FINANCING MEMORANDUM

The European Commission, hereinafter referred to as "THE COMMISSION", acting for and on behalf of the European Community, hereinafter referred to as "THE COMMUNITY"

on the one part, and

The Government of the Republic of Bulgaria, hereinafter referred to as "THE RECIPIENT"

on the other part,

HAVE AGREED AS FOLLOWS

The measure referred to in Article 1 below shall be executed and financed out of the budget resources of THE COMMUNITY in accordance with the provisions set out in this Memorandum. The technical, legal and administrative framework within which the measure referred to in Article 1 below shall be implemented is set out in the General Conditions annexed to the Framework Agreement concluded between THE COMMISSION and THE RECIPIENT, and supplemented by the terms of this Memorandum and the Special Provisions annexed hereto.

ARTICLE 1 - NATURE AND SUBJECT

As part of its aid programme, THE COMMUNITY shall contribute, by way of grant, towards the financing of the following MEASURE:

Programme number: BG 0101 to BG 0105
Title: 2001 Bulgaria National Programme
Duration: Until 30 November 2003

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of € 82.823 million hereinafter referred to as "THE EC GRANT".

ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until 30 November 2003 subject to the provisions of his Memorandum. All contracts must be signed by this date. Any balance of funds of the EC GRANT which have not been contracted by this date shall be cancelled. The deadline for disbursement of THE EC GRANT is 30 November 2004, with exception of project BG 0102.04 where the deadline is 30 November 2005. All disbursements must be completed by the deadline for disbursement. THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the disbursement period, should
this be requested in due time and properly justified by THE RECIPIENT. This Memorandum shall expire at the expiry of the disbursement period of the EC GRANT. All the funds which have not been disbursed shall be returned to the Commission.

ARTICLE 4 - ADDRESSES

Correspondence relating to the execution of THE MEASURE, stating THE MEASURE's number and title, shall be addressed to the following:

for the COMMUNITY:

Delegation of the European Commission  
9 Moscovska Str  
PO Box 668 BG  
1000 Sofia  
Bulgaria

Tel: (+359 2) 933 5252  
Fax: (+359 2) 933 5233

for THE RECIPIENT:

Ministry of Foreign Affairs  
Department for European Integration  
2 Al. Jendov Str.  
1040 Sofia  
Bulgaria

Tel: (+ 359 2) 739 922  
Fax: (+ 359 2) 971 2906

ARTICLE 5 - NUMBER OF ORIGINALS

This Memorandum is drawn up in duplicate in the English language.

ARTICLE 6 - ENTRY INTO FORCE

This Memorandum shall enter into force on the date on which it has been signed by both parties. No expenditure incurred before this date is eligible for the EC GRANT.

The Annexes shall be deemed an integral part of this Memorandum
Annex 1  Framework Agreement (with its annexes A and B)
Annex 2  Special Provisions
Annex 3  Information and Publicity
ANNEX C TO THE FINANCING MEMORANDUM

STRATEGIC CONTEXT

This Financing Memorandum covers the Phare 2001 National Programme for Bulgaria. Separate Financing Memoranda cover Cross-Border Cooperation programmes between Bulgaria and both Greece and Romania, and Bulgaria’s allocation under the Special Programme to support the Decommissioning of Nuclear Power Plants.

The overall aim of the National Programme is to assist Bulgaria’s preparations for EU membership, on the basis of the priorities identified in Bulgaria’s latest Accession Partnership, approved by the Council in December 1999. Phare programming has also taken careful account of the findings of the Commission’s Regular Report on Bulgaria’s progress towards accession (November 2000), the priorities identified in the Government of Bulgaria’s National Programme for the Adoption of the Acquis (May 2000) and preliminary National Development Plan (May 2000), and the issues arising in accession negotiations.

The Bulgarian National Aid Coordinator played an active role in helping to identify programme priorities and potential projects. Counterparts throughout the Bulgarian administration were invited to prepare projects consistent with the programming priorities. In a number of cases, financial assistance was provided to assist with project preparation. The Commission maintained regular contacts with the IMF, World Bank, EBRD, EIB and bilateral aid agencies, to ensure adequate coordination of external assistance.

The main criteria used for the final selection of projects for support under the 2001 National Programme were the extent to which proposed projects reflected the programming priorities and the maturity of projects at the time that the programme was finalised in April 2001. Phare assistance is programmed with a multi-annual perspective, so account was taken of past and ongoing support in each sector under previous year’s National Programmes. Certain projects that the Commission might have wished to support have been postponed to the 2002 programme, to allow further time for developing them.

In conformity with the Phare guidelines, a proper balance has been struck between institution building, investment in the acquis and investment in economic & social cohesion. Careful account has been taken of absorption capacity and the strength of implementation arrangements, especially in the area of economic & social cohesion and other projects involving grant schemes.

Following the 1999 and 2000 Phare programmes, which supported a broad range of projects covering institution building and the acquis, the 2001 programme places rather greater emphasis on promoting further compliance with the economic and political criteria. The programme has been arranged around the following broad objectives, which have been chosen because they represent the areas in which the Commission believes that Phare support can most helpfully assist Bulgaria to meet the accession criteria.

- **Economic reform and the acquis.** Bulgaria needs to make further progress in promoting a functioning market economy, capable of achieving a high and sustained rate of economic growth, and implementing key elements of the acquis that contribute to sustainable growth. The programme therefore includes projects to strengthen the central bank, encourage equity investment in medium-sized private sector enterprises, improve phytosanitary and veterinary control, raise fisheries standards, implement the Seveso environment directive, and strengthen maritime safety.

- **Economic & social cohesion.** Bulgaria needs to address the profound economic and social challenges of transition and prepare national and regional administrative structures to manage EU Structural Funds after accession. The programme includes six investment projects selected and targeted with reference to the strategies in the NDP, focusing on SME and tourism sector development, labour market measures and social inclusion, and business-related infrastructure, and an institution building project to strengthen the Ministry of Labour & Social Policy’s capacity to prepare ESF-type programmes.

- **Strengthening public administration.** Bulgaria needs to strengthen public administration and the judiciary, and effectively combat corruption. The programme therefore includes projects for strategic policy-making and coordination, implementing civil service reform, developing a recruitment and training strategy for the judiciary, combating money
laundering, streamlining bankruptcy proceedings, strengthening the national customs and refugee agencies, improving the quality of agricultural statistics, and strengthening the management of EU funds.

- **Ethnic integration and civil society.** Bulgaria needs to nurture its democratic and pluralist traditions and foster social integration, with proper respect for human rights and adequate protection for vulnerable groups. The programme therefore includes projects for integrating the Roma population, ensuring ethnic minority access to health care, combating social exclusion, developing a self-sustaining and dynamic civil society, and raising professional standards in journalism.

The programme also includes a twinning light facility to support small-scale acquis-related priorities identified during accession negotiations, a project preparation facility to improve the capacity to design and manage Phare projects, and co-financing for Bulgaria’s contribution for participation in certain EC programmes and agencies.

**OBJECTIVES, DESCRIPTION AND CONDITIONALITIES**

**Objective 1: Economic reform and the acquis**

**BG 0101.01: Strengthening the institutional capacity of the central bank**

This project, which is designed to be delivered by twinning, will strengthen the capacity of the Bulgarian National Bank, the country’s central bank, by preparing and implementing a new medium-term strategy for its institutional development. The project will focus on further legislative harmonisation, strengthening payment and accounting systems, monetary statistics and banking supervision, developing links with other national and international regulatory bodies, and improving the central bank’s strategic capacity to promote the development of the financial sector in Bulgaria.

**BG 0101.02: Further support for the Bulgarian Post-Privatisation Fund**

This project will provide further Phare support to the EU-EBRD Bulgarian Post-Privatisation Fund (BPPF), to facilitate equity investment in medium-sized private enterprises. The BPPF was established in 1998 with equity capital of 40 million euro provided jointly by EBRD and the BPPF’s Fund Manager. Phare funds are used to finance pre-investment due diligence and post-investment consultancy services, and thereby allow the commercially-oriented BPPF to invest in a wider range of enterprises than would otherwise be possible. Phare funds are programmed on an annual basis, according to need. A total of 6.5 million euro was provided under the 1997, 1998 and 2000 National Programmes. The allocation of 3.0 million euro under the 2001 programme will support the BPPF’s activities from 2002 onwards. Phare assistance is conditional on the Government refraining from interference in the operation of the BPPF.

**BG 0101.03: Improving phytosanitary control and plant protection**

This project, which is designed to be delivered by two separate twinning lights, will improve phytosanitary control by strengthening the capacity of the National Service for Plant Protection Quarantine and Agro-Chemistry in the Ministry of Agriculture and Forestry. It will focus on improvements in phytosanitary control, registration and control of plant protection products, analysis of residual quantities in plants and plant products, and control of organic products of plant origin. Phare assistance is conditional on the Ministry providing the Commission before the project commences with adequate assurances that the recipient laboratories are the officially responsible bodies for the carrying out control activities. Moreover, the regional laboratories will be refurbished by the Ministry before the equipment element of the project is delivered.

**BG 0101.04: Improving veterinary control**

This project, which is designed to be delivered by twinning, will help align legislation and control systems in the veterinary sector with EU standards. It will provide training to veterinary inspection staff at border inspection posts and facilities for full inspection and testing, thereby protecting against the penetration of contagious animal diseases. It will establish an integrated surveillance and control system for the production, trade and usage of veterinary pharmaceuticals, strengthen surveillance on distribution of veterinary medicinal products and improve the capacity of the Institute for the Control of Veterinary Pharmaceuticals to implement quality assurance procedures. It will improve the diagnostic capabilities of the National Veterinary Service for bovine tuberculosis, BSE, scrapie and salmonella, and harmonise food safety legislation. It will prepare a study of the dairy industry for the institution building needed to prepare for EU accession, address certain structural problems within the industry and meet EU quality and hygiene standards. Phare support is conditional on the
Ministry of Agriculture and Forestry providing the land required for new facilities of the border inspection posts and preparing a food safety strategy to guarantee the safety and quality of products of animal origin.

**BG 0101.05: Restructuring of fisheries and aquaculture**

This project, which is designed to be delivered by twinning, will help the Ministry of Agriculture and Forestry to speed up harmonisation of legislation and introduce key elements of the Common Fisheries Policy. It will strengthen the capacity of regional fisheries inspectorates and producers’ organisations and improve the ability of fisheries and aquaculture institutions to promote sustainable development, protection, conservation, monitoring and exploitation of living aquatic resources. Phare assistance is conditional on the adoption of the Fisheries and Aquaculture Act and the establishment and staffing of a new central laboratory for fish pathology before the project commences.

**BG 0101.06: Implementing the Seveso environment directive**

This project, which is designed to be delivered by twinning, will assist the Ministry of Environment and Waters to prevent and minimise the hazards of large industrial accidents by improving the administrative framework and institutional capacities necessary to implement and enforce the Seveso directive. The project will establish a registration system for Seveso sites, introduce risk assessment and safety management procedures, and provide training. Phare assistance is conditional on establishing the necessary institutional structures at national and regional level to implement the Seveso directive and full transposition after the adoption of the new Environmental Act.

**BG 0101.07: Maritime safety institution building**

This project, which is designed to be delivered by twinning, will strengthen the capacity of the Bulgarian maritime administration to implement international maritime safety standards in accordance with the acquis. The project will review the compliance of Bulgarian legislation with the maritime safety acquis and recommend improvements, and deliver improved institutional capacity in flag state implementation, port state control and coastal state control. The project also includes an equipment element to improve search and rescue and pollution prevention and control. Phare support for the project is conditional the precise equipment to be procured being approved by the Commission’s Delegation.

**Objective 2: Economic & social cohesion**

Phare support for investment in economic & social cohesion was provided for the first time in 2000. Programming for 2001 has been conducted in the context of a revised National Development Plan that incorporates strengthened sectoral and regional strategies. As in 2000, Phare assistance in 2001 will be focused on three main areas: productive sector investment (particularly SMEs and tourism), human resource development, and business-related infrastructure.

All investment schemes have been carefully targeted to ensure Phare resources achieve adequate impact. While cohesion schemes in 2000 were targeted strictly on two of Bulgaria’s six NUTS-II type planning regions, schemes in 2001 and subsequent years are targeted by taking into account a broader range of considerations. Targeting is in some cases geographical (at regional or district level) or sectoral, depending on the needs that each scheme is designed to address. Moreover, each pair of investment schemes (the two SME schemes, the cultural tourism and access to tourist sites schemes, and the human resource development schemes) are designed to complement each other and thereby achieve greater impact. Strong emphasis has again been placed on achieving results linked to the priorities identified in the National Development Plan, robust implementation structures incorporating external technical assistance where appropriate, and clear and objective criteria for the transparent selection of beneficiaries under each scheme.

Phare assistance for each scheme involving investment in economic & social cohesion is conditional on approval by the Commission Delegation, before implementation commences, of the institutional and implementation arrangements, including the adequacy of staffing and resourcing of the bodies involved in implementation, robust arrangement for ensuring sound management of EU funds, and any operating guidelines or memoranda of understanding required.

**BG 0102.01: SME services and technology grant scheme**

This scheme, which is grounded in the productive sector investment strategy of the National Development Plan, will address a shortage of modern management skills and access to finance on suitable terms for SMEs in Bulgaria. It will improve
business performance through a range of consultancy services focusing on technological transfer and innovations, management and organizational development, financial management, marketing and advertising and human resource development. The scheme includes a complementary grant scheme (co-financed by both public and private sector contributions) for upgrading production technology in the enterprises receiving consultancy services. The scheme will be delivered via the regional network of the National SME Agency, and there will be a strong role for independent consultants in both providing services and advising on the selection of the enterprises that benefit from the scheme.

**BG 0102.02: Hi-technology business incubators**

This scheme, which is grounded in the productive sector investment strategy of the National Development Plan, will strengthen the technology-based SME sector by providing infrastructure and support services for the start-up and development of innovative small businesses. Building on earlier projects sponsored by Phare and other donors, the scheme will support the creation of up to six high-tech business incubators located at academic centres of technological excellence. The clients will be innovative start-ups and small companies commercialising the results of research from Bulgarian academic centres and European RTD programmes. In view of the acute difficulties in obtaining finance on suitable terms from banks and capital markets, the scheme incorporates a grant scheme (co-financed by both public and private sector contributions) to help the selected enterprises bring to market products based on their innovative technologies. There will be a strong role for independent consultants in advising on the selection of the enterprises that benefit from the scheme.

**BG 0102.03: Development of cultural tourism**

This scheme, which is grounded in the productive sector investment strategy of the National Development Plan, will enhance the quality of cultural tourism offered in Bulgaria, thereby contributing to the growth of a sector with significant potential for the country’s economic development. The scheme will renovate important cultural heritage sights, upgrade associated publicly-owned infrastructure, and provide marketing and tourist information. Project proposals may be made by municipalities and districts and will be assessed with the assistance of independent consultants against clear criteria that place particular emphasis on the potential for sustainable growth in tourist numbers and employment.

**BG 0102.04: Access to tourist sites**

This scheme, which is grounded in the business-related infrastructure strategy of the National Development Plan, will address the poor state of the municipal road network. It is targeted on improving road access to tourist sites in the North East and South Central planning regions, which have been selected for their tourism potential and poor local road networks. It excludes metropolitan districts well served by the existing system. The scheme will support road rehabilitation, reconstruction and sign posting. Project proposals will be made by municipalities and will be assessed with the assistance of independent consultants against clear criteria that place particular emphasis on improved accessibility to tourist sites and associated businesses.

**BG 0102.05: Labour market initiatives**

This scheme, which is grounded in the human resource development strategy of the National Development Plan, addresses the problem of high unemployment in Bulgaria by encouraging active labour market policies and fostering adaptability of the workforce. The scheme will improve the quality of vocational education and training by upgrading five vocational secondary schools, develop and implement apprenticeship schemes, provide unemployed people with training in line with labour market needs, and stimulate self employment and entrepreneurship. Social partners, particularly employers’ organisations, will be involved in the implementation of the scheme. Phare assistance is conditional on the conduct of a labour market survey before the scheme commences.

**BG 0102.06: Social inclusion**

This scheme, which is grounded in the human resource development strategy of the National Development Plan, addresses the problems faced by marginalised groups, such as ethnic minorities (particularly Roma) and the disabled, in accessing the labour market, basic education and information on integration. This will be achieved by providing basic training programmes to ethnic minorities, developing the capacity of existing Roma information and cultural centres to serve as mediators with local authorities, developing and implementing six job creation programmes for ethnic minorities, promoting
entrepreneurship, and establishing a regional support centre for the disabled. Phare assistance is conditional on the conduct of a survey to determine the scheme’s targeting before it commences.

**BG 0102.07: Preparing for future ESF-type programmes**

This institution-building project, which is designed to be delivered by twinning, aims at strengthening the capacity of the Ministry of Labour & Social Policy for managing future structural funds, focusing particularly on the Ministry’s capacity to analyse and evaluate labour market trends, and to programme, manage and evaluate ESF-type programmes and projects. The National Employment Service, Ministry of Education and regional Employment and Labour Offices will also benefit from the project. Phare assistance is conditional on adequate staffing and resourcing of the unit dealing with ESF-type activities before the project commences.

**Objective 3: Strengthening public administration**

**BG 0103.01: Strategic policy-making and coordination**

This project addresses weaknesses in the public administration’s capacity to formulate strategically oriented policy and to coordinate preparation of new legislation harmonised with the EU acquis. The project will improve capacity at the Council of Ministers for policy design and consultation, and legislative impact assessment, adoption, implementation and monitoring. Phare assistance is conditional on the full support and engagement of the Bulgarian authorities for continuing public administration reform and continued implementation of the new legal framework for public administration.

**BG 0103.02: Implementing civil service reform**

This project tackles the problems that the central and local administration is experiencing in implementing the Law on Public Administration and the Civil Servants Act. The project will result in a three-year action plan for implementing the new civil service strategy, deliver management and policy development training for the staff of the Directorate for Regional Coordination and the State Administrative Commission, and develop manuals for training trainers in regional and local administrations for policy implementation. It will result in a training of trainers among the staff of the six pilot regional administrations selected in every one of the six planning regions. These will be organized and equipped to act as training centres for the respective planning region. Phare assistance is conditional on the full support and engagement of the Bulgarian authorities for continuing public administration reform and continued implementation of the new legal framework for public administration.

**BG 0103.03: Recruitment and training strategy for the judiciary**

This project addresses the poor quality of training and the absence of clear recruitment rules for the judiciary. The project will result in a clear strategy aimed at harmonising the professional legal education system, establish a system with clear common criteria for recruiting and appointing magistrates and clerical staff, and develop a national training strategy for the judiciary. It will take into account the role of existing institutions including the Magistrates Training Centre. In addition, a small number of pilot training courses will be delivered. Phare assistance is conditional on the finalisation of an overall strategy for judicial reform and development before the project commences. Training courses should wherever possible be provided under the auspices of the Magistrates Training Centre and should not overlap with courses already provided by the Centre or under other externally supported initiatives including the Phare 1999 twinning project in this sector.

**BG 0103.04: Streamlining bankruptcy proceedings**

This project, which is designed to be delivered by twinning, aims to streamline Bulgaria’s slow and frequently inconclusive bankruptcy proceedings. It will thereby facilitate the exit of unviable enterprise, re-cycle economic assets to more efficient use, and encourage bank lending to the private sector. The project will review and improve the legislative framework, institutional arrangements, administrative procedures and systems for case handing and information retrieval. The equipment element of the project is subject to a full needs assessment by the twinning partner, to ensure that the equipment procured contributes effectively to the results of the project and is compatible with the authorities’ wider strategy for courts computerisation. The equipment tender will only proceed once the Commission Delegation is satisfied on these points.

**BG 0103.05: Strengthening the national customs agency**
This project, which is designed to be delivered by twinning, addresses some specific weaknesses in the organisation and capacity of the national customs agency relative to EU standards set out in the relevant Blueprints. The project will strengthen the agency’s human resources management and its operational capacity in relation to trade facilitation and combating fraud. It will establish an institution that will function as a post-clearance control instrument and support the development and implementation of a customs audit function. The project will assist the agency’s preparations for accession to the Convention on Common Transit.

BG 0103.06: Strengthening the refugees agency

This project, which is designed to be delivered by twinning, addresses the absence of a reliable system for handling illegal immigration and receiving and maintaining asylum seekers. The project will train staff to handle asylum cases in line with EU standards and practices and review the legal framework to bring it into line with the relevant EU acquis. The project will support a feasibility study to permit subsequent Phare investment in two asylum centres. It will assure improved administrative capacity is sustained by providing strategic advice and a small amount of equipment. Phare assistance is conditional on the Refugees Agency acquiring, before the project commences, the land where the centres will be constructed or buildings that could be converted into transit centres. The investment feasibility study must be finalised within eight months of project commencement.

BG 0103.07: Combating money laundering

This project, which is designed to be delivered by twinning, addresses the remaining gaps in Bulgarian anti-money laundering legislation and weaknesses in the administrative capacity of the Bureau of Financial Intelligence (BFI) and other institutions involved in combating money laundering. The project will assess existing legislation and propose amendments to bring it fully in line with the relevant acquis. It will establish the BFI as a strong and well-trained unit for collecting, analysing and disclosing information about suspected money laundering, and strengthen inter-institutional co-operation on preventing and prosecuting cases of money laundering. It will support a feasibility study for a future Phare investment project in this area.

BG 0103.08: Improving the quality of agricultural statistics

This project is a final phase of a programme of Phare assistance for implementing the Multi-Annual Plan for the Development of Agricultural Statistics in Bulgaria, prepared by the Ministry of Agriculture and Forestry. The project will continue to strengthen the structure of the agricultural statistics system and establish a fully operating agricultural statistical network. Phare support is conditional on the Ministry providing a commitment before the project commences to continue supporting and resourcing adequately the agricultural statistics system, so that the improvements resulting from successive Phare projects in this area are fully sustained and developed in future, and the designation by the Ministry of the agro-statistics department as officially responsible for the farm accountancy data network.

BG 0103.09: Improving the management of EU funds

This project will strengthen the capacity of the Bulgarian authorities to manage EU funds effectively, and prepare for extended decentralisation of Phare and ISPA implementation and eventual participation in EU structural funds. The project stresses the Ministry of Finance’s overall responsibility for sound management and control of EU funds throughout the Bulgarian administration, and will focus largely on strengthening the capacity of the National Fund and Central Finance and Contracts Unit. The project will also extend to Phare and ISPA Implementing Agencies in other ministries. Phare support is conditional on the Ministry of Finance providing adequate staffing and resources and ensuring continuity of staffing in the National Fund and CFCU, and the relevant Ministries making the same arrangements for other Implementing Agencies.

Objective 4: Ethnic integration and civil society

BG 0104.01: Roma population integration

This project, which is designed to be delivered in part by twinning light, will help implement the Roma Framework Programme. The project seeks to improve school attendance by Roma children by removing economic and cultural barriers at pre-school and primary level, increase the number of skilled teachers working in a multi-cultural environment, and
introduce a nationwide multi-cultural content revised curriculum. The project will update the legal framework for anti-discrimination, including effective secondary legislation and appropriate law enforcement mechanisms. It will help integrate Roma representatives into the state administration and develop a public awareness strategy. Phare assistance is conditional on improved staffing and resourcing of the National Council of Ethnic and Demographic Issues.

**BG 0104.02: Ensuring minority access to health care**

This project addresses the disproportionately high incidence of health problems among, and relatively poor access to health care services for, the Roma population. The project will improve access to health care on a pilot basis in fifteen towns. It will also improve the relationship between the Roma population and the relevant health authorities by introducing informal Roma mediators. Health promotion campaigns will be directed at Roma communities on emerging health risks and changes in the health care system. Phare assistance is conditional on a study outlining the health profile of the Roma population prior to commencement of the project.

**BG 0104.03: Civil society development**

This project aims at strengthening civil society in a number of priority areas: social integration of vulnerable groups, advocacy and promotion of ethnic tolerance, and mitigating corruption. The capacity of local and community based NGOs to assess local needs and mobilise local resources for co-financing will be developed. This will be achieved by developing local civil society and a complementary grant facility to support decentralised projects. Phare assistance is conditional on an updated needs analysis and approval by the Commission Delegation, before implementation commences, of the institutional and implementation arrangements for the grant scheme, including the adequacy of staffing and resourcing of the bodies involved in implementation, robust arrangement for ensuring sound management of EU funds, and any operating guidelines or memoranda of understanding required.

**BG 0104.04: Professional standards in journalism**

This project addresses the problem of low professional standards in journalism and the absence of effective self-regulation. The project will develop a system of voluntary self-regulation of the media, including the adoption of an agreed Code of Practice and the establishment of a Complaints Commission, supported by training in professional standards in journalism. Attention will be given to reporting of ethnic minority issues. Phare assistance is conditional on the completion of training needs assessment before the project commences.

**Objective 5: Project preparation, twinning light and EC programmes**

**BG 0105.01: Project preparation facility**

This facility will strengthen the capacity of Bulgarian institutions to prepare and manage Phare projects and play a fuller partnership role in Phare programming. It should contribute to better project design and results. Technical assistance will be provided for feasibility studies, training in programming, project design and project management, and the preparation of projects, technical specifications, procurement plans, tender dossiers and environmental impact assessments. The facility will be managed by the National Aid Coordinator in close consultation with the Commission Delegation. Assistance will only be given for preparing projects linked to agreed programming priorities. There will be a strong emphasis on Bulgarian involvement in project preparation, in order to enhance progressively the capacity of domestic institutions to prepare and manage projects themselves.

**BG 0105.02: Twinning light facility**

This facility will provide the funds for a number of small-scale twinning light projects that address specific and self-contained acquis-related institution building needs identified in the latest Accession Partnership, NPAA, the Working Document or Commission Regular Report, or emerging in the course of accession negotiations. The National Aid Coordinator will manage the facility, identify suitable twinning light projects, and propose them to the Commission Delegation for approval.

**BG 0105.03: Participation in EC programmes and agencies**
This facility will provide Phare co-financing to help Bulgaria pay its contribution for participating in the following EC programmes and agencies in 2002: Leonardo da Vinci II, Socrates II, Youth, Fifth Research Framework Programme (including Euratom), Altener, Culture 2000, Customs 2002, Enterprise and Entrepreneurship, Media Plus, SAVE, Combating Cancer, AIDS and other diseases, Health Monitoring, Pollution-related Diseases, and the European Environment Agency. Both Phare co-financing and participation will take place on the basis of the relevant Association Council decisions.

**Overall programme conditionalities**

Before the Financing Memorandum between the Commission and the Government of Bulgaria is signed, the National Aid Coordinator will satisfy the Commission that it is taking adequate steps to staff and resource adequately the National Fund, CFCU, other Implementing Agencies and project management units involved in implementing this programme.

Before the Financing Memorandum between the Commission and the Government of Bulgaria is signed, the National Aid Coordinator will confirm the availability of the national co-financing indicated in each project fiche, and the modalities for combining Phare and national co-financing when projects are contracted.

Any project involving the supply of equipment and works requires national co-financing as shown in the relevant project fiche. If the total cost of such equipment or works is less than the amount envisaged in the fiche, the amount of Phare support will be reduced to maintain unchanged the relative proportions of Phare support and national co-financing shown in the fiche. If the total cost is greater than the amount envisaged in the fiche, the extra support required will be provided by additional national co-financing.

Before the Financing Memorandum between the Commission and the Government of Bulgaria is signed, the National Aid Coordinator will satisfy the Commission that draft twinning covenants, terms of reference and technical specifications have been prepared, as appropriate, to allow each project to be launched immediately.

For any project delivered partly or wholly by twinning, a draft twinning covenant shall be presented to the Commission Delegation for approval within four months of notification of selection of the twinning partner. If no draft covenant is presented within this period, the Commission may re-circulate the project to Member States for selection of a new twinning partner, tender the project for commercial technical assistance, or cancel the project.

Projects to be implemented through twinning or twinning light 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 fully involved in the development and implementation of the policies and institutional change required to deliver the project results.

All investment projects which, according to the rules stipulated in Directive 85/337/CEE as amended by Directive 97/11, require an environmental impact assessment, should be the subject of such an assessment. If the directive has not yet been fully transposed, the procedure should be similar to that established by the above-mentioned Directive. All investment projects shall be carried out in compliance with the relevant Community environmental legislation. The project fiche contains specific clauses on compliance with the relevant EU legislation in the field of the environment according to the type of activity carried out under each investment project.

Further project-specific conditionalities are described in each project fiche.

**BUDGET (million euro)**

<table>
<thead>
<tr>
<th>Code</th>
<th>Objective</th>
<th>Total Phare support</th>
<th>Institution Building</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>BG 0101</td>
<td>Economic reform and the acquis</td>
<td>11.195</td>
<td>4.800</td>
<td>6.395</td>
</tr>
<tr>
<td>BG 0102</td>
<td>Economic &amp; social cohesion</td>
<td>37.113</td>
<td>3.548</td>
<td>33.565</td>
</tr>
<tr>
<td>BG 0103</td>
<td>Strengthening public administration</td>
<td>14.875</td>
<td>13.190</td>
<td>1.685</td>
</tr>
<tr>
<td>BG 0104</td>
<td>Ethnic integration and civil society</td>
<td>6.550</td>
<td>5.237</td>
<td>1.313</td>
</tr>
<tr>
<td>BG 0105</td>
<td>Project preparation, twinning light and EC programmes</td>
<td>13.090</td>
<td>11.460</td>
<td>1.630</td>
</tr>
</tbody>
</table>
A fuller budget breakdown by project is provided in annex 4. Separate Financing Memoranda cover Bulgaria’s Cross-Border Cooperation programmes and Bulgaria’s allocation under the Special Programme to support the Decommissioning of Nuclear Power Plants.

IMPLEMENTATION ARRANGEMENTS

The programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures. The National Aid Co-ordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare programmes. The NAC and the National Authorising Officer (NAO) shall be jointly responsible for coordination between Phare (including Phare CBC), ISPA and SAPARD.

The National Fund (NF) in the Ministry of Finance, headed by the NAO, will supervise the financial management of the Programme, and will be responsible for financial reporting to the Commission. The NAO shall have overall responsibility for financial management of Phare funds. He will ensure that the Phare rules, regulations and procedures pertaining to procurement, reporting and financial management, as well as Community state aid rules, are respected, and that a proper reporting and project information system is functioning. The NAO shall have the full overall accountability for the Phare funds of a programme until the closure of the programme.

Appropriate financial control shall be carried out by the national financial control authority. The NAO shall maintain a financial reporting system for all Phare funds.

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and the Government of Bulgaria on 2 December 1998. Funds will be transferred following a request from the NAO.

A distinction will be made between the payments concerning the participation in EC programmes and agencies, and the payments concerning the rest of the programme. However, only one bank account will be opened at the NF.

- EC programmes and agencies

A single advance will be made to the NF to cover the full amount of the Phare co-financing for participation in EC programmes and agencies. This advance will be made, following signature of the Financing Memorandum and upon request from the NF. This advance is separate from the advances made for the rest of the programme. However, it should be noted that the Phare co-financing for each programme will only be transferred after the entry into force of the Decision establishing the terms and conditions for participation in that programme. If there is a delay in the entry into force of an Association Council Decision, the payment to the NF may be divided into two or more tranches, so that 100% of the funds necessary for the programmes in force can be transferred immediately. The NF will be responsible for transferring the funds back to the Commission, following the call for funds of the Commission’s Directorate General responsible for the programmes concerned and within the deadlines requested.

- Other parts of the programme

A payment of up to 20% of the funds to be managed locally (excluding the amount foreseen for participation in EC programmes and agencies) will be transferred to the NF following signature of the Financing Memorandum and the Financing Agreements between the NF and the Implementing Agencies (IAs)/Central Finance & Contracts Unit (CFCU). The provisions foreseen in articles 2 and 13 of the Memorandum of Understanding on the NF must also be met. Furthermore, the NAO must submit to the Commission the designation of the PAOs and a description of the system put in place, highlighting the flow of information between the NF and the IAs/CFCU and the manner in which the payment function will be carried out. Four replenishments will be made of up to 20% of the funds to be managed locally (excluding the amount foreseen for participation in EC programmes and agencies) or the full balance of the budget, whichever is the lesser amount. The first replenishment will be triggered when 10% of the budget (excluding the amount foreseen for participation in EC programmes and agencies) has been disbursed by the IAs and the CFCU. The second replenishment may be requested when 30% of the total budget in force (excluding the amount foreseen for participation in EC programmes and agencies) has been disbursed. The trigger point for the third replenishment is 50%, and for the final fourth instalment when

1 Taking into consideration the rules set down in the annex of Council Regulation 1266/1999.
70% is disbursed (excluding the amount foreseen for participation in EC programmes and agencies). Save for express prior authorisation from the Commission HQ, no replenishment request may be made if the aggregate of the funds deposited in the NF and the IAs exceeds 10% of the total budget in force of the commitment. Exceptionally, the NAO may request an advance payment of more than 20% in accordance with the procedures laid down in the aforesaid Memorandum of Understanding.

The CFCU will be responsible for all projects in this Programme, with the exception of the following:

- BG 0101.02: the Commission will transfer funds directly to the European Bank for Reconstruction and Development, under the arrangements agreed when the project was established.
- BG 0102.01 to 06: the IA will be the Ministry of Regional Development & Public Works.
- BG 0105.03: the Phare funds will be handled by the NF itself.

To facilitate the tendering of small contracts for supplies of office and IT equipment, the CFCU may at its discretion launch joint tenders for such equipment covering equipment for more than one project.

The NF will make available funds to IAs/CFCU in accordance with Financing Agreements signed between the NF and the IAs/CFCU where applicable. Each individual Financing Agreement will be endorsed in advance by the Commission. The CFCU and the IAs will each be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the relevant IA/CFCU.

A separate (main) bank account, denominated in euro, will be opened and managed by the NF with a bank agreed in advance with the Commission. In principle, all bank accounts will be interest bearing. Interest will be reported to the Commission. If the Commission so decides, on the basis of a proposal from the NAO, interest may be reinvested in the Programme. The NF will maintain adequate accounting and cash management systems in respect of the current and deposit accounts used for the programme.

The NAO and the PAOs will ensure that all contracts are prepared in accordance with the procedures set out in the DIS Manual. All contracts will be greater than 2 million euro, except in projects involving institution building, where contracts for both services and supplies may be for lesser amounts.

In the case of projects involving twinning or twinning light, the amounts earmarked for twinning projects will cover the eligible costs for implementing the work plan agreed between the Member States and the candidate country. The eligible costs are defined in the DIS instructions and may include costs incurred by the selected Member States during the preparation of the twinning covenant, before final notification of financing approval but after signature of the Financing Memorandum. Commercial technical assistance may be contracted if no suitable twinning or twinning light proposal is forthcoming from Member States.

All contracts must be concluded by 30 November 2003. All disbursements must be made by 30 November 2004, except in the case of project BG 0102.04 where all disbursements must be made by 30 November 2005. The later disbursement deadline for this project reflects the possibility of delays in road construction in certain locations during the winter months.

Any funds not used by the expiry date of the programme will be recovered by the Commission.

For those contracts with funds retained for a warranty period extending beyond the end of the disbursement period of the programme, the overall total of funds related to those contracts, as calculated by the PAO and established by the Commission, will be deposited by the NF for safekeeping on a separate interest bearing account before the official closure of the programme. The IA/CFCU assumes full responsibility for ensuring that the said funds will only be used to make payments related to the retention clauses. The IA/CFCU further assumes full responsibility towards the contractors for fulfilling the obligations related to the retention clauses. Interest accrued on the funds deposited will be paid to the Commission after final payment to the contractors. Funds not paid out to the contractors after final payments have been settled shall be reimbursed to the Commission. An overview of the use of funds deposited on warranty accounts - and notably of the payments made out of them - and of interest accrued will be provided annually by the NAO to the Commission.

**MONITORING AND ASSESSMENT**
A Joint Monitoring Committee (JMC) will be established. It will include the NAO, the NAC and the Commission. The JMC will meet at least once a year to review all Phare funded programmes in order to assess their progress towards meeting the objectives set out in the Financing Memoranda and the Accession Partnership. The JMC may recommend a change of priorities and/or the reallocation of Phare funds.

The JMC will be assisted by Monitoring Sub-Committees (MSC) and will include the NAC, the PAO of each IA (and of the CFCU where applicable), and the Commission services. The MSC will review in detail the progress of each programme, including its components and contracts, on the basis of regular Monitoring and Assessment reports produced with the assistance of external consultants (in accordance with the provisions of the DIS Manual), and will put forward recommendations on aspects of management and design, ensuring that these are effected. The MSC will report to the JMC, to which it will submit overall detailed reports on all Phare financed programmes.

ANTI-FRAUD MEASURES, AUDIT AND EVALUATION

All Financing Memoranda as well as the resulting contracts are subject to supervision and financial control by the Commission (including the European Anti-Fraud Office) and the Court of Auditors. This includes measures such as ex-ante verification of tendering and contracting carried out by the Delegation in the candidate country and on-the-spot checks.

In order to ensure efficient protection of the financial interests of the Community, the Commission can conduct on-the-spot checks and inspections on site in accordance with the procedures foreseen in Council Regulation (Euratom, EC) No. 2185/96 dated 11 November 1996, concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities.

The procedures foreseen in Article 15 paragraph 3 of Commission Regulation No. 2222/2000 dated 7 June 2000, on the communication in case of irregularities and the putting in place of a system to administrate the information in this field, shall apply.

The accounts and operations of the NF, and where applicable the CFCU and all IAs, may be checked at the Commission’s discretion by an outside auditor contracted by the Commission without prejudice to the responsibilities of the Commission and the European Union’s Court of Auditors as referred to in the General Conditions relating to the Financing Memorandum attached to the Framework Agreement.

The Commission services shall ensure that an ex-post evaluation is carried out after completion of the Programme.

VISIBILITY AND PUBLICITY

The appropriate PAO will be responsible for ensuring that the necessary measures are taken to ensure appropriate publicity for all activities financed from the Programme. This will be done in close liaison with the Commission Delegation. Further details are at the annex on “Visibility/Publicity”.

SPECIAL CONDITIONS

In the event that agreed commitments are not met for reasons which are within the control of the Government of Bulgaria, the Commission may review the programme with a view, at the Commission’s discretion, to cancelling all or part of it and/or to reallocating unused funds for other purposes consistent with the objective of the Phare programme.
1. **Objective and scope**

Information and publicity measures concerning assistance from the European Community Phare Programme are intended to increase public awareness and transparency of EU action and to create a consistent image of the measures concerned in all applicant countries. Information and publicity shall concern measures receiving a contribution from the Phare Programme.

2. **General principles**

The appropriate Programme Authorising Officer in charge of the implementation of Financing Memoranda, and other forms of assistance shall be responsible for publicity on the spot. Publicity shall be carried out in co-operation with the Commission Delegations, which shall be informed of measures taken for this purpose.

The competent national and regional authorities shall take all the appropriate administrative steps to ensure the effective application of these arrangements and to collaborate with the Commission Delegations on the spot.

The information and publicity measures described below are based on the provisions of the regulations and decisions applicable to the Structural Funds. They are:


Information and publicity measures must comply with the provisions of the above mentioned regulation and decision. A manual on compliance is available to national, regional and local authorities from the Commission Delegation in the country concerned.

3. **Information and publicity concerning Phare programmes**

Information and publicity shall be the subject of a coherent set of measures defined by the competent national, regional and local authorities in collaboration with the Commission Delegations for the duration of the Financing Memorandum and shall concern both programmes and other forms of assistance.

The costs of information and publicity relating to individual projects shall be met from the budget for those projects.

When Phare programmes are implemented, the measures set out at (a) and (b) below shall apply:

(a) The competent authorities of the applicant countries shall publish the content of programmes and other forms of assistance in the most appropriate form. They shall ensure that such documents are appropriately disseminated and shall hold them available for interested parties. They shall ensure the consistent presentation throughout the territory of the applicant country of information and publicity material produced.

(b) Information and publicity measures on the spot shall include the following:

(i) In the case of infrastructure investments with a cost exceeding EUR 1 million:
- billboards erected on the sites, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the Commission Delegation in the country concerned.

- permanent commemorative plaques for infrastructures accessible to the general public, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the Commission Delegation in the country concerned.

(ii) In the case of productive investments, measures to develop local potential and all other measures receiving financial assistance from Phare:

- measures to make potential beneficiaries and the general public aware of Phare assistance, in accordance with the provisions cited at paragraph 3(b)(i) above.

- measures targeting applicants for public aids part-financed by Phare, ISPA or SAPARD in the form of an indication on the forms to be filled out by such applications, that part of the aid comes from the EU, and specifically, the Phare Programmes in accordance with the provisions outlined above.

4. Visibility of EU assistance in business circles and among potential beneficiaries and the general public

4.1 Business circles

Business circles must be involved as closely as possible with the assistance which concerns them most directly.

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to potential beneficiaries, particularly SMEs. These should include an indication of the administrative procedures to be followed.

4.2 Other potential beneficiaries

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to all persons who benefit or could benefit from measures concerning training, employment or the development of human resources. To this end, they shall secure the co-operation of vocational training bodies involved in employment, business and groups of business, training centres and non-governmental organisations.

Forms

Forms issued by national, regional or local authorities concerning the announcement of, application for and grant of assistance intended for final beneficiaries or any other person eligible for such assistance shall indicate that the EU, and specifically the Phare Programme, is providing financial support. The notification of aid sent to beneficiaries shall mention the amount or percentage of the assistance financed by the Phare Programme. If such documents bear the national or regional emblem, they shall also bear the EU logo of the same size.

4.3 The general public

The media

The competent authorities shall inform the media in the most appropriate manner about actions co-financed by the EU, and Phare in particular. Such participation shall be fairly reflected in this information.

To this end, the launch of operations (once they have been adopted by the Commission) and important phases in their implementation shall be the subject of information measures, particularly in respect of regional media (press, radio and television). Appropriate collaboration must be ensured with the Commission Delegation in the applicant country.
The principles laid down in the two preceding paragraphs shall apply to advertisements such as press releases or publicity communiqués.

Information events

The organisers of information events such as conferences, seminars, fairs and exhibitions in connection with the implementation of operations part-financed by the Phare Programme shall undertake to make explicit the participation of the EU. The opportunity could be taken of displaying the European flags in meeting rooms and the EU logo upon documents depending on the circumstances. The Commission Delegation in the applicant country shall assist, as necessary, in the preparation and implementation of such events.

Information material

Publications (such as brochures and pamphlets) about programmes or similar measures financed or co-financed by Phare should, on the title page, contain a clear indication of the EU participation as well as the EU logo where the national or regional emblem is used.

Where such publications include a preface, it should be signed by both the person responsible in the applicant country and, for the Commission, the Delegate of the Commission to ensure that EU participation is made clear.

Such publications shall refer to the national and regional bodies responsible for informing interested parties.

The above-mentioned principles shall also apply to audio-visual material.

5. Special arrangements concerning billboards, commemorative plaques and posters

In order to ensure the visibility of measures part-financed by the Phare Programme, applicant countries shall ensure that the following information and publicity measures are complied with:

Billboards

Billboards providing information on EU participation in the financing of the investment should be erected on the sites of all projects in which EU participation amounts to EUR 1 million or more. Even where the competent national or regional authorities do not erect a billboard announcing their own involvement in financing the EU assistance must nevertheless be announced on a special billboard. Billboards must be of a size which is appreciable to the scale of operation (taking into account the amount of co-financing from the EU) and should be prepared according to the instructions contained in the technical manual obtainable from Commission Delegations, referred to above.

Billboards shall be removed not earlier than six months after completion of the work and replaced, wherever possible, by a commemorative plaque in accordance with the specifications outlined in the technical manual referred to above.

Commemorative plaques

Permanent commemorative plaques should be placed at sites accessible to the general public (congress centres, airports, stations, etc.). In addition to the EU logo, such plaques must mention the EU part-financing together with a mention of the Phare Programme.

Where a national, regional or local authority or another final beneficiary decides to erect a billboard, place a commemorative plaque, display a poster or take any other step to provide information about projects with a cost of less than EUR 1 million, the EU participation must also be indicated.

6. Final provisions

The national, regional or local authorities concerned may, in any event, carry out additional measures if they deem this appropriate. They shall consult the Commission Delegation and inform it of the initiatives they take so that the Delegation may participate appropriately in their realisation.
In order to facilitate the implementation of these provisions, the Commission, through its Delegations on the spot, shall provide technical assistance in the form of guidance on design requirements, where necessary. A manual will be prepared in the relevant national language, which will contain detailed design guidelines in electronic form and this will be available upon request.