SUMMARY PROJECT FICHE

1. Basic Information

1.1 Désirée Number  BG 0002.01
Twinning Code BG/2000/IB/FI/01

1.2 Title: STRENGTHENING THE CAPACITY OF THE MINISTRY OF ECONOMY

1.3 Sector: Economic reform

1.4 Location: Bulgaria

2. Objectives

2.1 Wider Objective

To help Bulgaria promote competitiveness through transparent privatisation, market-based restructuring and a favourable business environment

2.2 Immediate Objective

To restructure and re-orient the new Ministry of Economy (MoE), and equip it to develop economic and sectoral policies to foster competitiveness and growth.

2.3 Accession Partnership and NPAA priority

Bulgaria’s Accession Partnership contains the following priorities:

- **Short-term priority**: promote competitiveness through market-based enterprise restructuring; take measures to improve the business environment and stimulate domestic and inward investments, in particular through simplification of legal & administrative procedures; ensure transparent privatisation of state-owned enterprises and banks; adopt a restructuring plan for the steel sector.

- **Medium-term priority**: improve competitiveness through market-based restructuring, including SMEs; complete the privatisation process; strengthen market economy institutions; improve the legal & regulatory framework for enterprises; implement the steel restructuring plan.

Bulgaria’s National Programme for the Adoption of the Acquis states the priorities of the Bulgarian Government as follows:

“Finalisation of the privatisation of large state-owned enterprises; Development of priority sector policies; Adoption of measures for the progressive enhancement of the competitive power of the Bulgarian Industry; Promotion of the investment process; Ensuring the viability of the industrial enterprises under the conditions of market economy; Development of high technologies; Development of industrial cooperation and stimulating small and medium sized enterprises.”.

A Joint Assessment with the EU of Bulgaria’s economic policy priorities was concluded in May 1999.
3. Description

3.1 Background and justification

The Ministry of Economy was established in December 1999 as a result of the merger of the Ministry of Industry and the Ministry of Trade & Tourism. It is headed by the Minister of Economy, the country’s sole Deputy Prime Minister. The current responsibilities of the Ministry of Economy include enterprise restructuring and privatisation, sector, regional and trade policy, and certain registration and licensing activities. A provisional organisation chart is attached. The Ministry’s role is distinct from that of the Ministry of Finance, which deals with macroeconomic policy. The Ministry of Economy works closely with the National SME Agency and the Foreign Investment Agency.

The Ministry of Economy now faces a number of important institutional, management and policy challenges. Following the recent merger, the new Ministry needs to develop, adopt and implement a medium-term strategy that clearly identifies its responsibilities and objectives, and establishes an appropriate internal structure and well-trained staff for delivering these objectives.

At the same time, the Ministry needs strategic re-orientation to equip it to develop and implement policies to increase the competitiveness of the Bulgarian economy and integrate it more fully into the European Union.

Although Bulgaria has made very significant progress in recent years with restructuring and privatisation of state-owned industries, a number of enterprises and utilities in difficult financial positions remain in state ownership. They will require constant monitoring, imaginative restructuring and, in some cases, liquidation.

As an ever-increasing proportion of economic activity takes place in the private sector, the role of the Ministry of Economy will need to evolve. A growing focus of its activities will be developing and implementing pro-active and market-oriented policies to create a more favourable business environment and foster competitiveness and sustainable private sector growth. There is likely to be a shift in economic activity away from old-style manufacturing and possibly agriculture towards modern high-technology activities and the services sector.

Many of these policies will be directed to delivering the National Economic Development Plan 2000 – 2006, and the comprehensive structural reform programmes supported by the IMF and World Bank.

These policies will include further liberalisation of prices and markets, encouraging competition, raising labour and capital productivity, stimulating innovation and skills, promoting exports and investment, pursuing appropriate sector and regional policies, providing targeted help for small business creation and development, and creating a transparent and conducive legal, tax and regulatory framework. Benchmarking on international best practice for enterprise and industrial policy could be developed.

To deliver its objectives, the Ministry will need to work closely with other Ministries and agencies, with industrial associations and employee organisations in Bulgaria, and with its EU and international counterparts.
3.2 Linked activities

Phare is supporting capacity building at the National SME Agency under the 1997 and 1999 programmes.

3.3 Results

The immediate objective of the project is to restructure and re-orient the new Ministry of Economy, and equip it to develop economic and sector policies to foster competitiveness and growth. The key results of the project will be:

- A mission statement and objectives for the Ministry as a whole and each department;
- A new organisation structure to deliver the above;
- Clear inter-departmental lines of communication and information;
- A medium-term strategy document and timetable for organisational change, containing a detailed training needs assessment and any systems requirements;
- A review of the existing Management Information System and recommendations for further development in line with the Government’s overall information strategy;
- Implementation of training programmes for key personnel and a strengthened human resources capacity;
- Strengthened capacity for economic analysis and forecasting, and for developing and implementing market-oriented enterprise, industrial and sector policies;
- Identification and elaboration of the main enterprise, industrial and sector policy priorities in line with the *Acquis Communautaire*;
- Recommendations for legislative changes to implement agreed enterprise, industrial and sector strategies;
- Improved linkages with other Ministries and agencies, industrial associations and employee organisations, and international counterparts.

Both the development of the mission statement, organisation structure and medium-term strategy, and the implementation of the strategy (including both policy advice and organisational change), will be delivered through twinning.

3.4 Activities

The project will be divided into two phases.

The first phase, which will last no longer than 6 months, will involve assisting the Ministry to develop an appropriate mission statement, organisational structure and medium-term strategy. The strategy document will include organigrams for the restructured Ministry, a full training and information systems audit and needs assessment, costed proposals for any additional external assistance required by the Ministry, and a realistic implementation timetable.

Intense collaboration with the Ministry will be required to develop a strategy that is acceptable, conforms to EU requirements, meets the challenges facing the Bulgarian economy, and which can be implemented under the second phase of the project. Special attention should be given to the statute governing the Ministry itself (not yet in force), the Law on the Administration and the Civil Service Law.

Before proceeding to the second stage of the project, the Ministry will formally adopt the proposed medium-term strategy.
The second phase of the project, which will last between 18 months and 2 years, will involve the implementation of the agreed medium-term strategy. This will include:

- assistance with the ongoing reorganisation and restructuring the Ministry, clarifying where necessary the role and objectives of departments and teams;
- extensive training of personnel in analytic, forecasting, policy development and policy implementation skills, and core competencies;
- strengthening the human resources capacity of the MoE;
- supervision of the development of information systems;
- assistance with the development of enterprise, industrial and sector policy and identification of possible reforms and legislative changes;
- assistance with developing links with other relevant Ministries and agencies, industrial associations and employee organisations, and international counterparts.

Most of the activities will take place in Bulgaria though provision should be made for carefully focused overseas study visits and training for key personnel. Considerable emphasis should be placed on institutionalising the benefits of the project, though for example the production and dissemination of guidance manuals, to ensure that the capacity of the MoE is strengthened in a sustainable way.

4. Institutional Framework

The beneficiary institution of the project is the Ministry of Economy. The project leader will be the Deputy Minister, currently Ms Ljubov Panayotova, under the overall political direction of the Minister of Economy.

The Deputy Minister will be responsible for chairing a high-level steering group to coordinate project activities and ensure that the consultants and twinning partner have appropriate facilities and full access to senior officials. A small, dedicated project implementation unit will support the Deputy Minister.

The Deputy Minister will be responsible for ensuring that the medium-term strategy is adopted by the Ministry’s Management Board (and, if necessary, the Council of Ministers) before the second phase of the project begins.

5. Detailed Budget (million euro)

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6. Implementation Arrangements

6.1 Implementing Agency

Central Finance & Contracts Unit (CFCU) at Ministry of Finance.
6.2 Twinning

The project is designed to be delivered through twinning. The key results of the twinning are shown in section 3.3 above. The contact point for Member States interested in making twinning proposals is:

Deputy Minister Ljubov Panayotova  
Ministry of Economy  
8 Slavyanska Str.  
Sofia 1046  
Bulgaria  
E-mail: l.panayotova@mi.government.bg  
Tel: 987-8885  
Fax: 980-5914

The main features of the twinning arrangement will be:

• A *Project Leader* at senior level will head the Team and will serve as the main point of contact on the Deputy Minister level.

• A *medium-term resident Pre-Accession Adviser (PAA)* will be responsible for day to day management of the project on-site and will co-ordinate the support to the Ministry's Management Board under the guidance of the Project Leader. The PAA should have experience in the management of HR and training and should devote much of his time to these matters in addition to the wider task of co-ordination.

• The *Team* will include other officials, or retired officials, and as necessary other specialist advisers from the EU countries with practical experience at a senior level of designing and implementing the kinds of policies and structures included in the medium-term strategy. Examples are human resources management, economic policy advice, macro- and microeconomic advice, macroeconomic model building, sector studies and development. These Team members will not be resident advisers but will spend considerable periods of time in Bulgaria during the project period. The total requirement as currently foreseen is for a Team of around 20 to 24 advisers giving an average of 4 to 5 man-months input each over the two-year period of the project.

• For each main sub-component of the project, a *leading or co-ordinating adviser* will be needed. In most areas, other advisers or consultants with the necessary specialist knowledge will be needed as well. The Project Leader may be able to act as leading adviser in some of the specific areas. In some areas, the same adviser may be able to cover more than one of the areas where assistance is required.

Member states bidding for the project are encouraged to include in their proposed Teams some advisers from one or more *other EU member states* with a view to obtaining access to best EU practice in particular areas. The twinning team will have to have experience in designing and implementing management and organisational change, as well as the development of policy.

An early priority for the lead member state will be to facilitate the conclusion of appropriate twinning arrangements for the members of the Team, together with any requirements for specialist consultancy support, training, visits to EU countries and so on.
In the event that no suitable twinning proposal is forthcoming, the project will instead be implemented through conventional technical assistance.

6.3 Contracts

There will be a single contract (twinning arrangement) of 2.0 million euro.

7. Implementation Schedule

7.1 Start of tendering/call for proposals

Summer 2000. Member States with potential interest in making a twinning proposal are invited to make informal contact as early as possible.

7.2 Start of project activity

January 2001

7.3 Project Completion

March 2003

8. Equal Opportunity

Participation in the project is open to men and women, without discrimination.

9. Conditionality and sequencing

The following conditions apply throughout the project:

• The Government will remain committed to economic reform, preparations for EU accession and the programmes agreed with the EU, World Bank and IMF.

• The Ministry will establish by September 2000 an appropriate framework, as described in section 4 above, for managing project implementation and supporting the consultants and twinning partners. Projects implemented through twinning require the full commitment and participation of the senior management of the beneficiary institution. In addition to providing the twinning partner with adequate staff and other resources to operate effectively, the senior management must be whole-heartedly involved in the development and implementation of the policies and institutional change required to deliver the project results.

• The Ministry intends to adopt the new medium-term strategy and objectives, including the required organisational changes and restructuring, and obtain any necessary approvals from the Council of Ministers. There will be a requirement to re-deploy staff, and as necessary to recruit and retain new staff with the necessary skills and commitment, so as to deliver the strategy within the time-frame included in the strategy.
• There will be a need for timely approval of all legislative and regulatory conditions for the implementation of the changes. The Ministry's June submission to the Council of Ministers in accordance with the new Law for the Administration will provide a convenient vehicle for obtaining many of the necessary approvals. The fine-tuning of these arrangements will be obtained through the two phases of the project.

ATTACHMENT

1. Organisation chart (provisional)

ANNEXES

1. Logframe matrix
2. Implementation chart
3. Contracting and disbursement schedule
ANNEX 1

LOGFRAME PLANNING MATRIX FOR PROJECT

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Strategic Restructuring and Strengthening of the Capacity of the Ministry of Economy</th>
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<tbody>
<tr>
<td>Total Budget of Project:</td>
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<td>Phare contr.:</td>
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<table>
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<th>Indicators of Achievement</th>
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<th>Assumptions and Risks</th>
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<td>Date of Drafting</td>
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<td>Contracting period expires</td>
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<td>Disbursement period expires</td>
<td>31.12.2003</td>
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<td>Wider Objective</td>
<td>Immediate Objective</td>
<td>Resources</td>
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<td>--------------------------------------------------------------------------------</td>
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<tr>
<td>– To help Bulgaria promote competitiveness through transparent privatisation,</td>
<td>– To restructure and re-orient the new Ministry of Economy, and to equip it to</td>
<td>Bulgarian National Statistics, EBRD</td>
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<td>market-based restructuring and a favorable business environment</td>
<td>develop economic and sector policies to foster competitive growth</td>
<td>Transition Reports, EU Annual Report</td>
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<td>• GDP increases according to the figures as agreed with the IMF</td>
<td>• Ministry of Economy Orgchart, Updated Economic Development programme 2000 – 2006</td>
<td>Ministry of Economy, EU Annual Report</td>
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<td>• Increased share of the private sector in GDP of Bulgaria</td>
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<td>• Bulgarian National Statistics, EBRD Transition Reports, EU Annual Report</td>
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<tr>
<td>Economic and political stability in Bulgaria</td>
<td>Government to remain firmly committed to economic and administrative reform</td>
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<td>Continued process in privatisation and liberalisation</td>
<td>Ministry to approve new strategy, and to be committed at all levels for its</td>
<td></td>
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<td></td>
<td>implementation</td>
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## Results
- A mission statement and objectives for the Ministry as a whole and each department;
- A new organisation structure to deliver the above;
- Clear inter-departmental lines of communication and information;
- A medium-term strategy document and timetable for organisational change, containing a detailed training needs assessment and any systems requirements;
- A review of the existing Management Information System and recommendations for further development in line with the Government’s overall information strategy;
- Implementation of training programmes for key personnel and a strengthened human resources capacity;
- Strengthened capacity for economic analysis and forecasting, and for developing and implementing market-oriented enterprise, industrial and sector policies;
- Identification and elaboration of the main enterprise, industrial and sector policy priorities;
- Recommendations for legislative changes to implement agreed enterprise, industrial and sector strategies;
- Improved linkages with other Ministries and agencies, industrial associations and employee organisations, and international counterparts.

## Contained in the results
- Twinning Reports
- Final Report

## Sources of Information

## Assumptions and Risks
- Ministry to set up effective institutional framework, including Management Committee and central support unit reporting to First Deputy Minister / General Secretary
- Ministry redeploy staff, and recruit / retain staff with necessary skills and commitment
- Legislative and regulatory conditions for implementation of change are approved on time
- Ministry is able to co-operate effectively with others, especially Council of Ministers and National Statistic Institute
<table>
<thead>
<tr>
<th>Activities</th>
<th>Structure of the MoE</th>
<th>Newly developed Organization Charts</th>
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<td>• assistance with the ongoing reorganisation and restructuring the Ministry, clarifying where necessary the role and objectives of departments and teams;</td>
<td>• HR Training Manual</td>
<td>• Steering Committee Minutes</td>
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<td>• extensive training of personnel in analytic, forecasting, policy development and policy implementation skills, and core competencies;</td>
<td>• Newly established IT system</td>
<td>• Progress Reports</td>
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<td>• strengthening the human resources capacity of the MoE;</td>
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<td>• assistance with the development of enterprise, industrial and sector policy and identification of possible reforms and legislative changes;</td>
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<td>• assistance with developing links with other relevant Ministries and agencies, industrial associations and employee organisations, and international counterparts.</td>
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Annex 2

IMPLEMENTATION SCHEDULE

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<td>(vii) ORGANISATIONAL REVIEW</td>
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### CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE (2.0 MEURO)

#### ANNEX 3

**Name of programme:**

Strategic Restructuring and Strengthening of the Capacity of the Ministry of Economy

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