

STANDARD TWINNING LIGHT PROJECT FICHE

1. Basic Information

- 1.1 Programme: IPA 2011
- 1.2 Twinning Number: HR 11 IB FI 03 TWL
- 1.3 Title: Support for state aid system in relation to EU structural and cohesion funds (CRO STATE AID)
- 1.4 Sector: Internal market, State Aid
- 1.5 Beneficiary country: Croatia

2. Objectives

2.1 Overall objective:

Capacity of the Republic of Croatia to implement the structural and cohesion policy and state aid related *EU acquis* increased.

2.2 Project purpose:

Capacity of the Ministry of Finance and other stakeholders in the area of state aid within EU structural and cohesion funds enhanced in order to ensure compatibility of EU structural and cohesion funds projects with state aid rules.

2.3 Contribution to Accession Treaty/ Relevant national documents:

Accession Treaty contains in Annex IV provisions on the existing state aid and corresponding provisions on obligation to follow the rules on state aid of the Treaty on the Functioning of the EU. Following the signature of the Accession Treaty on 9 December 2011 and its ratification procedure in the Member States, Croatia joined the European Union on 1 July 2013 as the 28th Member State.

Government Programmes Strategy 2014 – 2016 under paragraph *1.1. More efficient management of public finances* indicates a goal that is planned to be achieved: “Granting of state aid that is compatible with state aid policy of the Government of the Republic of Croatia”, with further description that state aid proposals will be assessed in relation to state aid policy criteria and by systematic monitoring of efficiency of granted state aid.

Under paragraph *1.4. Effective use of EU funds* the Strategy indicates the following measures: “Improving efficiency of programme implementation through the use of methodology of implementation for monitoring and evaluation of programmes financed from the EU”, and “Establishment of efficient system of public informing and education on possibilities of the use of EU funds”.

Ministry of Finance Strategic Plan 2014 – 2016 in the point *1.1.25. Granting of state aid that is compatible with state aid policy of the Government of the Republic of Croatia* states that state aid policy is an essential element for fiscal and economic policy of the Republic of Croatia, as well as for state aid activities. After the accession of the Republic of Croatia to the European Union state aid competences and activities have been greatly changed since it is an area within exclusive competence of the European Union and therefore at the national level remains tightly controlled range of possible powers. The new State Aid Act, which has been in force since 1 July 2013, regulates part of the state aid system on national level, ensuring correct application of EU law and fulfilment of obligations towards its institutions. The Act also regulates state aid policy. According to the new State Aid Act a clear and precisely targeted state aid policy will be established and state aid proposals will be assessed in relation to state aid policy criteria and by systematic monitoring of efficiency of granted state aid.

The Strategic Plan, under the point *1.1.27. The use of technical assistance of EU funds to strengthen administrative capacity of state aid system*, states that since state aid is within exclusive competence of the European Union, there is not much of independence of Member States in this field. Therefore it is necessary to have direct training from EU experts on the functioning of this system in the EU.

State Aid Policy Guidelines 2014 – 2016 under the point *4.4. State aid grantors activities* emphasizes that state aid grantors take into account compatibility of state aid objectives with objectives of relating state aid category from this guidelines and availability of resources within state budget for their financing while granting state aid within EU structural instruments scope.

This Twinning light project will contribute to achieving the abovementioned goals by enhancing capacities of the Ministry of Finance and other stakeholders in the area of state aid within EU structural and cohesion funds and providing the required methodological tools.

3. Description

3.1 Background and justification:

State aid regime as a part of a competition regime in the Republic of Croatia is regulated by the State Aid Act (OG 47/2014) and the Ordinance on the Delivery of State Aid Proposals and State Aid Data (OG 99/2013)¹.

Ministry of Finance is on the basis of this Act the central body of the Republic of Croatia responsible for state aid and should have sufficient administrative capacity to give substantive practical and legal advice on applicability of EU state aid rules to state aid project proposals made by various Croatian state aid grantors on central as well as on local level.

As the central body of the Republic of Croatia for state aid Ministry of Finance carries out its activities also in relation to measures (projects) financed from EU structural and cohesion funds when they constitute state aid, which is acknowledged by the Decree on the Bodies of the Management and Control Systems of the European Social Fund, the European Regional Development Fund and the Cohesion Fund, regarding Investment for Growth and Job Goal (OG 107/14).

The State Aid Act does not regulate state aid in agriculture and fisheries sectors, since these sectors are under the responsibility of the Ministry of Agriculture. However, the Ministry of Finance uses

¹ Please refer to Annex 2. Relevant national legislation.

data on state aid granted to agriculture and fisheries sectors for the purposes of drafting annual report on granted state aid for Croatian Parliament and Government.

On the basis of the State Aid Act every state aid grantor keeps its own data base on granted state aid and *de minimis* aid. For the purpose of drafting the annual report, these data are submitted every year to the Ministry of Finance which keeps one central data base on state aid and *de minimis* aid granted in the Republic of Croatia (on local/regional and central level). Moreover, the collected data on state aid expenditure are reported by the Ministry of Finance to the European Commission by 30 June every year.

State aid grantors have additional obligation deriving from the State Aid Act - to analyze the efficiency of every state aid scheme or individual aid and submit to the Ministry of Finance annual analysis according to the Ordinance on the Delivery of State Aid Proposals and State Aid Data (OG 99/2013).

The State Aid Act regulates setting up an electronic state aid (and *de minimis* aid) register operated by the Ministry of Finance. State aid grantors on central and local level are envisaged to have access to the register – to fill in the register, check the data and print the reports. The process of setting up an electronic register has already started within the cooperation of the Ministry of Finance and national IT operators. It is expected to be established by end of June 2016.

Moreover, cooperation between national institutions under the coordination of the Ministry of Finance has started with the aim of further development of efficiency evaluation indicators and methodology i.e. criteria for measuring efficiency (undertaking's profit, number of employees, etc). Once the final methodology and relevant indicators will be established, these will be adopted and proscribed by Ministry of Finance in separate Ordinance. These indicators will be used for evaluation analysis of state aid schemes, and their final outcomes will show what has been achieved with state aid measures, in order to boost the projects and sectors with added value. It is expected to be established by end of June 2016.

According to European Commission (draft) *Guidance on Ex ante Conditionalities for the European Structural and Investment Funds, Part II B. General ex ante conditionalities, B.5. State aid* the existence of arrangements for the effective application of state aid rules in the field of the structural and cohesion funds is necessary.

This conditionality is accompanied by three criteria for fulfilment: „arrangements for the effective application of Union State aid rules, arrangements for training and dissemination of information for staff involved in the implementation of the funds, arrangements to ensure administrative capacity for implementation and application of Union State aid rules.“ This conditionality is relevant and applicable where the support granted under a priority may constitute state aid (including *de minimis* aid). In principle, this conditionality applies to all specific objectives determined and for all types of support (including grants and financial instruments) but it will need to be determined case by case taking into account the estimated risk to the effective and efficient achievement of a relevant specific objective.

Since State Aid Act provides all the necessary elements to ensure that the above EC criteria are fulfilled and put in place, additional effort to further strengthen administrative capacities in these intertwined systems of state aid within EU structural and cohesion funds should make part of future activities of the Ministry of Finance.

Regarding projects financed through EU structural and cohesion funds the main stakeholders in the context of state aid are: Ministry of Regional Development and EU Funds, Ministry of Maritime Affairs, Transport and Infrastructure, Ministry of Economy, Ministry of Entrepreneurship and

Crafts, Ministry of Environmental and Nature Protection, Ministry of Science, Education and Sports, Ministry of Labour and Pension System and Ministry of Social Policy and Youth. This project should cover these main stakeholders, as well as stakeholders that the Beneficiary will together with the MS Twinning partner include during the project implementation (e.g. Intermediate Bodies).

Since state aid system is constantly changing, especially nowadays having in mind state aid modernisation process and new EU rules on state aid, continuous training of state aid experts is needed. The needed topics are as follows:

- Procedures regarding EU structural and cohesion funds projects containing state aid before granting state aid, including approval procedures;
- General Block Exemption Regulation;
- State aid in infrastructure projects (sport, business and transport infrastructure);
- Regional state aid;
- EU structural and cohesion funds projects not containing state aid;
- State aid in research and development (R&D) projects, especially collaboration of R&D organisations and undertakings;
- State aid to small and medium enterprises (SMEs);
- Analysis of individual projects for 2014 – 2020 EU financial period in order to detect possible existence of state aid component and align them with state aid rules.

Since the Republic of Croatia is entitled to finance projects from EU funds, the lack of up-to-date knowledge on state aid within EU funded projects will be redeemed with this Twinning light project. In order to ensure the compliance of individual projects within EU structural and cohesion funds, this project aims to assist Ministry of Finance and relevant stakeholders in assessing whether these documents contain state aid and if so, to make state aid component of these documents compatible with state aid rules. Training and guidelines provided through this project should lead to more qualified experts and enhanced procedures in all project phases, from planning to implementation.

The project activities will supplement some of the activities that have already started or should start in the near future.

National School for Public Administration (NSPA) has prepared, in cooperation with the Ministry of Finance, an overall state aid training programme. The Ministry of Regional Development and EU Funds will conduct training needs analysis for relevant stakeholders in the field of state aid within EU structural and cohesion funds (by the end of 2014), on the basis of which the Ministry of Finance will produce a training strategy including also their feedback on the existing NSPA training programme. Training strategy is envisaged to be finalized by mid-2015.

Besides training, in order to ensure compatibility of national measures and projects with state aid rules there is a need to improve the overall institutional set up and coordination of all the involved experts. Relevant stakeholders have already designated staff dealing with state aid. This Operational network of state aid experts will be coordinated by both the Ministry of Finance (State Aid Unit) and the Ministry of Regional Development and EU Funds. This network of state aid experts should also include the relevant staff from European Structural and Investment Fund (ESIF) bodies engaged in drafting the state aid schemes, state aid experts from the Ministry of Finance, staff in charge of National fund, audit and prevention of fraud. The network meetings should take place on regular basis, at least quarterly, in order to discuss and exchange good practice, practical problems, complex cases, bottlenecks, trainings, etc. It is envisaged that the network would be set up and operational in February 2015.

Operational network of these state aid experts, together with the Ministry of Finance state aid experts, will enhance cooperation and exchange of best practices for future activities encompassing state aid measures within EU structural and cohesion funds and this Twinning light project is envisaged to provide the support in achieving the mentioned goal.

3.2 Linked activities:

IPA 2008 “Assistance with the management of Objective 3 under the Cohesion Policy” (Twinning project No. HR/2008/IB/SPP/01 with Italy and Poland as Twinning partners)

The purpose of the project was to increase capacity for technically correct and effective financial management of funds, systematic and effective monitoring and evaluation of Structural Funds (SF) programmes in Croatia. The project focused on SF management processes within the areas of territorial (cross-border, interregional and transnational) cooperation. More specifically the project supported:

1) Ministry of Regional Development and EU Funds (MRDEUF) in performing its role as future Managing Authority (MA) for a number of Territorial Cooperation Operational Programs (OPs) and National Authority for all Territorial Cooperation programmes the Republic of Croatia will participate in within the framework of territorial cooperation programmes in the 2014-2020 regulatory period;

2) Agency for Regional Development of the Republic of Croatia (ARD) in its envisaged role as the future Control Body for all Territorial Cooperation OPs (European Territorial Cooperation and IPA II Cross-Border Cooperation (CBC) programmes) and hosting body of Joint Secretariats (JSs) for the programmes managed by the Republic of Croatia.

The project implementation started in December 2011 and finished in February 2014.

IPA 2008 “Enhancement of capacity for effective management of EU Cohesion policy funds” (Twinning project No. HR/2008/IB/SPP/02 with Lithuania and Hungary as Twinning partners)

The main purpose of the project was to increase capacity for overall coordination of the implementation of structural funds and the cohesion fund in Croatia, technically correct and effective financial management of funds, systematic and effective monitoring of SF programmes. More specifically the project supported: the Ministry of Regional Development and EU funds in the coordination of the management of structural funds and the Cohesion Fund and other functions of the future Coordinating Authority for the National Strategic Reference Framework and related Operational Programmes and the Ministry of Finance in performing its role as the future Certifying Authority and future Managing Authorities and Intermediate Bodies in aspects related to financial management. The project implementation started in August 2011 and finished in November 2013.

IPA 2007 “Implementing Croatian competition and state aid policies” (Twinning project No. HR/2007/IB/FI/03 with Italy and United Kingdom as Twinning partners)

The main purpose of this project was to provide Croatian Competition Agency (CCA) and other stakeholders in competition and state aid systems with sufficient capacity for efficient implementation of competition and state aid policies. The overall objective was to enhance the competition environment and state aid policy through continuous support to Croatian competition authorities and its partners on the basis of EU competition rules and best practices in order to be ready for effective implementation of EU competition policy after EU accession. The project implementation started in July 2010 and finished in March 2012. The project was divided in two

main components: competition and state aid. In regards to state aid, the activities of the project were focused on following subjects:

- Constant education of CCA staff on state aid legislation and delivery of best practices in the field of state aid,
- Enhancing capacity in state aid advocacy delivery at central, regional and local governmental levels.

PHARE 2006 Development of Institutional Capacity for Management of EU Structural Funds Post-Accession - Institutional Building Component (Central Office for Development Strategy and Coordination of EU Funds²)

This service project supported the future National Strategic Reference Framework Coordinating Authority, Managing Authorities, Intermediate Bodies, Certifying Authority as well as the Audit Authority and other stakeholders in order to build their administrative capacity for the successful management of structural funds and the cohesion fund upon Croatia's accession to the EU. The four project components provided support in a) programming, b) audit, c) monitoring and evaluation and d) institutional building in terms of organisational development strategies related to structural funds management. Under this project the basic system and tools for programming, monitoring and evaluation were put in place for the structural funds and the cohesion fund. The project implementation started in December 2008 and finished in November 2010.

In the course of implementation of training activities within this Twinning light project, Ministry of Finance and the MS Twinning partner will take into account trainings conducted for project stakeholders in order to assure that there will be no overlapping/duplication of activities.

² Following the entry into force of the Law on Structure and Scope of Work of Ministries and other Central State Administration Bodies and the Law on State Administration System on 22 December 2011 the Central Office for Development Strategy and Coordination of EU Funds ceased to operate and its tasks and responsibilities are taken over by the Ministry of Regional Development and EU funds.

3.3 Results:

Result 1: Methodological tools for identification of state aid elements within EU structural and cohesion funds projects and their alignment with state aid rules developed.

Indicators of achievement:

- Guidelines for the Ministry of Finance developed and translated to Croatian language. Topics will be determined by the MS Twinning partner and will as a minimum include:
 - Difference between provisions under General Block Exemption Regulation and other relevant EU state aid rules;
 - EU procedural rules for EU structural and cohesion funds projects with state aid elements;
 - Necessary check points (check lists) to be used for assessing compatibility of EU structural and cohesion funds projects with state aid rules;
 - Best practices examples of alignment with state aid rules of EU structural and cohesion funds projects with state aid elements.
- Rulebook for stakeholders developed and translated to Croatian language. Topics will be determined by the MS Twinning partner and will as a minimum include:
 - EU procedural rules for EU structural and cohesion funds projects with state aid elements;
 - Necessary check points (check lists) to be used for drafting EU structural and cohesion funds projects in order to ensure their alignment with state aid rules;
 - Best practices examples of drafting EU structural and cohesion funds projects in line with state aid rules, especially infrastructure, regional aid, state aid to SME's and R&D state aid rules.

Result 2: State aid experts from the Ministry of Finance and other stakeholders³ trained in the area of state aid within EU structural and cohesion funds.

Indicators of achievement:

- Training programme and training materials for the Ministry of Finance and other stakeholders in the area of state aid within EU structural and cohesion funds prepared.⁴
- Workshops for at least 15 state aid experts (per each workshop) from the Ministry of Finance and other stakeholders conducted. Evaluation of workshops performed (e.g. via questionnaire).
- Train-the-trainers workshops for at least 5 state aid experts of the Ministry of Finance conducted. Evaluation of workshops performed (e.g. via questionnaire).
- On-the-job training for at least 5 state aid experts of the Ministry of Finance conducted.
- Study visit in duration of 5 working days for 5 Ministry of Finance state aid experts to an EU Member State conducted with the purpose of acquiring first-hand experience and exchange of best practices in preparing and implementing individual projects aligned with EU structural and cohesion funds and state aid rules and study visit report prepared.

³ Stakeholders involved in the project are: Ministry of Regional Development and EU Funds, Ministry of Maritime Affairs, Transport and Infrastructure, Ministry of Economy, Ministry of Entrepreneurship and Crafts, Ministry of Environmental and Nature Protection, Ministry of Science, Education and Sports, Ministry of Labour and Pension System and Ministry of Social Policy and Youth. During the implementation of the project, the Beneficiary will together with the MS Twinning partner once again consider the included stakeholders and the possible need for expansion of the list of project stakeholders.

⁴ Training programmes and materials should be based on the training needs analysis performed by the Ministry of Regional Development and EU funds by the end of 2014.

Result 3: Recommendations for improvement of the training strategy in the field of state aid prepared.

Indicator of achievement:

- Review of the training strategy in the field of state aid conducted and recommendations for improvement prepared taking into account the workshops' evaluations.⁵

Result 4: Recommendations for more efficient functioning of the operational network of state aid experts from the Ministry of Finance and other stakeholders prepared.

Indicator of achievement:

- Analysis of functioning of the operational network of state aid experts designated within stakeholders conducted and analysis report with recommendations for improvement prepared.

3.4 Activities:

Member State is kindly requested to develop activities in the submitted proposal which are needed in order to achieve the results stipulated in the fiche.

Two visibility events will be organized in the course of the implementation of the project. Kick-off meeting at the start of the implementation and the Final meeting at the end of the implementation of the project activities.

⁵ Draft training strategy is envisaged to be finalized by the Ministry of Finance by mid-2015. Twinning partners will review the current version of the training strategy or its draft available during the project implementation.

3.5 Means/ Input from the MS Partner Administration:

MS Project Leader may participate in the project also as the short-term expert (STE) and in this case the MS Project Leader should satisfy requirements stipulated in the fiche for both the Project Leader and the relevant STE profile.

3.5.1 Profile and tasks of the Project Leader

Profile of the Project Leader

Requirements:

- University level education or equivalent professional experience of 10 years in the field of state aid and/or EU structural and cohesion funds
- 6 years of experience in public administration in the field of state aid
- Experience in the EU structural and/or cohesion funds
- Working level of English language
- Proven contractual relation to public administration or mandated body, as defined under Twinning manual 5.4.5
- Computer literacy
- Experience in project management

Asset:

- Experience in organization of trainings on state aid

Tasks of the Project Leader:

- Supervising and coordinating implementation of the project in cooperation with the BC Project Leader;
- Ensuring sound implementation of envisaged activities;
- Organisation of visibility events (kick-off and final event);
- Organization of study visit;
- Overall coordination of MS experts' work and availability;
- Reviewing and approving key project outputs and any revisions to the work plan according to the EC rules;
- Participation in Steering Committee meetings;
- Project reporting;
- Ensuring backstopping and financial management of the project in the MS.

3.5.2 Profile and tasks of the short-term experts

Profile of the Short-term experts

Requirements:

- University level education or equivalent professional experience of 8 years in the field of state aid
- 3 years of experience in public administration in the field of state aid
- Experience in the EU structural and/or cohesion funds
- Working level of English language
- Computer literacy

- Proven contractual relation to public administration or mandated body, as defined under Twinning manual 5.4.5

Assets:

- Experience in developing procedures on state aid
- Experience in conducting trainings on state aid
- Experience in preparing training strategy

Tasks of the Short-term experts:

- Close cooperation with the Croatian experts in undertaking all activities
- Developing Guidelines and Rulebook
- Developing training programmes and training materials
- Conducting workshops, ToT and on-the-job training
- Conducting review of the training strategy and preparing recommendations for improvement
- Conducting analysis of network of state aid experts and preparing recommendations for improvement

Note

The pool of experts should include:

- At least one short-term expert who in addition to the respective profile requirements has experience in conducting trainings on state aid rules within EU structural and cohesion funds.

4. Institutional Framework

The beneficiary institution is the Ministry of Finance, more exactly State Aid and Natural Disasters Service. The mentioned Service consists of 8 employees who work on state aid issues in 3 Departments: Department for state aid legislation and policy (which drafts state aid laws and policy guidelines and monitors state aid policy), Department for state aid compatibility assessment (which assesses compatibility of state aid proposals with state aid rules) and Department for state aid data base and natural disasters (which collects state aid and natural disasters data and writes state aid annual reports).

With the entry into force of the State Aid Act the Ministry of Finance is entitled to perform the following tasks:

- Implement and supervise the implementation of state aid policy within the framework of the fiscal policy measures of the Republic of Croatia;
- Deliver opinions on state aid proposals as regards their compliance with the defined state aid policy;
- Deliver opinions on state aid proposals as regards their compliance with state aid rules prior to their notification to the European Commission for approval;
- Notify the European Commission of state aid proposals;
- Deliver opinion on state aid proposals exempted from the notification obligation to the European Commission and inform the European Commission thereof;
- Provide expert assistance to state aid grantors in preparing state aid proposals;
- Collect, process and record the data on state aid granted;
- Notify the European Commission of state aid granted;
- Provide education and training to state aid grantors and state aid beneficiaries.

The Ministry of Finance carries out the above activities also in relation to measures created and financed from the EU structural and cohesion funds when they constitute state aid.

Project stakeholders:

One of the main project stakeholders in the context of EU structural and cohesion funds is the **Ministry of Regional Development and EU Funds (MRDEUF)**. MRDEUF is responsible for planning and implementing the regional development policy; preparing of strategic documents regulating the national development objectives, setting up the priorities for the use of financial resources from EU funds and monitoring the implementation of measures and activities set out in such strategic documents; coordinating activities related to management of the EU programmes which are available for Croatia.

Ministry of Maritime Affairs, Transport and Infrastructure is in charge of maritime, road, railway, air and postal transport; planning, developing and conducting strategic documents and projects of transport infrastructure; sea protection; maritime ports and maritime domain.

Ministry of Economy is responsible for energy, mining, public procurement and trade issues.

Ministry of Entrepreneurship and Crafts is responsible for administrative and other tasks related to small and medium size enterprises, trade, export incentives, foreign investments and promoting competitiveness in areas of small and medium size businesses, uniform regional business development, encouraging the implementation of innovations, new technologies, developing and managing free zones and business zones within small and medium size businesses, preparation and

implementation of strategic and operational documents and programmes for the use of European Union fund assets and other international financing sources allocated to promote competitiveness of small and medium size enterprises, preparation and implementation of special Republic of Croatia government programmes in the area of economic development and competitiveness of small and medium size enterprises.

Ministry of Environmental and Nature Protection performs tasks related to general environmental protection policy to fulfil the requirements for sustainable development, protection of air, soil, water, sea, flora and fauna, development of measures to improve the environmental protection status and to implement the environmental protection goals as laid down in the environmental protection strategy; exploring, monitoring, recording, documenting and promoting natural heritage; keeping central registers of protected parts of nature.

Ministry of Science, Education and Sports is in charge of preschool education, elementary school and secondary education in the country and abroad, curriculum, textbooks, educational standards and development of educational system, development of the scientific-research activities, development of science, development of sports and physical education.

Ministry of Labour and Pension System is responsible for employment, safety at work and pension issues.

Ministry of Social Policy and Youth performs tasks related to care for persons and families who do not have sufficient resources to meet their basic needs, establishment of a network of welfare institutions, protection of victims of trafficking, protection of refugees, promotion of the rights of persons with disabilities; marriage and marital relations, special protection for families with disturbed interpersonal relationships, child protection.

During the implementation of the project, the Beneficiary will together with the MS Twinning partner once again consider the included stakeholders and the possible need for expansion of the list of project stakeholders.

The results of the project will not lead to a change of the institutional framework as described.

The Ministry of Finance will coordinate communication with stakeholders within this Twinning light project.

Two Steering Committee meetings will be held for the purpose of reviewing the progress made under the project as well as to discuss results achieved and/or problems occurred. The first Steering Committee meeting will be held during the second month of project activities implementation in order to discuss and comment the draft start-up report. The second Steering Committee meeting will be organised during the last month of the implementation period of the Action to discuss the draft final report. It should be noted that the participation of the Member State Project Leader in Steering Committees meetings has to be combined with expert missions in case the Member State Project Leader is also a short-term expert in the twinning light project. If the Member State Project Leader is not short-term expert in the twinning light project then his visits to Croatia, (one visit every three months) as part of his overall task to ensure coordination and political steering of the project, should be organised at the same time as the two Steering Committee meetings of the project.

The exact participants of the Steering Committee meetings will be defined during the implementation of the project, but will at least include the following members:

- BC Project Leader
- MS Project Leader

- CFCA Project Manager
- MRDEUF Sector Manager

The beneficiary is committed to provide all necessary infrastructure such as office space and desktop computers with internet connection for experts, venue for holding seminars and workshops, and to ensure the necessary local staff/experts inputs.

5. Budget

Support for state aid system in relation to EU structural and cohesion funds (CRO STATE AID)	IPA Community Contribution	National Co-financing	TOTAL
Twinning light contract	90% 170.000 EUR	10% 18.889 EUR	188.889,00 EUR

The total amounts of the IPA Community Contribution and National Co-financing stipulated in the above table represent the total maximum amounts and therefore, they may be reduced at the level of the Twinning light contract, while the relevant ratio (percentages) should be maintained as fixed.

The co-financing requirement foreseen under IPA will be considered fulfilled according to the provision of the relevant Financing Agreement.

Interpretation costs will be reimbursed from the budget only for the purpose of workshops and seminars, up to 7% of the Contract amount can be used for translation and interpretation purposes.

Provisions for visibility costs and expenditure verification costs should be included in the budget.

6. Implementation Arrangements

6.1 Implementing Agency responsible for tendering, contracting and accounting:

Central Finance and Contracting Agency (CFCA)

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Twinning Administrative Office

Central Finance and Contracting Agency

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6.2 Main counterpart in the BC:

Senior Programme Officer (SPO)

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BC Project Leader

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6.3 Contracts:

It is envisaged that the Project will be implemented through one Twinning light contract, with a maximum amount of 188.889,00 EUR.

6.4 Reporting:

The Start-up Report will cover first two months of the contract and will be submitted during the third month.

The Start-up report should:

- Clearly define the aims and purpose of the aid provided by the project,
- Give detailed description of the content of particular parts of the project,
- Work out in detail the activities carried out and the results achieved,
- Work out in detail all modifications agreed with the beneficiary institution,
- Review difficulties met during the implementation of the project and measures that were undertaken for their removal,
- Provide all findings obtained in the meanwhile and preliminary conclusions, and
- Contain a general plan of activities for the implementation of the remained duration of the project.

The Final Report shall be submitted within three months upon the completion of the project activities and in any case within the legal duration of the project, and it should contain the following:

- Complete review of all activities carried out by MS experts during the implementation of the project,
- Achieved progress concerning each activity,
- Summary of all project results, with particular emphasis on mandatory results,
- Estimation of the project impact compared with the project aims and measures of the achieved progress,

- Identification of all important problems met during the implementation of the contract and solutions that have been applied,
- Lessons drawn from the project, and
- Recommendations for further steps in future projects.

The reports must be endorsed and countersigned by the beneficiary, who may make additional comments.

Reports shall be submitted to the Ministry of Finance, the Central Finance and Contracting Agency, the Ministry of Regional Development and EU Funds and the concerned service of the European Commission in a form of 3 hard copies and an electronic version. All reports should be written in English.

6.5 Language:

Working language of the project will be English.

7. Implementation Schedule (indicative)

7.1 Launching of the call for proposals: 4Q 2014

7.2 Start of project activities: 1Q 2015

7.3 Project completion: 3Q 2015

7.4 Duration of the execution period (number of months): 9 months; the execution period will end 3 months after the implementation period of the Action (work plan) which will take 6 months.

8. Sustainability

Qualitative managing of EU structural and cohesion funds is one of the main challenges for all newly acceding EU Member States. The preparation of good quality projects compatible with state aid rules is crucial for future absorption of EU structural and cohesion funds.

With developed guidelines and a rulebook as well as conducted trainings of the Ministry of Finance and stakeholders' staff this project will result in enhanced capacities and strengthen cooperation of the Ministry of Finance and relevant stakeholders for the purposes of preparing and carrying out individual EU structural and cohesion funds projects containing state aid in line with state aid rules and of better quality. The project outputs will serve as a good focal point in future activities for assessment and aligning individual EU structural and cohesion funds projects with state aid rules.

9. Crosscutting issues

Based on the fundamental principles of promoting equality and combating discrimination, participation in the project will be guaranteed on the basis of equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

The project does not involve activities with an environmental impact.

10. Conditionality and sequencing

N/A

ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format
2. Relevant national legislation

Annex 1. Logical framework matrix in standard format

Support for state aid system in relation to EU structural and cohesion funds (CRO STATE AID)		Programme name and number: IPA 2011	
Ministry of Finance		Contracting period expires: 3 years following the date of conclusion of the Financing Agreement	Disbursement period expires: 4 years following the end date of contracting
		Total budget: 188.889,00 EUR	IPA financing: 170.000 EUR (90%) National co-financing: 18.889 EUR (10%) ⁶
Overall objective	Objectively Verifiable Indicators	Sources of Verification	
Capacity of the Republic of Croatia to implement the structural and cohesion policy and state aid related EU acquis increased.	SF and CF programmes proposed by Croatia approved by the European Commission. Structural funds projects proposed by responsible institutions brought in line with state aid rules. Operational programmes, individual projects and other relevant documents of EU structural and cohesion funds in line with state aid rules.	Official national reports/statistics on usage of EU funds. Relevant EC or national reports. National Annual Report on state aid. Official national reports/statistics on usage of EU funds.	
Project purpose	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Capacity of the Ministry of Finance and other stakeholders in the area of state aid within EU structural and cohesion funds enhanced in order to ensure compatibility of EU structural and cohesion funds projects with state aid rules.	Guidelines for the Ministry of Finance developed. Rulebook for stakeholders developed. State aid experts from the Ministry of Finance and other stakeholders trained in the area of state aid within EU structural and cohesion funds. Recommendations for improvement of the training strategy prepared. Recommendations for improvement of more efficient functioning of the operational network of state aid experts prepared.	Final Project Report Twinning light project documentation (guidelines, rulebook, training programmes, training materials, recommendations, etc.) List of participants on trainings. List of participants on study visit Study visit report	Good cooperation among the institutions involved in process of absorbing structural and cohesion funds. MoF and representatives of other stakeholders available for project implementation and participation at workshops/discussions.

⁶ The total amounts of the IPA Community Contribution and National Co-financing stipulated in the above table represent the total maximum amounts and therefore, they may be reduced at the level of the Twinning light contract, while the relevant ratio (percentages) should be maintained as fixed. The co-financing requirement foreseen under IPA will be considered fulfilled according to the provision of the relevant Financing Agreement.

			Good cooperation and coordination among project stakeholders.
Results	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Result 1: Methodological tools for identification of state aid elements within EU structural and cohesion funds projects and their alignment with state aid rules developed.	<ul style="list-style-type: none"> Guidelines for the Ministry of Finance developed and translated to Croatian language. Topics will be determined by the MS Twinning partner and will as a minimum include: <ul style="list-style-type: none"> Difference between provisions under General Block Exemption Regulation and other relevant EU state aid rules; EU procedural rules for EU structural and cohesion funds projects with state aid elements; Necessary check points (check lists) to be used for assessing compatibility of EU structural and cohesion funds projects with state aid rules; Best practices examples of alignment with state aid rules of EU structural and cohesion funds projects with state aid elements. Rulebook for stakeholders developed and translated to Croatian language. Topics will be determined by the MS Twinning partner and will as a minimum include: <ul style="list-style-type: none"> EU procedural rules for EU structural and cohesion funds projects with state aid elements; Necessary check points (check lists) to be used for drafting EU structural and cohesion funds projects in order to ensure their alignment with state aid rules; Best practices examples of drafting EU structural and cohesion funds projects in line with state aid rules, especially infrastructure, regional aid, state aid to SME's and R&D state aid rules. 	<p>Final Project Report Twinning light project documentation (guidelines, rulebook, training programmes, training materials, recommendations, etc.) List of participants on trainings. List of participants on study visit Study visit report</p>	<p>Adequate cooperation among relevant stakeholders in drafting and efficiently implementing structural and cohesion funds projects.</p> <p>MoF and representatives of other stakeholders available for project implementation and participation at workshops/discussions.</p> <p>Good cooperation and coordination among project stakeholders.</p>

<p>Result 2: State aid experts from the Ministry of Finance and other stakeholders trained in the area of state aid within EU structural and cohesion funds.</p>	<ul style="list-style-type: none"> • Training programme and training materials for the Ministry of Finance and other stakeholders in the area of state aid within EU structural and cohesion funds prepared. • Workshops for at least 15 state aid experts (per each workshop) from the Ministry of Finance and other stakeholders conducted. Evaluation of workshops performed (e.g. via questionnaire). • Train-the-trainers workshops for at least 5 state aid experts of the Ministry of Finance conducted. Evaluation of workshops performed (e.g. via questionnaire). • On-the-job training for at least 5 state aid experts of the Ministry of Finance conducted. • Study visit in duration of 5 working days for 5 Ministry of Finance state aid experts to an EU Member State conducted with the purpose of acquiring first-hand experience and exchange of best practices in preparing and implementing individual projects aligned with EU structural and cohesion funds and state aid rules and study visit report prepared. 		
<p>Result 3: Recommendations for improvement of the training strategy in the field of state aid prepared.</p>	<ul style="list-style-type: none"> • Review of the training strategy in the field of state aid conducted and recommendations for improvement prepared taking into account the workshops' evaluations. 		
<p>Result 4: Recommendations for more efficient functioning of the operational network of state aid experts from the Ministry of Finance and other stakeholders prepared.</p>	<ul style="list-style-type: none"> • Analysis of functioning of the operational network of state aid experts designated within stakeholders conducted and analysis report with recommendations for improvement prepared. 		

Activities	Means	Specification of costs	Assumptions
Activities to be implemented correspond to the activities developed in the selected MS proposal.	Consultations, analysis, preparation of documentation, trainings, on-the-job training, workshops, study visit.	188.889,00 EUR	In line with the assumptions for results.
			Preconditions: N/A

Annex 2. Relevant national legislation

- State Aid Act (OG 47/2014)
- Ordinance on the Delivery of State Aid Proposals and State Aid Data (OG 99/2013)
- Act on the Establishment of Institutional Framework for the Implementation of European Structural and Investment Funds in the Republic of Croatia in financial period 2014-2020 (OG 92/2014)
- Decree on the Bodies of the Management and Control Systems of the European Social Fund, the European Regional Development Fund and the Cohesion Fund, regarding Investment for Growth and Job Goal (OG 107/14)
- Partnership Agreement for European Structural and Investment Funds in the EU financial period 2014-2020:

http://www.mrrfeu.hr/UserDocsImages/EU%20fondovi/HR_PA_FINAL_ADOPTED_30_10_2014.pdf

- Operational Programmes within Partnership Agreement for European Structural and Investment Funds in the EU financial period 2014-2020

- draft documents in English on:

http://www.mrrfeu.hr/UserDocsImages/EU%20fondovi/OPKK_2014_20_FINALNI_NACRT_21_07_2014.pdf

http://www.mrrfeu.hr/UserDocsImages/EU%20fondovi/OPULJP_FINALNI_NACRT_21_07_2014.pdf