SUMMARY PROJECT FICHE

1. Basic information:

1.1. Desiree Number: BG 0006.06

1.2. Title STRENGTHENING SAPARD IMPLEMENTATION CAPACITY

1.3. Sector Agriculture

1.4. Location Bulgaria

The project has been prepared on the basis that the SAPARD Paying Agency is accredited during the year 2000. If accreditation does not take place, the project will be reoriented somewhat to enhance the prospect of the Paying Agency being accredited at the earliest subsequent opportunity.

2. Objectives

2.1 Wider Objective:

To prepare the Bulgarian authorities to implement the National Rural Development Plan and manage SAPARD funds.

2.2 Immediate Objectives:

• To continue to support the SAPARD Agency in the implementation of the measures of the National Rural Development Programme at central and regional levels through direct transfer of know how.
• To assist the SAPARD Task Force in the MAF to run the secretariat of the Managing Authority and of the Monitoring Committee.
• To assist services (from the MAF, line Ministries and bodies), which are responsible for the delegated measures, to be able to operate according to the regulations.
• To reinforce the selected municipal local administration for planning and implementation of the integrated rural development measures.
• To train the accredited trainers under the SAPARD NRDP Measure 3.1. “vocational training”.

2.3 Accession Partnership (AP) and NPAA priority:

In the AP 1999, the priority of support to implementation of Rural Development Programme is given under the following points:

Short-term priority: Prepare a National Development Plan and Rural Development Plan, adopt the legal, administrative and budgetary framework to programme and manage ISPA and SAPARD (including systematic environmental impact assessments and EU compatible public procurement rules for projects co-financed by Community Funds) and establish a functioning paying agency for SAPARD.
In the NPAA 1999, chapter “Mechanisms and requirements of the Structural policy of the EU for the year 1999-2000 legislative, administrative and other measures” presented in Annex 6 are envisaged.

- The legislative measures include the adoption of a government act appointing the accreditation body and defining the rules for the accreditation criteria; accreditation of the SAPARD Agency ordinance and amendments to the law on support of agricultural producers, establishment of the mechanism and the procedure for monitoring, financial control and audit of the SAPARD fund.

- From the administrative measures, the most important is the accreditation of the State Fund Agriculture as a SAPARD Agency and the approval of the NRDP.

The following measures have been already completed:

- The amendments to the Law on Support of Agricultural Producers was adopted.

- Funds from the State budget are available for co-financing of SAPARD measures (within the budget of the SFA).

- The NRDP has been prepared and approved by the EC.

- The sector analyses for the food industry have been prepared.

All the measures in the Chapter “Mechanisms and requirements of the structural policy of the EU” of the NPAA have to be implemented till the end of 2000. This will lay down the administrative and legislative preconditions for the implementation of this project.

2.4. Contribution to National Development Plan

The project will help for the successful implementation of the National Rural Development Plan (NRDP). The NRDP is part of the National Development Plan and therefore, the implementation of the project will contribute for the fulfilment of the priorities of the National Development Plan.

3. Description

3.1 Background and justification:

The Regulation (EC) 1268/1999 of Council from 21 June 1999 (OJ L161/87 from 26 June 1999) establishes the framework of Community aid for sustainable agriculture and rural development (SAPARD). This aid is to be granted, during the pre-accession period, to 10 applicant countries. On the 20th July 1999, the European Commission decided of an indicative allocation of the SAPARD funds between the 10 applicant countries, based on the following objective criteria: agricultural population, agricultural area, GDP per capita and specific territorial situation. For Bulgaria, the annual allocation amounts to 52,124,000 EUR, which represents approximately 10% of the total SAPARD funds of 520 million EUR. The Community pre-accession assistance aims to facilitate the implementation of Acquis Communautaire in the Common Agricultural Policy and related policies. It also aims to resolve priority and specific problems for sustainable adaptation of the agricultural sector and rural areas in the applicant countries. According to Article 4 “Programming” of the SAPARD Regulation 1268/99, “Measures for agriculture and sustainable rural
development under this regulation shall be the subject of a Plan”, which the authorities of the Applicant Country have to prepare.

In order to prepare for the SAPARD instrument, the MAF has established a SAPARD Task Force within the Directorate for Rural Development responsible for the preparation of the National Rural Development Plan (NRDP) which has recently been approved. Before the implementation of SAPARD can commence, the SAPARD Agency has to be accredited (or provisional accredited), and the annual and multi-annual financing agreements completed.

The State Fund Agriculture (SFA) shall be nominated as SAPARD Agency. The preparation of the SFA for taking over this role has been in process since late 1999. The SAPARD Agency will, once accredited, be responsible for the implementation and payment of measures (see Annex 7 for the description of functions and responsibilities). The development of the capacity of the SFA to undertake, and in some cases, delegate (see point 3.3) these responsibilities. A twinning arrangement with Greek authorities and technical assistance (financed by the Phare 1998 Special Preparatory Programme) continue until November 2000 and April 2001 respectively.

In cases where the SFA do not have the skills for technical implementation of measures, the implementation is delegated to other bodies. The MAF will be responsible for the technical implementation of a number of measures under SAPARD and will require support to learn how to operate in compliance with EU requirements.

The monitoring and management policy to ensure correct implementation of SAPARD is the responsibility of the Managing Authority and the Monitoring Committee (see Annex 7), which are supported by a Secretariat. The Secretariat, the SAPARD Task Force will prepare all necessary information and present proposals in order to allow for decision making. The skills required for this role are wide and the need for support is critical.

The second objective of the NRDP (sustainable rural development by providing alternative employment opportunities, economic diversification, development and rehabilitation of infrastructure) is supported by measures for economic diversification, and rural and village infrastructure. To benefit from this measure, the municipalities will provide strategic plans for their region and priority projects. This planning process is a new concept for the municipalities and will require the support of EU experts experienced in such programmes as LEADER. Due to limited funding, these measures will be focused to a limited number of selected municipalities.

Vocational Training measures, according to the SAPARD Regulation, is a horizontal measure enhancing all other measures. Accredited training institutions will provide training, but under SAPARD rules no training of trainers is possible. It is thus important that the trainers are trained to give the most appropriate courses using the correct techniques.

In Annex 4 is presented the assistance provided in order for the SAPARD Agency to be accredited in year 2000 and be operational. The SAPARD Agency is being supported by Technical Assistance under SPP (until April 2001), the twinning arrangement under the SPP (until November 2000) and with SIGMA (OECD) assistance (until September 2000). From April 2001, the SAPARD Agency will not be supported and from June 2001 the MAF will not be supported. Therefore, there is a need for further technical assistance.
3.2 Linked activities:

The previous PHARE 1998 activities connected with the proposed project are the following:

BG9810-01: Special Preparatory Programme for the structural Funds in Bulgaria:

1. **BG9810-01-01: Pilot Integrated Development Project in the Dobrich region implemented according to structural funds principles (1MEURO, contracted):**
   
The main objective of the project is the practical testing of institutions and staff responsible for the implementation of SAPARD at national and local level. The project started 18 October 1999 and will end October 2001. Project team has been set up and trained and the first applications for grants are already received. The office of the project is equipped and the SAPARD Task Force has received 5 PC and 3 printers. SFA has received 1 PC and printer.

2. **BG9810-01-02.03: SPP Technical assistance component for the preparation for the accreditation of SFA (2.6MEURO, contracted):**
   
The overall objective of the project is to help Bulgaria apply and manage the new financing instruments ISPA and SAPARD. The project started 13th January 2000 and has 2 phases. The first one with duration of 6 months till September 2000 and the 2nd one till the end of the project. The main types of assistance are: preparation of the ex-ante evaluation of the NRDP, preparation of SAPARD Guidance Manual, SAPARD Project Development Guidebook, preparation specific measure to be implemented, training of Regional facilitators of SAPARD to prepare publicity campaign. An addendum for SFA has been signed under this project with main objective to assist the SFA in reaching the criteria laid down by the EC to receive and manage SAPARD funds as an accredited SAPARD Agency. The addendum will run for 12 months starting not later than end of June’2000. An equipment component (software and hardware) for not more than 150,000 EURO is previewed. Additional 50,000 Euro are earmarked for contracting of an audit company.

3. **BG98/IB/SPP/03: Improvement of the efficiency of the SAPARD Task Force in MAFAR – Twinning with the Greek Ministry of Agriculture (0.46MEURO, contracted):**
   
The following main tasks were previewed for this project: Assistance to the preparation of the NARDP, legal, institutional and financial framework for a paying agency to implement SAPARD, Publicity strategy and mobilization for the implementation of the NARP beneficiaries, technical and institutional framework and procedures for the implementation of specific measures of SAPARD, technical preparation of an integrated rural development project at rural area level, identification of needs for effective, management, monitoring and evaluation of SAPARD. The project is for 11 months and the end of the project is September 27th. No equipment component is previewed under this project.

   The current project will be a continuation of the activities currently covered by the SPP (see Annex 4).

**BG9810-02: Project Preparation Facility: preparation of measures under SAPARD (1MEURO, contracted partially):**

The aim is the developing of measures in the field of agriculture and rural development to be financed under SAPARD. Up to the moment an analysis have been done for the following sectors: milk producing and processing, fruits and vegetables marketing and processing, meat processing, forestry.
SIGMA (OECD): Support for Improvement in Governance and Management in Central and Eastern European Countries. A joint initiative of OECD Centre for Co-operation with the Economies in Transition and the European Union PHARE Programme – are providing short term assistance to the future SAPARD Agency towards helping its accreditation.

3.3 Results:

The proposed project will enable the Bulgarian authorities to implement structural funds programmes in compliance with EU rules and it will reinforce the mechanisms of Bulgarian rural development policy to conform to those of the CAP. The project will facilitate the first year of the SAPARD programme implementation in Bulgaria. It will enable its efficient implementation and should put in place the foundations for the Bulgarian authorities to correctly utilize the funds available for each of the years from 2001 to 2006.

SAPARD Agency:

- Staff of the SAPARD Agency at central level, on the implementing body and paying body sides, managing the SAPARD Programme according to the EU standards of control and reporting. Setting up of the appropriate internal audit procedures.

- The regional offices of the SAPARD Agency (28 offices in each of the Districts - NUTS III) trained and able to carry their functions as offices of the implementing body.

- The district offices of the SAPARD Agency (6 offices in Sofia, Plovdiv, Yambol, Varna, Pleven and Montana) trained and able to carry their functions as offices of the Paying Body.

SAPARD Task Force:

- Staff are able to operate as Secretariat to the Managing Authority and the Monitoring Committee.

Line Ministries and bodies (such as the MAF, the Ministry of Regional Development and Public Works, the Ministry of Environment and Water and the Ministry of Economy etc.):

- The bodies responsible for delegated measures are working according to their contracts with the SAPARD Agency. The following measures are going to be delegated to the authorities outside of the SAPARD agency:

  - Measure 1.2.1. (Construction of Wholesale Markets) – to be delegated to PMU GTZ “Wholesale Markets - Bulgaria”;
  
  - Measure 2.2. (Renovation and development of villages; protection and conservation of rural heritage and cultural traditions), 2.3. (Development and Improvement of Rural Infrastructure) and 1.6. (Water Resources Management and Irrigation) – applications shall be submitted to the central SAPARD Agency and applications checks and evaluation shall be delegated to MAF. Project Selection and tendering shall be performed at central level by the SAPARD Agency.
• Part of Measure 1.4. (Forestry, Afforestation, Investment, Processing and Marketing) – to be delegated to National Forestry Department and Project Selection and tendering shall be performed at central level by SAPARD Agency.

• Additionally, the implementation of Measures 1.1 (Investment in agricultural holdings), 1.2. (Improving the processing and the marketing of agricultural and fishery products), and 1.3. Development of environmentally-friendly agricultural practices and activities might also be delegated if the SFA does not have the adequate technical staff for management.

• The trainers providing Vocational Training under SAPARD measure 3.1. are trained to give relevant courses to SAPARD beneficiaries. Measure 3.1. “Improvement in vocational training” of the NRDP will provide training to beneficiaries and potential beneficiaries of the SAPARD Programme through accredited institutions. It will be the trainers in these accredited institutions that will be trained under this project.

Local administration:
- Local administration planning capacity developed in selected municipalities for identification, preparation and monitoring of projects for integrated rural development (especially for projects under measures 2.2. and 2.3. of the NRDP). The result of this capacity development will be the presentation of projects from the local municipalities to be financed under SAPARD.

3.4. Activities:

The duration of the activities is 1 year. The activities will be organised in the following 2 components:

1-st Component:

The beneficiaries of this component will be SFA and the SAPARD Agency. The following activities will be implemented:

- The staff of the SFA at the central level will be provided with continuing full time support to ensure Member State knowledge transfer for development of the necessary skills to carry out the responsibilities and functions (see Annex 7) of a SAPARD Agency.

- The staff of the regional offices of SFA will be trained in order to maintain functioning as regional branches of SAPARD Agency (see Annex 7 for Implementation Body functions of the SAPARD Agency).

- The staff of the 6 district offices of SFA will be trained in order to maintain functioning as district offices of the Paying Body of SAPARD Agency (see Annex 7 for Paying Body functions of the SAPARD Agency).

The contractor will use for a basis the results achieved under previous assistance. He/She will be based in the SFA – SAPARD Agency. The contractor should have at least 5 years recent experience of working in a Paying Agency, dealing with European Community schemes, of a Member State, with operational knowledge.

Short-term support will also be provided according to the needs of the Agency and according to its responsibilities and functions.

The scope of expertise would include: technical evaluation of the applications for measures, internal audit, risk assessment, on-the-spot technical inspections etc. from the
Payment Body side and technical implementation experience of structural funds schemes on the Implementing Body side.

The contractor shall provide training on on-the-spot technical and verification inspections to other relevant bodies. The twinners will carry out the follow up of the continuing, comprehensive training of the regional staff.

2-nd Component:

The following activities will be implemented:

- The SAPARD Task Force will continue to be trained to act as Secretariat of the Managing Authority and Monitoring Committee through the provision of long term TA.

- In the case of measures that have been delegated to bodies outside the SAPARD Agency (such as the Ministry of Regional Development and Public Works, the Ministry of Environment and Water and the Ministry of Economy etc.), the staff at central and regional levels dealing with implementation of technical functions will undergo comprehensive training in the form of interactive workshops.

- The capacity of local administrators in selected regions will be developed for identifying, preparing and monitoring the projects for integrated rural development. Short-term expertise will stage workshops in the selected regions covering; operation of the local partnership integrated planning and project identification and preparation.

- Training of selected trainers is envisaged in order to ensure the provision of high quality vocational training to SAPARD beneficiaries under the SAPARD measure 3.1. of the NRDP.

- An equipment component for the SAPARD Agency is envisaged. An indicative list of equipment needed, prepared by the Bulgarian authorities will be verified by the expert, at the initial stage of the project.

4. Institutional Framework

The MAF and State Fund Agriculture (SFA) are the key administrative structures responsible for the implementation of Rural Development Plan for SAPARD in Bulgaria.

4.1. MAF:

The MAF has a Central administration and 28 Regional Offices (RO) in the 28 administrative districts of the country. In order to prepare for the SAPARD instrument, the MAF has established a SAPARD Task Force within the Directorate for Rural Development. According to the new structure of MAF, in force since 1\textsuperscript{st} January 2000, the Rural Development Directorate consists of 17 full time members. SAPARD Task Force consists of 9 civil servants and will act as Secretariat of the Managing Authority and Monitoring Committee.

The establishment of the Monitoring Committee is provided for by a draft ordinance on SAPARD implementation of the Agriculture Minister. Bulgarian legislation, namely the draft ordinance on Accreditation of SAPARD Agency under SAPARD 2000-2006, strictly abides by and follows the provisions and requirements under the EC Regulation, that the Monitoring Committee shall monitor the implementation of the assistance program. The
Monitoring Committee shall include representatives of other ministries, a representative of the EC in his/her capacity of an advisor to the Committee, local authorities, NGOs and socio-economic partners in the relevant sector and rural areas (Bulgarian Chamber of Commerce and Industry, Chamber of Business, two trade unions-KT “Podkrepa” and KNSB). A Deputy Minister of Agriculture and Forestry shall chair the Monitoring Committee. The work of the Monitoring Committee shall be supported by a Secretariat. It is envisaged that the SAPARD Task force will act as the Secretariat of the Managing Authority and the Monitoring Committee.

Regional officers of MAF shall be responsible for the implementation of the delegated measures at local level. They shall carry out on the spot checks of the information submitted by applicants. Each check shall be completed by way of a protocol of the findings signed by the checking officer.

4.2. The SAPARD Agency - State Fund Agriculture

The SFA consists of just under 200 full time employees working at central regional and district levels. It will operate from 28 regional offices in the administrative centers of Bulgaria (NUTS 3 level) and 6 District Offices (in Sofia, Plovdiv, Yambol, Varna, Pleven and Montana). The SFA is the key instrument of government support policy in agriculture and it is preparing to take over and perform the functions of a SAPARD Agency.

The required structure of the SAPARD Agency and rules for management of the funds will be outlined in the EC SAPARD Financial Regulation and Multiannual Financial Agreement.

SFA has begun the implementation of the accreditation program since July 1999. A special department responsible for the EU support schemes for agriculture and rural development has been set up and properly staffed (there are one or two employees responsible for each measure who will be the core of the Implementing Body). In the case, the profile of this staff does not comply with the specific technical requirement, the implication of other Ministries should be foreseen. Paying Body is also in a process of establishment and staffing. Internal Auditor is preparing the audit programs. An accountant will deal exclusively with EU schemes. The improvement of IT system is also underway aimed at the collection of data on the monitoring of the aid already extended and project implementation. The SAPARD Agency shall ensure management of the funds allocated from the State budget for agriculture and rural development and the respective co-financing for SAPARD.

A Decree of the Council of Ministers has been approved for the accreditation of SAPARD Agency for SAPARD. The administrative and organisational structure of the SAPARD Agency shall be as follows: a Management Board, a Chief Executive Director and two Deputies, Selection Committee, Operational Department, Financial Department, Internal Audit Department, Legal Department (and Anti-Fraud unit) and an IT Department. The Selection Committee should include representatives from other Ministries, and socio-economic partners.

SAPARD Agency shall ensure clear separation of project selection and payment duties (see Figure 1).

The Internal Audit and Legal departments (including the anti-fraud unit) will report to the Chief Executive Director. The Internal Audit Department enjoys an independent status, guaranteeing the effective operation of the agency’s system of internal audit. The Operational Department shall monitor the implementation of projects under the different
measures as well as exercise control over the delegated functions. The Operational Dept staff shall take part in the Selection Committee. Other Ministries and socio-economic partners should also be included in the Selection Committee.

The above divisions and units shall be incorporated under the current SFA as self-sufficient units dedicated to the implementation of the EU schemes (Payments, Accounting) or individual officers responsible for the implementation of the national schemes shall also be involved in the implementation of EU schemes (Data and Projections Div.).

Fig. 1. Organisational Chart of SAPARD Agency
5. Detailed Budget

<table>
<thead>
<tr>
<th>Contracts</th>
<th>Phare Support</th>
<th>National Cofinancing*</th>
<th>IFI*</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment Support</td>
<td>Institution Building</td>
<td>Total Phare (=I+IB)</td>
<td></td>
</tr>
<tr>
<td>Contract 1 (Technical assistance)</td>
<td>0.1</td>
<td>0.9</td>
<td>1.0</td>
<td>0.1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>0.1</td>
<td>0.9</td>
<td>1.0</td>
<td>0.1</td>
</tr>
</tbody>
</table>

6. Implementation Arrangements

6.1 Implementing Agency:

The CFCU (Ministry of Finance) will be in charge of the contracting and financial management of the project.

6.2 Twinning

Non applicable.

6.3 Non-standard aspects

Non applicable.

6.4 Contracts

There will be only one contract for technical assistance under the project. The contract will include a component amounting 0.1 MEuro for purchase of necessary office equipment and software. For the technical assistance the terms of reference will be prepared by the Bulgarian authorities.

7. Implementation Schedule

7.1 Start of the tendering - February 2001
7.2 Start of the project activities - April 2001
7.3 Project Completion - June 2002

8. Equal Opportunity

Equal opportunities for work and participation of men and women will be assured during the implementation of the project.

9. Environment

Non applicable.
10. Rates of return
Non applicable.

11. Investment criteria
Non applicable.

12. Conditionality and sequencing
The project has been designed on the basis of the assumption that the accreditation of the SAPARD Paying Agency will take place during year 2000. However, this is not a pre-conditionality for the start of this project. If accreditation does not take place in 2000, the funds shall be utilised for the continuation of the preparation of the relevant structures for the management of SAPARD.

The conditionalities, which will be verified by the EC Delegation in Sofia before the project can start are:

- The Bulgarian authorities prepare the terms of reference for the technical assistance component and a list of equipment and software needed.
- Allocation of the adequate staff to all the bodies involved in the management of the SAPARD funds, and payment of the running costs of the structures which will benefit from the project.
## Annex 1

**LOGFRAME PLANNING MATRIX FOR THE PROJECT**

**STRENGTHENING OF THE ADMINISTRATIVE STRUCTURES OF THE SAPARD AGENCY AND OF THE MINISTRY OF AGRICULTURE AND FORESTRY FOR THE IMPLEMENTATION OF THE BULGARIAN RURAL DEVELOPMENT PLAN**

<table>
<thead>
<tr>
<th>Wider Objective(s)</th>
<th>Indicators of Achievement*</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• To prepare the Bulgarian authorities to implement the National Rural Development Plan and manage SAPARD funds.</td>
<td>• Ability of the MAF and SFA structures to implement structural and rural development measures according to the priorities in NRDP, SAPARD programme funds are absorbed at maximum level.</td>
<td>• Progress reports for the European Commission; • Periodical reports to the EU Delegation in Sofia; • Quarterly and final reports of the twinners and the TA project; • Reports from the Managing Authority and the Monitoring Committee; • Reports from the Government of Bulgaria on the implementation of national agriculture and Rural Development Programme.</td>
<td>• Political and economical stability; • Good macro-economical results; • Support of the EU institutions and Member-States • EU pre-conditions for SAPARD met.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Immediate Objective (Purpose)</th>
<th>Indicators of Achievement*</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• To continue to support the SAPARD Agency in the implementation of the measures of the National Rural Development Programme at central and regional levels through direct transfer of know how. • To assist the SAPARD Task Force in the MAF to run the secretariat of the Managing Authority and of the Monitoring Committee. • To assist bodies (from the MAF, line Ministries and bodies), which are responsible for the delegated measures, to be able to operate according to the required regulations. • To reinforce the selected municipal</td>
<td>• Implementation of NRDP by SAPARD Agency; • SAPARD Managing Authority and Monitoring Committee operates correctly; • Delegated bodies are operating according to requirements. • Number of projects proposed by the local authorities and approved by the Selection committee; • Number of the training courses organised for the local administrations.</td>
<td>• SFA, MAF and its authorities for the implementation of the NARDP and operation of Managing Authority and Monitoring committee; • EC Delegation for the progress of the project; • Minister of Agriculture, Rural Development Department, SFA, PHARE – Implementing Agency– MAF.</td>
<td>• Sufficient allocation of financial and human resources by the Government of Bulgaria; • Approval of National Agriculture and Rural Development Plan by EC; • Trained personnel continues to work for MAF and SFA; • Good cooperation with local authorities; • Adoption of the appropriate Bulgarian legislation.</td>
</tr>
</tbody>
</table>

|  | Contracting period expires: December 2002 | Phare contribution: 1.00 MEuro |
|  | Disbursement period expires: December 2003 | Total Budget: 1.10 MEuro |
local administration for planning and implementation of the integrated rural development measures.
- To train the accredited trainers under the SAPARD NRDP Measure 3.1. “vocational training”.

<table>
<thead>
<tr>
<th>Results</th>
<th>Indicators of Achievement*</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
</table>
| • The staff of the SAPARD Agency are implementing the SAPARD Programme according to procedures;  
• The SAPARD Agency is able to implement the measures and to operate according to EC standards for control and reporting;  
• Managing Authority and Monitoring Committee operates as required;  
• Other Ministries involved in SAPARD implementation are trained;  
• Local administrations able to prepare projects for financing under SAPARD;  
• The trainers providing vocational training under SAPARD are giving relevant courses to the beneficiaries | • Number of employees of SFA and MAF trained;  
• Progress of the ratio at which the SAPARD funds are used for the year 2002 compared to 2001;  
• Proposals made for the projects for integrated rural development;  
• Training courses organised for SAPARD beneficiaries;  
• Equipment purchased and operational. | • MAF, EU authorities;  
• SFA;  
• Local administration;  
• Monitoring and Selection Committees;  
• Rural Development Department, MAF. | • Staff availability and commitment;  
• Salary incentive and motivation in place;  
• Delivering the equipment on time and development of the necessary information system. |

<table>
<thead>
<tr>
<th>Activities and Inputs</th>
<th>Indicators of Achievement</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
</table>
| • Provision of EU experts for twinning;  
• Technical assistance and training  
• Equipment | • Expected outputs of the twinning covenant are reached;  
• Expected outputs of the technical assistance are reached | • Progress reported regularly to the MAF, EU Delegation in Sofia and European Commission;  
• Periodically and at the end of the project;  
• By the RDD at MAF and the CFCU. | • Requested co-financing budget is approved;  
• Pre-conditionalities for the project met;  
• Project starts in time,  
• Good management and monitoring are available. |
Annex 2: DETAILED IMPLEMENTATION CHART

**STRENGTHENING OF THE ADMINISTRATIVE STRUCTURES OF THE SAPARD AGENCY AND OF THE MINISTRY OF AGRICULTURE AND FORESTRY FOR THE IMPLEMENTATION OF THE BULGARIAN RURAL DEVELOPMENT PLAN**

<table>
<thead>
<tr>
<th>Component</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>TA</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
</tbody>
</table>

*Technical Assistance*

- P – Preparation
- E - Evaluation
- T – Tendering
- C - Contracting
- I – Implementation
Annex 3: CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE


<table>
<thead>
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<tbody>
<tr>
<td>Contracted</td>
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<td></td>
<td></td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
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<tr>
<td>Disbursed</td>
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<td>0.20</td>
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<td>0.70</td>
<td>0.90</td>
<td>1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

All disbursements must be completed within 24 months of signature of the FM
ANNEX 4: REFERENCE TO PRE-FEASIBILITY SECTORAL STUDIES

In 1999, the conclusion of EU experts assigned to verify the degree of preparation of the Bulgarian authorities for SAPARD was that the SFA has all the structures and capacity in place to exercise financial control of the national lending schemes. Nevertheless, financial control needs to be adjusted and reinforced to meet the EU requirements under the SAPARD schemes.

A time table was prepared for the activities to be carried out up to the accreditation of SAPARD agency (see below). The current project will be a continuation of the activities presented in the chart.
Figure 1 Provisional table for Key activities for accreditation of SAPARD Agency *

<table>
<thead>
<tr>
<th>No.</th>
<th>Priority Needs &amp; Activities</th>
<th>Year 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Legal and Operational</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.1. Establishing the legal framework</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Decision on appointment of Competent Authority</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Decision on appointment of Certifying Body</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Finalise Text of Law Establishing SAPARD Agency</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Formal Adoption of Laws</td>
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<td></td>
<td>Preparation of the necessary legal base</td>
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<td></td>
<td>Training seminars in Athens &amp; Sofia</td>
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<td></td>
<td>1.2. Establishment of an institutional Framework</td>
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<tr>
<td></td>
<td>Decision on the organisational structure for the SAPARD Agency</td>
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<td></td>
<td>Determine operational structure for each Measure, including delegations.</td>
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<td>Decision taken on the staffing needs</td>
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<td></td>
<td>Appoint first tranche of staff</td>
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<td></td>
<td>Prepare job descriptions of employees in SAPARD Agency (phased)</td>
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<td>1.3. Training</td>
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<td></td>
<td>Train SAPARD staff and delegated bodies</td>
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<td></td>
<td>Training National Fund Staff responsible for SAPARD</td>
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<td></td>
<td>Training Certifying Body (SFC or NAO)</td>
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<td></td>
<td>Training Competent Authority Staff</td>
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<td>1.4. Operational requirements</td>
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<tr>
<td></td>
<td>Set up monthly Policy group review meetings</td>
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<td></td>
<td>Set up Team Groups for all main areas</td>
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<td></td>
<td>Setup weekly meetings of team group leaders with SAPARD Executive Director</td>
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<td></td>
<td>Monthly monitoring and reports to Ministers</td>
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<td></td>
<td>Prepare Procedural Manuals/Checklists for each Measure (IB and PA roles)</td>
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<td></td>
<td>Prepare contracts/agreements for delegated functions for measures</td>
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<td></td>
<td>Develop controls for Tendering and procurement</td>
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<td>Develop controls on co-financing and payment commitment</td>
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<td>Develop procedures for on the spot checks/train staff</td>
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<td></td>
<td>Introduce risk analysis methodology - level of checks</td>
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<td>Develop accounting procedure system and manuals (to include mthy rec)</td>
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<td>Develop payment procedure/system inc. pre-payment checks</td>
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<td></td>
<td>Develop system for securities/guarantees</td>
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<td>Develop a system for control/monitoring of advance payments</td>
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<td>Develop debtors ledger according to EU guidelines</td>
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<td>Develop a trader/farmer registration for all EU schemes - link with MAF</td>
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<td>Review funding, cashflow &amp; banking arrangements (involve National Fund)</td>
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<td>Develop management reporting information</td>
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<td>Prepare procedure for senior management checks</td>
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<td>List sensitive posts and agree policy of rotation or control</td>
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<td>Introduce Irregularity Procedures</td>
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<td></td>
<td>Develop Internal Audit procedures/manuals</td>
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<td>Internal Audit Unit staff carry out informal pre-accreditation review</td>
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<td>Compile full set of key documents for reference</td>
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<td>Set up system for scheme activity/funding forecasts.</td>
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<td>1.5 Development of Software system</td>
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<td>Review and agree on specifications to be incorporated into software</td>
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<td>Purchase of server, computers, etc for SAPARD Agency</td>
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<td>Development of software programme (phased)</td>
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<td>Install and test the software (first stage)</td>
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<td>Training staff on use of software system (first stage)</td>
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<td>1.6. Certifying Body</td>
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<td>Accreditation assessment</td>
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<td>1.7 Competent Authority (MoAF &amp; MoF)</td>
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<td>Decision on accreditation</td>
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<td>1.8 EU Accreditation review and Commission Decision</td>
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</table>
2 Finalisation of the Rural Development Plan

2.1. SAPARD TF to improve the RDP according to European Commissions comments

2.2. Preparation of a Prior Appraisal of the RDP

3 Development of measures

3.1. General needs for all measures

- Procedure manuals development (IB+PA roles)
- Application forms development
- Preparation of a SAPARD Guidance Manual & Project Development Guidebook

3.2. Define Specific needs for each measure

- Me 1.2. Fishery processing and marketing
- Me 1.3. Promotion of environmentally friendly agricultural practices
- Me 1.5. Support for setting up producer groups
- Me 3.1. Improvement of Vocational Training
- Me 2.5. Water Resources Management - Irrigation
- Me 4. Technical Assistance
- Others?

3.3. Develop strategy on Integrated Rural Development

- Develop criteria for selection of priority rural areas / Knowledge of the necessity of the partnership / Training and study trip to Greece
- Strategy formulation for the development of the priority rural areas
- Preparation of Integrated Rural Development business plans for a priority rural areas

4 Preparation for implementation of measures

4.1. Strengthening administrative capacity

4.1.1. General:
- Set up Monitoring Committee
- Set up Selection committees

4.1.2. Private Investment Measures

- Support to the SAPARD Agency

4.1.3. Public Investment Measures

- Support to SAPARD Agency and delegated bodies

4.1.4. Development of the Partnership for Integrated Rural Development at Regional Level

- Support to the priority rural area partnership to prepare IRD strategy
- Support to the priority rural area partnership to prepare IRD business plans

4.2. Publicity for the Programme and Measures

- Develop the strategy for achieving publicity
- Identification of appropriate means of informing potential beneficiaries of aid schemes
- Regional awareness campaign to inform potential beneficiaries
- Preparation of information packs by groups of measures

5 Effective Monitoring and Evaluation of SAPARD

- Identification of physical, financial & impact indicators
- Elaboration of mechanisms and guidelines for M & E
- Assessment and improvements of the monitoring process

Version from April 2000
ANNEX 5: LIST OF RELEVANT LAWS AND REGULATIONS

Bulgarian legislation:


• **Regional Development Act** (OG No26/23.03.1999) provides for the planning and management of rural development as well as for the provision of resources. The act defines types of regions that need specific regional policies;

• **Co-operatives act** (OG 113/28.02.1999, appealing the previous Co-operatives Act) introduces EU-specific elements of farm co-operatives, allowing, for instance, legal entities to become members of farm co-operatives. Thus, the organisation of co-operatives will draw upon the spirit and traditions of co-operative democracy aimed at the protection of group interests and each member’s rights. Land use patterns will be improved with a view of the actual exercise of ownership rights to resituated land.

• **Ordinance No105/08.06.1999** on the criteria of identification of areas for reinforced targeted impact and area boundaries defines “less developed rural areas [as] covering municipalities or groups of municipalities with a predominant rural way of life, specialised in farming and forestry, characterised by a low level of economic development, technical infrastructure and workforce qualification, suffering acute social aftermaths such as rampant unemployment, low income and depopulation”.

• **Land Lease Act** (OG No82/27.09.1996, amended OG No35/16.04.1999) provides for better opportunities of land lease as a land market instrument, protection of the parties to a lease contract, simplification of contracting procedures, etc.

• **Forest Ownership Restitution Act** of 1997 and the Forest Act of 1997 (last amended OG No26/1999) gave rise to a number of positive changes as regards the management, maintenance and exploitation of forests.

• **Ordinance No33 of the Agriculture Ministry** (OG No109/99) provides for the conditions and terms of forest use on the basis of tenders, competitions or negotiations with potential users.

Other general legal acts bearing upon the measures under the national Rural Development Plan are as follows:

• **Government Ordinance 203** (OG No105/1999) on the Structure and Proceedings Rules of the Ministry of Agriculture and Forestry;

• **Public Procurement Act** (OG No56 of 22.06.1999) provides for improved efficiency in the use of budget and public funds on the basis of transparency and control of use, promoting fair competition and economic development.

• **National Standardisation Act** provides for the drafting and approval of national standards, the participation of all parties concerned, the introduction of EU and other international standards.
• **Water Act** (OG No 67/27.07.99) provides for the management of water resources in the interest of the nation, human health protection and sustainable development.

• **Protected Areas Act** (OG No 133/11.11.1998) provides for the definition of all types of protected areas, use and protection, funding of protection and management-related activities.

• **Trade Marks and Geographical Indications Act** (OG No 81/14.09.1999) lays down the terms, conditions and procedures of registration of trade marks and geographical indications and the rights ensuing from registration, protection.

**Necessary Amendments to Current Legislation**

Following Decision 555 of the Council of Ministers of October 19, 1999, a MAF-based task force unit was established. The unit shall be supported by technical assistance under the SPP. Some of the measures under SAPARD call for amendments to current legislation.

The amendments drafted are as follows:

• A Decree of the Council of the Ministers for Accreditation of SAPARD Agency;

• A draft ordinance on producer organisations, drawing upon art. 9 of the Farmer Support Act, laying certain criteria for the recognition of farmer organisations; their functions and responsibilities;

• A draft law on land cadastre and registry, providing for the legal basis of a unified land cadastre and registry of land ownership ensuring the information infrastructure of the land market. The act is expected to promote investment activity in agriculture;

• A draft fisheries and aqua-culture act, providing for the legal framework of measures having to do with control of fishing and fishery, fishing vessels, licensing of fishermen and fishing vessels, gathering and processing of statistical data, protection and reproduction of the country’s resources, establishment of producer organisations;

• A draft amending the Tobacco act;

• A draft law on mountainous areas;

• A draft law on farm land fertilisation.

**EC legislation:**

• *draft* SAPARD Financial Regulation (to be adopted);


• Commission Regulation No 1663/95 laying down detailed rules for the application of Council Regulation (EEC) No 1258/99 regarding the procedure for the clearance of the accounts of EAGGF Guarantee Section;

• Council Regulation (EC) No 1260/99 laying down the general provisions on the structural funds;

• Council Regulation (EC) No 1268/99 on Community Support for Pre-accession Measures for Agriculture and Rural Development in the Applicant Countries of Central and Eastern Europe for the Pre-accession Period;

ANNEX 6: REFERENCE TO RELEVANT GOVERNMENT STRATEGIC PLANS AND STUDIES

The second version of the National Rural Development Plan of Bulgaria, submitted officially to the European Commission services on 7 April 2000 describes the institutional set up for the management of SAPARD as well as the procedures to be used.
ANNEX 7: RESPONSIBILITIES AND FUNCTIONS OF THE BODIES INVOLVED IN SAPARD

The Managing Authority:

According to the draft decree on Accreditation of SAPARD Agency under SAPARD 2000-2006, the Management Board of State Fund Agriculture (which consists of the Chairman-Minister of Agriculture, members Vice ministers of Agriculture, Minister of Finance, Executive Director of the SFA) is the body appointed as a Managing Authority. Managing Authority is supported by a Secretariat, the SAPARD Task Force.

The Managing Authority shall be responsible for the efficiency and correctness of management of the Programme:

1. control setting up a system to gather reliable financial and statistical information on implementation of the program its compliance with the monitoring and financial indicators as well as the mid-term and ex-post evaluation of the results from the aid;
2. follow-up submission of information under point 1 to the Commission;
3. at the request of the Monitoring committee or on its own initiative, propose the adaptation of the programme, without changing the total amount of the contribution from the funds granted to the priority concerned nor its specific targets;
4. after approval by the Monitoring Committee inform the Commission of the adjustments under the previous paragraph within one month;
5. amend the programme, except for the cases described under point 3, upon receiving a Decision of the European Commission and after the approval of the Monitoring Committee;
6. prepare the annual and final implementation reports of the programme;
7. organise the mid-term and final evaluation of the programme;
8. ensures compliance with the obligations concerning information and publicity.

The Monitoring Committee:

The Committee is composed of representatives of other Ministries, a representative of the EC in his/her capacity as advisor to the Committee, local authorities, NGO's and socio-economic partners in the relevant sector and rural areas (Bulgarian Chamber of Commerce and Industry, Chamber of Business, two trade unions (KT "Podkrepa" and KNSB). A Deputy Minister of Agriculture and Forestry shall chair the Monitoring Committee. The role of the Committee is to:

1. satisfy itself as to the effectiveness and quality of the implementation of the programme;
2. confirm or adjust the programme, including the physical and financial indicators;
3. consider and approve the criteria for selecting the operations financed under each measure within six months of approval of the assistance. These selection criteria shall be previously indicated in the approved Plan or should be indicated in the multi-annual agreement EC/Government of Bulgaria. The Monitoring Committee can propose modifications to these criteria, which need to be approved by the Commission;
4. periodically review progress made towards achieving the specific objectives of the assistance;
5. examine the results of implementation, particularly achievement of the targets set for the different measures;
6. consider and approve the annual and final implementation reports before they are sent to the Commission;
7. consider and approve any proposal for adoption of the fund assistance before its submission to the European Commission;
8. make any adjustment or review of the assistance to improve the management of the funds.

The work of the Monitoring Committee is supported by a Secretariat, the SAPARD Task Force.

**The SAPARD Agency:**

Under the SAPARD pre-accession arrangements, each applicant country has to establish a SAPARD Agency (comprising implementing and paying functions). The Implementing Body function will comprise project selection, tendering and contracting, checking of applications, on the spot checks, approval, managing, monitoring, and reporting progress. The Paying Agency function will comprise checking payments, on the spot checks and the authorisation, execution and accounting of payments. The Paying part of the SAPARD agency is responsible for the propriety of SAPARD expenditure and compliance with EU requirements.

The SAPARD Agency is based on the following EU regulations:

- The *draft* SAPARD Financial Regulation (to be adopted).
- The establishment of a Paying Agency is a requirement under EU Council Regulation (EC) No 1258/99 and Commission Regulation No 1663/95 (rules for the application of Council Regulation (EEC) No 1258/99). Under Article 4 (1) of Regulation No 1258/99, each applicant country shall communicate to the European Commission details of the authorities and bodies it accredits to pay the expenses under the budget of the European Community, hereinafter referred to as “paying agencies”. Regulation No 1258/99 defines a paying agency as the accredited authority or body of the applicant country, which pays the expenditures on behalf of the EAGGF - Guarantee Section. “Only expenditure effected by accredited paying agencies may be subject to Community financing.” The SAPARD agency shall be a financial institution of the applicant country, “which, as regards payments in the areas they are responsible for, offer sufficient guarantees that:
  - the admissibility of claims and compliance with Community rules are checked before a payment is authorised;
  - the payments effected are correctly and fully recorded in the accounts;
  - the necessary documents are submitted within the time and in the form laid down in the Community rules.”

The accreditation criteria are such that a SAPARD agency should provide sufficient assurance concerning the proper functioning of its administrative organisation and of the system of internal control and the maintenance of documents, pursuant to Article 4
of Regulation No 1258/99. The Annex to Regulation No 1663/95, laying down “the
guidelines for the accreditation criteria, stipulates that the establishment of a paying
agency shall take the form of a formal act providing for the agency’s powers,
obligations and responsibilities as well as administrative structure.

- Under Article 9 (1) of Council Regulation (EC) No 1268/99, financial support shall
comply with the principles laid down by Council Regulation (EC) No1258/99. Applicant
countries shall be required to establish their own paying agencies.

A solid legal base should be in place as a pre-requisite to the utilisation of resources
under the pre-accession funds. A Decree of the Council of Ministers has been prepared
for the accreditation of SAPARD Agency under SAPARD 2000-2006. The Decree is
under discussion with Ministry of Finance and shall be approved by the Council of
Ministers (expected date – end of April).

The Paying Agency shall perform three key functions under EAGGF Guarantee
Section;

1. **Authorisation of payments:** “the objective of this function is the establishment of the
amount that shall be paid to an applicant in conformity with Community rules”;

2. **Disbursement of payments:** “the objective of this function is the issuing of an
instruction to the Agency’s bankers, or, in appropriate cases, a government payment
office, to pay the authorised amount to the applicant (or his/her assignee);”

3. **Accounting:** the objective of this function is to record payments in the Agency’s
separate books of accounts of European Community expenditures, which will normally
be in the form of an EDP system, and the preparation of regular summaries of
expenditure, including the monthly and annual declarations to be submitted to the
European Commission.”

The implementation task of the SAPARD Agency will comprise:

1. Call for applications,
2. Project selection,
3. Checking of applications for approval of projects against terms and conditions,
eligibility and against the content of the approved SAPARD programme, including
where appropriate, public procurement provisions,
4. Laying down contractual obligations between the Agency and potential beneficiaries
and the issue of approval to commence work,
5. Follow-up action to ensure progress of projects being implemented
6. Reporting of progress of measures being implemented against indicators.

The payment task of the SAPARD Agency shall comprise:

1. Checking of payment claims,
2. Execution of on-the-spot checks to establish eligibility for payments
3. Authorisation of payment
4. Execution of payment
5. Accounting of commitment and payment
6. Where applicable, controls on beneficiaries after payment of aid to establish whether
the terms and conditions of the grants continue to be respected.
Selection and Approval of Projects:
- Registration of applications;
- Compliance with Community policy;
- Applying public procurement rules;
- Identification of Selection Criteria;
- Checking of applications against the terms and conditions, eligibility criteria and overall content of the programme approved;
- Approval to commence work – “Letter of Offer”;
- Deadline for completion of projects.

Technical Functions
- On-the-spot checks, including complex technical checks;
- Examination of business plans at central level;
- Examination of agricultural or scientific nature necessary to establish eligibility;
- Standard reports on inspections and reviews.

Monitoring at Project Level – there are 3 levels of monitoring as follows:
- Record of approvals;
- Follow-up on approvals;
- Record of projects completed.

Monitoring at Measure Level:
- Progress against financial and physical indicators;
- Impact of Measures and submission of this information to Monitoring Committee.

Reporting

Commitments per measure:
- number of approvals to be reported
- monetary value committed for approved projects
- number of completed projects
- monetary value committed for completed projects
- monetary value paid for completed projects
- Controls
- number of checks and type of control carried out
- Irregularities
- number and nature of irregularities
- irregularities including their amount; in case of a major irregularity a detailed report must be prepared.
- Progress of the Measure
- progress against physical and financial indicators
- results of implementation including any problems encountered
- information and publicity
Delegation of technical functions to bodies outside the SAPARD Agency:

Where the SAPARD Agency does not have the technical capacity to implement measures, it can delegate to a body who does. A detailed contract outlining the duties and responsibilities is signed between the SAPARD Agency and the delegated body. It is intended that a number of measures will be delegated to bodies outside the SAPARD Agency (see point 3.3).

Functions of the Paying Body shall reflect the requirements provided in the applicable regulations and guidelines. These include:

**Approval/Check:**
- check of payment claims;
- authorise payments.

**Technical functions**
- execute of on-the-spot checks.

**Monitoring:**
- monitor project implementation – checklists, on-the-spot checks;
- monitoring, including commitment level, control and reconciliation.

**Payment:**
- check on the accuracy, truthfulness and efficiency of the authorised amounts;
- issue the payment orders;
- send the order to pay the authorised amount to the claimant to the Special account of SFA in the National Bank;
- record all payments.

**Accounting:**
- record all payments in the separate books of account of the Financing Agreement expenditure;
- keep the whole documentation related to a claim;
- request the Coordinating body (National fund) to debit the Special account of SFA;
- make periodic summaries of expenditure (on monthly and annual basis) and submit the information to the Coordinating body;
- follow up uncleared advances and debtors;
- prepare the annual balance of payments.