TA) in support of detailed project preparation for ERDF/CF. In

the first instance, the TA should concentrate on those projects likely to come forward in the first year of programme implementation and particularly those in the least contentious areas of the programmes, i.e. areas which are the most certain to remain in the Operational Programmes, following the negotiations.

The key to success will be to define Terms of Reference for TA projects with the necessary flexibility to provide appropriate support when it is needed. Given the n+3 expenditure profile of IPA (Component 3), it could potentially provide an effective project preparation facility for the duration of the first post-accession programmes.

It should be noted that project development costs can be counted as eligible expenditure within ERDF/CF project budgets for Beneficiaries of subsequently approved projects, provided it is incurred after the date of accession. This represents an extra opportunity to support project preparation, but the future Managing Authorities should ensure there is no double-funding of such costs from IPA and ERDF/CF.

B.3.3 Financial arrangements for ERDF/CF projects

Before the post-accession financial allocations are known, it is difficult to advance very far with detailed arrangements for co-financing. Once the EU allocations are known, the Croatian authorities will need to make forward projections of the necessary national budget contribution. This examination should take account not only of commitment, but also expenditure in relation to n+2/3. Even at this early stage, possible annual expenditure profiles in project proposals should be kept under review in the context of n +2/3, particularly for larger projects.

In the run up to accession many countries have organised meetings with IFIs with a view to securing loans to support the provision of national co-financing for Structural Instruments at a global level and/or at the level of large projects. It is also common for the programme authorities to hold briefing sessions with commercial banks regarding the future provision of bridging loans for Beneficiaries to cover EU expenditure prior to reimbursement as well as their own co-financing contribution.

Some Member States have found it helpful to establish internal rules on the percentage limits of financial contribution applicable at project level from different types of public authority (e.g. State budget / local authority), as well as higher education institutions and NGOs. The system adopted in Romania, as shown in the box below, has helped local authorities and other partners by providing universal financial planning framework for project preparation.

A number of Member States have also introduced a system of pre-financing for projects. Such systems allow advances to the amount of 10-20% of project costs to be advanced to Beneficiaries once their projects are approved. These advances are used to make advance payments to contractors, but must be repaid by Beneficiaries through progressive reductions in subsequent reimbursements. There is no EU regulation governing the use of such pre-financing systems and Member States deploy them at their own risk.

Romania		
Co-financing arrangements for projects 2007-2013		
• Central Administration:		
– EU 85%	State Budget 15%	
• Local Public Administration		
– EU 85%	State Budget 13%	Local budgets 2%
• NGOs		
– EU 85%	State Budget 13%	Own funds 2%
• Education / vocational training institutions		
– EU 85%	State Budget 13%	Own funds 2%
• Private companies (depending on size and location)		
– EU 50%-70%	...	Own funds 30%-50%

*Table shows maximum rates of EU contribution

All of these finance-related activities can have a positive influence of project preparation. All of them can and should be embarked upon before Operational Programmes are approved.

B.3.4 Making programming more project-focused

The available commitment period under the first round of post-accession Operational Programmes in Croatia will be much shorter than the normal 7-year horizon. There is therefore ample justification for the Croatian authorities to be highly project-focused during the programming exercise.

They should not wait for Operational Programmes to be approved before developing the detailed ('Programme Complement' - type) documents which define the precise areas of intervention and eligible Beneficiaries under each Priority Axis. Work on both types of document should go on in parallel. A clear idea early on of who the eligible Beneficiaries are likely to be will bring an obvious element of focus to project preparation.

Similarly, early work to establish at least a core of indicators for programmes will also help to guide potential applicants in building good quality project proposals. Commission guidance in the field of indicators is now highly advanced yet relatively simple compared to previous phases, so it should be possible to arrive at a basic core indicator set before programmes are completed.

An outline of the main project selection criteria could also be established in advance and made known to potential applicants. The core criteria for determining applicable projects under Structural Instruments in most Member States are usually variations on those shown in the box below.

Commonly used core project selection criteria

Degree to which the project demonstrates the following:

- ● relevance to the strategy of the OP / Priority Axis / Key Area of Intervention
 - value for money
- ● innovation (as appropriate)
- ● sustainability (how the project can continue after EU funding)
- ● strength of partnership
- ● links with other projects
- ● management capacity of the applicant
- ● environmental friendliness
- ● proactive approach to social inclusion (as appropriate)
- ● overall completeness / maturity

Whilst the overall approach described here entails a degree of risk, any changes needed in such items after approval of programmes are likely to be minor. Endorsement of project selection criteria is a Monitoring Committee responsibility. This can be facilitated using ‘shadow’ Monitoring Committee structures prior to programme approval, so that formal endorsement can be swiftly obtained at the beginning of the implementation phase.

B.3.5 Early preparation of Application Form and Applicant Guides

Application packages can also be prepared early on in draft form, incorporating items referred to above. A single standard Application Form is recommended for all Operational Programmes, which can be easily designed and agreed before the programmes are approved, based on forms used for IPA and/or models from other Member States.

An important component of Applicant Guides will be the national rules on eligibility of expenditure, mentioned in the previous section which, again, should be drafted and agreed formally in advance of approval of the Operational Programmes. This can take a long time, so it is essential to begin the task early.

Types of information commonly requested in a project Application Forms

- Project identification - name, location, applicant details;
- Project start and completion dates;
- How the project objectives will contribute to the socio-economic objectives of the Operational Programme concerned;
- Clear project description - detail on what the project will do;
- Information on the partnership involved in the project application;

- Relationship with other programmes and projects - EU and other sources;
- Demonstration of the added value of the project;
- The measurable outputs and results expected when the project is complete;
- Compliance with EU policies - particularly public procurement and State Aid;
- Information on environmental and equal opportunities aspects of the project (in addition to regulatory compliance);
- Full details of the project funding package broken down into various components and by years;
- Financial analysis and calculation of expected revenue generation (as appropriate);
- Detailed project plan and public procurement schedule;
- Details of the project management team, including qualifications and skills;
- Legal documents required to support the application (*where appropriate*) - such as: feasibility studies;
 - environmental permit / impact assessment (where required);
 - ownership deeds for land/ real-estate;
 - letters confirming co-financing;
 - maps, plans etc.

It will be for the future Managing Authorities to judge how far draft versions of application packages can be used during calls for project ideas and other aspects of the project development exercise. An obvious pre-condition to such an approach would be that potential applicants are kept fully aware of the status of documents issued by the Managing Authorities and informed of any changes made.

Preparing and especially obtaining formal agreement on the different elements which usually make up applicant packages can be time-consuming. From the experience of other Member States, it is clear that waiting for Operational Programmes to be approved before starting work on these applicant-focused documents endangers timely absorption. Croatia will not have the luxury of a lengthy commitment period before 2013.

B.3.6 Training of potential Beneficiaries

Training of IPA Final Beneficiaries in Croatia is already foreseen under on-going TA projects. To a large extent, the knowledge and skills required for ERDF/CF are similar. However there are likely to be many Beneficiaries, particularly of ERDF, who do not have IPA experience.

A priority target group for training will clearly be these potential applicants to post-accession programmes without IPA experience. Many of them are likely to be in local authorities and smaller organisations such as NGOs and possibly SMEs. It is recommended that a first round of basic training in ERDF-type project preparation is delivered to this target group as a matter of some urgency. This activity could be initiated once there is a measure of partnership agreement on the content of the Operational Programmes and their focus in terms of eligible Beneficiary types. Its effectiveness could be enhanced if run in parallel with relevant calls for project ideas. This training would need to be organised at national, regional and local levels.

Another main priority should be the provision of detailed training in public procurement for all potential Beneficiaries under all Operational Programmes. The subject matter for this training should be Croatia's own public procurement rules as will be applied after EU accession in the context of ERDF/CF projects.

The future Managing Authorities should keep detailed records of all trainings delivered and persons trained. They should carry out an analysis of gaps remaining after the delivery of training under these main priorities, as well as under relevant IPA-related training projects. New training activities would then need to be designed where required to address these gaps.

In addition to formal training, there will be a need for substantial awareness raising of potential applicants as to the content of Operational Programmes and funding opportunities available to them. Whilst some of this could be incorporated into training courses, there will also be a need for separate seminars, briefings and other events. Again, where such events accompany calls for project ideas, their effect will be greater. Prior to programme approval, draft versions of application packages can provide useful content for this type of activity.

The Future Managing Authorities should ensure the allocation of appropriate funds from IPA to finance training and awareness raising of potential Beneficiaries of the Structural Instruments. Such activities will also be eligible under the post accession programmes, so care will be needed to avoid double-funding after accession.

Each of different actions described in this section can be beneficial for the project development process as a whole. However, it is really the cumulative effect of all such project-oriented activity carried out together which will make the difference. For the future Managing Authorities and Intermediate Bodies, creating the climate in this way for successful project development represents a high volume of work. Clearly there will also be heavy coordination tasks for CODEF.

Sufficient dedicated resources must be brought to bear now on project preparation for the post-accession programmes. For Croatia, despite the many current uncertainties, not adopting a proactive approach in this area is not a realistic option.

B.4 Preliminary steps in preparing different types of ERDF/CF projects

Further to the general recommendations made above, this section aims to advise to the future Managing Authorities and Intermediate Bodies with regard to certain specific types of projects.

B.4.1 'Major' projects

The process for preparing major projects for ERDF/CF is very similar to that for IPA Component 3. A list of proposed major projects must be included in the relevant Operational Programme and updated annually (although this does not necessarily require any formal modification of the programme document) . A special Application Form for major projects is provided by the Commission which is similar for both pre- and post-accession funding. Once completed, this must be submitted to the Commission together with a comprehensive package of supporting documents. As set down in Article 40 of the General Regulation 1083/2006, each major project application for ERDF/CF must contain the following information:

- body to be responsible for implementation;
- nature of the investment and description, financial volume and location;
- results of the feasibility studies;
- timetable for implementing the project (and phases);
- cost-benefit analysis, including risk assessment and the foreseeable impacts;
- analysis of the environmental impact;

- justification for the public contribution;
- financing plan

Behind this list of information lies preparatory work which usually takes at least two years to complete.

It is the Commission, not the national authorities, which approves major projects. The significant difference is the major project size compared to IPA - projects with total cost of over EUR 50 million for ERDF/CF (EUR 25 million for the environment sector). Yet IPA, with its total cost threshold of only EUR 10 million for major projects, provides an important learning-by-doing opportunity for the relevant programme authorities.

Preliminary steps

Assuming a first Operational Programme period of 2011-2013, the initial imperative will be to have the indicative list of expected major projects ready for inclusion in the draft programmes during the second half of 2010. This will probably only concern the Transport and Environment programmes.

Preparing major projects is a specialist job. The advice given here does not seek in any way to replace the ample guidance available from the Commission and elsewhere on the many detailed tasks involved. Outlined below are simply some of the key steps which Managing Authorities should consider taking early on to improve their chances of financing major projects under the first round of post-accession programmes:

(i) Identification of major project ideas

Identification can be done in the context of the call for project ideas proposed in the previous section and closely linked to the programming process and national strategies for transport and environment. In effect there will be very few potential Beneficiaries with the capacity to bring forward projects of this dimension, so the call is likely to be relatively limited - probably more of a consultation than a call.

(ii) Prioritisation of major project ideas

Preview forms received from the call will need to be prioritised by the Managing Authority in discussion with the relevant programming partnership. Particular attention should be paid to the timescale foreseen for each proposed project, the financial aspects and the identification of items needed to bring the projects to maturity.

(iii) Consultation with potential co-financers

Consultation with IFIs, undertaken in collaboration with Ministry of Finance and CODEF and other relevant financing bodies should be carried out in relation to projects on the prioritised list for each programme as appropriate. This will help to provide a clearer forecast of anticipated co-financing and clarify any related conditions.

(iv) Tender and contract TA for major project preparation

TA resources from IPA should have already been identified for the purpose of preparing major projects for ERDF/CF. If not, this should be discussed with the EC Delegation as a matter of urgency. Once the Managing Authorities have gained an idea of the number and outline characteristics of priority major projects, the relevant TA project(s) can be tendered. Alternatively, a more flexible project preparation facility TA dealing with a broader range of projects as they arise may be put in place at an earlier stage. Whichever option is chosen, the Managing Authorities should ensure that the TA is sufficient to cover the full scope of preparation tasks needed, including Cost Benefit Analysis and Environmental Impact Assessment etc. In order to have a chance of major project applications mature enough to submit to the Commission in 2010/2011, the relevant TA should really be starting work in preparing them by the end of 2009.

(v) Application for JASPERS support (optional)

As mentioned in the previous section, additional advice on major project preparation is available for JASPERS free of charge. Many new Member States are taking advantage of this facility. JASPERS support

can be requested to focus on particular aspects of project preparation depending on the Managing Authorities' specific needs. The JASPERS application should be submitted at the beginning of a particular year so that it can be considered in the JASPERS annual planning.

(vi) 'Ad hoc' assistance to resolve administrative issues

As parts of national Ministries, Managing Authorities can often be in a position to provide practical assistance to potential major project applicants in their dealings with the administration. This is by no means true for all situations, but a Managing Authority may be able to help resolve issues relating, for example, to land ownership or the granting of permits etc. by bringing together key officials in Ministries and other Services and explaining the broader context of a major project application. Even if the project preparation is carried out almost entirely by consultants, Managing Authorities need to keep in close contact with the relevant teams so they can provide more effectively this type of *ad hoc* support.

The regulations do not specify the level of detail required in the list of indicative major projects to be included in the relevant Operational Programmes. Nevertheless, in addition to obvious items such as the name, location and one-line description it would be advisable to provide information about the status, such as:

- TA project involved in preparation
- stage of preparation (including any significant outstanding issues)
- status of any JASPERS application
- expected date for commencing works

Keeping an informal dialogue open with Commission officials at all times during these early stages of major project preparation should help provide the Managing Authorities with reassurance in the decisions they will have to make. They should also remain aware that any major project application should pass successfully through the Operational Programme's own project selection process before it is submitted to the Commission.

B.4.2 Non-major capital (i.e. 'hard' investment) projects

'Hard' investments are likely to represent the bulk of projects to be financed by ERDF. They will cover a very broad range - to name but a few examples: industrial site remediation, construction of business premises, technology transfer and training centres, transport and environment infrastructure, tourism facilities and urban regeneration. Non-major projects in the transport, environment and energy supply sectors can also be financed by the Cohesion Fund. All non-major projects will be selected through the systems set up within the Member State and approved under the responsibility of the Managing Authority.

Preliminary steps

Managing Authorities and Intermediate Bodies need to generate a pipeline of such projects which can be ready for selection and approval from the beginning of the assumed 2011-2013 Operational Programme period onwards. The key preliminary steps they should take, even before submission of the draft Operational Programmes, have already been mentioned in the previous section. These are summarised below:

(i) Calls for project ideas

These should be organised in tight collaboration with the programming exercise, with analysis of project previews and prioritisation according to maturity and the specific features of each programme.

(ii) Provision of TA to support preparation of larger or more difficult projects

IPA should be used as the main funding source for TA. Larger non-major projects could also be included in applications to JASPERS.

(iii) Clarifying project financing arrangements

Establish relative limits, as appropriate, to co-financing contributions from national, local, NGO and other sources. Discuss with IFIs on co-financing requirements and brief banks on anticipated needs for bridging finance. Consider the establishment of a national system of pre-financing for projects.

(iv) Making programming more project-focused

Work on each Operational Programme should be advanced with regard to the definition of eligible Beneficiaries, core indicators and project selection criteria. The aim is to bring greater focus to the project development process.

(v) Early preparation of Application Form and Applicant Guides

This will facilitate swift formal approval of these key documents and can provide useful interim guidance for potential applicants. Detailed rules on the eligibility of expenditure should also be formulated and agreed early on to be included in application packages. Standard contract format and Claim Form will also be needed in this context.

(vi) Training of potential Beneficiaries

Key priorities will be provision of introductory training to Beneficiaries who will not have IPA experience, as well as ensuring detailed training in post-accession public procurement rules for all. As programmes near finalisation and approval, various types of awareness raising actions should also be put in place.

The future Managing Authorities and Intermediate Bodies will need to be increasingly proactive in encouraging project development. They should take care to build their own capacities and not rely excessively on TA. One practical step would be to establish Help Desk functions for each Operational Programme and, for example, coordinate their answers to Frequently Asked Questions from potential applicants.

Intermediate steps

Calls for project ideas can be repeated according to the needs of each Operational Programme. Managing Authorities and Intermediate Bodies should also revisit project previews and draft applications resulting from earlier calls on a regular basis to assess progress. In this regard, they can begin to test their own project appraisal skills which will need to be developed in time for the programme implementation phase in any case. In addition to reviewing the strategic fit of proposals in relation to the current draft of the relevant Operational Programme, questions they might ask at this stage could include the following:

- Does the proposed project appear viable overall?
 - is the co-financing contribution secure?
 - can its cost assumptions be verified?
 - are they in line with reasonable unit costs?
 - is its time schedule realistic?
- Are there likely to be any compliance problems (e.g. State Aid, environment, permits etc.)?
- What are the main studies /documents to be completed (feasibility study, CBA etc.)?
- Is the top management of the applicant organisation fully committed to the project?
- Are the partner organisations sufficiently informed and committed?
- Does the project team appear adequately staffed and qualified - do they need more training?

Particular attention should be paid at this stage to projects which may generate revenue and have a total cost of over EUR 1 million. Managing Authority and Intermediate Body staff need to develop sufficient knowledge and skill, using the guidance provided by the Commission, to advise potential applicants in this field. Applicants with proposals for such projects will need to provide financial projections of costs and

likely revenues for the project's entire economic lifetime. The applicant should understand that scale of revenue generated will reduce the rate of EU funding potentially available to the project.

B.4.3 Grant schemes

Under Structural Instruments, a grant scheme needs to be submitted to an Operational Programme as an application to be appraised and approved before it can begin to operate and award grants. This means that all of its management systems need to be defined in the application, including how it will call for grant applications, how it will appraise them and contract, how it will pay out the grants, control their use and certify expenditure to the Managing Authority. Where the scheme aims to grant aid to private companies, its ability to monitor and control State Aid represents a particularly important part of the appraisal of the scheme as a whole.

Preliminary steps

Grant schemes can be highly complex and take a long time to set up. Identification and preparation work should therefore start early.

(i) Identification of possible grant schemes and scheme managers

Identification should take place in the context of the first round of informal calls for project ideas. There is probably only a very limited number of organisations in Croatia currently with the possibility to build the necessary capacity to manage an ERDF grant scheme. In this regard, identification of potential grant schemes could be relatively simple. In specific circumstances, programme partners might recommend the creation of a new organisation to manage a grant scheme.

(ii) Provision of TA to support preparation of grant schemes

TA support to prepare grant schemes for ERDF is highly recommended. As for other relevant project types, IPA funding should be made available for this purpose as early as possible once there is agreement within the programming partnership to proceed with establishing a grant scheme. A crucial focus of TA support should be the supervision of financial management and monitoring systems of grant schemes, particularly where de minimis aid is foreseen.

(iii) Clarifying intervention rates for grant schemes

Extreme care should be taken to establish the correct rate of public intervention in a grant scheme as this will often need to reflect limits set by State Aid rules. These limits could vary if the scheme is to offer grants to different sizes of company and/or if they are located in different parts of Croatia. Specialist advice and consultation with the competition authority will be required.

(iv) Mechanisms for publicising grant schemes and grant application packages

Adequate systems for publicising the opportunities to apply for grants under schemes are essential, particularly where a scheme is targeting private companies. A grant scheme will also need its own grant application packages, contracts and claim forms which will all need to be approved by the programme authorities.

(v) Training grant scheme management teams

It is vital that personnel involved in managing grant schemes are properly trained in their respective disciplines. It is recommended to prepare and deliver a package of specialist training to potential grant scheme management organisations all staff in the organisation. Such training should be additional to other trainings they might receive as potential ERDF Beneficiaries.

In many ways, managing a grant scheme is like managing a mini Operational Programme albeit with a much more limited scope of investment. The capacities needed in a grant scheme management organisation can therefore be considered similar to those required by an Intermediate Body. Managing Authorities should bear this fundamental point in mind in the preparation of prospective grant schemes.

B.4.4 Global Grants

Under a Global Grant arrangement, the management of an entire part of an Operational Programme (e.g. Priority Axis, Key Area of Intervention - whole or part) is conferred upon an intermediary body external to the Managing Authority. This might, for example, be an urban authority designated to manage a combination of specific measures within its boundaries.

A legally binding agreement must be concluded between the intermediary body and the Managing Authority. The intermediary body is required by regulation to provide guarantees of its solvency and competence in the field concerned by the Global Grant, as well as in its administrative and financial management. The intermediary body remains fully accountable to the Managing Authority for the regulatory compliance and correctness of all of the expenditure it manages.

Preliminary steps

An early decision to set up a Global Grant mechanism is essential during the programming phase, since the intermediary body must be named in the Operational Programme document. This will be an issue for consultation within the programming partnership. The Global Grant intermediary's systems will also need to be analysed by the Audit Authority along with the rest of the management and control system of the relevant Operational Programme(s) as part of the compliance assessment exercise (Article 21 of the Implementing Regulation 1828/2006),

Beyond this, the preliminary steps to take can be regarded as similar to those for a grant scheme, although potentially much more onerous since the Global Grant really is like a mini Operational Programme. Depending on the content of the Global Grant, State Aids may or may not be an issue. The Global Grant might operate using the same application package as the rest of the Operational Programme, or it might use more a simplified package depending on its specific focus. In all cases, early preparation and TA support are strongly recommended for Global Grant structures. Highly specialist training of all relevant personnel in the intermediary body will be crucial.

The four sections of this Chapter have dealt with different aspects of project pipeline development for ERDF/CF in Croatia. It is important to remember that the advice contained here all relates to steps the future Managing Authorities and Intermediate bodies should consider taking before the Operational Programmes for Structural Instruments are approved. After approval, the formal management structures will be in place and will have their own procedures to follow and programme and project implementation should be underway.

C. Preparing national projects and grant schemes for inclusion in the Operational Programme - Selection procedures for the main types of operations

The preparation of ESF pipeline of national projects and grant schemes is an exercise to establish financial tools for national policy implementation. We do not start in empty place and ESF projects complement and enhance national policy implementation tools. The one of major challenges is to integrate ESF support mechanisms in national policy implementation framework. To achieve this we should have a good knowledge of implementation tools provided by Structural Funds regulations and degree of flexibility in our disposal.

Article 60 of Council Regulation No 1083/2006 stipulates that one of the tasks of the Managing Authority is “ensuring that operations are selected for funding in accordance with the criteria applicable to the operational programme”.

Article 13 of Commission Regulation No 1828/2006 says that for the purposes of the selection and approval of operations pursuant to Article 60(a) of Regulation (EC) No 1083/2006, the managing authority shall ensure that beneficiaries are informed of the specific conditions concerning the products or services to be delivered under the operation, the financing plan, the time-limit for execution and the financial and other information to be kept and communicated. It shall satisfy itself that the beneficiary has the capacity to fulfil these conditions before the approval decision is taken.

Article 22 of Commission Regulation No 1828/2006 stipulates what the description of management and control systems includes “the procedures for selecting and approving operations”

From above mentioned we can conclude that:

1. No operation may be approved for funding without selection procedure. That also means that any operation should be prepared by the beneficiary as a “project”, submitted to the MA and that the MA has to assess compliance with predefined selection criteria;
2. A Member State is free to decide on the procedures for selecting operations. That means also, that a Member State may define the different types of procedures.

It may be helpful to look at how some of the new Member States define their selection procedures in ESF supported Operational Programmes. Normally these issues are described in the Operational Programme under the chapter dealing with the Management of the OP, but there are also cases when this has been defined only in the descriptions of the management and control systems .

Estonia

The activities described in the Operational Programme are implemented and supported by using the following implementation schemes:

- implementation of activities within the framework of programmes approved by the Government or by the Intermediate Body;
- use of open calls for applications.

Hungary

- Key projects: these are projects that can be supported without a call for applications. These too will be carefully appraised in an assessment procedure, first before being preselected in an action plan (based on preliminary project proposals), and secondly before being approved for implementation (based on detailed project proposal). Their beneficiaries are usually - but not exclusively - state or local government organisations. (e.g. infrastructure projects of public benefit, state support to investments having priority employment effect).

- One-stage calls for proposals: applied whenever - mainly due to the expected high number of applicants (i.e. private organisations) - it is reasonable to select beneficiaries on the basis of a fully competitive procedure.

– Two-stage calls for proposals: This procedure is applied mainly in cases where the size of the target group and the expected number of applications is more limited (typically: public investments), and projects to be financed are more complex. In such cases, projects are first pre-selected on the basis of preliminary (less detailed) proposals. Proposals successful in the first stage then receive assistance, through the IB, during their elaboration into fully fledged, fundable projects.

– Indirect support in the form of grants: used in cases where proposals are below a given size limit, and the allocation of the support, the monitoring of the implementation of the projects, whether they are in accordance with the regulations - based on the contract concluded with the Managing Authority - will be fulfilled by professional management body - e.g. non-governmental organisations.

- Financial support instruments: (e.g. credit, capital, guarantee instruments) are procedures for which the project selection, monitoring of implementation, auditing and the payment of the support will be carried out by financial intermediaries (e.g. banks).

Poland

The selection of a project depends on compliance with the criteria approved by the Monitoring Committee (in accordance with art. 65 letter b of Regulation 1083/2006) and on authorisation of the project for cofinancing issued by the Managing Authority or the Intermediate Body for the OP. These strategic, formal and material criteria (including preparation of the appropriate documentation and readiness to implement) will be the same for all potential beneficiaries of all projects related to the same category of operation of the OP.

In accordance with the Act on the Principles of the Regional Development Policy, in the framework of the OP, the below-mentioned procedures of selection will be used: individual, competition, systemic and of technical assistance.

Slovakia

Support from ESF and national public resources within Operational Programmes “Employment and Social Inclusion” and “Education” will be provided in the form of the following type of projects:

National Projects

National projects are implemented at the national level as instruments for implementing the school system reform. They will be large, comprehensive projects ensuing directly from legislation or concept documents.

National projects will be contracted directly by the Education Minister with organisations reporting directly to the Education Ministry or to institutions authorised by the Education Ministry. The single-source procurement must be supported by a direct link to legislation - it must be directly ensuing from legislation.

Restricted Call

National projects will also be performed by means of the so-called restricted calls for the submission of grant applications, for a restricted group of applicants and an exactly specified scope of activities.

Demand-Oriented Projects

Demand-oriented projects will be drawn up in the regions - projects addressing the needs of target groups in a specific region. The beneficiaries will be in particular primary schools, secondary schools, higher education institutions, local governments, higher territorial units, education institutions, employers and other eligible entities. This type of projects has the benefit of being prepared by entities “in the field” that are familiar with the situation in a given region and the projects would thus be tailored for specific target groups.

The demand-oriented projects will be implemented through calls for the submission of grant applications. The calls will be set up to meet the needs of specific regions.

From the examples above it is clear that there are two main groups of selection procedures:

1. **Competitive procedure;**
2. **Direct grant to predefined beneficiary.**

These systems are like those established under the IPA programme and based on the PRAG

The PRAG defines two award procedures- call for proposals and direct award (grants awarded without calls for proposals). The last procedure may be applied when the grant is awarded to a body with a de jure or de facto monopoly or where the grant is to be awarded to a body identified in the relevant basic act as a recipient of a grant.

Although in Croatia no decision has yet been made concerning the types of selection procedures of operations, discussions are already on-going on **grant schemes, national projects, global grants and programmes.**

Grant schemes are associated with competitive procedures and **national projects** are associated with direct grant award procedures. However we should also recognise that grant schemes and national projects are „terms from different levels“. More precisely we should speak about two types of selection procedures- grant schemes and direct grant award procedure and speak about two types of operations - respectively grant projects and national projects. Are there any other differences between grant projects and national projects apart from the way how they are selected? For instance, it would seem logical that national projects are bigger in size and cover perhaps the entire territory of the country, while grant projects are smaller and targeted to a specific area. However this is not always the case. Apart from the selection procedure, there is actually no specific difference between a grant scheme project and a national project.

Programme is a term describing a group of projects implemented on the basis of a direct grant award. This type of implementation tool is suited when there is a framework document defining the common objectives, eligibility rules and eligible activities of a group of projects being selected on the bases of a direct grant award procedure. See the Estonia approach.

A good example of the programme as implementation tool could be the implementation of capacity building types of key areas of operations. Indeed, if we need to have capacity building activities for various public institutions working in human resource development, for instance improving the capacity of some departments in a line ministry, agencies, councils etc, it may be more efficient to ensure coherence of activities and avoid multiplication of the same activities in each individual project (as an example, it may be more efficient to jointly organise staff training for a group of institutions). This would result in a programme allowing for the submission of a number of individual projects by predefined institutions. The programme will establish specific requirements for each project to ensure complementarity. When the programme will be approved, the predefined institutions will have to submit their project proposals. The MA will have to assess compliance of projects with the criteria included in the programme. We could say that to a certain degree the programme for a direct grant award serves the same role as guidelines for applicants for grant schemes. It must be stressed that in case of a programme there will be a separate grant contract with each grant beneficiary.

If the instrument of a single direct grant award is utilised for just one national project, it should be decided what kind of document will describe the eligible activities, the evaluation and selection criteria, which will be the basis on which the direct grant beneficiary will prepare his/her project and on which the MA will make the award decision. In the further discussion this document will be called the „**rules for national projects**“.

A Global grant is a specific provision in Regulation 1083/2006 that gives the possibility to delegate, through one grant contract, the implementation of part of the OP to another intermediate body. This is not a widely used tool in new Member States, however it does exist in some of them (e.g. the Czech Republic).

According to Regulation No 1083/2006, Article 42, “the Member State or the managing authority may entrust the management and implementation of a part of an operational programme to one or more intermediate bodies, designated by the Member State or the managing authority, including local authorities, regional development bodies or non-governmental organisations, in accordance with the provisions of an agreement concluded between the Member State or the managing authority and that body.

Such delegation shall be without prejudice to the financial responsibility of the managing authority and of the Member States.”

In fact, the term “global grant” is used in SF management systems in the UK and Spain to provide small grants to NGOs and SMEs on the basis of a simple procedure.

The Czech Republic also uses global grants to support NGO’s. In this case, the Civil Society Development Foundation (NROS), a private body, is the grant recipient.

A global grant may for example be used for funding a grant scheme managed by an intermediate body. In practice, this means that the “standard” intermediate body (CES or AVET) will select a global grant intermediate body through a standard selection procedure- either competitive or direct award. The intermediate body will have to prepare a global grant project proposal, to be assessed by CES or AVET. It should contain a detailed description of how the grant scheme will be implemented, such as the rules for preparation of guidelines for applicants, the selection procedures, the management procedure etc. The proposal should contain all procedures and other information allowing CES or AVET to conclude that they can delegate part of their tasks to the global grant intermediate body. In other words, the proposal should contain similar information as laid down in the description of management and control systems according to Article 22 of Commission Regulation No 1828/2006, even if in legal terms, the global grant intermediate body is not part of the SF management and control systems, since it is defined at the level of a project. After a positive award decision CES or AVET will then sign a grant contract with the global grant intermediate body. The latter has actually a double role: That of intermediate body and that of beneficiary institution, since there is a grant contract between a „classical“ intermediate body (CES or AVET) and this institution.

What is the added value of global grants? It can be a solution if we want to ensure that an ESF grant scheme is managed by an institution already working as the manager of national grant schemes, without “promoting” that institution to the level of intermediate body. Often global grants are chosen in cases when management requires more specific and or simpler procedures than envisaged in the Description of management and control systems of the Managing Authority, notably for small scale grant projects.

Similarly as for national projects also for global grants we **need some kind of document** that will describe the eligible activities, and the evaluation and selection criteria on the basis of which the global grant intermediate body will prepare the global grant project and on the basis of which the MA will make its award decision. In the further discussion, this document will be called the „**rules for global grants**“.

Partnership

When analysing which selection procedure would best address the particular needs for a certain set of interventions, we should also be aware that at the project level we can have not only projects implemented by one beneficiary, but also projects implemented by a **partnership** of several beneficiaries. That is known already from Cards and IPA grant schemes. Indeed Article 1.3. of the general conditions of grant contracts (PRAG) says:

„The Beneficiary shall act alone or in partnership with one or more NGOs or other bodies identified in the Description of the Action. He may subcontract a limited portion of the Action. The bulk of the Action must, however, be undertaken by the Beneficiary and, where applicable, his partners.

Partners take part in the implementation of the Action, and the costs they incur are eligible in the same way as those incurred by the Beneficiary.

If implementation of the Action involves the conclusion of contracts by the Beneficiary, the contract-award procedures and rules of nationality and origin set out in Annex IV shall apply.

The Contracting Authority does not acknowledge any contractual link between itself and the Beneficiary's partner(s) or subcontractors. The Beneficiary alone shall be accountable to the Contracting Authority for the implementation of the Action. He/she shall undertake that the conditions applicable to him/her under Articles 1, 3, 4, 5, 6, 7, 8, 10, 14, 16 and 17 shall also apply to his/her partners, and those applicable under Articles 1, 3, 4, 5, 6, 8 and 16 to all his/her contractors. He/she shall include provisions to that effect as appropriate in his/her contracts with them“.

There is therefore a clear distinction between the partner and the contractor. Partners should already have been identified in the application form for the grant project. A partner is a body that does not just provide services to the beneficiary, but that also uses the results of the project.

This also means that part of the grant received by the beneficiary on the basis of the grant contract with the contracting authority can be paid by beneficiary to its partner on the basis of a contract between this beneficiary and his partner. The partner actually implements a group of project activities that may also be called a sub-project.

In extreme cases there could be a project with many partners who are fully responsible for the implementation of their part of the grant while the actual beneficiary (lead applicant) limits himself to the overall management of the project, including the control of the work of partners.

It is not decided yet whether there will be in Croatia any partnership type projects under ESF. However, this is likely, if only to arrange for a sound transition from IPA to ESF. In specific cases of complex projects, the model of many partners with the lead applicant in the role of manager could be best model, in particular where strong complementarities of activities have to be ensured between various actors with weak project managerial experience.

Sometimes partnerships experience legal problems under the Structural Instruments. That can happen, because PRAG is not binding any more, but national legislation simply has “forgotten” to incorporate the partnership mechanism. This occurred in Latvia, where it was impossible to separate partnership from service provision and public procurement procedures were imposed for the selection of partners. Other problems were related to the ownership of material values produced by a partnership project: national legislation only recognised the beneficiary as the owner of material values.

Selection criteria

Assuming that there is clarity on the different types of project selection procedures and possibilities global grants and partnerships can provide, the next step would be the preparation of **guidelines for applicants for grant schemes, a description of the programme, and a document defining the rules for national projects or for global grants**

This manual will not describe all the details of preparation of these documents. In the following, the focus is on one of the most important parts, namely the selection and evaluation criteria. It is once more emphasised that all projects (grant projects, national projects and global grants) must be evaluated and selected on the basis of predefined criteria.

There are two levels of criteria. General criteria are already defined in the OP, while specific criteria are defined for each specific grant scheme, programme or global grant. These specific criteria must be approved by the Monitoring Committee and they are included in guidelines for applicants, programme descriptions, descriptions of the action and similar documents. ect.

The necessity to have general criteria stems from Article 56 of Regulation 1083/2006 which stipulates that the managing authority should „ensure that operations are selected for funding in accordance with the criteria applicable to the operational programme and that they comply with applicable Community and national rules for the whole of their implementation period;“

Some examples of these general criteria defined in Operational Programmes are given below:

Estonia:

The following general principles shall be followed in determining selection criteria and in the appraisal of projects:

1. a project has to be in coherence with the NSRF strategy and correspond to the objectives of the respective priority of the strategy and to those of the priority axis;
2. a project has to be relevant in terms of content and timing - it must be based on relevant studies, development plans and substantiated needs;
3. a project has to support implementing horizontal issues;
4. a project has to have an economic impact;
5. a project has to be sustainable and create permanent or long term added value;
6. the grant has to be necessary for implementing the project;
7. an applicant has to be capable of implementing the project.

Hungary

Selection criteria need to ensure that operations / projects:

- contribute to the social-economic objectives of the NHDP, of the operational programmes, as well as the given priority;
- have objectives that are definite, measurable, and achievable;
- are cost-effective;
- are sustainable from a financial and organisational point of view;
- contribute to the enforcement of sustainable development, equality between men and women and non-discrimination;
- demonstrate the existence of all necessary pre-conditions for their successful implementation.

In each case, specific criteria for the selection of operations will be approved by the Operational Programme Monitoring Committee.

In other OPs no lists of selection criteria are explicitly included, but the same principles are described throughout their text.

Article 56 of Regulation 1083/2006 stipulates that „Expenditure shall be eligible for a contribution from the Funds only where incurred for operations decided on by the managing authority of the operational programme concerned or under its responsibility, in accordance with criteria fixed by the monitoring committee.“

The definition of general criteria is part of the process of preparation of operational programmes and therefore of programming, while the definition of specific selection criteria is part of establishing of the procedures for selecting and approving operations and therefore belongs to the OP management system.

The preparation of guidelines for applicants is a task within the management system; it can therefore be executed either by the Managing Authority or by the first or second level intermediate bodies. This clearly differs from the current IPA practice, where guidelines are prepared by “project beneficiaries” who are not part of the operating structure! Line ministries as first level IB should take the responsibility for the preparation of guidelines for applicants, even if a draft of these guidelines has been prepared by other departments within, or agencies outside the Ministry.

Note also the differences between the ESF project selection criteria and IPA project selection criteria as defined in the PRAG. The latter are already defined at the level of the PRAG and should be applied to all

grant schemes without substantial modifications. ESF provides for a high degree of creativity in establishing evaluation criteria and therefore can better serve the needs of particular grant schemes.

Main steps in preparation of ESF grant schemes

The way how to prepare pipeline of national projects, programmes, global grants and grant schemes are not regulated in any document and every country can do this work as it see it most appropriate. Within the framework of project “Development of Institutional Capacity and Project Pipeline for EU Structural Funds Post-Accession Project Pipeline for IPA / EU Structural Funds” we proceed with preparation of grant scheme pipeline through the following four steps:

1. Identification of potential areas where likely grant schemes may be identified;
2. Identification of potential grant schemes;
3. Needs analysis and preparation of grant scheme development plans;
4. Preparation of guidelines for applicants.

Identification of **potential areas** where likely grant schemes may be identified has been made by analysing ESF eligible sectors from one hand, national policy documents from the other hand and taking into account whether grant scheme could be proper implementation tool.

For each of identified area a specific grant scheme **identification sheet** has been prepared and sent to ministries in charge of policy in particular area. By filling identification sheets ministry and related agencies come up with proposals for potential grant schemes providing information concerning objectives, description, justification, size, reference to policy documents, potential grant beneficiaries. Information also has been provided of capacities and competencies of implementing structures and possible risks and preconditions of implementation.

Needs analysis will make further analysis of proposed grant schemes notably:

- analysis of information provided in grant scheme identification sheets;
- analysis of Croatian policy documents for the relevant sector;
- analysis of previous assistance and national financial mechanisms in the relevant sector;
- interviews with institution/ department/ unit that will be responsible for the preparation of the grant scheme;
- interviews with a sample of potential grant beneficiaries;
- analysis of absorption of previous similar grant schemes in Croatia;
- analysis of absorption of similar grant schemes implemented by EU Member states;
- mathematical modelling of the absorption capacity for the grant scheme;
- mathematical modelling of lower and upper thresholds for individual grants and of the total size of a grant scheme;

Needs analysis results will be presented in grant scheme development plans. Needs analysis is an interactive process where project consultants and counterparts from ministries may decide of modifications of proposals including decisions to merge grant scheme, come with the new solutions or to revoke proposal.

Preparation of **guidelines for applicants** will include transformation of agreed conditions of grant scheme development plans in legally precise rules for calls for proposals. A detailed and legally precise eligibility rules for activities, beneficiaries and costs will be established at this stage.

Annexes

Annex 1: Community Strategic Guidelines

Annex 2: EC regulations