

Improve Efficiency of the ESI Funds Absorption Processes in Slovenia (TSI ref. 23SI05 – ESIFunds-SI)

D2.1 Analysis of ITI 2014-2020 and starting 2021-2027

21.11.2024

TABLE OF CONTENTS

1. List of abbreviations.....	5
2. Executive summary.....	7
3. Introduction.....	10
4. Relevant terms	12
4.1. Urban development	12
4.1.1. Urban development on EU level	12
4.1.2. Urban development in Slovenia	13
4.1.3. Urban development and ITI in Slovenia from the strategic point of view	15
4.2. ITI mechanism	16
4.2.1. ITI mechanism in Slovenia	17
4.3. Important actors and processes within the ITI Mechanism.....	18
4.3.1. Organisational processes at IBs and MA	18
4.4. Beneficiary view and ministry view.....	22
5. Analysis of ITI 2014-2020 Project Data and Procedures	23
5.1. Methodology remarks.....	23
5.2. Applications to the ITI 2014-2020 mechanism.....	23
5.2.1. Successful applications.....	24
5.2.2. Unsuccessful applications	24
5.2.3. Readiness of urban municipalities projects in terms of number of applications per call	25
5.2.4. Absorption of all ITI funds	26
5.3. Duration of cycles on ITI 2014-2020: Projects (90 projects)	27
5.3.1. Project preparation	27
5.3.2. Project implementation	29
5.3.3. Length of the project preparation and implementation cycle.....	30
5.4. Duration of cycles on the ITI 2014-2020 mechanism: Co-financing.....	31

5.4.1.	Calls for co-financing	31
5.4.2.	Phase 1	32
5.4.3.	Phase 2	33
5.4.4.	Total duration of Phase 1 and Phase 2	34
5.4.5.	Co-financing documents.....	34
5.4.6.	Fund absorption	36
5.4.7.	Length of the co-financing cycle.....	37
6.	Analysis of the documents on organisational processes of IBs and the MA from the perspective of the beneficiary	39
6.1.	Description of the MCS for the implementation of the OP ECP 2014–2020 for the objective "investments for growth and jobs"	39
6.2.	Instructions from the MA for the implementation of ITI Mechanism in the programming period 2014–2020	41
6.3.	Guidelines of the MA for planning, support, decision-making, monitoring, reporting and evaluation of the OP ECP 2014–2020.....	44
6.4.	Criteria for selecting projects within the OP ECP 2014-2020.....	46
6.5.	Handbook of the MOI in the role of IB or Leading IB for the OP ECP 2014-2020	46
6.6.	Review of applications under direct confirmation of projects within the ITI mechanism on PA 4.4 – Phase 2 – Applicant guidelines	47
6.7.	Absence of Handbook of the MESP in the role of IB or Leading IB for the implementation of the ECP 2014-2020	48
6.8.	Other findings during the implementation processes in the programming period 2014-2020	48
6.9.	Financial Instruments	49
7.	Analysis of the organisational processes of IBs and the MA / Analysis of ITI Implementation from the perspective of ministries as IBs	51
7.1.	Analysis and recommendations	51
7.1.1.	Organisational set-up	51
7.1.2.	ITI mechanism vs. other mechanisms of support.....	53

7.1.3.	ITI Implementation Procedures.....	55
7.2.	Analysis of the implementation procedures	65
7.2.1.	MCS 2014-2020	65
7.2.2.	MA guidelines for ITI implementation 2014-2020	66
7.2.3.	MA guidelines on issuing decision of support, planning, reporting and monitoring	67
8.	Analysis of the e-MA Information System from the perspective of ministries as IBs ...	69
8.1.	e-MA IT System for the Programming Period 2014-2020	69
8.2.	e-MA IT System for the Programming Period 2021-2027	70
9.	Organisational processes at ZMOS – Achievements and Challenges	74
9.1.	ITI Achievements 2014-2020.....	74
9.2.	ITI Challenges 2014-2020	76
10.	Conclusions.....	78
10.1.	Feedback from Austrian experts	78
10.2.	Feedback from Slovenia	82
10.2.1.	Report and feedback from consultations with stakeholders in Slovenia held in May 2024	
	82	
11.	Annexes.....	88

1. List of abbreviations

AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
BC	Beneficiary Country
CF	Cohesion Fund
CLLD	Community Led Local Development
DAO	Direct Approval of Operations
DIIP	Document Identifying the Investment
DNSH	Do No Significant Harm Principle
DOC	Direct Operation Confirmation
DoS	Decision on Support
DPP/ NRP	Development Programme Plan/Náčrt razvojnih programov
EC	European Commission
e-CA	IT system for certification of expenditure
ECP	European Cohesion Policy
e-MA	e-Managing Authority
ERDF	European Regional Development Fund
ESF	European Social Fund
ESI	European Structural and Investment Funds
EU	European Union
GA	Grant Agreement
GODC/SVRK	Government Office for Development and European Cohesion Policy/Služba Vlade Republike Slovenije za razvoj evropsko kohezijsko politico
IB/PO, PT	Intermediate Body/Posredniški organ (2014-2020) or Posredniško telo (2021- 2027)
INP	Cohesion policy implementation plan/Izvedbeni načrt Programa evropske kohezijske politike
IP	Investment Programme
IS	Information System
ITI/CTN	Integrated Territorial Investments/Celostne teritorialne naložbe
MA/OU	Managing Authority/Organ upravljanja
MCS	Management and Control System
MESP/MOP	Ministry of Environment and Spatial Planning
MFERAC	National Accounting System

MCRD/MKRR	Ministry of Cohesion and Regional Development
MNRSP/MNVP	Ministry of Natural Resources and Spatial Planning
MOI/MZI	Ministry of Infrastructure
MOF/MF	Ministry of Finance
UM/MO	Urban Municipality/Mestna Občina
MECE/MOPE	Ministry of Environment, Climate and Energy
NRD	National regional development tool
OLAF	European Anti-Fraud Office
OP ECP 2014-2020	Operational Programme for the Implementation of the European Cohesion Policy for the period 2014-2020
OSUN	Description of the Management and Control System for the Implementation of the Operational Programme
PA/PN	Priority Axis/Prednostna naložba
PC	Payment Claims
SO	Specific Objectives
SUD	Sustainable Urban Development Strategy
TSI	Technical Support Instrument
ZMOS	Association of Urban Municipalities of Slovenia

2. Executive summary

This report presents the findings, conclusions, and recommendations from the analysis of the European Structural and Investment (ESI) Funds absorption processes in Slovenia. It covers tasks T2.1 to T2.7 of the project, focusing on the Integrated Territorial Investments (ITI) implementation mechanism during the 2014-2020 programming period and its continuation into the 2021-2027 programming period. The goal is to improve the efficiency of ESI funds absorption by analysing the governance, administrative processes, and IT systems involved.

The study evaluated 91 successful projects from the 2014-2020 period, including one non-construction project and two that had not yet received co-financing contracts by March 2024, which were not further included in the analysis. For the 88 projects analysed, the average implementation duration was 18.3 months, with project selection at ZMOS averaging 4.3 months and state approval taking 14 months.

The main findings indicate that significant progress was made in the second programming period in governance and public administration, with the development of the first systematic database of ITI implementation. This database detailed the duration and complexity of key processes related to co-financing and project preparation. The report also examined the processes under three specific priority axes (PAs 4.1, 4.4, and 6.3) of the Operational Programme for the Implementation of the European Cohesion Policy for the period 2014-2020 (OP ECP 2014-2020), noting that the administrative cycle from call to co-financing contracts averaged 24.9 months, and the full cycle from call to project closure averaged 41.1 months. Delays in co-financing were often mitigated by the early start of public procurement and construction in half of the projects due to the special status of the mechanism.

The organisational processes are observed from two different perspectives. The first, beneficiary perspective, includes the perspective of ZMOS. The second perspective, the ministry view, includes the perspective of the Managing Authority (MA) and the ministries as Intermediate Bodies (IB). Bottlenecks were identified, including inconsistencies among IBs, unnecessary steps, and complex procedures, especially in the second phase of Direct Approval of Operations (DAO) applications and validation of Payment Claims (PCs).

The ITI mechanism has been largely successful in terms of financial performance during the 2014-2020 period, but the administrative processes involved remain overly complex and time-consuming and there is significant potential for enhancement in the 2021-2027 period. The requirement to align financial data in the pre-planning phase with the support application is seen as an unnecessary administrative burden. Simplifying procedures and harmonizing processes across different IBs are also

critical for improving efficiency. The introduction of the e-MA2 system offers some improvements, but further enhancements are needed to fully support digitalised project management.

The new e-MA2 IT system should introduce several modules to improve data handling and project management. However, more work in the development is required as gaps remain, particularly in providing a flexible, digitalised process for call proposals. Due to the lack of experience with the new IT system and the fact that the system is still in the upgrade phase, the ability to draw conclusions/recommendations for future optimised planning is limited. Nevertheless, following the review and initial experience, there are already some key elements that need to be highlighted from a top-down perspective. Possible improvements have been identified and recommendations have been formulated for 10 key elements of the analysis, such as the need to align the systems terminology with established norms and provide clear guidance for data entry fields.

The general recommendations regarding the ITI mechanism in Slovenia outlined in the report focus on process simplification, improved IT systems, pre-planning phase adjustments, and beneficiary support and satisfaction. Simplifying administrative procedures to reduce the time and complexity involved in the DAO application and PC validation processes is crucial. Harmonizing the procedures across different IBs to ensure consistency and efficiency is also recommended. Enhancing the e-MA2 system by adding a flexible module for digitalised call proposal processes would benefit both IBs and the MA. Aligning the system's terminology with normative documents and providing detailed descriptions or links to manuals for data entry fields is essential. Strengthening ZMOS and empowering it with additional responsibilities is crucial for promoting a bottom-up approach in multi-level governance. The mechanism should also be adapted to address urban development issues that extend beyond city boundaries, ensuring that sustainable urban plans can manage broader regional challenges.

Re-evaluating the necessity of aligning financial data in the pre-planning phase with project-level data is recommended, as this alignment adds unnecessary administrative burden. Risk-based verification of expenditures should be adopted, leveraging previous checks by urban municipalities. Shifting the focus of the pre-planning phase towards planned results and indicators would support performance-based decision-making. Increasing efforts to reduce the administrative burden on beneficiaries will enhance their satisfaction and participation in the ITI mechanism. Providing clear, consistent guidance and support to beneficiaries throughout the application and implementation processes is crucial.

Establishing a dedicated working body to enhance stakeholder cooperation and regular communication among all parties involved is essential to further improve the ITI mechanism's effectiveness and ensure its success in the future programming period.

By implementing these recommendations, Slovenia can enhance the efficiency of ITI. In the long term, this can have an indirect spill over positive impact on the efficiency of the whole EU Cohesion Policy system in Slovenia.

3. Introduction

This report under Work Package 2 - Improving the efficiency of ESI Funds absorption processes by improving the performance of ITI - aims to identify and address bottlenecks and areas for improvement based on the analysis of the ITI 2014-2020 and 2021-2027 (until 2023), including processes, cooperation between intermediaries, barriers, use of reporting system, etc. through interviews and desk research.

The structure of the report was decided between the Austrian and Slovenian team to ensure its practicality for the BC. The main chapters correspond to the elaborated technical reports and the feedback based on them from various Slovenian stakeholder organisations as well as from the Austrian experts.

The analysis of projects focuses on the processes from the preparation of investment and project documentation to public procurement and construction implementation. After introducing the relevant terminology and providing an overview of the relevant organisational processes at the intermediaries and the ZMOS (Chapter 4), the section “Analysis of ITI 2014-2020 Project Data and Procedures” (Chapter 5) presents the results of an analysis of the current functionality of the relevant part of the e-Managing Authority (e-MA) system for digital support and data availability. It provides a structured comparison of beneficiary and IB processes at the project level, identifying key differences and forms the foundation for understanding the project timeline and the efficiency of the respective processes.

There are four chapters on the relevant organisational processes from the perspective of the responsible ministries and the beneficiary:

Analysis of the documents on organisational processes of IBs and the MA from the perspective of the beneficiary (Chapter 6). This chapter provides a comprehensive overview of the findings and recommendations in management and control system (MCS) for implementing the OP ECP 2014–2020. It covers guidelines and instructions for the implementation of the ITI mechanism, project selection criteria, and the roles of various bodies, including the MA and IBs. The chapter also reviews application processes, identifies gap, and highlights other findings and issues encountered. Additionally, it discusses the use of financial instruments within the program.

Analysis of the organisational processes of IBs and the MA / Analysis of ITI Implementation from the perspective of ministries as IBs (Chapter 7). This chapter provides a systemic analysis of urban development in Slovenia, focusing on the ITI mechanism. The analysis is structured around three key

elements: the organisational set-up, the adequacy of the content addressed through the ITI mechanism compared to other support mechanisms, and the implementation procedures. It also includes concrete recommendations for improving the effectiveness of the ITI mechanism in sustainable urban development.

Analysis of the e-MA Information System from the perspective of ministries as IBs (Chapter 8). The chapter provides a comprehensive description of the e-MA IT system, which has been specifically developed to support the effective implementation of the European Cohesion Policy (ECP) and to enable the monitoring of its financial, physical and operational dimensions. Additionally, the chapter details the key enhancements introduced in the upgraded version, e-MA2, which aims to improve user experience and strengthen monitoring capabilities. Furthermore, the chapter outlines the e-MA system architecture, highlights its core functionalities, and presents a series of strategic recommendations.

Organisational processes at ZMOS – Achievements and Challenges (Chapter 9). This chapter examines the organisational processes at ZMOS, highlighting both achievements and challenges within the institution. As ZMOS has evolved, its internal processes have been shaped by efforts to enhance efficiency, transparency, and adaptability within a complex and dynamic environment. A focus on key achievements offers insight into the organisation's capacity for innovation and growth, while an analysis of ongoing challenges identifies areas for further development.

The results were presented and discussed in several meetings with the relevant representatives in May 2024, including representatives of the stakeholders in order to identify potential for improvement, core group of three ITI ministries and representatives of the urban administration, and representatives from politics and science. The results of the discussions and feedback rounds for each event, including the Austrian experts, are presented in the final chapter “**Conclusions**” (Chapter 10).

4. Relevant terms

The following section offers detailed explanations of important terms, key background information as well as an overview of the main actors and relevant organisational processes at the intermediaries of the OP ECP 2014-2020 crucial for a comprehensive understanding of this report.

4.1. Urban development

4.1.1. Urban development on EU level

On the EU level urban development is addressed through the Urban Agenda¹ which is focused on issues cities are facing by setting up Partnerships between the Commission, EU organisations, national governments, city authorities and other stakeholders such as non-governmental organisations. Main aims of Urban Agenda and such Partnerships are to:

- a) Improve existing regulation regarding to urban areas and urban challenges.
- b) Support and improve innovative and user-friendly sources of funding for urban areas.
- c) Share and develop knowledge (data, studies, good practices).

Out of many existing funding options one of them presents cohesion policy instruments that are set up from the structural and cohesion funds. The management of the funds is incorporated into the Partnership Agreements between European Commission (EC) and Member States, on the secondary level various programmes for the implementation of the European Cohesion Policy (ECP) by the regions and/or by themes (infrastructure, social development, regional development, competition, research, development and innovation, etc.) are prepared and finally approved by the EC. Implementation of agreed priorities are put into practice by Member States, on the basis of shared management, as defined in the Financial Regulation of the EU². Specifically, implementation of the structural and cohesion funds is defined in the specific cohesion policy regulations that define agreed common EU rules as regards the implementation of different funds, mechanisms and instruments, also Integrated Territorial Development as a mechanism that may be used for the urban development in a Member State.

In general, the ECP is aimed at all regions and cities in the EU to support job creation, business competitiveness, economic growth, sustainable development, and improvement of the quality of life for citizens. The ECP promotes European solidarity, as the majority of funds are allocated to less developed European countries and regions to help them catch up with others as quickly as possible and to reduce economic, social, and territorial disparities that still exist within the EU³.

4.1.2. Urban development in Slovenia

Urban development in Slovenia has its framework defined in the Constitution, which defines the capital city, local self-government and urban municipalities⁴. Article 14 stipulates that urban municipalities perform besides the tasks according to the law also certain tasks of primary state jurisdiction that relate to the urban development.

The Ministry of Natural Resources and Spatial Planning (MNRSP) on the state level performs tasks relating to urban development, more accurately its Directorate for Spatial Planning. It also coordinates a territorial dialogue with the cities as regards urban development⁵. Main findings of the dialogue present also key challenges that are to be addressed or optimised in the future, namely: more systemic inclusion of cities in the development plans across different sectors (spatial planning, environment, development, economy, infrastructure, social policies, culture, health, agriculture). The MNRSP operates as a coordinator of horizontal, inclusive approach that is called territorial dialogue. It performs mainly tasks related to normative and strategic framework for urban development. In this context Spatial Development Strategy of Slovenia until 2050 plays a significant role. The strategy was approved also with the Resolution of the Slovenian Parliament in July 2023⁶. It defines urban development as steering and planning of the development in cities, other urban settlements and wider urban areas.

Its main principles are:

- Rational use of resources
- Spatial Cohesion
- Long-term orientation with set mid-term objectives
- Coordinated public policies
- Thoughtful use of resources and space
- Participatory and inclusive approach towards spatial planning

The concept of the spatial development of Slovenia emphasises the need for a further polycentric urban development model of Slovenia – concentrated on the wider urban areas in which urban municipalities play a key role.

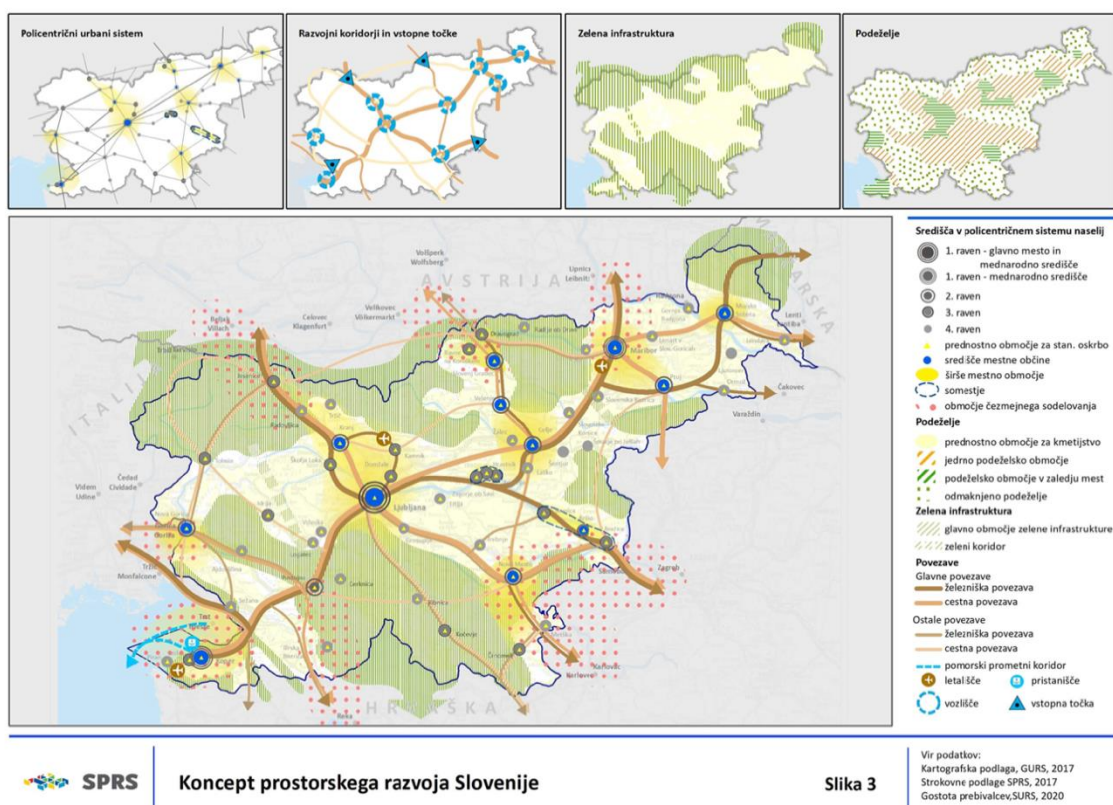


Figure 1: Concept of spatial development of Slovenia

Furthermore, it defines 4-level structure of settlements. Out of 212 municipalities 12 of them are entitled a status of urban municipalities (Ljubljana, Maribor and Koper as centres of international importance, Celje, Kranj, Nova Gorica, Velenje, Slovenj Gradec, Ptuj, Murska Sobota, Novo mesto as centres of second level importance and Krško). The Spatial Development Strategy of Slovenia in addition links the importance of urban municipalities in the wider urban areas as functional (not administrative) areas of key importance for urban development.

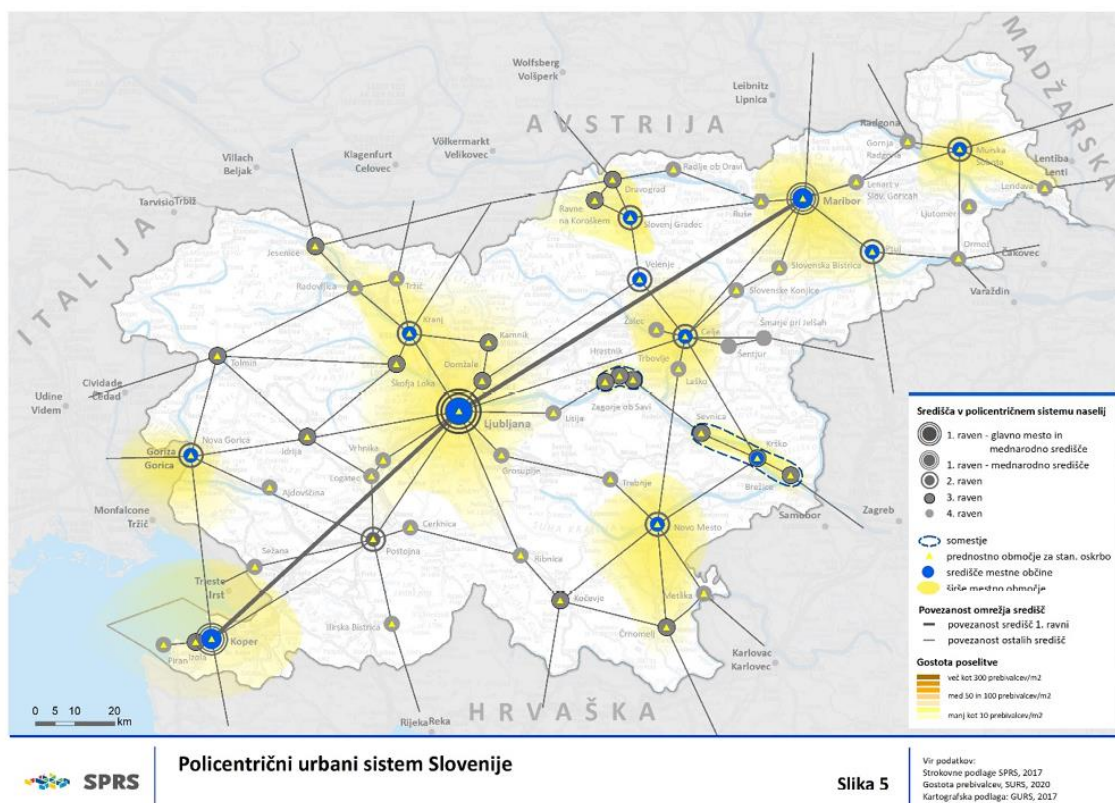


Figure 2: Polycentric urban system in Slovenia

4.1.3. Urban development and ITI in Slovenia from the strategic point of view

Urban development in Slovenia in wider terms therefore encompasses many specific features. In order to streamline current analysis in this report, the focus is put on the implementation of ITI mechanism through cohesion policy programme (see Chapter 7). Nevertheless, especially in the analysis of the strategic framework some accents will have to be made also on a wider context that clearly defines the ITI mechanism in cohesion policy to address urban development in Slovenia. In this regard, for the purpose of the analysis, the difference between urban development and ITI mechanism has to be put forward. According to EU cohesion policy regulations⁷, general regulation⁸ defines three possible mechanisms in order to enable an integrated territorial approach:

- ITI
- Community-led local development
- Another territorial tool supporting initiatives designed by the Member State

Slovenia uses all three mechanisms: ITI to address urban development (focus on 12 urban municipalities), community-led local development to address local development through local action

groups, communities (37 local action communities⁹, using cohesion policy funds and also common agricultural policy funds) and another territorial tool, in Slovenia's case for addressing regional development according to Act on Balanced Regional Development¹⁰. The general regulation also defines the possibility of ITI that include investments that receive support from various funds, programmes to address certain territorial issues. This possibility remains unused in Slovenian system of implementation due to unclarities how to enable on one hand monitoring of the results on the level of a project for more funds/programmes and at the same time not to cause a disproportionate administrative burden (for the beneficiary and for the administration as regards IT system, division of projects into more sub-projects/projects, prevent double financing, etc.). The issue is to be addressed further in the next chapters (implementation).

Further Regulation for the European Regional Development Fund (ERDF) implementation¹¹ defines sustainable urban development as an obligatory part of measures to be financed from ERDF (at least 8% of ERDF on national level must be dedicated to urban development, using one of the three mechanisms from the general regulation as stipulated in the text above). It requires that relevant territorial bodies shall select or be involved in the selection of projects. ZMOS is performing according to national Decree¹² on the implementation of ECP regulations tasks of the IB for the selection of ITI projects.

According to the system set in Slovenia, urban development from the cohesion policy is in a narrow sense implemented through ITI mechanism as described before. But in a wider sense it has to be underlined that ITI mechanism in fact supports only a part of urban development as such since there are various other mechanisms also in place that address directly or indirectly urban development from cohesion policy (e.g. calls for proposals for sustainable mobility projects, energy efficiency in public buildings, pilot projects as regards digitalisation of municipal public services and of general economic interest, waste water treatment and optimisation of water supply projects, etc.). In comparison to the ITI they are mainly instruments directed top-down from the national level. Although the preparation of such instruments involves also potential applicants, municipalities, mainly in form of consultations with the associations of municipalities, they are more suitable for simple, non-integrated projects whereby ITI means co-decision by the urban authorities (multi-level approach, top-down + bottom-up) and is intended to focus more on integrated projects and investments.

4.2. ITI mechanism

As stated above, ITI is a tool for implementing territorial strategies in a comprehensive manner. These investments are not a measure or a priority axis of an operational program, but they enable Member

States to implement cross-sectoral operational programs and access funding from various priority axes, one or more operational programs, thus ensuring the implementation of a comprehensive strategy for a particular area.

Measures to ensure sustainable urban development are based on the principle of harnessing the internal potential of urban areas while promoting economic growth consistent with environmental protection and human resources development. Effective collaboration and integration among urban centres and their surroundings facilitate knowledge transfer and the exchange of best practices, consequently contributing to strengthening partnerships for sustainable urban development (SUD). Through a comprehensive approach to planning and implementing investments in SUD with the help of the ITI mechanism, cities are directed towards:

- increasing the attractiveness of cities and urban areas;
- revitalising cities and individual urban areas (especially residential neighbourhoods and underutilised or degraded areas within cities);
- strengthening the economic, housing, and service functions of cities;
- creating conditions for sustainable mobility;
- improving the quality of the environment and living in cities; and
- promoting greater social inclusion and collaboration among urban residents.

4.2.1. ITI mechanism in Slovenia

The ITI mechanism in Slovenia is aimed at realising the objectives of SUD strategies adopted by urban municipalities in 2015, for which a total of approximately EUR 139 million from the ERDF, the CF, and funds from the budget of the Republic of Slovenia were allocated for the period 2014-2020. Such investments in SUDs funded through the implementation of the ITI mechanism can be carried out in all 12 Slovenian urban municipalities. Supported investments are those that predominantly contribute to achieving the goals of SUDs of each urban area and to achieving the objectives and indicators of the OP ECP 2014–2020¹³. The ITI mechanism enabled the utilisation of co-financing resources from three priority investments of the OP ECP 2014-2020, namely:

- PA 4.1 (Ministry of Infrastructure - MOI as the IB) - Promotion of energy efficiency, smart energy management, and the use of renewable energy sources in public infrastructure, including public buildings and the residential sector;

- PA 4.4 (MOI as the IB) - Promotion of low-carbon strategies for all types of areas, particularly urban areas, including the encouragement of sustainable multimodal urban mobility and appropriate mitigation and adaptation measures;
- PA 6.3 (Ministry of Environment and Spatial Planning – MESP - as the IB) - Measures to improve the urban environment, revitalize cities, remediate and decontaminate degraded land (including areas undergoing transformation), reduce air pollution, and promote actions to mitigate noise.

During the ECP period 2014-2020, urban municipalities accessed almost 100% of co-financing funds through the ITI mechanism, resulting in the acquisition of 91 support decisions. The IB ZMOS issued 11 public calls for project proposals.

The documents used as a basis for establishing the ITI mechanism in the Republic of Slovenia for the programming period 2014-2020 can be found in Annex I.

4.3. Important actors and processes within the ITI Mechanism

4.3.1. Organisational processes at IBs and MA

Organisational processes at IBs and MA within the ITI mechanism involve steps that are carried out in a specific sequence. Processes (within IBs, among IBs and/or MA and/or beneficiaries) are interconnected and influence each other. The successful implementation of one process can affect the implementation of other processes, which represents a significant impact on the success of cohesion funds absorption within the framework of implementing the ITI mechanism. The analysis of organisational processes in implementing the ITI mechanism from the beneficiary's perspective including recommendations for improvements for more efficient and successful absorption of co-financing funds can be found in Chapter 6.

In the programming period 2014-2020, ZMOS acts as the IB for the selection of ITI projects and is responsible for publishing calls for proposals and selecting projects. Government Office for Development and European Cohesion Policy (GODC), acting as the MA, is responsible for preparing management and implementation programs, overseeing project implementation, reporting, collaborating with the EC, and providing technical assistance and guidance.

4.3.1.1. Managing Authority

The MA is responsible for the efficient and proper management of the implementation of the OP ECP 2014-2020. With the aim of ensuring appropriate and as uniform implementation as possible, the MA issues implementation guidelines based on the Regulation of the ECP and other European regulations

directly applicable¹⁴. The MA prepares the national implementing regulation and designates IBs to ensure the proper functioning of the implementation process. Furthermore, the MA prepares and signs a written agreement with ZMOS that covers the roles and procedures necessary for the smooth execution of the ITI strategy.

In terms of implementation, the key task of the MA is to decide on support for individual selection methods of projects (public calls for proposals or projects or programs that are directly approved) prepared by the IBs (ministries and ZMOS), and to conduct monitoring of fund utilisation after support decisions are issued. The MA is crucial in the programming period, having an important role in deciding which topics will be part of ITI, how much funds will be allocated, and ensuring that the priorities align with the overall strategic objectives. To support this, the MA adopts the instructions on the implementation of ITI, which are mandatory for IBs, and which set the process of project selection and approval. After these steps, the MA gives the final approval on co-financing of individual projects, ensuring that the projects align with strategic priorities and available funds. The MA coordinates with the IBs, monitors the implementation of the mechanism, and ensures that the overall process aligns with the European Cohesion Policy objectives. In a systemic sense, the MA is responsible for the information system in the field of the ECP and implements measures for public information and communication as well as evaluation of implementation.

The tasks of the MA in the Republic of Slovenia were carried out by the Government Office for Development and European Cohesion Policy (GODC), which is responsible for managing the operational program in accordance with the principle of sound financial management. The organisation and selected procedures of the MA relevant to the ITI mechanism include:

- Procedures supporting the work of the Monitoring Committee.
- Procedures for a system that computationally collects, records, and stores data on individual projects necessary for monitoring, evaluation, financial management, verification, and audit, including data on individual participants and, if necessary, disaggregated data on indicators by gender. This process relates to procedures for entering, recording, and storing data on individual projects within funding programs into the e-MA system. Data entry into the e-MA system is decentralised, involving IBs implementing projects within their respective areas.
- Procedures for monitoring tasks formally delegated by the MA according to Article 123 (6) and (7) of Regulation (EU) No 1303/2013.

Procedures for assessing, selecting, and approving projects and ensuring their compliance with applicable rules throughout the implementation period. The Implementation Plan (INP) is a substantive and financial breakdown of the operational program. It determines how to achieve specific

objectives of the OP and serves as the basis for the preparation of the national budget. The INP is adopted for the entire programming period and includes methods for selecting projects from the entire country area. The INP represents only the right to spend within the national budget; the MA subsequently (based on the received application for support decision) decides on supporting a specific project.

4.3.1.2. Intermediate Bodies

GODC has clearly outlined in the official MA's Instructions for fulfilling the conditions for performing IB tasks general guidelines and minimum standards for a unified approach to performing the tasks of the IB. IB must also ensure, regarding to the official MA's instructions (including but not limited to related to the implementation of ITI):

- Organisational chart with a description and division of tasks covering all stages of implementing the ECP (from planning, selection of projects, verification, and monitoring of project implementation to achieving project objectives),
- Verification of the compliance of projects with EU and RS rules – preliminary verification of administrative, technical, and substantive compliance of the application for direct approval of the project,
- Implementation of the monitoring and evaluation system of the OP – monitoring of implementation and verification of project implementation, reporting),
- Implementation of a system for preventing, detecting, recording, investigating, and correcting irregularities and fraud, enabling verification by auditors,
- Management and implementation of ITI, where relevant,
- System for recording and storing accounting data for each project in computerised form and collecting data on implementation necessary for financial management, monitoring, and evaluation,
- Compliance with requirements regarding information and public communication.

The role of IBs is carried out by ministries (MESP, MOI) and ZMOS. These are bodies to which certain tasks of the MA have been transferred to in accordance with national legislation. The key task of IBs is the preparation and implementation of selection methods for projects (public calls for proposals or projects or programs that are directly approved), including supervision and verification of the correctness and effectiveness of the funds spent. ZMOS as an IB prepares and publishes ZMOS ITI calls, which are calls for proposal for projects to be financed by the ITI mechanism. On the basis of such call, ZMOS reviews the applications, selects the projects, and prepares a list of selected projects to be then presented to the ministerial IBs. This selection process by ZMOS represents the ITI Phase 1. Ministerial

IBs assess project applications in Phase 2, which means further review and send the application of individual projects to the MA for approval, as well as sign the co-financing agreements with final beneficiaries (urban municipalities). For successful applications, ministerial IBs monitor the implementation of projects, and oversee the implementation of the program's indicators. Ministerial IBs also adopt the content guidelines. If all funds are not utilised and all indicators are not achieved, the IB gives the green light for the publishing of a new ZMOS ITI call for projects.

ZMOS was accredited by the EC in 2016 as an IB within the framework of the ECP in connection with the tasks of the body responsible for urban development. This accreditation provided municipalities with an additional opportunity to access cohesion funds through the ITI mechanism, which was newly established in the Republic of Slovenia. As an IB, ZMOS carried out the tasks of the ITI mechanism for the 2014-2020 programming period in accordance with the third paragraph of Article 10a and the tasks related to the implementation of financial instruments in accordance with the fourth paragraph of Article 10b of the Regulation on the Use of Funds from the ECP in the Republic of Slovenia in the programming period 2014-2020¹⁵, which is the national regulation on ECP. In OP ECP 2014-2020, ZMOS performed tasks related to the project selection for the three PAs as mentioned in Chapter 4: energy efficiency of public housing (PA 4.1), sustainable mobility (PA 4.4), and urban renewal of degraded areas (PA 6.3). Additionally, ZMOS coordinates with the ministries on the call's text, prepares forms, publishes the call, reviews the applications, and adopts the list of selected projects. ZMOS also keeps track of indicator achievement and informs urban municipalities about the process.

The MESP carries out the tasks of the IB on several priority investments within the framework of the OP ECP 2014-2020. Within the ITI mechanism, MESP has the authority to implement PA 6.3 The OSUN lists the tasks that MESP performs as the IB in the implementation of the ITI, procedures for verifying projects, procedures for receiving, verifying, and approving the payment request, procedures for confirming projects, audit procedures, and others.

The MOI carries out the tasks of the IB on several priority investments within the framework of the OP ECP 2014-2020. Within the ITI mechanism, MOI has the authority to implement PA 4.1 and 4.4. The OSUN lists the tasks of MOI in the implementation of the Phase 2 of the ITI mechanism, procedures for verifying projects, procedures for receiving, verifying, and approving payment request, procedures for confirming projects, audit procedures, and others.

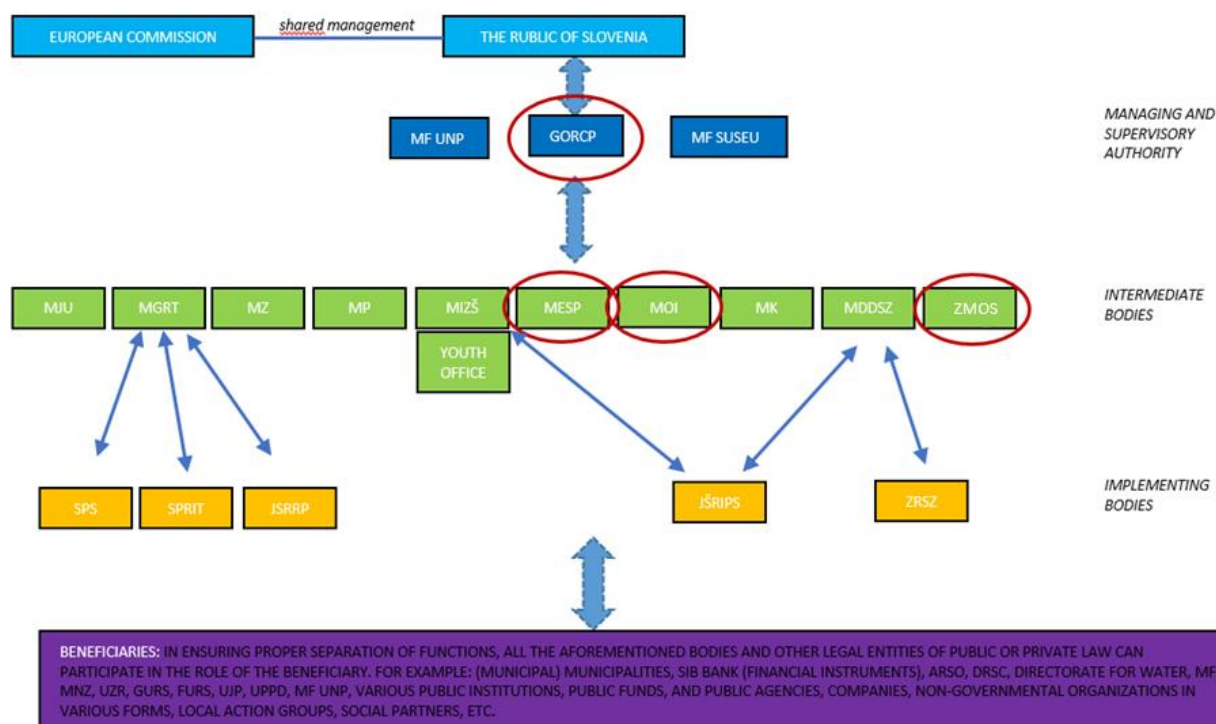


Figure 3: General structure of the implementation system of the ECP 2014-2020

4.4. Beneficiary view and ministry view

In this report, the beneficiary perspective includes the perspective of ZMOS as the representative of beneficiaries. The ministry view includes the perspective of the MA and the various ministries acting as IBs. ZMOS performs the tasks of IB only for the selection of projects, but on the other hand it is also an assembly of beneficiaries. Therefore, as it acts in both roles (representative of beneficiaries and as IB – internal separation of functions), but is not covered in the national ministry perspective.

5. Analysis of ITI 2014-2020 Project Data and Procedures¹⁶

5.1. Methodology remarks

The database for the analysis is structured at the project level to highlight the differences between the processes of the beneficiaries and those of the IBs.

In terms of date adjustments for the data, when a specific month was provided (e.g. September 2020), a mid-month date (e.g. 15.9.2020), was used for analysis. Additionally, when multiple recurring activities were involved, such as repeated procurement or construction in several phases, the start date of the first activity and the end date of the last activity were considered.

For the purpose of this analysis, project preparation is defined as the process of preparing investment and project documentation, while project implementation refers to the public procurement necessary for construction and the construction itself. Although there are additional activities, the key ones with the longest duration are highlighted.

5.2. Applications to the ITI 2014-2020 mechanism

11 calls have been published under the ITI 2014-2020. PA 4.1 was only launched in the first call. For PA 4.4, three calls for ERDF and CF co-financing were launched separately, for a total of six calls. For PA 6.3, four calls were launched, with the last call launched for the application of reserve projects for the full absorption of the quota.

Priority Axis	1ST PHASE	2ND PHASE	END OF 2ND PHASE
1-PA 4.1	17.03.2017	21.08.2017	21.08.2018
1-PA 4.4	6.10.2017	26.01.2018	26.01.2019
ESRR			
1-PA 4.4 CF	18.05.2018	25.09.2018	25.09.2019
1-PA 6.3	26.05.2017	14.09.2017	14.09.2018
2-PA 4.4	27.09.2019	12.03.2020	27.02.2022
ERDF			
2-PA 4.4 CF	27.09.2019	14.02.2020	25.10.2021
2-PA 6.3	28.09.2018	5.02.2019	5.10.2019
3-PA 4.4	1.06.2021	6.10.2021	6.07.2022
ESRR			
3-PA 4.4 CF	1.06.2021	12.10.2021	12.07.2022
3-PA 6.3	15.11.2019	30.03.2020	30.09.2021
4-PA 6.3	10.11.2021	25.01.2022	25.10.2022

Figure 4: Table of calls for proposals by priority investment

150 applications for co-financing were submitted by urban municipalities, of which 91 were successful (61%) and 59 unsuccessful (39%).

Priority axis	1 st call for projects (by ZMOS)	2 nd call for projects (by ZMOS)	3 rd call for projects (by ZMOS)	4 th call for projects (by ZMOS)	Successful applications	Unsuccessful applications	Total	%
PA 4.1	8				8	2	10	7%
PA 4.4	21	16	5	1	43	29	72	48%
PA 6.3	18	7	12	3	40	28	68	45%
Sum	47	23	17	4	91	59	150	100%
Share	31%	15%	11%	3%	61%	39%	100%	

Figure 5: Number of applications per priority axis and call

5.2.1. Successful applications

91 projects were successful under the ITI mechanism. 47 applications (52%) were submitted to the first call, 23 (25%) to the second call, 17 (25%) to the third call and 4 (4%) to the fourth call.

Due to its nature, priority axis PA 4.1 had only 8 applications (9%), while PA 4.4 and PA 6.3 had a comparable number of applications, 43 (47%) and 40 (44%).

Priority axis	1st call	2nd call	3rd call	4th call	Sum	%
PA 4.1	8				8	9%
PA 4.4	21	16	5	1	43	47%
PA 6.3	18	7	12	3	40	44%
Sum	47	23	17	4	91	100%
Share	52%	25%	19%	4%	100%	

Figure 6: Number of successful applications per priority axis and call

5.2.2. Unsuccessful applications

Of the 59 unsuccessful applications, 14 (24%) did not complete the process of completing the application in Phase 2 at the IB (MESP, MOI), 39 applications (66%) were withdrawn, one application (2%) did not meet the conditions of the call and was rejected in Phase 1, four applications (7%) were reserve applications that did not succeed at the end, and another application (2%) was merged into one broader project in Phase 2.

Applications that did not complete the co-financing application process may be due to underestimation of the time needed for a complete application or an application that is difficult to align with the call requirements, difficulties in securing land or other constraints.

Applications may be withdrawn by beneficiaries who, after completing Phase 1 successfully, decide not to proceed with project development and do not complete the Phase 2 application. This may also be influenced by changes in political priorities, as the ITI mechanism spans three mayoral terms. Additionally, due to uncertainties around general co-financing calls in the country, urban municipalities may initially apply for a project under the ITI mechanism in Phase 1 but withdraw the application if a co-financing call is subsequently issued.

The application that was rejected did not meet the conditions of the call, in terms of submission on time.

At the closure of the financial period, four reserve projects were prepared to draw on the remaining funds. None of the reserve projects did proceed to Phase 2 because there was no time to implement the project or there were no longer sufficient funds available.

The number of unsuccessful applications should be highlighted as they consume resources (human and financial) in the same way as applications that result in a co-financing agreement.

	PA 4.1	PA 4.4	PA 6.3	Sum	%
Did not finish			14	14	24%
Withdrawal	1	25	13	39	66%
Rejected (ZMOS)	1			1	2%
Reserve project		4		4	7%
Merging of 2 projects in Phase 2			1	1	2%
Sum	2	29	28	59	100%
%	3%	49%	47%	100%	

Figure 7: Showing the number and reasons for unsuccessful applications by priority investments and calls

5.2.3. Readiness of urban municipalities projects in terms of number of applications per call

The majority of applications (47, which corresponds to 51% of all applications) were submitted to the first call. The number of applications to the fourth call was small, as this was only for the use of remaining funds with projects in reserve.

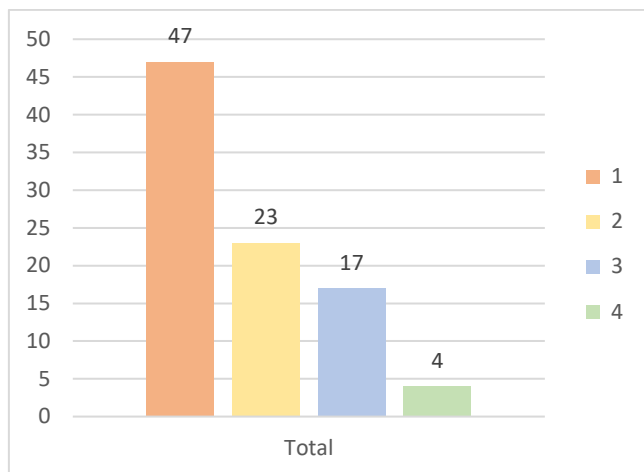


Figure 8: Number of applications per call

Urban municipalities were at different levels of project readiness, as reflected in the proportion of applications per urban municipality per call. The momentum of most urban municipalities at the first call was significant.

Some urban municipalities used up the full indicative allocation in two calls: Celje, Murska Sobota, Slovenj Gradec in calls 1 and 2, and Ljubljana in calls 1 and 3.

	1st call	2nd call	3rd call	4th call	Sum
Ljubljana	7		2		9
Velenje	6	2	1	1	10
Celje	6	2			8
Koper	6	3	1	1	11
Maribor	5	3	3		11
Ptuj	4	1	1		6
Novo mesto	4	3	3		10
Murska Sobota	3	3			6
Nova Gorica	2		4	1	7
Kranj	2	4	2	1	9
Slovenj Gradec	2	2			4
Skupaj	47	23	17	4	91

Figure 9: Number of applications per urban municipality per call

5.2.4. Absorption of all ITI funds

To ensure absorption of all available ITI funds, reserve projects were introduced. Those had completed Phase 1 and were waiting for funds that could be released from other projects when they were finished. This method proved successful, but was resource and staff intensive, both on the beneficiary side with the preparation of the projects, and on the IB side in Phase 1 with processing, as not all the reserve projects went through to implementation.

In order to ensure that all available resources of the mechanism are used for the financial period 2021-2027, it is therefore reasonable to introduce overcommitment¹⁷ as the most efficient method at all levels to achieve the objective of using all available resources.

5.3. Duration of cycles on ITI 2014-2020: Projects (90 projects)

5.3.1. Project preparation

5.3.1.1. Length of cycles for the preparation of investment documents

According to the Documentation Methodology Regulation, the first investment document is the Document Identifying the Investment (DIIP). This document is necessary for the placement of the project into the Development Programme Plan¹⁸ (DPP) in the budget, which determines the total costs per year and the sources of investment. The last document is the IP, which may also have amendments if there are substantial changes to the investment.

The average cycle for the preparation of the investment documents is 25.1 months (2.1 years), being for PA 4.1 14.9 months (1.2 years), for PA 4.4 20.1 months (1.7 years) and for PA 6.3 32.6 months (2.7 years). The longer duration for both PA 4.4 and PA 6.3 is due to the high complexity of the projects.

If the duration is compared by calls, it is observed that the first call shows a shorter cycle, with an average of 20.5 months (1.7 years). This may be due to the rapid response of the urban municipalities to the applications on the first calls, as the detailed eligible content and conditions are known before the calls were published. The cycle for the second call was 24.7 months (2.1 years), the cycle for the third call was significantly longer at 37 months (3.1 years) and the cycle for the fourth call was 28.8 months (2.4 years).

Priority Axis	1st call	2nd call	3rd call	4th call	Average
PA 4.1	14,9				14,9
PA 4.4	15,1	26,2	21,5		20,1
PA 6.3	29,3	21,3	44,7	28,8	32,6
Sum	20,5	24,7	37,0	28,8	25,1

Figure 10: Average cycle duration for the preparation of investment documents by priority axis in months

For some projects, the cycle can be very long (e.g. 11 or 12 years), indicating that the project was budgeted several years ago but not implemented due to complexity or insufficient financial resources. During this time, certain activities were carried out, but the actual implementation was conditional on obtaining funding sources and took place during the period of implementation of the ITI mechanism.

For this reason, a very long cycle for the preparation of the investment documentation may also be observed, although the activities were probably not carried out with the intensity that is the practice for the preparation of a project with known funding and implementation deadline.

Priority Axis	1st call	2nd call	3rd call	4th call	Maximum
PA 4.1	3,0				3,0
PA 4.4	5,8	3,9	4,4		5,8
PA 6.3	11,5	2,9	12,1	3,2	12,1
Sum	11,5	3,9	12,1	3,2	12,1

Figure 11: Maximum cycle length for the preparation of investment documents by priority axis and call in years

5.3.1.2. Cycle lengths for the preparation of project documentation

Several documents are required for project design, depending on the nature of the investment. The cycle from the first document is followed, which is the project brief, to the final documentation.

The cycle for the preparation of the design documents was on average 22.9 months (1.9 years). For PA 4.1 it was 10.2 months (0.8 years); for PA 4.4, 19.5 months (1.6 years) and for PA 6.3, 29.4 months (2.4 years). The complexity of projects is high for PA 4.4 and even higher for PA 6.3.

The first and second call show a shorter cycle, on average 20 months (1.7 years), which may be due to the selection of projects by urban municipalities for quick responses to the first two calls. The cycle for the third call was extended to 30.2 months (2.5 years) and the fourth call to 47.4 months (4 years), indicating the preparation of more complex projects.

Priority Axis	1st call	2nd call	3rd call	4th call	Average
PA 4.1	10,2				10,2
PA 4.4	21,9	16,2	19,9		19,5
PA 6.3	24,1	27,5	35,3	47,4	29,4
Sum	20,8	19,6	30,2	47,4	22,9

Figure 12: Average cycle duration for the preparation of project documents by priority axis and call in months

Similarly to the investment documentation, the project documentation cycle can be very long, suggesting that the activities to prepare the project implementation may have started several years ago, when the DIIP was prepared and the funds for the implementation of the activities were planned in the DPP on the budgets. Implementation did not take place earlier due to the complexity of the

project or insufficient financial resources. The design work was completed in order to prepare the projects for the ITI calls for proposals.

For this reason, for individual projects, the cycles for the preparation of project documentation can be very long (e.g. 10 years), although the activities were probably not carried out with the intensity that is the practice for the preparation of a project with known funding, when the activities are carried out with the normal dynamics for the completion of the investment.

Priority Axis	1st call	2nd call	3rd call	4th call	Maximum
PA 4.1	2,4				2,4
PA 4.4	9,8	4,3	2,6		9,8
PA 6.3	4,9	5,5	10,3	6,5	10,3
Sum	9,8	5,5	10,3	6,5	10,3

Figure 13: Maximum cycle length for the preparation of project documents by priority axis and call in years

5.3.2. Project implementation

5.3.2.1. *Public procurement procedure for the selection of a contractor for the execution of works*

The construction contractor is selected on the basis of a public procurement procedure. The duration of the public procurement procedure for the construction works is defined as the cycle from the public procurement call to the date of signature of the contract with the contractor. In the case of repeated tenders, the date of the first call is used in the analysis.

On average, the cycle lasted 4.4 months (0.4 years). Given the short cycle for a public procurement compared to other cycles, variations in duration were not analysed.

Priority Axis	1st call	2nd call	3rd call	4th call	Average
PA 4.1	2,4				2,4
PA 4.4	4,2	5,2	5,7		4,8
PA 6.3	4,5	4,8	4,5	2,3	4,4
Sum	4,0	5,1	4,9	2,3	4,4

Figure 14: Average procurement cycle length by priority axis and call in months

5.3.2.2. Construction

The duration of the construction works is defined as the time from the date of signing the contract with the contractor until the date of completion of the works. On average, the cycle time is 16.8 months (1.4 years). On average, the calls have comparable construction duration.

Priority Axis	1st call	2nd call	3rd call	4th call	Average
PA 4.1	8,6				8,6
PA 4.4	15,4	16,4	14,4		15,7
PA 6.3	19,7	19,9	20,3	17,6	19,8
Sum	15,9	17,5	18,4	17,6	16,8

Figure 15: Average cycle time for construction execution by priority axis and call in months

The maximum cycle time for construction execution in years per call varies between 1.7 and 3.7 years.

Priority Axis	1st call	2nd call	3rd call	4th call	Maximum
PA 4.1	2,7				2,7
PA 4.4	3,7	2,6	3,2		3,7
PA 6.3	3,7	3,5	3,5	1,7	3,7
Sum	3,7	3,5	3,5	1,7	3,7

Figure 16: Maximum cycle length for construction execution by priority axis and call in years

5.3.3. Length of the project preparation and implementation cycle

According to data, for each of the 90 projects in the analysis, investment documentation takes on average 25.1 months to prepare, while project documentation takes on average 22.9 months. These two processes run partly in parallel and are not added together. The last document of the investment documentation is typically prepared during the construction phase.

The procurement process takes on average 4.4 months and the construction period on average 16.8 months. These two procedures run consecutively. The total duration of the works on average is 21.3 months (1.8 years).

The average cycle lengths of the PPA and the construction phase are indicative of the implementation of complex major developmental projects, as expected under the ITI mechanism.

The project preparation cycle shows how much time is needed to develop projects and why it is difficult to ensure quality-prepared applications for co-financing of implementation projects when ad hoc calls for EU co-financing are launched.

Priority Axis/ Call	Investment documentation duration (in months)	Project documentation duration (months)	Public procurement (PP) duration (months)	Construction period duration (months)	PP and construction period Duration (months)	PP and construction period Duration (years)
PA 4.1 sum	14,9	10,2	2,4	8,6	11,0	0,9
1	14,9	10,2	2,4	8,6	11,0	0,9
PA 4.4 sum	20,1	19,5	4,8	15,7	20,4	1,7
1	15,1	21,9	4,2	15,4	19,6	1,6
2	26,2	16,2	5,2	16,4	21,6	1,8
3	21,5	19,9	5,7	14,4	20,2	1,7
PA 6.3 sum	32,6	29,4	4,5	19,8	24,3	2,0
1	29,3	24,1	4,5	19,7	24,2	2,0
2	21,3	27,5	5,1	19,9	25,0	2,1
3	44,7	35,3	4,5	20,3	24,8	2,1
4	28,8	47,4	2,3	17,6	20,0	1,7
Sum	25,1	22,9	4,4	16,8	21,3	1,8

Figure 17: Average cycle duration for project preparation and implementation by priority axis and call in months and years

5.4. Duration of cycles on the ITI 2014-2020 mechanism: Co-financing

In this chapter, 88 projects were analysed. Three projects have not yet received a co-financing contract by 1 March 2024, therefore all three projects have been excluded from the analysis of the duration of the co-financing cycles (UM Velenje: Old Town Core Revitalisation Programme; UM Novo mesto: Main Square - Housing; UM Koper: Comprehensive Renovation of the Vergerijev trg 3 building).

For the analysis, the co-financing allocation were defined as the call for proposals, which is carried out in two phases, and all the documents for the co-financing allocation. The funds are disbursed during the period after the signed contract until the completion of the project, on the basis of payment requests. During this period, annexes to the co-financing contract are possible. A 5-year reporting period follows the completion of the project.

5.4.1. Calls for co-financing

The application to the ITI mechanism is a two-phase process. In this section, the duration of Phase 2 in its entirety by call was discussed. The Association of Urban municipalities of Slovenia (ZMOS) is the IB for the selection of projects in Phase 1.

In Phase 1, a call for proposals for co-financing projects is launched, applications are reviewed at the level of the basic investment documentation and a list of selected projects is confirmed, which have the possibility to enter Phase 2. According to the *Managing Authority's Guidelines for the implementation of the Integrated Territorial Investment Facility for the programming period 2014-2020*, these activities can take up to 5 months.

In Phase 2, beneficiaries finalise the preparation of their projects and submit their applications with the implementation documentation. The IB reviews the applications and asks for amendments, if needed, until the application is complete. At the end of Phase 2, the MA issues the support decision.

For the priority axis PA 4.1 - Energy renovation, one call was carried out in 2017.

Priority axis PA 4.4 - Sustainable mobility is financed by the ERDF and the CF, so it was necessary to carry out the calls separately. For each fund, three calls were made, so that for the content of PA 4.4 a total of six calls were made from 2017 to 2021.

For the priority axis PA 6.3 - Urban regeneration, four calls were implemented from 2017 to 2021, with the fourth call dedicated to reserve projects to use up the remaining funds available.

The results shown are at the system level for a given duration of all invitations.

The duration of Phase 1 is the same for all projects in each call. The whole Phase 1 process could only be completed ahead of schedule if the procedures for all projects were completed.

The duration of Phase 2 is systemically set as the maximum permissible duration of Phase 2. However, at the individual project level, for ready projects, Phase 2 can be significantly shorter, as the beneficiary can submit the application for Phase 2 as soon as Phase 2 has started.

Calls and PA	Dates			Duration (in months)		
	1 st phase	2 nd phase	end 2 nd phase	1 st phase	2 nd phase	1 st + 2 nd phase
1 - PA 4.1	17.03.2017	21.08.2017	21.08.2018	5,1	12,0	17,1
1 - PA 4.4 ERDF	6.10.2017	26.01.2018	26.01.2019	3,7	12,0	15,6
2 - PA 4.4 ERDF	27.09.2019	12.03.2020	27.02.2022	5,5	23,5	29,0
3 - PA 4.4 ERDF	1.06.2021	6.10.2021	6.07.2022	4,2	9,0	13,1
1 - PA 4.4 CF	18.05.2018	25.09.2018	25.09.2019	4,3	12,0	16,2
2 - PA 4.4 CF	27.09.2019	14.02.2020	25.10.2021	4,6	20,3	24,9
3 - PA 4.4 CF	1.06.2021	12.10.2021	12.07.2022	4,4	9,0	13,3
1 - PA 6.3	26.05.2017	14.09.2017	14.09.2018	3,6	12,0	15,6
2 - PA 6.3	28.09.2018	5.02.2019	5.10.2019	4,3	7,9	12,2
3 - PA 6.3	15.11.2019	30.03.2020	30.09.2021	4,5	18,0	22,5
4 - PA 6.3	10.11.2021	25.01.2022	25.10.2022	2,5	9,0	11,4

Figure 18: Table of dates of ITI ZMOS calls and system duration of Phase 1 and Phase 2 for all NSAs and all calls in months

5.4.2. Phase 1

On average, Phase 1 for all calls and all PAs took 4.2 months.

The longest duration of a Phase 1 of a call was the second call for CF co-financing PA 4.4, which was 5.5 months, due to the COVID pandemic.

The shortest duration was the fourth call for PA 6.3, which lasted 2.5 months. The call was special because it was only for the reserve projects application.

For PA 4.4 it appears that the average duration of Phase 1 is the same at 4.4 months (this includes 1 month deadline for submitting applications), as all processes are the same regardless of the source of co-financing, so for the purpose of the survey let us follow the data for PA 4.4 together.

Priority Axis	1st call	2nd call	3rd call	4th call	Average
PA 4.1	5,1				5,1
PA 4.4 ERDF	3,7	5,5	4,2		4,4
PA 4.4 CF	4,3	4,6	4,4		4,4
PA 6.3	3,6	4,3	4,5	2,5	3,7
Average	4,2	4,8	4,3	2,5	4,2

Figure 19: Cycle length for Phase 1 by priority axis and call, ERDF and CF separately, in months

The duration of Phase 1 has been defined as the shortest possible from the outset, so there is no room for shortening the cycle in this process. It should be noted that the approval of applications is done by the ITI Expert Commission members outside of their employment and it is done on top of their job workload.

5.4.3. Phase 2

The application had to be complete within 9 months for the first calls for all PAs (PA 4.1, PA 6.3, PA 4.4 ERDF, PA 4.4 CF), for later calls this period was reduced to 6 months in the *Managing Authority's Guidance for the implementation of the Integrated Territorial Investment Facility for the programming period 2014-2020*. The possibility to shorten the timeframe was suggested because beneficiaries knew the conditions for preparing new projects after the closure of Phase 1 of the first calls and could have already started preparing new projects well before the second call. At the same time, the beneficiaries' objective was to shorten the cycle to the receipt of the co-financing contract.

Due to the COVID pandemic, the second phase of the second call for PA 4.4 funded by CF and ERDF was stretched to 23.5 and 20.3 months respectively, and the third call for PA 6.3, to 18 months. For the other calls, the duration was as set out in the *Managing Authority's Guidance for the implementation of the Integrated Territorial Investment Facility for the programming period 2014-2020*.

Priority Axis	1st call	2nd call	3rd call	4th call	Average
PA 4.1	12,0				12,0
PA 4.4 ERDF	12,0	23,5	9,0		14,8
PA 4.4 CF	12,0	20,3	9,0		13,7
PA 6.3	12,0	7,9	18,0	9,0	11,7
Average	12,0	17,2	12,0	9,0	13,1
Full application	9 months	6 months			

Figure 20: Cycle length for Phase 2 by priority axis and call, ERDF and CF separately; in months

5.4.4. Total duration of Phase 1 and Phase 2

The duration of Phase 1 and Phase 2 together represents the duration of the process from the publication of the ZMOS call in Phase 1 to the awarding of the decision on support (DoS) projects in the calls. For calls without specificities, the average duration was 16.1 months for the first calls with a project preparation time of 9 months, and 12.2 to 13.3 months after the reduction of the project preparation time to 6 months, with the exceptions of the second call for PA 4.4 and the third call for PA 6.3 due to the COVID pandemic.

Priority Axis	1st call	2nd call	3rd call	4th call	Average
PA 4.1	17,1				17,1
PA 4.4 ERDF	15,6	29,0	13,1		19,2
PA 4.4 CF	16,2	24,9	13,3		18,1
PA 6.3	15,6	12,2	22,5	11,4	15,4
Average	16,1	22,0	16,3	11,4	17,4
Full application	9 months	6 months			

Figure 21: Cycle length for Phase 1 and Phase 2 by priority axis and call in months

5.4.5. Co-financing documents

The co-financing documents are DoS (issued by the MA), the co-financing decision only issued by the IB MESP in 2014-2020 (only for PA 6.3) and the co-financing contract (concluded between ministerial IB and the beneficiary).

5.4.5.1. Decision on support

The Phase 2 process is completed with the issuing of the DoS. The average is calculated over 88 projects¹⁹.

Priority Axis	1st call	2nd call	3rd call	4th call	Average
PA 4.1	12,1				12,1
PA 4.4	13,6	18,9	14,7		15,7
PA 4.4 ERDF	12,3	19,3	11,9		15,2
PA 4.4 CF	15,0	18,2	17,5		16,4
PA 6.3	11,5	9,8	15,0	14,0	12,3
Average	12,5	16,1	14,9	14,0	14,0

Figure 22: Real cycle duration for Phase 2 by priority axis and call, ERDF and CF separately, in months

5.4.5.2. Co-financing decision and co-financing agreement

The Managing Authority's Guidance for the implementation of the Integrated Territorial Investment Facility for the programming period 2014-2020 do not define the procedures after the DoS is issued, but those procedures are prescribed by the IB themselves. As a consequence, beneficiaries under one mechanism have different ways of working depending on the IB.

For PA 6.3 Urban regeneration, the MESP (as IB) issues a co-financing decision and a co-financing contract for the value of the project up to the amount of the contracts of public procurement (IB MESP was conducting a review of public procurement processes before signing the contract, which also prolonged the time to the preparation of co-financing contracts), with annexes for additional contracts, allocating funds up to the maximum amount of the DoS. This way of working imposes a significant additional administrative burden on both the contract administrators (at the IB) and the beneficiaries. The reason given by the IB is that in this case they do not have funds reserved in the development programme plan (DDP) for a project that may not absorb funds, with the logic that funds will be absorbed with certainty if a contract is signed.

The MOI (as IB for PA 4.1 and PA 4.4) issues a co-financing contract for the full amount after the DoS, which significantly helps projects. An annex will only be issued in case of significant deviations from the planned uptake according to the support decision. This way of working is considerably more efficient for the contract administrators in the ministries and for the beneficiaries (proposal for the way of working in 2021-2027 as a variant of this approach).

On average, the cycle from the completion of Phase 1 to the DoS is 14 months for all PAs.

From DoS to co-financing contract is 4.4 months for PA 4.1 and 3 months for PA 4.4. For PA 6.3, the cycle from the DoS to the co-financing decision is 2.7 months and the cycle to the contract is a further 8.7 months. This brings the cycle from the DoS to the co-financing contract to 11.3 months. This is approximately 7 months longer than the working methods of PA 4.1 and PA 4.4 in the other IB.

Priority Axis / Call	Duration Completion of Phase 1 - Decision on Support (months)	Duration Decision on Support - Cofinancing decision PA 6.3 (months)	Duration Cofinancing decision PA 6.3 - Contract (months)	Duration Decision on Support - Contract (months)	Duration Call - Contract (months)	Duration Call - Contract (years)
PA 4.1 sum	12,1			4,4	21,7	1,8
1	12,1			4,4	21,7	1,8
PA 4.4 sum	15,7			3,0	23,1	1,9
1	13,6			2,0	19,5	1,6
2	18,9			3,7	27,8	2,3
3	14,7			4,5	23,5	2,0
PA 6.3 sum	12,3	2,7	8,7	11,3	27,6	2,3
1	11,5	2,2	9,3	11,4	26,5	2,2
2	9,8	4,7	5,5	10,2	24,3	2,0
3	15,0	1,8	10,5	12,3	31,7	2,6
4	14,0	6,7	0,5	7,2	23,7	2,0
Sum	14,0			6,6	24,9	2,1

Figure 23: Average cycle lengths for co-financing documents by priority axis and call in months

5.4.6. Fund absorption

The period from the issuing of the co-financing agreement to the submission of the beneficiary's first request for payment lasts on average 3.5 months. During this period, the key is the opening of the project's DDP²⁰ in the national budget and the entry of the project data for reporting into the e-MA system on the part of the IB. On the beneficiary side, the legal basis and other documents are prepared and the entry of the request for payment is carried out.

The period from the submission of the first beneficiary's request for payment to the disbursement of funds under this request is on average 0.9 months. During this period, the IB carries out a review of the request for payment, which typically contains the legal bases for the first request for payment as well as subsequent requests for payment, so the review of the first request for payment can be more complex than most subsequent requests for payment. Where necessary, the beneficiary also corrects the request for payment.

The period from the issuing of the co-financing agreement to the disbursement of the first request for payment is therefore on average 4.4 months in total. This is the first co-financing received by the beneficiary.

The period from the submission of the first request for payment to the last request for payment is on average 10.7 months. During this period, the beneficiary issues requests for payment for all eligible costs.

Not eligible costs are either reported on the regular request for payment or issued in a zero request for payment at the end of the project. A zero request for payment is necessary for the administrative completion of reporting and it only reports non-eligible cost, hence no payment follows. The issuing of zero requests for payment²¹ has not been addressed as this is an administratively necessary document which has no impact on co-financing cycles.

The period from the submission of the last request for payment to the disbursement of funds is on average 0.9 months. The last request for payment should be relatively straightforward to disburse the last costs of the project according to the legal bases previously submitted. Based on real data, it appears that the disbursement time of the first and the last request for payment is comparable.

The overall cycle from the issuing of the co-financing contract to the disbursement of funds under the last real request for payment takes on average 14.3 months. This is the period after the conclusion of the co-financing contract during which the beneficiary receives the full co-financing disbursement.

The period for issuing requests for payment and payments is directly linked to the duration of the implementation of the project. It shows the period during which the beneficiary receives the co-financing pay-outs.

Not eligible costs are either reported in the regular request for payment or a comprehensive zero requests for payment is issued in at the end of the project.

Priority Axis / Call	Duration contract - 1st payment request (months)	Duration 1. payment request - payment (months)	Duration contract - 1. payment (months)	Duration 1. payment request - last real payment request (months)	Duration 1. payment request - payment of the last payment request (months)	Duration 1. contract - payment of the last real payment request (months)
PA 4.1 sum	4,3	1,9	6,2	5,1	1,9	7,3
1	4,3	1,9	6,2	5,1	1,9	7,3
PA 4.4 sum	4,0	0,6	4,6	11,5	0,7	16,1
1	1,9	0,6	2,5	16,1	0,4	18,4
2	6,6	0,7	7,3	9,5	0,9	17,0
3	3,9	0,9	4,8	0,8	0,9	5,6
PA 6.3 sum	2,7	1,1	3,8	10,9	1,0	13,8
1	2,0	1,1	3,1	13,2	1,0	14,4
2	3,0	1,4	4,3	15,1	1,2	19,3
3	4,0	1,0	5,0	6,5	0,9	11,4
4	0,5	0,4	0,9	1,9	0,5	2,9
Sum	3,5	0,9	4,4	10,7	0,9	14,3

Figure 24: Average cycle time for payment requests by priority axis and call in months

5.4.7. Length of the co-financing cycle

The cycle for obtaining and absorbing co-financing has the following phases: Phase 1 of the call, Phase 2 of the call with the issuing of the DoS (in the case of PA 6.3, an intermediate document, the co-

financing decision), the issuing of the co-financing contract and the implementation of the project until the date of completion of the project.

These figures are based on real data at the level of 88 projects.

Phase 2 takes on average 14 months until the DoS. The time taken to issue a contract on the basis of the DoS is approximately 4 months for PA 4.1 and PA 4.4, and 11.3 months for PA 6.3, as the procedure also requires the issuing of a co-financing decision. Overall, the cycle from a call to co-financing contract takes an average of 24.9 months (2.1 years).

Projects are implemented in an average of 16.2 months.

The average cycle from call to completion of the project is 41.1 months (3.4 years).

Priority Axis	Duration Phase 1 (months)	Duration #Completion of Phase 1 - Decision on support (months)	Duration Decision on support - cofinancing decision PA 6.3	Duration Cofinancing decision PA 6.3 - contract	Duration decision on support - contract (months)	Duration Call - Contract (months)	Duration Contract - date of completion of the operation (months)	Duration Call - completion of the operation (months)	Duration Call - completion of the operation (years)
PA 4.1 sum	5,1	12,1			4,4	21,7	8,4	30,1	2,5
1	5,1	12,1			4,4	21,7	8,4	30,1	2,5
PA 4.3 sum	4,4	15,7			3,0	23,1	16,4	39,5	3,3
1	4,0	13,6			2,0	19,5	18,0	37,4	3,1
2	5,1	18,9			3,7	27,8	18,2	46,0	3,8
3	4,3	14,7			4,5	23,5	5,9	29,4	2,5
PA 6.3 sum	3,9	12,3	2,7	8,7	11,3	27,6	17,7	45,3	3,8
1	3,6	11,5	2,2	9,3	11,4	26,5	19,6	46,2	3,9
2	4,3	9,8	4,7	5,5	10,2	24,3	22,1	46,4	3,9
3	4,5	15,0	1,8	10,5	12,3	31,7	12,6	44,3	3,7
4	2,5	14,0	6,7	0,5	7,2	23,7	7,9	31,6	2,6
Sum	4,3	14,0			6,6	24,9	16,2	41,1	3,4

Figure 25: Average cycle lengths for co-financing by priority investments and calls in months

The full cycle actually includes 5 years of reporting after the project is completed, so on average the full cycle lasts 8.4 years. The MA's *Guidance for the closure of the Operational Programme for the implementation of the European Cohesion Policy 2014-2020* were issued in December 2021.

PRIORITY AXIS /Call	Duration call - completion of the operation (years)	Reporting after completion of the operation (years)	Duration call - reporting after closure (years)
PA 4.1 sum	2,5	5,0	7,5
1	2,5	5,0	7,5
PA 4.3 sum	3,3	5,0	8,3
1	3,1	5,0	8,1
2	3,8	5,0	8,8
3	2,5	5,0	7,5
PA 6.3 sum	3,8	5,0	8,8
1	3,9	5,0	8,9
2	3,9	5,0	8,9
3	3,7	5,0	8,7
4	2,6	5,0	7,6
Sum	3,4	5,0	8,4

Figure 26: Average lengths of overall co-financing cycles by priority axis and call in years

6. Analysis of the documents on organisational processes of IBs and the MA from the perspective of the beneficiary²²

In the subsequent chapters, various documents on organisational processes of the MA and IBs were analysed, resulting in recommendations to be used in future project deliverables.

6.1. Description of the MCS for the implementation of the OP ECP 2014–2020 for the objective "investments for growth and jobs"

The document represents the MCs established within the entities involved in the implementation of the ECP. It outlines the legal bases and precisely describes the competencies and procedures of the MA and IB.

Finding 1: From the perspective of the beneficiary and the ITI mechanism, the INP is a crucial document because its adoption ensures funding for the mechanism/project and thus a closed financial structure. This enables the beneficiary to initiate the public procurement process for selecting contractors to implement the project.

Recommendation 1: Maintain the procedure as described above.

- Three types of project selection modes are described, including Direct Operation Confirmation (DOC). In the case of DOC, MA receives and verifies the application for the DoS, and if the application meets all the requirements for project confirmation, it issues a DoS and forwards it to IB.

Finding 2: Beneficiaries evaluate that the procedures for issuing DoS were timely acceptable - this concerns the phase where IB forwards the DoS application to MA, and MA issues it. This finding does not apply to the part of the DOC procedure at IB and the procedure until the issuance of the co-financing agreement.

Finding 3: The issued DoS does not allow an increase in the value of co-financing for the approved project, despite the beneficiary's free allocation and eligibility of costs. The DoS does allow for a change, but only for extending the duration of the project. Consequently, it is not possible to transfer the remainder of unspent funds between projects that have received DoS within the same call.

Recommendation 2: Maintain direct validation of applications - when implementing the ITI mechanism, it involves the preparation and execution of comprehensive projects for sustainable urban development, which are inherently more complex (administratively, financially), hence validating

projects through public tenders is not appropriate. Such projects, which also have broader positive effects on the sustainable development of cities and countries, require a longer time for application preparation and technical coordination with ministerial IBs, which the public tender system will not allow. Therefore, the direct validation of projects needs to be preserved. Implementing the ITI through public tenders is suitable for less complex projects that are similar to each other, with a large number of beneficiaries.

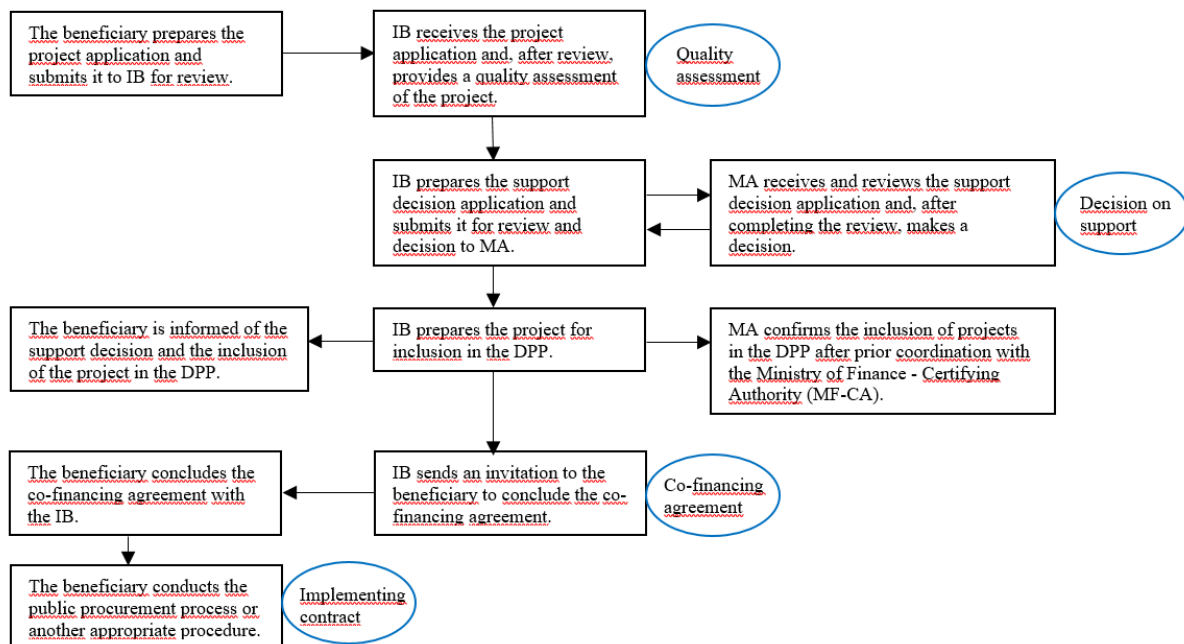


Figure 27: Confirmation and implementation - direct confirmation of the project

- Procedures for verifying projects: Before confirming a project, it is verified: its compliance with the objectives of the operational program, alignment with specific objectives and indicators of priority investment, compliance with the annual INP, eligibility of project selection, adherence to horizontal principles where relevant, compliance with provisions for informing and communicating with the public, adherence to provisions on eligible costs, fraud, and other specifics. After the project is confirmed, it is also verified whether the co-financed products and services have been provided, whether the expenditures reported by beneficiaries have been paid, and whether they comply with applicable legislation and the operational program, and whether the conditions for supporting the project are met (e.g. on-site inspections).

Finding 4: On-site inspections are timely announced and correctly executed.

Recommendation 3: Maintain the procedure.

- Procedures for receiving, verifying, and approving payment claims submitted by beneficiaries, as well as for approving, executing, and settling payments to beneficiaries: The beneficiary creates and submits the payment request with attachments in the e-MA system (in accordance with the co-financing agreement) to the IB, where the documentation is appropriately recorded. After the successful administrative verification, the responsible officer approves it in the e-MA system, the information is transferred to MFERAC, and the payment order is issued.

Finding 5: The prolonged procedures for approving the payment request can lead to liquidity problems for beneficiaries. The process allows for different interpretations of data entry in the payment request by project managers at the IB. The payment request entry process is complex and indicates deficiencies and potential improvements in the e-MA system.

Recommendation 4: By establishing prefinancing of invoice payments (disbursement of the co-financing portion to the beneficiary one day before the due date of the invoice), the budgets of beneficiaries would be relieved, and there would be no need for them to advance funds for payment. Delays in fund disbursements have already led to beneficiaries' illiquidity and the necessity for beneficiaries to take out loans to ensure payment of legal obligations. The e-MA information system is addressed in a separate analysis.

Recommendation 5: The payment request entry process could also be shortened and simplified by directly submitting the application for DOC into the e-MA system (Phase 2). Documents would immediately generate in a central location, being accessible to both the IB and the beneficiary at all times in one place, eliminating duplication of work and sending documentation in physical or electronic form to various addresses.

Finding 6: Beneficiaries have raised concerns about the unrealistic performance indicator set²³, prompting a proposed amendment to the OP ECP 2014-2020.

Recommendation 6: In determining performance and result indicators, involve stakeholders/beneficiaries according to their needs and the realistic achievability of goals, considering a "bottom-up" approach.

6.2. Instructions from the MA for the implementation of ITI Mechanism in the programming period 2014–2020

The document covers:

- General principles and provisions for implementing the ITI mechanism,

- Procedures for implementing the mechanism of comprehensive SUD,
- Legal basis and other documents for the selection and implementation of projects carried out through the ITI mechanism,
- Entities involved in implementation and their roles,
- Method of project selection and confirmation of DOC,
- Planning and decision-making regarding INP.

In line with the bottom-up and territorial approach, the instructions highlight the SUD, which is prepared and adopted by the urban municipality and is a prerequisite for obtaining funding for co-financing projects in the field of sustainable urban development in eligible areas.

Finding 7: In 2015, urban municipalities prepared SUDs in accordance with the Guidelines for the preparation of sustainable urban strategies issued by the MESP. Later, the SUDs were supplemented with INPs. Due to the lack of clear instructions regarding the time component of the validity of SUDs, beneficiaries have adopted SUDs with varying validity periods.

Recommendation 7: The IB responsible for the subject matter (MNRSP) should provide beneficiaries with timely instructions for updating/amending SUDs, how to approach the preparation of the document if the validity period expires before the adoption of the OP ECP 2021-2027. Provide information on the area covered by the SUD and the obligation to prepare an INP.

The document precisely outlines the procedure for selecting projects and the method of confirmation as DOC. The process of direct project confirmation is carried out in two phases:

- Phase 1: Preparation and publication of invitations for the submission of applications for projects of urban municipalities and review and ranking of applications on the list of selected projects by the ZMOS (project selection):
 - Until 31 December 2019, taking into account the indicative allocation of funds for the implementation of SUD,
 - From 1 January 2020, without considering the indicative allocation of funds for the implementation of SUD.
- Phase 2: Verification of project selection procedures and verification of the adequacy of applications by the content-wise competent IB MESP and IB MOI and confirmation of projects by the MA GODC:
 - The IB: verifies whether the selected projects contribute to achieving the objectives and results of the relevant priority axis of the IB and whether ZMOS has conducted project selection procedures in a non-discriminatory and transparent manner.

- Applicants prepare DOC applications for the project, group of projects, or program implemented by the beneficiary.
- The relevant IB conducts the adequacy check of the application. It prepares a report on the results of the check, which is forwarded for confirmation to ZMOS (confirmation of project compliance).
- The IB prepares an application for the DoS for the selected project, group of projects, or program implemented by the beneficiary and forwards it to the MA, which makes the DoS.

The document also presents the timeline for each activity within the first phase (approximately 3 months) and the second phase (approximately 9 months) of the DOC process.

Finding 8: Delays and lengthy procedures in the second phase of the DOC process are attributed to:

- Different approaches and interpretations in the preparation of applications by individual project managers. There are no instructions, nor are there uniform, coordinated criteria for reviewing applications among IBs and within IBs.
- Staff turnover within the IB. The issue was more pronounced towards the end of the financial perspective, as new project managers had to familiarize themselves with the project content from scratch.

Finding 9: Lengthy procedures, causing liquidity issues for beneficiaries or project implementation delays, can even lead to withdrawal of applications and project non-realisation. The cause of prolonged procedures can also be found in the complex administrative obligations of the beneficiary in the DOC application submission phase and the method of submitting applications in physical form. Numerous manually filled word forms can result in unnecessary errors and repeated amendments/clarity/additions to the application. Prolonged procedures also arise due to requests for additional amendments by IB managers due to project manager turnover or changing instructions during project review.

Finding 10: The procedure allows for multiple administrative and substantive requests for application amendments by the IB manager.

Finding 11: Shortcoming of the procedure: Nowhere is it stated by when the beneficiary must submit the application for DOC to the IB so that the project manager can thoroughly review it and possibly request administrative and/or substantive amendments. The procedure timeline only indicates the duration of the second phase (9 months), when the DOC application should be complete/aligned.

Recommendation 8: Standardisation of IB procedures and forms - harmonisation of rules and streamlining of the ITI mechanism (simplification and rationalisation of forms), thereby achieving greater efficiency in mechanism implementation (uniform rules and procedures for all PAs must be established for implementing the ITI mechanism). An example of inconsistent processes is the signing of the GA, where the GA was signed at MOI based on the approved application, while at MESP it was based on the completed public procurement procedure for the selection of the contractor. Standardizing rules and procedures would ease the work for auditors and beneficiaries. Standardisation should not be implemented at the expense of the optimisation of the process and should take into account the different approaches.

Recommendation 9: Maintain the ITI mechanism implementation system as it was in the programming period 2014-2020, as it was very efficient and recognised as a good practice example even at the European level. Maintain the so-called two-phase process of direct project confirmation, where ZMOS performs the tasks of the IB by issuing calls for project submissions and selecting projects, while ministerial IBs carry out procedures in the second phase.

Recommendation 10: Simplification of procedures - to shorten procedures and reduce administrative burdens, it is proposed to simplify procedures for handling projects with uniform rules for all state IBs (regardless of content or sectoral jurisdiction). It is also suggested to eliminate unnecessary attachments to the DOC application, which can be confirmed by the beneficiary's statement.

6.3. Guidelines of the MA for planning, support, decision-making, monitoring, reporting and evaluation of the OP ECP 2014–2020

The document sets out guidelines for ensuring the correctness, consistency, and eligibility of support for projects in the implementation of processes of European cohesion policy in the programming period 2014–2020:

- the planning process,
- the support decision-making process,
- the monitoring process,
- the reporting process, and
- the evaluation process.

The planning process is related to the preparation, adoption, and implementation of INP.

The support decision-making process elaborates further on:

- a. Three ways of selecting projects:
- open call for proposals – a procedure where projects that are evaluated or rated higher during the selection process are financed in accordance with requirements and criteria.
 - open call for applications – a procedure where projects are financed in the order of submission of proposals until the funds are exhausted, in accordance with requirements and criteria.
 - direct project confirmation – means direct confirmation for a project, group of projects, program, financial instrument, and major project.
- b. Joint and coordinated efforts to achieve greater impact and efficiency among approved projects – resource complementarity is addressed in points 3.18–3.26.
- c. The mandatory contents of the grant agreement are described, but without the issuance procedure.

Finding 12: Beneficiaries seldom utilise resource complementarity within a single project due to the administrative complexity involved in demonstrating eligible fund absorption.

Finding 13: The procedure for concluding the GA varies between the IBs. The IB MESP conducts a review of public procurement tenders for selecting contractors for each type of expense before the GA is concluded, and it takes a very long time until the project is opened in the IS e-MA. Coordination of bills of quantities according to different project managers' requirements further prolongs the time until co-financing funds are absorbed. The process of issuing the GA at the IB MOI is shorter and more efficient.

Finding 14: There are no described systemic solutions for project closure. Guidelines from the MA for project closure were only published in December 2021²⁴.

The monitoring and reporting process addresses the monitoring of the OP ECP 2014-2020 and the strategic reporting on progress in implementing the Partnership Agreement.

Evaluation is a mandatory element of program implementation in the 2014–2020 period, as determined by the EU Regulation on Common Provisions. For this purpose, the MA prepares an evaluation plan for implementing the OP. When preparing the Evaluation Plan, the Guidelines of the EC for preparing evaluation plans in the 2014–2020 programming period are also taken into account.

The document also presents Annex 2 and Annex 12, which are mandatory appendices to the application for DOC.

Finding 15: Some mandatory data from Annexes 2 and 12 are repeated, resulting in unnecessary duplication of entering the same data. Additionally, these data are part of the investment documentation, which is a mandatory appendix to the DOC application. Manual entry of the same data in multiple forms/documents may lead to unintentional administrative errors.

Recommendation 11: Simplification of forms by the MA, preparation of forms in digital format, and direct data entry into the IS e-MA.

6.4. Criteria for selecting projects within the OP ECP 2014-2020

In the chapter addressing ITI to promote sustainable urban development, the document specifies that the Content Framework for beneficiaries of the ITI mechanism determines the content, eligibility, and required documentation for the application of projects in both phases of the direct approval process for projects, for the preparation of projects for PA 4.1, PA 4.4, and PA 6.3.

Finding 16: The MA for the MOI prepares the Content Framework for PA 4.1 and PA 4.4. The MA for the MESP prepares the Content Framework for PA 6.3. The Content Frameworks are an important basis for beneficiaries for the quality and timely preparation of projects for co-financing from the Cohesion Policy 2014-2020. The role of ZMOS in preparing the Content Frameworks is not specified anywhere.

Recommendation 12: The ITI is a mechanism of multi-level and interdepartmental cooperation, adopting a "multi-level," "bottom-up" approach. For the successful implementation of ITI projects, it is essential for the MA and the Operational Unit to collaborate with ZMOS/beneficiaries already in the phase of preparing the programming of the Cohesion Policy, legal frameworks for the implementation of the Cohesion Policy, content frameworks, and public calls for the submission of applications in the first phase for DOC.

6.5. Handbook of the MOI in the role of IB or Leading IB for the OP ECP 2014-2020

The handbook is intended for employees at the MOI involved in the implementation procedures of cohesion policy funds. Its aim is to describe the internal procedures of MOI that needed to be implemented and guide individuals through the processes related to the use of cohesion policy funds.

The handbook provides information on legal frameworks (EU legislation, national legislation, guidelines, directives, and other legal provisions), organisational structure (Operating Unit, MA, IB, beneficiary, certifying authority, audit authority, ZMOS, Monitoring Committee, authority for monitoring compliance with accreditation system assurances, competent authority for cooperation

with OLAF, participating ministry for financial instruments), the structure of MOI, the method of selecting projects, fraud prevention strategy, and the General Data Protection Regulation.

In a specific section, **direct approval of projects within the framework of implementing the ITI mechanism is defined:** the DOC process as a method of selecting projects is carried out within PA 4.1 and PA 4.4. Before the direct approval process of projects, the MA invites the ZMOS, within which a list of selected projects is prepared, for which subsequent DoS Applications are prepared and approved through the direct approval process.

The entire process of selecting and implementing projects within the DOC mechanism of the ITI is described: the first phase involves the decision on the selection of projects at the Assembly of ZMOS, the second phase includes selecting the project, informing ZMOS about the suitability of the application, issuing the DoS, including the project in the national RDP, preparing the co-financing agreement, monitoring project implementation, approval/rejection of payment claims, on-the-spot verification, and preparing the final report.

Decision-making process	Preparation, review, and approval of the project application	Preparation of substantive bases for signing the agreement on the method of performing tasks between MA and IB
		Planning and decision-making on IPOP
		Project selection by AUMS and DAO
		Planning of the operation in the MA information system
		DPP
		CfA with the beneficiary or Implementation Agreement
Project implementation, monitoring, and reporting	Implementation of public procurement	Public procurement procedure
	Monitoring and reporting	
Payment and verification process	Payments	Payments
		Reimbursement of EU contributions to the national budget
	Verifications	Management checks
		On-site verification
Supervision		System audit and audit of individual operations, as well as other forms of supervision
Irregularities / Fraud		
Notification and communication		Informing and communication
Project closure		Project conclusion
		Completion of the priority investment/IZI mechanism for MOI

Figure 28: The scheme of the selection and implementation process of projects within the DOC mechanism of the ITI

6.6. Review of applications under direct confirmation of projects within the ITI mechanism on PA 4.4 – Phase 2 – Applicant guidelines

In this document, the MOI has provided **Guidelines for applicants**²⁵, detailing:

1. Mandatory elements of a complete application with instructions for completion and submission,
2. Filling out the application form (Annex 2) section by section,
3. The procedure in the phase 2 of the DOC from the application to the first payment under ITI PA 4.4.

Finding 17: Documents like this, including the Implementation Handbook for ECP and Guidelines for Applicants, are highly beneficial as they consolidate procedures and provide clear instructions to employees and beneficiaries on implementing procedures related to accessing cohesion policy funds and completing forms, which are mandatory attachments to DOC applications. Such guidelines offer uniform and unambiguous instructions for filling out forms, reducing beneficiaries' uncertainties about form completion accuracy and minimising the need for beneficiaries to contact IB supervisors.

Recommendation 13: Maintain the practice of preparing the above-mentioned documents prepared by the IB (Implementation Handbook for ECP; Guidelines for Applicants) in the period 2021-2027.

6.7. Absence of Handbook of the MESP in the role of IB or Leading IB for the implementation of the ECP 2014-2020

Finding 18: During the period of the ECP 2014-2020, the MESP did not have a Handbook for the Implementation of the ECP 2014-2020, nor did it issue Guidelines for Applicants. As a mandatory attachment to the DOC application, beneficiaries were required to prepare a Feasibility Study, which the Regulation on the Unified Methodology for the Preparation and Handling of Investment Documentation in the Field of Public Finance does not consider mandatory investment documentation if it is part of an investment program.

Recommendation 14: Preparation of both documents for the ECP 2021-2027.

6.8. Other findings during the implementation processes in the programming period 2014-2020

- a. Additional absorptive capacity of the ITI - Many projects have excess eligible costs documented in their investment documentation and evident from their accounts. A review of the realisation of implementation and disbursement of eligible costs recognised in projects shows that ITI projects in the period 2014-2020 have several million euros in excess eligible costs. This suggests serious consideration of introducing overcommitment and the possibility of complementary funding on ITI projects as well.

- b. Overcommitment – Providing additional spending rights beyond the spending rights of the ECP OP. By approving support decisions that exceed available spending rights, the aim is to ensure that even with lower actual reimbursements from the European budget (due to identified ineligible expenses, lower realised payments than planned, deviations from co-financing, etc.), 100% of available funds are still spent and the objectives of the ECP OP are achieved.
- c. Complementarity of resources - Allowing the combination of funds from different mechanisms and/or specific objectives within a single project, thus enabling the implementation of more comprehensive projects. Multiple funds should be included in the implementation (multi-fund), aiming for greater comprehensiveness (integrated) and a more holistic approach to addressing the challenges of sustainable urban development, as outlined in European regulations. A challenge could arise with a comprehensive project falling under two or more IB's responsibilities.

Recommendation 15: The implementation of an overcommitment in the ITI mechanism for additional absorption capacity projects.

Recommendation 16: Allow to combine funds from different mechanisms within a single project within the same IB's responsibility.

6.9. Financial Instruments

Financial instruments are implemented in the form of loans, guarantees, equity, and quasi-equity, provided by financial institutions to ultimate recipients. As such, they represent instruments for financing projects that generate appropriate cash flows, which can ensure the repayment of funds to the fund, making them available for other projects²⁶.

The use of financial instruments was envisaged in the ECP OP 2014-2020, and their scope and content were determined based on a Preliminary Assessment of Financial Instruments. In Slovenia, financial instruments were implemented in a two-step process through a fund of funds²⁷, which managed and executed debt and equity financing instruments. Key actors in the implementation of financial instruments included not only the fund of funds but also the Ministry of Economic Development and Technology, MOI, MESP, GODC, ZMOS, and Ministry of Finance (MOF).

Financial instruments for urban development promotion included loans for municipal authorities, companies managing public areas and buildings, housing cooperatives, and providers of other alternative forms of urban living. The funds were allocated to projects contributing to the implementation of sustainable urban strategies in urban municipalities²⁸.

The processes for implementing financial instruments were managed separately from the two-phase application for the direct confirmation of projects for drawing non-refundable funds from the ITI mechanism.

Finding 19: Financial instruments were less attractive and less known to beneficiaries because they involved repayable project co-financing funds, and the value of approved financial instruments was counted towards the municipality's borrowing quota.

Recommendation 17: Preparation of a legal basis for establishing FIs for the ECP 2021-2027. The quota of approved financial instruments should not count towards the beneficiary's borrowing quota.

7. Analysis of the organisational processes of IBs and the MA / Analysis of ITI Implementation from the perspective of ministries as IBs²⁹

7.1. Analysis and recommendations

In order to proceed in a systemic way analysis of the Slovenian case rests in next chapters methodologically speaking on the three key elements:

- Organisational set-up
- Adequacy of contents to be addressed through the ITI mechanism vs. other mechanism of support, sustainable urban development strategies
- Implementation procedures

that are closely interlinked. Some of the issues already raised will be more precisely highlighted in next chapters.

Present analysis focuses on urban development in form of ITI.

7.1.1. Organisational set-up

Slovenia, when setting up ITI system for the implementation of 2014-2020, has decided to set up a unique system that combines polycentric model of urban development in Slovenia with the need to have a coordinated approach towards urban development. Usually, a single urban authority, i. e. city, is designated as an IB for an individual ITI mechanism. Due to the smaller size of cities in Slovenia and their limited capabilities, individual cities did not become an IB, instead ZMOS, already uniting all beneficiary cities, as an association of cities, was appointed as the IB for the selection of projects. (Assembly of ZMOS, comprised by mayors of urban municipalities as joint decision makers). On the municipal level therefore, a coordinated approach was enabled that gave important incentive for enabling synergies between municipalities and to become an important actor, interlocutor towards the national level of decision making.

Recommendation 1: according to successful implementation of ITI in 2014-2020 and effective procedures in selection of investments the set system with a joint IB (ZMOS) should continue to evolve, possibly with the further tasks/responsibilities to be transferred from the national level (decentralisation).

Considering national organisation of ministries and other bodies tackling urban development: Ministry, responsible for Spatial Planning (MNSSP), is overall responsible also for urban development, for the

normative and strategic framework and for engaging in a territorial dialogue with the cities. MNSSP has contributed towards the necessary framework conditions for the preparation of sustainable urban strategies that enable an integrated approach on the project level. On the other hand, there is lack of national funding opportunities for urban development as such although Law on Municipalities Funding³⁰ defines three major sources of income (own resources (income tax, property tax, etc.), transfer revenues from the state budget and EU funds, with possibility of borrowing) and foresees a relatively complex calculation of appropriate consumption per municipality that takes into consideration different factors. Although current paper does not focus on the system of financing municipalities in Slovenia it has to be put forward in order to secure future stable and strategic financing of municipalities to enable balanced development. Especially since the system of financing does not distinguish between different kinds of municipalities, e.g., between urban municipalities and rural municipalities performing different tasks. Since there are tasks performed mainly, but not only, by the urban and other municipalities with the urban status, like secondary education, some social care tasks etc., there is a clear need to evaluate current system of financing.

Recommendation 2: evaluation of the system of financing by type of municipality, e.g. urban municipalities, municipalities with the towns having urban status, rural municipalities.

Slovenia is currently divided into 212 municipalities that are part of 12 so called statistical (according to NUTS 3, Nomenclature of Territorial Units for Statistics³¹) or development (according to Act on Balanced Regional Development³²) regions: Pomurska, Podravska, Savinjska, Zasavska, Jugovzhodna Slovenija, Koroška, Posavska, Primorsko-notranjska, Osrednjeslovenska, Gorenjska, Goriška, Obalno-kraška). The 12 regions are then part of two NUTS 2 regions (Vzhodna Slovenija, Zahodna Slovenija). Urban municipalities are when comparing to development regions not evenly distributed by regions, certain regions have one urban municipality that also functions as a centre of the region (Gorenjska – Kranj, Goriška – Nova Gorica, Obalno-kraška – Koper, Osrednjeslovenska – Ljubljana, Jugovzhodna Slovenija – Novo mesto, Pomurska – Murska Sobota), on the other hand there are regions with one city municipality that is more or less centre of the region with certain additional stronger urban towns (Posavska – Krško, (Brežice), Koroška – Slovenj Gradec, (Ravne)). Other regions have more than one urban municipality (Podravska – Maribor, Ptuj, Savinjska – Celje, Velenje) or no urban municipalities as such (Zasavska with three urban towns Zagorje, Trbovlje, Hrastnik, Primorsko-notranjska with two urban towns Ilirska Bistrica and Postojna).

On the other hand, statistical and/or development regions are not administrative units in the sense of the level of local self-government, municipalities present the only level of self-government in Slovenia, although the Constitution of Slovenia³³ defines regions as such and foresees a special law for the

establishment of regions as administrative units that would also define state tasks that are to be transferred to the regional level.

It is therefore clear that regions in Slovenia currently function only as functional units, as fora for collaboration between the municipalities for the regional development. This functional approach is on one hand flexible to address development issues, is lean as regards public administration (no additional regional administrative level of decision making), but on the other hand lack of regional administration and consequently lack of “advocate” for regional interests causes obstacles for wider regional development, for projects of common regional interest. It must be pointed out that there were many attempts for reaching a consensus as regards establishment of regions as administrative units, major challenges were linked to questions of not increasing public administration (which tasks would be taken over from the state and/or municipal level with the appropriate sources to perform tasks) and of not fragmentate current development/statistical regions.

Regardless of the success of creating regions as administrative units regional and urban development would have to be linked more strongly, if not through normative framework but through a more thorough functional approach. Regional development agencies as public bodies currently perform and facilitate regional development, but since they are financed and supervised by the municipalities, they often lack support for regional projects, themes, measures and are often forced to put forward local, municipal projects.

Recommendation 3: establishment of regions as administrative units with (state, municipal) tasks (reform of the current state administrative units), taking into consideration polycentric urban development in Slovenia for establishment of the majority of regions (urban centres as regional centres) and having in mind the need for competences to perform demanding development tasks (projects, measures, collaboration with other (neighbouring) regions, also from other (neighbouring) states)³⁴.

7.1.2. ITI mechanism vs. other mechanisms of support

As already stated in the previous chapters urban development funding materializes through different mechanisms of support, as regards incentives for the measures for urban development two are to be put forward:

- ITI mechanism on the basis of the EU regulations³⁵ and guidelines of the MA on the ITI implementation³⁶,
- Calls for proposals by the ministries and other institutions.

ITI mechanism rests on the SUD, prepared by the urban authority (urban municipality) that defines measures to tackle future development of urban area. Besides SUD that are “umbrella” strategies urban municipalities prepare or are involved in the preparation of also other more specific strategies. One has to mention sustainable urban mobility plans that are defined in the national law on integrated mobility planning³⁷ and are obligatory for urban municipalities.

ITI is a mechanism that is used only for the agreed specific objectives of the national programme for the implementation of cohesion policy 2021-2027, specifically:

- SO 2.7 Improving Nature Protection/Preservation and Biodiversity
- SO 2.8 Improving Sustainable Urban mobility
- SO 5.1 Improving Urban Development.

On the other hand it is clear that urban development encompasses other priorities that are crucial not only for green and digital transition. Purpose of the analysis is not to go deep into the rationale of such division – nevertheless other priorities have to be mentioned since the Cohesion policy programme foresees the possibility of municipalities (also urban municipalities) and other local/regional public bodies to be beneficiaries in the following SOs:

- SO 1.2 Using advantages of digitalisation
- SO 1.3 Sustainable growth and competition, also through productive investments
- SO 2.1 Efficient Use of Energy
- SO 2.2 Renewable Energy sources
- SO 2.3 Smart Energy systems/grid
- SO 2.4 Climate Change Adaptation
- SO 2.5 Improving water management
- SO 2.6 Circular Economy
- SO 2.7 Improving Nature Protection/Preservation and Biodiversity
- SO 3.2 Regional sustainable mobility
- SO 4.3 Social inclusion
- SO 4.5 Health care
- SO 4.6 Sustainable Tourism and Culture
- SO 5.2 Rural Development.

To fully understand – SO 2.7 is mentioned twice since there are multiple mechanisms available to address specific needs of the municipalities. SO 3.2 is a specific objective directed towards primarily

regional development but since regional development encompasses also urban development, urban municipalities use multiple mechanisms to address different types of mobility issues.

Besides ITI mechanism as a territorial tool there is also a Community Led Local Development tool (CLLD) in which local action groups are beneficiaries. Local action groups consist of different stakeholders, including urban municipalities. To address issues in parts of urban municipalities (dispersed rural settlements outside urban settlement area) that experience rural challenges urban municipalities can through CLLD benefit from additional funding. CLLD as such is used solely for the implementation of SO 5.2.

National regional development (NRD) tool as third territorial tool used in Slovenian's system of implementation also enables urban municipalities to participate, NRD is used for the implementation of SO 1.3, SO 2.5, SO 2.7, SO 3.2.

All other contents, priorities are managed on the state level in the meaning that calls for proposals are prepared by the ministries for the municipalities as beneficiaries.

It seems that based on past experiences, division of priorities between national and regional/local level and the availability of funding cohesion policy programme through partnership approach present a consensus also on division of different mechanisms per specific objectives implementation. Usage of bottom-up approach combined with top-down approach should be evaluated per specific objective.

Recommendation 4: evaluation of current functioning of different territorial tools, besides implementation analysis a thorough analysis would be suggested to re-evaluate set of chosen priorities to enable faster green and digital transition of municipalities.

7.1.3. ITI Implementation Procedures

7.1.3.1. General Planning of Cohesion Policy Programme

In order to fully understand the mechanism of ITI implementation in Slovenia it has to be put into a context of EU cohesion policy implementation in Slovenia. National decree on cohesion policy implementation defines INP³⁸ that specifies on the national level actual measures that are to be implemented to put the cohesion policy programme into practice. INP is divided per priorities, specific objectives, IBs and it defines (see table 7) different instruments, measures such as call for proposals, projects that are to be directly approved, programmes that are to be implemented on lower levels. As a whole it also foresees funding per years and is therefore a key basis for national budget planning respectively also for planning of projects/funding by stakeholders as potential beneficiaries of the funding. It ensures predictability and timeframe for preparation of project pipeline; it also sets a frame

for achievement of indicators set in the programme. It is therefore a key planning tool not only for the MA and for the IBs but also for potential applicants, a tool to a successful achievement of set objectives and targets and finally a tool for an effective and efficient absorption of cohesion policy funds.

When looking more in detail the INP in the first years of implementation includes measures in an amount that is lower than national allocation per fund/region whereby during the course of implementation the plan adapts regularly and enables planning of commitments that exceed the allocation of funds. The latter is crucial for an effective and efficient implementation since actual payments always at the end of the implementation cycle always deviate from initial planning. Main reasons for that are:

- since public beneficiaries are obliged to follow public procurement rules actual contracts are same or lower in funding than initially foreseen in the investment documentation/application for funding,
- private entities are obliged to finance their projects according to market prices, often final market price for a project is lower than initially foreseen,
- expenditures are subjected to different level of controls, by the IB, MA, audit authority, Court of Auditors, EC, European Court of Auditors, in case of dispute also by the court; an estimation of 2%-3% of all expenditures are at the end of the day defined as ineligible;
- due to different reasons (issues with the contractors, excessive delays in the implementation, difficulties with the purchase of goods/services etc.) applicants and beneficiaries withdraw from (signing of) co-financing contract with the IB.

According to last two programming periods therefore a commitment just over 115% of national allocation of cohesion policy funds was needed in order to sign contracts for the implementation of projects in an amount around 110%. The latter resulted in payments just over 100% of funds by the end of the programming period. Since the initial plan (INP) secures funding that is necessary for commitment of funds to actual measures (call for proposals, directly approved projects, actual programmes) it is therefore of crucial importance that the funding is secured with a necessary buffer (called overcommitment or overbooking) of at least 110% in the early phase of the programme implementation. Experiences in the last two programming periods show that late overcommitment (in the last years of programme implementation) causes unpredictability and focuses the implementation process more on absorption of funding than on effectiveness/objectives and has rather a negative influence on multiplication effect of funds. It would therefore be advisable that necessary overcommitment is approved in the first triad of the programming period, with the necessary requirements as regards the (over)achievement of development objectives.

Urban development as ITI mechanism is part of the INP. Until present the decisions as regards overcommitment (by the MA respectively by the government decision) never included urban development specific objectives. On the other hand, national regional development tool, also because there is no percentage defined in the EU regulations that has to be dedicated to NUTS III regional development, was also financed from the so called overcommitment funding. Besides the fact that also measures from overcommitment have to correspond to all cohesion policy rules there is another advantage – overcommitment enables bottom-up approach. Meaning that regions can in limited specific objectives set up their own preferences as regards their regional projects. According to such preferences that of course are under limitations set by the cohesion policy rules certain specific objectives are more “wanted” and a programme can follow with its modifications during the implementation.

Urban development, or better said ITI is a tool for a multi-level approach, bottom-up by the cities and top down by the state. Overcommitment would strengthen the bottom-up line, it would also give more emphasis on autonomy of cities as regards their development objectives.

Recommendation 5: systemic and results oriented overcommitment also for urban development tool (ITI) that would enable more flexible framework for urban development plans in different urban municipalities (as regards size, their status and their development needs).

Results oriented overcommitment could be determined on a cohesion policy programme level for specific objectives that include bottom-up approach and could be determined as a kind of performance dependent award (for specific objectives with above average results & absorption). This recommendation shows that from both perspectives, ministry’s as well as beneficiary’s, overcommitment is recommended

7.1.3.2. Specific objectives for urban development

Specific objectives of the cohesion policy programme for ITI implementation are between MA, IBs and ZMOS as an IB more precisely defined in the content specifications³⁹. Content specifications enable a more concrete definition of possible measures, projects to be financed from the cohesion policy funds. In the programming period 2021-2027 three SOs have dedicated funds for ITI implementation: SO 2.7, SO 2.8, and SO 5.1.

All SOs according to EU regulations require a strategic basis for the projects, for SOs 2.7 and 5.1 - sustainable urban plan, for SO 2.7 - municipal integrated mobility plan.

Specific award and eligibility criteria are set for the project selection – as an outcome of coordination between MA, both ministries in the role of IBs MNSSP, Ministry of Environment, Climate and Energy (MECE) and ZMOS as IB responsible for the selection of projects. It is an example of multi-level approach between national and local, municipal level, on one hand framed with EU and national legislation, on other hand faced with local development needs. Content specifications do not differ much between ministries, they often set criteria for other territorial tools too (example – content specifications for 2.7 MNSSP).

Recommendation 6: content specifications play an important role in case of measures that use bottom-up approach. It would be advisable that ministries prepare uniform content specifications per specific objectives or at least as similar as possible for all territorial tools used (e.g. MECE for SO 2.8) respectively to take into account agreed content specifications also when preparing top-down measures (like calls for proposals for municipalities). That would enable better quality criteria and synergies between projects from different mechanisms used (e.g. cycling lanes that have to enable logical connections between urban, sub-urban and rural/regional areas).

7.1.3.3. Two phases selection of projects procedure

According to MA guidelines⁴⁰ on ITI projects are selected in the so called two phases procedure:

- Phase 1: preparation and publication of invitations to submit applications for municipal projects, review and classification of applications to the list of selected projects by IB ZMOS;
- Phase 2: review of projects by the competent ministries as IBs (MNSSP, MECE) and approval by the MA (decision on co-financing from cohesion policy funds according to national regulation on cohesion policy implementation⁴¹).

To enable a balanced approach towards all 12 potential applicants, urban municipalities, MA guidelines⁴² determines indicative allocations per urban municipality till the end of 2026, afterwards projects are selected irrespective of the indicative allocations per urban municipality.

Experiences show that such an approach successfully balances between quality of projects and the need for a balanced development of all 12 urban municipalities. Since the list of projects are approved at the end of the first phase by the chorus of all 12 municipalities it enables ZMOS and respectively cities to decide themselves on the balanced approach – whether they will give more advantage to balanced projects per city or to best quality projects. After the programming period 2014-2020 as the first programming period that included ITI mechanism as such a conclusion could be made that at first balanced approach prevailed at the beginning of the programming period, later, due to joint chorus of

urban municipalities and consequently transfer of good (and bad) practices between them, a substantial increase in the quality of projects happened.

On the other hand, the two-phase procedure proved to be quite lengthy and was challenged in the preparation phase for the 2021-2027 programming period. As an alternative one phase procedure was suggested – a public invitation/call by the IB ZMOS that would be in beforehand coordinated with the relevant ministries and approved by the MA. Then selection of projects would follow by ZMOS. Such an alternative would make the process of selection quicker and would enable ZMOS as IB to further strengthen bottom-up approach. Key challenge was linked to system of financing from public finances, from national budget – since ZMOS is not a direct national budget user (but according to Constitution and Act on local self-government an assembly of autonomous entities for matters of local importance). Therefore, key requirement – contract of co-financing has to be signed by the relevant ministry as EU funds holder – disabled an even more decentralised approach in the phase of selection of projects. EU regulations on the other hand enable use of different forms of support. If agreed the part of specific objectives that are to be implemented thorough ITI mechanism could be on national level to the EU defined as Union contribution based on financing not linked to costs⁴³. Same system of financing could be then used also from the national level to ZMOS/municipalities. That could enable urban municipalities and the state to, in before, reach an agreement on planned financing and results, which would consequently enable ZMOS/municipalities to be more independent, more flexible and quicker in the implementation phase. And it would make the division of responsibilities quite clear. On the other hand, such a system in cases of not reaching the set targets is quite relentless – funding would have to be borne by the municipalities in cases of partly unsuccessful measures.

Recommendation 7: although the two phases procedure works in practice it would be advisable for the programming period 2028-2034 to examine other possibilities of granting funds to the sub national level under specific conditions (from the EU regulations and others) that would be in before agreed between the national and sub national level. That would further strengthen bottom-up approach in the multi-level governance model, make responsibilities clearer between different actors in the system and quicken the process of implementation.

Furthermore, from past experiences it is clear that municipal indicative allocations (quotas) sometimes lead to “forced” applications for smaller, not results oriented projects, just for the purpose of spending the rest of the money (indicatively allocated to a certain city municipality). Therefore, two additional possible instruments for a better quality and better result-oriented projects are suggested:

Recommendation 8: definition of not only maximum % of co-financing from EU funds (e.g. 80% for sustainable mobility projects) to ensure better ownership but also minimum % of co-financing from EU funds (e.g. 30%) to enable quality results-oriented projects⁴⁴.

7.1.3.4. *Verification on general level*

General EU regulation on cohesion policy implementation⁴⁵ defines in Article 74 verifications, that must be implemented. It determines scope and verifications methods that depend on the selected modus of the reimbursement of costs. Bearing in mind recommendation from previous chapter as regards the need for exploring other options for reimbursement of funds for the next programming period the analysis in this chapter will focus on present modus operandi for ITI in Slovenia, that is reimbursement on the basis of actual costs. Therefore, key requirements as regards management verifications that are transferred to the IB are as follows:

- Amount of expenditure claimed by the beneficiaries in relation to these costs has been paid and that beneficiaries maintain separate accounting records or use appropriate accounting codes for all transactions relating to the project; verifications shall be risk-based and proportionate to the risks identified ex ante and in writing; they shall include administrative verifications in respect of payment claims made by beneficiaries and on-the-spot verifications of projects.
- Ensure, subject to the availability of funding, that a beneficiary receives the amount due in full and no later than 80 days from the date of submission of the payment claim by the beneficiary; the deadline may be interrupted if information submitted by the beneficiary does not allow the IB to establish whether the amount is due;
- Have effective and proportionate anti-fraud measures and procedures in place, taking into account the risks identified;
- Prevent, detect and correct irregularities;
- Confirm that the expenditure entered the accounts is legal and regular.

Since payments are made from the national budget national legislation, especially Act on public finances⁴⁶ has to be respected in full. To focus on key requirements as regards payments from national budget Article 54 of Act on public finances defines:

- Every expenditure from the budget must be based on an authentic bookkeeping document, which demonstrates the obligation to pay,
- The legal basis and the amount of the obligation arising from an authentic accounting document must be checked and confirmed in writing before payment.

Co-financing contract that is on a sample basis part of the MA guidelines on planning, supporting, monitoring and reporting⁴⁷ therefore according to national legislation presents key legal basis for payments from national budget and a basis for issuing claims for payment from national budget. When comparing EU legislation requirements and national legislation requirements they complement each other whereby EU legislation is in this regard more specific. The specifics are:

- EU regulation requires risk-based and proportionate verifications on the basis of the identification of risks ex ante and in writing;
- EU regulation specifically requires administrative as well as on the spot checks.

Risk-based approach is not precisely defined. It could depend on the nature of projects, amount of co-financing from public funds, type of beneficiary, historical data (ineligible costs, irregularities, etc.), etc. It is to be defined jointly by the MA, IBs and audit authority.

Recommendation 9: definition of a risk-based approach for management verifications of projects arising from ITI mechanism.

Furthermore, another issue is worth mentioning. Already mentioned national Act on public finances applies practically for all public sector bodies involved the execution of public money/budgets, for ministries as well as for municipalities. Current system of verifications therefore requires municipalities to do the verifications according to national act on public finances. And it requires from ministries as IBs to do verifications according to national act on public finances and according to EU regulations. Consequently, as regards verifications according to national act on public finances (that incorporates majority of EU regulations requirements) there are double verifications made to be more precise – this is required due to the necessary respect of the separation of functions. So, in case a municipality is in the role of the beneficiary the respective IB (ministry) must perform a full verification irrespective of the fact that municipality already performed verifications, at least based on the requirements of the national act on public finances. A possible outcome could be drawn from that fact that can be put as a suggestion towards more logical verifications that would disable double controls and at the same time prevent from conflict of interests:

Recommendation 10: risk-based approach for management verifications should define more precisely the depth of control by the IBs (ministries) in cases where verifications were already performed by the beneficiaries that are subject to obligations according to national Act on public finances (it should be taken into account the responsibilities, based on the Act on public finances, the ministries responsibility cannot be carried out at the level of municipality or taken into account within the ministry); this approach could be supplemented by additional requirement for such public bodies –

that they must by themselves ensure a system of internal separation of functions (that could be subject to on the spot checks of such public bodies by the IBs, ministries) to prevent conflict of interest; in the setting up of such a system audit it would be very beneficial to include audit authority.

7.1.3.5. Verification done by the ministries as IBs

Before focusing on the verification mechanisms by both ministries (MNSSP, MECE) it has to be put in a context of the MCS in Slovenia regarding cohesion policy implementation⁴⁸. It is a centralised system based on one national Programme that includes measures per priorities and specific objectives that are further adapted to a various forms of support via different mechanisms, including territorial tools that include multi-level approach (including bottom-up approach by different sub national levels of decision making like urban municipalities, regions, local action groups). As far as the organisational set-up is concerned the implementation is executed through national budget by the ministries as competent authorities (through transfer of tasks from the Ministry of Cohesion and Regional Development as MA). Hence according to national acts on organisation of state administration⁴⁹ ministries respectively ministers are responsible for the execution of tasks in the designated field of public administration. Therefore, MA has some kind of dual position, on one hand it is a responsible body for management and control of EU funds in Slovenia, on other hand ministries in the role of IBs are fully responsible for tasks in their designated areas. Consequently, procedures for applications for funding and for management verifications of claims for payment depend on the organisation of each ministry and differs as regards types of projects, measures that are supported. When comparing institutional set up with other Member States it has to be concluded that systems differ very much from each other, depending also on the size of the Member State and on the existence/tasks of the regions as administrative units.

For the purpose of this analysis, the system was taken as it is with one general observation. When analysing MA guidelines and consequently manuals for the implementation of different ministries there are considerable differences, especially in understanding the level, depth of management verifications that have to be performed. Beneficiaries therefore have to take into account specifics of each ministry what makes system of implementation sub optimal.

Recommendation 11: Because ministries perform crucial role in policy making/legislation it is important that they enable coordinated planning of their policies with different funds (EU and national). For the ITI mechanism, this relates to the programming of specific urban development objectives and the definition of content specifications for the projects to be funded. But when it comes to an actual implementation (applications for funding, co-financing contracts, verification mechanisms of implemented projects) a possibility of joint public body (e.g. public agency) for all ministries with

implementation knowledge (concentration of present civil servants dealing with the implementation on ministries) and unified procedures per different types of implementation mode may be evaluated. Since it would require deeper changes in legislation this recommendation would, if deemed as a better solution in comparison to existing system, be viable for the programming period post 2027. Due to expected lower national allocations from EU funding in the future and increase in national development funding this option should be considered seriously.

7.1.3.6. Verifications done by the MNSSP and MECE

Systems of verifications are determined in the MCS⁵⁰ and in their internal manuals for the cohesion policy implementation. MNSSP defines internal procedures in the *Priročnik za izvajanje nalog posredniškega telesa v programskem obdobju 2014-2020*⁵¹ that includes various checklists for verifications on the level of project application and on the level of actual implementation (checklists for public procurement verification, checklists for claims for payments, checklists for on-the-spot check, etc.). MECE defines its procedures in the internal *Priročnik Ministrstva za infrastrukturo v vlogi posredniškega organa oz. nosilnega posredniškega organa za izvajanje evropske kohezijske politike v obdobju 2014-2020*⁵² that also includes various checklists for verifications on the project level (checklists for public procurement verification, checklists for claims for payments, checklists for on-the-spot check, etc.).

Those manuals and other documents also define ITI implementation (as the implementation of other mechanisms of support). The following chapter tries to pinpoint key issues – that are relevant for the cohesion policy as a whole – including ITI.

After reviewing both manuals in relation to how ITI applications are dealt with at ministerial IBs, the following points could be highlighted:

1. Both manuals are extensive and a very detailed descriptions of tasks and responsibilities of both IBs. The manual of MECE consists of samples of checklists, reporting requirements, statements and other forms for fulfilling various requirements of cohesion policy implementation. On the other hand, manual of MNSSP is even more extensive, it consists of samples of checklists, reporting requirements, statements and other forms for fulfilling various requirements of cohesion policy implementation. Both manuals instead of extensiveness try to use a user-friendlier approach, manual MNSSP with the division of manual in 8 different chapter (to ease access to the information needed), manual MECE with the usage of tables with the text, especially in case of description of processes. Manual MECE is supplemented by five temporary guidelines in the years 2021-2023 that try to make processes in course of

implementation more optimal. The latter and the volume itself indicates the need to revise procedures for the programming period 2021-2027 to make it more understandable and easier to comprehend.

2. After reviewing checklists for public procurement both ministries seem to perform similar controls as regards compliance with public procurement rules. But MNSSP seems to have defined more precise control of compliance with public procurement rules than MECE since it foresees different checklists for different legal background (different checklist for checking compliance with older Public Procurement Act⁵³ and current Public Procurement Act⁵⁴) and different checklists for checking compliance with public procurement before and after the modification of contract and before and after the finished public procurement procedure. Therefore, one can after reviewing both manuals conclude that the level of compliance with public procurement rules differs between the two ministries.
3. Furthermore, MNSSP manual determines in specific cases that co-financing contract may be signed after the public procurement procedure by the beneficiary has been implemented – in order to award funding to a more mature project with more accurate amounts of funding. In cases of public beneficiaries that causes uncertainty. Even though funding has been awarded by the MA to the project based on investment documentation amounts MNSSP considers that insufficient for signing co-financing contract. Whereby MECE introduces co-financing contract already based on MA decision.
4. Other checklists are in cases of claims for payment verification quite similar, there are also at both ministries some additional specific checklists available for specific verifications (e.g. public private partnership procedure, extended energy audit, etc.).

Those manuals and other documents also define ITI implementation (as the implementation of other mechanisms of support). The following chapter tries to pinpoint key issues – that are relevant for the cohesion policy as a whole – not just ITI.

To conclude, in order to secure proportionate controls and at the same time not to double controls on different levels, to optimise processes the following is to be considered:

Recommendation 12: Based on comparison between the two cohesion policy manuals a draft “good practice” manual for cohesion policy implementation on the level of ministries as IBs should be suggested by the MA (similarly to a draft co-financing contract) and previously reviewed by the audit authority (inclusion of recommendations to IB so far in one draft document). That would not only contribute to a more unified approach by different IB, but it would also bring more certainty to IBs as regards system functioning and future system audits to come.

Recommendation 13: Linked to already stated in the Recommendation 10, according to national Act on Public Procurement then responsibility for the regularity of public procurement procedure lies exclusively on contracting authority – in the context of cohesion policy implementation – on the beneficiary (second level decision making authority is national commission for the revision of public procurement procedures). Therefore, having in mind the need to avoid conflict of interest, verifications of public procurement procedures by the IB and the procedures on beneficiaries' level (separation of functions) should be re-evaluated in a way to avoid as much as possible double checking and doubling responsibility for the regularity of the public procedures.

Recommendation 14: To make processes at different IB more coherent and predictable trainings organised by the MA should be continuous, good and bad practices should be communicated on an operational level constantly.

7.2. Analysis of the implementation procedures

7.2.1. MCS 2014-2020⁵⁵

The extensive document defines procedures as regards cohesion policy implementation in Slovenia. It focuses on the bodies that play a role in the system of implementation, from centralised MA (MCRD) to IB (ministries, ZMOS) and implementing bodies (mainly public bodies such as public agencies, public funds, etc.).

ITI mechanism is therefore part of the procedures that encompasses:

- MA,
- IB for the selection of projects (ZMOS),
- IBs for checking the applications for projects and signing co-financing contracts with municipalities respectively for doing the management controls and payments from national budget (MECE, MNSSP).

MCS therefore according to national decree on the 2014-2020 cohesion policy implementation⁵⁶ defines the roles and tasks of mentioned body in the ITI process that determines direct approval of the projects by the MA (after checking by both IB, ministries) based on the previously selected project by the IB ZMOS (public invitation to municipalities). The system as such (as already stated in Recommendation 7, Chapter 7.1.3.3) works in practice but there is room for acceleration of procedures. It would be suggested that all the dedicated funds for urban development using ITI mechanism would evaluate the possibility of using the system of *Union contribution to all or parts of a priority of programmes based on financing not linked to costs*. Such mechanism enables that

Commission and Member State audits and management verifications carried out by Member States shall exclusively aim at verifying that the conditions for reimbursement by the Commission have been fulfilled or the results have been achieved. So it would lower administrative burden as regards management verifications in the MCS and respectively put more focus on achieving the set results. The decision of the MA would therefore have to be adapted to the set conditions for support focusing on results whereby a considerable upgrade at the IB ZMOS level would be needed. Especially if they would also grant the support to the municipalities as IBs (co-financing contract) and if they would financially manage the funds dedicated to urban development via ITI.

Besides the provisions concerning current two-phased system of ITI implementation in the MCS does not need further improvements.

ITI mechanism implementation scheme (ZMOS – Assembly of City municipalities performs tasks related to selection of operations)

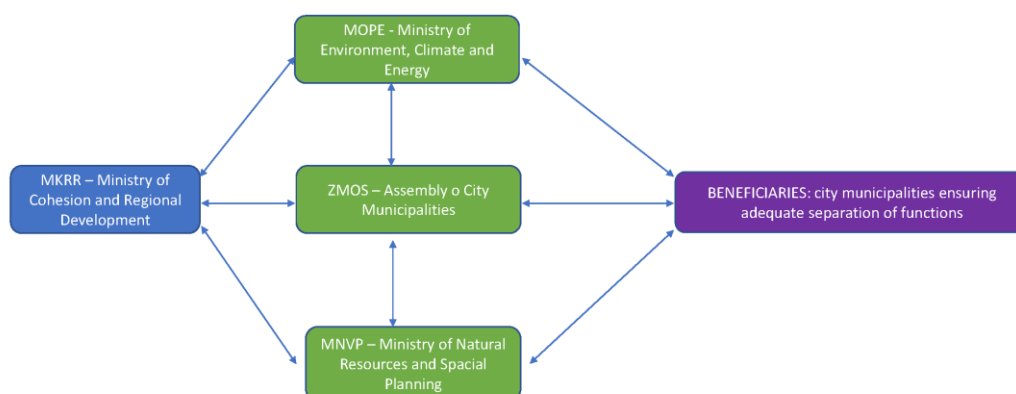


Figure 29: Implementation of the ITI mechanism (ZMOS performs the tasks of the MA only in the phase of selection of projects)

7.2.2. MA guidelines for ITI implementation 2014-2020

After review of the ITI Guidelines the procedures follow the MCS framework and besides the question of the possibility of simplification of the two phases procedures as already explained in the previous chapter there are no further findings/recommendations.

Another possibility of making the process slimmer (between financing not linked to costs and current two phases system) could be granting the support by the MA directly to the public invitation of ZMOS – in that case such an invitation would have to have a legal background (defined in the national

legislation). Such a system would enable much slimmer second phase in which the selected project by ZMOS would be subject to drafting a co-financing contract between the ministries as IBs, the procedure of direct approval of project to the MA would no longer be needed.

7.2.3. MA guidelines on issuing decision of support, planning, reporting and monitoring

7.2.3.1. *Cohesion Policy Implementation Plan*

MA guidelines foresee preparation of an INP – that is a content based and financial plan for effective and efficient disbursement of cohesion policy funds in Slovenia. Review of the plan shows that it has become an instrument for national budget planning whereby it consists of lack of information as regards performance. Since Slovenia has a system of commitments and paying expenditures firstly from the national budget and consequently reimbursement of funds the financial framework is essential to enable the implementation of calls, projects and programmes. On the other hand, there are virtually no indicators/results of various measures mentioned in the published INP. Hence analysis showed that per priorities/specific objectives key performance indicators would have to be listed per planned calls, projects, programmes in order to secure also results based planning. It would be recommendable to widen the INP with the expected results/performance indicators on the priority/specific objective level and to indicate planned contribution of each call/project/programme to the expected performance framework on higher levels. Based on that the decisions as regards funds disbursement would be more result based and hence the decisions on granting overcommitment funds from national budget would have additional rationality.

Same would apply also for ITI measures in different specific objectives – if they would envisage comparable advantage, overcommitment could be granted also to ITI projects. See recommendation Nr.5.

7.2.3.2. *Deciding on support by the MA*

Current provisions of the MA guidelines foresee three different possible way of issuing a decision – to a call for proposal, to a specialised call according to existing legal basis and direct approval of a project.

Since the EU legislation⁵⁷ enables also financing not linked to costs the possibility should be explored how to grant funds also to a kind of programme for the implementation of a (part of) specific objective in the cohesion policy programme, e.g. in case of ITI implementation to a set of measures that would be after the MA approval implemented by ZMOS as IB in a more decentralised way.

Another possibility of improvement would be to enable easier complementarity between different funds/specific objectives on a project level. 2014-2020 has in accordance with the audit trail requirements requested on a project level, if it was planned to receive grants from more sources, that for each part of the project a separate project had to be drafted. It was argued that each of the grants required separate monitoring, reporting and contribution to a separate performance indicator and consequently therefore project has to be able to ensure that. To enable better complementarity and synergies between different grants it is therefore important to develop a matrix structure that would be part of the MA guidelines which would enable on one hand combination of funds (with the separation on the level of expenditure item) and on the other clear guidelines how reporting/monitoring/achievement of performance indicators have to be performed.

7.2.3.3. Selection criteria 2014-2020

Selection criteria are approved by the monitoring committee for the cohesion policy programme. They are divided per priorities and specific objectives whereby there is a separate chapter dedicated for ITI mechanism projects. Selection of ITI projects/projects therefore have to consider criteria as determined per specific priority/specific objective and additional criteria set in the specific chapter. On the other hand, content specifications per priority/specific objective for ITI therefore presents a kind of summary of necessary criteria and conditions that have to be met in order to be funded. It would be recommendable to try to unify both documents in order to simplify the eligibility of contents to be funded by ITI.

8. Analysis of the e-MA Information System from the perspective of ministries as IBs⁵⁸

8.1. e-MA IT System for the Programming Period 2014-2020

The e-MA IT system of the MA (MCRD) is intended to support the OP ECP 2014-2020. e-MA is an online application accessible via a web browser. It is accessible to any user with a valid Slovenian digital certificate.

It is linked with MFERAC and e-CA, both at the MOF.

e-MA enables financial, physical and operational monitoring of the implementation of ECP, enables the implementation of the necessary controls, as well as financial support flows that are supported by appropriate accounting documents as required in approval, disbursement and certification process.

For the programming period 2021-2027 new upgraded IT system e-MA2 was set up to improve user experience and to further improve monitoring of the cohesion policy implementation.

The parts of the e-MA architecture are:

- e-MA database
- business and data layer
- e-MA interface
- module integration with document system
- process management module
- connection module
- reporting module.

Since IT system follows the system of management and control as described in the Analysis of organisational processes and of the Urban development in Slovenia present chapter focuses only on key findings/recommendations that arose from the review of the system and from the gathered information from the users of the system.

Key functionalities of the systems are:

- entering applications for a DoS

- entry of projects
- transfer of the financial plan at the project level from MFERAC
- electronic data import at the level of the final recipient
- support for the implementation of prepayments and advances
- creation and transmission of claims for payment by the beneficiary
- entering data on achieved indicators
- monitoring data on participants in the ESF and YEI
- support for the process of processing and confirming claims for payment.
- monitoring of budget disbursements (link to MFERAC)
- support for the implementation of certification
- support for refunds and system corrections
- support for on-the-spot checks
- monitoring of quarterly irregularity reports
- monitoring of revisions
- online connection with other information systems
- online connection to the document system
- administration of all users by IS e-MA administrators at MA and by of IS e-MA coordinators at IBs.

To simplify, the IT system enables entering and managing applications for support to an instrument (either call for proposal or project for direct approval), managing of the approved projects (projects, programmes, etc., including links to the MFERAC system, e.g. transfer of contracts of co-financing from national budget) and financial management on the basis of claims for payments by the beneficiaries. Besides previously mentioned key features the system enables monitoring of various elements like indicators, participant in the ESF projects, etc.

8.2. e-MA IT System for the Programming Period 2021-2027

e-MA2 rests on the experiences from the programming period 2014-2020, main new features are:

1. As far as the application for support is concerned the main novelty is that INP as a pre-phase for planning of instruments has to be entered. For ITI that is implemented through the Phase 2 as a direct approval of the projects previously selected by ZMOS, a pre-phase (project selection method, INP) will have to be planned.
2. The IT system consists of various modules, the architecture of the system has been altered.
3. The system stays linked to MFERAC and eCA.

Since there is lack of experience with the new IT system and since the system is still in the phase of upgrading there are limited possibilities to draw conclusions/recommendations for the future optimised planning. Nevertheless, according to the review and to first experiences there are already some key elements that have to be highlighted from the top-down perspective:

Finding 1: e-MA2 has foreseen various new modules. There is clearly lack of the module for the call for proposal processes in the meaning that a process could be offered in a digitalised form to all IBs thus enabling a more unified approach towards the selection of projects.

Recommendation 1: It would be highly **recommendable to foresee a flexible module for the call for proposal in a digitalised form**. As far as ITI is concerned such module would enable also to IB ZMOS to digitalise the process of selection of projects in the first phase. Furthermore, it would enable also the possibility that granting a support from the MA would be to a call of proposals by ZMOS instead to each project in the second phase.

Finding 2: The e-MA2 system introduces a mandatory pre-planning phase (INP, project selection method) that currently demands that before entering the application for support to each project, a pre-planning phase has to be entered into the system. The pre-planning phase demands entering content-based data and financial data that have to be fully aligned with the data on the application of support.

Finding 3: Data on the level of the (ready to go) project will be always more accurate (the maturity of investment documentation) – therefore the requirement of the e-MA2 to adapt data on the pre-phase (project selection method) will present an unnecessary administrative burden and it will also disable to monitor the differences in planning in different phases of the project development.

Recommendation 2: **Re-evaluate the requirement for full alignment between pre-planning financial data and project-level data**. This would reduce unnecessary administrative burden and enable better monitoring of planning variations across different project development phases.

Finding 4: The aim of the pre-phase (project selection methods as part of the INP) is having as accurate as possible data for the national budget planning. What is missing is a shift towards implementation planning that would be based on results/indicators as foreseen in the cohesion policy programme.

Recommendation 3: **Enhance the pre-phase logic to put greater emphasis on planned results/indicators.** This would give additional input for the decision-making processes to concentrate on the instruments that are more performance based. As far as ITI is concerned this would give additional data basis for possible introduction of financing not linked to cost and for possible overcommitment/overbooking and hence reprogramming of funds for the urban development if needed.

Finding 5: The terminology of the IT system is not fully aligned with the established terminology from the normative basis.

Recommendation 4: **Add short descriptions or manual links to each data entry field** to ensure full alignment between the system and corresponding normative documents.

Finding 6: The system currently requires multiple entries of the same financial data across different monitoring levels.

Recommendation 5: **Implement a one-time entry principle for identical data** across all monitoring levels (project, contracting, etc.).

Finding 7: The e-MA2 system does not foresee digitalised form of the application for support for the beneficiary, it only foresees entering the data in the form by the IB.

Recommendation 6: **Upgrade the system to enable the beneficiary to have an access and to have the possibility of entering the application for support** by themselves. The IB (in case of ITI ZMOS and relevant IBs as ministries) would have the role of checking, returning of the application to the beneficiary to supplement and approval of the application.

Finding 8: When entering financial data on the level of project the system calculates the EU co-financing and co-financing part from national sources (SI part) and costs not co-financed in percentage in accordance with the predefined percentage. Experiences show that such percentages that are then predefined also for the payments based on PC (from the national budget) do not enable enough flexibility since on the level of each PC the percentage could according to the implemented eligible activities not be the same.

Recommendation 7: **Introduce additional flexibility in the IT system for dividing expenditures between different financing shares.**

Finding 9: The systems of co-financing rest on the total (eligible) cost principle that has an important influence on all levels of the monitoring system (from the INP to the claims for payment).

Finding 10: There are no clear instructions and based on the experiences from the 2014-2020 as regards entering claims for payment for eligible costs that are not co-financed from EU sources but contribute to financial indicator.

Recommendation 8: **Develop clear instructions from MA and MOF** as the accounting function holder **regarding the use of the total cost principle** for beneficiaries and IBs.

Finding 11: There are some crucial novelties as regards the implementation of cohesion policy in 2021-2027, like more rigorous check of possible conflicts of interest (e.g. between beneficiaries and their contracting partners), Do No Significant Harm (DNSH) principle, climate proofing, etc.

Recommendation 9: e-MA2 **should enable checking of ownership structures** (natural persons, link to AJPES – national system?) **in a digitalised form, uniform entering and checking of the DNSH** on the level of project and claim for payment.

9. Organisational processes at ZMOS – Achievements and Challenges⁵⁹

9.1. ITI Achievements 2014-2020

1. The EC introduces the ITI mechanism in the 2014-2020 financial perspective without specific requirements on how it should be implemented. Each Member State sets the mechanism it sees fit.
2. Involvement of individual representatives of municipalities in the programming consultations for the 2014-2020 financial perspective. Agreement that in Slovenia the beneficiaries are 11 Urban Municipalities.
3. Urban Municipalities co-operate and connect within the existing ZMOS association.
4. Establishment of an ITI Expert Commission with highly professional and interdisciplinary members.
5. Recruitment of staff to support ITI at ZMOS.
6. The establishment of the ITI mechanism is carried out in cooperation with the MA GODC and the IB MESP and MOI.
7. Organic development of programming documents and implementation modalities.
8. Special attention is paid to implementation of the Phase 1 selection of projects at ZMOS:
 - Regular meetings of the ITI Expert Commission with the MA of GODC and the IB MESP and MOI.
 - Regular meetings and high responsiveness of the ITI Expert Commission members.
 - Information to beneficiaries by the Secretariat of ZMOS.
 - Preparation of user-friendly, structured Excel forms for Phase 1 applications.
 - Preparation of checklists for the applications screening. Checklists are also circulated to beneficiaries to review the application themselves before submission.
 - Shortening the time limits for Phase 1 procedures to the minimum acceptable duration from the beginning.
 - Good administrative support for all procedures in the Secretariat of ZMOS.
 - Good organisation of the ITI Expert Commission for the screening of the Phase 1 applications.
 - High responsiveness of beneficiaries to submit amendments when necessary.
9. High level of expertise of the ITI Expert Commission and the Secretariat of ZMOS:
 - Determining issues that need to be addressed at political level.
10. Involvement of the political level at the MA, IB and Urban Municipalities.

- Regular system and content information and awareness-raising on the ZMOS Assembly.
 - Addressing the political level at ministerial level on key challenges.
11. Representation in the Operational Programme 2014-2020 Monitoring Committee
 12. Funding of ITI implementation in Phase 1 from technical assistance.
 13. ITI mechanism was established and implemented.
 14. Sustainable Urban Strategies of the Urban Municipalities prepared.
 15. Methodology developed and indicative allocation of funds per Urban Municipality introduced, so beneficiaries know the amount of funds available and develop projects within the financial capacity. Defining the duration of the indicative allocation period allows all beneficiaries to apply for unused funds of the mechanism after that period.
 16. Strong political support from the Mayors of the Urban Municipalities to the ITI mechanism and to the IB ZMOS: the Expert Commission and the Secretariat.
 17. Partnership and co-operation between the Urban Municipalities at the professional level, transfer of good practices and using synergies.
 18. After the introduction of the ITI, stronger cooperation of the Mayors of Urban Municipalities at political level with a win-win attitude, since this is a way of achieving the best conditions for the development of the Urban Municipalities.
 19. Traditional partnership between ZMOS at expert level and the MA MCRD and IM MECE and MNRSP.
 20. Under ITI financial structure is deemed to be closed when applying to the ITI already before the DoS is issued.
 21. Introduction of financial instruments as a source of loans.
 22. Introduction of reserve projects to draw on the residual funds at the end of the mechanism, with the additional solution of amending the DoS and increasing the project co-financing according to the excess eligible costs in special cases.
 23. Official letters to the Prime Minister and other ministers on the implementation of the ITI mechanism, several initiatives and meetings of the Urban Municipality mayors and ministers

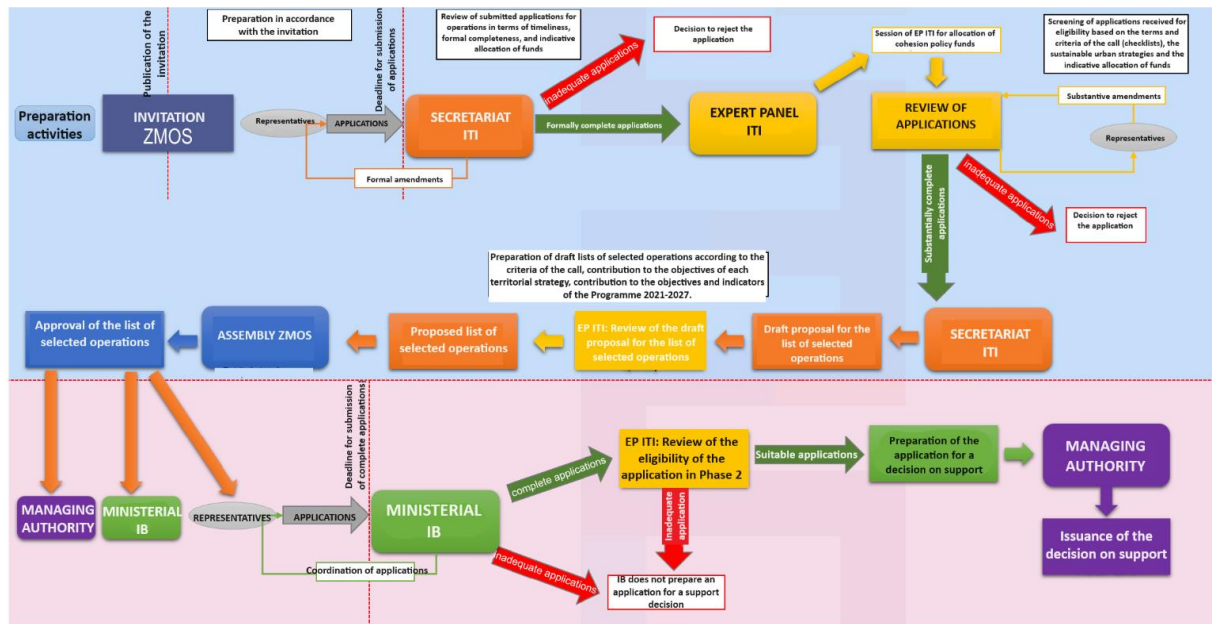


Figure 30: Flowchart of the ITI approval process for ITI from a call at ZMOS to a DoS at the MA

MCRD⁶⁰

9.2. ITI Challenges 2014-2020

1. Different instructions for implementation of Phase 2 at the two IB MESP, MOI.
2. Technical assistance has been significantly underestimated in relation to the high workload as the implementation of the mechanism has evolved. At the same time, there were difficulties in disbursing part of the technical assistance for the last calls because the delayed start of implementation delayed the publication of the calls beyond the deadlines foreseen in the contract. Eventually, technical assistance was reimbursed.
3. The ITI does not have a formal organisational structure. Co-operation is based on partnership.
4. The degree of involvement of representatives of ZMOS in the broader European Cohesion Policy processes has proved over the years to be dependent on the political will.
5. Reorganisation of ministries after the last elections, including those of the ITI - MA GODC (Slovenian abbreviation: SVRK), now MCRD (MKRR); IB MESP (MOP), now MNRSP (MNVP); MOI (MZI) now MECE (MOPE), resulted in a partial change of staff. In the complexity of the ITI mechanism, continuity is key.
6. The continuity of the availability of financial instruments from 2014-2020, which are the source of loans, is broken. Consequently, these funds are not available to beneficiaries at the start of the 2021-2027 implementation.

7. The processes for the implementation of Phase 2 are still under preparation at the closure of Phase 1 of the first ITI calls 2021-2027. It is necessary to ensure that the same implementation procedures for Phase 2 are used at both IB.
8. Increase the institutional capacity at all levels of the ITI processes.
9. Securing the funding of the IB ZMOS by 2029 depends on the annual provision of funds in the budget of the Republic of Slovenia.
10. ITI projects have a significantly higher absorption capacity than the available co-financing.
11. Ensuring financial liquidity for the Urban Municipalities in the long procedures of co-financing allocation and reimbursement of payment claims.

Further advocate for the exclusion of loans from financial instruments from the maximum possible municipal borrowing.

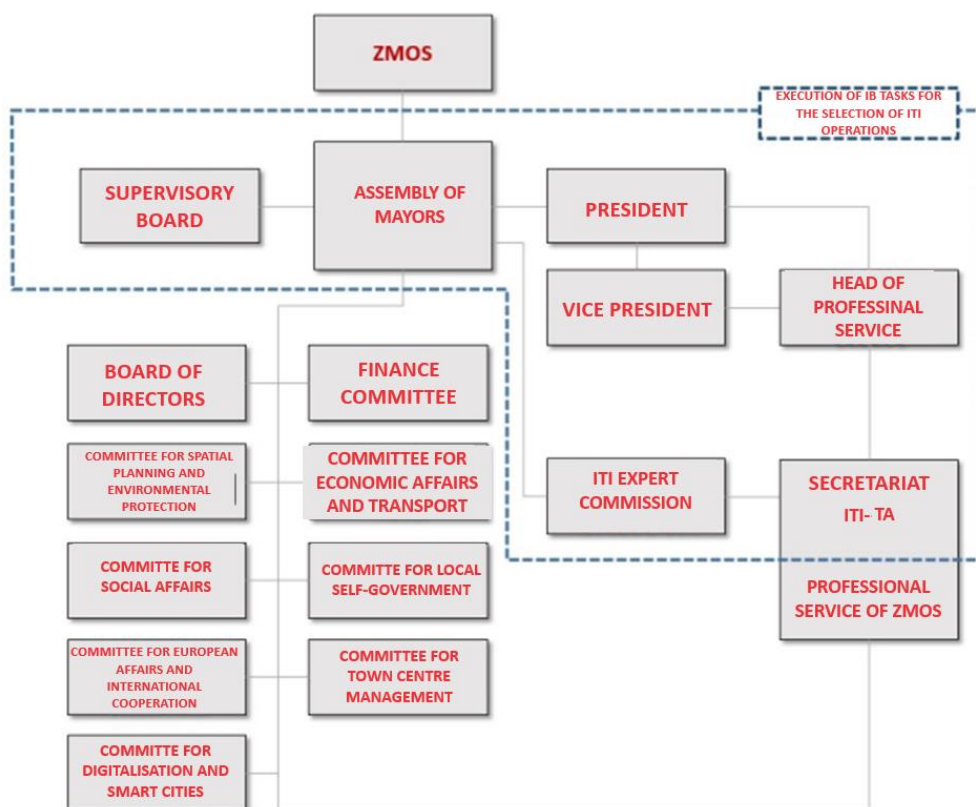


Figure 31: Organisational chart of ZMOS and the IB ZMOS (blue box)⁶¹

10. Conclusions

10.1. Feedback from Austrian experts

The analyses of ITI 2014-2020 and the relevant data collection prepared by Slovene experts show a very successful implementation of this new instrument, introduced and implemented within the ESI Funds in Slovenia for the first time in the funding period 2014-2020 and continued during the period 2021-2027. In general, the funds provided for projects of urban development (focusing on energy efficiency, urban mobility and urban regeneration) were successfully absorbed by the 11 urban municipalities. The administrative level of this funding instrument is divided between different institutions, with distinct functions (MA, IB), the selection of projects to be funded is organised in a two-phase process, submission of projects is through calls for proposals (open calls, closed/thematically focused calls) opened for a certain amount of time, limited number of calls is organised during a funding period. Although the implementation of ITI is reported as a major success in absorbing funds for urban development, the analyses nevertheless reveal some bottlenecks that should be considered in more detail to improve the system of ITI implementation in the programming period 2021-2027 and beyond, when starting the discussions on programming for 2028+.

As regards the ITI implementation from the perspective of the involved institutions, beside the MA, there are two ministries and ZMOS acting as IBs. ZMOS is responsible for the preparation of calls, reviewing received applications, drafting and adopting a list of selected projects. The MNRSP, responsible for projects of urban regeneration (PA 6.3) and the MOI, administering projects on energy efficiency and sustainable urban mobility (PA 4.1 and 4.4), after receiving the results from ZMOS, then review the selection process and the selected projects by ZMOS. Although the cooperation between the institutions is reported as working well, the two-phase process with partly overlapping tasks and responsibilities as well as different ministries with different sets of rules and procedures for similar project types are seen as not very beneficial in terms of efficiency and effectiveness of resources involved. The respective analyses of data regarding the duration of processes of projects review, requests for supplementary information, project selection as well as the conclusion of final funding contracts suggests that the rules and procedures should be more harmonised among the involved parties, simplified in view of digitalisation (providing an electronic system for project application, project review, selection, contracting, payment; inserting project data in an electronic system only once, making relevant data available to the involved programme bodies according to their responsibilities), in order to provide a harmonised set of rules to applicants and beneficiaries, to reduce complexity and to streamline and shorten the respective administrative processes.

Multi-level governance: In addition, the organisational set up of the ITI mechanism should be reviewed in terms of respective roles and responsibilities of the involved bodies, staff resources, in order to establish an effective working structure with a clear distinction of responsibilities focusing on shared management, coordination, cooperation and not replicating the same tasks (e.g. project appraisal or verification of expenditures) at different levels and by different bodies. This could also include the provision of a harmonised set of rules and procedures by the MA, commonly developed and agreed with the IB from ministerial level and ZMOS, or delegation of the final selection of projects (including the issuing of the funding contract) from the MA to the IB.

The lengthy duration of project cycle from the application till awarding/signing the funding contract and further on till reimbursement of funds could be addressed by different measures:

As regards the lengthy procedures of reviewing and selecting the projects, clear guidance and guidelines on information and documentation to be provided by the applicants/beneficiaries should be issued. The interpretation of these guidelines should be harmonised among the Programme bodies, to avoid different interpretations by different bodies and by this prolonging the time needed to submit the correct and necessary information. Guidance to applicants and beneficiaries should be provided in terms of dedicated staff and training. A continuous support and advisory network or structure for ITI applicants and beneficiaries should be established, with dedicated opportunities to get general information, thematic orientation, individual consultations, exchange platforms with other applicants and beneficiaries, presentation of success stories, etc.

This issue could also be tackled by revolving calls, setting the framework for submission, evaluation, selection of calls at the beginning of a funding period, inviting and accepting project submission throughout the overall programme period. This would at the same time cope with the issue of readiness of beneficiaries and projects, might also answer to the characteristic typology of projects funded within the ITI mechanism – being rather complex and holistic (allow for more time and support before actually submitting a proposal, getting support in advance to avoid several rounds of clarification requests or requests for improvements), as well as the possibility of better evaluating the spending levels and the raised issue of introducing over-commitment. For a mechanism of revolving calls cut-off dates twice a year might be introduced. Project appraisal, evaluation, support would be carried out on a continuous basis. Project decisions would be made either by IBs or by a common Monitoring Committee, meeting on a regular basis, e.g. twice a year (cut off dates would be aligned with Monitoring Committee meetings).

Readiness of projects: As the analyses indicate, the elaboration of the construction, investment and project documentation contributes to the rather long duration of procedures leading to a project

approval. It might be considered to introduce different typologies of projects in ITI (besides construction also allow for development of respective development strategies on the level of the urban municipalities, metropolitan areas or functional urban areas – as these strategies are considered the basic framework for investment and construction projects). The duration of elaborating the necessary documentation suggests that support for applicants and beneficiaries in this step might be needed and highly appreciated, in this sense dedicated guidance, capacity building measures, exchange of experiences, consultations might lead to a reduction of time needed for these complex documents. Even simplification of these documents and the related procedures might be taken into consideration.

For the reimbursement of expenditures/claims on the one hand possibilities offered by financing not linked to costs, but also by simplified cost options should be considered (lots of different options are available off-the-shelf meaning ready to use), on the other hand simplified, risk-based management verifications should be introduced – after developing a respective methodology with identification of risks in advance, based on previous experiences. Such a methodology should be agreed with all involved Programme bodies and clearly described and communicated to applicants and beneficiaries at an early stage of Programme implementation.

Financial instruments: The ITI mechanism in Slovenia does not use the possibility of financial instruments, although possibilities for using EU-funding coming from the Programme to be combined with further co-financing sources have been and currently are sought for. The question is whether financial instruments, offered by other EU institutions (such as European Investment Bank), have to be directly addressed by the Programme and the ITI mechanism or could be seen as a supplementary option outside the Programme logic, both alternatives should be taken into further consideration. As an example, the Austrian ERDF/Investment in Jobs and Growth Programme could be seen: The institutions acting as IBs, altogether 14 (both on national/federal and on regional level), are at the same time also co-financing bodies. In some cases, these institutions offer national (or regional) funds as a source of co-financing. In other cases, institutions are acting as intermediary for funding coming from EU level and offer such instruments to beneficiaries to cover their expenditures within projects approved in the framework of the Programme, being the case for IB aw's (Austria Business Service Agency, the Federal Development/Co-financing Bank). Besides, a deeper look into practices of using financial instruments in other initiatives in Slovenia would be beneficial, including an exchange focused on the preconditions and the framework for such instruments such as topics addressed by these instruments, types and characteristics of projects funded, project sizes and volumes of support, types of eligible beneficiaries, complementarity of funds in terms of avoiding double funding.

For addressing the topic of collecting and analysing data about the processes and their respective duration: For the purpose of effective and efficient Programme implementation, a systematic way of inserting, recording and collecting data along the overall cycle of the Programme should be envisaged. Experiences from other countries and initiatives show an overall good performance of integrated monitoring systems including all phases of a Programme implementation (call procedures, procedures for project evaluation and awarding of contracts, administration of contracts, verification of expenditures, PC towards the EU, etc.) and at the same of all phases of a project cycle, as well as including different types of Programme bodies (MA, IB) and applicants and beneficiaries. As for the project cycle the monitoring system should integrate all respective steps and tasks of applicants, beneficiaries and Programme bodies - starting with an electronic application (with automatic warning messages in case of missing or non-compliant information, shortening the time for administrative checks as well as decreasing the need for additional information requests), appraisal and evaluation of proposals (even in case of shared tasks between ZMOS and the respective ministries – distribution of evaluation tasks would be displayed in a transparent way, to avoid duplication of checks or requests for further information), selection of projects, awarding procedure (including the issuance and signature of contracts, considering electronic signatures according to the respective regulations), reporting (including technical and financial documentation),

As for the mentioned overall framework for implementing projects under ITI mechanisms, the national Spatial Development Strategy of Slovenia till 2050 plays a crucial role, so do the sustainable urban strategies of the involved municipalities. Some of these strategies have a longer history than others, nevertheless they are the basis for submitting and implementing ITI related projects. Therefore, a closer look at these strategies, the set priorities and possibilities for further development should be taken into consideration in a broader sense. In cases, where such strategies are recently developed, resources should be put into further elaboration – to have a strong case for ITI projects. Further elaboration and updating of such strategies to latest developments in economic, transport, innovation, construction, landscape terms might be considered as eligible in the ITI mechanism. In this respect also the considerations for linking statistical regions to administrative units for the purpose of spatial development (including polycentric urban development, functional urban areas) should be discussed on the political level, aiming at a deep discussion of administrative units and the related responsibilities, competences of regionally based and financed structures.

10.2. Feedback from Slovenia

10.2.1. Report and feedback from consultations with stakeholders in Slovenia held in May 2024

10.2.1.1. Presentation of conclusions to stakeholders' representative – T2.4; 8 May 2024, Nova Gorica

Conclusions of the outputs of activities from Work Package 2 (T2.2, T2.3) were presented to 15 representatives of urban municipalities in the framework of the ZMOS Expert committee on EU affairs and international cooperation meeting, as well as two ZMOS representatives and one representative of EGTC GO (see Annex II for the list of participants).

The participants took note of the findings of the analyses. The main point of interest was the analysis of the duration of the processes. The participants agreed with the analysis results and reported about longer procedures for ITI projects of urban regeneration, that were administered by the MNRSP, in contrast with projects of sustainable urban mobility, administered by the MOI in the 2014-2020 period. The presented findings were characterised as instrumental for instigating change at ministerial level to shorten the procedures. From the viewpoint of urban municipalities, the crucial aspect is how to shorten the period for cost reimbursement.

At the same time, the procedure of project selection by ZMOS was briefly analysed and a commitment was made to review all forms and other possibilities of improving the process.

Mr. Tomaž Konrad from the EGTC GO reported on much simpler procedures for project implementation and approval in Italy, which stems from a different regulatory environment. In his assessment, implementation of EU-funded investment projects in Slovenia proves to be administratively much heavier than in Italy. Representatives of urban municipalities advised to take a deeper look in Italian practices through the TSI project.



Figure 32: Presentation of conclusions to stakeholders' representative – T2.4; 8 May 2024, Nova Gorica

10.2.1.2. Feedback of core group of three ITI ministries representatives – T2.6; 14 May 2024, Ljubljana

Conclusions of the outputs of activities from Work Package 2 (T2.2, T2.3) were presented to the so-called core group of three ITI ministries by Klemen Košir and Saša Heath-Drugovič. In total, four experts, three ZMOS representatives and eight ITI ministries representatives participated in the meeting (see Annex II for the list of participants). An overview of main findings from the study visit to Vienna was presented, mainly the cohesion ecosystem in Austria and the role and functioning of Austrian Conference on Spatial Planning (ÖROK) as the MA. Representatives of ministries, involved in ITI, took note of the analysis of the organisational processes and discussed draft recommendations, related to the implementation system of ITI.

The following topics were addressed:

- Possibilities to further transfer tasks and responsibilities from the national level to the sub-national level. Considering the success of ITI in the 2014-2020 period, the multi-level governance approach, the bottom-up nature of the ITI mechanism etc., the future implementation of the mechanism could entail delegating more authority to ZMOS, i.e. signing contracts on co-financing, disbursement of funds, etc. This could decrease the administrative burden for ministries and speed up the process but could also prove to be unfeasible due to very limited human, logistical and financial resources of ZMOS.
- The content of ITI, meaning the SOs covered, was discussed. It was established that sustainable urban development is a much wider topic than the three SOs currently included. For the

efficiency of the mechanism, it would be beneficial to not limit supported actions to only a few topics, but to allow cities to implement truly integrated projects that may encompass a wider array of actions, including soft (social) measures. The challenge is the programming process, the division of funds to different ministries depending on the SO and the ministries' jurisdictions and the planning of indicators. A more open mechanism (topic-wise) would be more difficult to manage and plan, while a more closed one can be detrimental to the objectives of ITI and cities' needs.

- A case for setting an overcommitment for ITI from national funds was made. Additional national funds are needed to achieve a full disbursement of EU funds. On the operative level, ministerial employees support the introduction of an overcommitment for ITI, which must be established with a government decision. Besides that, the overcommitment could be perceived as a performance-based award, stimulating beneficiaries to prepare and implement projects in a timely manner, thus fostering a quicker absorption of EU funds.
- For ITI, as for other mechanisms and calls in the framework of the cohesion policy, only the upper limit of co-financing of eligible costs is defined. In the discussion, the participants agreed that a limit on minimum co-financing should be explored. Regardless of the amount of co-financing, the administrative workload on the ministerial and beneficiaries' side in ITI and other mechanism is the same. Setting a minimum co-financing condition could benefit the overall system.
- ITI in Slovenia is a two-phase system (project selection by ZMOS and project approval by ministries), which proved to be successful, but questions arose whether it was also optimal. Post 2027, new approaches of granting funds to cities could be explored, that would strengthen the bottom-up approach and the multi-level governance while at the same time quicken the process of implementation. Financing not linked to costs, or an outcome-based system could be used, starting from an agreement between different levels on common targets that need to be achieved.
- Audit and verification tasks present an overlap, where cities as public bodies, subjected to the same rules and legislation as ministries, have the obligation to review and verify public procurement activities, which are later checked again by the ministries. A possible solution could be the establishment of an internal separate unit at the city level that would execute the verifications and audits of public procurement, in turn the ministries would deem such control as satisfactory and would not implement their own control.
- Ministries have a crucial role in policy making and coordinating the policies with different funds, but these tasks are different from the tasks of system implementation (verifying

applications, co-financing contracts, etc.). A case was made for the establishment of a joint public body, possibly in the form of a public agency, that would be in charge for the implementation of the cohesion policy system, pooling human resources with implementation knowledge from all ministries. This would translate to uniform procedures but would require legislative changes and a political consensus.

- When the MA issues the DoS of an individual project, the amount of co-financing is strictly defined and there are almost no possibilities for change, regardless of whether during the implementation of the project eligible cost increase or whether the project could be improved. From the point of view of the beneficiaries, more flexibility should be allowed, which would also be beneficial for a faster absorption of EU funds.
- The need to have uniform rules in the same mechanisms but also between mechanisms was highlighted. The process also allows for too many possibilities for human errors, leading to a prolongation of procedures (hand-filled forms are transcribed by ministerial employees in the IT system, documents of the applications are being sent by email, attachments get lost, etc.). Often rules are being interpreted differently within the same ministry by different project managers, leading to complications and to legal uncertainty of beneficiaries. If this leads to delays in the processing of payment claims, beneficiaries can suffer liquidity issues, diminishing their capabilities to implement future projects.
- The IT system e-MA should be improved and made more user-friendly, with more automation, more flexibility, allowing for adjustments and for cases of simpler changes to be made quicker, etc. Currently, the e-MA2 system is in the final stage of development and further changes will be difficult to enact.
- The analysis of the duration of processes was presented, highlighting that different rules translate to different average times of processing of applications.
- ITI was characterised as a boutique product, adequate for testing changes, simplifications and other changes before they are applied to the whole cohesion policy system.



Figure 33: Feedback of core group of three ITI ministries representatives – T2.6; 14 May 2024,
Ljubljana

10.2.1.3. Presentation of deliverable 2.1 to the political level – mayors of urban municipalities – T2.7; 17 May 2024, Celje

The main findings from the analyses were presented at the 41st regular session of the Assembly of mayors of ZMOS. Six mayors and three vice-mayors of urban municipalities as well as six directors of city administrations participated at the session and took note of the information provided. The topic of TSI was also used for awareness raising on the quality of projects, timely planning, realistic expectations, etc.



Figure 34: Presentation of Deliverable 2.1 to the political level – mayors of urban municipalities –
T2.7; 17 May 2024, Celje

*10.2.1.4. Presentation of deliverable 2.1 to the political level – Monitoring Committee –
T2.7, 23 May 2024, Ljubljana*

On the last session of the Monitoring Committee for the cohesion operational program for the 2014-2020 period, IB presented their main accomplishments. In relation to ITI, the TSI project was briefly presented.

11. Annexes

Annex I: Basis for establishing the ITI mechanism in the Republic of Slovenia for the period 2014-2020

Annex II: Lists of participants

¹ https://commission.europa.eu/eu-regional-and-urban-development/topics/cities-and-urban-development/urban-agenda-eu_en

² <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02018R1046-20221214>

³ <https://www.eu-skladi.si/sl/ekp>

⁴ Ustava Republike Slovenije, <http://pisrs.si/Pis.web/pregledPredpisa?id=USTA1>, 24.11.2023.

⁵ https://www.gov.si/assets/ministrstva/MOP/Dokumenti/Urbani-razvoj/fe4a603e8f/porocilo_teritorialni_dialog_z_mesi_2014_2018.pdf, 24.11.2023.

⁶ Resolucija, <https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2023-01-2295/resolucija-o-strategiji-prostorskega-razvoja-slovenije-2050-respr50?h=Mestna%20obC4%8Dina%20Slovenj%20Gradec,%20poslovnik>, 24.11.2023.

⁷ <https://evropskasredstva.si/evropska-kohezijska-politika/kljucni-dokumenti/zakonodaja/>

⁸ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R1060>

⁹ <https://skp.si/infoteka/novice-prp/pozivi-za-clanstvo-v-lokalnih-akcijskih-skupinah>

¹⁰ <http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5801>

¹¹ <https://eur-lex.europa.eu/eli/reg/2021/1058>

¹² <https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2023-01-0403/uredba-o-izvajanju-uredbe-eu-in-euratom-na-podrocju-izvajanja-evropske-kohezijske-politike-v-obdobju-2021-2027-za-cilj-nalozbe-za-rast-in-delovna-mesta>

¹³ https://www.eu-skladi.si/portal/sl/ekp/izvajanje/copy_of_celostne-teritorialne-nalozbe

¹⁴ <https://www.eu-skladi.si/portal/sl/ekp/izvajanje/opis-sistema-1>

¹⁵ This document is the national implementing regulation, adopted by the government. The program determines the substance or fields of intervention, the implementing regulation sets the national framework for the execution of the cohesion policy (who is the MA, who are the IBs, roles, duties of individual bodies etc.)

¹⁶ Author: Saša Heath-Drugovič.

¹⁷ Overcommitted expenditure means the amount of expenditure that was spent on a project approved as co-financed from the EU budget and which, as a result of commitments made to projects but exceeding the programme allocation, will not be able to be refunded from the EU budget, but will be fully covered from the state budget

¹⁸ DPP is budgetary document. Projects must be listed in the DPP to obtain funding, as this shows that the city has it in its budget and plans its share of funding.

¹⁹ Data for PA 4.4 are shown separately by funding source to make it comparable with the system data for the duration of Phase 2 and with the single PA 4.4, which will be used for further calculations.

²⁰ refers to public budgets (either state or municipal).

²¹ Zero request for payment means that a beneficiary has to prepare a document in which s/he includes only eligible costs that were paid by her/him and will not be claimed from EU funds. Because certifying authority (MOF) has to put into the claim for payment to EU budget (EC) all the eligible costs incurred – not only the one that will be at the end of the day recovered from the EU budget.

²² Author: Ida Bibič.

²³ This is an impact indicator from the 2014-2020 OP ECP: the number of households whose energy consumption class is improved by 2023 - approximately 750 households (the overall indicator for PA 4.1 is 2000 households).

²⁴ https://www.eu-skladi.si/sl/dokumenti/navodila/navodila_za_zakljucevanje_cistopis_22-5-2023.pdf

²⁵ PREGLED VLOG V OKVIRU NEPOSREDNE POTRDIITVE OPERACIJ V OKVIRU MEHANIZMA CTN NA PN 4.4 – II. faza, NAPOTKI ZA VLAGATELJE, št. 371-29/2016/222 – 02511011 z dne 1. 10. 2020

²⁶ <https://www.eu-skladi.si/portal/sl/ekp/izvajanje/financni-instrumenti>

²⁷ https://www.skladskladov.si/dokumenti/financiranje-ekp?field_document_category_tid=134

²⁸ KLJUČNI ELEMENTI finančnih instrumentov v programskem obdobju 2014–2020, št. 303-5/2017/64, 24. 8. 2017.

²⁹ Author: Klemen Košir.

³⁰ <http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4615>

³¹ <https://eur-lex.europa.eu/legal-content/SL/TXT/?uri=CELEX:32013R1319>

³² <http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5801>

³³

³⁴ The recommendation has to be seen in the sense that wider systemic factors influence the effectiveness of EU funds absorption.

³⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32021R1058>, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R1060>

³⁶ https://evropskasredstva.si/app/uploads/2023/09/Navodila_CTN_21_-_27.pdf

³⁷ <https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2022-01-3086?sop=2022-01-3086>

³⁸ https://evropskasredstva.si/app/uploads/2023/03/INP_23_1_P.pdf

³⁹ <https://evropskasredstva.si/izvajanje/celostne-teritorialne-nalozbe/>

⁴⁰ https://evropskasredstva.si/app/uploads/2023/09/Navodila_CTN_21_-_27.pdf

⁴¹ <https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2023-01-0403/uredba-o-izvajanju-uredbe-eu-in-euratom-na-podrocju-izvajanja-evropske-kohezijske-politike-v-obdobju-2021-2027-za-cilj-nalozbe-za-rast-in-delovna-mesta>

⁴² https://evropskasredstva.si/app/uploads/2023/09/Navodila_CTN_21_-_27.pdf

⁴³ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R1060> (Article 95)

⁴⁴ The recommendation is to not allow projects to be approved/co-financed, if the co-financing share in the total value of the projects is too little. Between 2014 and 2020, numerous projects with a very low percentage of EU co-financing were undertaken, due to the quotas agreed upon by city municipalities. As a result, smaller projects with limited impact on urban development were proposed for co-financing, as municipalities initiated projects with a small financial quota merely to absorb available funds. By recommending the establishment of a minimum co-financing percentage (e.g., 30%), it would likely be possible to avoid projects with limited impact that exist solely for fund absorption, while simultaneously compelling municipalities to prioritize project quality over the distribution of funds among themselves.

⁴⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R1060>

⁴⁶ <http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO1227>

⁴⁷ <https://evropskasredstva.si/app/uploads/2023/06/NSP-1-podpisana.docx.pdf>

⁴⁸ <https://evropskasredstva.si/izvajanje/opis-sistema-izvajanja/>

⁴⁹ <http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO3225>, <http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO242>

⁵⁰ <https://evropskasredstva.si/izvajanje/opis-sistema-izvajanja/>

⁵¹ Available at the time of analysis Manual for the implementation of the tasks of the intermediate body in the 2014-2020 programming period, document No 544-7/2016/26, version 1.02 of 2019 with five additional interim instructions until the end of 2023. - Na voljo v času analize Priročnik za izvajanje nalog posredniškega telesa v programskem obdobju 2014-2020, št. dokumenta 544-7/2016/26, različica 1.02 iz leta 2019 s petimi dodatnimi začasnimi navodili do konca leta 2023.

⁵² Available at the time of the analysis Handbook of the Ministry of Infrastructure in its role of intermediate body or managing intermediate body for the implementation of the European Cohesion Policy 2014-2020, version 7.0, May 2022, update of the Handbook also in line with the reorganisation of the Government was still in progress. - Na voljo v času analize Priročnik Ministrstva za infrastrukturo v vlogi posredniškega organa oz. nosilnega posredniškega organa za izvajanje evropske kohezijske politike v obdobju 2014-2020, različica 7.0, maj 2022, posodobitev priročnika tudi skladno z reorganizacijo Vlade je bila še v teku.

⁵³ <http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4298>

⁵⁴ <http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO7086>

⁵⁵ https://www.eu-skladi.si/sl/dokumenti/razno/osun_november_2023_-_cistopis_p.pdf

⁵⁶ <http://www.pisrs.si/Pis.web/pregledPredpisa?id=URED6816>

⁵⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R1060>

⁵⁸ Author: Klemen Košir.

⁵⁹ Author: Saša Heath-Drugovič.

⁶⁰ Priročnik ZMOS za izvajanje nalog posredniškega telesa v programskem obdobju 2021-2027 2027,

<https://www.zmos.si/wp-content/uploads/2023/09/Prirocnik-ZMOS-PT-CTN-v1-303-5-2023-1.pdf>

⁶¹ Priročnik ZMOS za izvajanje nalog posredniškega organa v programskem obdobju 2014-2020,

<https://www.zmos.si/wp-content/uploads/2019/03/Priro%C4%8Dnik-ZMOS-za-izvajanje-nalog-PO-verzija-2-februar-2019.pdf>

Annex I

1. Basis for establishing the ITI mechanism in the Republic of Slovenia for the period 2014-2020

- Partnership Agreement between Slovenia and the European Commission for the period 2014–2020 (Partnerski sporazum med Slovenijo in Evropsko komisijo za obdobje 2014-2020)¹
- Operational Programme for the Implementation of the European Cohesion Policy in the Period 2014-2020 (Operativni program za izvajanje Evropske kohezijske politike v obdobju 2014-2020)²
- Implementation Plan of the Operational Programme for the Implementation of the European Cohesion Policy for the Programming Period 2014-2020 (Izvedbeni načrt Operativnega programa za izvajanje evropske kohezijske politike za programsko obdobje 2014-2020)³
- Description of the Management and Control System for the Implementation of the Operational Programme in the Programming Period 2014–2020 for the Goal "Investments for Growth and Jobs" OSUN (Opis sistema upravljanja in nadzora za izvajanje Operativnega programa v programskem obdobju 2014–2020 za cilj »naložbe za rast in delovna mesta« OSUN)⁴
- Legal Basis System for the Implementation of the European Cohesion Policy (Sistem pravnih podlag pri izvajanju Evropske kohezijske politike)⁵
- Regulation on the Expenditure of European Cohesion Policy Funds in the Republic of Slovenia in the Programming Period 2014–2020 for the Goal of Investments for Growth and Jobs (Uredba o porabi sredstev evropske kohezijske politike v Republiki Sloveniji v programskem obdobju 2014–2020 za cilj naložbe za rast in delovna mesta)⁶
- Managing Authority Instructions on Meeting the Conditions for Performing the Tasks of an Intermediate Body in the Programming Period 2014–2020 (Navodila organa upravljanja o izpolnjevanju pogojev za opravljanje nalog posredniškega organa v programskem obdobju 2014 – 2020)⁷
- Managing Authority Handbook on the Management of European Cohesion Policy Funds in the Republic of Slovenia in the Programming Period 2014–2020 (Priročnik organa Upravljanja upravljanje s sredstvi Evropske kohezijske politike v Republiki Sloveniji v programskem obdobju 2014 – 2020)⁸

- Managing Authority Instructions for Planning, Deciding on Support, Monitoring, Reporting, and Evaluating the Implementation of the European Cohesion Policy in the Programming Period 2014–2020 (Navodila organa upravljanja za načrtovanje, odločanje o podpori, spremljanje, poročanje in vrednotenje izvajanja Evropske kohezijske politike v programskem obdobju 2014–2020)⁹
- Managing Authority Instructions for the Closure of the Operational Programme for the Implementation of the European Cohesion Policy in the Period 2014–2020 for the Goal of Investments for Growth and Jobs (Navodila organa upravljanja za zaključevanje Operativnega programa za izvajanje Evropske kohezijske politike v obdobju 2014–2020 za cilj Naložbe za rast in delovna mesta)¹⁰
- Criteria for the Selection of projects within the Operational Programme for the Implementation of the European Cohesion Policy for the Period 2014-2020 (Merila za izbor operacij v okviru Operativnega programa za izvajanje Evropske kohezijske politike za obdobje 2014-2020)¹¹
- Managing Authority Instructions on Eligible Costs for European Cohesion Policy Funds in the Programming Period 2014-2020 (Navodila organa upravljanja o upravičenih stroških za sredstva evropske kohezijske politike v programskem obdobju 2014-2020)¹²
- Managing Authority Instructions in the Field of Communicating Cohesion Policy Content in the Programming Period 2014–2020 (Navodila organa upravljanja na področju komuniciranja vsebin kohezijske politike v programskem obdobju 2014–2020)¹³
- Managing Authority's Instructions for the implementation of the Integrated Territorial Investment Facility for the programming period 2014-2020 (Navodila organa upravljanja za izvajanje mehanizma celostnih teritorialnih naložb v programskem obdobju 2014–2020)¹⁴
- Implementation of the Integrated Territorial Investments (ITI) Mechanism, Implementation Guidelines (Izvajanje mehanizma Celostnih teritorialnih naložb (CTN), Izvedbena izhodišča)¹⁵
- Content Guidelines 4.1, 4.4, 6.3 (Vsebinska izhodišča 4.1, 4.4, 6.3)¹⁶
- Agreement on the Implementation of ITI Mechanism Tasks between GODECP and ZMOS (Sporazum o izvajanju nalog mehanizma CTN med SVRK in ZMOS)¹⁷
- Handbook for Performing the Tasks of an Intermediate Body in the Programming Period 2014-2020 (Priročnik za izvajanje nalog posredniškega organa v programskem obdobju 2014-2020)¹⁸

- Methodology for Calculating the Indicative Allocation of Funds Using the Integrated Territorial Investments (ITI) Mechanism (Metodologija za izračun indikativne alokacije sredstev z uporabo mehanizma celostnih teritorialnih naložb (CTN)¹⁹
- Regulation on a Uniform Methodology for the Preparation and Consideration of Investment Documentation in the Field of Public Finance (Uredba o enotni metodologiji za pripravo in obravnavo investicijske dokumentacije na področju javnih finance)²⁰

¹ https://www.eu-skladi.si/sl/dokumenti/kljucni-dokumenti/partnership-greement_2014si16m8pa001_4_1_sl.pdf

² https://www.eu-skladi.si/sl/dokumenti/kljucni-dokumenti/programme_2014si16maop001_8_0_sl.pdf

³ https://www.eu-skladi.si/sl/dokumenti/inopi/inop_23-2.pdf

⁴ https://www.eu-skladi.si/sl/dokumenti/razno/osun_november_2023_-_cistopis_p.pdf

⁵ <https://www.eu-skladi.si/portal/sl/dokumenti/izvajanje-ekp/sistem-pravnih-podlag-shema-23-5-2016.pdf>

⁶ <http://www.pisrs.si/Pis.web/preqledPredpisa?id=URED6816>

⁷ <https://www.eu-skladi.si/sl/dokumenti/navodila/navodila.pdf>

⁸ https://www.eu-skladi.si/sl/dokumenti/navodila/prirocnik_ou_14-20_verzija_1_03_p.pdf

⁹ https://www.eu-skladi.si/sl/dokumenti/navodila/navodila_ou_za_nacrtovanje_1-13_pdf.pdf

¹⁰ https://www.eu-skladi.si/sl/dokumenti/navodila/navodila_za_zakljucevanje_cistopis_22-5-2023.pdf

¹¹ <https://www.eu-skladi.si/sl/ekp/kljucni-dokumenti>

¹² https://www.eu-skladi.si/sl/dokumenti/navodila/nus_verzija-1-12_podpisano-1.pdf

¹³ https://www.eu-skladi.si/sl/dokumenti/navodila/navodila_za_komuniciranje_vsebin_201_podpisana-2-sprememba.pdf

¹⁴ <https://www.eu-skladi.si/sl/dokumenti/navodila/navodila-ctn-verzija-1-2.pdf>

¹⁵ https://www.eu-skladi.si/sl/dokumenti/ctn/ctn-faq-1_1_.pdf

¹⁶ <https://www.eu-skladi.si/sl/dokumenti/ctn/vsebinska-izhodisca-pn4-1.pdf>

https://www.eu-skladi.si/sl/dokumenti/ctn/vsebinska-izhodisca-ctn-pn4-4-20210217-v104_podpisana.pdf

<https://www.eu-skladi.si/sl/dokumenti/ctn/vsebinska-izhodisca-verzija-1-02-januar-2019.pdf>

¹⁷ https://www.zmos.si/wp-content/uploads/2018/12/Sporazum-SVRK_ZMOS-o-CTN_podpisani_04102016.pdf

¹⁸ <https://www.zmos.si/wp-content/uploads/2018/12/Prironic-ZMOS-za-izvajanje-nalog-PO.pdf>

¹⁹ https://www.zmos.si/wp-content/uploads/2018/12/2_4-3-Metodologija-za-indikativno-alokacijo-NPB.pdf

²⁰ <http://pisrs.si/Pis.web/preqledPredpisa?id=URED3708>

Annex II

1. List of participants of the presentation of conclusions to stakeholders' representative – T2.4; 8 May 2024, Nova Gorica

- Saša Heath-Drugovič, UM Celje, *expert*,
- Sabina Mozetič, UM Koper,
- Marinka Scheriani, UM Koper,
- Ida Bibič, UM Kranj (online), *expert*
- Janja Jordan, UM Krško,
- Matic Sopotnik, UM Ljubljana,
- Mojca Ledinek, UM Maribor,
- Doris Gumilar, UM Murska Sobota,
- Andreja Trojar Lapanja, UM Nova Gorica,
- Izidor Jerala, UM Novo mesto,
- Peter Geršič, UM Novo mesto,
- Helena Knez, UM Velenje (online)
- Marko Zanoškar, UM Slovenj Gradec (online),
- Simona Kašman, UM Ptuj,
- Tomaž Konrad, EZTS GO,
- Marko Mikulin, UM Nova Gorica,
- Miran Košpenda, ZMOS,
- Alenka Pograjc, ZMOS.

2. List of participants of the Feedback of core group of three ITI ministries representatives – T2.6; 14 May 2024, Ljubljana

- Klemen Košir, *expert*
- Saša Heath-Drugovič, *expert*
- Ida Bibič (online), *expert*
- Ivana Štrkalj, *expert*
- Rok Klemenčič, MNRSP
- Nataša Brisko, MNRSP,
- Anja Močnik, MCRD,
- Jernej Saksida, MCRD,

- Dijana Pirc, MCRD,
- Tadej Žaucer, MECE,
- Nataša Naumovič, MECE,
- Gregor Steklačič, MECE,
- Matic Sopotnik, Urban Municipality of Ljubljana, as ZMOS,
- Miran Košpenda, ZMOS,
- Alenka Pograjc, ZMOS.