Summary Project Fiche

1. Basic Information

1.1 CRIS Number: BG2003/004-937.11.01

1.2 Title: Alternative Employment

1.3 Sector: Economic and Social Cohesion

1.4 Location: Targeted regions within Bulgaria

2. Objectives

2.1 Overall Objectives:

• Increasing of employment opportunities in the alternative forms of businesses;
• Promotion of alternative forms of businesses among newly established and existing SMEs in the targeted regions;

2.2 Project purpose:

• Increased level of employability and entrepreneurship of the labour force in the context of the alternative employment and within the targeted regions;

2.3 Accession Partnership and NPAA priority

2.3.1 Accession Partnership

The project will address the following priorities stated in the AP:

• Market - based enterprise restructuring and promotion of private sector development;
• Maintain macro-economic stability and continue to promote economic growth and competitiveness through further market-based restructuring and promotion of private sector development;
• Take further measures to improve the business environment and stimulate domestic and inward investments. Ensure business-friendly legal, tax, regulatory and administrative frameworks (including improved contract enforcement and licensing procedures) that provide a level playing field for all businesses;
• Develop a more favourable business environment for SMEs through addressing the remaining obstacles to SME development including lack of business expertise among SMEs managers, and access to finance on appropriate terms;

2.3.2 NPAA

The project is in conformity with the NPAA, in its part related to the anticipated results in the sphere of Social Policy and Employment, where it is stated the need for:

- Development of entrepreneurship programs both for unemployed and existing businesses;
- Measures for training and retraining;
- Encouragement of self-employment;
- Encouragement of businesses adaptability of the employed;
2.4 Contribution to National Development Plan

The project is in conformity with the objectives laid down in the National Economic Development Plan (NEDP). It is addressing directly some of the overall objectives of the Fourth Axis:

- Reduction and prevention of unemployment and social exclusion;
- Maintaining and improvement of the quality of human resources;

It is envisaged in the NEDP these objectives to be achieved through the following measures:

- Stimulation of the employers to hire unemployed persons;
- Modernization of work organization with the purpose of increasing employment;
- Promoting adaptability in enterprises;
- Investments in the development of the labour market and vocational education and training;
- Stimulation of the start-up of economic activity independently or in co-operation with other people;
- On-the-job training;
- Increased adaptability of the work force to the changes in the conditions of labour and to the needs of the labour market;

2.5 Contribution to the Government program in the sphere of employment and social policy (2001-2005)

The project is in accordance with the priorities set in the Government program in the sphere of employment and social policy covering the period 2001-2005, especially the one concerning the measures aiming to increase the employment through implementation of active labour market measures.

The proposed activities dealing with the unemployment in this project are contributing strongly to the achievement of the goals under Chapter 1 “Employment policy” of the Government program e.g.:

- Increasing the overall employment;
- Development of the labour force capacity;
- Development of effective active labour market measures aiming to reduce the unemployment rates;
- Increasing the adaptability of the labour force in accordance to the real labour market needs;

2.6 Contribution to the New Social Policy Strategy

The project is contributing to the main objectives, laid down in the Employment Policy chapter of the New Social Policy Strategy, issued in November 2002.

- Ensure functioning labour market that guarantees higher rate of employment for the economically active population.

It is stated in the strategy that the active labour market policy is to be implemented through an effective use of the pre-accession instruments of the EU, and in particular Phare Programme as a predecessor of ESF.

- Enhance employability

In order to overcome the consequences of the structural unemployment it is necessary to orientate the unemployed to relevant training to acquire professional skills and qualifications in line with the new requirements of the employers. Achieving higher quality and effectiveness of vocational training, and respectively, a higher rate of job placements should be ensured through increasing the duration of the training process and the allocated funds.
With a view to prevent unemployment and achieve adaptability of the labour force, including in restructuring enterprises and companies, the employed persons should also be qualified and maintain up-to-date skills in order to satisfy the ever growing requirements of the employers.

* Encourage entrepreneurship

The main objective here is to ensure permanent employment through creation of new jobs in micro-enterprises and self-employment. For the success of this business the counselling services for its starting and development should be promoted to the highest degree.

It is necessary to implement programs encouraging entrepreneurship, especially in the field of the traditional local crafts and manufacture.

3. Description

3.1 Background and justification:

The restructuring of the Bulgarian economy during the transition period has led to the decay of some sectors of the economy as well as to drastic decrease in the production of others. The number of people occupied in the industry sector in 2001 amounts at 812,963, which is two times lower as those in 1990. This drop was not attended by an adequate parallel growth of the service sector. 27.6% from the economically active population is employed in the industry sector, 28% in the agricultural and 44.6% in the service sector. The traditional sectors of Bulgarian economy such as agriculture, tobacco culturing and later on machinery, chemical industry, steel and mining and others produce many times less than in the period before the transition. The privatization and the reform in the defence, education and healthcare systems have brought new pressure on the labour market. The later caused a record level of unemployment (17% in 2000 and nearly 20% in 2001) and reduction of the supplied work places in the economy. These negative tendencies have comparative sustainability over the last years. Some of the main reasons for them are inadequate qualitative and quantitative level of the work force compared to the real economy needs. Another main factor is the insufficient level of newly created job places.

The employment in the service sector remains under its level from 1990 (1.5 mln. employed in 1990 to 1.35 mln. in 1999 and afterwards till 2001 it went down with another 3.3% - a decrease (drop) of about 10% for the period from 1990 to 2001). The restructuring of the economy, partially in favor of the service sector has not yet led to a significant redistribution of the job places among the three basic sectors of the economy.

In the last years there is an enormous discrepancy between the labor force demand and supply. Recent analyses show that the new and alternative forms of businesses penetrate quite slowly in the Bulgarian economy. The former industrial giants should be replaced by small and medium companies, which are the natural conductor of the newly coming businesses. One of the main obstacles is that knowledge and information about business alternatives are not properly disseminated among the potential small and medium entrepreneurs. Furthermore the potential entrepreneurs miss the necessary skills and knowledge for successful management of the respective business. This can be connected on one hand with the lack of adequate training and retraining courses directed to the needs of the entrepreneurs, and on the other hand with the low level of specific consultancy in this sphere. Finally, but not less important impediment for the micro entrepreneurs is the limited access to funds that are essential for the successful start, operation and maintenance activities.
3.2 Linked activities:

The following activities financed by the EU Phare Programme have been implemented:

The management of Grant schemes is introduced for the first time with the project “Integrated development in the Pernik Region” and is further developed in the Steel and Mining Areas Employment Project (SMAEP). Thus a significant knowledge on national and local level is accumulated and it could be used for the successful implementation of the current project.

Under Phare 2000 the following linked activities are envisaged:
• Assistance in the form of vocational training to the workforce;
• Retraining activities to adjust the labor force to the new economic conditions;

The project “Vocational Training” is implemented in the South central and Northwest NUTS II regions, while the current project will give access to EU funding for training and retraining initiatives to regions, where alternative forms of businesses are identified.

Under Phare 2001 programme there are also activities closely linked to the current project.

The following activities of the projects “Labor market initiatives” and “Social inclusion” are to be further developed in the Phare 2003 programme:
• Grant schemes for provision of vocational and educational training programs;
• Strengthening the links between employers and labor offices;
• Provision of consultancy services to stimulate entrepreneurship;

Nevertheless the targeting of the activities under the current project will be done on a different base so that the target groups and the eligible for funding applicants will differ from those defined under Phare 2001 projects.

The project “Clearing the Path to Employment for Youths” which will be financed under Phare 2002 programme, envisages the following linked activities:
• Vocational training for youths
• Boosting entrepreneurship among youngsters
• Youth self-employment

The project “Job Opportunities through Business Support” (JOBS), addresses the Bulgarian unemployment issue by creating sustainable long-term jobs through assisting micro and small business development in the rural areas. The established network of 24 Business Centres/Incubators/Information Centres provides support to start-up and existing local businesses and agricultural producers through consulting, office and informational services, training/seminars and a financial leasing scheme. The project’s beneficiaries are varied and include the unemployed, small entrepreneurs and minority groups (Roma and Turk).

The Micro-credit guarantee scheme established by the MLSP at the end of 2001 eases the access to credits for start-ups, existing micro firms and particularly focuses on the disadvantaged groups of the communities. The objective is to help the more proactive members of society to help themselves (and rely less on the State) through self-employment, micro or small businesses.

3.3 Results:

A) Awareness campaign for alternative forms of employment
• At least 1300 books, 8000 booklets and 8000 brochures on alternative forms of business printed;
• 30 promotional seminars, conferences;
• radio, TV and press releases.
B) Training and retraining activities

- Developed new training curricula focused on the employment opportunities in alternative forms of business;
- 1060 unemployed from the target regions involved in vocational training courses related to alternative forms of businesses;
- 450 employed retrained in activities related the alternative forms of business;
- 670 trained in entrepreneurship;
- 300 companies provided with business consulting services;
- 30% from those involved in the training programs find a job in 6/12 months after completion of courses;

C) Enhancing Entrepreneurship in the Alternative forms of businesses

- about 130 grants at to average amount of 15000 euro (maximum amount of 20000 euro) for micro enterprises, family businesses and start-ups supporting alternative forms of businesses in the target regions;
- 650 long-term jobs created in the alternative businesses.

3.4 Activities:

Generally, the activities are elaborated on the base of the following logical sequence: identification of a pool of alternative businesses in targeted regions, awareness campaign, training and retraining activities, entrepreneurship training and consultancies for newly established and existing firms and finally provision of grants for micro-entrepreneurs. Thus the project aims to identify and strengthen the employment opportunities in sectors that are not traditional and demonstrate potential for sustainable development in the targeted regions. The labor market development shows that the employment creation is growing in the small and medium sized enterprises, while the share of the biggest firms is declining in the period 1999-2001. Over 65% of the employment creation is in the private small and medium sized firms.

Identification of a pool of alternative businesses in targeted regions

As the alternative businesses are difficult to be defined and can be of different type for the different target regions, it is intended prior to the project commencement survey to be conducted. The survey will come up with the working definition for alternative businesses and identification of the different types of alternative business with potential for long-term sustainability within the targeted regions. The survey will also include methodologies for business development and growth of the specified alternative forms of business per region.

It is expected after completion of the survey to have a socio-economic profile of the targeted regions and comparative analyses of used and underestimated (with potential to be further developed) socio-economic resources per region on the base of which the identification of the alternative forms of businesses will be done. As a whole the survey results for the alternative forms of businesses should be in compliance with the objectives stated in the NEDP. The survey will be disseminated among interested parties, especially those involved in the preparation of the regional development strategies. Thus the survey can be used for strengthening the regional strategic planning.

The survey will be financed under the “Project Preparation Facility” managed by the Ministry of Finance.

The survey will be carried out into one or two of the planning regions (NUTS II level) that will be identified prior to the ToR preparation for the TA of the survey and will be indicated in the
ToR itself. The decision for the targeted regions will be taken by the PAO, based on available data from the ASME, MLSP and Ministry of Economy. The idea of choosing one or two of the planning regions is the investment concentration and respectively increased regional impact.

The survey and the selection of the types of alternative businesses will be made prior to start of the project activities in order to take into consideration the current and eventual long-term development of the business environment. The overall duration of the preparation and the execution of the survey will be about 3-4 months and it is envisaged to start from September 2003.

After completion of the survey a report will be issued and it will be the base for the development of the subsequent measures for training, retraining, entrepreneurship courses and the grant scheme execution.

On the base of the survey PSC will approve the identified alternative businesses that will be supported under the project.

A) Awareness campaign for alternative forms of employment

This measure intends to guarantee the efficient start of the project by providing potential beneficiaries and interested organizations with adequate and contemporary information on the available opportunities for employment in the alternative form of businesses and the long-term prognosis on the potential for development of alternative forms of business. The promotional and awareness campaign will also disseminate information on the specific modules of the training, retraining and entrepreneurship courses in the targeted regions.

The campaign will be conducting through a contractor (NGOs, PR agencies, etc) and the LOs. The contractor will be selected on a tendering base through procedures for service contract.

The campaign is targeted at unemployed, employed, existing and newly established firms in the sphere of the identified alternative businesses.

Promotional campaign will utilize tools such as issuing of books, brochures, booklets, radio and TV releases, production of short films for promotion of different business opportunities, best practices, etc. Furthermore a large number of promotional seminars in different topics will be conducted in the different regions.

As a whole the content of the books will cover such topics as: concept of alternative business, characteristic of different alternative types of business activities, future potential for development of these activities, existing firms within the identified sector, their potential for development and growth, best practices from other regions and countries, guidance how to establish your business, how to get external finance, etc. The book can also contain a chapter on the nature of the training, retraining and entrepreneurship activities for every identified sector of alternative business.

The booklets will cover the essence of the issues covered in the book. They can be more specific and developed especially for different regions. The aim of the booklet is more practical and it should describe in a simple language the training, retraining and entrepreneurship activities and the employment opportunities that the alternative businesses provide.

The brochures will include clear information about the rules and application procedures for eligible groups, the timeframe for implementation of the different training modules, grants availability and other useful information.
The project envisioned to conduct promotional seminars in municipal level and if it is needed even in the towns and villages in order to reach everybody who has entrepreneurship potential or just want to pre-qualify him/herself and to start his/her working-life from the beginning. The seminars will present alternative business opportunities, the target groups, the envisaged training modules, grant applicants’ requirements, rules for application, etc.

B) Training and retraining activities in terms of alternative forms of businesses

The activity comprises of:

1) Training and retraining targeted to both employed and unemployed.

On one side the measure is designed to give the unemployed access to training and retraining related to the alternative forms of business. The envisaged training and retraining is to ensure that these unemployed will acquire the basic skills that are needed to find a job corresponding to the requirements of the alternative businesses, specified as a result from the above-mentioned survey.

On the other hand part of this measure will be oriented toward provision of training to the already employed in firms operating in fields defined as alternative businesses. The training will assist the existing micro entrepreneurs to extend, diversify or/and restructure their business activities. In this specific case the awarded companies will be required to contribute at least 10% to the cost of the provision of training of their employees.

Criteria and guidelines for application and selection of training organisations, training programmes and modules and employers will be developed by the PIU with the support of the Technical Assistance under the project. At least 5 new training curricula focused on the alternative forms of businesses will be developed. The nature of the new training curricula shall be determined having in mind the results from the survey over the existing traditional businesses and the opportunities for development of alternative (not traditional) ones. After the development of the guidelines for application and the training curricula they will be approved by the PSC.

2) Entrepreneurship training courses in alternative forms of business for employers (newly established and existing SMEs) and unemployed willing to start their own business. The measure aims to provide potential and existing entrepreneurs with additional knowledge on how to manage and establish a viable enterprise.

3) Provision of business consulting services to micro and small sized existing enterprises and newly established firms. The firms will receive useful general information about the medium and long-term development perspectives for the specific type of business, opportunities for export, and contacts with other firms within the sector and samples of successful European companies in the identified type of businesses. The more specific consulting services will give an accent to such issues as: development of marketing strategies, financial analyses, human resources strategies development, business plans creation, access to financing, risk factors analyses, etc.

Criteria and guidelines for selection of training programs under measures 2) and 3) will be developed by the MLSP with the support of the TA. In the case of entrepreneurship training programs it is expected that curricula will focus on the type of the business, its characteristics, production process, potential for growth, opportunities for export activities, marketing, finance, management, negotiation skills and other relevant issues. In respect with measure 3) the awarded applicants will provide business - consulting services such as: marketing strategies, market surveys, and business plans elaboration, export facilitating services, etc.
The MLSP will prepare the contracts with companies interested in the measure. The existing businesses that will receive consulting will be required to contribute at least 10% of the consultancy costs.

The promotional campaign of the grant scheme shall be conducted by the LOs and the external contractor described in activity A (Awareness campaign for alternative forms of employment) in the target regions among unemployed and employers. A call of proposals will be issued to training providers and consultant organizations. Training providers will be vocational schools, VT centres or other vocational training institutions licensed according to the existing legal framework. For the provision of consulting services eligible applicants will be organizations interested and specialized in business consulting services provision. The MLSP jointly with EA and LOs will make an ongoing monitoring on the training process and the contract arrangements of the involved parties.

C) Enhancing Entrepreneurship in terms of alternative forms of businesses

**Grant scheme** will be available for existing micro-entrepreneurs and representatives of the disadvantaged groups that want to start their own business. The promotional campaign of the grant scheme shall be conducted by the LOs and the external contractor described in activity A (Awareness campaign for alternative forms of employment). The main goal of the investment support (provision of equipment and funds for start up activities) is the generation of sustainable employment. The grants’ amount will be up to a maximum of 20 000 euro. The most important criteria that applicants need to meet are to create new jobs including self-employment and to have participated in measures for entrepreneurship training or business consulting services provided through the above-mentioned activity B) or through other projects and programs providing services of entrepreneurship training or business consultancies as VET centres, JOBS program, other Phare funded projects in the human resources development sector etc. An important criterion will be the requirement of minimum 25% co-financing of the grant holder. For the provision of the co-financing the entrepreneurs can use the existing Microcredit Guarantee Scheme, the JOBS leasing scheme or other credit facilities. Furthermore specific criteria will be developed for the eligible applicants by the MLSP together with the TA. The promotional campaign will be carried out by the contractor under activity A, the EA and the LOs. A call of proposals will be opened for the potential applicants. As the grants provisions are investment support for private companies the procedures will be in full compliance with the State Aids provisions of the Europe Agreements.

The MLSP jointly with the EA and the LOs will make an ongoing monitoring on the training process, consultancies provision as well as the grant scheme.

### 3.5 Lessons learned:

The following lessons have been taken into consideration while drafting the current project fiche:

- The previous Phare projects particularly SMAEP ‘99 and Vocational Training’2000 started their implementation period without completion of specially conducted surveys for the project purposes. Thus precious time from the implementation period has been wasted waiting for the survey results. In the current project it is foreseen to start the survey a few months before the commencement of the project according to the relevant Financial Memorandum and to have survey results in time;

- The experience gained in the Grant scheme implementation under the successful SMAEP project will be taken into consideration while managing and executing the grant schemes envisioned under this project;
4. Institutional Framework

The key parties in the project management and implementation are the MLSP, EA and its regional structures - Regional Employment Services (RES) and Labour Offices (LOs).

The Ministry of Labor and Social Policy is the Implementing Agency (respectively contracting authority) of the project as it is mandated to be IA under PHARE Program in social and human resources development sector.

The MLSP will manage and administrate the project through the Program Authorizing Officer (PAO). The Directorate “Pre-accession Funds, International Programs and Projects” (DPFIPP) will be acting as the administration of the IA / PAO.

The technical implementation of the project will be a joint responsibility of PIU comprising representatives from the MLSP and the Employment Agency, including its regional structures.

Project Steering Committee will be established for the strategic management of the project.

The Project Steering Committee

The PSC is a policy and decision making body. The main functions of the PSC are as follows:
- Approval of the results from the above-mentioned survey over the existing forms and the opportunities for development of new forms of alternative businesses;
- Approval of the selection of the awarded applicants under the Grant schemes;
- Approval of the progress reports that concern the overall implementation on a quarterly basis;
- Recommendations for the improvement of the project implementation;
- Counselling concerning problem issues;

The membership of the PSC will include representatives of stakeholder organizations such as MLSP, EA, Agency for Small and Medium Enterprises, Employers’ associations, Trade unions.

The PSC will take its decisions with simple majority.

The PSC will hold its regular meetings at least four times a year. When important matters are to be concerned the chairman or 2/3 of the PSC members could convene the PSC for a meeting.

PAO

The PAO has ultimate responsibility for ensuring that the programme is implemented fully in line with the Financing Memorandum and government policy in terms of sound administrative and financial management of the project, including tendering, contracting, disbursement, accounting, payment and reporting procedures and monitoring of the project.

MLSP - IA

The overall administrative and financial management is the responsibility of the MLSP. The latter include:
- Preparing and submission of procurement documentation based on inputs from the PIU, contracting and contracting procedures of works, supplies, goods and grants;
- Negotiations of contracts;
- Accounting, payments, and financial control for the contracts and grants;
- Overall monitoring and evaluation of the project activities;
- Preparation of quarterly and ad hoc reports on project status and fund management.
The PIU will be in charge of the technical implementation and day-to-day administration of the project.

Regional structures of the project

The regional structures of the EA – RES and LOs, will be involved in the technical implementation of the project in order to assure the effective decentralization of the project implementation. Some of the specific functions of the regional structures will be related to the conduction of the promotional campaign, selection and organization of groups of unemployed and employers that will be provided with training and retraining under activity (B), on-site organizational aspects of tendering and grant procedures, operational monitoring of the project including physical control of activities and results. The RES and LOs will need to build up effective linkages with a wider range of local individuals and organizations.

Technical Assistance

The Technical Assistance under the project will be in charge of the preparation of main operational documentation such as Operations Manuals, Guidelines for Applicants and other project related documentation. All these documents will be worked out based on the previous Phare projects implemented by MLSP. Moreover the TA will provide assistance and guidance to the MLSP and the PAO and PIU for complicated management and implementation issues.

5. Detailed Budget (in MEURO)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Phare Support</th>
<th>National Cofinancing</th>
<th>IFI*</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Investment</td>
<td>IB</td>
<td></td>
<td></td>
</tr>
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<td>Activity (A)</td>
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<td>Activity (B)</td>
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<td>TA</td>
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<td></td>
<td>0,2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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<td>0,2</td>
<td>3</td>
<td>3,94</td>
</tr>
</tbody>
</table>

6. Implementation Arrangements

6.1 Implementing Agency

The Implementing Agency (IA) is the Ministry of Labor and Social Policy through the directorate “Pre-accession Funds, international Programs and Projects”.

The PAO will be:
Mr. Radoslav Bozadzhiev
Deputy Minister of Labour and Social Policy
2 “Triaditsa” Str., Sofia 1051, Bulgaria
Phone: (+359 2) 933 24 59; Fax: (+359 2) 986 13 18 E-mail: rbozadzhiev@mlsp.government.bg
Due to the complexity of the project, ie diversity of interventions in several areas of the country characterized by a difficult situation (social etc) which may lead to more difficult project implementation conditions and involving a grant scheme, the disbursement period will be extended by one year to … 2007. Previous experience with comparable projects in this sector justifies such an approach. Grant schemes are still relatively new in Bulgaria

6.2 Twinning: Not applicable

6.3 Non-standard aspects: PRAG procedures will be followed in all contracting

6.4 Contracts:

Most of the activities under the project will be implemented through grant schemes and service contracts. In order to stimulate local involvement and to enhance effective management of the grant schemes, a call of proposals for the relevant activities will be issued amongst appropriate organizations that will further implement the activities foreseen.

The table below summarizes the possible breakdown of contracts under the project.

<table>
<thead>
<tr>
<th>TYPE OF CONTRACT</th>
<th>PROJECT ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service contracts</td>
<td>(A) Awareness campaign – 1 service contract</td>
</tr>
<tr>
<td></td>
<td>Technical Assistance – 1 contract</td>
</tr>
<tr>
<td>Grant schemes</td>
<td>(B) Training and retraining activities in terms of alternative forms of businesses - estimated number of grants 20</td>
</tr>
<tr>
<td></td>
<td>(C) Grant schemes for enhancing entrepreneurship - estimated number of grants for private companies about 130</td>
</tr>
</tbody>
</table>

7. Implementation Schedule

7.1 Survey on the alternative forms of business completed – end of 2003
7.2 Start of preparatory work for organization of tenders- September, 2003
7.3 Commencement of the project (organizational arrangements completed) – January 2004
7.4 Start of tendering for TA and service contract: first quarter of 2004
7.5 Start of call of proposals: fourth quarter of 2004
7.6 Start of project activities under the grant: Second quarter of 2005
7.7 Project completion – July of 2007

8. Equal Opportunity

Equal opportunity is a fundamental principle of the project. Ensuring equal opportunity will be embodied in every sub-project and at every level of implementation.

9. Environment

Generally, the project has no environmental impact. Nevertheless it is possible some of the individual micro projects to have environmental dimensions. They will be taken into consideration in the process of grants’ approval.
10. Rates of return

Rates of return can only be calculated for individual activities approved under the scheme.

11. Investment criteria

11.1 Catalytic effect:

While most of the activities will be implemented as grant schemes, co-financing will be required by the awarded applicants.

11.2 Co-financing:

All aspects of the program are based upon co-financing between Phare and the National Government on a 75:25 basis. As it was mentioned an additional co-financing will be expected in terms of contribution from the successful grant applicants. The co-financing of the successful applicants will in accordance with the State Aids provisions of the European Agreements.

11.3 Additionality:

EU finance will be additional to that allocated to the national active labour market policy schemes through national budget funds, Bulgarian Social Investment Fund, Governmental Micro-Credit Guarantee Scheme and private contributions.

11.4 Project readiness and Size:

The project budget will exceed the 2 MEURO for investment projects.

The MLSP has met the minimum criteria (stated in the KPMG final audit report from September 2002) for effective management of Phare funds. The latter ensures significant level of management preparedness. On the other hand the existing organizational structure and human capacity within the Employment Agency as well as an experience of the EA to implement labor market policy will be used for technical implementation and administration of the project.

The survey over the existing forms and the opportunities for development of new types of alternative businesses (to be financed under the Project Preparation Facility) will be conducted prior to the commencement of the project.

11.5 Sustainability:

The proposed activities, by and large, are part of the Active labor market measures implemented by the MLSP. The MLSP and the Employment Agency will guarantee future sustainability of similar activities.

11.6 Compliance with state aids provisions

The activities within the project will be implemented in accord with the Article 92(3)(a) of the Treaty of Rome with respect to regional aid in an Objective 1 Member States.

11.7 Contribution to National Development Plan

These are in accordance with those elements identified in item 2.4.
12. **Conditionality and sequencing**

The Survey over the existing forms and the opportunities for development of new types of alternative businesses needs to be completed by December 2003, prior to the formal commencement of the project.

Key milestones will be:

- Identification and approval of alternative forms of business that will be supported under the project – by December 2003;
- Establishment of PSC and PIU for the implementation of the project – by December 2003;
- Start of the preparatory work for organization of tenders by the end of 2003;
- Finalisation of operational arrangements;
- Selection of the TA and contractor dealing with awareness campaign;
- Calls for proposals and entry into the contracting phase;
- Implementation of activities;
- Final Evaluation Report;
### Appendix 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>ALTERNATIVE EMPLOYMENT</td>
<td>Contracting period expires Nov 2005</td>
</tr>
<tr>
<td></td>
<td>Disbursement period expires Nov 2007</td>
</tr>
<tr>
<td></td>
<td>Total budget: 3.93 MEURO</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increasing of employment opportunities in the alternative forms of businesses;</td>
<td>• Percentage increase in the number of employed in the alternative forms of businesses and within the target regions, one year after project completion;</td>
<td>• National Statistics Institute Reports;</td>
</tr>
<tr>
<td>• Promotion of alternative forms of businesses among newly established and existing SMEs in the targeted regions;</td>
<td>• Changes in the share of employment in the alternative business related to the overall employment structure;</td>
<td>• The Reports of the Employment Agency;</td>
</tr>
<tr>
<td></td>
<td>• Relatively changes in the structure of the regional economy one year after completion of project activities;</td>
<td>• Ex-post evaluation surveys;</td>
</tr>
<tr>
<td>Project purpose</td>
<td>Objectively verifiable indicators</td>
<td>Sources of Verification</td>
</tr>
<tr>
<td>-----------------</td>
<td>----------------------------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>• Increased level of employability and entrepreneurship of the labour force in the context of the alternative employment and within the targeted regions;</td>
<td>• 30% of unemployed, participated in the training programs, employed in 6/12 months after completing activities; • About 30 new firms established by beneficiaries under the project 12 months after completion of training; • 850 workplaces created in firms established by beneficiaries under the project 6/12 months after completion of the training and the Grant scheme;</td>
<td>• Ex-post evaluation surveys, organised by MLSP as an IA and performed by external auditors;</td>
</tr>
</tbody>
</table>

**Results**

<table>
<thead>
<tr>
<th>A) Awareness campaign for alternative forms of employment</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• At least 1300 books, 8000 booklets and 8000 brochures on alternative forms of business printed; • 30 promotional seminars, conferences; • radio, TV and press releases.</td>
<td>• 1300 book(s), 8000 booklets, 8000 brochures describing an alternative forms of business; • 30 promotional seminars; • Number and coverage of the radio, TV and press releases</td>
<td>• PIU reports on regular basis; • Records of involved stakeholders; • Records of training providers business consultancies companies; • Mid-term assessments and surveys; • Ex-post appraisal by external auditors;</td>
<td>• Target regions properly identified before the start of the project activities; • The survey is completed on time; • There is a clear understanding about the nature of the alternative forms of businesses; • Specific market needs for such alternative employment forms are justified; • Motivation and possibility of people to develop their own business and offer new employment opportunities;</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B) Training and retraining activities</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Developed new training curricula focused on the employment opportunities in alternative forms of business; • 1060 unemployed from the target regions involved in vocational training courses related to alternative forms of businesses;</td>
<td>• New training curricula developed and focused on the alternative forms of employment; • 1060 unemployed from target regions involved in vocational training courses related to alternative forms of businesses;</td>
<td>• Mid-term assessments and surveys; • Ex-post appraisal by external auditors;</td>
<td>• Target regions properly identified before the start of the project activities; • The survey is completed on time; • There is a clear understanding about the nature of the alternative forms of businesses; • Specific market needs for such alternative employment forms are justified; • Motivation and possibility of people to develop their own business and offer new employment opportunities;</td>
</tr>
</tbody>
</table>
- 450 employed retrained in activities related the alternative forms of business;
- 670 trained in entrepreneurship;
- 300 companies provided with business consulting services;
- 30% from those involved in the training programs find a job in 6/12 months after completion of courses;

C) Enhancing Entrepreneurship in the Alternative forms of businesses
- about 130 grants at to average amount of 15000 euro (maximum amount of 20000 euro) for micro enterprises, family businesses and start-ups supporting alternative forms of businesses in the target regions;
- 650 long-term jobs created in the alternative businesses.

| 450 employed involved in training courses according to the specific needs of their employers; | 450 employed involved in training courses according to the specific needs of their employers; |
| 670 involved in entrepreneurship training courses; | 670 involved in entrepreneurship training courses; |
| 70 people started their own business after completion of the training; | 70 people started their own business after completion of the training; |
| 300 alternative business companies provided with business consulting services; | 300 alternative business companies provided with business consulting services; |
| 30% of those involved in the training programs that find a job in 6/12 months after completion of courses; | 30% of those involved in the training programs that find a job in 6/12 months after completion of courses; |

C) Enhancing Entrepreneurship in the Alternative forms of businesses
- 650 long-term work places created;
<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Costs</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A) Awareness campaign for alternative forms of employment</strong></td>
<td>A) Awareness campaign for alternative forms of employment</td>
<td></td>
<td>• Availability of training and business consultancies providers and service sector firms aware of the alternative forms of employment and their specific needs;</td>
</tr>
<tr>
<td>• Development of criteria and procedures for selection of contractor for the promotional campaign;</td>
<td>• Service contract for the promotional campaign;</td>
<td></td>
<td>• Availability of entrepreneurs interested in development of alternative forms of employment.</td>
</tr>
<tr>
<td>• Contracting with the successful candidates;</td>
<td></td>
<td></td>
<td>• Criteria and procedures for grants awarding are correctly identified;</td>
</tr>
<tr>
<td>• Organisation and execution of the promotional campaigns;</td>
<td></td>
<td></td>
<td>Preconditions</td>
</tr>
<tr>
<td><strong>B) Training and retraining activities</strong></td>
<td>B) Training and retraining activities</td>
<td></td>
<td>• Alternative forms of businesses identified in the target regions;</td>
</tr>
<tr>
<td>• Drafting of criteria and guidelines for application and selection of training organisations, potential trainees, consultant organizations and employers;</td>
<td>• Grants for delivery of training programs and business consulting;</td>
<td></td>
<td>• Promotional and informational campaign well targeted;</td>
</tr>
<tr>
<td>• Promotion of the training, entrepreneurship and business consultancies grant schemes in the target regions amongst training organisations, employers and unemployed;</td>
<td></td>
<td></td>
<td>• Political support for the proposed project;</td>
</tr>
<tr>
<td>• Calls of proposals and selection procedure for awarded applicants;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Selection of trainees under the training activities;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Conduction of the training courses and provision of consultant services;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Monitoring of the training courses and consultancies by the LOs;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C) Enhancing Entrepreneurship in the Alternative forms of businesses</strong></td>
<td>C) Enhancing Entrepreneurship in the Alternative businesses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Promotion of the investment grants scheme in the targeted regions;</td>
<td>• Grants for investment support of private micro-companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Development of criteria and guidelines for selection of micro entrepreneurs willing to be supported under the grant scheme.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Calls of proposals and selection procedures;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Execution of the grant schemes;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Monitoring of grants implementation.</td>
<td></td>
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</table>
# Appendix 2

## Implementation Chart – ALTERNATIVE EMPLOYMENT

<table>
<thead>
<tr>
<th>Components</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
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<tbody>
<tr>
<td></td>
<td>Q 4</td>
<td>J</td>
<td>F</td>
<td>M</td>
<td>A</td>
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<tr>
<td>Identification of the alternative businesses supported under the project</td>
<td>X</td>
<td></td>
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<tr>
<td>Operational PIU</td>
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<td>Operational PSC</td>
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<td>X</td>
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<td>X</td>
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<tr>
<td>Procedures for TA selection and contracting</td>
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<td>X</td>
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<td>X</td>
<td>X</td>
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<tr>
<td>TA</td>
<td>X</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
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<td>Tendering for contractor assigned with the awareness campaign</td>
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<td>Awareness campaign</td>
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<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Call for proposals for training and retraining, business consultancies and</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>training in entrepreneurship activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants execution</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Call of proposals for grants providing investment support for micro-entre</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>preneurs</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Grants execution</td>
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<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Monitoring</td>
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<td>Final Evaluation</td>
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</tr>
</tbody>
</table>
Appendix 3

CONTRACTING AND DISBURSEMENTS SCHEDULES – ALTERNATIVE EMPLOYMENT FICHE

Figures in MEURO

<table>
<thead>
<tr>
<th>Date</th>
<th>31/03/04</th>
<th>30/06/04</th>
<th>30/09/04</th>
<th>31/12/04</th>
<th>31/03/05</th>
<th>30/06/05</th>
<th>30/09/05</th>
<th>31/12/05</th>
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<tr>
<td>Contracted</td>
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<td>0.333</td>
<td>0.333</td>
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<td>1.403</td>
<td>1.403</td>
<td>1.403</td>
<td>1.403</td>
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<tr>
<td>Disbursed</td>
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<td>0.22</td>
<td>0.26</td>
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<td>0.948</td>
<td>0.98</td>
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</tr>
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</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>31/03/06</th>
<th>30/06/06</th>
<th>30/09/06</th>
<th>31/12/06</th>
<th>31/03/07</th>
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<tbody>
<tr>
<td>Contracted</td>
<td>3.933</td>
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<tr>
<td>Disbursed</td>
<td>1.30</td>
<td>2.16</td>
<td>2.92</td>
<td>3.68</td>
<td>3.93</td>
</tr>
</tbody>
</table>
Annex 4

Institutional capacity

The Ministry of Labor and Social Policy (MLSP) is mandated to act as Phare Human Resources Development Implementing Agency as of January 2003. This is stipulated for the first time in the Council of Regional Development Decision, adopted on 12/11/2000 and most recently confirmed in the Council of Ministers Decision 607 adopted on 05/09/2002 concerning a “Conception for Extended Decentralized Implementing System for Phare and ISPA Programs”.

In April 2001, the Council of Ministers amended the MLSP Code of Practice and created formally the Directorate “Pre-accession Funds and International Programs and Projects” (DPFIPP). As determined by the MLSP’s Code of Practice, the DPFIPP main functions include: organization, coordination and management of programs and projects financed by EU pre-accession funds.

The DPFIPP will act as Phare IA based on the capacity built under SMAEP’99 Phare project as well as on the experience of Phare projects from 2000 to 2002. In the period concerned the DPFIPP has grown in experience, knowledge and skills for implementing EU pre-accession funds assistance.

Currently the DPFIPP comprises of 35 people at national level. There are 10 civil servants and 25 people on civil contracts. In this respect the latest amendment of MLSP Code of Practice from 12/11/2002 stipulates that the staff of the DPFIPP increases from 10 civil servants up to 25. Thus the MLSP will take the opportunity to maintain the human capacity from the SMAEP IA and other projects on a sustainable base as it will appoint the core staff as civil servants within the structure of the DPFIPP. The majority of the staff has around 2-3 years of experience and have attended general and specialized training courses on EU pre-accession and structural funds management according to specially developed and implemented Human Resources Development Strategy.

Furthermore DPFIPP have other 24 people working in the regional structures of the two projects – SMAEP’99 and Vocational Training’00. The people from these regional structures and the whole regional experience will be used in the management and implementation of the future projects. It is envisioned those people to be offered by the Employment Agency to be attached to the Labor Offices and Regional Employment Services which are the EA’s local structures and will be used in the technical implementation of the project.

On the other hand DPFIPP has developed and applied different kind of manuals and procedures for programming coordination, transparency and publicity, clients and partners’ complaints, procedures for reporting, rules for work with the TA, procedures for financial management, procedures for procurement, for contracting and contract amendments, Steering Committees convening, system for monitoring, job descriptions, strategy for human resources development within the directorate. All these documents are part of an Internal Procedures Manual.

All above-mentioned is a part of a grown institutional capacity and confidence within the MLSP and DPFIPP which was confirmed in the KPMG’s final report for “Verifying Phare IA’s Capacities for Managing Grant Schemes Projects” from September 2002. The reports
states that “in view of the IA’s track record of similar programs and its experience in managing grant schemes, the Auditor would recommend to the EC Delegation the undertaking of the necessary steps for ‘accrediting’ the MLSP’s IA and waiving the ‘ex-ante’ control, which should however be postponed until implementation of the actions recommended to comply with the minimum criteria, stipulated in Art 12.2 of the EC Regulation 1266/99”.

As far as MLSP will act as Phare Human Resources Development Implementing Agency as of January 2003, the technical implementation of the project in the sphere of Labor market active measures will be implemented jointly with the National Employment Agency. As it is pointed into the NEA’s Code of Practice “the NEA is “an administration under the Minister of Labor and social policy’s jurisdiction responsible for the implementation of the state policy for employment promotion, Labor market protection, professional information and consulting, professional and motivating training of unemployed and employed ...”

The EA will be involved in the technical implementation of Phare projects through the Directorate “International Agreements, Programs and European Integration”. According to it the Directorate “International Agreements, Programs and European Integration” of the NEA organizes, coordinates and manages the technical implementation of projects in the sphere of employment, professional education and qualification, social protection and equal opportunities, financed through the pre-accession funds of the European Union. The responsible unit within the mentioned directorate is the “Programs and European Integration division”.

The whole staff of Directorate “International Agreements, Programs and European Integration which is assigned for the implementation of these projects has almost two years experience already on implementing programs from pre-accession funds like Phare and SAPARD and have attended general and specialized training courses on EU pre-accession and structural funds management according to specially designed and adopted Human Resources Development Strategy. The majority of the staff on Regional level will be trained on twinning projects and especially on procurement, financial management, monitoring and evaluation.

The NEA will use its own staff, well experienced because of the implementation of active measures on the Labor market and additional staff on a civil contract base, where special knowledge is required. On a regional level, 24 people working on the last two projects – SMAEP’99 and Vocational Training’00 under the auspices of MLSP will be incorporated in the NEA accordingly. People from these regional structures and the whole regional experience will be used in the implementation of future projects. On a regional level as well, the Agency will establish specialized units within its Regional Employment Services set up in accordance with the administrative structure of Bulgaria.

Each RES includes nowadays more than 20 Labor offices ready to provide technical assistance on projects at local level as well as to promote them. The NEA staff is hired on a Labor contract basis and will be prepared for the future implementation of programs and projects under the structural funds and Implementing Agency management and supervision.