

Ministry of Agriculture and Rural  
Development of the Slovak Republic

Evaluation of the performance of  
the Intermediary Bodies under the  
Managing Authority for the  
Regional Operational Programme  
Evaluation Report – Summary

KPMG Slovensko spol. s r.o.  
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Investícia do vašej budúcnosti...



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# 1 Introduction

This document is a summary of the evaluation report (hereinafter referred to as "Report") which is the output under the contract no. 713/2011-900/MPRVSR concluded between the Ministry of Agriculture and Rural Development of the Slovak Republic in its capacity as the Managing Authority (hereinafter referred to as "MA") for the Regional Operational Programme (hereinafter referred to as "ROP") and KPMG Slovensko spol. s.r.o. (hereinafter referred to as "KPMG") dated 19 Apr. 2011 with the following subject:

- evaluation of the performance of the Intermediary bodies under the Managing Authority for the ROP (hereinafter referred to as "IB"), conducted under the Authorisations by delegation of the competences of the MA to the IB (hereinafter referred to as "Authorisation"),
- assessment of support provided by the MA to the IB to facilitate conducting of the delegated competences.

The main evaluation questions:

- Is there an appropriate system for implementing the competences delegated from the MA to the IB? Is the process (system) for the implementation of delegated competences by the IB efficient? What are the deficiencies and the risks associated with the designed system for implementing the delegated competences? How does the IB execute the control of public procurement process? Is it necessary, based on the results and recommendations of the review, to carry-out any changes in the implementation system or in the scope of the competences delegated to the IB?
- Does the MA provide all necessary support needed to carry-out duties and tasks of the IB arising from the Authorisation and relevant managing documents? Is the cooperation between the MA and the IB sufficient? What are the possibilities for improving cooperation between the MA and the IB?
- Are the administrative capacities of the IB utilised efficiently?
- Does the IB proceed within the implementation in compliance with relevant documents (e.g. the Management System of Structural Funds and Cohesion Fund 2007 – 2013, Guidelines of the MA, Internal manual of the IB, etc.)?
- Have the financial resources been spent efficiently and transparently?

The Report is divided into five main sections:

- Introduction
- Definition of activities resulting from the competences of the MA delegated to the IBs
- Review of the execution of delegated competencies by the IBs
- Findings and recommendations resulting from the review of execution of delegated competences
- Conclusion

## **2 Definition of activities resulting from the competences of the MA delegated to the IB**

The competences delegated to the IB, as determined by the Authorisation, are defined in this section. They are namely:

- cooperation in drafting and publishing calls for submitting projects,
- receiving and registering applications for grant,
- cooperation in appraisal and selecting applications for grant,
- ensuring execution of selection of relevant operations to be supported in accordance to set criteria pursuant to the SR and the EU legislation,
- preparing and reviewing the grant contracts concluded with the beneficiaries,
- ensuring and maintaining accounting records on every operation in computerised and printed form in compliance with the SR and the EU legislation,
- ensuring data collection on implementation necessary for the financial management, monitoring, checks, audits and evaluations,
- ensuring compliance with the requirements for information and publicity laid down in Article 69 of the General Regulation in accordance with the approved Communication Plan,
- verification of delivery of the co-financed works, goods and services, spending of expenditures declared by beneficiaries and their compliance with the Management System of Structural Funds and Cohesion Fund 2007 – 2013 and SR and EU legislation,
- ensuring that beneficiaries and all other entities participating in the programme implementation keep a separate accounting system or suitable code indication of accounts for transactions linked to the operations in compliance with guidelines of the MA,
- ensuring the procedures that should ensure that all the documents concerning expenditures and required audits needed to provide the correct audit trail are kept in compliance with the requirements of General Regulation,
- ensuring that the Certifying Authority receive, for the purposes of performing certification, all the required information on procedures and performed verifications related to expenditures,
- drafting relevant sections of the Annual reports and of the Interim Reports on implementation, and of the Final Report on implementation of the relevant priority axis or topic area of support in accordance with the requirements of the MA.

## **3 Review of the execution of the delegated competencies by the IBs**

### **3.1 Methodology**

In order to review the performance of the IBs, two checklists were prepared structured per the delegated competences, as specified in section of the Report "Definition of activities resulting from the competences of the MA delegated to the IB". Questions were extended to cover the whole range of activities reviewed and specific sub-questions were added focusing on areas of cooperation risky from the aspect of the main evaluation questions.

The first checklist was used to collect information from the MA on particular activities under review. We requested supporting documentation to the information obtained on areas where these activities were not carried-out by the IBs up to the MA expectations. We reviewed this information and discussed it with the relevant IBs. The second checklist was used to collect information from the IBs on the level of support provided by the MA to the IBs to exercise the delegated competences. It had the same structure as the first checklist but sub-questions specific to the IBs were added concerning areas where a risk of lacking support by the MA was perceived in relation to the main evaluation questions.

The information gained by the review is presented in section "Overview of the information gained by the review". For activities where we came to the conclusion that there is a space for improving the support by the MA we defined the findings and recommendations in section of the Report "The findings and recommendations resulting from the review of execution of the delegated competences". In addition to these findings and recommendations we also presented representations of the IBs to which we did not give our recommendations due to the scope of our assignment, however, we considered including them for important from the point of view of completeness of this Report.

The above mentioned method of data collection and evaluation was focused on mapping and reviewing the execution of delegated competences and identifying problems and inconsistencies in procedural terms. The MA and the IBs also provided several supporting documents to support their claims. This only concerned a small number of projects. The execution of delegated competences was not verified by qualitative analysis of activities and outputs on a representative sample of projects as it was considered out of scope of our evaluation due to administrative and time-consuming nature of such an approach.

To assess the significance of the findings we used the following criteria:

- finding with a high significance: a circumstance which represents or could lead to immediate incurring of ineligible expenditures and requires an immediate action,
- finding with a medium significance: a circumstance which constitutes a deficiency in the management and control system of the operational programme and which should be removed within a reasonable timeframe,
- finding with a low importance: a circumstance which does not endanger the management and control system of the operational programme.

### **3.2 Overview of the information gained by the review**

We show the gained information first for the area of cooperation of the MA with the IBs and next broken down by the competences delegated per the Authorisation. The information in this section describes facts

noted and discussed in the process of information gathering and it does not constitute findings and conclusions of the evaluator, e.g. on mutual and possibly dissonant representations of the MA and of the IBs on certain issues.

Evaluation of the information gained is provided in section of the Report "The findings and recommendations resulting from the review of execution of delegated competences" in the form of findings and recommendations and in section of the Report "Conclusion" in the form of answers to the evaluation questions.

Information obtained from the review of cooperation between the MA and the IBs is divided into the following areas:

- administrative capacities of the IB,
- learning process of the IB,
- standardised process for answering questions of the IB,
- control over of delegated competences,
- compliance with managing documents,
- coordination within the preparation and updating of managing documents.

Information obtained from the review of execution of the delegated competences is divided into areas determined by the Authorisation.

### **3.3 Analysis of the efficiency of the implementation**

In this section, we analysed efficiency of the spent financial resources using data on the ROP implementation progress. The source data for the analysis were provided by the MA. We searched for answers to the following questions:

- What is the progress in implementation of the measures?
- How are the regional allocations drawn?
- What is the comparison of performance of centralized and decentralized measures?
- Where are the bottlenecks in the implementation and how they could be removed?

The key methods of our analysis were ratio and comparative analysis. We assessed the progress in implementing the measures of the ROP by ratio analysis of the following sub-processes of implementation: grant applications submission, grant applications approval, concluding grant contracts and financial implementation of projects. Assessment of the implementation of regional allocations by measures and comparison the centralised and decentralised measures in respect of regional allocations were made on the basis of finance contracted and paid within the individual regions. In order to compare the performance of centralised and decentralised measures we used indicators previously applied in assessing the progress in implementing the measures of the ROP. We identified problem areas and bottlenecks in the programme implementation from the conclusions of the analysis.

We analysed efficiency of use of the administrative capacities by using the data on staff numbers broken down to individual positions and on the number of grant applications and grant contracts. We analysed the efficiency of administrative capacities also by using the data on the volume of the finance spent by the technical assistance for wages. As an indicator for comparison of the efficiency of use of the administrative

capacities of the MA and the IB, the indicator "costs of processing a single document" within different areas of project implementation was adopted.

### **3.4 Alternatives of institutional set-up of programme decentralization**

The alternatives of institutional set-up of programme decentralization are described in the Report from the aspect of:

- the partnership principle,
- efficiency versus effectiveness of delegation,
- alternatives to the extent of delegation,
- the level of reliance on the IB,
- liability for ineligible expenditures,
- alternatives to the institutional status of the IB.

The theoretical alternatives of the institutional set-up of IB in conditions of Slovakia can be described as follows:

- IB within another central state administration body (ministry),
- IB within state administration organisation where MA (ministry) is the founder,
- IB within another public administration organisation, particularly regional self-government,
- IB within the public corporations sector (within the meaning of statistical methodology ESA95, e.g. public enterprises and companies controlled by the state),
- IB within the private corporation sector,
- IB within the non-profit organisation sector.

This section also summarises the advantages and disadvantages of alternative institutional set-ups of the IB.



## **4 Findings and recommendations resulting from the review of execution of delegated competences**

The findings and recommendations resulting from the review of execution of delegated competences focus mainly on design and implementing activities from the process view. Since the qualitative analysis on a sample of projects was not performed these are not complete recommendations for all specific actions and activities of the MA and the IBs. The report defines the following findings and recommendations:

- **Optimisation strategy of cooperation between the MA and the IB**

We recommend taking the following considerations in looking for an optimal relationship MA – IB:

- assessment of the extent of delegated competences,
- assessment of the level of reliance on the IB,
- assessment of the extent of liability for ineligible expenditures,
- assessment of the institutional set-up of the IB.

- **Extension of formalisation of cooperation between the MA and the IB**

At the current level of decentralization, where the MA is responsible for achieving the objectives of decentralized measures but does not directly implement them, we consider for appropriate to formalise the cooperation between the MA and the IB in the following areas:

- standardised process for answering questions of IBs,
- formalised monitoring of performance,
- formalised sample-based control of delegated competences.

- **Publishing the calls for submitting projects for individual IB**

We recommend to the MA to review the feasibility of taking into account the priorities of individual IBs when publishing the calls for submitting projects, including publishing the calls separately for particular IBs.

- **Reservation system**

We recommend:

- extension of functionality to ensure that reservation system shows also to the IB a potential applicant who has made a reservation, allows one prospective applicant to reserve only one term for one application for grant,
- to consider the more extensive upgrade of functionality (creating and maintaining a waiting list, i.e. list of persons wishing to book a term but missed it) and to consider a link between the reservation system and the ITMS monitoring system, having the identifier generated by ITMS monitoring system as a pre-condition for a reservation,
- to evaluate the number of unused reservations, and possibly also a number of unmet requests for reservations, as a part of the calls evaluation.

- **Scoring of assessment criteria in an Automated Evaluation System**

In the process of information gathering we noted:

- complaints of the IBs that it was not possible for them to sufficiently familiarise with the scoring scheme for both manually and automatedly evaluated criteria within the computerised Automated Evaluation System,
- the impact of the above mentioned fact on supportability of signature of application evaluator on the evaluation sheet and
- related representation of the MA that non-disclosure of the scoring scheme for manually and automatedly evaluated criteria provides for the maximum objectivity of evaluation.

As a solution we recommend alternatively:

- either fully familiarise the application evaluators with the scoring scheme for manually and automatic evaluated evaluation criteria in the Automated Evaluation System and with their mapping to the evaluation criteria approved by the Monitoring Committee for the ROP,
- or to ensure that the project evaluator signs a statement of the manually evaluated criteria evaluated directly by him/her. Signature of the project evaluator on the evaluation sheet generated from Automated Evaluation System will mean his/her responsibility for having entered it into the ITMS monitoring system. This procedure is to be described in the internal manual.

- **Corrections of the application evaluation of the IB by the MA**

In 2009, within some calls for submitting projects, the MA applied an approach where, in exceptional cases, it was necessary to correct an application evaluation of the IB to ensure a consistent and correct execution of application evaluation within all IBs. We recommend:

- to define manually evaluated criteria more precisely so that they do not lead to different interpretations,
- in case of disagreement with an application evaluation to repeat the application evaluation by another application evaluator and resolve any potential difference in terms of the Management system of Structural Funds and Cohesion Fund 2007 – 2013.

- **Exclusion of potential conflict of interest for the selection committee member representing a self-governing region**

A potential conflict of interest recorded arose when a staff member of department responsible for preparing application for grant within a self-governing region represented that region as the member of the selection committee for measure 5.1. We recommend prevent this situation by revision of the statute of the selection committee.

- **Carrying-out mathematical check of payment requests also by the IB**

In relation to the desire of some IBs to carry-out a check of mathematical correctness of payment requests, we recommend that the MA explicitly allows the IBs to carry-out this check by them, while the control of mathematical correctness performed by the Department of financial control of EU programmes will not be affected. The IBs interested in carrying-out such checks would have to define this process in their internal manuals. The issue of undesirable of duplicity can be solved for example in the way that time



of the IB spent while checking the mathematical correctness would not be refunded within the technical assistance.

## 5 Conclusion

This section of the Report provides answers to main evaluation questions based on our review:

*1. Is there an appropriate system for implementing the competences delegated from the MA to the IB? Is the process (system) for the implementation of delegated competences by the IB efficient? What are the deficiencies and the risks associated with the designed system for implementing delegated competences? How does the IB execute the control of public procurement process? Is it necessary, based on the results and recommendations of the review, to carry-out any changes in the implementation system or in the scope of competences delegated to the IB?*

*1.1 Is there an appropriate system for implementing the competences delegated from the MA to the IB?*

In our opinion the current system for implementing the delegated competences is satisfactory, i.e. at the essential level it is appropriate to implement the decentralised measures. Our opinion is based on assessing:

- applicability of the partnership principle,
- extent of delegation,
- level of reliance on the IB,
- liability for ineligible expenditures,
- alternatives of institutional set-up of the IB.

We identified several opportunities to improve the design of the implementation process both at the level of the MA and the IB. These are primarily in the formalisation of relation MA – IB in these areas:

- a) standardised process for answering questions of the IB,
- b) performance monitoring,
- c) sample-based control of delegated competences.

*a) Standardised process for answering the questions of the IB*

Providing answers to questions should be understood as one of the core functions of the MA. The MA has better conditions for efficient implementation than the IB, for example for the following reasons:

- the MA has a natural comparative advantage in size,
- MA as a central governmental body is closer to the key central bodies such as Central Coordination Body, Certifying Authority, Office for Public Procurement etc.

The process for answering the questions of the IB, if designed in optimum way, enables to answer promptly the common questions also by less experienced staff thereby saving time of experienced / specialised staff. At the same time it enables monitoring the issues and potentially highlighting a problem, should the learning process be too slow in some cases.

*b) Performance monitoring*

Our analysis of the efficiency of use of the administrative capacities of the MA and the IB measured by the number of documents processed by one employee partly confirmed an initial assumption of lower efficiency of the IB compared to the MA in the implementation resulting from the reasons stated in point a). Our analysis of the efficiency of use of the administrative capacities of the IB measured by the number of documents processed by one employee confirmed lower efficiency of decentralised measures implementation, compared to centralised measures implementation. In consideration of experience of the MA with the presence of errors in the activities of the IB we consider performance monitoring, and thus obtained performance trend, for a material basis for constructive communication in solving the relationship MA – IB.

*c) Sample-based control of delegated competences*

It is necessary to focus the control of delegated competences on risky areas, whether in terms of performance or in terms of independence / potential conflict of interest. We identified a risk of compromising the independence or of potential conflict of interest in two areas: a potential risk results from organisational subordination of the IB to the chairman of the self-governing region (although this risk had been accepted in the ROP) and closer ties between the IB and beneficiaries in the region than it is in the case of the MA. The MA should have in mind two aspects:

- there is no rule in measure 5.1 (Regional communications ensuring transport serviceability of the regions) that the delegation is not applied to projects where the self-governing region itself is the beneficiary, which expands the space for potential conflict of interest,
- control managers of the IB can be less professionally sceptical at on-the-spot checks as control managers in the MA.

In both areas it is therefore important that the level of reliance on the IB does not exceed a reasonable level - unless it is agreed that the IB takes over the liability for all ineligible expenditures (see below). We recommend applying for the control of delegated competences the formalisation and systematic approach combined with risk analysis.

*1.2 Is the process (system) for the implementation of delegated competences by the IB efficient?*

As we have already stated within the sub-question 1.1, in our opinion the current system of implementation of delegated competences is satisfactory. For sake of completeness of our report, we analysed the alternatives in the optimisation of the MA and the IB relationship in terms of the extent of delegated competences, relying of the MA on the IB, liability of the IB and institutional set-up.

*1.3 What are the deficiencies and the risks associated with the designed system for implementing delegated competences?*

We identified the following potential risks:

- organisational subordination of the IB to the chairman of the self-governing region (although this risk had been accepted in the ROP),
- closer ties between the IB and beneficiaries in the region than it is in the case of the MA.

Solution to these risks are described in sub-question 1.1, point c) and also in the finding "optimisation strategy for cooperation of the MA and the IB".

We identified the following deficiencies in the design of delegation system:

- non-existence of performance monitoring system, of standardised system for answering questions of the IB and of formalised sample-based control of delegated competences (see sub-question 1.1 points a) b) c),
- low participation of the IB in publishing the calls for submitting projects,
- technical deficiencies of the online reservation system which currently does not provide to the IB an immediate overview of reserved terms for submitting grant applications,
- problematic signing of the grant application evaluation sheets by the application evaluators of the IB (applies to the MA application evaluators as well) in connection with the undisclosed assessment criteria scoring within the Automated Evaluation System,
- a potential conflict of interest of member of the selection committee member representing the self-governing region if he/she is a staff member of department representing the beneficiary, not treated by the statute of the selection committee.

#### *1.4 How does the IB execute the control of public procurement process?*

We started the review by discussing with responsible employees of the MA their experience with the IBs executing the control of public procurement. They provided to us findings from related certification verifications and they pointed out the typical questions of the IBs on the public procurement. These questions were also discussed with the IBs. We also discussed the needs of the IBs within the methodological support, either by the MA or an option to approach directly to the Office for Public Procurement. Our recommendation to the questions of the IBs concerning public procurement is a part of a broader recommendation on answering questions of the IBs. We also discussed with the responsible employees of the MA a sample-based control by the MA of the public procurement control performed by the IB. Such review is going on now and the results are not known yet. We gave a recommendation to the sample-based control of delegated competences in respect to its formalisation. We conclude on the basis of our review that the execution of the public procurement control at the IBs is risky and it should be subject to increased control of delegated competences.

#### *1.5 Is it necessary, based on the results and recommendations of the review, to carry-out any changes in the implementation system or in the scope of competences delegated to the IB?*

Based on our review, we did not identify a need for immediate changes in the implementation system or the extent of delegated competences, except for exclusion of potential conflict of the member of the selection committee representing the self-governing region if he/she is a staff member of department representing the beneficiary, by amending the statute of the selection committee. However we recommend removing the other deficiencies in the system design (sub-question 1.3) as well as deficiencies related to the efficient functioning of the system (sub-question 2.2).

## *2. Does the MA provide all necessary support needed to carry-out the duties and tasks of the IB arising from the Authorisation and relevant managing documents? Is the cooperation between*

***the MA and the IB sufficient? What are the possibilities for improving cooperation between the MA and the IB?***

***2.1 Does MA provide all necessary support needed to carry-out the duties and tasks of the IB arising from the Authorisation and relevant managing documents?***

A level of cooperation provided by the MA to the IB is effective enough in most areas but areas were identified where it was necessary to take measures for improvement. We consider the process of answering questions of the IB for a mutually important area of cooperation. Currently the MA has not allocated the administrative capacity to this process. The IBs prefer to turn with questions to the programme, project, financial or control managers of the MA though they are fully occupied with their own agenda. It is necessary to establish a standardised process for answering questions of the IBs.

***2.2 Is the cooperation between the MA and the IB sufficient? What are the possibilities for improving cooperation between the MA and the IB?***

We consider the cooperation of the MA and the IB for sufficient, except for the matters related to efficient functioning of the implementation system:

- the process of answering questions of the IB weakly covered by the administrative capacity (see sub-question 2.1),
- need for corrections to the application evaluation of the IB made by the MA within some calls for submitting projects in 2009.

We recommend making an effort to eliminate the above-stated deficiencies as well as deficiencies in the implementation system design (sub-question 1.3).

***3. Are the administrative capacities of the IB utilised efficiently?***

As we have already stated in sub-question 1.1 point b), our efficiency analysis of the administrative capacities of the MA and the IB measured by the number of documents processed by one employee partly confirmed the initial assumption of lower efficiency of the IB compared to the MA resulting from the reasons stated in sub-question 1.1 point a). Our conclusion is that there is some space to increase the efficiency of the administrative capacities of the IB, while the trend in efficiency should be monitored.

***4. Does the IB proceed within the implementation in compliance with relevant documents (e.g. the Management system of Structural Funds and Cohesion Fund 2007 – 2013, Guidelines of the MA, Internal manual of the IB, etc.)?***

Administrative and substantive errors in the activities of the IB occurred during implementation. They were, as far as possible, detected and corrected by the MA and therefore in such cases no deviations from the relevant managing documents arose. We hold them for errors within the learning process of the IBs where the trend should be diminishing. Declining in this trend should be supported by objective data from the performance monitoring system. KPMG did not perform a verification of the error rate on a sample of activities of the IBs. However, the reports from certification verifications and Audit Authority audits were submitted for our evaluation where, inter alia, deficiencies were identified in the areas of public procurement and grant application evaluation. The conclusion therefore is that the compliance of IB activities with managing documents can be risky in some areas (e.g. public procurement, grant application

evaluation and on-the-spot checks) and this should be a subject to increased control within the control of delegated competences.

***5. Have the financial resources been spent efficiently and transparently?***

We assessed the efficiency of the spent financial resources from the aspect of progress in the implementation of measures of the ROP, regional distribution of finance and comparison of performance of centralised and decentralised measures. Implementation can be characterised as relatively balanced, except for overdrawn the measure 1.1 (Infrastructure of education) allocation and under-spending the measure 3.2 (Strengthening of the infrastructure of tourism) allocation. We see a risk to the smooth implementation of the ROP in a delayed concluding the grant contracts.

We defined the transparency for the purpose of our review as a compliance of the design and operation of the implementation process with managing documents as the Management System of Structural Funds and Cohesion Fund for the programming period 2007-2013 and the Financial Management System of Structural Funds and Cohesion Fund for the period 2007-2013. We consider the current state for satisfactory from the aspect of transparency, nevertheless we recommend adopting measures to improve in the areas of the reservation system and grant application evaluation.