1. Basic Information

1.1. CRIS Number: BG2003/004-937.11.03
1.2. Title: PILOT INTEGRATED INVESTMENT SCHEME FOR REGIONAL DEVELOPMENT ACTIONS
1.3. Sector: Economic and Social Cohesion
1.4. Location: Bulgaria – North-East Planning Region

2. Objectives

2.1. Overall objective:
- Creating the conditions for balanced endogenous development in the Bulgarian regions;
- Reducing intra-regional disparities in employment, income and development opportunities;
- Strengthening the administrative capacity for effective implementation of regional programmes, thus ensuring strong input of the regions in the programme management cycle taking place at national level.

2.2. Project purpose:
Establishment of background experience and practical skills for operating an integrated scheme of interventions in conformity with EU structural funds regulations and practice, by pilot testing such in North-East (NE) planning region of Bulgaria.

2.3. Accession Partnership and NPAA priority
The aim of the project reflects the short-and mid-term objectives of the Accession Partnership priorities of Bulgaria. The implementation mechanism indirectly contributes to the preparation of Bulgarian central and regional authorities for implementation of Structural Funds and in particular – the European Regional Development Fund (ERDF).

The strategic objective laid down with the integrated investments scheme proposed for pilot testing in one of the planning regions, will either strengthen the regional capacity to generate incomes or will avoid economic depression. At the same time, an experience will be gained in making interventions in compliance with the rules and practices of the EU Structural Funds.

2.4. Contribution to National Development Plan
In the process of preparation of Bulgaria for accession to the European Union and with a view to ensure sound management and successful absorption of the funds under EU pre-accession programmes as the main stage and possibility to gain experience for the future use of the Structural Funds, a Strategy for participation in the EU Structural Funds has been prepared and adopted by the Bulgarian Government (CoM Decision No 312 of 28 May 2002). The Strategy determines the scope and the administration of the operational programmes under the National Development Plan, among which the Regional Operational Programme corresponds to the strategic priority for achieving regional cohesion and preventing a potential increase in the differences resulting from an aggressive national growth policy.

This integrated investment scheme will support potential activities in North-East (NE) planning region identified within the Regional Operational Programme. The priorities, the measures and the criteria for project proposals selection, as well as the indicative financial allocation for the planning region and the respective measures have been
already identified in the draft Regional Operational Programme (ROP), which has been prepared in the framework of the EU Special Preparatory Programme (SPP).

The draft Regional Operational Programme (ROP) covers the programming period 2003-2006 and is prepared in compliance with the National Economic Development Plan (NEDP). The strategy, objectives and measures of ROP are based on the priority of NEDP for “Attaining Balanced and Sustainable Regional Development” and will contribute for:

- Boosting business competitiveness in lagging behind areas
- Improvement of business related infrastructure
- Human resources development in areas of critical need

In February – May 2002 the draft Regional Operational Programme (ROP) was coordinated with all partners and institutions involved in the programming of regional development process. Nevertheless, it still needs further revision in regard to the priorities that the National Development Plan will set out in the field of regional development. It is expected that the implementation of this scheme will support developing the process, rules and techniques for preparation of integrated Objective 1 operational programme, based on the methodology of EU regional policy and Structural Funds programming.

3. Description

3.1. Background and justification:

The existing financial system in Bulgaria still does not promote regional development policy. At present, regions are not involved in the reallocation of funds and are not allowed to accumulate or use funds of their own. During the period of economic transition, apart from the last few years, no financial sources were available for the development of regions necessary to reach the expected EU development levels required for accession. As a consequence not only the situation of the areas lagging behind worsened, but also the potentials for economic growth have remained undeveloped.

Phare assistance for regional development in Bulgaria has been set against the background of the necessity for transition to completed institutional framework of regional development policy and for mobilisation of all resources (external and national/ regional) in order to reach better level of policy co-ordination and thus promoting economic growth and at the same time preparing Bulgaria for accession to the European Union.

As a result, structural and regional interventions in Bulgaria have already gone a long way to meet the objectives and principles of the Structural Funds. However, Bulgaria still bears considerable shortage of practical experience in developing and implementation of integrated programmes for regional development. In that context, the project will assist the country own efforts to overcome this shortage by introducing a new approach: from ‘programming as learning’ to ‘learning by doing’.

The present “Integrated Investment Scheme for Regional Development Actions” is proposed for pilot testing of the draft ROP in North-East (NE) planning region of Bulgaria. The process of draft ROP preparation approximated to the approach of the Structural Funds, combining top-down and bottom-up approaches. On one hand, it was built on the national-level planning work of NEDP. On the other, its development relied on regional consultation process, based on a partnership approach and led by the Commissions of Economic and Social Cohesion (CESCs) of the 6 planning regions. The consultation processes included also development of Regional Development Plans.
(RDP) for each of the planning regions and extensive, almost 2 years lasting, exchange of opinions and ideas between all major stakeholders.

The need of such project had been also confirmed by the results of Phare programming cycle carried up to now. MRDPW initiated a broad campaign for programming regional development actions to be financed in the frame of Phare 2003. The process started in early 2002 by several workshops for the Ministry’s staff both at central and regional level. Later on, involving also the members of the 6 CESC s, as well as other economic and social partners, the training activities were spread around by introducing the importance of the partnership principle in the process of programming. Consequently, more than 1000 project proposals were sent to MRDPW. The approach for their evaluation and selection was carried out in compliance with the requirements and practice of the Structural Funds. The broader result was a practical initiation of an efficient project-pipeline, which is to be the basis for future programming.

Recognising the difficulties, which may arise from the implementation of such complicated scheme aimed at supporting the regional investments and stimulating the process of decentralisation, as well as including not only programming, but also implementation, monitoring and evaluation of projects, MRDPW decided to pilot test such an approach in one of the NUTS II planning regions (NE). The choice of the region for pilot testing was determined mainly by the strategic aim of the project, namely: to start implementing the ROP while also strengthening the capacity for that at regional and local level. In that relation, North-East region is the only one covering all sub-programmes with allocation of funds under all measures.

General overview on the structure, demography, living standards, economic performance, technical infrastructure, social infrastructure and SWOT analysis of Northeast planning region justifying this choice, is given in Annex 4 to the present fiche.

3.2. Linked activities

In terms of better implementation of such an integrated scheme, which besides its investment character has the wider objective to stimulate the process of decentralisation not only of the programming activities but also the implementation, monitoring and evaluation of projects, an Institutional Building project will be implemented under Phare National Programme 2003 – “Preparing MRDPW’s central and regional structures for managing future ERDF-type programs and projects”. This IB project foresees the reinforcement of the administrative capacity of MRDPW and the inter-ministerial co-ordination, as well as coordination with other structures both at national and regional level, involved in preparing, implementing and evaluating economic & social cohesion strategies and projects, and promotion the partnership principle through consultation on development priorities.

Additionally, the investment scheme will be a logical continuation of the activities carried out under the different components of the Special Preparatory Programme for Structural Funds in Bulgaria (SPP), while continuing the establishment and strengthening of the existing regional structures.

Various Grant Schemes (on-going and under Phare programming) within the Ministry of Economy (cultural tourism, QMS, eco-tourism), Ministry of Regional Development and Public Works (municipal roads for access to tourist sites, water-supply for sites of tourist interests), Ministry of Labour and Social Policy (labour market initiatives and social inclusion schemes).
According to EC Regulations, co-ordination between all pre-accession instruments will be ensured at national and regional levels in the framework of NEDP, including provisions that SAPARD, ISPA and Phare shall not support same measures (Art.5 of EC Regulation 1266/99). Furthermore, in order to differentiate the scopes of the Sectoral Operational Programmes and the Regional Operational Programme, it was also agreed that, whereas the Sectoral Programmes should target the so-called “growth poles” of Bulgaria, while the Regional Programme should target the less developed areas (so-called “target areas”).

3.3. Results
- Established and fully operational pilot scheme for support to the NEDP priority for attaining balanced and sustainable regional development.
- Actors on national and regional level (incl. project promoters and beneficiaries) gained experience in preparing, implementation and using a scheme for integrated regional development actions
- Increased absorption capacity of regions
- Growth of the productive sector, development of human resources, improved environmental protection and provision of better regional business-related infrastructure in NE region

3.4. Activities
Based on the existing regional development strategy of NEDP and the local initiatives, the project anticipates activities in three main components (1 Grant Scheme):
- Removing obstacles and improving access to development support for productive sector in lagging behind areas, so as to prevent worsening of disparities;
- Creating conditions for the utilisation of local development opportunities through investments in business related infrastructure;
- Alleviating existing and potential social problems connected with extremely high unemployment levels and low income (HRD).

The strategic objectives and measures of each component flow from the overall objectives and correspond to the “priority policy areas” and “actions/interventions” as defined in the draft Regional Operational Programme (ROP).

Detailed specification of provisional measures, description of indicative eligibility criteria and of potential beneficiaries is presented in Annex 5 to the present fiche. The range of eligible actions in each of the measures is broadly defined covering all those identified in the ROP. However, in order to confirm with the required degree of concentration of the available limited resources, a smaller number of measures and/or main actions are going to be specified within the framework of a PPF to this project before signing FM.

In addition to the Grant Scheme that is to be implemented, a separate TA contract is foreseen with the main objective to strengthen the capacity of the IA and its regional structures in managing Objective 1-type of programmes as well as to provide appropriate support to potential applicants for their effective participation in the Grant Schemes and increase the number of high quality project proposals received.

In accordance with the provisions of the local legislation as well as following the rules set up with the Programming Guide Phare 2003 a separate service contract will be contracted for covering the needs of independent supervision of works, especially under the second component of the Grant Scheme.
Component 1. **Improving access to development support for productive sector**

This component deals with the economic regeneration of lagging areas across Bulgaria (disadvantaged areas – areas of industrial decline). The aim is to influence the overall environment so that it becomes attractive to new, developing and expanding businesses. This will in turn lead to GDP per capita growth and will create employment opportunities, evenly distributed among the population, thus raising living standards.

Component 2. **Investments in business related infrastructure**

This component deals with the construction, maintenance and upgrading of infrastructure that is directly related to the function of businesses in Bulgaria:
- local roads connecting business activity centres with main roads
- utility facilities for business activity centres (water supply, sewerage treatment and telecommunication facilities)
- energy infrastructure related to the functioning of businesses (natural gas, hydropower energy, wind, solar geothermal and biomass generated energy)

Component 3. **Alleviating social problems (HRD)**

As a result of the structural reforms that have been introduced in the economy, Bulgaria has witnessed a decline in the demand for labour. This has correspondingly led to an increase in the country’s unemployment rate. This component complements the human resource development planning on the national level, targeting the areas that are worst hit in Bulgaria (lagging areas), and have the following strategic objectives:
- make available to the unemployed labour force necessary qualifications;
- retraining; and
- life-long learning.

3.5. Lessons Learned

During the preparation of this project fiche, the experience of MRDPW and the local/regional communities’ activities undertaken in the Phare BG 0102.04 Road Access to Tourism Sites project was considered, as being the first regional grant scheme implemented according to the rules of PRAG.

Lessons learned from previous years show that timely and professional preparation of project documentation is a prerequisite for proper project implementation. In addition to that, a number of projects during the recent two years had their tendering and contracting processes delayed and projects have been contracted close to the expiration of the contracting period of the respective FM, thus shortening and risking the successful implementation. In view of this, additional technical assistance under a PPF contract is envisaged before the individual grants and contracts are awarded.

Alongside with the present pilot scheme, a separate IB project is proposed for funding under Phare 2003 – “Preparation of Central and Regional structures of the MRDPW for future ERDF type programmes and projects”. The parallel implementation of the both projects – IB + pilot integrated investment scheme, will catalyse the formation of an effective project pipeline as background for drafting ROP’s Complement.

4. **Institutional Framework**

The overall pilot Investment Scheme will be drafted and managed by the MRDPW, in close cooperation with the regional economic & social partners, and assisted by the relevant line ministries (Ministry of Labour and Social Policy, Ministry of Economy, Ministry of Agriculture and Forestry, Ministry of Transport and Communication,
Ministry of Environment and Waters, Ministry of Energy and Energy Resources) in respect to avoid overlapping of activities with designed horizontal sectoral measures. The principles of programming, monitoring and evaluation will be observed during the implementation.

Partners at the regional NUTS II level (NE planning region) are the District Governors, the Local Municipal Administrations, Regional/ Local Associations and various regional and local non-governmental organisations.

5. Detailed Budget

<table>
<thead>
<tr>
<th></th>
<th>Phare</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant Scheme (Components 1-3)</td>
<td>4.10 MEUR</td>
<td>4.10 MEUR</td>
</tr>
<tr>
<td>TA Contract (awareness campaign, training, selection, M&amp;E)</td>
<td>0.45 MEUR</td>
<td>0.45 MEUR</td>
</tr>
<tr>
<td>Service Contract (supervision of infrastructure projects)*</td>
<td>0.25 MEUR</td>
<td>0.25 MEUR</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>4.10 MEUR</td>
<td>0.70 MEUR</td>
</tr>
</tbody>
</table>

It is proposed that Phare will finance up to 75% of the total cost of the investment components. The Beneficiaries will provide the remaining co-financing. In addition to this, if the final recipient is in the private sector (SME), then the maximum rate of grant from the combined Phare and national public funds should be 25% for investment in plant, machinery and other hard assets with a maximum grant to each recipient of € 100,000 over three years (State Aids “de minimis” rule). Minimum 75% should come from a bank loan and equity. For actions involving TA (market research, business planning, quality standards, etc) not related to a specific investment project, a higher grant rate than 25% could be applied. Should the total cost of works proposed exceed the estimate shown in the table above, the Beneficiary will provide the necessary additional co-financing.

This project constitutes part of a phased approach and a further tranche of Phare funding is expected to be considered in 2004.

* When the final list of individual projects is approved, and the nature of potential works activities is identified, then it will be decided by the Implementing Agency, whether the Service Contract – Supervision will be launched at once, or split out into three separate FWC covering each of the Grant Scheme’s components.

6. Implementation Arrangements

6.1. Implementing Agency

The Implementing Agency (IA) will be the Ministry of Regional Development and Public Works:

Ministry of Regional Development and Public Works
17-19, Cyril and Methodius Str.
1202 Sofia
Phone +359 2 988 1849 or 940 5488 - Fax +359 2 988 4364

1 Budget justification is given in Annex 6
Due to the complexity of the project, ie diversity of interventions in a poor area 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

Implementing Bodies (IB) will carry out the technical implementation of the project. The IBs at Stage 1 (preparation of the tender dossiers) will be located at the Ministry of Regional Development and Public Works. The IBs at Stage 2 (the actual implementation and monitoring of the individual contracts) will be located at regional/local level.

A Project Steering Committee will be established for the overall management, operation, monitoring and evaluation of the investment scheme during the life of the project comprising at least representatives from the institutions listed in 4.

An Evaluation Committee will be established at the MRDPW, comprising of:
- IA Phare at MRDPW;
- CESC of North-East planning region
- Representatives from respective line ministries

The Evaluation Committee is mainly in charge of adopting or reviewing the selection criteria as well as for the final selection of projects.

A Project Secretariat for the Regional Development Scheme will be established at NE regional level by the MRDPW. Staffs nominated to take up specific functions within this Secretariat are from or appointed by the MRDPW. Staffs do not necessarily have to be based in the same location in the NE; functions may be carried out from different locations. The MRDPW is wholly responsible for the organisation of the Secretariat and functions delegated to it. Other Ministries may also decide to second staff to this body.

The Secretariat will support the MRDPW at regional/local level with the implementation of the Regional Development Scheme. It will also support the work of the Steering and Evaluation Committees. Its specific functions will include, among others, assisting the IA with the project application and selection process (information campaign, advice to applicants, screening of project proposals etc.) and with the monitoring and supervision of project implementation.

**Project Application**
Guidelines for Applicants for the Grant Scheme, as well as draft ToRs for the international restricted service contract (TA Contract - awareness campaign, training, selection, M&E) will be prepared by MRDPW (within December 2003), which will be responsible for the overall implementation of the pilot investment scheme. Phare IA at MRDPW will publish detailed information on eligibility. This information will be distributed through the territorial structures of the Ministry. These documents will be elaborated in close consultation with all regional economic and social partners; they will be approved by the Project Steering Committee.

**Project Selection**
It is envisaged that the selection process will pass via two phases:
1. After a general information campaign, an initial application process will be launched, which seeks to ensure that the potential project proposals that the beneficiaries will submit are viable and eligible for funding under the integrated grant scheme. This will lead to an initial pre-selection process from which projects will be short-listed (using the general selection criteria) for development into full grant scheme applications. It is foreseen that the potential beneficiaries will prepare and submit a project proposal as per the given by MRDPW format.
2. When short-listed project proposals are approved by the evaluation Committee, a second round of application forms (complete one) should be prepared and delivered by the beneficiaries. During this second-round selection, the potential beneficiaries could receive additional technical support and advice, given that a TA project is foreseen during the Grant Scheme Implementation (i.e. on matters like preparing Environmental Impact Assessment, Cost-Benefit Analysis, etc.)
Special attention will be paid to avoid any duplication and/or overlapping of activities with other current ESC projects and other initiatives under Phare, ISPA and SAPARD (especially the horizontal sectoral ones). This will be ensured via two-round system of selection the individual grants, whilst proposals received at the first-round, which are generally ineligible for funding and/or duplicating, overlapping other programmes will be preliminary excluded from the procedure. The proposed two-round system of selection will also provide for eliminating additional efforts in preparing full documentation for non-eligible proposals, thus saving also time and money of potential beneficiaries.

Project selection procedures maybe adjusted to the specific needs/requirements of the measures that will be chosen for support under this grant scheme, based on a decision by the Project Steering Committee.

**Contract award**
The individual contracts will be awarded according to the procedures stated in the Practical Guide for Phare, ISPA and SAPARD (PRAG).

**Monitoring / Supervision**
The day to day monitoring and supervision of the Regional Development Scheme will be the responsibility of the MRDPW. The MRDPW may delegate part of the monitoring and supervision tasks to the Project Secretariat. The Project Steering Committee will receive regular reports on progress made in the implementation of the scheme.

**Project Preparation**
Prior to the start of this scheme, a PPF expert will be appointed to support preparations of the scheme. The Consultant under the PPF contract will work together with MRDPW on preparation of Guidelines for applicants, while covering all the procedures on the Grant Scheme Implementation: i.e. setting criteria for participation (eligibility of projects, beneficiaries, partnership, area, etc.); procedures on applying with project proposals and completing application form; evaluation and selection procedures; awarding grants procedure; implementation and payment procedures; contractual procedures; evaluation and monitoring, etc. Taking into consideration the two-round system of the selection process, 2 formats of application will be designed/formulated:

1. simple form for project proposals;
2. complete form, comprising of all the complementary information and proofs, technical specifications, environmental impact assessment, etc.

People involved in the implementation of the Regional Development Scheme, e.g. from the IA, Secretariat and the two Committees, will benefit from technical advice/support and training to be delivered through the Phare 2003 Structural Funds preparation project of the MRDPW.

6.2. Twining
N/A

6.3. Non-standard aspects
There are no non-standard contracts or tender procedures envisaged within this project.

6.4. Contracts
The proposed pilot investment scheme comprises of:
1) Grant Scheme (m€ 5.47)
2) TA Contract - awareness campaign, training, selection, M&E (m€ 0.45)
3) Service Contract - supervision of infrastructure projects (m€ 0.30)
7. Implementation Schedule

7.1. Start of tendering/call for proposals
   - January 2004 – Launching tendering of the TA contract
   - April 2004 – Call for Proposals under the pilot scheme (round one – simple form)
   - September 2004 – Short-list of eligible projects and launch of second round of selection
   - October 2004 – launching tendering for supervision contract

7.2. Start of project activity
   - September 2004 – start up of the TA contract
   - December 2004 – start up of signing contracts under the 3 Grant Schemes
   - May 2005 – start up of Supervision Contract

7.3. Project Completion
   - November 2006

8. Equal opportunity

The investment scheme implementation procedures will ensure that the project brings benefits to men and women, and to ethnic groups in equal measure. Special attention will be paid to ensure that women and members of ethnic groups are included in the projects activities.

9. Environment

The investment scheme will not be harmful to the environment. All of the individual projects envisaged an environmental impact assessment report as part of their feasibility study and the evaluation criteria. The resultant business development will have no negative impact on the environment.

10. Rates of return

Rates of return can only be calculated for the individual projects approved under this investment scheme. The evaluation criteria will seek to select projects that provide significant rates of return based on economic benefits such as increased employment and incomes.

Public financed projects in principle will not bring profits to the private sector. They are supported in order to be economically viable because they create benefits to the specific location, especially when and where they will contribute to the safeguarding and to the creation of employment.

All feasibility studies will be calculated under Guide to Cost Benefit Analysis.

11. Investment criteria

11.1. Catalytic effect:
This project gives financial support to new regional development actions that has not previously received support under the national and donors’ aid programmes. The measures are planned to be contained through the ROP, contributing for the preparation of the country for future management and operation of programmes under the Structural Funds.

11.2. Co-financing:
It is proposed that Phare will finance up to 75% of the total cost of the investment components. The National Fund will provide the remaining co-financing. In addition to this, if the final beneficiary is in the private sector (SME), then the maximum rate of grant from the combined Phare and national public funds should be 25% for investment in plant, machinery and other hard assets with a maximum grant to each recipient of € 100,000 over three years (State Aids “de minimis” rule). Minimum 75% should come from a bank loan and equity. For actions involving TA (market research, business planning, quality standards, etc) not related to a specific investment project, a higher grant rate than 25% could be applied.

Should the total cost of works proposed exceed the estimate shown in the table above, the Beneficiary will provide the necessary additional co-financing.
11.3. Additionality:
The grants awarded under this investment scheme will not displace any other financial
sources. Supported investments and programmes will not displace private financial sources, as
they do not generate financial profit.

11.4. Project readiness and size:
Technical assistance will be provided, from PPF 2002 to prepare: detailed operational
guidelines and selection criteria for the 3 grant schemes, application forms for the two-round
selection system, detailed awareness and information strategy/action plan. Draft ToRs for the
TA /PPF is attached as Annex 7 to the project fiche.

Guidelines for Applicants for the Grant Scheme, as well as draft ToRs for the international
restricted service contract (TA Contract - awareness campaign, training, selection, M&E) will be
prepared within December 2003. Phare IA at the MRDPW will publish detailed information on
eligibility. This information will be distributed through the territorial structures of the Ministry.
These documents will be elaborated in close cooperation with all regional economic and social
partners.

11.5. Sustainability:
Sustainability shall be described in the individual applications and/or in the required supporting
documents. This precondition will form one of the selection criteria.

11.6. Compliance with state aids provisions:
All actions financed by Phare will respect the state aid and competition provisions of EC.

11.7. Contribution to National Development Plan
This project directly contributes to the NEDP 2000-2006 priority for ‘Attaining Balanced and
Sustainable Regional Development’ through actions, which are foreseen in the areas targeted
by the draft Regional Operational Programme.

12. Conditionality and sequencing
The project will start after signing of the Financial Memorandum between Bulgaria and the
European Union, which is foreseen by the end of 2003.

The success of this project depends also on the successful acceptance and commencement of
the associated ESC increasing activities under the productive sector projects, as well as the
proposed IB project for financing under the National Phare Programme 2003 – ‘Preparing
MRDPW’s central and regional structures for managing future ERDF-type programs and
projects’.

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| ANNEX 2 | IMPLEMENTATION CHART |
| ANNEX 3 | CONTRACTING AND DISBURSEMENT SCHEDULE BY QUARTER |
| ANNEX 4 | GENERAL OVERVIEW OF NORTH-EAST REGION |
| ANNEX 5 | INDICATIVE ELIGIBILITY CRITERIA AND BENEFICIARIES |
| ANNEX 6 | BUDGET JUSTIFICATION |
| ANNEX 7 | DRAFT TOR – TA/PPF |
**ANNEX 1**

**LOGFRAME PLANNING MATRIX FOR**

Project “Integrated investment scheme for regional development actions”

<table>
<thead>
<tr>
<th>Programme name and number</th>
</tr>
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<tbody>
<tr>
<td>Contracting period expires: Nov 2005</td>
</tr>
<tr>
<td>Disbursement period expires: Nov 2007</td>
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<tr>
<td>Total budget: 6.22 M€</td>
</tr>
<tr>
<td>Phare budget: 4.80 €</td>
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</tbody>
</table>

### Overall objectives

- Creating conditions for balanced endogenous development in the BG regions;
- Reducing intra-regional disparities in employment, income and development opportunities;
- Strengthening the administrative capacity for effective implementation of regional programmes.

### Objectively verifiable indicators

- Positive assessment in the pre-accession framework in the sense that economic and social cohesion objectives in the Accession Partnership have been met

### Sources of Verification

- Regular reports of EC
- Statistical data – EUROSTAT, National Statistical Institute

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### Project purpose

Establishment of background experience and practical skills for operating an integrated scheme of interventions in conformity with EU structural funds regulations and practice, by pilot testing such in NE planning region of Bulgaria.

### Objectively verifiable indicators

- Increased publicity of EU programmes reflected by establishment of public interest network and organisations active in regional development
- Improved quality of programming documentation with viable and sustainable measures

### Sources of Verification

- Project Progress Reports
- Independent Interim Evaluation Reports from the European Commission

### Assumptions

- National and regional actors assume their programming and monitoring roles
- Work continues on drafting and refinement of the programming documentation

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### Results

- An established and fully operational pilot Integrated Investment Scheme for support of the NEDP priorities
- National/ regional human resource capacities better-adapted to local demands
- Increased absorption capacity of regions
- Improved business and living environment in the NE region
- Better accessibility in the NE region

### Objectively verifiable indicators

- Successfully completed projects in the NE planning region
- Project pipe-line established and functioning as basis for programming
- Absorption of funds (min 80%)
- Quantitative and qualitative indicators in the frame of those set out in the ROP, depending on the nature of concrete projects.

### Sources of Verification

- Monitoring and Evaluation Reports
- Project Reports

### Assumptions

- The proposed Phare 2003 IB project for the MRDPW is successfully implemented
- Members of all respective bodies in all NUTS II regions implement the knowledge and skills gained during the training provided
- Effective information and communication flow between the various stakeholders at national and regional levels
<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Integrated local development actions under the Grant Scheme:</td>
<td>Works, Supply, Services</td>
<td>• Active and sustainable project pipeline is established for programming current and future investment actions</td>
</tr>
<tr>
<td>- Improving access to development support for productive sector</td>
<td></td>
<td>• Effective implementation mechanism at national and regional level is set out</td>
</tr>
<tr>
<td>- Investments in business related infrastructure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Alleviating social problems (HRD) (detailed list eligible activities will be described within the project documentation to be delivered with the PPF project).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Technical assistance and support for strengthening the capacity of the IA and its regional structures in managing Objective 1-type of programmes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Provision of appropriate support to potential applicants for their effective participation in the Grant Schemes and increase the number of high quality project proposals received.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Independent supervision of infrastructure works under the Grant Scheme</td>
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</tbody>
</table>

**Preconditions**
PFP on-time and successfully implemented
## ANNEX 2 - Implementation Chart
Project “Integrated investment scheme for regional development actions”

<table>
<thead>
<tr>
<th>Activities</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
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<tbody>
<tr>
<td>Approval of TORs for PPF - TA contract</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>FWC – launching RfS</td>
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<tr>
<td>Awarding and signing FWC – PPF TA contract</td>
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<tr>
<td>Draft of Guidelines for Applicants, Application Forms</td>
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<td>Draft ToRs for TA (restricted tender procedure)</td>
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<tr>
<td>Guidelines for Applicants, Application Forms and Internal Procedures Guide Approved</td>
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## ANNEX 3

### Contracting and disbursement schedule by quarter

**Project title:** "Integrated investment scheme for regional development actions"

<table>
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<tr>
<th>Contracting</th>
<th>Cumulative contracting schedule by quarter in € m (provisional)</th>
<th>Total</th>
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General overview of Northeast Planning Region (NER)

I. General
NER comprises six administrative districts, Varna, Dobrich, Shoumen, Razgrad, Silistra and Targovishte. It ranks 3rd in population among the six regions, with 1,343,382 inhabitants (16.4% of the National total – year 1999 data) and also 3rd in area, occupying 19,966.6 sq. km. (18.0% of the National total).

The presence of the city and port of Varna is the most important regional characteristic. It is the hub of social and economic activity and accounts for about 23% of the total population in the region. NER has borders with one non-EU country and is crossed by three “pan European” transport corridors, one of them being the Danube waterway. The region is flat in the north and hilly in the south. In the east it opens-up to the Black Sea. The region is relatively poor in usable water resources with considerable nature reserves and protected areas.

As is the case with the whole Country, there are intra-regional disparities in terms of social, economic and environmental conditions, due to the geomorphology and the uneven distribution of economic activities.

II. Demography
The population of the region has declined by 2.5% between 1995 -1999 and the population density was in 1999 67.3 inhabitants per sq. km.

Regarding the age and sex structure, the regional figures are similar to the national ones. Increasing infant mortality, reduced birth rates and out-migration, although not as dramatic as in other regions, have resulted in a relative smaller percentage of young population. The population is more aged in the rural parts of the region. The ethnic structure of the region is quite diverse and about 30% of the total population belongs to minority groups.

III. Living standards
With 1,447 USD per capita, NER ranked third (in GDP per capita) among all six regions in 1998. It ranks third and second in the ratio of telephone lines and cars per 1,000 inhabitants, but is only in the fifth position regarding the ratio of doctors per 1,000 inhabitants. The application of the Human Development Index (HDI) at municipal level shows that as many as 96% of the 49 municipalities of the region are positioned below the National average. 45% of the municipalities have low HDI, 51% medium and only 2 municipalities, Varna and Beloslav, are above the National average.

In some areas of the region the unemployment rate is alarming. In contrast, the regional average figure of 23.2% (NSI, 1999) is well above the national average of 17%.

As far as the state of the environment is concerned, the region has favourable characteristics and most of the monitored parameters are below the level of permissible standards with the exception of few areas, as the “hot spot” industrial area Varna – Devnya.

IV. Economic performance
The distribution of economic performance is relatively even, and the district of Dobrich has the highest GDP per capita among the districts of the region. The remaining districts demonstrate productivity levels between 72% and 88% of Dobrich GDP per capita.

Services account for 57% of the employment, since many people have shifted to the tertiary sector from other declining branches. The primary sector accounts for a higher percentage (33.8%) than the National average. The secondary sector accounts for 20.8%. The leading sectors of the regional economy are: (a) agriculture (more than one fifth of the total country agricultural land is in the region); (b) well-developed tourism (with 41% of the total number of beds); (c) manufacturing (mainly of chemicals); (d) shipbuilding and repairing; (e) food processing; and (f) manufacturing of electronic appliances.
The region possesses a very rich natural and cultural potential, which contributes significantly to its economy and provides an advantage for further development of specialised tourist activities, like eco-tourism.

V. Technical infrastructure

Accessibility in the region is good, mainly due to the Sofia – Varna motorway. Road infrastructure is well developed, (road density is greater than the national average), but all classes of roads need maintenance and improvement. The Varna airport, although it should be further developed and improved, serves well the region and the increasing tourism needs. About one quarter of goods passes through Varna port, which is one of the two major Bulgarian seaports on Black Sea.

NER has a relatively well-developed telecommunications network. This network is being gradually digitalized. There is also partial provision of modern services, which may be improved.

A need for better management of the rather limited usable water resources and for repair / renovation of the water supply networks exists. Modern facilities for effective treatment and safe disposal of liquid and solid wastes, either domestic or industrial, are required.

NER is well organized as regards energy production and distribution. Considerable infrastructure exists which nevertheless is in need of modernisation and maintenance. The expansion of the gas network is a priority due to economic and environmental factors.

VI. Social infrastructure

The major health establishments are located in Varna and the other NER district capitals. However, accessibility to health services for the population of rural and remote areas is also a problem.

The region has a well-developed educational infrastructure, with about 19% of all establishments of the country. University education is also developed in Varna, with branches in the other cities of the region. There is need for modern equipment and re-orientation of vocational education. This re-orientation should take into account the specificities of NER and especially the existence of Varna as a sea and transport junction, tourist resort and industrial centre.

The harsh economic situation, which characterises the whole country, calls for special attention to groups of socially excluded people, such as the unemployed, the disabled, the ethnic minorities, and a part of women and young people.

Strengths:

A strongly developed agricultural sector is the region’s major advantage. Thanks to its favourable climate and vast plains the region has turned into the largest cereal grain-producing region. With its access to the Danube River and the Black Sea, the region play an important role in connecting the country with Central Asia and with countries in the Black Sea region. The region has a well-developed transport network, although some of the roads lack maintenance. The region has a well-developed and competitive transport (especially sea transport) and tourism sector. The population decline and demographic trend are more favourable than in the rest of the country.

Weaknesses:

The Northeast suffers from a partially depreciated transport infrastructure and low levels of energy efficiency (underdeveloped heat supply system, gas distribution system and combined heat and electricity production). Sewerage systems are insufficiently developed and the region is confronted in some areas with the existence of abrasion and land sliding. Some of the remoter rural areas are particularly badly developed. The existence of local industrial pollution and “hot spot” such as Devnya – Varna (due to the concentration of chemical industries) are threats to both the local population and possible investments in the region. Investments, including FDI, are already rather limited and hence the technology contents and technological innovation potential of companies is low. As elsewhere in Bulgaria, SME in the Northeast lack sufficient business culture as well as management and entrepreneurial skills. The region’s workforce suffers to some extent from lack of appropriate
skills and qualifications and the region’s training institutes from inappropriate curricula and lack of up-to-date equipment.

**Opportunities:**
The region’s location at the Black Sea and on the border with Romania provides it with trade development and cross-border co-operation opportunities. Its strong position in the tourism industry, its strong agricultural sector and a commitment to environment protection will allow the region to develop eco-tourism and other new/alternative forms of tourism as well as organic agriculture. Inter-sectoral links (agriculture – food industry – tourism – construction works) in this context are also promising. There is also a large potential for a stronger export orientation of the economy.

**Threats:**
As elsewhere in Bulgaria, main threats include the continued loss of competitiveness and the closure of (certain strategic) industries and other sectors linked with increased job losses. This trend could be accelerated through a slow adaptation to EU and international standards and requirements and hence a delay in the integration process with the EU. Threats for the Northeast also lie in a further deepening of the wealth and development gap between the centre (coastal zone, notably Varna) and the periphery (rural, remote areas). Cross-border pollution and acid rains as well high seismic activity and landslides could reduce the attractiveness of the region and hinder economic development.

**ANNEX 5**

**Indicative eligibility criteria and beneficiaries under each measure according to draft Regional Operational Programme (ROP)**

**Component 1. Improving access to development support for productive sector**

Within this general framework, the following actions are foreseen:

- Provision of financial assistance, technical expertise and consultancy to industrial (manufacturing) firms.
- Intervention in the tourism sector aiming at boosting alternative tourism products, in order to improve the quality of the services, and promote the tourism product.
- Provision of specialised services and technical assistance to SME.

**Measure 1.1: Industry**
The actions supported under this measure are proposed to be, as follows:

a. Provision of premises for manufacturing enterprises (existing and start-ups), including:
   - Preparatory actions, such as assessment of demand for workspace at local level and identification of appropriate sites and buildings.
   - Creation of workspaces through the redevelopment and refurbishment of existing premises and buildings.
   - Information campaigns to attract tenants and selection of the most appropriate ones among the applicants.
   - Provision of associated facilities and support services if appropriate.

b. Modernization of buildings, equipment, and other fixed assets of existing manufacturing enterprises, including:
   - Preparation of a business plan and technical studies concerning such modernization.
   - Financial aid to enterprises to cover part of the costs of modernization (e.g. modification and expansion of premises in compliance of various quality management systems – ISO, GMP, GLP, etc.; introduction of energy efficient and environmentally friendly equipment - subject to the previous preparation and approval of the above business plan and studies).
Other complementary actions may include:
- Provision of business development aid for selected sectors.
- Quality certifications (adoption of ISO9000 standards).
- Organization and management improvement schemes.
- TA for export promotion.

Eligibility criteria includes:
- Support to locations lacking an adequate supply of modern industrial premises and related.
- Project applications supported by: an adequate feasibility study, and a management scheme including publicity and selection of tenants and availability of business support facilities and services.
- Participating enterprises must be financially viable.
- Financial aid may be offered at a second stage, if fully justified by the preparatory studies of stage one.
- The level of financial aid from Phare and public co-financing may not exceed EURO 25,000 (subject to review) per individual enterprise or 50% of the total cost of the project.

Intended beneficiaries are:
- Providers of industrial buildings and support services, including municipalities, regional development agencies, business associations
- Manufacturing enterprises (existing and start-ups) – the Phare aid is to be assigned in full compliance with the PRAG regulations.

Measure 1.2: Tourism
The main actions to be supported under this measure are:

a. Development and marketing/advertising of innovative tourist products and packages (including assessment of tourism potential and market research studies).

b. Improvements to, or creation of new tourist infrastructure and facilities including associated services (e.g. organisation of eco-tourism trails and cultural sites, dissemination of tourist information and creation of visitor centers).

Other complementary actions may include:
- Employee training (see also related sub-measures 1.3 and 3.3).
- Introduction of information technologies.
- Organization of festivals and other cultural events.

Eligibility criteria:
- The project meets the stated regional/local priorities in terms of tourism product and location.
- The project generates additional overnight stays, increases the average revenue per tourist, attracts new visitors and helps extending the tourist season.
- The project satisfies quality requirements in either accommodation establishments or infrastructure.
- The project encourages private sector investment.
- The projects contributed to job and income creation.
- The project size and nature is in line with future demand for tourist services in the area.
- The level of financial aid from Phare and public co-financing will not exceed EUR 10,000 (subject to review) per individual enterprise or 50% of the total cost of the project.

Intended beneficiaries are:
- Municipalities, regional development agencies, tourist associations, and other collective bodies involved in tourism, cultural and environmental activities.
- Enterprises associated with tourism as suppliers of services and individuals as employees (job and income) and users - the Phare aid is to be assigned in full compliance with the PRAG regulations.
Measure 1.3: SME

The main actions to be supported under this measure may be, as follows:

a. Provision of business consultancy services, including:
   - Basic services (especially aimed at start-ups), e.g. information (on setting up a business, taxation, etc) and business planning advice
   - Specialist consultancy support, e.g. marketing, exporting, business innovation
b. Business training, e.g. management training for enterprise managers.
c. Support for start-ups (micro-businesses and self-employment)

Eligibility criteria:
- The beneficiaries to be addressed should be competent SME with capacity to establish and run a business, in order to achieve maximum impact.
- The type of services to be provided should be based on careful assessment of the needs of the business sector.
- People managing and stuffing the SME should come from the business environment.
- The proposed investment should most probably achieve maximum outreach, by establishing contacts with other SME.
- The private consulting potential is not crowded out.
- There must be a potentially effective investment, so that more beneficiaries can profit from the same financing resources.
- The number of unemployed people, especially disadvantaged unemployed people may fall.
- SME contribution to financing will have to be at least 50%

Intended beneficiaries:
- Local authorities and collective bodies (business associations, RDAs) at local level dealing with the establishment and operation of business support services.
- SMEs that will seek advice and consultancy and individuals starting up in business or self-employment

Component 2. Investments in business related infrastructure

The strategy for improving business related infrastructure focus on the following principles:
- Business centred approach: equip the target beneficiaries with the necessary infrastructure for increasing their volume of production and improving their productivity.
- Equity approach: provide equal opportunities to all potential beneficiaries regarding utilities and infrastructure, particularly in areas that are lagging behind in development (target areas).
- Protection of the environment: all projects should have as a major prerequisite the respect to the environment.
- Achievement of synergy with other programs: business related infrastructure projects should not be stand-alone. They must be designed and implemented in co-ordination with all the running programs, particularly ISPA and SAPARD.
- Managerial partnership: there should be an effort to motivate all interested parties (national authorities, regional and municipal structures, NGOs, the private sector) in applying best practices during project selection and project implementation.

Measure 2.1: Local and regional roads

The main actions to be supported under this measure will be as follows:

a. Construction or reconstruction of feeder roads, including:
   - Roads connecting lagging areas with Big Road Axis
   - Improvement of alignment of existing roads
b. Rehabilitation, improvement or upgrading of existing feeder roads, including
   - Paving, surface repair
   - Overlays, signs and stripes
c. Other complementary activities may include:
   - Partial cover of land expropriation costs
- Sign posting of business sites
- Technical assistance for road feasibility studies
- Institutional strengthening

Eligibility criteria:
- The proposal is not eligible under ISPA.
- The project contributes to a coherent national transport system and facilitates the movement of passengers and freight.
- There are significant business opportunities likely to be favored as a result of the project.
- There is improvement in the access and reliability of transportation for target productive units, clusters or sectors.
- There is improvement in the access and reliability of transportation for remote areas, disadvantaged population groups and communities.
- The degree to which property expropriations as well as environmental problems can be resolved is acceptable.
- The number of job opportunities during construction and operation phases is significant.

Intended beneficiaries:
- Concerning the third class roads, the direct beneficiary will be the Roads Executive Agency (REA).
- For the fourth class roads the direct beneficiaries will be the municipalities.
- Indirect beneficiaries: The business sector and the local communities

Measure 2.2 Provision of utilities for business development

Eligible actions:
- Repair or replace the existing water network, replace and reconstruct worn out water mains.
- Make optimal use of the existing facilities by improving their technical performance and increase their economic returns.
- Ensure the connection of business sites.
- TA to prepare waste management plans for major polluters or entire business sites.
- Construction of storage facilities for industrial or other wastes resulting from production.
- Provision of means for the collection and if necessary transportation of such wastes.
- Ensure the delivery of services in business development sites. Existing and planned business premises should be fully equipped and enabled.
- Ensure connectivity of government offices, educational establishments, learning centers and community facilities in disadvantaged areas.
- Improve access to and delivery of services in remote communities.
- Encourage better usage of the infrastructure already in place, so that businesses and communities are taking advantage of the benefits of information and communication technology and the demand for private investment is stimulated.

Other complementary actions may include:
- Provide technical assistance (TA) for the improvement of the administration system, including the creation of a sound hydrologic database, needs assessment, demand management, pricing policies, reduction of water unaccounted for, structural reforms of the sector.
- Provide TA for integrated management of river basins.
- Provide TA to local water partnerships and render communities aware of the process of water use and prudent management of water as an economic good.
- Leverage of private sector investments in both the water companies and the domestic production of pipes and relevant equipment.
- Construction of intermediate treatment facilities.
- Construction of land filling facilities for the final disposal of wastes.
- Provision of facilities for handling separately and safely disposing of hazardous and infectious wastes.
- Leverage of private sector capital for the re-use of wastes.
- Study the needs of the target beneficiaries that will drive sustainable demand.
- Encourage local initiatives to develop applications that meet the national standards.
- Support training and mentoring activities, which will help in making clear the benefits of information and communication applications to target groups and will facilitate if required the use of related hardware and software by these groups.
- Set in place a monitoring system to make sure that the infrastructure developments are integrated, coordinated and compatible, therefore avoiding duplication or fragmentation.

Eligibility criteria:
- The project is not eligible under the ISPA or SAPARD programs.
- The project addresses the problem of unaccounted use of water due to technical and non-technical losses in the distribution system.
- The project addresses the issue of inadequate management system, organizational deficiency and poor operation and maintenance, leading to waste in consumption.
- The project deals with bottlenecks at any point in the supply network from the source to the end user, either domestic or commercial.
- The projects aims at reducing inequalities in the per capita supply of potable water and is targeted at these areas, population groups or business sites that face a water rationing.
- The effort to reduce industrial waste should initially focus at preventing or limiting the production of waste. Eligible projects should address cases where this is not possible and thus the effort is to dispose the waste safely.
- The environmental impacts of the facilities are minimized through proper handling.
- There is no existing infrastructure capable of supporting modern standards of voice and data transmission.
- The necessary investment in upgrading the fixed networks cannot otherwise take place (e.g. by private sector operators).
- Opportunities for the development of activities by the private sector are provided.
- Penetration of the network is increased and therefore the average cost or inconvenience of accessing it is positively affected, since the distance to the nearest phone or post office is reduced.
- The performance of the existing network is ameliorated.
- Different user groups are targeted
- New services and innovative applications are supported (e.g. EDI).
- Emergency communication is secured.

Intended beneficiaries:
- Local authorities and local collective schemes that deal with the supply of water to business sites or to target areas and groups are expected to be direct beneficiaries.
- Local authorities in industrial “hot spots” or schemes charged with managing business sites.
- Local Authorities charged with managing business sites or provide connection to target areas or groups.
- **Indirect beneficiaries**: The whole business community and the general public in the target areas, particularly those cut off, inadequately serviced, or facing severe industrial pollution problems will be benefited

**Measure 2.3: Energy**

Eligible actions:
- Construction or reconstruction of business connections to the gas network.
- Feasibility studies and engineering design of power applications.
- Regional energy surveys including energy needs, supplies and the environmental status.
Other complementary actions may include:
- Repair and upgrading of existing power distribution systems.
- TA for better understanding of the scope, costs and risks involved.
- Transfer of know-how to community level to provide technicians with the ability to maintain and service equipment.
- Establishment of close links between research and development outputs and the local manufacturing sector.

Eligibility criteria:
- The project addresses the problems of isolation for remote regions, by completing or improving interconnections with the existing gas transmission and distribution network.
- The project addresses significant energy infrastructure gaps.
- The project attracts investments to the remote areas.
- The project aims at increasing the efficiency of energy use by achieving substantial cost reductions.
- Links between the project and the commercial sector in the area are ensured, mainly reflected to increased productivity.
- The absorption capacity of the overall final demand is not exceeded.
- The operation and maintenance aspects after project implementation are considered.
- The environmental aspects of the intervention are taken in to consideration.
- The relevant natural resource exists in the area (hydropower, wind power, solar, geothermal, biomass).
- Links of the intervention with social aspects are established that is the renewable energy project is associated with another development project, including entrepreneurial exploitation.
- The project addresses the needs of the local stakeholders.
- Appropriate technology is used which is applicable to the target area and the natural and human resources available.
- The investment is economically viable, given the national tariff system.

Intended beneficiaries:
- Local authorities and local collective schemes that deal with safe and environmentally friendly energy supply the supply.
- Indirect beneficiaries: Legal entities of the public and social sector on regional or local level already involved or wishing to be engaged in gas distribution or renewable energy exploitation. Indirectly, the local business sector and domestic energy consumers will be benefited. Significant environmental improvement is also expected.

Component 3. Alleviating social problems (HRD)

This component is expected to help reducing unemployment and enhancing the business environment, in line with the EU strategies.

Measure 3.1: Improving employability and employment promotion

The main actions supported under this measure may be as follows:

b. Training and related activities (professional training /retraining and/ or re-orientation / re-qualification.

c. Job creation:
   - Temporary or permanent job creation programmes by public bodies (e.g. municipalities), NGOs etc.
   - Assistance to employers / recruitment of qualified personnel.
Other complementary actions may include:
- Guidance, orientation and training in job-seeking skills, in particular for young unemployed people.
- Integration of disadvantaged groups in the labour market (ethnic minorities, disabled people, school-drop-outs, ex-substance abusers, ex-offenders.
- Creating employment associations to provide work for unemployed people.
- Providing employment through the development of social and technical infrastructure projects.
- Encouraging employers to hire unemployed people on a part-time basis.
- Increasing employment by encouraging employers for the first five employed persons.
- Employment in the public sector or utilities projects (temporary or permanent job creation).

Eligibility criteria:
- The project addresses the problem of comparatively high rates of unemployment (overall, youth, long-term);
- The project addresses the problem of unemployment associated with structural difficulties (arising from major plant closures etc.);
- Severe job qualification deficiencies (low levels of basic education, industrial skills, technical specialisations) are being tackled by the project;
- Significantly high levels of population decline (particularly loss of economically active population) may be prevented;
- Severe problems of social exclusion (including ethnic minority groups) may be alleviated.

Intended beneficiaries:
- Municipalities, other public bodies, NGOs, training providers
- Indirect beneficiaries: Employers, Unemployed people, Disaffected young people (school drop-outs) who have not yet joined the labour market;
- Disadvantaged and socially excluded groups including women, ethnic minorities and people with disabilities

Measure 3.2: Improving the quality of vocational education and training

The main actions to be supported under this measure may be as follows:

a. Adaptation of buildings, computers and other equipment
b. IT development, development of databases, info systems, etc

Other complementary actions may include:
- Development or improvement of vocational education and training centres;
- Provision of vocational guidance in secondary schools;
- Development of curricula designed to address mismatch of skills and labour market needs;
- Establishment of vocational education and training programmes in information and communication technologies;
- Introduction of information and communication technologies into schools; and
- Development of links between the social partners to enable monitoring of labour market needs.

Eligibility criteria
- The project addresses the problem of comparatively high rates of unemployment (overall, youth, long-term);
- The project addresses the problem of unemployment associated with restructuring difficulties (arising from major plant closures etc.);
- The project addresses the problem of severe job qualification deficiencies (low levels of basic education, industrial skills, technical specialisations);
- Significantly high levels of population decline (particularly loss of economically active population) are being tackled by the project; and
- Severe problems of social exclusion (including ethnic minority groups) are being alleviated by the project.
Intended beneficiaries:
- Accredited training providers (schools, training institutions and other training providers concerned with the delivery of VET)
- *Indirect beneficiaries*: School leavers; Disaffected young people (school drop-outs); People with inadequate qualifications; People with inappropriate qualifications; and Disadvantaged groups such as ethnic minorities and people with disabilities.

**Measure 3.3: Development of skills for labor market needs in the context of life long learning**

The main actions to be supported under this measure may be, as follows:

a. Training / retraining in new skills;
b. System development

Other complementary activities may include:
- Access to continuous vocational training and on-the-job training through provision of incentives to employers and employees.
- Development of effective and innovative customer-oriented programmes in cooperation with the social partners and through decentralization including programmes on branch and firm level.
- Establishment of a modern information system for vocational guidance and information, etc.
- Interventions related to actively involving the social partnership (unions, associations, etc.) in continuous vocational training, performing of researches on the labour market needs, etc.
- Support for initiatives to harness the technological and research capacity of the target areas to the requirements of the productive system.
- Professional reorientation/retraining/re-qualification for employees in areas undergoing structural change.
- Assistance to individuals for self-employment.
- Work experience for young people.

Eligibility criteria:
- The project should target areas with significantly high percentages in population decline (particularly loss of economically active population).
- The project should target areas with severe job qualification deficiencies (low levels of basic education, industrial skills, technical specialization, etc).
- The project should target areas with comparatively high rates of unemployment (overall, youth, long-term) and unemployment associated with structural problems.
- The project should target areas with severe problems of social exclusion (including ethnic minority groups).

Intended beneficiaries:
- Training providers (training centres, universities, etc)
- Employers associations
- *Indirect beneficiaries*: Employees with inadequate/ inappropriate qualifications. Self-employed persons with inadequate/ inappropriate qualifications. Employers/enterprises
ANNEX 6

Budget justification as set up in the draft Regional Operational Programme

The “Pilot Integrated Investment Scheme for Regional Development Actions” includes national and EU financing, together with local co-financing (municipal and/or private where available and appropriate). This regional integrated scheme is designed to support identified and potential activities in North-East (NE) planning region. The targeted areas, priorities and measures are already set up in the ROP and the proposed budgeting under the present Scheme follow the indicative financial allocation by planning region, taking into consideration the project proposals received by MRDPW in the course of Phare 2003 programming.

The allocation of the total funds (as set out in the ROP) is based on a method adopted in NEDP and is proportional to the weighted population of the planning regions, calculated on the basis of the following principles:

- Proportional allocation among regions (on a population basis) - the main argument being the preparatory nature of the activities in all regional plans in respect with the structural funds use and management capacity (all regions should receive equal access to the funds in order to acquire the necessary capacity).
- Redistribution in favour of less developed, peripheral areas – reflected in the population net of cities with more than 100 000 inhabitants.
- Consideration of the regional disparities and complexity of problems and needs, especially in economic development (redistribution on the basis of GDP per capita and unemployment level).

The allocation of the total funds is presented in the following table:

<table>
<thead>
<tr>
<th>Regions</th>
<th>Total</th>
<th>EU (PHARE-ESC)</th>
<th>National</th>
<th>Per capita</th>
<th>% of the total funds</th>
<th>% of population</th>
</tr>
</thead>
<tbody>
<tr>
<td>North West</td>
<td>17.59</td>
<td>10.39</td>
<td>7.20</td>
<td>30.04</td>
<td>12.0%</td>
<td>7.1%</td>
</tr>
<tr>
<td>North Central</td>
<td>23.96</td>
<td>14.15</td>
<td>9.81</td>
<td>19.54</td>
<td>16.3%</td>
<td>15.0%</td>
</tr>
<tr>
<td>North East</td>
<td>32.03</td>
<td>18.92</td>
<td>13.11</td>
<td>23.84</td>
<td>21.8%</td>
<td>16.4%</td>
</tr>
<tr>
<td>South East</td>
<td>18.30</td>
<td>10.81</td>
<td>7.49</td>
<td>22.20</td>
<td>12.5%</td>
<td>10.1%</td>
</tr>
<tr>
<td>South Central</td>
<td>36.12</td>
<td>21.34</td>
<td>14.78</td>
<td>17.46</td>
<td>24.6%</td>
<td>25.3%</td>
</tr>
<tr>
<td>South West</td>
<td>18.60</td>
<td>10.99</td>
<td>7.61</td>
<td>8.68</td>
<td>12.7%</td>
<td>26.2%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>146.60</td>
<td>86.60</td>
<td>60.00</td>
<td>17.90</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: NEDP

Furthermore, each CESC in the planning regions have decided that each sub-program and subsequently each proposed measure is going to have its specific weight within the ROP. In refining the CESC decisions the following principles are taken into account:

- The necessity to allocate the budget among the measures incorporated under the regional priority of NEDP, not necessarily coinciding with the measures proposed in each RDP;
- The need to conform to a budget allocation ratio of 40% (for the business competitiveness sub-program), 30% (for the business related infrastructure sub-program) and 30% (for the human resources development sub-program), a decision that was centrally made; and
- The need to reflect as much as possible regional advantages or problems as well as national priorities.
For the NE region the situation was assessed as follows:
The CESC decided to allocate the budget available among all 9 measures, already included in RDP. Besides, a small percentage (6%) of money initially earmarked for the support of industry was shifted to tourism development.

The tentative allocation of the available budget by planning region, sub-program and measure is presented in the table below. In each cell of the table, the number in the first line represents the respective percentage and the number in the second line represents amounts in EURO million (rounded to the second decimal). Numbers in brackets indicate expected Phare co-financing. The names of the measures are indicative (full names can be found in the Regional Operational Programme).
### REGIONAL OPERATIONAL PROGRAMME - BUDGET ALLOCATION BY PLANNING REGION, SUB-PROGRAMME AND MEASURE

<table>
<thead>
<tr>
<th>REGION</th>
<th>Sub-programme 1 (40%)</th>
<th>Sub-programme 2 (30%)</th>
<th>Sub-programme 3 (30%)</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BUSINESS COMPETITIVENESS</td>
<td>BUSINESS RELATED INFRASTRUCTURE</td>
<td>HUMAN RESOURCES DEVELOPMENT</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Measure 1.1 INDUSTRY</td>
<td>Measure 1.2 TOURISM</td>
<td>Measure 1.3 SME</td>
<td>Measure 2.1 ROADS</td>
</tr>
<tr>
<td>NW</td>
<td>-</td>
<td>10</td>
<td>30</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1.75 (1.04)</td>
<td>5.28 (3.12)</td>
<td>5.28 (3.12)</td>
<td>-</td>
</tr>
<tr>
<td>NC</td>
<td>19</td>
<td>6</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>4.31 (2.54)</td>
<td>1.44 (0.85)</td>
<td>3.83 (2.26)</td>
<td>7.19 (4.24)</td>
</tr>
<tr>
<td>NE</td>
<td>12</td>
<td>8</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>3.85 (2.27)</td>
<td>2.56 (1.51)</td>
<td>6.41 (3.75)</td>
<td>4.80 (2.83)</td>
</tr>
<tr>
<td>SE</td>
<td>-</td>
<td>28</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>3.65 (2.16)</td>
<td>3.65 (2.16)</td>
<td>2.75 (1.62)</td>
<td>2.75 (1.62)</td>
</tr>
<tr>
<td>SC</td>
<td>-</td>
<td>32</td>
<td>8</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>11.56 (6.82)</td>
<td>2.89 (1.70)</td>
<td>6.50 (3.83)</td>
<td>4.33 (2.55)</td>
</tr>
<tr>
<td>SW</td>
<td>5</td>
<td>25</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>0.93 (0.56)</td>
<td>4.65 (2.74)</td>
<td>1.86 (1.10)</td>
<td>1.86 (1.10)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>9.09</td>
<td>25.61</td>
<td>23.92</td>
<td>15.91</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1. BACKGROUND

1.1 Regional Development in Bulgaria

Reducing regional disparities, respectively achieving balanced regional development is basic content of the contemporary regional policy in Bulgaria. The Government strategic policy objectives are as follows:

- Creating the conditions for balanced endogenous development in all Bulgarian regions;
- Reducing intra-regional disparities in employment, income and development opportunities;
- Creating conditions for exogenous growth in border areas.

Similarly to the other Central and Eastern European countries main problem for Bulgaria is the creation of new instruments for regional development policy reflecting the new situation and problems arising in the process of moving to the EU Structural Funds. In that context, Phare assistance for regional development is set against the background of:

- Transition to completed institutional framework of regional development policy. This institutional framework in practice functions as legal, administrative and financial system for implementation of regional policy. To meet its objectives, the framework needs improved and stable structures, personnel, procedures and techniques for efficient programming, management and control;
- Mobilisation of all resources (external and national/regional) in order to reach better level of policy co-ordination and thus promoting economic growth and at the same time preparing Bulgaria for accession to the European Union.

In 2002, a Strategy for participation in the EU Structural Funds has been prepared and adopted by the Bulgarian Government CoM Decision No 312 of 28 May 2002), which determines the scope and the administration of the operational programmes under the National Development Plan, among which the Regional Operational Programme corresponds to the strategic priority for achieving regional cohesion and preventing a potential increase in the differences resulting from an aggressive national growth policy.

The draft Regional Operational Programme (ROP), which was prepared in the frame of the EU Special Preparatory Programme (SPP), approximated the approach of the Structural Funds, combining the top-down and bottom-up approaches and is:

- a multi-annual programming document addressing regional disparities for the whole of Bulgaria and a basis for the preparation of Phare Economic and Social Cohesion projects/measures;
- complementary and additional to the Sectoral Operational Programmes under preparation; and
- a pre-cursor of the future ROP under the Structural Funds.
The draft Regional Operational Programme covers the programming period 2003-2006 and is prepared in compliance with the National Economic Development Plan (NEDP). The strategy, objectives and measures of ROP are based on the priority of NEDP for “Attaining Balanced and Sustainable Regional Development” and will contribute for:

- Boosting business competitiveness in lagging behind areas
- Improvement of business related infrastructure
- Human resources development in areas of critical need

In February – May 2002 the draft Regional Operational Programme was coordinated with all partners and institutions involved in the programming of regional development process. Nevertheless, it still needs further revision in regard to the priorities that the National Development Plan will set out in the field of regional development.

1.2 Preparatory Achievements

Under Phare 2003 ESC programming a grant scheme project ‘Pilot integrated investment scheme for regional development actions’ has been developed to facilitate the process, rules and techniques for preparation of integrated Objective 1 operational programme, based on the methodology of EU regional policy and Structural Funds programming.

The strategic objective laid down with the integrated investments scheme proposed for pilot testing in one of the planning regions – North-East, will either strengthen the regional capacity to generate incomes or will avoid economic depression. At the same time, an experience will be gained in making interventions in compliance with the rules and practices of the EU Structural Funds.

Based on the existing regional development strategy of NEDP and the ROP, the project anticipates activities in three main components:

- Removing obstacles and improving access to development support for productive sector in lagging behind areas, so as to prevent worsening of disparities;
- Creating conditions for the utilisation of local development opportunities through investments in business related infrastructure;
- Alleviating existing and potential social problems connected with extremely high unemployment levels and low income (HRD).

The choice of the region for pilot testing was determined mainly by the strategic aim of the project to start implementing the ROP, while also strengthening the capacity for that at regional and local level. In that relation, North-East region is the only one covering all sub-programmes with allocation of funds under all measures.

2. DESCRIPTION OF ASSIGNMENT

2.1 Beneficiaries

CFCU is the Implementing Agency and Contracting Authority and all contractual and financial issues should be referred to the CFCU.

The Ministry of Regional Development and Public Works (MRDPW) is the main Beneficiary for this project. The day-to-day responsibility for technical aspects of implementation falls to the department for Economic and Social Cohesion Programme Implementation at MRDPW.

Implementation of this project will require the close involvement of other partner institutions and organisations in respect to avoid overlapping of activities with designed horizontal sectoral measures:

- Ministry of Labour and Social Policy
- Ministry of Agriculture and Forestry;
- Ministry of Economy;
- Ministry of Transport and Communication;
- Ministry of Environment and Waters;
- Ministry of Energy and Energy Resources.
The above line-ministries and where appropriate – other partner organisations, will be fully involved in the project implementation; therefore they are considered as additional beneficiaries. In line with the partnership principle, as described in Structural Funds regulations, it is important that regional representatives and stakeholders in NE region (district governors, municipal administrations, regional/ local associations and various regional and local non-governmental organisations) are also fully involved in identifying development priorities as well as in designing and preparing potential projects. Therefore a Steering Committee is to be established by involving the relevant institutions and organisations.

2.2. Objectives

The general objective of the assignment is to provide technical assistance to the main Beneficiaries in their preparation work before the start-up of the grant scheme, so that the aims, objectives and targets of Phare 2003 ‘Pilot integrated investment scheme for regional development actions’ project are fully met.

The specific objective for this project is to:
Prepare the set of documents needed for the successful implementation of the integrated grant scheme, i.e. detailed selection criteria; guidelines for applicants; application forms; operational guidelines (general rules for procedures of the Evaluation Committee; general rules for implementation, monitoring and evaluation of the grant projects), information and publicity action plan etc.

2.3. Requested services

A team of EU and local experts (hereinafter called the “Consultant”) will provide TA, as follows:

a) During the inception period of the present project, the Consultant should acquaint himself with the relevant Bulgarian legislation and documentation directly related with the integrated regional development grant scheme (e.g. Regional Development Act; Spatial Planning Act; Administrative Territorial Organisation Act; Local Self-Government and Local Administration Act; Municipal Budgets Act; Municipal Ownership Act; Strategies/Plans/Programmes/Analysis for Regional Development and in particular – NE planning region, etc.).

b) The Consultant will work proactively with the ministries, relevant organisations and stakeholders, based in Sofia as well as in NE planning region. The Consultant will visit target areas in NE region (as per the draft Regional Operational Programme) and will review Phare 2003 project proposals received in MRDPW, with the aim to identify ideas for possible projects, be acquainted with the real development needs and discuss with regional stakeholders (potential grant beneficiaries) eventual assumptions and risks that may influence the project implementation.

c) The Consultant should study carefully the needs and potential for development in NE planning region, and in consultation with the Ministry of Regional Development and Public Works and the other partner institutions and organisations to formulate:
- appropriate number of measures and actions under each component of the investment scheme.
- selection criteria relevant to the Bulgarian specifics, while also covering the stipulations/ eligibility criteria for Phare-funded projects.

The Consultant should review and further specify the measures and the selection criteria contained in the draft ROP/ Project Fiche, ensuring that they are appropriate and represent openness and transparency.

In addition, special attention will be paid to avoid any duplication and/or overlapping of activities with other current ESC projects and/ or other initiatives under Phare, ISPA and SAPARD.

d) The Consultant is requested to assist MRDPW in formulating and implementing the Publicity Action Plan, following the requirements of the EU Phare Guide (Visual Identity Guidelines for Contractors and other Implementing Partners) and ensuring thus transparency of procedures, general information and promotion of the grant scheme.
e) It is expected that the selection process of the potential grant projects will pass via two phases:
   • After a general information campaign (December 2003 - February 2004), an initial application process will be launched, which seeks to ensure that the potential projects proposals the beneficiaries will submit are viable and eligible for funding under the integrated grant scheme. This will lead to an initial pre-selection process from which projects will be short-listed (using the general selection criteria) for development into full grant scheme applications. It is foreseen that the potential beneficiaries will prepare and submit a project proposal as per the given by MRDPW format.
   • When short-listed project proposals are approved by the evaluation Committee (April 2004), a second-round of application forms (complete one) should be prepared and delivered by the beneficiaries. During this second-round selection, the potential beneficiaries could receive additional technical support and advise, given that a TA project is foreseen during the Grant Scheme Implementation (i.e. on matters like preparing Environmental Impact Assessment, Cost-Benefit Analysis, etc.)

Taking into consideration this two-round system of the selection process, the Consultant under the present PPF project should design/formulate two formats of application forms:
1) A simple form for project proposals;
2) A complete form as required by the Phare Project Fiche for the Grant Scheme, comprising of all the complementary information and proofs, technical specifications, environmental impact assessment, etc.

f) The Consultant should work together with MRDPW on preparation of Guidelines for applicants, while covering all the procedures on the grant scheme implementation: i.e. setting criteria for participation (eligibility of projects, beneficiaries, partnership, target areas etc.); procedures on applying with project proposals and completing application form; evaluation and selection procedures etc.

g) The Consultant should provide also technical assistance to the IA at the Ministry of Regional Development and Public Works, while drafting operational guidelines setting out the general rules and procedures on the implementation, selection, monitoring and evaluation of projects under the Grant Scheme.

h) In addition to the above-mentioned services, the Consultant should provide constant on-the-job training both to the Beneficiary institutions (mainly the IA staff at MRDPW) and the potential grant beneficiaries. The Consultant should also organise several workshops both in Sofia and in NE planning region, with the aim to practical know-how transfer and awareness on the PRAG rules, covering mainly the grant contracts' procedure. For the purpose of these workshops, the Consultant should prepare a brief guide on these procedures, both in English and Bulgarian, which is to be distributed among the potential grant beneficiaries for further use in the process of applying and implementing the projects.

i) It is expected that prior the end of the present contract, the Consultant should also prepare the ToR for Technical Assistance under the grant scheme, while taking into consideration the work done till this moment and the information gain in the process of preparing all above mentioned documents.

2.4. Expected Results

1) A set of documents needed for the effective launch and implementation of the grant scheme is prepared – selection criteria; application forms; guidelines for applicants; operational guidelines for the IA at MRDPW etc.

2) Extensive consultation process involving all interested parties, both at central and regional level is conducted, with the aim of achieving the most efficient and effective selection approach, ensuring also that the eligibility criteria are appropriate and represent openness and transparency
3) Actors on national and regional level (incl. project promoters and beneficiaries) gained understanding and capacity for preparing and using a grant scheme for integrated regional development actions according to Phare rules and procedures

4) Brief guide on PRAG rules, covering mainly the grant contracts’ procedure, prepared both in English and Bulgarian and distributed among the potential grant beneficiaries

5) Information and publicity action plan prepared and implemented

6) ToR for the TA project under the grant scheme prepared and approved

3. EXPERTS PROFILE

For the execution of the project the following expertise is required:

One (1) EU Expert on EU Grant Schemes and Team Leader (Category I) – 90 total calendar/days
- Experience of the implementation and management of Phare / Structural Funds grant schemes;
- Knowledge and understanding of ESC programming and regional development policy experience;
- Knowledge of PRAG rules, knowledge and experience of public procurement rules;
- Project management for regional and local development experience;
- Previous Bulgarian and/or CEEC work experience;
- A good knowledge of Phare procedures gained from previous Phare project work;
- Excellent command of English, both spoken and written;
- Good communication and reporting skills.

One (1) Regional Development Expert (Category II) – total 60 calendar/days
- A minimum of 10 years work experience and practical knowledge of regional development – including research, planning and management of regional development and regional policy;
- Project identification, preparation and planning for regional and local development experience;
- A good knowledge of grant applications and management procedures;
- A good knowledge of Phare procedures gained from previous Phare activities;
- Experience of Structural Funds Objective I type programmes;
- Excellent command of English, both spoken and written.

A Team of Local Experts - total 360 calendar/days (min. 3 experts)
- A minimum of 5 years working experience in the field of regional/ local economic development and /or human resource development and/ or infrastructure actions;
- University degree in economics or other relevant specialisation;
- A good knowledge of Phare procedures gained from previous Phare project work;
- Fluent in English, both spoken and written.

4. LOCATION AND DURATION

- Starting date 1st May 2003.
- Finishing date is 31st March 2004.

Schedule and number of days for the assignment per expert:

<table>
<thead>
<tr>
<th>No of experts</th>
<th>Total calendar days</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 EU expert category I</td>
<td>90</td>
</tr>
<tr>
<td>1 EU expert category II</td>
<td>60</td>
</tr>
<tr>
<td>Team of local experts</td>
<td>360</td>
</tr>
</tbody>
</table>
• Location of the assignment is Republic of Bulgaria.

• Provision for frequent travels to the regions should be provided, as well as for preparation and implementation of several workshops, as well preparation and implementation of publicity campaign.

• The contractor will set up an office in the vicinity of the Ministry of Regional Development and Public Works. The contractor should ensure provisions for translation/interpretation and office assistance, including office-running cost.

5. REPORTS

- An inception report - should be produced four weeks after the start of the project;
- Quarterly reports, and
- A final report one month after the conclusion of the contract.

All reports shall be produced in close consultation with the beneficiary institutions. Reports are to be submitted as follows (electronic and hard copies):
- The EC Delegation (one in English)
- The CFCU (one in English)
- The Ministry of Regional Development and Public Works (in English and in Bulgarian).

6. OFFICIAL LANGUAGE – English