Standard Summary Project Fiche

1. Basic Information:
1.1 CRIS Number: BG2003/004-937.10.04

1.2 Title: Setting up a coherent system for the Structural Funds and the Cohesion Fund in Bulgaria for the Managing Authority of the Community Support Framework (CSF) and the single Paying Authority for the Structural Funds (SF) and the Cohesion Fund (CF)

1.3 Sector: Administrative Reform and Capacity

Twinning Code: BG03/IB-SPP-01

1.4 Location: Bulgaria

2. Objectives

2.1. Overall objective:
Strengthening relevant institutional framework at central level in order to achieve, upon accession, sound and efficient management of EU Structural Funds and Cohesion Fund.

2.2. Project purpose:
To strengthen the capacity of the Management of European Union Funds Directorate and the National Fund Directorate within the Ministry of Finance as future Managing and Paying Authorities.

2.3. Accession Partnership and NPAA priority

The project meets the following Accession Partnership priorities:

- Strengthen administrative capacity in key ministries, particularly at the central level, to design strategies and to implement and evaluate projects for regional development and economic and social cohesion, financed by EC and national funds;
- Prepare a coherent development plan as required by the Structural funds regulations. Integrate it into the national budgetary and policy-making framework so that it serves as an integrated and operational development tool;
- Clarify the institutional arrangement for managing structural funds after accession, including control, monitoring and evaluation mechanisms and build the necessary administrative structures consistent with these arrangements;
- Prepare to comply with basic financial management and control provisions as laid down by the respective regulations of the Structural funds.

This Institution Building project will catalyse these AP priorities and will answer the specific NPAA priorities for strengthening the institutional capacity of the Ministry of Finance with the aim at achieving complete conformity with EU requirements in setting up the administrative bodies to which the Bulgarian Government has entrusted responsibilities in regard to management, implementation, monitoring and evaluation, as well as payment and financial control for the future implementation of the Structural funds assistance.

2.4. Contribution to National Development Plan

The Project will enhance the administrative capacity for further development and management of the National Economic Development Plan, through strengthened Managing and Paying authorities as a result of the project.

As outlined in the NEDP for the 2000 to 2006 period, Bulgaria needs to set up and develop the administrative structures to implement the programmes of the plan, to monitor its progress, and to periodically reassess it and update it.

The recently adopted Strategy for the participation of the Republic of Bulgaria in the Structural Funds and the Cohesion Fund of the European Union envisages as its objective “Effective structures to be established for co-ordination the programming, management, monitoring, evaluation, financial management and control of the EU aid at central level; strengthening the administrative capacity of the
institutions; creation of co-ordination instruments and enhancing the partnership with the regional, local and social-economic partners, as to prepare the country for participation in the Structural Funds and the Cohesion Fund”.

3. Description

3.1. Background and justification:
Republic of Bulgaria, as one of the candidate countries has been continuously preparing for the future management of programmes under the EU Structural Funds and Cohesion Fund through a number of pre-accession programmes (PHARE, ISPA and SAPARD) funded projects that have been implemented during the past years. A major project, designed to assist the Bulgarian Government in establishing the institutional framework and the administrative capacity for programming and successful implementation of regional and structural policies, is the Special Preparatory Programme for SF in Bulgaria (SPP), which started in 1998. As a result of this project, Bulgaria had passed through an institutional transition toward the implementation the concept and standards of the EU Structural Funds.

Within the framework of the SPP the preparation of the NEDP had started for the period 2000-2006. The NEDP will be subsequently submitted to the European Commission for negotiations. The document agreed with the Commission, - including the Strategy and priorities for joint Community and national action will be implemented by means of 4 operational programmes. 3 of them address sectoral priorities across the national territory with management located at the central administration level. A regional operational programme, complementary to the sectoral programmes, addresses actions specific to the individual regions. The funds from all four EU Structural funds and the Cohesion Fund will be used for implementation of measures defined in the operational programmes.

After EU accession the Ministry of Finance will become Managing Authority of the Community Support Framework and the Cohesion Fund. The document, which addresses the Structural Funds and their management, is the “Strategy for Bulgaria’s participation in the Structural Funds and the Cohesion Fund”(the Strategy) adopted by the Decision of the Council of Ministers No 312/28.05.2002. The adoption of the Strategy highlighted the implicit need to establish the institutional structure – the basis for the management of future Structural and Cohesion Funds assistance. This is stated in the 2002 Regular Report of the European Commission on the Bulgaria’s progress towards accession “Bulgaria has started to design the necessary institutional structures for the implementation of the Structural Funds and the Cohesion Fund after accession. Bulgaria must now implement the government decision of May 2002. The mechanisms of co-ordination and management for the implementation of the strategy on structural funds will need to be refined. Much needs to be done to improve the administrative capacity of the managing and paying authorities. Inter-ministerial co-ordination remains limited. Further clarification is necessary as regards the definition of tasks and responsibilities to be performed by the bodies or authorities involved in the preparation and implementation of Structural and Cohesion Funds assistance. Considerable further efforts are needed to bring administrative capacity up to the level required for Structural Funds and Cohesion Fund implementation.”

EC regulations for the programming period 2000-2006 require that Member States should have administrative systems in place capable of efficient and effective programme implementation. These systems have to deliver projects to achieve quantified targets specified in programming documents (CSF, operational programmes), in line with the requirements of EU horizontal policies, guarantee sound financial management and be stringent and transparent to meet the monitoring, control and evaluation obligations for projects and programmes.

Under the decentralised management arrangements the roles of different actors in the systems must be clearly defined with a view to smooth co-ordination of the activities financed by the Structural Funds and those implemented within the framework of national and regional policies. These actors, with special emphasis put on Managing Authorities, must have sufficient administrative capacities for proper realisation of their tasks as defined in the article 34 of Council Regulation (EC) No 1260/99.
On that basis, assistance should be targeted as a matter of priority to the designated Managing and Paying Authorities of the Structural Funds assistance. In particular, assistance will strengthen the capacity for preparing and implementing CSF.

This IB project aims at ensuring that the staff within the Ministry of Finance – Management of European Funds Directorate and the National Fund Directorate, the Executive Agency for Economic Analysis and Forecasting has the proper skills and experience as to perform the functions of Managing and Paying Authority (CSF and OPs). In order to ensure the effective and efficient management and administration of these responsibilities, Technical and Twinning Assistance is sought for:

- Support to enhance the overall co-ordination of policy implementation in line with progress of EU accession negotiations and preparations for the EU Structural Funds,
- Assistance with the development of fully operational management and administrative capacities for decentralised implementation;
- Training the Ministry’s staff in the design, technical and financial management, monitoring and evaluation of projects and programmes and continuous assessment of training.

3.2. Linked activities

- **BG0103.09 Improving the management of EU Funds** The project is designed as to improve the management of EU funds and co-financing resources in Bulgaria to make extended decentralisation of PHARE implementation possible. Strengthening the capacity of the National Fund and the Phare Implementing Agencies to manage EU funds and co-financing resources.
- **ISPA project “Preparation of the National Fund, ISPA Implementing Agencies and Public Internal Financial Control Agency to implement Extended Decentralised Implementation System (EDIS), including Gap Assessment, Gap Filling and Compliance Assessment”**. The general objective of the project is to prepare the project beneficiaries to meet the minimum criteria for EDIS, which covers the Stages 1 to 3 of the EU Roadmap to EDIS.
- **Phare Horizontal Programme preparing the candidate countries for extended decentralization (EDIS) in the management of the pre-accession funds in Bulgaria**. The project is designed as to improve the management of EU funds and co-financing resources in Bulgaria in preparation for extended decentralisation of PHARE and ISPA implementation by strengthening the capacity of the National Fund and the Implementing Agencies to manage EU funds and co-financing resources in preparation for extended decentralisation.

3.3. Results

**In regard to the Managing Authority of the CSF:**

- Managing authority for the Community Support Framework ready to deliver the tasks defined in Council Regulation (EC) No 1260/1999;
- Fully functional operational framework;
- Monitoring / Management Information System in accordance with Articles 18(3)(e) and 34(1)(a) of Council Regulation No 1260/1999 in place.
- Built capacity for programming and implementation of Structural funds
- Trained officials from the ministry
- Manual containing tasks and responsibilities for the SF management structures;
- Established mechanism for the CSF Monitoring Committee and developed Terms of reference;
- Elaborated criteria system for selection of projects financed by EU;
- Elaborated manuals and guides;
- Delivered equipment
In regard to the Managing Authority of the Cohesion Fund:

- Manual containing tasks and responsibilities for the CF management structures;
- Monitoring / Management Information System in accordance with Articles 18(3)(e) and 34(1)(a) of Council Regulation No 1260/1999 in place. Guidelines for management and co-ordination of the activities of Implementing Agencies of the Cohesion Fund;
- Established mechanism for the CF Monitoring Committee and developed Terms of reference

As regards the Paying Authority of the SF and CF:

In regard to the Structural Funds:
- PA of the SF and CF operational, trained and prepared to deliver the tasks defined in the Council Regulation (CR) 1260/1999 as regards the management and control systems for assistance granted under SF;
- PA ready to assume obligations under the Commission Regulations 438/2000 and 448/2001;
- Completion of harmonization of tasks related to management and control systems of PA of EU funded programmes in line with the Commission Regulations 1685/2000, 438/2000 and 448/2001;
- Structure for distribution of responsibilities and for financial flows between PA and MA for OP;
- Defined clear role and division of tasks for MA and PA related to the working procedures for tendering, contract awarding, reporting on progress implementation, payments and acceptance of works;
- Prepared guidance regarding the organisation of relevant functions of MA and PA with regard to the Financial Management and Control

In regard to the Cohesion Fund:

- PA for the Cohesion Fund operational, trained and prepared to deliver the tasks defined in the Council Regulation (CR) 1164/94 as amended by CR 1264/1999 and 1265/1999 as regards the management and control systems for assistance granted under Cohesion Fund;
- Completion of harmonization of tasks related to management and control systems of PA of EU funded programmes in line with the Council Regulations 1260/99, 1164/94 as amended by CR 1264/1999, 1264/1999;
- Structure for distribution of responsibilities and for financial flows between PA and paying units of the Implementing Agencies of the Cohesion Fund;
- Defined clear role and division of tasks for MA of the CF and PA related to the working procedures for tendering, contract awarding, reporting on progress implementation, payments and acceptance of works;
- Prepared guidance regarding the organisation of relevant functions of MA for the CF and PA with regard to the Financial Management and Control

3.4. Activities
The activities within this project will be delivered through 3 Components (1 Twinning Covenant, 1 Technical Assistance contract and 1 Supply contract), while covering the following measures:

3.4.1 Component 1 – Twinning

Preparation of the operational framework - finalisation of programming and development of the capacity of the bodies identified as future Managing Authority (MA) and Monitoring Committees for the CSF and CF

Under this component, assistance to the Managing Authority of EU funds (CSF and CF) includes the following activities:
3.4.1.1 Assistance for the establishment of the Managing Authority for the CSF and CF. This assistance shall involve:
- Strengthening the administrative capacity of Management of European Funds Directorate as future Managing Authority of the Community Support Framework and the Cohesion Fund;
- Definition of its responsibilities as MA of the CSF and determination of the modalities of its relationship with the Managing Authorities for each Operational Programme (including drafting of Manual of Procedures);
- Definition of its responsibilities as MA of the CF (including drafting of Manual of Procedures and other relevant guidance/procedural manuals, e.g. on selection criteria, project pipeline, project assessment/selection etc.);
- Establishing a coherent and efficient framework for inter-ministerial co-ordination and co-ordination with social partners and other stakeholders for an effective implementation of the CSF and OPs;
- Building up the capacity for programming and implementation of Structural funds, including through training of the staff of the CSF Managing Authority (including programming, implementation, monitoring & evaluation, financial management & control);
- Study visits to existing CSF Managing authorities to get acquainted with their experience.

3.4.1.2 Assistance for the establishment of the CSF (and CF) Monitoring Committee
- Establishing a mechanism for CSF/CF Monitoring Committee;
- Development of Terms of Reference for the composition and functions of the future CSF/CF Monitoring Committee;

3.4.1.3 Assistance with the programming process and the definition of a Monitoring System
- Assisting with the finalisation of the Development Plan (and review of relevant OPs as appropriate);
- Assisting the MA and the TA experts with the design of the Monitoring / Management System and establish appropriate procedures for the MA (see 3.4.3.1).

This component will be implemented through a Twinning Covenant with a Pre-Accession Advisor (PAA).

The assignment of the PAA will last 12 months. The necessary medium and short-term expertise and the training needs will be defined within the framework of the twinning covenant. The PAA will have the following profile:
- University degree (preferably at Master level);
- Working experience at least 10 years;
- Extensive knowledge of EU regulations;
- Experience in programming and managing of Structural Funds;
- Experience in negotiations of SF programming documents will be an advantage;
- Experience in establishing and co-operating with Monitoring Committee Secretariat;
- Previous work experience in Central and Eastern European Countries’ public administration will be an advantage.

3.4.2 Component 2 – Twinning

Developing and strengthening the capacity of the National Fund Directorate within the Ministry of Finance as Paying Authority for the Structural Funds and for the Cohesion Fund

Under this component, assistance will be provided to the staff of the future Paying Authority by the implementation of the following activities:

3.4.2.1 Support in defining clear role and setting up the organizational structure with clear definition and allocation of functions between the MAs for the Structural Funds and the Cohesion Fund and the PA as laid down by the Council Regulations 1260/99 and 1164/94 amended by Council Regulations 1264/99 and 1265/99;
3.4.2.2 Defining and establishing appropriate system for the purposes of drawing up and submitting payment applications and receiving payments from the Commission under the Structural and Cohesion Funds;

3.4.2.3 Elaboration of procedures manuals for the receipt, verification and validation of claims for reimbursement of expenditure and for the authorization, execution and accounting for of the payments to beneficiaries. Defining the division of tasks and responsibilities between the MAs for the Structural Funds and the Cohesion Fund and the PA with regard to the preparation of claims for reimbursement of expenditure and authorization of payments to the beneficiaries. Laying down provisions for audit trail of management and control systems within the Paying authority. The task must be performed in the light of the provisions of Commission Regulation 438/2001 and Council Regulation 1164/94 amended by Council Regulations 1264/99 and 1265/99;

3.4.2.4 Defining the division of tasks and responsibilities between the Paying Units of the MAs for the Operational Programmes (Implementing Agencies for the Cohesion Fund) and the PA with regard to the preparation of claims for reimbursement of expenditure, execution of payments to the beneficiaries and reporting;

3.4.2.5 Harmonization of standards for the certification of expenditure for which payments from the Structural Funds (Cohesion Fund) are claimed and lay down in computerized form the contents of such certificates and specification of the nature and quality of the information on which they rely, as laid down in the relevant Commission and Council Regulations;

3.4.2.6 Elaboration of procedures linked to the recoveries derived from financial corrections related to the assistance granted under the Structural Funds (Cohesion Fund) as laid in the relevant Commission and Council Regulations;

3.4.2.7 Development of procedures for prevention and detection of irregularities in co-operation with the Public Internal Financial Control Agency;

3.4.2.8 Seminars and study tours to the similar authority in order to strengthen the assistance provided by the experts

This component will be implemented through a Twinning Covenant with 1 Pre-Accession Advisor (PAA).

The assignment of the PAA will last 18 months. The necessary medium and short-term expertise and the training needs will be defined within the framework of the twinning covenant. The PAA will have the following profile:
- sound theoretical and practical experience related to financial management and control methods;
- knowledge and experience in recent development of Public Internal Financial Control in the Framework of Enlargement as developed by the European Commission;
- at least 5 years of practical experience in a Paying Authority of the Structural and Cohesion Fund;
- leadership experience;
- excellent inter-personal and communication skills;
- fluency in English.

Apart to the study visits organized under this twinning project, each individual appointed at the Paying Authority for following up the implementation of each of the measures under the Structural and Cohesion Funds will join the relevant group of trainees of each of the line ministries when visiting the member states under their own twinning or TA projects

3.4.3 Component 3 – Technical Assistance

Under this component the following activities will be performed:

3.4.3.1 Designing a Monitoring / Management Information System
- designing a system for monitoring of programme and project progress using financial and physical indicators (including collection and assessment of indicators);
- assisting line Ministries with the definition of indicators;
- defining reporting requirements (reporting formats).

Past experiences and on-going project experience (e.g. Ministry of Labour) must be taken into account for the design of the Monitoring/Management System.
3.4.3.2 Development/setting up of a computerised Monitoring/Management System and System for Electronic Data Transfer
Article 18 of the Council regulation (EC) 1260/1999 requires that Operational Programmes contain a description of the arrangements agreed between the Commission and the Member State for the computerised exchange, where possible, of data required to fulfil the management, monitoring and evaluation requirements in respect of Structural Funds Assistance.
A computerised monitoring/management system is to be installed centrally in the Ministry of Finance for this purpose. It is based on a client/server application giving all relevant institutions/organisations (OP Managing Authorities, Intermediate Bodies, members of Monitoring Committees: e.g. Line Ministries and Local Institutions etc.) access to this central database.
The Monitoring / Management Information System is designed to support programming, implementation, monitoring and evaluation of OP and payment systems. It will be used to monitor progress at NDP and subsequently CSF/OP level (using financial/expenditure and associated/physical indicators). With respect to codification, the Managing Authorities will furnish link between each OP measure and the corresponding category in the Commission’s list of eligible interventions.

The system should allow all required information on programme/project performance, appropriately codified, to be relayed electronically to the Commission by the Managing and Paying Authorities. The frequency of electronic transmission will conform to the management requirements as agreed between the Commission and the Managing Authority.

TA experts shall provide special assistance for the development of the Management / Monitoring Management Information System:
- Assist the future managing authority in setting up a system for the computerised collection and exchange of the data referred in Articles 18(3)(e) and 34(1)(a) of Council Regulation (EC)1260/1999), in accordance with specific technical arrangements to be agreed with the European Commission; to that end, finalise development of software for the Monitoring / Management Information System (incl. projects register) at all levels of administration (national and regional) for managing Structural Funds assistance, which will be linked by an electronic and telecommunication network compatible with the Commission reporting system (also collects physical indicators of progress and impact for reporting);
- Train Ministry of Finance and line ministries to use the Monitoring / Management Information System;
- Develop and install functioning accounting information systems for the PA/IA and link them by an electronic network to the general Monitoring / Management Information System;
- Train accountants of the Paying Agency/Departments to use the accounting information systems and Monitoring / Management Information System.

3.4.4 Component 4 – Equipment Supply
Preparation of the Management Information System
The future obligations of the Ministry of Finance being the Managing Authority of the SF and CF require new specialized high-quality equipment. The proper functioning of the Managing Information System needs also new equipment supply. The Technical Specifications should be designed by a short-term expert together with experts from the Ministry of Finance.

3.5. Lessons learned
The completed so far institution building and investment projects have made a positive but only partial contribution to achieving the wider and immediate objectives of the programmes. The outputs of the technical assistance and twinning measures have had a positive impact in increasing both the planning capacity of the Bulgarian administration, and their awareness of the Structural Funds and the principles upon which they operate, nationally and regionally. Project outputs have made an essential contribution to assisting Bulgaria to prepare integrated NEDP.
Practical problems faced in the management of EC programmes include:

- Staff numbers in many Ministries/agencies are inadequate;
- There is insufficient staff continuity;
- Staff quality/training is inadequate;
- It is difficult to retain good quality staff;
- There is poor coordination and internal communications between and within various government agencies dealing with assistance;
- Too much work is dealt with at senior levels – not enough is delegated;
- Systems for dealing with various aspects of pre-accession assistance are too compartmentalised (but transfer of responsibilities to the Ministry of Finance should help);
- Poor consulting process with social partners.

4. Institutional Framework

Beneficiary institution for this project will be the Ministry of Finance (Directorate “Management of European Funds Directorate” and “National Fund” Directorate), Executive Agency for Economic Analysis and Forecasting.

The main responsibilities of the Management of European Funds Directorate are:

- To carry out the overall coordination of programming, planning and management of the pre-accession financial instruments /PHARE and ISPA/;
- To act as a single representative of the Republic of Bulgaria before the European Commission in regard to overall programming, planning and management of financial aid, granted from the EU;
- To co-ordinate the joint mechanism for monitoring implementation of the programmes financed by the pre-accession instruments of EU and acts as a Secretariat of JMC and of ISPA Monitoring Committee.

The Minister of Finance is assigned to organise the effective and lawful management of the EU Structural Funds in compliance with the pre-accession policy of the Republic of Bulgaria. Therefore, upon accession the Directorate is delegated to act as a Managing Authority for EU Structural Funds and Cohesion Fund.

The National Fund Directorate is a central treasury body for EU pre-accession funds and the corresponding national co-financing. In accordance with the Memorandum of Understanding between the European Union and the Republic of Bulgaria for the establishment of the NF, the management of the funds provided by the pre-accession instruments is executed by the National Fund within the Ministry of Finance. The NF is headed by the National Authorizing Office (NAO) – Deputy Minister of Finance.

After Bulgaria joins the European Union, the payments for the Structural and Cohesion Funds will be made through one Paying Authority within the Ministry of Finance. In accordance with the Strategy the Paying Authority should be set up at the Ministry of Finance, and its functions will be assumed by the National Fund Directorate. The National Fund Directorate shall be the Paying Authority for the Cohesion Fund as well.

The updating of the Development Plan and NDP preparation is delegated to the Executive Agency for Economic Analyses and Forecasting.

In its capacity of a Managing Authority of the Cohesion Fund, the Management of the European Union Funds Directorate will be responsible for:

- Carrying out consultations with the Implementing Agencies of the Cohesion Fund, beneficiaries and the European Commission in connection with the finalising of the projects and of required investments set as the priorities of the National Development Plan;
- Ensuring that the approved projects meet the requirements and objectives of the European Community and the projects selection criteria, taking into consideration the need to maintain balance between the sectors.
Steering Committee
There will be a single Steering Committee (SC) to supervise the implementation of the Ministry of Finance “Setting up a coherent system for the Structural Funds and the Cohesion Fund in Bulgaria for the Managing Authority of the Community Support Framework (CSF) and the single Paying Authority for the Structural Funds (SF) and the Cohesion Fund (CF)” as future single Managing Authority and single Paying Authority and the proposed projects under Phare 2003 National Phare Programme – for strengthening the capacity of the Ministry of Economy as future Managing Authority of the Operational Programme “Development of the Competitiveness of the Bulgarian Economy” as well as the Ministry of Regional Development and Public Works – as future Managing Authority for the Regional Operational Programme.
This Steering Committee will be established in the third quarter of 2003 and will be chaired by the NAC. The SC shall have regular sessions on a monthly basis. The SC may have extraordinary sessions upon requests from two of its voting members. It will coordinate the selection activities of the Twinning partner and will closely supervise and direct the drafting of the Twinning Covenant(s). The Committee will as well co-ordinate all projects in order to ensure effective inter-ministerial co-ordination within the National Phare Programme 2003. The Steering Committee will supervise the implementation of the projects, review and approve appropriate project’s outputs, and their conformity with the Strategy on the Preparation for EU Structural Funds and will coordinate the preparation of the three above mentioned Ministries with the rest of the other Ministries which will act as future Managing Authorities. Close links have to be established among the MAs, CSF and the PA in particular. The Committee will ensure effective coordination both of Phare 2003 projects (avoiding overlaps) and of CSF management after accession.
The Steering Committee will consist of representatives from the Ministry of Finance – three members, Ministry of Regional Development and Public Works – two members, Ministry of Economy-two and Executive Agency for Economic Analysis and Forecasts-one as voting members. Representatives from the Ministry of Labour and Social Policy will be invited as advisory body to the meetings as non-voting members. Representatives from the Ministry of Foreign Affairs and EC Delegation will be invited as observers. The representatives of other relevant ministries and stakeholders might be invited to the meeting of the SC.

5. Detailed Budget

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* National co-financing of the twinning component will be up to 10% of the National budget according to the Twinning manual
6. Implementation Arrangements

6.1. Implementing Agency
Under Phare 2003 three IB projects are foreseen to provide assistance in building the administrative capacity for the implementation of Structural Funds:

1. Setting up a coherent system for the Structural Funds and the Cohesion Fund in Bulgaria for the Managing Authority of the Community Support Framework (CSF) and the single Paying Authority for the Structural Funds (SF) and the Cohesion Fund (CF)
2. Strengthening the capacity of the MoE to manage Operational Programme “Development of the Competitiveness of the Bulgarian Economy” under EU Structural Funds
3. Preparing MRDPW’s central and regional structures for managing future ERDF – type programmes and projects

Close links have to be established between all three projects. The activities of the twinning teams will be coordinated by the PAA for the Managing Authority of CSF under the supervision of the Steering Committee for the projects. This PAA will be placed within the Ministry of Finance.

The three projects have to be considered in conjunction with each other. With regard to the twinning components, applicants are strongly encouraged to apply for all three projects together. In the selection process, preference will be given to consortia of Member States applying jointly for the twinning components of all three projects.

Accordingly, it is possible for one single Twinning Covenant to be prepared with the three above-mentioned IB projects representing three separate sub-components.

Three working groups, one for each project, will be established at the level of the three relevant ministries. They will be in charge of drafting the relevant parts of the future Twinning Covenant, closely following the daily project management, co-operating with foreign experts and reporting to the Steering Committee on a regular basis.

A project Steering Committee will be established before project implementation commences to supervise tendering and contracting and to monitor project implementation as specified under point 4 above.

The Implementing Agency of the Project is the Central Finance and Contracting Unit (CFCU). The CFCU will be the Contracting Authority and in that capacity will issue and evaluate tenders, conclude contracts and authorise the treasury to make contractually related payments.

The Deputy Minister of Finance will be the PAO of the project.

6.2. Twinning
Beneficiary Institutions of this twinning component will be the bodies designated as Managing and Paying Authority for the CSF and CF, as well as the institution responsible for the finalisation of the NDP. The implementation arrangements are to be administered through the CFCU.

6.3. Non-standard aspects
There are no non-standard contracts or tender procedures envisaged within this project. The PHARE Practical Guide will be strictly followed.

6.4. Contracts
The project will be implemented through:

6.4.1. One Twinning Covenant with two sub-components:
- Sub-component 1 at the sum of 0.7 MEURO (Phare contribution);
- Sub-component 2 at the sum of 0.6 MEURO (Phare contribution)

6.4.2. One Technical Assistance Contract at the sum of 0.86 MEURO (Phare and national contribution);
6.4.3. One Equipment Supply Contract at the sum of 0.32 MEURO (Phare and national contribution). The Beneficiary to this contract shall be the Management of EU Funds Directorate within the Ministry of Finance.
7. Implementation Schedule

7.1. Start of tendering/call for proposals:
7.1.1. The selection of the Twinning Partners shall be performed during the last quarter of 2003. Subsequently, the twinners and the beneficiaries shall work together for the elaboration and signing of the Twinning Covenants.
7.1.2. The tendering for Component 3 and 4 shall start in the first quarter of 2004.

7.2. Start of project activity:
7.2.1. Activities under Sub-Components 1 and 2 – second quarter of 2004

7.3. Project Completion:
7.3.1 The activities under the project should be completed during the third quarter of 2006.

8. Equal Opportunity
The project will be implemented according to the regulations of Bulgarian law providing equal opportunities for men and women.

9. Environment: The project has no environmental impact.

10. Rates of return: N/A

11. Investment criteria

11.1. Catalytic effect:
The administrative capacity of the Ministry of Finance will be strengthened. The PHARE support catalysis the preparation of Bulgaria towards EU accession, thus adding up to the government's own efforts to create administrative structures for sound and efficient management and control of pre-accession aid, as well future management of the EU Structural Funds.

11.2. Co-financing:
The project co-financing of the three components will be under PHARE procedures.

11.3. Additionality:
PHARE intervention has not displaced other public or private sector financing for this project.

11.4. Project readiness and Size:
This project is designed to address the immediate needs in a very targeted manner for reinforcing the institutional capacity of the MoF, other line institutions and agencies that will be involved in managing, implementing, monitoring and evaluating the CSF. It is crucial that the necessary capacity building takes place to ensure that the respective state administration is well positioned to assume their planned roles in full. The Management of EU Funds Directorate conducts administrative capacity study of all ministries working under PHARE and which shall manage in the future Structural funds.

11.5. Sustainability:
The project implementation shall guarantee the role of the Ministry of Finance as future Managing and Paying Authority.

11.6. Compliance with state aids provision:
The project is consistent with the State Aid Law

11.7. Contribution to the National Development Plan
Finalisation of National Development Plan + Preparing CSF
12. Conditionality and sequencing
This project addresses the needs for reinforcing the institutional capacity of the Ministry of Finance – skilled experts within the MoF, other line institutions and agencies involved in future CSF.

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. Functional Structure of Management of European Funds Directorate
5. Staff Structure of Management of European Funds Directorate
6. Flowchart of EU Assistance Management, Audit and Control in Bulgaria
**ANNEX 1**

Phare log frame

<table>
<thead>
<tr>
<th>LOGFRAME PLANNING MATRIX FOR Project</th>
<th>Programme name and number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setting up a coherent system for the Structural and Cohesion Funds in Bulgaria for the Managing Authority of the Community Support Framework (CSF) and a single Paying Authority for the Structural Funds (SF) and the Cohesion Fund (CF)</td>
<td>Contracting period expires Nov 2005 Disbursement period expires: Nov 2006</td>
</tr>
<tr>
<td></td>
<td>Total budget: € 2,480,000 Phare budget: € 2,300,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Overall objectives</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening relevant institutional framework at central level in order to achieve, upon accession, sound and efficient programming and management of EU Structural Funds and Cohesion Fund</td>
<td>Coherent system for CSF in place; Increased annual absorption of EU funds in Bulgaria in comparison to previous years</td>
<td>Value of investment projects started with EU assistance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project purpose</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>To strengthen the capacity of the Management of European Union Funds Directorate and the National Fund within the Ministry of Finance as future Managing and Paying authorities</td>
<td>Strengthened administrative capacity of the Managing and Paying Authorities in place; Positive assessment of administrative capacity of the Managing Authority and Paying Authority from the Commission; Established Monitoring Committee of CSF and for the CF; Acknowledgement of readiness of all structures and systems by the EC</td>
<td>Quarterly reports; Current Monitoring reports</td>
<td>Efficient cooperation between the institutions concerned; Sufficient human and financial resources allocated to the Managing Authority and Paying Authority</td>
</tr>
<tr>
<td>Results</td>
<td>Objectively verifiable indicators</td>
<td>Sources of Verification</td>
<td>Assumptions</td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Managing and Paying Authorities designated and ready to assume obligations under Council Regulations 1260/99 and Commission Regulations 438/2001 and 448/2001 (related to SF);</td>
<td>Organisational structures of CSF in place;</td>
<td>Functioning system for collection of financial and statistical data in place;</td>
<td>The institutional structure of the MA/PA unchanged</td>
</tr>
<tr>
<td>Managing and Paying Authorities designated and ready to assume obligations under Council Regulations 1164/94 as amended by Council Regulations 1264/99 and 1265/99 (related to CF);</td>
<td>Managing and Paying Authorities ready to implement tasks related to SF and CF implementation;</td>
<td>Ad-hoc reports by Internal Audit services and External Assessors;</td>
<td></td>
</tr>
<tr>
<td>Monitoring/Management Information System in place; Completion of harmonisation of tasks related to public internal financial control of EU funded programmes in line with the Council Regulations 1260/99 and Commission Regulations 438/2001 and 448/2001</td>
<td>Staff employed by the MA and PA trained;</td>
<td>Guidelines</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prepared mechanism of the CSF Monitoring Committee</td>
<td>Progress reports by Twinners</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prepared mechanism of the CF Monitoring Committee</td>
<td>Inception, Interim and Final Reports</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Public internal financial control developed at the required level;</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| **Component 1: Twinning Component for MA:**  
To assist in establishing of the CSF Managing Authority;  
To define the responsibilities of MA of CSF and CF  
To assist in establishing a framework for inter-ministerial co-ordination and co-ordination with social partners  
To assist in establishing of CSF Monitoring Committee;  
To assist in establishing CF Managing Committee  
Study visits to existing CSF Managing Authorities;  
**Component 2: Twinning Component for Paying Authority**  
Strengthening the Paying Authority capacities as the entity responsible for payments and financial control  
**Component 3: Technical Assistance for MEUFED**  
To design a system for monitoring of programme and project progress using financial and physical indicators  
To develop and set up of a computerised Monitoring/Management System and System for Electronic Data Transfer | Twinning, including training and study visits  
Twinning, including training and exchange of experts (study visits)  
One Service Contract | The beneficiary organisation recruits and retains adequate staff;  
Regular participation of Managing Authority staff in training  
Regular participation of Paying Authority staff in trainings, continued employment of trained experts  
Staff readiness to implement the activities |
<table>
<thead>
<tr>
<th><strong>Component 4: Equipment Supply:</strong> Installation of new equipment; Design of Technical specifications and tender dossier; Training of staff</th>
<th><strong>One Equipment Supply Contract</strong></th>
<th><strong>Clear hand over procedures</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Preconditions</strong> Management of EU Funds Directorate and National Fund Directorate operational.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Annex 2

#### Detailed Implementation Chart

<table>
<thead>
<tr>
<th>Components</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>III</td>
<td>IV</td>
<td>I</td>
<td>II</td>
</tr>
<tr>
<td>1 Component 1</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
</tr>
<tr>
<td>2 Component 2</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
</tr>
<tr>
<td>3 Selection of a Twinning Partner</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>4 Drafting of Twinning Covenant</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>5 Component 3</td>
<td>T</td>
<td>T</td>
<td>T</td>
<td>C</td>
</tr>
<tr>
<td>6 Component 4</td>
<td>T</td>
<td>T</td>
<td>T</td>
<td>C</td>
</tr>
<tr>
<td>7 Monitoring and Evaluation</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>8 Final Evaluation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Annex 3  
Contracting and disbursement schedule by quarter (Phare and national contribution)

*Project title:*

<table>
<thead>
<tr>
<th>Contracting</th>
<th>Cumulative contracting schedule by quarter in € m (provisional)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
<td>2004</td>
</tr>
<tr>
<td></td>
<td>III</td>
<td>IV</td>
</tr>
<tr>
<td>Contract No. 1</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>Contract No. 2</td>
<td>0.6</td>
<td></td>
</tr>
<tr>
<td>Contract No. 3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract No. 4</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total contracting:</strong></td>
<td><strong>1.3</strong></td>
<td><strong>1.18</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disbursement</th>
<th>Cumulative disbursement schedule by quarter in € m (provisional)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
<td>2004</td>
</tr>
<tr>
<td></td>
<td>III</td>
<td>IV</td>
</tr>
<tr>
<td>Contract No. 1</td>
<td>0.5</td>
<td>0.62</td>
</tr>
<tr>
<td>Contract No. 2</td>
<td>0.35</td>
<td>0.55</td>
</tr>
<tr>
<td>Contract No. 3</td>
<td></td>
<td>0.25</td>
</tr>
<tr>
<td>Contract No. 4</td>
<td></td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total disbursement</strong></td>
<td><strong>0.85</strong></td>
<td><strong>1.07</strong></td>
</tr>
</tbody>
</table>
Social development
Public sector/ development of administrative capacity
JHA

Environment
Transport
Energy & Telecommunications

Economic Development
Agriculture

Regional development

Management of ISPA Funds

Management of PHARE Funds

Planning, Programming, Coordination, Monitoring & Evaluation

Social development
Public sector/ development of administrative capacity
JHA

Environment
Transport
Energy & Telecommunications

Economic Development
Agriculture

Regional development

Management of EU Funds

Management of ISPA Funds

Management of PHARE Funds

Co-ordination & Planning of EU Funds

Overall co-ordination

JMC Secretariat

National (Economic) Development Plan

Community Programmes

Negotiations under Ch.21 “Regional Policy and Coordination of Structural Instruments”

Bilateral Programmes with MSs

Administrative Capacity & Publicity

Overall co-ordination

JMC Secretariat

National (Economic) Development Plan

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Bilateral Programmes with MSs

Administrative Capacity & Publicity
FLOWCHART OF EU ASSISTANCE MANAGEMENT, AUDIT AND CONTROL IN BULGARIA

Ministry of Finance

MANAGING AUTHORITY
MEUF DIRECTORATE
Collection and check of eligibility of application for Community assistance

PAYING AUTHORITY
NATIONAL FUND DIRECTORATE
Certification of applications; Check of eligibility

Intermediate bodies/final beneficiaries

MANAGING AUTHORITY
MANAGEMENT UNIT
Collection and check of eligibility of application for Community assistance

IMPLEMENTING AGENCIES
PAYING UNIT
Certification of applications; Check of eligibility

Beneficiaries

Use of external Auditors, If necessary

Request for Community Assistance
Aggregate declarations
Aggregate statements
Reports
Reports