



Background Study for Preparation of the Implementation System for period 2021+

Annex 1 – Visualization of Project Conclusions



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Project Introduction

Context

Given the challenges the European Structural Funds and Investment Funds (ESIF) will face in the Czech Republic in the period of 2021+, it is necessary to get the greatest possible insight into what implementation structures are there across the EU and what advantages and disadvantages different models of implementation architecture represent.

The main objectives of the Project



To gain experience and insights into different types of implementation structures from abroad

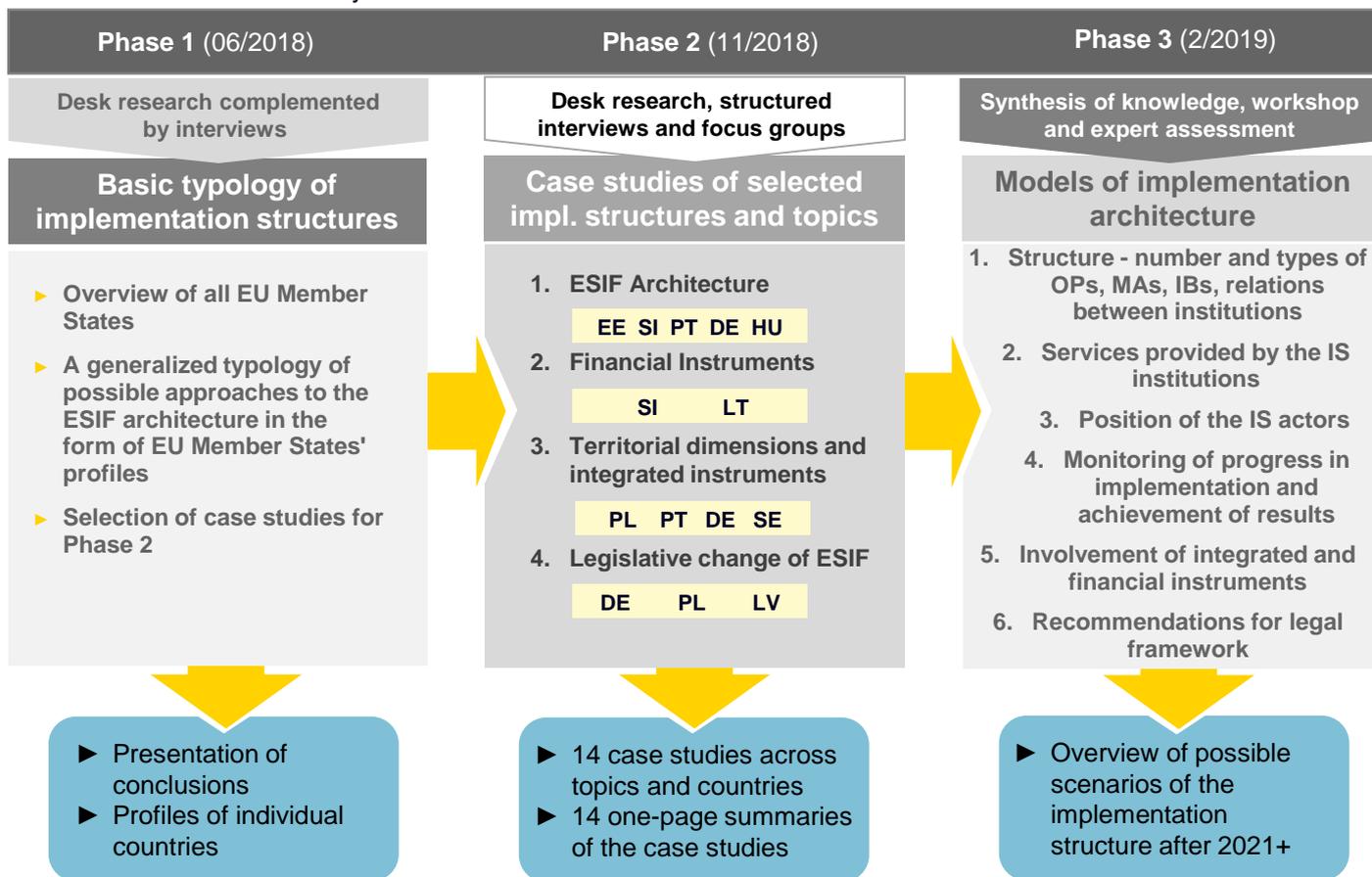


To create an overview of the types of implementation structures along with their benefits, risks and projected changes after 2020



To create model possibilities for the Czech Republic as examples of good practice for setting up the implementation structure for the period of 2021+

Scheme of Phases of the Project



In this document you can also find:



List of abbreviations

AA	Audit Authority	IB	Intermediate Body	ITI	Integrated Territorial Investments	MF	Ministry of Finance	OP	Operational program
CLLD	Community-Led Local Development	IS	Implementation Structure	LAG	Local Action Group	MRD	Ministry for Regional Development	PCA	Paying and Certification Authority
FI	Financial Instruments	IT	Information technology	MA	Managing Authority	MS	Member state	ROP	Regional operational program



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Summary of Phase 1



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Phase 1

The aim of the first phase of the Project was to analyze the approaches to the ESIF implementation architecture across the EU in order to get an overview of the setup in the individual Member States. The results are presented in the form of Member States' profiles. Each profile contains information on the basic economic and social characteristics of the country, the number and types of operational programs, the main actors responsible for the implementation of the ESIF, the legal arrangements for implementation, the description of control and audit mechanisms, the use of the integrated and financial instruments, modifications in comparison to the previous programming period and plans for the next programming period. Selected aspects are presented below.

Basic approaches to the implementation structure in terms of number and types of operational programs

The number and types of operational programs (thematic or regional) are mainly affected by the volume of the allocation, the number of inhabitants, size of the country, the regional breakdown and the degree of administrative autonomy of the individual regions. By analyzing the approaches across Member States we identified four basic types of implementation structures presented in the following scheme.

Basic types of Implementation Structures

Highly concentrated

Maximum 2 thematic operational programmes



Decentralized

Implementation mostly through regional programmes (> 80% of the allocation), complemented by several thematic programmes with smaller allocation



Thematically diversified

Implementation mostly through thematic OPs and only supplementarily through ROPs (< 15 % of the allocation)



Combined

Implementation through combination of thematic and regional OPs



Implementation structure based on the number and kind of the OP

Types of audit / control institutions

- Specifically established body
 - BG HR HU IT
- Ministry of Finance
 - AT DE EE EL FI LU
 - LV NL PL SI SK
- Internal Audit organ
 - BE CY MT UK
- Other body within the implementation structure
 - DE DK FR IT PT
- National control / audit authority
 - BE ES FR LT PT RO SE



Legislative arrangements of ESIF by country

● Law or similar legislative act on ESIF

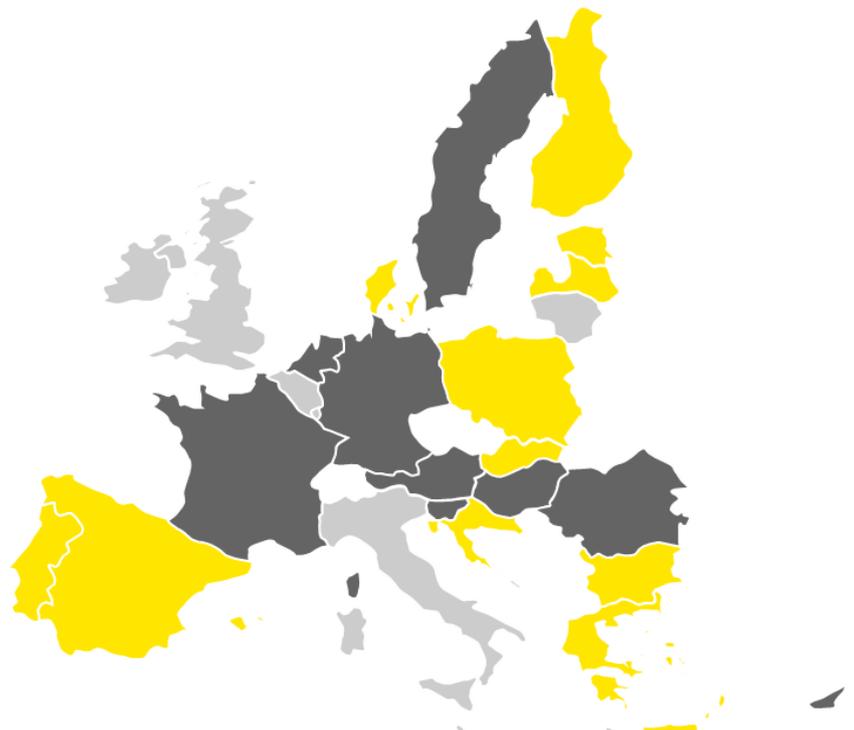
BG	DK	EE	EL
ES	FI	HR	LV
PL	PT	SK	

● Only methodologies or other type of legislation

AT	CY	DE	FR
HU	LT	NL	RO
SE	SI		

● Decrees, regulations, ESIF directive

BE	IE	IT
LU	MT	UK



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Summary of Phase 2 and Case Studies



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Phase 2

14 case studies were prepared in Phase 2 of the Project based on the information from Phase 1 of the Project. The case studies covered a total of 4 topics and 9 EU Member States. The selected countries included the new EU Member States (Slovenia, Estonia, Latvia, Lithuania, Hungary, Poland), as well as some of the original Member States (Germany, Portugal, Slovakia) in order to gain inspiration from countries with experience in the implementation of the Cohesion Policy. The specific aspects which were assessed as good practice and possibly as an inspiration for the Czech Republic in the Phase 1 of the Project were considered when selecting countries for Case Studies.

Selected aspects of the approach to ESIF implementation identified in Case Studies

Topic 1: ESIF Architecture

- ▶ In particular, the new Member States of a smaller size and population implement the ESIF through a single operational program for all three major ESF funds (ERDF, ESF and CF).
- ▶ The role and status of the coordination body depends mainly on the structure and number of OPs. A coordination body with similar competencies as in the Czech Republic exists, for example, in Portugal or Poland.
- ▶ In Estonia and Slovenia, the State Shared Service Center is used as a specific IB securing cross-sectional activities related to project administration for other entities.
- ▶ Communication between the Audit and Managing Authorities is one of the key aspects for smooth implementation, rather than the strict binding nature of the conclusions made by the Audit Authority.

Topic 2: Financial Instruments

- ▶ Primary funding objectives through financial instruments are business support, energy efficiency and public infrastructure.
- ▶ Financial instruments are managed by a fund of funds, which can be just one, as in the case of Slovenia, or there may be more of them (e.g. two in Lithuania).
- ▶ The Fund Manager was selected in both countries on the basis of an exception to the Public Procurement Act. Financial intermediaries were selected through selection procedures.
- ▶ The involvement of private entities in the provision of FI was not very successful in Slovenia, however, more of them were involved in Lithuania.
- ▶ The combination of subsidies and financial instruments has been authorized in Lithuania, but it brings a considerable administrative burden. The combination was not allowed in Slovenia.

Topic 3: Territorial Dimension

- ▶ The use of Integrated Instruments varies considerably across countries. Portugal uses both instruments relatively intensively, but their use is limited to only few Lands in Germany.
- ▶ CLLD is also scarcely used in Poland, but more important are the ITIs implemented in all voivodships obligatorily.
- ▶ In Sweden, a specific nation-wide operational program for CLLD has been set up, while ITI is used only in one region.
- ▶ The status of the ITI as an Intermediate Body was identified only in Poland, in other countries it had a different form.
- ▶ The CLLD is generally welcomed as a useful bottom-up approach and the multifund nature has helped to expand the number of supportable projects. Compliance with ESIF rules is, however, relatively demanding for LAGs, as they usually do not have the necessary capacities.

Topic 4: ESIF Legislation

- ▶ The specific legislation of ESIF helps in particular to clearly define the competencies of the key actors of the implementation structure.
- ▶ Countries with a separate ESIF law (Estonia, Portugal, Poland, Latvia) for the current programming period had similar legal arrangements also in the previous programming period.
- ▶ An IT system for lawmaking to facilitate regulation and the involvement of relevant partners is being used in Estonia and contributed to the final form of the ESIF law.
- ▶ The legal arrangement of irregularities in Poland and Latvia is defined by the ESIF law or by regulations. In Germany irregularities are dealt with in accordance with the national budgetary legislation. In none of the countries analyzed in this Project, the legislation arrangements regarding irregularities and their resolution have been identified as a major problem.





Germany

Implementation structure

Germany represents a heavily decentralized model, with high-level coordination of operational programs at a federal level and factual implementation of the ESIF at regional level. This structure is given by the federative character of Germany consisting of 16 independent and equal states, which manage their affairs independently and in mutual partnership. Implementation varies between states, between states and the federal level, and sometimes also between programs in one region that are strictly separated organizationally. At regional level, there is an effort to link programs funded from national and ESIF sources, in particular by integrating the thematic implementing bodies that also manage national programs.



Positive aspects

- ▶ Stability and continuity of the implementation
- ▶ Clear delimitation of competencies within the IS
- ▶ There is little need for coordination between programs and institutions
- ▶ Direct application of the European Regulation
- ▶ Good organization of controls and audits not burdensome for the implementation structure

Negative aspects

- ▶ High total cost of the implementation structure across all states due to limited economies of scale
- ▶ Very low interconnection of IT systems and associated high costs
- ▶ Low support for and slow pace of introducing new tools such as integrated or financial instruments

Key aspects of the implementation structure

Fragmentation

1 There are significant differences across Germany in the actual setting of the OP, the type of institutions involved in implementation or in IT systems used. The ESIF reflects regional specificities, with ESI funds being more important in Eastern states than in Western states.

Autonomy & Independence

2 Operational programs operate independently and central (federal) coordination is weaker compared to the CR. Individual states are highly independent in setting up implementation rules, developing IT systems, and using resources. As a result, there is considerable diversity between regions and operational programs.

Partnership & Collaboration

3 Representatives of the implementation structure's institutions meet formally at (bi)annual coordination meetings organized by the federal bodies responsible for coordination. Additionally, there are informal communication channels to eliminate overlays in programming.

Direct application of the EU Regulation

4 Germany is able to apply the EU Regulation directly without the need to adopt national duplicate regulations. There are few discrepancies between European and national regulations; compliance with the Regulation is thus ensured.



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Estonia

Implementation structure

Estonia's model is highly centralized. The implementation structure is concentrated in a single Managing Authority (Ministry of Finance, MF), instead of three MAs in the previous programming period. The number of OPs has also declined from three to one. There is a visible continuous effort to simplify, unify and centralise in Estonia. Concentrated structure brings more effective communication, reduction of the administrative burden for the actors, knowledge concentration, procedure harmonisation and more straightforward coordination system. The steps for simplification of the implementation structure are followed by involvement of the State Shared Service Centre (SSSC), which is going to cover all kinds of subsidies and function as a second-level Intermediate Body, as well as overtake part of MA's agenda. Individual subjects (especially line ministries) appreciate that they can focus on substantive goals and results thanks to lower administrative burden.



Positive aspects

- ▶ Stability and continuity of the implementation system – development aiming for centralisation and simplification
- ▶ Clear formal and informal declaration of implementation subjects' competencies
- ▶ Harmonisation of approach towards beneficiaries and cost savings due to SSSC
- ▶ Communication, cooperation and experience sharing
- ▶ Low administrative burden perceived by most stakeholders

Negative aspects

- ▶ Somehow weaker position of the Intermediate Bodies in comparison to the Managing Authority and Implementing Bodies
- ▶ Low coordination of ERDF, ESF, CF vs. EAFRD and EMFF
- ▶ Currently low rate of absorption

Key aspects of the implementation structure

1

State Shared Service Centre (SSSC)

Since the second half of 2018 the technical implementation tasks of implementing bodies are being transferred to the SSSC (government agency subordinate to the MF). The centre covers all kinds of subsidies (ESIF, national etc.) and is going to act as a MA, Implementing body and CA, while MF will continue to carry out planning, evaluation and monitoring activities.

2

Communication and cooperation

Effective communication and cooperation is supported by formal meetings and experience sharing among individual actors of the structure. They reside in a single building, which makes the communication highly effective. Effective communication and cooperation decreases audit costs and time spent on administration.

3

Centralisation and concentration

The leading role in the implementation structure is concentrated in a single MA – Ministry of Finance. Its sub-departments furthermore carry out the activities of AA and CA. Strong position of the MF provides coordination, synergy and complementarity.

4

Effective IT system

There is an effective IT system for drafting legislation (not limited to ESIF) in Estonia. It significantly lowers administrative burden connected with ESIF legislation. For implementation of ESIF there is a single monitoring system with interface for applicants and beneficiaries, which actors perceive also positively.



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Hungary

Implementation structure

The Hungarian ESIF implementation model is, in comparison to other sampled countries, closest to the Czech system. Five Managing Authorities incorporated into the structures of individual ministries manage nine Operational Programmes. The Hungarian State Treasury is the designated intermediate body, though only for three specific Operational Programmes. Still, the Office of the Prime Minister plays a strong role, possessing controlling powers while housing one of the Managing Authorities. The concentrated nature of the system is rooted in the experience from previous programming periods, when a high number of Intermediate Bodies (up to 22) was deemed ineffective. In this context, the Hungarian implementation structure has gone through many substantial reforms over a relatively short period of time, most recent of which was carried out in spring 2018. Fluidity is therefore a characteristic feature of the Hungarian system.

+	Positive aspects	Negative aspects
	<ul style="list-style-type: none"> ▶ Uniform legislative framework across individual funds ▶ High interoperability of the IT system with other public administration registers and systems ▶ Up to 100% pre-financing for public sector beneficiaries and non-governmental non-profit organizations 	<ul style="list-style-type: none"> ▶ Relatively large number and frequency of changes to the implementation architecture ▶ High administrative burden perceived by stakeholders ▶ Weaker position of regional authorities ▶ Occasionally unclear division of competencies and possible overlaps of activities

Key aspects of the implementation structure

1 High frequency of changes

There were many substantial reforms of the implementation structure. The high degree of volatility can cause confusion for beneficiaries and also appears to have negative implications for the volatility of the implementation structure's workforce.

2 IT system

The new single IT system (FAIR) is praised for a high degree of interconnectivity with other public administration systems. Its continuous development is guided by the principle "one data only one time." At the same time, though, FAIR falls behind in user-friendliness.

3 SMEs and the red tape

Small and medium-sized enterprises, as beneficiaries, are burdened with excessive administrative tasks. Their representatives often argue that the way funds are implemented does not reflect the nature and needs of the private sector.

4 Standardisation of processes

The transfer of Intermediate Bodies to the Managing Authorities and their incorporation under individual ministries brought greater synergy between the various processes of the implementation structure. Thus, ESIF administration has become less fragmented.



Portugal

Implementation structure

Portugal's model is highly centralised. The technical and administrative coordination of programmes is ensured by the state Agency for Cohesion and Development (NCA) under the Ministry of Planning and Infrastructure. The Agency was created specifically for the purposes of the ESIF by merging three public entities that have performed its function in the past. The line ministries have several roles in the implementation structure (approving the plan of calls, evaluating the selection criteria etc.), but they do not have directly a role of managing or intermediate bodies. The centralized structure brings knowledge concentration, more efficient use of resources, a more global approach, and avoids duplication of competences, but it faces challenges in fully capturing the diversity of different territories combined with the specific administrative status of the regions in Portugal.

+ Positive aspects	- Negative aspects
<ul style="list-style-type: none"> ▶ Continuity and efforts for continuous improvement of the implementation system ▶ Knowledge transfer across funds through a centralised implementation structure ▶ Clear definition of competences of the institutions leading to little overlap of activities ▶ Developed and relatively functioning IT system ▶ Detailed and clear ESIF-related legislation 	<ul style="list-style-type: none"> ▶ Higher complexity, rigidity and sometimes time-consuming coordination due to a centralised structure leading to non-compliance with deadlines towards the beneficiaries ▶ Insufficient reflection of the interests of relevant stakeholders and regional needs in the programming phase

Key aspects of the implementation structure

1 High degree of centralization

The actual coordination of the ESIF is ensured by one sole institution, which also performs tasks of the PA, CA, AA, evaluation and monitoring activities. Political coordination (representation, dialogue with the EC) is carried out by the Interministerial Coordination Committee.

2 Role of regions

In contrast to the Czech Republic, the mainland regions are more of a tool of the centralized government, rather than proper autonomous authorities. Although the implementation of the ESI funds is discussed with relevant stakeholders, discussions may be sometimes formal and regional voices can have less-than desired strength in final decision making.

3 Thematic coordination

The multifund character of the OPs and the combination of thematic OPs across regions poses a challenge for the Agency in terms of coordination. One of the solutions are the Networks of coordination – platforms for cooperation. Members regularly meet and discuss their issues, the Agency coordinates the meetings and invites subject-matter experts.

4 IT system

Each MA has its own IT system from the previous programming period, and the Agency manages a central system collecting information from the MA's and from state administration systems, and has a single entry point for beneficiaries. There is also a system for audit reports and conclusions.

Slovenia

Implementation structure



The Implementation structure in Slovenia is characteristic for consisting of only one Operational Programme managing all three main ESI funds (ERDF, ESF, CF). In comparison to the previous period the number of OPs decreased from three, although even then the function of MA was held by a single body for all three programmes. Due to the smaller size of Slovenia, the implementation structure is not so extensive and good relations among the involved institutions allowing for effective co-operation are perceived as a key aspect of successful implementation.



Positive aspects

- ▶ Stability and continuity achieved also by employee transfer in case of organisational changes
- ▶ Implementation of main funds through one Operational Programme
- ▶ Building infrastructure for NGO within one priority axis
- ▶ Good communication between the bodies of the implementation structure

Negative aspects

- ▶ Weaker role of regions than in the past set-up
- ▶ The system's functionality depends on the relative strength of the MA
- ▶ Separation of the role of MA and CA is perceived as a setback of effective implementation
- ▶ Too many Intermediate and Implementing Bodies
- ▶ Delay in implementation of new IT system
- ▶ Certain doubts about the real functioning of the partner system

Key aspects of the implementation structure

1

Role of MA

MA - Government Office for Development and ESIF has the main coordinating role for ESIF. This setting has both advantages as well as disadvantages.

2

Harmonisation in planning of audits / controls

AA shares audit plans with MA and CA in a way allowing the MA/CA to take them into account for their own planning of controls.

3

Role of the AA

Intermediate Body is responsible for dealing with identified irregularities. The AA's conclusions are not fully binding for the rest of the subjects, however, in the course of auditing, a discussion between the AA and the audited subject takes place. This discussion about the audit findings usually leads to a consensus.

4

Implementation plan

The Implementation plan approved based on government's decree sets allocation to individual priority axes and allocation to individual budget users. It is used as a tool for management and coordination of the Partnership Agreement



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Lithuania

Financial instruments

The most used scheme in Lithuania is the use of funds and managers / intermediaries from private financial institutions. Implementation of FI takes place through two state-owned financial institutions (INVEGA a VIPA) and EIB. Fund managers were selected on the basis of an exception to the Public Procurement Act. Managers of individual financial instruments (mostly from the private sector) were then selected through public contracts. Financial instruments are used in the following areas: 1) support for research, development and innovation, 2) support for small and medium-sized enterprises, 3) support for low-carbon economy, environment and energy efficiency.



Positive aspects	Negative aspects
<ul style="list-style-type: none"> ▶ Market-specific set-up of the FI ▶ Involvement of private investors ▶ Clear and understandable implementation rules from the beginning ▶ Attempts to change the beneficiaries` mentality of being used to grants/subsidies 	<ul style="list-style-type: none"> ▶ Excessive control system setup ▶ The complexity of the process of implementing financial instruments ▶ The use of financial instruments by public institutions under EUROSTAT rules counts into national (public) debt ▶ Combining financial instruments and subsidies

Key aspects of the financial instruments

<h4>1 FI settings with regard to market</h4> <p>FI found a gap in the market (i.e. they were not competition to commercial instruments where the market works). FI are designed not to be different from other market instruments. Attempts to choose the right tool (loans, guarantees, capital inputs) for the specific sector.</p>	<h4>2 Methodological environment</h4> <p>The Ministry of Finance issues, as the MA, binding guidelines for Intermediate and Implementing Bodies. Line ministries as IBs are obligatorily creating a methodology for project selection criteria and elaborate in detail the Regulations and Guidelines of the MF.</p>
<h4>3 The FI implementation process</h4> <p>In the case of smaller projects, the implementation is not efficient – due to the difficulty of preparing the application and the subsequent implementation. Sometimes it is easier to implement a grant project. Sometimes excessive control system setup.</p>	<h4>4 Financial instruments and subsidies</h4> <p>If subsidies are available in the area of support, the interest in financial instruments falls significantly. A major problem is, however, also the administration of projects in which funding from subsidies and financial instruments is mixed.</p>



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Slovenia

Financial instruments



The implementation structure of financial instruments is relatively simple. The fund manager is the Slovenian National Development Bank (SID Bank), the financial intermediaries are the state Slovene Enterprise Fund (which has extensive experience in the implementation of financial instruments from the previous programming period) and two commercial banks.

ESIF-supported financial instruments are divided into four thematic areas, namely to support small and medium-sized enterprises, support of research, development and innovation, urban development and energy efficiency.



Positive aspects

- ▶ Simple implementation structure with one fund manager and a clear portfolio of financial instruments
- ▶ Inclusion of National Development Bank and an effort to concentrate financial instruments at a single place
- ▶ Sufficiently attractive setting of financial instruments

Negative aspects

- ▶ Significant delays in implementation of financial instruments due to lengthy preparation
- ▶ Excessive administrative burden
- ▶ Insufficient involvement of commercial banks as financial intermediaries
- ▶ The use of financial instruments by public institutions is included in the public debt according to EUROSTAT rules

Key aspects of the financial instruments

1

Clear portfolio of FI

The used financial instruments include loans, micro-loans, portfolio guarantees and equity capital fund.

2

Administrative burden

The procedures are full of controls and reporting, which reduces the attractiveness of the FI. For final beneficiaries, the use of FI should be ideally similarly demanding as the use of conventional commercial bank products.

3

Delay in FI implementation

The ex-ante evaluation of the FI was prepared in 2015, but the decision on the form of the implementation structure was made only in mid-2017. The rest of 2017 was dedicated to the preparation of a contract with SID Bank, year 2018 to the preparation of individual FIs and the search for suitable financial intermediaries.

4

Involvement of commercial banks

There are troubles with getting enough financial intermediaries for portfolio guarantees and equity funds from the private sphere. The future goal is, therefore, to increase the involvement of the private sector.



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Germany

Integrated instruments



The only federal state that combines support from various funds within the CLLD implementation is Saxony-Anhalt. In other countries, the CLLD itself is not implemented, however, under the rural development programs implementation of LEADER continues. Most states perceive the combination of all three funds as complicated, given the allocation and complexity of the ERDF and ESF implementation rules (the differences from the rules of the EAFRD that they were used to under LEADER) they did not see the multifund approach as an added value. ITI is implemented by a single federal state, Schleswig-Holstein. In other federal states, Sustainable Urban Development (SUD) is implemented in a different form than ITI.



Positive aspects

- ▶ Formulation of opinions and priorities at the local level
- ▶ High level of co-financing
- ▶ Good cooperation and effective communication between the MA and the MAS
- ▶ Regional offices of the MA
- ▶ Multi-fund, concentration of control at one place

Negative aspects

- ▶ Thematic limitation of areas of support
- ▶ Administrative burden
- ▶ The "lax" approach of some MAS

Key aspects of the integrated instruments

1

Formulation of opinions and priorities at the local level

Inclusion of local institutions and inhabitants and the possibility of influencing and contributing to the development of the place of their residence is one of the reasons for many (especially young) residents to live in the given place (i.e. not to move to larger cities).

2

Good cooperation and effective communication

A system of several working groups focused on various topics, composed of representatives of the MA and heads of individual MAS, was created.

The existence of several regional offices set up by the MA. Continuous mentoring / education of MAS representatives.

3

The "lax" approach of some MAS

In some cases, local actors do not adequately invest effort to the development strategy. This means that the most relevant projects are not selected or only very few activities are performed through CLLD in some areas.

4

Administrative burdens

The whole process of CLLD implementation is administratively too demanding, not only because of the European legislation but also because of the one at federal states level.



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Poland

Integrated instruments

According to the Partnership Agreement, ITI is implemented in Poland in the capitals of the voivodships and areas with functional ties to the capital (metropolitan areas). The basis for defining the functional areas of the ITI was the document prepared by the Ministry of Investment and Development (MIIR) "Criteria for defining urban functional areas of the voivodship centres", which was provided to the authorities of the voivodships in February 2013. The status and method of cooperation between the MA and the ITI Association is not centrally defined nor unified, so it differs in the different ROPs (voivodships).



Positive aspects

- ▶ Relations between mayors of individual towns and municipalities (as Intermediate Bodies)
- ▶ The ITI activates relationships between different partners
- ▶ Method and result of determination of functional areas
- ▶ The possibility of external financing is a successful motivation for cooperation

Negative aspects

- Negative aspects as perceived by main actors:
- ▶ MIIR - lack of experience with cooperation and dialogue in the territory
 - ▶ MA - general problems associated with territorial self-government
 - ▶ IB - unbalanced partnership, difficulty of preparing the programming period

Key aspects of the integrated instruments

1

CLLD

Under the rural programme (EAFRD) and OP Fisheries (EMFF) is implemented the instrument LEADER. CLLD as a tool can be used under the regional programmes in accordance with the Partnership Agreement. The use of the CLLD was decided by individual MAs themselves, in the end only two voivodships have selected this option.

2

Efficient implementation of ITI

Key factors of efficient implementation of ITI can slightly differ among the main actors:

MIIR: 1) reduce the formalities of procedures, not include ITI in the selection of projects; 2) fewer priority objectives

Managing authority: 1) do not establish ITI as IB; 2) involve ITI in the preparation of the programme and focus on building competencies of its analytical centre

Intermediate body: 1) project selection should be implemented at ITI level; 2) set financial incentives for collaborating local governments; 3) define the parameters and standards of cooperation between ITI and MA from the central level

3

Two kinds of ITI

Regional at the level of voivodship (focused on the area of the regional metropolis) and subregional (in some voivodships, there are more ITI functional areas)



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Portugal

Integrated instruments

Both ITI and CLLD are implemented within the framework of ten regional operational programs, where the managing authorities are so-called regional agencies, which are, however, centrally managed and are part of the state administration. In terms of allocation, the most important instrument is the ITI (EUR 1 045 million), followed by the SUD (EUR 796 million) and the CLLD (EUR 280 million).

ERDF, ESF, EAFRD and EMFF funds are used for integrated instruments. In total, 88 local action groups (rural, fishing and urban) and 23 ITIs (which are implemented by so-called interregional entities at NUTS III level) are supported.



Positive aspects

- ▶ Strengthening local partnerships
- ▶ Increasing the involvement of private actors in cooperation
- ▶ Using a single IT system
- ▶ Strengthening the capacities and competencies of local authorities

Negative aspects

- ▶ Highly centralized public administration
- ▶ Insufficient willingness of local authorities to cooperate
- ▶ Lack of experience with a combination of multiple funds
- ▶ Lack of experience with CLLD in urban areas

Key aspects of the integrated instruments

1

Strengthening local partnerships

Through the implementation of integrated instruments, the involvement of local actors, not only local authorities, but also small and medium-sized enterprises, was strengthened.

2

Highly centralized public administration

The specificity of Portugal is the significant centralization of public administration. Apart from municipalities and central governments, there are no autonomous regions. Hence, integrated instruments to some extent compensate for this centrality.

3

Unified IT system

A unified IT system enables to identify potential overlaps between individual integrated tools, making it easier for MAs to approve and control projects.

4

Reluctance to cooperate

A key issue is the lack of willingness of local authorities and other actors to cooperate. Collaboration between cities does not work so well because cities actually compete with each other for the projects.



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Sweden

Integrated instruments

In Sweden, the CLLD is supported in all four ESIF funds. In the case of ERDF and ESF involvement, activities and projects supported under the MAS are not limited to rural areas only. The MA of all these programmes is the state agency Jordbruksverket. For coordinating local development at the highest level a joint monitoring committee, which brings together relevant ministries and other stakeholders from all three operational programs, was established. The only operational programme using ITI is OP Western Sweden. Implementation of the ITI focuses on the city of Gothenburg, which, however, is not an Intermediate Body. The city of Gothenburg has an integrated development plan - according to this plan, three projects are funded from the OP.



Positive aspects

- ▶ Multifund approach and a specific OP dedicated to CLLD
- ▶ Historical experience and functional partnership
- ▶ Building expertise of MAS
- ▶ Simplification of the implementation structure
- ▶ Flexibility of the whole ITI system
- ▶ Strong position of the city Gothenburg, despite not-being an Intermediate Body

Negative aspects

- ▶ Differences between individual funds and lower absorption of ERDF and ESF funds
- ▶ Difficult preparation of the programming period

Key aspects of the integrated instruments

Multifund approach

1 Produces economies of scale for MAS. Hence, procedures and processes can be simplified ("single entry point" – one place for project realization for all four funds), with the aim of unifying rules and procedures. Greater coverage and scope of interventions and extension of partnerships.

Simplification of the Implementation structure

2 In the previous period the MAS did not communicate directly with the MA, but there were Regional Boards of Administration. In the current period, one level of the implementation structure was removed – this simplified individual procedures, processes, and mutual communication = acceleration of the entire administration.

Differences between individual funds

3 When applying a multifund approach, it is very difficult for the MA and for individual MAS to perceive and understand the differences between individual funds (e.g. in the evaluation system, system of controls, rules for publicity). This causes problems with the use of ERDF and ESF.

Preparation of the programming period

4 Difficult and lengthy preparation of the current programming period, which took about two years. Even now are some procedures too long. Everything is also too closely controlled from the MAS point of view.



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Germany

Legislation

Germany's ESIF-related legislation is largely based directly on the EC Regulation. The complete structure of the applicable legislation is as follows: 1) EC Regulation; 2) Federal laws; 3) State level laws; 4) ESIF specific legislation at the level of some states; 5) Methodological environment of individual implementing bodies; 6) Subordinate administrative decisions of the implementing bodies. In majority of states there was no need to adopt an ESIF specific legislation. In the case of the ESIF specific directive in Saxony, the preparations took a long time and included intensive discussions.

+ Positive aspects	- Negative aspects
<ul style="list-style-type: none"> ▶ Clear structure of legislation between federal and state level ▶ Easier direct application of the EU regulations ▶ In terms of competences, the contracts governing cooperation between implementing institutions do not significantly differ from the Regulation ▶ Low incidence of irregularities 	<ul style="list-style-type: none"> ▶ Difficulties in implementing simplified cost options (SCO) on federal level

Key aspects of the legislation

1 Approach towards irregularities
 Irregularities are based directly on the Regulation. In general, the respondents understood the irregularity being closer to fraud, rather than administrative discrepancy. The resolution stands with Implementing Bodies, unduly paid funds are recovered through administrative decisions.

2 Methodological environment
 Germany is trying to unify the ESIF and national funding methodology. In terms of detail, they do not usually deviate too much from the Regulation and rather deal with procedural anchoring of duties. The implementation manuals are usually made by the MAs, the most specific methodology is made by the Implementing Bodies.

3 Direct application of the EU Regulation
 Germany is able to apply the EU Regulation directly without the need to adopt duplicate national legislation. Hence, there are no discrepancies between the European and national regulations; compliance with the Regulation is thus ensured.



Latvia

Legislation

In Latvia, the adjustments of national legislation for ESIF purposes were rather minor and focused on specific topics such as the Construction Act or Public Procurement. The complete structure of applicable legislation is as follows: 1) The ESIF Act, 2) Horizontal regulations of the Cabinet, 3) Specific regulations of the Cabinet for specific goals, 4) Methodologies and manuals issued by individual institutions. The regulations are created by individual ministries under the supervision of the Ministry of Finance, which set the minimal formal requirements.



Positive aspects

- ▶ Continuity of the legislation and sufficient involvement of all partners in its creation
- ▶ Efforts to find a reasonable level of detail
- ▶ IT system to support the drafting of legislation, making easier the creation / modification of laws and regulations

Negative aspects

- ▶ Significant complications with ITI implementation
- ▶ Large volume of managing and guidance documentation associated with ESIF

Key aspects of the legislation

1

Approach towards discrepancies

Very generally embedded in the ESIF Act, specifically modified by the Government Decree and further developed in the methodologies developed by the MA. The key role plays "State SSC" – Central Finance and Contracting Agency

2

Methodological environment

The Ministry of Finance publishes, as the MA, binding guidelines for Intermediate and Implementing Bodies. Line ministries as Intermediate Bodies are obligatorily creating a methodology for project selection criteria and elaborate in detail the Regulations and Guidelines of the Ministry of Finance.

3

State Shared Service Center - CFCA

In case of irregularity it issues a decision on recovery of the amount. It is possible to satisfy the claim from another project of the same beneficiary. The lower limit for irregularity is 250 €. Different approach to public and private recipients is applied when dealing with irregularities.



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Poland

Legislation

In Poland, there were no major discrepancies between the rules contained in European and national legislation. The complete structure of the applicable legislation is as follows: 1) ESIF Act, 2) Horizontal Guidelines of the Ministry of Development (MIR), 3) detailed description of the OP priority axes and detailed description of the management and control systems issued by the MA, 4) other documents (instructions, manuals). The absence of legal force in most of the documents mentioned above and their binding force set only by contracts allow more flexibly adaptation to possible changes, although their enforcement may be more difficult in practice.



Positive aspects	Negative aspects
<ul style="list-style-type: none"> ▶ Absence of fundamental contradictions with EU principles and rules ▶ Transparent rules and online availability of ESIF documents to applicants and beneficiaries ▶ Manuals for specific procedures for applicants / beneficiaries issued by the MA ▶ Cooperation between MIR, MA of ROP and other partners on creation of implementation rules 	<ul style="list-style-type: none"> ▶ Large volumes of ESIF-related documentation ▶ Many rules contained only in documents without proper legal force ▶ Restrictive interpretation of discrepancies (especially in case of public procurement) and financial instruments ▶ Disputes related to VAT as (non)eligible expenditure

Key aspects of the legislation

1 Methodological environment

MIR, as coordination authority, issues horizontal guidelines binding especially for other IS institutions. MAs issue their own documents, with a main goal of making the rules for applicants or recipients more transparent. These documents are binding for the beneficiary under the grant agreement.

2 Access to the ESIF documents

All legal and non-legal documents (including their changes) regarding ESIF are available on the MIR and Regional MA's websites. Quite fragmented rules are explained in the accompanying manuals and instructions of the MA.

3 Decentralization followed by unification

Decentralization in the ESIF implementation across ROPs is reflected in the adoption of different forms of supporting documents across the regions. This is being balanced by the effort of the MIR to unify the system through the ESIF and horizontal directives.

4 Resolution of irregularities

Irregularities are based on the ESIF Act and the Public Finance Act. As irregularity is understood any violation of the EU and national law. The resolution lies with the Managing Authorities, the unjustifiably paid funds are recovered through administrative decisions.



Summary of Phase 3 and recommendations for the ESIF implementation setting



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Phase 3

By combining all information on the implementation structures obtained in Phases 1 and 2 of the Project and placing them in the Czech context, we formulated possible approaches to setting up the implementation structure in the Czech Republic in the programming period of 2021-2027. In the text below we present thematic areas that were elaborated and brief description of particular options discussed under each theme.

Architektura ESIF

How many MAs should be established?

The number of MAs depends on the number of OPs and therefore it depends on the government's strategic decision. As an alternative to the currently applied model in the CR, when each thematic OP is managed by relevant ministry, is subordinating more OPs under one institution which can contribute to efficient management and coordination.

Which institution should play the role of MA?

In relation to decision about number of OPs the role of the MA can be assigned to relevant ministries or to a specifically founded institution primarily dealing with ESIF. Alternatively, involving regional governments is an option, though not very likely in the Czech set-up.

How many Intermediate subjects should be?

The choice depends primarily on the decision of the Managing Authorities. lower number of subjects should lead to lower administration costs and a more uniform approach to applicants/beneficiaries. On the other hand, it is necessary to consider targeting the program towards the regions and to ensure proximity to applicants and beneficiaries. Thus, we have considered both keeping the current number of IBs, reducing or increasing them. A specific approach is unifying all IBs into a single body operating across all operational programs.

What role should the National Coordination Authority play?

The role usually depends on the complexity of the implementation structure and the number of OPs. It can vary from more focus on coordination, leaving more discretion to the MAs, to a strong role in setting and enforcing binding rules for all other actors. In case of implementation structure with only a few operation programs, the role can turn into a supervisory nature.

What should be the role and position of the AA?

The role of the Audit Authority may be exercised by another independent / supervisory authority apart from the Ministry of Finance, for example by the Supreme Audit Office. It may also be set up within the same institution that performs the role of the MA (assuming independence and a clear separation of their roles). The role of the AA is also given by the character of its findings, which can be binding or recommendatory.

Financial instruments

Should the FI be implemented in the CR?

Within the set-up process of the implementation structure it is appropriate to assess whether the FI should be implemented in the country. This assessment should be based on a complex cost-benefit analysis.

What should be the implementing structure of the FI?

The implementation structure can be centralized into one institution or into several funds following thematic or regional diversion. The centralized structure offers more efficient coordination, more funds can however bring better targeting of FI and reflection of regional needs.

Should combination of FI and grants be allowed?

The possibility of combining financial instruments and subsidies then brings more opportunities for applicants and can potentially expand their number. On the other hand, it presents considerable administrative costs and difficulties in managing implementation.



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Integrated Instruments

Do ITI/CLLD need a specific legislation?

The adoption of a specific legislation provides a clearer definition of the competences of individual authorities, on the other hand it presents a rather complex process. Implementation based on existing legislation, possibly with its minor modifications, is currently a more viable solution, even though it carries the risk of transmitting some of the shortcomings.

What should be the role of ITI in the implementation structure?

Assigning the role of the Intermediate Body to ITI will strengthen its influence on project selection and implementation, but in order to succeed, it must have sufficient capacity and know-how in fund management. An alternative is to involve ITIs in a different way, e.g. by assigning the responsibility for project selection or evaluation of compliance with development strategies, which entails lower administrative burden.

What should be the role of the LAGs?

LAGs can play a more formal role in the CLLD, i.e. a role with clearly defined competencies and responsibilities for a significant part of the project evaluation and administration. If the LAGs do not have sufficient capacity for the above-mentioned activities, they can be entrusted with only partial responsibilities in the form of preparation of a development strategy and, where appropriate, evaluation of projects.

ESIF Legislation

What should the legal arrangement of ESIF look like?

Adopting a separate ESIF law is the most comprehensive adjustment that could address most of the issues that the implementation structure is currently facing. Its preparation would, however, be considerably time consuming and administratively demanding; and it would require changes in other laws. An alternative is to continue with minor modifications to the existing legislation in order to eliminate specific bottlenecks. In order to improve cooperation with other departments and to ensure more efficient performance of the competencies entrusted, it is necessary to have a clear legal definition of competencies of all key institutions of the implementation structure, such as NCA, MAs, IBs or AA.

What should the legal arrangement of irregularities look like?

One of the approaches to irregularities is to embed its definition into the national legislation, either within the existing budgetary rules or by a specific regulation. The opposite approach would be to align the infringement of budgetary discipline with the one of irregularities. Both approaches could lead to the outcome when the competence for dealing with irregularities would be fully transferred either to an entity within the implementation structure or to the Tax Office.



General recommendation for implementation structure setup

1

Stability a Continuity

- ▶ Avoid resolute changes
- ▶ Base the changes on objective analyses of the past performance
- ▶ Ensure the maximum effort to keep current workforce and choosing the appropriate incentive system for this purpose



2

Long-term perspective

- ▶ Changes should reflect a long-term horizon (longer than one period)
- ▶ Reflect on possible changes to the implementation structure already in case of eventual radical decrease in allocation
- ▶ Partial steps taken in present time can help to make more significant changes in the future easier



3

Informal communication

- ▶ Strengthen informal communication between individual actors of the implementation structure
- ▶ Good relationships between key authorities can contribute to solving the problem even without complicated paragraphs
- ▶ Concentration of implementation structure institutions can enhance this effect



4

Relationship between the AA and other implementation structure actors

- ▶ Strengthen communication and exchange of experience between the Audit Authority and the MA and IB in order to minimize different assessments of the same situations
- ▶ Consider whether the MA should always be able to comment on draft audit reports even when the auditee is only the beneficiary
- ▶ Consider whether to leave more space to the MA to investigate identified findings and not just automatically transfer audit findings to the beneficiaries



Recommendations for the setup of the specific aspects

Financial Instruments

- ▶ Evaluate the success of implementation
- ▶ Define expectations and set goals
- ▶ Perform a deep ex-ante analysis to identify the market gap
- ▶ Decide the form of the FI and the implementation structure as soon as possible and include all actors in preparation
- ▶ Set up the FI to avoid duplication and not to create competition
- ▶ Enable involvement of private entities and motivate them
- ▶ Consolidate the support for FI from different sources and coordinate their implementation centrally

Integrated Instruments

- ▶ Evaluate the success of implementation
- ▶ Define expectations from integrated instruments
- ▶ Define the basic principles (standards) of the establishment and functioning of the LAGs
- ▶ Appropriate support for the LAGs and ITIs
- ▶ Simplify administrative procedures
- ▶ Clearly define the roles, responsibilities and competences of each of the actors involved
- ▶ Maintain the multifund nature in implementing local development strategies
- ▶ CLLD and ITI should not be too restricted in operational programs

ESIF Legislation

- ▶ Identify existing problems
- ▶ In case of the decision on adopting a specific ESIF law, start with its preparation as soon as possible and involve all relevant stakeholders in its preparation
- ▶ Open a discussion on the current legal setup of irregularities
- ▶ Consider reinforcing the role of Managing Authorities in addressing irregularities and strengthening the partnership relationship between the MA and the AA
- ▶ Simplify the process of addressing irregularities by setting a threshold for the discrepancy to reduce their number



National Coordination Authority

Ministry for Regional Development of the Czech Republic

The National Coordination Authority (NCA) is the central methodological and coordinating body for the implementation of programs co-financed by the European Union funds for the programming period 2007-2013 and 2014-2020. The role of NCA is fulfilled by the Ministry for Regional Development of the Czech Republic on the basis of Government Resolution No. 198 of 22 February 2006 and No. 448 of 12 June 2013.

NCA sets standards and rules for the implementation of operational programs, monitors the progress of drawdowns and evaluates the possible risks for which it proposes appropriate solutions. It is also responsible for evaluating the impact of European funds and providing information on programs and funding opportunities. It is an official partner for negotiations with the European Commission on the implementation of Cohesion Policy. It also includes the preparation of the programming period 2021-2027.

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