



## Case Study

### Topic 01: ESIF Architecture

# Slovenia



EUROPEAN UNION  
Cohesion Fund  
Operational Programme Technical Assistance



MINISTRY  
OF REGIONAL  
DEVELOPMENT CZ





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## List of abbreviations

<b>AA</b>	Audit Authority
<b>CA</b>	Certification Authority
<b>CF</b>	Cohesion Fund
<b>CLLD</b>	Community-led local development
<b>EAFRD</b>	European Agricultural Fund for Rural Development
<b>ECA</b>	External Certification Authority
<b>EMFF</b>	European Maritime and Fisheries Fund
<b>ERDF</b>	European Regional Development Fund
<b>ESF</b>	European Social Fund
<b>ESIF</b>	European Structural and Investment Funds
<b>EU</b>	European Union
<b>EUR</b>	Euro
<b>EY</b>	Ernst & Young
<b>IB</b>	Intermediate Body
<b>ICT</b>	Information and Communication Technology
<b>IT</b>	Information Technology
<b>KPI</b>	Key Performance Indicator
<b>LAG</b>	Local Action Group
<b>MA</b>	Manging Authority
<b>NCA</b>	National Coordination Authority
<b>NGO</b>	Non-Governmental Organization
<b>OLAF</b>	European Anti-Fraud Office (Office de Lutte Anti-Fraud)
<b>OP</b>	Operational Programme
<b>PA</b>	Paying Authority
<b>ROP</b>	Regional Operational Programme
<b>YEI</b>	Youth Employment Initiative

# 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 conducted by a single body for all the programmes. Due to the smaller size of Slovenia, the implementation structure is not so extensive and as a key aspect of successful implementation are perceived good relations among the involved institutions, which allow for effective co-operation.

+ Positive aspects	Negative aspects
<ul style="list-style-type: none"> <li>▶ Stability and continuity achieved also by employee transfer in case of organisational changes</li> <li>▶ Implementation of main funds through one operational programme</li> <li>▶ Building infrastructure for NGO within one priority axis</li> <li>▶ Good communication between the bodies of the implementation structure</li> </ul>	<ul style="list-style-type: none"> <li>▶ Weaker role of regions than in the past</li> <li>▶ The system's functionality depends on the relative strength of the MA</li> <li>▶ Separation of the role of MA and CA is perceived as a setback of effective implementation</li> <li>▶ Too many Intermediate and Implementing Bodies</li> <li>▶ Delay in implementation of new IT system</li> <li>▶ Doubts about the real functioning of the partner system</li> </ul>

### 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 such way, that MA can take them into account for its own planning of controls.

3

#### Binding nature of the AA's conclusions

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

#### Managing allocation through the implementation plan

The Implementation plan approved based on government's decree sets allocation to individual priority axes and allocation to individual budget users.



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## 1. Basic characteristics of the ESIF system

Number of operational programmes (OP/ROP)	Number of territorial units (NUTS1/NUTS2/NUTS3)
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3 (3/0)

1/2/12

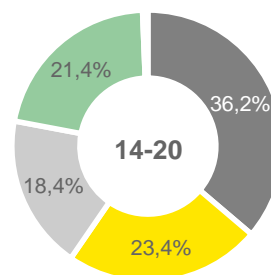
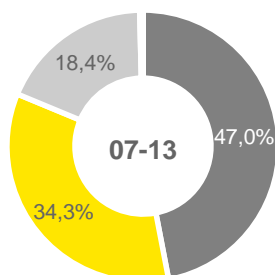
Total allocation planned (by programming period and fund)

Total allocation  
(mil. EUR)

14-20: 3 912



07-13: 3 911



Overview of the operational programmes

Scheme no. 1: Slovenian OPs<sup>1</sup>

	Allocation €	Absorption	Managing Authority
EU Cohesion Policy - ERDF/ESF/CF/YEI	3 818 118 670	10 %	Government Office for Development and European Cohesion Policy
Slovenia - National Rural Development	1 106 588 291	34 %	Ministry of Agriculture, Forestry and Food
Maritime and Fisheries - Slovenia	32 647 364	4 %	Ministry of Agriculture, Forestry and Food

Slovenian implementation structure is characteristic by a **single Operational programme** for all three major ESI funds – i.e. ESF, ERDF and CF. No regional operational programmes were set-up, as Slovenia is a small country with only two regions of a NUTS2 level.

The role of the Managing Authority is crucial in this system, as it is responsible for the preparation of the Partnership Agreement. To avoid political disputes, this role has been assigned to the **Governmental Office for Development and Structural Policy**, i.e. under the minister without a portfolio. The whole implementation set-up can be considered as a **three-level system**:

<sup>1</sup> Data gathered on 18.10.2018 from <https://cohesiondata.ec.europa.eu/>. Allocation is in EUR. Absorption means actual expenditure declared by the projects to the programmes.

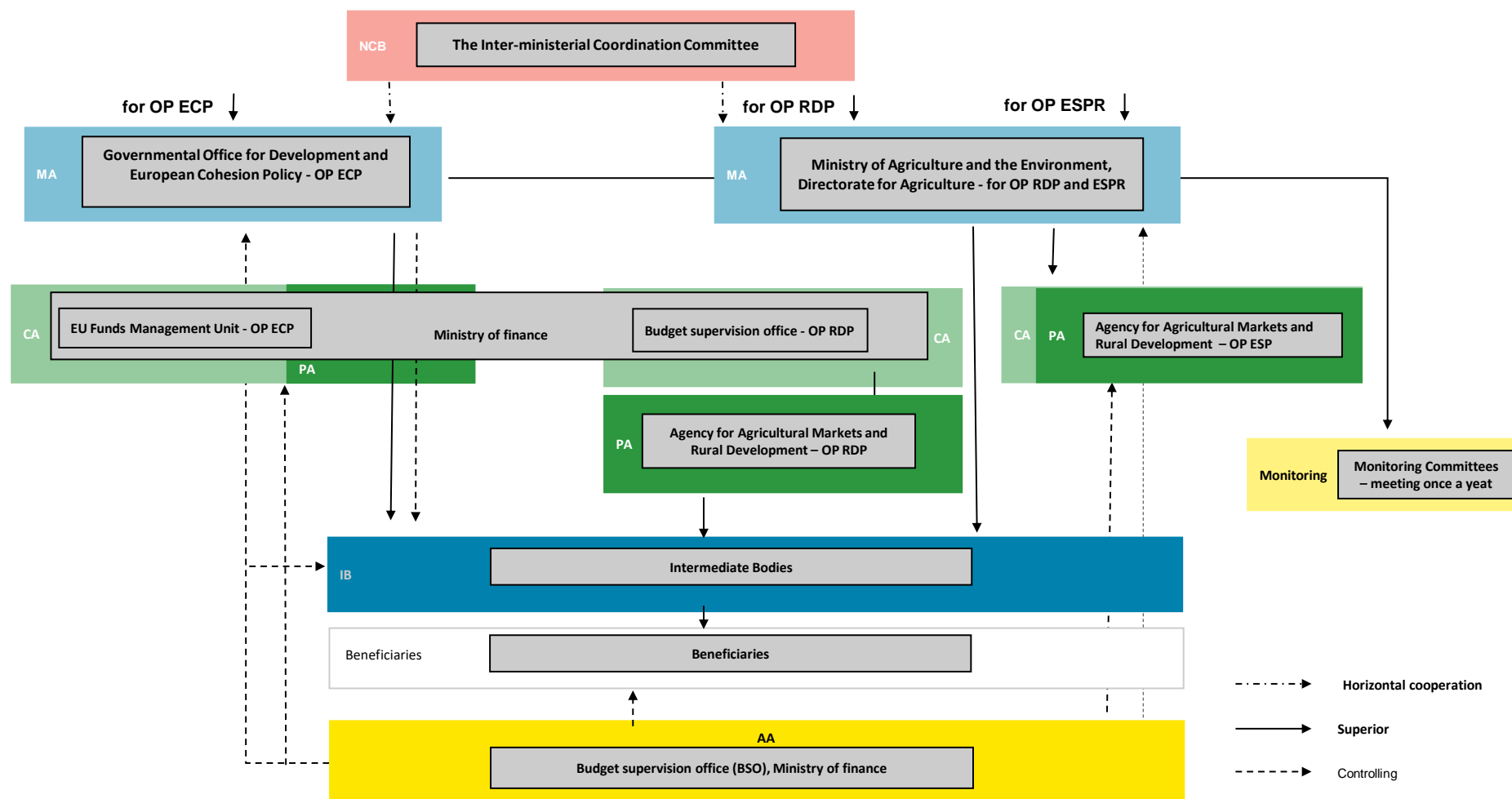


1. The first one being the **Managing Authority**.
2. **Line ministries** are involved as Intermediate Bodies, responsible for thematic orientation of particular priority axes according to their competencies and managing operations within their specific area.
3. Certain tasks of the Intermediate Bodies can be dedicated to specific **state agencies/foundations** subordinated to the respective line ministry, which are playing a role of Implementing Bodies.

The set-up is depicted in the scheme below, specifics and competencies of all key players are further described below in the text.

## 2. Simplified scheme of the implementation structure

Scheme no. 2: A simplified scheme of the implementation structure (Slovenia)





### 3. Answers to the evaluation questions

#### 3.1 Description of the implementation structure

##### 3.1.1 Key players and their position in the system

Neither in the current programming period, nor in the previous one had Slovenia an institution similar to **NCA**. Certain coordination role is carried out by the Inter-Ministerial Coordination Committee<sup>2</sup>, however, their role was visible mainly during the initial stage of preparation of the Partnership Agreement and they cannot be considered as a coordination body anyhow similar to NOK in the Czech Republic. Obvious reason is the existence of (applicable also for the last programming period) only one Managing Authority governing the key funds (ESF, ERDF, CF), playing a key role in managing and coordinating the ESIF in the country.

The key role of the **Managing Authority** was briefly introduced in the beginning of this chapter. Nevertheless, the real power of the appointed institution depends also on its administrative location and management's personnel. For instance, the sub-ordination to a minister without portfolio restricts a practical influence of the Managing Authority in the context of the other line ministries. It is then even more important who is the head of the institution as his or her assertion directly determines the impact. Consequently, a coordination of the individual Intermediate Bodies, which are the line ministries, may be, eventually, challenging. In this sense, also the coordination of another layer of the management and control system's actors, the Implementing Bodies, may be demanding. An idea of unification of individual Implementing Bodies into a single administration-oriented institution is sparsely discussed, but does not seem neither likely, nor being politically endorsed.

*„The coordination of all IBs is challenging. MA is sometimes not strong enough (depending on the role of the head of MA).”*

Representative  
Implementation structure



Key policy players – **Intermediate Bodies** – are represented by individual line ministries as also discussed above. For selected priority axes also five **Implementing Bodies** were established, represented by various state agencies and foundations founded by the respective ministries.

The role of the **Paying Authority** is assigned either to the Intermediate Bodies (line ministries) or Implementing Bodies (agencies/foundations) depending on the particular cases. However, this set-up is being slowly abandoned.

*„Nonetheless, the role of the PA is being gradually moved to the Intermediate Bodies exclusively (then, the Implementing bodies conduct only the check with respect to payments) – the reason is purely administrative as only the line ministries, as the direct users of the national budget, are covered by the national accounting system MFERAC, not the agencies/foundations. The line ministries conduct the payments (under the co-financing contracts with beneficiaries) from their own budget lines while the EU Funds Management Unit of the Ministry of Finance is the authority which receives payments from the EU budget.”*

Representative  
Implementation structure



<sup>2</sup> A body entitled with a role of coordination between ESIF and other EU funds, both implemented directly and indirectly. Members of the Committee are managing authorities of all involved funds and participating line ministries. One of its key responsibilities is coordination of the Partnership Agreement and monitoring of ESIF implementation.



The role of the **Audit Authority and Certification Authority** is carried out by the Ministry of finance, first by the affiliated entity Budget Supervision Office of the Republic of Slovenia, the second one by the National Fund. The position of the CA has been already discussed in relation to certain tendencies to unify it with the MA. Their competencies do not significantly differ to those defined by the Regulation, i.e. no specific activates that would be of any interest for the purpose of this case study were entrusted to the AA or CA.

A simplified scheme of the implementation structure can be found in chapter 2 of the case study.



#### Local action groups

Specific role in ESIF implementation play the Local action groups. They have a form of a foundation and must be established through a partnership agreement between three sectors. This prescribed form is a clear unification compared to the previous period, when LAGs could have a form of NGOs, private companies, etc. LAGs operate on the basis of a cooperation agreement with the MA or the intermediate body.

In the current period LAGs operate within three funds, ERDF, EAFRD and EMFF, though EMFF is not in reality used at all. More projects are funded from EAFRD than from ERDF, a proportion estimated by one of the interviewed LAG is approx. 40:60.

### 3.1.2 Division of competences

The division of main competences as defined in official documentation (i.e. the Partnership Agreement) does not vary significantly from the responsibilities of key institutions given by the Regulation



#### Division of fundamental competences

##### **Managing Authority (MA):**

- ▶ Develops a strategy for development in cooperation with the Institute for Macroeconomic Analyses and development,
- ▶ Coordinates planning of development, monitors the implementation of development policy and its programs,
- ▶ Coordinates planning activities,
- ▶ Manages the preparation and coordination of strategic documents with the European Union,
- ▶ Coordinates, defines and monitors the functioning of ministries, government agencies and other bodies and services involved in the implementation of EU Cohesion Policy and reports to the government,
- ▶ In the case of identified shortcomings, reports to the government,
- ▶ Creates the conditions for establishing, maintaining and operating the monitoring information system,
- ▶ Evaluates the implementation of Cohesion Policy.

##### **Intermediate body (IB):**

- ▶ Collects information for the implementation plan (further described below) and participates in its preparation with other Intermediate Bodies and with the Managing Authority;
- ▶ Pre-checks the administrative, technical, financial and material adequacy of the application for the direct confirmation of the operation;
- ▶ Sends to the managing authority an application to confirm the appropriateness of the method of selecting the operation;
- ▶ Carries out public tenders or public calls;
- ▶ Carries out administrative checks under Article 125 of Regulation 1303/2013 / EU;
- ▶ Carries out on-the-spot checks under Article 125 of Regulation 1303/2013 / EU;



- ▶ Performs checks on the performance of the tasks of the implementing bodies;
- ▶ Monitors the implementation of operations, derogations and forecasts and reports to the managing authority;
- ▶ Provides an insight into the documentation in the field of European cohesion policy to the managing authority and the certifying authority;
- ▶ Gives instructions to the Implementing Body, examine its documentation and reports, if it considers it necessary, and perform the mediation tasks between the Implementing Body and the Managing Authority;
- ▶ Verifies that the beneficiaries keep separate accounts for each operation;
- ▶ Keeps documentation in accordance with the provision of Article 140 of Regulation 1303/2013 / EU and the regulations governing the storage of documentary material;
- ▶ Ensures the correct and timely input of data into the information systems envisaged for the financial management, monitoring, monitoring and evaluation of operations;
- ▶ Ensures the publicity of the work and inform the domestic public about the implementation of the European cohesion policy.

#### **Implementing body:**

Can carry out the following tasks for the Intermediate Bodies:

- ▶ Carries out public tenders or public calls;
- ▶ Carries out administrative checks under Article 125 of Regulation 1303/2013 / EU;
- ▶ Monitors the execution of operations, derogations and forecasts, and reports thereon to the intermediate body;
- ▶ Provides an insight into the documentation in the field of European cohesion policy to the managing authority and the certifying authority;
- ▶ Verifies that the beneficiaries keep separate accounts for each operation;
- ▶ Keeps documentation in accordance with the provision of Article 140 of Regulation 1303/2013 / EU and the regulations governing the storage of documentary material;
- ▶ Ensures the correct and timely input of data into the information systems envisaged for the financial management, monitoring, monitoring and evaluation of operations;
- ▶ Ensures the publicity of the work and inform the domestic public about the implementation of the European cohesion policy.

#### **Certification authority (CA):**

- ▶ Submits an opinion (drawn up in accordance with internationally accepted auditing standards) on the completeness, accuracy, and authenticity of the PA's annual accounts, the proper functioning of the internal control system and the legality and regularity of the expenditure.

#### **Paying authority (PA):**

- ▶ Performs the tasks defined in Article 7 of the General Regulation.

#### **Audit Authority (AA):**

- ▶ Coordinates the operation of the internal audit services of the budget expenditure centres associated with the control of EU funds,
- ▶ Independent expenditure control,
- ▶ Regularly informs the European Commission of irregularities related to the use of EU funds,
- ▶ Acts as the OLAF contact point and coordinates activities related to the protection of the EU's financial interests,
- ▶ Regularly informs the Managing Authority of the measures taken.



## 3.2 Pros & Cons

### 3.2.1 Stability and continuity

A stability and continuity is assessed as crucial for the ESIF implementation structure in Slovenia. The structure is similar from the very beginning (i.e., the year 2004). Although there were multiple modifications of the Managing Authority's location, for instance, there has always been a single, virtually the same, Managing Authority comprising the same employees (in other words, all modifications always included a transfer of employees).

*„A stability and continuity of the implementation structure represents a key factor of efficient implementation of ESIF over the time.”*

Representative  
Implementation structure



### 3.2.2 Delay in implementation and low budget spending

At this moment, Slovenia was able to **spend only around 10% of the planned budget** for the EU Cohesion Policy Operational programme (covering ESF, ERDF, CF and YEI), as showed in scheme no. 1 in chapter 1. Delay in implementation is partly attributed to approval of certain legislation and partly to political instability and competition between line ministries responsible for particular priority axes. A reason for this competition or difficulties in negotiating the content of the programme might be that the OP Cohesion policy is divided into priority axes aligned to thematic objectives and thus more ministries can be involved in implementation of one priority axis. Thematic concentration is further described in chapter 3.4.2 below.

As also mentioned above, the role of line ministries in the implementation structure can be a challenging aspect, even for a country of significantly smaller size as the Czech Republic. Position of the MA and its relative strength within the national political system seems to be a crucial point to be handled, in order to ensure that the coordination of the implementation is efficient.

### 3.2.3 Separation of the CA from the MA

Another opportunity for gaining a higher level of effectivity is being identified in a potential merger of the role of the Managing Authority with the one of the Certifying Authority. The existing arrangement incorporates the contrast of the Certifying Authority being a part of a more conservative institution responsible for the budget (i. e., the *Ministry of Finance*) while the Managing Authority belonging to an institution responsible for the national development. The contrast may be beneficial with respect to a counterbalance of management and control, but the potential of pro-active approach definitely diminishes under such circumstances. Moreover, the former one should be already ensured by the independence of the Auditing Authority.

*„The separation of the Managing and Certifying Authority makes the system less efficient. The issues linked with an interconnection of individual IT systems of the institutions appear on a regular basis. Overall, the implementation of Cohesion Policy would be easier if these two authorities would be closer to each other.”*

Representative  
Implementation structure





*„The issues are, nonetheless, rather linked with administration (it makes the system burdensome) than specific discrepancies with respect to recovery of unduly paid funds etc. It seems that the current arrangement of separation of MA and CA will maintain for the upcoming programming period.”*

Representative  
Implementation structure



### 3.3 Changes in the implementation structure since 2007 - 2013

#### 3.3.1 Role of the Managing Authority and Intermediate Bodies

In 2004, the role of the Managing Authority was first appointed to the *Governmental Office for Structural Policy*. Later, the office had been a part of the *Ministry of Economy* for all **three Operational Programmes of the 2007 – 2013 period**. From the beginning of this programming period, the role is assigned to the *Government Office for Development and European Cohesion Policy* sub-ordinated to the *Minister Responsible for Development, Strategic Projects and Cohesion* (a minister without portfolio). These changes were based mainly on a political motivation, not fact-based, and are generally not considered as being substantial by the respondents.

*„The stability and continuity of the implementation structure represents a key factor of efficient implementation of ESIF over the time.”*

Representative  
Implementation structure



The number of Intermediate Bodies and their responsibilities remained almost the same, i.e. the line ministries were playing this role also in the previous period, one of them being the Ministry of Economic Development and Technology - the Managing Authority.

Previous set-up, placing the role of the MA into a line ministry (the Ministry of Economic Development and Technology) being also an intermediate body brought certain difficulties in cooperation and communication. Thus, having a coordination and management function in an institution separated from the actual implementation (which is in case of Slovenia done by intermediate bodies – line ministries) proved to be a good step towards better communication, though the negative aspects mentioned above remain valid.

#### 3.3.2 Number of operational programmes

The role of the MA has always been assigned to a sole institution, even though there used to be three separate operational programmes in the previous programming period. Therefore, the concentration of implementation to one and only operational programme is a novel. An efficiency of the implementation itself is achieved mainly through the centralisation of the MA's role, rather than in the number of OPs, as it gives more power to the selected institution and allows for more straightforward management. On the other hand, the concentration of operational programmes enables simpler audit and control activities and higher assurance of complementarities and synergies.

*„There always has been a single Managing Authority for the whole country (Slovenia is divided into two major regions) acting also as the National Coordination Authority in a sense. With respect to the size of the Member State, such system has proved efficient.”*

Representative  
Implementation structure





*„Having only one Operational Programme is very efficient and it is considered the best practice for Slovenia, as the Member State is small. At the end of the day, there is only one audit report to be prepared by the Auditing Authority, which reduces the administrative burden.”*

Representative  
Implementation structure



Opposing opinions are heard mainly from the regions, as they have lost some influence on content of the operational programme and have a weaker position to address and push through their needs, which is also admitted by the central institutions.

*„This (the loss of influence) might be correct especially in the case of infrastructure projects.”*

Representative  
Budget Supervision Office of the Republic of Slovenia, Ministry of Finance (AA)



To conclude this section, it is mainly the **concentration of roles** that has proven to be efficient for Slovenia, i.e. having only one MA, regardless the number of operational programmes. Though having only one operational programme for ESF, ERDF and CF contributed to good functioning of the system, it is not perceived as the main driver.

### 3.3.3 Sharp decrease in allocation

Slovenia has observed a 20% decrease in overall allocation (ERDF, ESF, and CF combined) between the previous and current programming periods. However, the changes described above were not made with respect to reduction of the total allocation in comparison to the previous programming period, but were mainly motivated by efforts to decrease administrative burden.

*„ Neither the shift of the MA, nor the reduction of number of OPs has been motivated by the reduction of total allocation.”*

Representative  
Implementation structure



### 3.3.4 Modifications foreseen for the period 2021+

Not many concrete information was available regarding the preparation works for the upcoming programming period 2021 – 2027. Following the previous paragraph, unification of the MA and the CA is one of the changes that would be appreciated as a shift towards higher efficiency of the implementation system. Nevertheless, political constraints make this change very unlikely. Similar situation is about unification (or at least decreasing their numbers) of the intermediate and implementing bodies, leading to higher efficiency but causing loss of influence for the line ministries.

Slightly more real seems to be a creation of national investment unit, sometimes referred to as “national JASPERS”.

*„The last rumours say that if there will be enough political support for this, the unit will be a part of the National Promotional Bank which is currently responsible for financial instrument. The knowledge about investments using various types of funding (EU, national, private) would be concentrated into this institution.”*

Representative  
Implementation structure





### 3.4 Coordination and management of the Partnership Agreement

The Partnership Agreement is not considered a crucial document in relation to ESIF in Slovenia, considering the fact that there is only one Operational Programme for the implementation of three main ESI funds, i.e. ESF, ERDF and CF. The main purpose of the Partnership Agreement is perceived in consolidation of the objectives from the remaining funds, i.e. EAFRD and EMFF.

The content of the Partnership Agreement is mainly **strategic** and in some parts closely resembles the text of the Operational Programme EU Cohesion Policy. The reason for that is that both documents were in practice prepared almost simultaneously as other approach would be considered useless considering what is mentioned above.

The **formal responsibility** for the coordination of the Partnership Agreement is entrusted, as already mentioned above, to the Inter-ministerial Committee. However, their involvement is more visible during the set-up of the implementation system, when the Committee closely cooperates with the Managing Authority on the preparation of the document. During the implementation itself the role of the Committee appears to be only formal, except for the update of the Partnership Agreement that has been made so far due to reallocation of resources for the period of 2017 - 2020.

The overall **coordination of all types of funding** is challenging and no specific information was available about how it is handled by the MA. Regional differences are taken into account in coordination of ESIF as there are significant differences in economic level of western and eastern regions of Slovenia. The eastern one being less developed and generally poorer, more funds are allocated here, including additional funds from national sources.

#### 3.4.1 Coordination with EMFF and EAFRD

Coordination of both operational programmes (Maritime and fisheries and National Rural Development) is similar to other countries, meaning that the level of cooperation with other ESI funds is very limited. The managing authority of these two programs (the Ministry of Agriculture) is member of the Monitoring Committee). The roles of audit authority and certification authority are also jointly carried out by the Ministry of Finance for all five funds.

The coordination of EAFRD and EMFF is formally done on the level of the Partnership Agreement by the Managing Authority, however, is more intense especially during the Partnership Agreement preparation period, afterwards, the coordination / cooperation is happening more on a case-by-case basis or through the mentioned Monitoring committee. Relevant topics can include for example CLLD or broadband measures.

#### 3.4.2 Thematic coordination within the single operational programme

The thematic coordination is simpler in the sense that there is a single OP. The priority axes can be multi-fund (up to 2 funds at the same time) and the individual priority axes are not clearly divided across the individual line ministries (intermediate bodies).

The priority axes are aligned with particular thematic objective (i.e. one priority axis equals one thematic objective. The following table shows the allocation per priority axes and its development since the adoption of the programme in 2014 until now.





Priority axis	Current sum of EU contribution (€)	OP 2014	Change in allocation
International competitiveness of research, innovation and technological development in line with smart specialisation for enhanced competitiveness and greening of the economy	475,739,158.00	461,000,000.00	3%
Enhancing access to, and use and quality of, ICT	45,732,960.00	68,000,000.00	-33%
Dynamic and competitive entrepreneurship for green economic growth	445,088,474.00	526,000,000.00	-15%
Sustainable consumption and production of energy and smart grids	304,640,000.00	281,000,000.00	8%
Climate change adaptation	90,021,932.00	83,000,000.00	8%
Improvements of the environment and biodiversity status	436,205,668.00	400,000,000.00	9%
Infrastructure development and promotion of sustainable mobility	31,527,572.00	273,000,000.00	21%
Promoting employment and supporting transnational labour mobility	299,948,138.00	287,700,000.00	4%
Social inclusion and poverty reduction	227,559,403.00	220,000,000.00	3%
Knowledge, skills and lifelong learning to enhance employability	229,020,050.00	326,000,000.00	-30%
Rule of law, enhancing institutional capacity, efficient public administration and capacity building of social partners and NGOs	62,873,980.00	62,000,000.00	1%
Technical Assistance	119,567,590.00	119,000,000.00	0%
<b>Total</b>	<b>3,067,924,925.00</b>	<b>3,106,700,000.00</b>	<b>-1%</b>

Individual allocations and measures implemented by individual Intermediate Bodies – line ministries is managed through an **Implementation plan** that was initially adopted by the Government through a specific ordinance and is monitored and updated by the MA. Main responsibility for identification of any synergies and complementarities thus belongs to the MA.

The Implementation plan<sup>3</sup> provides more details about the distribution of funds than the text of the Operational Programme. It includes all the planned measures/interventions in form of individual investment priorities which are assigned to particular institution responsible for its implementation. The institutions responsible for its implementation include apart from the line ministries also **other budgetary organisations**, such as Slovenian Environment agency.

The plan has been already updated more than **eight times**, compared to only two revisions of the Operational Programme itself. Every update has been made through an additional governmental ordinance, replacing the previous form of the document by a new one.

<sup>3</sup> Available in Slovenian language here <http://www.eu-skladi.si/sl/dokumenti/inopi/inop-8.2>



The plan is used to monitor the implementation of the Operational Programme broken down by the following aspects (implementation is in all cases also broken down to particular years):

- ▶ Priority axes;
- ▶ Budget user;
- ▶ Fund (ESF, ERDF, CF, YEI);
- ▶ Region (Eastern and Western Slovenia);
- ▶ Budget user and particular projects / public calls.

Creation of the implementation plan rests on the contribution and requirements of the line ministries as Intermediate Bodies, which are supposed to include relevant stakeholders in line with the partnership principle. However, in practice the involvement of partners is not working entirely well and their ability to really contribute to programme content could be limited.

*„At first, the IBs (line ministries) are obliged to consult their suggestions with other relevant stakeholders, but it does not work as well as desired in practice.”*

Representative  
Implementation structure



*„Business representative organisations and other social and economic partners are not (or only formally) involved in the decision-making process (e. g., developing the concept of fund relocation from priority axes where the KPIs are not met to other ones, preparing documents for the next period etc.). Our organisation is not involved in deciding on the thematic concentration. The topics are selected by political decision of institutions involved in the implementation structure without a substantial influence of the social and economic partners. The general strategy is to cover all the topics in order that every involved subject receives at least a little funding.”*

Representative  
Business sector organisation



From the above mentioned it is obvious, that thematic focus and content of the programme are almost exclusively in the hands of the intermediate bodies – line ministries. No other institution or organisation is involved neither in the preparation of the programme nor during its implementation, to be considered a “subject-matter sponsor”.

### 3.4.3 Raising awareness about ESIF

The awareness about possible options for funding is ensured by providing all available information about ESIF online on the ESIF website. All existing and planned public calls for proposals are available online on the ESIF websites. The MA is the main contact point for the beneficiaries referring them to a relevant institution based on their needs (especially with respect to other funding than ESIF).

A specific approach to support local awareness was applied for Local Action Groups, requiring them to spend at least 50% of their expenses on animation and awareness activities. This measure was adopted in the current period and its impact cannot be really evaluated yet. However, despite its reasonable purpose and intention, it may also impose additional burden for the LAGs. Guidance is available in this sense, however, is not the same for ERDF and EAFRD, which can lead to certain confusion.

*„ It is challenging to reach the 50% threshold (for animation and awareness) as it is the ministry which approves whether an activity meets the requirements.”*

Representative  
Local Action Group (LAG)





### 3.4.4 Role of NGOs

The non-governmental organisations are specifically mentioned by the Partnership Agreement, emphasising a need for building their capacity. This is reflected in the priority axis no. 11 - Rule of law, enhancing institutional capacity, efficient public administration and capacity building of social partners and NGOs, where strengthening the role of NGOs is one of the specific objectives. However, the allocation for this priority axis is only slightly above 2% of the total programme budget, the funds directly aiming at NGOs could not be determined from the documentation.

### 3.5 Legislative background of ESIF

The implementation of ESIF is also governed by the following legislative acts:

- ▶ Public finance act,
- ▶ Act on the implementation of the budget of the Republic of Slovenia,
- ▶ Public Procurement Act,
- ▶ **Regulation on the use of European Cohesion Policy funds in the Republic of Slovenia for the 2014-2020 programming period for the purpose of investment for growth and jobs,**
- ▶ Decree on a uniform methodology for the preparation and treatment of investment documentation in the field of public finances,
- ▶ Decree on the Implementation of Procedures for the Use of European Territorial Cooperation Funds in the Republic of Slovenia in the Programming Period 2014-2020.



#### Regulation on the use of European Cohesion Policy funds in the Republic of Slovenia

The key legislative act governing the use of ESIF in the country has a form of a Regulation adopted by the Government in April 2015. Its full title reads, *Regulation on the use of European Cohesion Policy funds in the Republic of Slovenia for the 2014-2020 programming period for the purpose of investment for growth and jobs Division of fundamental competences*. The act was prepared by the Government Office for Development and European Cohesion Policy, i.e. the Managing Authority. The act has the following sections:

- ▶ General provisions;
- ▶ Participants in the European Cohesion Policy and their responsibilities;
- ▶ Implementation plan and planning of the European Cohesion Policy;
- ▶ Method for selection of operations and their certification;
- ▶ Implementation of operations;
- ▶ Financial instruments.

The act is available in Slovenian language here

<http://www.pisrs.si/Pis.web/pregledPredpisa?id=URED6816>.

#### 3.5.1 Other rules applicable for ESIF below the level of the Regulation

The MA is responsible for issuing explanatory guidelines and methodologies<sup>4</sup>, though not explicitly required to do so by the Decree. Their binding status is ensured by the signature of the Minister, though their legal strength is below the law or the Decree.

<sup>4</sup> Available in Slovenian language here <http://www.eu-skladi.si/sl/ekp/navodila>.



All guidelines are available on ESIF websites and their number is not excessive, less than 20. The guidelines address mainly the institutions responsible for the implementation of ESIF and include the following topics:

- ▶ Eligible costs,
- ▶ Financial management,
- ▶ Planning, decision-making, monitoring, reporting and evaluation,
- ▶ Execution of management control,
- ▶ Communication, etc.

These guidelines are binding for the beneficiaries as well as their applicability is transferred through agreements between the MA and the intermediate bodies and also between the intermediate and the implementing bodies. Conditions from the guidelines are then projected in the grant agreements signed with beneficiaries.

The Audit Authority has its own guidelines, defining rules, checklists, communication, etc., created solely by them without being approved or commented by the MA.

### 3.6 Audit & control

#### 3.6.1 Institutions involved in audit and control

The AA is the National Budget Supervision Office under the Ministry of Finance. The first level control is mainly conducted by the intermediate or implementing bodies, even though the MA can be also involved and there is a control department in the Government office.

The MA's control unit monitors the control activities conducted by the IBs and conducts its own controls (of both IBs and beneficiaries). The MA's control unit also issues guidelines on controlling activities and prevention against frauds and corruption.

From institutions outside ESIF, the National Court of Auditors and Budgetary Inspection of the Ministry of Finance can control ESIF beneficiaries within their duties in checking efficiency of public funds in general.

Coordination of audit/control activities is formalised on the level of the MA, CA and AA through a cooperation agreement between these institutions, defining aspects of cooperation such as sharing of audit/control plans or audit conclusions. Intermediate bodies are not directly involved in this coordination and information and obligations are transferred to them through the delegation agreement with the MA.

Furthermore, there is an informal cooperation of the MA with the police and prosecutors (in order to secure a fraud prevention etc.). Once a year, there is also a formal workshop and training in cooperation with the police to share the best practise.

*„Overall, it is fundamental to harmonise procedures and vocabulary across individual stakeholders, so that everybody is synchronised for the sake of smooth implementation incl. efficient control system (e. g., ensuring the ability to properly present and explain a fraud's detection by a controller to a police investigator).”*

Representative  
Implementation structure



On the other hand, there is no particular formal nor informal cooperation of the MA with the budgetary inspection. The budgetary inspection is sub-ordinated to the very same institution as the Auditing Authority. However, the representatives of the budgetary inspection are not very abundant in experience and knowledge with respect to ESIF.



### 3.6.2 Sharing of audit and control plans

The AA shares with the MA both general plans for the system audit at the beginning of the year, as well as specific plans for the audit of operations when they are drawn up. The procedure for sharing the audit plan is set-up to allow the MA to plan their own controls according to the announced audits of the AA.

*„ Audit strategy is updated in January or February when it is submitted to the EC. Afterwards, audits for the subsequent accounting year are announced. It is agreed with the CA and MA that the certification for every year should be done until the end of March. At the beginning of April, the AA receives reports on certified expenditures and subsequently, the AA selects the audit sample using statistical sampling. In the middle of April, the AA sends the announcement on scheduled audits to the MA and the CA. Afterward, the IBs are informed (separately) in case they are involved.”*

Representative  
Implementation structure



In the opposite direction, the MA and the Intermediate Bodies share their plans of on-the-spot checks with the AA on an annual basis. The AA is also responsible for verifying whether the MA/IB fulfilled the control plans. The plans are shared manually, no specific interface or tool has been developed and integrated into the ESIF IT system.

It is up to the MA to coordinate their on-the-spot checks in order to avoid visiting the beneficiary simultaneously with the AA. The AA does not take the plans of the MA into account as their sampling of operations is done on a random basis for independence reasons. Furthermore, administrative impact on the beneficiary should be reduced by the fact that the AA only audits already certified expenses, while the MA can come anytime during the project implementation. Duplicity or too extensive volume of controls was not mentioned as a serious issue, both by the authorities and the representatives of the beneficiaries.

*„The number of on-the-spot controls is adequate. Audits and controls also do not represent a burden because our organisation is used to such procedures”*

Representative,  
Project Office, Chamber of Commerce and Industry of Slovenia



### 3.6.3 Responsibility for enforcement of audit / control findings

Main responsibility for handling audit and control findings in relation to beneficiaries rests on the Intermediate Bodies, as they receive information from the other institutions (MA, AA, National Court of Auditors) about the checks carried out and related findings. Formally, following the Decree, the Intermediate Body is not obliged to follow the findings of other institutions, but in reality the consequences are almost always passed on the beneficiary and the Intermediate Body does not usually carry out additional checks due to the wording of the Budget Implementation Act, as further described below. The Intermediate body is also responsible for informing the beneficiary about the findings.

*„The findings of other institutions are recommendatory for a corresponding IB which is responsible for the final decision, but in practice, the finding is virtually binding for the IB. As there is usually a portion of co-financing from the national budget, the obligation arises from the legislation issued by the Ministry of Finance”*

Representative  
Implementation structure





In case of system audits of the MA, IB1 or IB2 carried out by the AA, related findings have also only a recommendatory character and the AA is not formally responsible for their enforcement. The motivation for the audited body to comply with recommendations in the audit report is only the fact that in case of non-compliance the AA would have to report it in their report to the EC. To avoid such situations, discussions about the audit findings take place between the auditors and the auditee, usually between the draft audit report and submission of the final audit report. The discussion can have a form of correspondence or special meetings.

Despite not being extensively formalised, the relationship between the AA and the MA is considered to be good and the above mentioned consultations usually lead to a common understanding on audit findings. The opinion of the EC in case of any dispute between the authorities is not usually sought and the disputes are settled locally, partly also because of the relative power of the AA.

*„The AA in Slovenia has good relationships with all institutions within the implementation structures and all auditees, which is mainly due to good inter-personal relations”*

Representative

Budget Supervision Office of the Republic of Slovenia, Ministry of Finance (AA)



#### 3.6.4 Recovery of unduly used funds

The resolution of irregularities is described in Article 34 of the **Decree on the Implementation of Procedures for the Use of European Territorial Cooperation Funds in the Republic of Slovenia** in the 2014-2020 programming period and in the Law on the Implementation of the Budget of the Republic of Slovenia. Only a simple description of the obligations related to irregularities for involved institutions is provided in the related article.

Handling unduly used funds from ESIF (not directly referred to as “irregularities”) is also described in the **Budget Implementation Act** (further referred to as “the Act”), part of which is specifically dedicated to the use of ESIF funds. The Act specifically obliges the MA in case of identified irregularity to require the intermediate body to request a payment from the beneficiary. The CA and the AA are immediately informed about the recovery.

As mentioned above, the IB is always responsible for enforcement of audit / control findings and consequently also for recovery of funds affected by the irregularity. The recovery order issued by the IB concerns both the funds from EU and the co-financing part from the national budget. There is no specific procedure for the part coming from the national budget.

Collection and reporting of information about the irregularities is a task of the Audit Authority, according to the Decree. When an irregularity is systemic and concerns the Intermediate or the Implementing Body, the Certification Authority is responsible for establishing the claim against the affected institutions.

### 3.7 Monitoring & IT

#### 3.7.1 Role of the Monitoring Committee

The main body responsible for monitoring is the Monitoring Committee established according to the Article 47 of the General Regulation. This Monitoring Committee is composed of representatives of the MA, CA, AA, and PAs as well as representatives of the relevant partners. Key player behind the Committee is the MA.





*„The MA organises the Monitoring Committee, chairs it, and defines its agenda. The MA together with the intermediate bodies presents approximately a half of the votes.”*

Representative  
Implementation structure



### 3.7.2 Evaluations

In evaluations, a shift towards impact evaluations has been noted in several studies focused on ESIF evaluations and to reinforce work with macro-economic data outside ESIF, as also mentioned above.

*„ A shift towards impact evaluation (compared to 07-13) appears quite pronounced.”*

“The monitoring and evaluation of the 2014-20 EU Cohesion policy programmes.” IQ-Net Thematic Paper 36(2), pp. 36.



*„The MA has decided to draft its evaluation plan as soon as possible and at the same time to convince those Slovenian authorities dealing with the data relevant to evaluation to identify missing data and how to collect missing data. This applies especially to the national Statistical Office of Slovenia and the Institute of Macroeconomic Analysis and Development. Additional data-gathering exercises will be funded, especially surveys of the general public, though no specific budget has been earmarked for this yet (beyond the budget earmarked for evaluation activities).”*

“The monitoring and evaluation of the 2014-20 EU Cohesion policy programmes.” IQ-Net Thematic Paper 36(2), pp. 36.



## 3.8 IT system for ESIF implementation

### 3.8.1 New IT tool for the 2014 – 2020 period

A new monitoring and managing IT system called e-MA has been gradually replacing a former IT system ISARR. E-MA is a tool which should ensure the full informational support with respect to planning, implementation, and drawing of operational programmes up to the reporting phase. The Managing Authority is entirely responsible for development of the monitoring IT system and signs all corresponding contracts with external providers of IT solutions.

*„E-MA is still under development – the process is approximately in its half. Ca. EUR 0.2 billion out of EUR 0.5 billion paid out of the national budget has not been so far financed by the EC especially due to unfinished development of the IT system (e-MA).”*

Representative  
Implementation structure



There is not much paperwork remaining. Most of the processes are computerised through e-MA, but some types of documents are still shared via email (e. g., reports). Moreover, some types of claims for payment are simultaneously kept in paper for a certain period of time.

*„The IT systems, e-MA and e-Fund (the ones used with EAFRD), are generally perceived as sufficient, but they seem to be rather rigid with respect to a continuous development.”*

Representative  
Project office, Local action group “Heart of Slovenia”



Apart from the monitoring IT system, there is also an IT system employed by the Certifying Authority – e-CA (formerly IS-PA) within which the certification of expenditures and creation of payment entitlements addressed to the *European Commission* are conducted. E-CA draws data from e-MA and MFERAC (described below) and has built-in automatic checks in accordance with the rules and requirements of the *European Commission* that allow for error checking before payment is made.

Furthermore, at least two following IT systems used, in general, by Slovenian public institutions should be mentioned:

- ▶ *MFERAC* ensures a support of implementation of the state budget through a single accounting system (i. e., users are the financial departments of line ministries). The Cohesion Policy is monitored by its *Development Programs* module, which monitors all projects financed or co-financed from the state budget. It is very much interoperable with e-MA (and this is a new feature not common with the former *ISARR*), but the transfer is smooth only in the way from *MFERAC* to *EMA*, not vice versa (i. e., once there is a need for change – due to ineligibility, for instance – it is necessary to change the record in both systems manually).
- ▶ *APPrA* represents a basic system for preparation and analysis of the state budget – an application for budget planning which is interconnected with *MFERAC*, but not directly with e-MA.

### 3.8.2 Users and administrators

The use of e-MA is widespread and covers all actors/stakeholder from the inside of the implementation structure and beneficiaries (around 2500 users in total recently). Specific regime is in case of projects implemented by LAGs, as their beneficiaries do not have access to the system and all administration is handled by the LAG itself.

*„The set-up makes it easier for the beneficiaries as they do not have to be familiar with the IT system, less mistakes appear, etc., but it represents an administrative burden for the LAG (moreover, it is not classified as an animation, so these tasks do not help reaching the 50% threshold for animation activities)”*

Representative  
Local action group



### 3.8.3 Connection with Register of Legal Persons

Even though a tendency to connect e-MA to other systems, for example with the Statistical Office and Institute of Macroeconomic Analysis and Development, was observed, as the main success can be considered interoperability with the Register of Legal Persons, proving to be very beneficial together with the already existing interoperability of the former system *ISARR* with the Central Registry of Population that has been carried out to the current programming period.

*„The interconnection with the Register of Legal Persons is very useful for the beneficiaries due to an automation of fields' auto-filling (it matches the information with a company's name or ID).”*

Representative  
Implementation structure



Furthermore, the IT system e-CA (used by the CA) is interconnected with the National Accounting System.



### 3.8.4 Black list

There is no official black list, but there is an *Arachné* IT system which is still in progress; actually, it is currently about to launch.

*„In general, Arachné is not fundamental for as small Member State as Slovenia is (approximately 2 million inhabitants).”*

Representative  
Implementation structure



### 3.8.5 IT systems for audit & control activities

The Auditing Authority does not have its own IT systems; it only accesses the IT systems of the implementation structure, i. e., e-MA of the Managing Authority and ECA of the Certifying Authority. In addition, the Auditing Authority only uses standard programs for certain aspects of the auditing activities (e. g., for sampling, checks of double financing etc.). Moreover, the audit process is not yet fully IT-supported. For instance, the audit findings of the Auditing Authority are not stored in EMA, because a module for sharing results has not been developed, so far.

A set of different IT systems is used by the Managing Authority's control unit (the monitoring IT system, another one for verification of existence of a conflict of interests, Anti-Fraud Corruption Commission's website etc.).



## 4. Project activity review

### Total number of institutions approached

- ▶ 9

### Total number of persons approached

- ▶ 24

### Total number of interviews conducted (by institution):

- ▶ Implementation structure institutions (NCA/MA/AA/CA/PA/IB1/IB2): 4.
- ▶ Academics: 0.
- ▶ Consulting companies: 0.
- ▶ Representatives of the beneficiaries: 2.
- ▶ Local EY office: 1.

### Total number of interviews conducted (by format)

- ▶ Video-conference: 1.
- ▶ Phone call: 5.
- ▶ Personal on-the-spot interview: 0.
- ▶ Answers in writing: 1.

### List of studies, analyses, evaluations, and other relevant documents used

- ▶ KPMG (2016): "EU Funds in Central and Eastern Europe." Progress Report 2007-2015.
- ▶ Polverari, L. (2015): "The monitoring and evaluation of the 2014-20 EU Cohesion policy programmes." IQ-Net Thematic Paper 36(2).
- ▶ Operational Programme
- ▶ Partnership Agreement