Title: Establishment of an Paying agency and preparation for setting up of IACS in Bulgaria - phase 2
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ANNEXES
1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programme
4. Reference to feasibility/pre-feasibility studies. For all investment projects, the executive summary of the economic and financial appraisals, and the environmental impact assessment should be attached
5. List of relevant Laws and Regulations
6. Reference to relevant Government Strategic plans and studies
7. Tentative list of equipment to be supplied under the project
8. Administrative Capacity of the State Fund Agriculture
1 BASIC INFORMATION

1.1. CRIS Number        BG2003/004-937.03.03  
1.2. Title              Establishment of Paying agency and preparation for setting up of IACS in Bulgaria - phase 2  
1.3. Sector             Agriculture  
1.4. Location           Bulgaria

2 OBJECTIVES

2.1 Overall Objective(s):

Develop the technical and administrative scheme in Bulgaria necessary to have a fully operational system in charge of the correct control of the EAGGF funds.

2.2 Project purpose:

Equip and train the Paying Agency in Bulgaria for the appropriate management of EAGGF-type of funds.

2.3 Accession Partnership (AP) and NPAA priority (and implementing measures envisaged by the Action Plan for AP priorities related to strengthening administrative and judicial capacity)

In order to accomplish full harmonization with the acquis, the Republic of Bulgaria envisages amending the Farmers support Act and its secondary legislation, which will regulate the establishment of a Paying agency and an Integrated Administration and Control System. The Paying agency is the institution responsible for defining the support schemes, checking the applications for support and for making the payments for which farmers apply.

The establishment of a Paying agency requires significant financial recourses from the PHARE programme. The project is in agreement with the strategy defined in Chapter Agriculture, according to which the Paying agency and IACS have to be fully operational by the end of 2005. The system is responsible for the control over the financing under EAGGF. Its aim is to improve the administration and control mechanisms.

2.4 Contribution to National Development Plan (and/or Structural Funds Development Plan/SDP)

The overall goal of the National Agriculture and Rural Development Plan is to reinforce the achievement of the objectives under the Accession Partnership and the NPAA as well as the main objective of the National Development Plan, viz. achieving sustainable low-inflationary economic growth as a major precondition for the generation of higher income and improvement of living conditions and standard with a view to Bulgaria’s future integration into the EU.

The objectives of the National Agriculture and Rural Development Plan over the 2000 –2006 period have been defined as follows:

1. Development of efficient and sustainable agricultural production and competitive food processing sector through improved market and technological infrastructure and strategic investment policies, ultimately aimed at reaching EU standards.

2. Sustainable rural development, consistent with the best international environmental practices by providing alternative employment opportunities, economic diversification, development and rehabilitation of infrastructure.

Both objectives aim at improving rural economic and social conditions. They are both complementary to and consistent with the overall goal of the National Agriculture and Development Plan. They are clearly targeted at improving agricultural structures and market efficiency.
implementation of the Acquis Communautaire while creating employment opportunities and raising living standards in rural areas.

The first objective of the 7-year plan aims at improving production quality and establishing competitive processing and marketing structures in the agricultural sector. In the future, living and working conditions in Bulgaria will become more and more dependent on the competitiveness of agriculture and forestry. Re-structuring of agricultural holdings is one of the priority areas that needs an all-out and concerted effort to help farmers meet the EU farming requirements and production standards.

The implementation of the Bulgarian agricultural policy will rely on targetted support given to the sector. The paying agency and the AICS will contribute to the appropriate management of this financial support – and thus the implementation of the agricultural policy – first under Bulgarian national funds (for the running of the system until full accession of Bulgaria in the EU) and then for EAGGF funds upon accession.

The Paying agency will be part of State Fund Agriculture – SAPARD agency. It is expected that key staff that was involved in the setting up of the SAPARD Agency will be involved in setting up IACS. The scheme to be applied after accession will be in line with the strategy for support of agriculture, defined in the NARDP.

2.5 Cross Border Impact
   Not applicable

3 DESCRIPTION

3.1 Background and justification:

   Bulgaria has committed itself to developing a structure for the management of national funds invested in the support of agriculture, fully compliant with the structure required for the EAGGF funds. In practice, this means that Bulgaria will set up and establish a Paying Agency and an AICS to run first on national funds, and subsequently on EAGGF funds, pursuant to Council Regulation (EEC) No 3508/92 of 27 November 1992 establishing an integrated administration and control system.

   Article 8 of Council Regulation (EEC) No 729/70 of 21 April 1970 on the financing of the common agricultural policy stipulates that Member States must take the measures necessary to satisfy themselves that transactions financed by the European Agricultural Guidance and Guarantee Fund (EAGGF) are actually carried out and are executed correctly.

   This requires to set up an integrated administration and control system (AICS) covering the aid schemes for arable crops, beef and veal, sheepmeat and goatmeat, as well as specific measures for farming in mountain, hill and certain less-favoured areas. Other aid schemes linked to the cultivated area can also be included at any stage.

   The AICS requires to store, compare, import and export very large quantities of data and aid applications. The computerised system shall allow possibilities of cross-checks between the components of the scheme:

   (a) a computerised data base;
   (b) an alphanumeric identification system for agricultural parcels;
   (c) an alphanumeric system for the identification and registration of animals;
   (d) aid applications;
   (e) an integrated control system.

   The IT based administrative checks are supplemented systematically by checks both on the spot and using remote sensing.

   The computerised data base shall record, for each agricultural holding, the data obtained from the aid applications. This data base shall in particular allow direct and immediate consultation of the data
relating at least to the previous three consecutive calendar and/or marketing years. The alphanumeric identification system for agricultural parcels shall be established on the basis of land registry maps and documents, other cartographic references or of aerial photographs or satellite pictures or other equivalent supporting references or on the basis of more than one of these elements. The system for the identification and registration of animals to be taken into account for the granting of aid governed by this Regulation shall be set up in accordance with Articles 4, 5, 6 and 8 of Directive 92/102/EEC.

The Phare 2003 intervention will rely on a preparatory project implemented under Phare 2002. As such, Phare 2003 funds represent a second phase to the Phare 2002 project for the Establishment of a Paying agency and the preparation for setting up of an IACS in Bulgaria.

Phase 1 will set-up the operational structure of the agency will all paper based working procedures and documents. It will also prepare detailed technical specifications for the setting-up of an AICS and the procurement of IT equipment. Phase 1 has included 1.5 MEURO of IT equipment. It is expected that the twinning assistance mobilised under Phase 1 will still be present when the IACS central software is programmed and delivered, in order to provide continued supervision and advise. The Phare 2003 intervention will deliver hardware, standard and special software and other technical equipment and remote sensing services according to the results of the needs assessment and detailed technical specifications prepared under Phare 2002 (Phase 1). It is envisaged that services, software and equipment for 2.96 MEURO (including national cofinancing) shall be supplied under this project. The equipment shall include additional hardware as well as standard - of the shelves - and customised IACS software for the Paying agency.

It is planned that the Phare 2003 intervention will focus on staged implementation of the IACS over several regions. This will avoid starting implementation over the whole of the country. The other regions (up to 28 regions) will be involved in the subsequent years, taking advantage of the gradual build-up of experience and competence gained from the initial phases.

3.2 **Linked activities:**

Relevant PHARE projects in this field that have already been implemented or are undergoing:
- **BG02/IB/AG-01** - Establishment of an Paying agency and preparation for setting up of IACS in Bulgaria - phase 1 – due to start in September 2003 with the arrival of the twinning experts
- **BG9103-04** Technical Assistance to the Agricultural Marketing Information System
- **BG9103-04-05/L001** - Subproject: technical assistance to SAPI and BAC
- **BG 9806-01-03** - Administrative Reform and Alignment divided into two sub-projects:
  - **BG 980601-03-01** – Twinning project on Support to the Administrative Reform and approximation of legislation.
  - **BG980601-03-02** – Technical Assistance to the Integration Policy Department – sector feasibility studies (cereals, dairy products, fruit and vegetables).
- **BG 9812** Support to the development of land markets in Bulgaria
- **BG 9806** Improvement of veterinary control
- **BG 9913-01** Improvement of veterinary control and animal identification
- **BG9913-04** Restructuring of Agricultural Statistics
- **BG9913-05** – Policy supported alignment – twinning

3.2.1 **Animal Identification**

The development of the Animal Identification and Movement Control Scheme for Bulgaria is an ongoing activity, benefiting from technical assistance and supplies through the Phare programme. The database for the animal identification is EUROVET, and is managed by the National Veterinary Services. It has been developed and installed, and is now accessible from all regional offices (the regional data entry offices - DEOs). The database is being completed with the input of static data such as the names and addresses of the farms, holdings, veterinary establishments, and the ear tag allocation. The use of the database by the staff of the veterinary services is ongoing very well and there has been no technical problems.
A GIS interface will allow to georeference the database. It will serve more particularly for animal movement control, and contingency plans in case of disease outbreak. The technical system has been set-up and established, and ear tagging is ongoing. It is expected that all the cattle in Bulgaria will be ear tagged by early 2004.

3.2.2 Land Parcel Identification

The development of the land parcel registry is ongoing, supported by the Phare programme. It is still in its early stages of developing the IT systems, supplying the software and hardware, and staff training. The training of the users is due to start in the spring of 2003. The system will use a GIS to have a georeferenced database.

The data from the Land Parcel identification Data Base will have the possibility of being exported to the IACS and aid Data base, and overlaid over remote sensing images using a GIS interface. This will allow to check the areas and cultures, probably using a specialised sub-contractor for access to the remote sensing data and the photointerpretation. The controls will concern checks on area size and land cover/cultures.

The IACS will be immediately informed of potential corrections to the Animal and Parcels data bases. Similarly, it will be able to inform the managers of the other two databases of potential apparent irregularities (see Institutional Arrangements).

3.2.3 Farmer registration

The development of a farmer registry is necessary as a general tool for the management of the sector, and particularly relevant to the IACS. As such, this is an activity that the SFA and the Paying Agency consider as a priority. The registry will be developed in a separate database. This database will be defined under Phase 1 and subsequently filled in by the 28 regional offices of the SFA. As a result, it is expected that the farmer registry be fully compatible with the other databases developed for the IACS. The database will be completed as Phase 1 and Phase 2 are implemented.

3.3 Results:

Expected results after the project completion

The Paying agency – Headquarter and several regional offices are fully equipped with the software and hardware necessary to effectively manage EAGGF type of supports to the sector, using an IACS, and having the capacity to undertake both field checks and remote sensing checks.

1- Paying Agency fully equipped
2- Customised software for IACS developed and installed. Equipment (software and hardware) for several regions and HQ procured and installed (including training)
3- Capacity to undertake cross checks and controls (automated and field) developed

In particular, the intervention will contribute to procure the hardware and develop the application software – according to the specifications prepared under Phare 2002 – that will create the IACS as followed:

Intended scheme, pending confirmation during Phase 1:
3.4 Activities:

Develop the information system, as identified in Phase 1, meeting the requirements of the European and Bulgarian institutions including, that will lead to the:

**Procurement**
- equipment of the central office (HQ) and several regional offices with the necessary hardware and software, and networking.

**Services**
- development (programming) of the aid database
- development (programming) of the control scheme/protocol, the most important part of the IACS, which will import data from all the databases (animal, farmer, aid, land parcels) and perform the automated checks required
- development of the GIS interface allowing to use remote sensing images for the checks
- selection of a service provider that will provide remote sensing images and photointerpretation / area calculation services
- development automated verification mechanisms

Specifically, the following activities will occur:
Procurement
- Procure the standard software
- Procure the hardware (IT and GPS)
- Install the hardware and test it
- Install the software and test it
- Training
- Producing IT procedures manuals for the whole Agency involved with IACS

Services
- *Develop the customised software as designed in Phase 1*
  Programming of the Integrated Administration and Control System (IACS), based on the specifications and design prepared under Phase 1, including
  Development of GIS infrastructure (interphase) through building up of standard module of geographical information system within IACS system
  Programming of all control steps and protocols to ensure that aid is correctly calculated and that there is no duplication of payment
  Testing of the IACS
  Installation of the software
  Preparation of written procedures the different activities under IACS

- *Services to develop Automatised and field controls*
  Provide remote sensing images for the whole country with accuracy corresponding to EU requirements, through a specialised service provider that will perform area calculation and land use photointerpretation to control area aid applications.
  Train the PA staff on the use of GIS (and GPS), use of remote sensing images, photointerpretation for area calculation and land use definition.

3.5 Lessons learned:

The Paying Agency has carefully studied the experience from other countries in the development of their IACS. In particular, the Special Report 4/2001 by the Court of Auditors on the audit of the EAGGF-Guarantee and the implementation of the IACS in selected Member States has provided valuable warnings.

Special attention will be given to the development of the legal framework, to avoid too numerous modifications to it. This will concern Phase 1 on which Phase 2 will be built. Public campaigns for the farmers, to help them fill in correctly the information, will be developed. Appropriate information sharing between the institutions in charge of the different databases (animal and parcel). It is important, since all three databases are managed by different agencies, that these are appropriately coordinated. In particular, discrepancies should be immediately shared between all partners. For this reason, a technical committee of DB technicians will be created to ease data import/export and data correction. Close follow-up on similar activities implemented in the 10 candidate countries will allow to develop the experience of the Paying Agency.

4 INSTITUTIONAL FRAMEWORK

State Fund Agriculture /SFA/ is established in compliance with the Farmer Support Act as a legal entity with independent budget and regular sources of financing. SFA policy ensures preferential financing in agriculture, especially for investments in agriculture, market orientated agriculture production, development of private agricultural holdings and organizations, setting up of animal breeding farms and purchase of pure-bred animals.

State Fund Agriculture provides financial support for agriculture producers by means of subsidies, short – term and investment credits, financing of bank loans interests, guarantees, etc.

The existing SFA incorporates the units implementing the national schemes for support of agricultural producers and the newly accredited SAPARD Agency.
As of January 2002, State Fund Agriculture has 230 full time employees working at central regional and district levels. In the beginning of January 2002, 30 people were appointed at the central level as new staff for the SAPARD Agency. They have become full-time staff of SFA after the end of a three-month training and probation period. The administrative and organisational structure of the Fund is as follows: a Management Board, comprised by 9 members, a Chief Executive Director and two Deputy Executive Directors, Selection Committee, Operational Department, Financial Department, Investment Credits Department, Short-term National Schemes, Accounting Department, Internal Audit Department, Legal Department, Administrative department and IT Department. There are 28 regional offices in the administrative centers of Bulgaria (NUTS 3 level) and 6 District Offices (in Sofia, Plovdiv, Yambol, Varna, Pleven and Montana).

During the year 2000 State Fund Agriculture worked towards meeting the accreditation requirements of the European Commission to become a SAPARD agency. The accreditation timetable was completed by the issue of the National Act of Accreditation by the competent authority. The Commission decision for the conferral of management of aid was issued on 15 May 2001. This verifies that the SFA has met the key accreditation requirements, described in CR 1258, CR 1663, CR 2222 and the Multiannual Financing Agreement.

The other institutions closely involved in the IACS are the managers of the other databases necessary to run the scheme. These are the national Veterinary Service (NVS) for the animal identification and the Land Cadastre for the Land parcel Identification. It is important that all technical aspects related to the use of the databases (which data are accessible, secure that data sharing is according to law on protection of private information, defining who is entitled to make changes and modification on the databases, etc) are clearly specified. For this purpose, a Memorandum of Understanding will be prepared and signed by the institutions concerned defining all these aspects. Similarly, a technical committee with representatives of all institutions concerned will be created, to address any issue (discrepancies between the databases, action on erroneous data, compatibility, dynamic database management, etc), and report to their respective Directors (NVS, PA, LC).

5 Detailed Budget

<table>
<thead>
<tr>
<th>Detailed budget in Euro 2003</th>
<th>Phare support</th>
<th>National Co-financing</th>
<th>IFI*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>Institution building</td>
<td>Total PHARE</td>
<td>IFI*</td>
<td>Total</td>
</tr>
<tr>
<td>Combined contract¹ for programming of IACS software and supply of equipment</td>
<td>1 536 000</td>
<td>1 536 000</td>
<td>524 000</td>
<td>2 060 000</td>
</tr>
<tr>
<td>Service contract for remote sensing services – photointerpretation – provision of access to digitalised remote sensing data &amp; training</td>
<td>900 000</td>
<td>900 000</td>
<td>900 000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1 536 000</td>
<td>900 000</td>
<td>2 436 000</td>
<td>524 000</td>
</tr>
</tbody>
</table>

The national co-financing will be covered from the national budget through the National Fund Directorate at Ministry of Finance, and will include hardware, standard software, technical equipment, etc.

The national contribution for the equipment will be 25% of its cost, with a maximum of Phare contribution of 1,536 MEuro. The funds will be used jointly.

¹ The combined contract corresponds to “Supply with Auxiliary services” (point 4.3.9.6.2 of PRAG), where it is expected tentatively that the amount for services is less than the amount for the procurement of supplies for the regional offices).
If the total cost of the equipment and IACS services exceeds 2.060 MEuro, the extra support required will be provided by additional national co-financing. The additional national co-financing will be provided by:

- either allocating extra national funds to conclude a contract with the contractor proposed further to the completion of the procurement process following the Practical Guide to Phare, Ispa and Sapard Contract Procedures,
- or increasing of the cost of the on-going Phare financed contract via an addendum.

All running costs and the maintenance of the equipment purchased under this project will be provided by the Bulgarian authorities.”

6 IMPLEMENTATION ARRANGEMENTS

6.1 Implementing Agency
The CFCU (Ministry of Finance) will be the Contracting Authority and in that capacity will issue and evaluate tenders, conclude contracts and authorize the treasury to make contractually related payments. The Deputy Minister of Ministry of Finance will act as PAO of the project.

Contact details of PAO are:
Deputy Minister of Ministry of Finance and PAO
Address: 102 Rakovski Str.
1040 Sofia
Tel: 359 2 985 927 81 Fax: 359 2 980 68 63

Due to the technical complexity of the project which may lead to more difficult project implementation conditions and the complex contracting involved, the disbursement period will be extended by one year to … 2007. Previous experience with comparable projects in this sector justifies such an approach.

6.2 Beneficiary
The beneficiary will be the State Fund for Agriculture, which will be responsible for the technical part of the project in terms of design.

Beneficiary contact point:
Name: Deputy Executive Director of State Fund Agriculture
Address: # 55 Christo Botev Blvd. Sofia 1040, Bulgaria
Tel.: 980-75-88, 98-511-368 Fax: 987 18 44
e-mail: vkaramishev@dfz.bg

The Steering Committee, overseeing the project implementation and securing exchange of information between the major stakeholders, has representatives of the following institutions:
- The Contracting authority
- The EC Delegation
- MAF - Directorate European Integration
- The Beneficiary
- The Contractor

The PIU at the Ministry of Agriculture and Forestry will be responsible for monitoring of project implementation and coordination of the activities at all stages of the project cycle.

Contact details of the PIU
Head of Phare Department
Ministry of Agriculture and Forestry
Address: 55 Hristo Botev blvd.
Sofia
Tel: 359 2 981 6163 Fax: 359 2 981 75 42
e-mail: demina@phare-agr.orbitel.bg
6.2 Twinning
   Not applicable

6.3 Non-standard aspects
   No non-standard aspect is envisaged for tendering/contracting. DIS Manual will be strictly followed

6.4 Contracts
   1) A contract using the procedure “Supply with Auxiliary services” is planned for the programming of the IACS and the procurement of the supplies (hardware and software). The amount for development of the IACS application software will depend on the results of the tendering procedure, and mostly from the design requirements defined in Phase 1. The balance of the budget up to 2.060 MEURÓ will be used for the procurement of the supplies (standard software and hardware) for the selected (as much as possible with the available outstanding budget) regional offices and HQ.
   The programming and supply contract is envisaged for a duration of 12 months.
   2) A service contract is foreseen for the provision of remote sensing data, including photointerpretation, serving for area and land use checks. This service will be agreed based on the resolution of the remote sensing data, the annual expected quantity of checks (based on a minimal of 5% of controls for area applications), the need to calculate exact area of parcels, and the need to identify land use. It is estimated that the contract will be of 900 000 EUROs and will include training for the Paying Agency staff.

7 IMPLEMENTATION SCHEDULE

7.1 Start of tendering/call for proposals
   Project 1 (service/programming and supply) – start of tendering is envisaged for May 2004 (ToR to be ready in March/April 2004 at latest). The supplies will be delivered in the last quarter of the project implementation.
   Project 2 (TA for remote sensing) – start of tendering is envisaged for July 2004 (ToR to be ready in May/June 2004)

7.2 Start of project activity
   The start of project 1 activity is envisaged for March 2005 for the programming. Supply – delivery is planned for end 2005 (November/December).
   The start of project 2 activity is envisaged for June 2005 for the remote sensing.

7.3 Project completion
   Both supply and service projects will be paid (final payments excluding retention money) by mid 2006.

8 EQUAL OPPORTUNITY

All participating Bulgarian institutions are equal opportunity employers. No discrimination of whatever nature will be applied.
9 **ENVIRONMENT**

The supplies will be delivered into existing premises. No environmental impact is expected and the supply of equipment falls does not require any sort of environmental assessment. The specifications will take into account the respective standards and norms applicable for IT systems.

10 **RATES OF RETURN**

Not applicable.

11 **INVESTMENT CRITERIA**

Catalytic effect:

The Phare contribution will accelerate the development of the IACS.

Co-financing:

The recipient will finance 25% of the total investment costs.

Additionality:

The Phare contribution shall not displace other financiers, especially from private sectors or IFIs.

Project readiness and size:

Technical specifications and tender documentation will be ready at the time of or shortly after the signature of the Financing Memorandum.

Sustainability:

Sustainability of project results is assured through the operation of the Paying Agency, which is funded from national resources.

All supported investment actions (including supply) are sustainable in the long term beyond the date of Accession. They will comply with the EU norm and standards (accredited), and will be coherent with the sector policies of the EU. Future maintenance, IT developing and operation costs will be covered by the Bulgarian national budget.

Compliance with state aids provisions

All investments will respect the state aid provisions of the European Agreement.

Contribution to NDP and/or Structural Funds Development Plan/SPD

Not applicable.

12 **CONDITIONALITY AND SEQUENCING**

As a general condition, the TS and ToRs for Combined contract will be prepared by the Twinning project under Phare 2002. The two projects are connected and the successful and timely implementation of the Twinning project under Phare 2002 is an assumption for successful start of the projects under 2003. The Twinning under Phare 2002 shall start not later than September/October 2003.

Other conditionallities:

1. Availability of staff of SFA to work with the contractor in the development of the IACS software. Strong commitment by the SFA has been confirmed.

2. The national budget provides the necessary funds to cover the administrative costs to run the Paying agency.

3. Availability of resources from the national budget to start the pilot schemes.
ANNEXES TO PROJECT FICHE

1. LOGICAL FRAMEWORK MATRIX IN STANDARD FORMAT
2. DETAILED IMPLEMENTATION CHART
3. CONTRACTING AND DISBURSEMENT SCHEDULE BY QUARTER FOR FULL DURATION OF PROGRAMME
4. REFERENCE TO FEASIBILITY/PRE-FEASIBILITY STUDIES
5. LIST OF RELEVANT LAWS AND REGULATIONS
6. REFERENCE TO RELEVANT GOVERNMENT STRATEGIC PLANS AND STUDIES
7. TENTATIVE LIST OF EQUIPMENT TO BE SUPPLIED UNDER THE PROJECT
8. ADMINISTRATIVE CAPACITY OF THE STATE FUND AGRICULTURE
### LOGICAL FRAMEWORK MATRIX IN STANDARD FORMAT

**LOGFRAME PLANNING MATRIX FOR PROJECT:**

**Establishment of an Paying Agency and Preparation for Setting up of IACS in Bulgaria – Phase 2**

<table>
<thead>
<tr>
<th>Programme name and number</th>
<th>Contracting period expires:</th>
<th>Disbursement period expires:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nov 2005</td>
<td>Nov 2007</td>
</tr>
</tbody>
</table>

| Total budget: 2,960 MEuro | Phare budget: 2,436 MEuro |

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| Develop the technical and administrative scheme in Bulgaria necessary to have a fully operational system in charge of the correct control of the EAGGF funds. | • Agricultural exports to the EU increase by 20% over 2005-2010.  
• Investment in the Bulgarian agricultural sector increases by 40% over 05-10.  
• Income earned in the agricultural sector increased by 5% over national average between 05-10.  
• The number of administrative staff per an effective farmer comparable with those in the EU. | • Statistics of the National Statistical Institute  
• Eurostat  
• Progress reports of the EU Commission | • Political stability |

<table>
<thead>
<tr>
<th>Project Purpose</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| Equip and train the Paying Agency in Bulgaria for the appropriate management of EAGGF-type of funds. | • Written reports;  
• A Paying agency set and prepared to operate with the IACS.  
• Commitments under NPAA fulfilled and deadlines met.  
• Most appropriate for Bulgaria CAP schemes ready for implementation. | • In regular report of the European Commission.  
• Periodical reports to the EU Delegation in Sofia, EU Commission and to policy-makers in the SFA and MAF. | • Availability of staff and adequate resources at SFA. |
<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1- Paying Agency and several regional offices equipped</td>
<td>PA manages without delay all foreseen funds by 2010 5-10% of aid is field checked in 2010 100% of automated controls in 2010</td>
<td>• Successful and timely implementation of Twinning under Phare 2002</td>
<td></td>
</tr>
<tr>
<td>R2 – Programme for IACS prepared and running in pilot areas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R3 – Capacity to perform controls and cross-checks (both field and automated) developed</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Procure the standard software</td>
<td>Combined contract: – hardware – GPS – Standard software</td>
<td>• Annual progress reports for the European Commission • Periodical reports to the EU Delegation in Sofia • Quarterly and final reports on the TA project • Reports of the Steering Committee on the project</td>
<td>• Availability of databasis for the land register, register of agricultural holdings, animal register and agricultural cadaster</td>
</tr>
<tr>
<td>1.2 Procure the hardware (IT and GPS)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3 Install the hardware and test it</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.4 Install the software and test it</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.5 Training</td>
<td>Combined contract – IT programming, testing and installation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.6 Producing IT procedures manuals for the whole Agency involved with IACS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Programming of the Integrated Administration and Control System (IACS),</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2 Development of GIS infrastructure (interphase)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.3 Programming of all control steps and protocols</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.4 Testing of the IACS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.5 Installation of the software and training</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.6 Preparation of written procedures the different activities under IACS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Provide remote sensing images for photointerpretation services</td>
<td>Service contract - specialised service provider that will perform area calculation and land use photointerpretation to control area aid applications.</td>
<td>• Annual progress reports for the European Commission • Periodical reports to the EU Delegation in Sofia • Quarterly and final reports on the TA project • Reports of the Steering Committee on the project</td>
<td>• Compatibility of databasis for the land register, register of agricultural holdings, animal register and agricultural cadaster</td>
</tr>
<tr>
<td>3.2 Train the PA staff on the use of GIS (and GPS), use of remote sensing images, photointerpretation for area calculation and land use definition.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**ANNEX 2**  
**DETAILED IMPLEMENTATION CHART**

<table>
<thead>
<tr>
<th>Component</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>J</td>
<td>F</td>
<td>M</td>
</tr>
<tr>
<td>Combined contract IACS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service contract – remote sensing services</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**2006**

<table>
<thead>
<tr>
<th>Component</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>J</td>
</tr>
<tr>
<td>Combined contract IACS</td>
<td>I</td>
</tr>
<tr>
<td>Service contract</td>
<td>I</td>
</tr>
</tbody>
</table>
## Annex 3

**Contracting and Disbursement Schedule by Quarter for Full Duration of Programme**

Total Budget: 2.960 MEuro

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter</td>
<td>3</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Combined contract (Supply &amp; Auxiliary Services)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracted</td>
<td>2.060</td>
<td>2.060</td>
<td>2.060</td>
</tr>
<tr>
<td>Disbursed</td>
<td>0.618</td>
<td>0.618</td>
<td>0.618</td>
</tr>
</tbody>
</table>

| TA contract |
| Contracted | 0.900 | 0.900 | 0.900 | 0.900 | 0.900 | 0.900 |
| Disbursed | 0.270 | 0.400 | 0.525 | 0.600 | 0.750 | 0.900 |
ANNEX 4

REFERENCE TO FEASIBILITY/PRE-FEASIBILITY STUDIES.

Not Applicable.
ANNEX 5
LIST OF RELEVANT LAWS AND REGULATIONS


The sectors of the NPAA – 2001, which refer to the adoption of CAP legislation;
ANNEX 6
REFERENCE TO RELEVANT GOVERNMENT STRATEGIC PLANS AND STUDIES
- National Plan for the Adoption of the Aquis (NPAA) – 2000
- National Plan for Agriculture and Rural Development
- Bulgaria’s commitments under the Accession Partnership Agreement
- Chapter 7 Agriculture
ANNEX 7
ESTIMATED BUDGET FOR EQUIPMENT FOR HQ AND REGIONAL OFFICES

A. Regional offices

<table>
<thead>
<tr>
<th>Description of items</th>
<th>Amount</th>
<th>Price per unit in euro</th>
<th>Total euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laptops and accessories</td>
<td>2</td>
<td>2 000</td>
<td>4 000</td>
</tr>
<tr>
<td>Standard software</td>
<td>2</td>
<td>1 000</td>
<td>2 000</td>
</tr>
<tr>
<td>GIS</td>
<td>2</td>
<td>20 000</td>
<td>40 000</td>
</tr>
<tr>
<td>Communications</td>
<td>1</td>
<td>3 500</td>
<td>3 500</td>
</tr>
<tr>
<td>LAN</td>
<td>1</td>
<td>2 000</td>
<td>2 000</td>
</tr>
<tr>
<td>Printers</td>
<td>1</td>
<td>1 500</td>
<td>1 500</td>
</tr>
<tr>
<td>Copy machines</td>
<td>1</td>
<td>7 000</td>
<td>7 000</td>
</tr>
<tr>
<td>GPS</td>
<td>1</td>
<td>35 000</td>
<td>35 000</td>
</tr>
<tr>
<td><strong>Total per Regional Office (RO)</strong></td>
<td></td>
<td></td>
<td><strong>95 000</strong></td>
</tr>
</tbody>
</table>

B. Headquarters

<table>
<thead>
<tr>
<th>Description of items</th>
<th>Amount</th>
<th>Price per unit in euro</th>
<th>Total euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laptops and accessories</td>
<td>3</td>
<td>2 500</td>
<td>7 500</td>
</tr>
<tr>
<td>Standard software</td>
<td>3</td>
<td>1 000</td>
<td>3 000</td>
</tr>
<tr>
<td>GPS</td>
<td>3</td>
<td>35 000</td>
<td>105 000</td>
</tr>
<tr>
<td>Communications</td>
<td>1</td>
<td>4 500</td>
<td>4 500</td>
</tr>
<tr>
<td><strong>Total HQ:</strong></td>
<td></td>
<td></td>
<td><strong>120 000</strong></td>
</tr>
</tbody>
</table>
ANNEX 8
REPORT ON THE ADMINISTRATIVE CAPACITY

Report on the administrative capacity for the implementation of PHARE 2003 project ” Establishment of a Paying agency and preparation for setting up of IACS in Bulgaria and for the implementation of a pilot scheme by the Paying agency”

The Phare 2003 project for establishment of a Paying agency and preparation for setting up of IACS in Bulgaria and for the implementation of a pilot scheme by the Paying agency is a continuation of the Phare 2002 twinning project. The staff of SFA, which will be responsible for the implementation of the 2002 twinning project will be the team involved in the implementation of the 2003 project. The project from PHARE 2002 will dedicate a lot of resources to HR training and will result in the setting up of an adequate administrative capacity of SFA to work as a Paying agency.

As of November 2002, there is a team of senior experts from SFA, who are responsible for the preparation, implementation and monitoring of PHARE projects. At this stage these experts have also other operational responsibilities and belong to different administrate units within SFA.

The administrative and organizational structure of State Fund Agriculture is as follows: a Management Board, comprised by 9 members, a chief Executive and two deputy Directors, Selection Committee, Operational Department, Financial Department, Investment Credits Department, Short-term National Schemes Department, Internal Audit Department, Legal Department, Administrative Department and IT Department. There are 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 legislative framework for establishing a Paying agency will be given with the adoption of an amendment to the Farmers support Act. The Paying agency is the institution responsible for defining the support schemes, checking the applications for support and for making the payments for which farmers apply.

All clerks engaged in the implementation of the SAPARD Programme work under full-time contracts. All employees of SFA have at least:
- Three or more years professional experience in similar positions
- University degree in economics, finance, accounting, agricultural sciences, etc.
- Relevant for the position computer skills

The Integration policy Directorate within the Ministry of Agriculture and Forestry is responsible for drafting legislation of CAP measures and mechanisms. By the end of the project MAF will identify and draft the national legislation needed to operate direct payments in all key sectors for which direct payments will be applied. The above mentioned activities are developed within PHARE 2002 Programme as part of the project for the establishment of the Paying Agency.

The coordination of the activities is executed within the regular channels of the communication of SFA. The way of informational flow is written down within the procedure manuals of the respective departments within the structure of SFA. The monitoring and the control over the execution of the activities is responsibility of the top and middle management, and the Internal Audit Department.
In summary of the above:

• The current staff of SFA is adequately trained in EU requirements to paying agencies, which also apply for SAPARD;

• Employees, who have training in CAP and IACS will be available after the successful finish of the PHARE 2002 Project (Establishment of a Paying agency and preparation for setting up of IACS in Bulgaria and for the implementation of a pilot scheme by the Paying agency).

• The current staff of SFA, which is involved in the implementation of SAPARD will be the core staff for the future Paying agency and IACS department.