

Summary on the ability of the Municipality of Puconci to use European Union funds

The Court of Audit audited the ability of the Municipality of Puconci to acquire and utilise funds of the Cohesion Fund for co-financing environmental projects and funds of the European Regional Development Fund for co-financing construction of business zones. The audit reviewed the activities and achievements of the municipality in acquisition and utilisation of the mentioned EU funds from the implementation of Single Programming Documents of the Republic of Slovenia in 2003¹ until the end of 2005.

The purpose of the audit was to assess the effectiveness of the municipality to acquire and utilise the EU funds and to assess the appropriateness of establishing conditions for successful acquisition and utilisation of the EU funds.

Municipality of Puconci was not identified as a significant area for implementation of business zone construction projects and did not carry out business zone construction projects

Municipality of Puconci acquired funds of the Cohesion Fund for implementation of the project *Puconci Waste Management Centre*. The project *Puconci Waste Management Centre* is a regional project, the services of which should be used by nineteen municipalities, when it is built. In accordance with the national regulations and financial memorandum between the Republic of Slovenia and the European Commission, the project has to be implemented by the Municipality of Puconci as the investor, because the project shall be carried out in the area of this municipality.

The financial memorandum was signed by the European Commission on 19 October 2003. In accordance with the financial memorandum, the co-financing share of the Cohesion Fund amounts to 50 percent or EUR 3,301 thousand. The Municipality of Puconci had not yet utilised funds of the Cohesion Fund by the end of 2005, because the contract with the construction works contractor was not concluded and the contractor did not begin with the works before 2006.

There were delays in implementation of the project, which are connected to untimely preparation of documentation, untimely preparation of instructions, and time-consuming coordination for the closure of financial structure, by the municipalities as well as national implementing institutions.

The European Commission sent the Republic of Slovenia a special letter, which warned that the automatic permanent termination of utilisation of funds from the Cohesion Fund for the project *Puconci Waste Management Centre* would occur, if the construction works did not begin in due time. The Municipality of Puconci and the national institutions were successful in meeting the initial conditions to preserve the right to utilise funds of the Cohesion Fund for the project *Puconci Waste Management Centre* only a few days before the time limit or two and a half years after signing the financial memorandum.

The Court of Audit believes that the Municipality of Puconci is capable to acquire and utilise funds of the Cohesion Fund to carry out smaller projects or subprojects at a municipal level, while the acquisition and utilisation of funds of the Cohesion Fund to implement regional projects, which require financial harmonisation of various co-financiers, is risky for the Municipality of Puconci as a small municipality. We determine that it would be better if regional projects were carried out at a provincial level. Until the establishment of adequate institutions at a provincial level, the role of implementing bodies should be taken

¹ Single Programming Documents of the Republic of Slovenia define priority tasks, measures and priority lists of the projects co-financed by the EU funds for Programming period 2004 -2006.

over by state institutions.

For a more efficient acquisition and utilisation of EU funds, the Court of Audit recommends to the Municipality of Puconci the following:

- to adopt its own long-term strategic programme, which will define long-term environmental management in the municipality;
- to adopt a manual or some other act on project management in the municipality, which would define the municipality's activities in preparation and implementation of investment projects;
- to train and educate employees in the fields like preparation of investment projects, public procurement procedures and rules concerning project implementation, co-financed by EU funds.
- to monitor and participate in creation of national development strategies and priority tasks and to monitor possibilities to utilise EU funds for co-financing of own activities.

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