Standard Project Fiche

1. Basic Information

1.1 CRIS Number (Year 3): 2006/018-164.05.01

1.2 Title: Support for Increasing the Competitiveness of Bulgarian Enterprises

1.3 Sector: ESC / Competitiveness

1.4 Location: Bulgaria

1.5 Duration: Phase 1 – FM 2004
               Phase 2 – FM 2005
               **Phase 3 – FM 2006** (24 months)

2. Objectives

2.1 Overall Objective(s):

To foster the sustainable development of Bulgarian SMEs through improving their competitiveness.

2.2 Project purpose:

- To increase the competitiveness of Bulgarian productive sector SMEs and prepare them to cope with the competitive pressure within the EU through targeted support in accession-related aspects of their development, e.g. achieving compliance of manufacturing processes with EU environmental standards and occupational safety & health (OSH) requirements, introducing Quality Management Systems, Good Laboratory Practices and Good Manufacturing Practices, increasing energy efficiency, enhancing the capacity for innovations and Research & Development (R&D), and promoting the sustainable development of SMEs with growth potential;
- To create an attractive business environment through promoting the development of public-private partnerships.

2.3 Accession Partnership (AP) and NPAA priority

The project contributes to the fulfilment of the Second Copenhagen criterion “The existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union”, and the priorities of Chapter 3 – Sectoral policies of NPAA in the part related to SMEs, namely the establishment of a national Network for SMEs support.

These targets correspond also to the National Program for Adoption of the Acquis, and in particular its strategic goals, the achievement of which is a pre-condition for accession, i.e. the existence of a functioning market economy and capacity to cope with competitive pressure and market forces within the Union; improvement of information and consultation services to SMEs and development of competitive SMEs as a stable economic sector by creating favourable institutional, regulatory, administrative and financial environment in the Republic of Bulgaria.
This project addresses also a number of priorities within the Accession Partnership and the National Programme for the Adoption of the Acquis, and in particular:

- Stimulation and support for Bulgarian SMEs;
- Preparation of Bulgarian regions for the implementation of the structural policies applied by the EU Member States through the development of strategies and programmes for sustainable social and economic development;
- Encouraging the introduction of the European and international quality systems – through support for the introduction and certification of international quality management systems, as well as through training and consultancy support, especially for SMEs;
- Benchmarking of the different aspects of the enterprise policy with the EU member states and candidate countries will help the introduction of the best practices;
- Education and training in entrepreneurship spirit and information technologies;

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

The current project fully corresponds to the third priority (SMEs development) of the Operational program “Increasing the competitiveness of Bulgarian economy” of the National Development Plan. The activities of the project contribute to the measures of Sub-program SMEs, namely: support to the start-up of SMEs, SMEs development through provision of information and consultancies, facilitating the SMEs access to financial resources. The project purposes correspond also to Objective 1 of the Regional operational program – “Enhancing the regional and local economic activity”.

In June 2003, the Council of Ministers adopted the National Development Plan (NDP), covering Sectoral Operational Programmes and a Regional Operational Programme. The Ministry of Economy and Energy has been nominated as a Managing Authority for the Sectoral Operational Programme “Competitiveness of the Bulgarian Economy”. In this context, the present project reflects one of the main measures of the Sectoral Operational Programme - achievement of stable and balanced economic growth based on the improved competitiveness at industry, company and human resources levels.

2.5 Cross Border Impact
N/A

3. Description

3.1 Background and justification:

○ Policy context
Economic growth is closely related to the main priority of the Bulgarian economic development – preparation for EU membership. Achieving economic growth presumes maximum use of the
comparative advantages of the Bulgarian economy and increase of competitiveness at macro- and micro-level.

The last EU Regular report states that Bulgaria has made further progress with the development of the industrial policy, aiming at promotion of investment and competitiveness in a market-oriented economy. In line with this, for the future process of positive economic change it is deemed necessary to develop and implement further targeted interventions supporting entrepreneurship, private sector development and foreign direct investment.

The project fully complies with the Multi-Annual Programming document (MAP), adopted by the Council for European Integration on 28.11.2003 and intended to serve as a basis for developing and implemented Phare-funded interventions in the field of competitiveness and business development. The proposed activities under the project correspond to the MAP priorities, objectives and measures, as follows:

Priority 1: Increase the competitiveness of the Bulgarian enterprises

Objectives
- Improvement of the business environment for the Bulgarian enterprises;
- Compliance of the Bulgarian enterprises with the EU requirements and standards in the field of production, management, quality, etc.;
- Modernisation of the technical equipment of the Bulgarian enterprises;
- Promotion of demand-driven R&D activities

Measure 1: Consulting and support for sustainable development of Bulgarian enterprises in accession-related priority fields

Measure 2: Support for enterprises aiming at achievement of compliance with EU standards and requirements.

Measure 3: Support for innovation activities in enterprises and demand-driven R&D

In 2003, the application of the policy for the SMEs sector was successfully continued through the implementation of the National Strategy for Stimulating the Development of Small and Medium-sized Enterprises.

The major objectives of the strategy are:
- Simplification of the administrative and regulatory framework applicable to SMEs;
- Strengthening the competitive environment and competitiveness of SMEs;
- Supporting the internationalization of SMEs and, in particular, their economic activity within the European Union.

The proposed project completely fits within the framework of and complies with the priorities of this National Strategy.

The Bulgarian government has recognized the possible problems and the necessity of a variety of measures to be taken, related to preparing the Bulgarian businesses for Bulgaria’s accession to the EU. These issues have been reflected into a Communication Strategy developed by the Ministry of Economy and Energy, whose purpose is to inform the Bulgarian business the obligations arising for them from the forthcoming EU membership. This project is closely related to the goals and objectives of the Communication Strategy.

Problem identification

A number of studies, surveys and overviews, focused on entrepreneurship’s problems and obstacles, have been carried out in previous years. These studies identify and prioritize a number of problems in the sector that need to be dealt with through adequate state policy and reforms.
The lack of investment in modern technologies, internationally recognized standards, quality management, innovations, energy saving technologies and enhanced management culture are particularly recognized as major obstacles for the development of Bulgarian SMEs.

The Bulgarian SMEs start to comprehend the problems they would face at the moment of accession to the EU. In particular, the ecological standards are recognized as the biggest problem (41% of the interviewed companies)\(^1\). Next are the standards for safe and quality production (38%) and occupational and safety health (32%). The list continues with the requirements for the product itself (31%), obligations for GMP (21%) and requirements for R&D (12%). This prioritization of problems highlights the necessity for, and outlines the content and format of the intervention to be implemented for enhancing the competitiveness of productive sector SMEs.

Based on the surveys and researches carried out, the obstacles to the competitiveness of SMEs can be grouped as follows:

- **Outdated machinery and very limited investment in modern technologies**
  
  The low replacement rate of machinery and equipment has a negative effect on economic growth of the SMEs. According to the research carried out for the purposes of the Report of the Agency for Small and Medium-sized Enterprises (ASME) for the SMEs in Bulgaria (2002), only 28% of the SMEs invested in new equipment in 2001. The average investment by a SME is around 1.27 thousand euro, but this varies considerably according to the company’s size. The lack of sufficient financial resources is an obstacle to the restructuring of companies. Research carried out on the business environment for SMEs development concluded that the majority of companies had out-of-date machinery and equipment. The relative share of SMEs with production equipment not older than 2 years is around 13% (3% for capacity under 1 year and 10% between 1-2 years). SMEs with production equipment between 5 and 14 years old account for almost 43% of the total, while the 3-5-year equipment is 30% and over 15-year old one – 14%. The definite conclusion of the survey is that if Bulgarian SMEs continue to rely on the temporary advantages of low labour costs and do not start a fast process of modernization, they will not be able to resist the future competitive pressure in the region and in Europe.

- **Difficulties with meeting the quality standards and other EU requirements**
  
  At present, many Bulgarian products do not meet EU quality requirements. The low level of standardization (ISO, QMS, GMP, GLP, etc.) amongst the Bulgarian SMEs negatively influences their competitiveness. A certificate for world quality would enable Bulgarian companies to export their production to international markets. Obtaining such a certificate is turning in to a mandatory requirement for competitiveness, but the comparatively high level of cost in acquiring such certification is one of the main the reason why even relatively successful firms do not acquire certification. The forthcoming EU membership will put new challenges in front of the SMEs, as a number of acquis requirements in various fields related to the operation of businesses will have to be introduced and strictly followed. To this end, the project would be a valuable instrument of support for both informing and assisting Bulgarian SMEs to comply with quality and other EU requirements.

- **Need to invest in improving Occupational Safety & Health (OSH) conditions and environment-friendly production**

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\(^1\) According to a research named “Bulgarian business and EU accession”, carried out in November 2003 by *Alfa Research Ltd.*, one of the Bulgarian leading social research entities.
The out-dated machinery and technologies used by the majority of Bulgarian SMEs, cause not only low productivity and efficiency, but also have a serious negative influence on the OSH conditions in the enterprises and on the compliance of the latter with the standards for environment-friendly production. The resources, which should be invested during the next few years in both areas, are estimated as a serious burden for the enterprises. In view of forthcoming accession, it is however imperative for Bulgarian businesses to mobilize their efforts and resources in achieving a significant improvement in these key areas.

**Measures to assist SMEs tackle with the outlined problems**

In view of the above-mentioned, the **aim** of the present project is to strengthen the competitiveness of Bulgarian productive sector SMEs through providing support in those aspects of their development which are considered the main challenges to be faced upon EU accession, i.e. to support them achieve compliance with the acquis requirements and internationally recognized market standards.

As these problems are essentially complex, the relevant measure through which they should be tackled with is a complex intervention, combining a number of related activities, such as:

- Consultation assistance for raising the awareness and developing comprehensive understanding of the accession-related requirements to the Bulgarian businesses, as well as for the elaboration and implementation of strategies and programmes of the SMEs to comply with these;

- Investment support to the SMEs, to serve as an incentive for them to invest in upgrading their production technologies and to promote innovation. Investment in modern technologies and R&D is a major precondition and inseparable part of the successful implementation of enterprises’ programmes for introducing higher quality standards, improving the OSH conditions, achieving compliance with the ecological standards, etc..

- Training measures aimed at enhancing the vocational qualification of the staff of the SMEs. The need of tailor-made vocational training of the staff of enterprises is substantiated by the labour market researches, which indicate disparities between the labour force available qualification and the real needs of the developing enterprises. The necessity of upgrading the vocational qualification of the workers of the SMEs and to bring it in line with enterprises’ development needs, will emerge even stronger as a result of the implementation of the EU-compliance projects of the SMEs.

That is why the major component of the project is **Competitiveness Support Grant Scheme**. This scheme is open to Bulgarian SMEs, as the grants are aimed to help the enterprises to achieve compliance with European requirements and standards. The individual grant will represent an ‘integrated package’ of three coordinated activities – consultation support, vocational training and investment support. It is envisaged the proportion of these elements within the grant to be formulated by the applicant enterprise itself, based on the self-assessment of its own needs. Structured like this, the grant aid is viewed as a complex support instrument covering the major development needs of SMEs.

**Consultancy Grant Scheme** is planned to be launched before the Competitiveness Support Grant Scheme. This scheme is complementary to the latter, as it has the task to facilitate the realization of the Competitiveness Support Grant Scheme and thus to contribute to the achievement of the overall project purpose.

**Public-Private Partnership (PPP) Grant Scheme** is aimed at improving the business environment, including on a regional and local levels, through promoting the development of PPPs as a successful practice for co-operation between private entities and public authorities for the realization of activities of common public interest.
The multiannual character of the project allows a “pilot” start and later a “fine-tuning” of the measures foreseen in the fiche for 2005 and 2006.

3.2 Sectoral Rational
N/A

3.3 Results

For all years:
- Bulgarian SMEs in-depth acquainted with relevant EU acquis requirements and standards to be met;
- SMEs consulted, investments in modern equipment, innovation and R&D activities supported, vocational qualification of staff enhanced, these resulting in better compliance with acquis standards and international market requirements achieved;
- Increased number of long-term sustainable and competitive SMEs;

Phase 1
- Promotion information campaign carried out;
- Preparatory research elaborated for the needs of the PPP Grant Scheme;
- List of qualified consultancy service providers prepared;
- Analysis of experience with Bulgarian grant schemes for SMEs carried out (lessons learned), to serve as a basis for designing the Consultancy Grant Scheme;
- Analysis on available instruments for enterprise financing prepared;
- IB support to the relevant institutions provided by the TA;
- Consultancy Grant Scheme Implemented;
- App. 500 companies consulted;
- App. 150 business plans developed;
- Needs assessment for consulting, training or supply for an enterprise prepared;
- Application Form and Tender documents for SMEs willing to apply for support under the Competitiveness Support Grant Scheme, prepared;
- Competitiveness Support Grant Scheme implemented;
- Innovation activities and R&D promotion implemented.
- Vocational training of the staff of SMEs delivered;
- PPP Grant Scheme implemented;
- Successful partnership among private business and public authorities established;
- Qualitative projects elaborated through the project pipelines support;
- Investment Centres created and effectively running;

Phase 2
- Promotional campaign of the Grant Schemes for Phase 2 carried out;
- Results of the project surveys updated, including lessons learned from previous phase;
- Consultancy Grant Scheme implementation continued;
- Competitiveness Support Grant Scheme implementation continued;

Phase 3
• Promotional campaign of the Grant schemes for Phase 3 carried out;
• Consultancy Grant Scheme implementation continued;
• Competitiveness Support Grant Scheme implementation continued.

3.4 Activities (including Means)

There will be two TA contracts (one framework contract and one service contract) and three inter-related grant schemes to achieve the stated objectives. The TA will provide surveys to research both the existing consultancy market and the consultancy needs of SMEs, as well as will assist in the preparation and the launch of the Call for Proposals for the Grant Schemes. The Public-Private Partnership Grant Scheme has to help establishing an attractive business environment and promote successful models for co-operation between private businesses and public authorities. The Consultancy Grant scheme aims to provide a range of consultation measures, aiming at identifying the accession-related development needs of beneficiary SMEs, developing business strategies and plans for them, measures to improve their quality management, etc. The Competitiveness Support Grant Scheme will provide grants to support activities aimed at implementation of acquis standards and internationally recognized market requirements, supporting innovation activities and R&D, improving management systems and enhancing the vocational qualification of staff.

Phase 1

Technical Assistance

In order to ensure the quick and fluent start of project implementation, it is envisaged the TA activities to be split into two contracts – project preparation activities, to be covered by a TA framework contract, and project implementation support that will be provided through a service contract. This split follows the logic of the project implementation, i.e. first, analyzing the current situation and identifying the main development needs of enterprises, in order to enable the Contracting Authority to decide on the proper targeting of the Grant Schemes, and second, TA support for the actual implementation of the grant schemes, including assistance in organization and launch of the Calls for Proposals. The framework contract is to be concluded and implemented at the very beginning of the project implementation, while the service contract activities should start later in order to utilize and further develop the outputs of the framework contract.

The project preparation activities will include:

- analysis of the already existing experience with Bulgarian SMEs grant schemes (lessons learned) and coordination of the preparatory activities with ongoing SMEs support schemes in Bulgaria financed by EU and other donors;
- on the basis of the analysis, presenting a proposal for the precise targeting and implementation of the Consultancy grant scheme (presenting a set of criteria for pre-selection of consultancy organisations, elaboration of Call for Proposal package, including development of eligibility and evaluation criteria and customised SMEs evaluation grid);
- for the particular needs of the PPP Grant Scheme: developing models for successful co-operation between public authorities and private partners for activities of public interest,
outlining possible fields of such PPP co-operation in Bulgaria, according to the international best practices, and disseminating this knowledge among potential participants in such PPPs;

The **project implementation support** will include:

- Carrying out a national study/survey, with the following main tasks:
  - To study the sectors/branches of Bulgarian economy, the list of which will be approved by the Project Steering Committee, in order to comprehensively analyse the situation in them with respect to the actual level of compliance with relevant acquis requirements;
  - Further, to identify and prioritize (by various relevant criteria, e.g. importance, volume of investments required, etc.) the main areas/aspects where efforts should be concentrated in by enterprises belonging to those sectors/branches in order to achieve acquis compliance;
  - To carry out a pilot “acquis compliance audit” among a representative number of SMEs within chosen by the PSC already screened sector(s), in order to get practical experience of the most common “compliance problems” faced by those SMEs, as well as of the most appropriate solutions for these.
  - To analyse the different instruments available for financing of SMEs development projects (e.g. grants, loans, leasing, etc.), and to provide recommendations on the possibilities of achieving synergy and coherence between them (e.g. how to make it possible to use these instruments as different funding sources of investment project of SMEs that can apply under the Competitiveness Grant Scheme, etc.).

- Based on the results of abovementioned study, the TA should elaborate a methodological guidance book (guidelines) addressed to enterprises belonging to above sectors, providing practical advice on the work to be done for achieving acquis compliance, how to prepare their projects under the Competitiveness Support Grant Scheme, etc. These methodological guidelines could also be used in the evaluation process under the grant scheme as a basis for assessing the quality of the project proposals.

- Assistance in the Competitiveness grant scheme implementation (assistance in the preparation of grant scheme guidelines and application form, and in the launch of the Call for Proposals; participation in the promotion campaign of the Call for Proposals; assistance in the evaluation of project proposals through creation of a database of, and providing specific training to project assessors who will take part in the project evaluation process during the three project phases,);

- Support for enhancing the administrative capacity of the institutions involved in the process of implementation. The TA will provide IB support for officials of the Ministry of Economy, the national agencies responsible for SME development and the social partners – trade unions and employers’ organizations, on the process of reforming policies, regulations and institutions for enabling SME development, in order to improve the skills of participants to analyse, design and implement programmes to improve the business environment for SMEs development, etc. Training seminars, workshops, study visits in EU member states and other appropriate forms of trainings will be implemented, in coordination with capacity building measures carried out under other projects.

Towards the end of its contract, the TA will update of study/survey results. If needed, the TA will also revise the guidelines for applicants and application forms for the grant schemes.

The activities proposed are consistent with the priorities and measures identified in the Multi-Annual programming Document and the Sectoral Operational Programme.
Means: One framework contract for the project preparation activities, and one service contract for the project implementation support.

Public-Private Partnership (PPP) Grant Scheme

A Public Private Partnership (PPP) is most often defined as a partnership between the public and private sector for the purpose of delivering a project or service traditionally provided by the public sector. Through this agreement, the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public. In addition to the sharing of resources, each party shares in the risks and rewards potential in the delivery of the service and/or facility.

Public Private Partnership recognises that both the public sector and the private sector have certain advantages relative to the other in the performance of specific tasks. By allowing each sector to do what it does best, public services and infrastructure can be provided in the most economically efficient manner.

Under the practice of EU member states and other countries, there are various fields in which the PPPs can be successfully applied. There are related, for example, providing information and other support to investors, co-operation for the realization of (public) infrastructure projects, development and management of public real estate property, etc.

In the preparation period of the grant scheme implementation it will be the task of the TA to screen and identify possible areas in which the PPP can be applied in Bulgarian reality, with a special focus on business services, outline appropriate formats of PPPs in view of the EU best practices and disseminate this knowledge among potential participants in such PPPs.

A potential field for applying the PPP model is the so-called Pro-Investment Public-Private Partnerships, to offer coherent local support and creating attractive environment for investors on a local level. The establishment of these types of PPPs will lead to better provision of services to investors on a local level. Each potential investor needs a diversified range of information upon which to base the investment decision. The type of information needed by investors includes available premises, land, workforce profile, schools, local legislation, etc. The sources for this type of information are found among local public and private bodies, such as the Municipality, the Labor Office, real estate agents, etc. The concept of establishing Pro-Investment PPPs among the above-mentioned local stakeholders addresses the specific needs of investors and will result in a more efficient and sustainable mechanism to attract investments on a local level, complementing the investment promotion approach of the Bulgarian Government.

In view of the abovementioned, the activities to be financed under the PPP grant scheme will be, but not limited to, the following:

- Support for preparation of project pipelines for local business infrastructure under PPP approach in order to enhance capacity on local level to generate project ideas, to prepare and implement projects;
- Elaboration of the needs of PPP oriented training for local public and private partners; development of training modules on a variety topics related to PPP activities, investment and local economic development; training implementation;
- Creation of a concept for data collection, processing and monitoring of business information on regional level; development of web-based database that will provide information to potential investors and the public authorities - possibilities for developing business, existing private and public companies, available resources (land, finances, human resources, etc.), potential partners, etc.
- Upgrade of existing business centres to act as Investment Centres in order to serve as a contact point for all the various partners (both public and private) who are involved in business development on a local level.

The potential beneficiaries of the Grant scheme will be municipalities, business centres, NGOs and existing regional business support structures, such as JOBS business centres, Regional Development Agencies, incubators, etc.

The minimum project size will be 5,000 Euros and the maximum 25,000 Euros. Phare and co-financing from national budget will provide up to maximum of 75% of the total cost of the project. The Beneficiaries will provide the remaining funds by means of co-financing.

**Means:** Service and Supply contracts included in the Grant Scheme.

**Consultancy Grant Scheme**

This grant scheme will provide consultation support to interested SMEs, on the basis of results of TA research carried out on the consultancy organizations and the identified consultancy needs of the SMEs.

In order to simplify the procedures while at the same time respecting the need for an open and transparent process, it is intended first to draw up a list of qualified consultancy organizations and then to allow beneficiary SMEs to contract one of these organizations to deliver the desired consultation services under the terms of the grant scheme.

The implementation of the Grant Scheme will go through a number of consequent steps:

- The first step would be the pre-qualification of the consultancy companies as follows:
  - Criteria for selection of the consultants will be elaborated under Phase 1 and approved by the PAO;
  - Applying the approved criteria a list of qualified consultancy organisations among those that have expressed their interest in delivering consultancy services to SMEs under the grant scheme will be prepared;
  - The list of pre-qualified consultancy companies will be approved by PAO. All pre-qualified consultancy organizations will be eligible to provide services to the Grant Beneficiaries under the grant scheme.

- Award of grants to Beneficiaries:
  - A Call for Proposals will be launched;
  - Eligibility criteria would determine which SMEs could apply to benefit from the scheme, e.g. industry sector, sales volume, employment, growth potential, etc. (the criteria will be determined according to the TA research results); These criteria will also serve as basis for the ranking of the applicant SMEs;
  - The applicants will indicate which consultancy company from the pre-qualified database they choose. On the basis of the fixed rates and the consultancy
modules the consultants have offered, the applicants will form their budgets, subject to a maximum project size of 5000 Euro; the modules with services offered should be precisely defined.

- Award of grant contracts;
- A mechanism for monitoring of the performed consultancies will be elaborated. Feedback from consulted companies on their satisfaction by the the services provided will be gathered, as it could serve for public ranking of the service providers on the internet, etc.;

- As a result of the Scheme implementation it is expected for app. 500 companies to receive consultations and app. 150 business plans to be developed and implemented. The grant scheme model will deliver support in a number of areas, for example like:
  - Business Screening and Strategy - evaluation and implementation;
  - Marketing – market research, marketing strategy development, implementation of strategy;
  - Quality – support for preparation for ISO (and or other quality management) implementation and certification;
  - Innovation – technological transfer and innovations, innovation audit, strategy development and implementation;
  - Manufacturing – manufacturing efficiency audit, process improvement strategy and implementation;
  - Finance – profit improvement/cost reduction initiative – evaluation and implementation;
  - General business management development;
  - Human resource management;
  - Operational improvements;
  - Preparation the company for applying under the Competitiveness Support Grant Scheme.

The Grant Beneficiaries will be SMEs as defined in the Bulgarian legislation. The maximum size of the individual project will be €5,000. The grant will provide up to maximum of 65% of the total cost of the project. The beneficiaries will provide the remaining 35% of the project by means of co-financing.

It is considered that structured like this, the grant scheme has a number of benefits. The development of the Bulgarian consultancy market will be also supported. The pre-qualification list of consultancy organizations will guarantee that the selected consultants possess the necessary qualification, capacity and are stable and reliable consultancy providers. At the same time the applicant SMEs will have the opportunity to choose a consulting company according to their exact needs. The rules of competition and transparency will be observed – every company will have the chance to be included in one of the lists (the Consultancy organizations database or the Grant Beneficiaries), if it meets the pre-approved criteria. The transparency for selection of consultants will be ensured by the Steering Committee and the PAO’s approval of the criteria.

The monitoring of the results of the Consultancy Grant scheme will be performed by the members of PIU.

Eligible organizations: Bulgarian productive sector SMEs.
Means: Grant Scheme.

**Competitiveness Support Grant Scheme**

Upon EU accession Bulgarian enterprises have to meet a number of mandatory acquis requirements and internationally recognized market standards. It is a vital accession priority to support the productive sector SMEs in achieving compliance with these, as far as this will determine the survival, future development and competitiveness of the Bulgarian SMEs after accession.

Therefore The Grant Scheme will support projects related to achieving compliance with the acquis requirements and international market standards. Achieving compliance with acquis requirements is based on legal obligations and duties, undertaken by Bulgaria in the economy field in the process of EU accession. International market standards are established by the real market environment and recognized best international practices, which although being non-obligatory, are of essential importance for maintaining and increasing the competitiveness of enterprises.

Important acquis requirements and international market standards belong, but are not limited, to areas such as:

- Occupational safety and health standards (OSH);
- Quality Management Systems (QMS);
- Environmental standards;
- Introducing safety marks, CE marks, sector specific internationally recognized standards etc.;

Supporting Bulgarian SMEs to achieve those compliances is considered the main priority of the Competitiveness Support Grant Scheme.

**All grants within the Competitiveness Support Grant Scheme** will remain within the range of a minimum of 10,000 Euro and a maximum of 50,000 Euro.

The grant beneficiaries will be SMEs as defined in the Bulgarian legislation. The grant will provide up to a maximum of 65% of the total eligible project costs for the beneficiary SMEs. The remaining project costs – 35% will have to be provided by the beneficiaries.

The amounts of the grants to be awarded are in conformity with the applicable State Aid rules – the Bulgarian Law on State Aid and its implementation rules, Commission Regulation (EC) No.70/2001, and the recently adopted Bulgaria’s Regional Map on State Aid. The Contracting Authority will guarantee that the *de minimis* rule is strictly observed.

Although it is envisaged that the Consultancy Grant Scheme will precede the Competitiveness Support Scheme, the eligibility of applicants will not depend on previous consultancy received under the Consultancy Grant Scheme. Selection criteria will be quality and productivity improvements, to result in better competitiveness, evidence of adequate management to utilise the proposed grant effectively, and the quality of the project proposal itself.

The individual grant will comprise of three elements, which are considered to be the three principle aspects of development support needed by SMEs:

- **Consultations** - minimum size of this grant element 2,000 Euros, maximum - 15,000 Euros;
Activities eligible for funding under this element of the grant include, but are not limited to, consultation for:

- Implementation of the standards for occupational safety and health conditions (OSH);
- Implementation and certification for QMS (ISO and/or other quality management standards);
- Implementation of best practices, tailored to meet the specific needs of the beneficiary;
- Development and implementation of strategies for alignment with environmental standards and beyond;
- Improving the quality control of products and services, including categorization and licensing of SMEs;
- Implementation of safety marks, CE marks;
- Implementation of sector specific internationally recognized standards, etc.

**Investment support** – minimum size of this grant element 5,000 Euros, maximum 50,000 Euros;

Eligible investments, to be financed under this element of the grant, will be those that are related to and needed for achieving the above outlined priorities of the Grant Scheme, such as: technology transfer and modernization; improvement of the innovation capacity of existing SMEs; research for demand-driven new products and services; development of new products in factory as additions to, or replacement of, existing product lines but with higher added value content; testing of new products or processes by certified institutions to ensure compliance with standards and specifications; major upgrading of existing product range to yield higher added value through higher unit revenues and/or lower unit costs; etc.

**Vocational Training** – minimum size of this grant element 2,000 Euros, maximum 10,000 Euros;

The vocational training, which will be provided under this element of the grant, should be closely related to the activities implemented under the consultation and investment elements of the grant, thus forming an inseparable part of the support package. Eligible activities under this element of the grant will be:

- Elaboration of detailed needs analysis for vocational training of the beneficiary employees;
- Development of specifically tailored training programmes (training modules);
- Delivery of vocational training to current and/or prospective employees of the beneficiary enterprise;

The applicants for this element of the grant will have the option either to organize themselves the vocational training activities in partnership with a duly licensed vocational training provider (in case a sufficient number of enterprise’ employees will be involved in that training), or to place employees at existing vocational training programmes organized by external organizations (e.g. vocational training courses carried out under programmes of the Ministry of Labour and Social Policy, etc.).

Eligible applicants: Bulgarian productive sector SMEs

**Means:** Grant Scheme.
The applicants have the right to apply for any combination of the grant elements, within the minimum and maximum levels. However, project proposals for vocational training measures only will not be eligible for funding under this grant scheme. The maximum grant amount in any case cannot exceed 50,000 euro.

Phase 2

The Contracting Authority will, as necessary, revise the guidelines for applicants and application forms for the grant schemes, and will conduct the promotional campaign of the Grant Schemes for Phase 2.

The Grant schemes under Phase 2 – Consultancy Grant Scheme and Competitiveness Support Grant Scheme – are a continuation of the Grant scheme under Phases 1, but they will be launched for SMEs, which have not been awarded a grant under the previous Calls for Proposals.

Phase 3

The Contracting Authority will revise the guidelines for applicants and application forms for the grant schemes (if needed), and will conduct the promotional campaign of the Consultancy and Competitiveness Support Grant Schemes for Phase 3.

The Grant schemes under Phase 3 – Consultancy Grant Scheme and Competitiveness Support Grant Scheme – are a continuation of the Grant scheme under Phases 1 and 2, but they will be launched for SMEs, which have not been awarded a grant under the Calls for Proposals in Phase 1 and 2.

3.5 Linked Activities:

Projects orientated towards advice and information support of SMEs and for the creation of business support structures carried out by different donors generally contained an SME advisory component also. Linked are the following projects:

BG9812010102 – “Strategic Restructuring And Financial Advisory Services (SRAFAS)”. The project aimed at promoting sustainability of recently privatised and start-up businesses technical assistance will be provided to enterprises in five main areas namely: general business management, Financial Management, Marketing Services, HRD, operational improvements including ISO 9000 certification.

Reform in the Administrative Procedures for Reducing the Impediments for SMEs Development in Bulgaria” Project of the British Government’s Department for International Development (DfID);

The “European Innovative Network” Project within the Horizontal programme “Promoting Innovations and Support for SMEs” within the Fifth EU Framework Programme for Research and Technological Development, in which ASME participates as a consortium member.

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2 Such project proposals are considered not to correspond to the priorities of this project, as vocational training measures on their own are supported by the HRD-focused programmes and projects.
**BG9908.01** – “Management Training”. The *wider objective* of the project was to increase the competence of Bulgarian managers and improve the performance of Bulgarian companies in order to support privatisation and the functioning of a market economy, make Bulgarian companies more competitive internationally and prepare their management for accession to the EU.

**BG 0102.01** "SME services and technology grant scheme"-the project is aimed at raising the ability of Bulgarian SMEs to cope with competitive pressures during pre-accession by promotion of innovation and technological modernization, entrepreneurship and business culture. Grants have been awarded and contracts signed.

**BG 0102.02** High-technology business incubators – the project invests in development of high technology business incubators. Grants for R&D grant scheme have been awarded and contracts signed.

### 3.6 Lessons learned:

In line with the requirements of the European Commission for the improvement of the business environment, especially for the SME sector, the Ministry of Economy and Energy has been making a lot of efforts for the reduction of the administrative barriers in front of the entrepreneurs, it has been improving the dialogue with the business associations, and has been working for the simplification of the SMEs access to available funds and other forms of support.

In this respect, many of the previous Phare initiatives in the field of Economic and Social Cohesion are related to innovations, encouragement of R&D, technology transfer and procurement of modern equipment, leading to productivity and quality improvements.

During the preparation of this project the experiences of the programming and implementation of the previous projects in the field were taken into account, in particular to avoid duplication of action with other projects programmed for implementation at the same time and also to ensure that mistakes being observed in the programming and/or implementation of preceding projects will be avoided.

Taking into consideration the track record of Phare performance in this area, the fiche reflected some evaluation results and conclusions of previous projects. Projects in the sector are considered relevant to economic development in general and also related to specific measures of Bulgaria’s Strategy for Improving the Productive Sector. However, the design of these projects was complex and it was not clear that they addressed specifically identified needs. The SME support projects had a positive impact on a few small and medium-sized enterprises, but they were unlikely to contribute significantly to the development of the Bulgarian economy as they did not address key, underlying issues, such as the high level of bureaucracy faced by small and medium-sized enterprises. These projects were also unlikely to provide models for future replication across the country. There are indications that steps have been taken to improve the co-ordination of the evaluated projects with related activities either in the economic development sector or other sectors.

Bearing in mind the experience accumulated over previous funded projects (BG 0102.01 "SME services and technology grant scheme", BG 0102.02 “High-technology business incubators”- “Research and development Grant Scheme”), the Ministry of Economy and energy has made significant efforts to prove its capacity to manage SME oriented initiatives, aiming to strengthen productive sector.
This project has been elaborated in close cooperation between the line ministries in the sector “Economic and Social Cohesion” – Ministry of Economy and Energy (MoEE), Ministry of Labor and Social Policy (MLSP) and Ministry of Regional Development and Public Works (MRDPW). This cooperation was formalized through the establishment of a working group including the above-mentioned ministries, which was convoked on a regular sessions in the process of elaboration of the project proposals for the sector. As a result the proposed activities under the project fiches in the sector are in conjunction with each other, as this fact is a prerequisite for the cooperation between the line ministries in ESC Sector to continue in project implementation.

The most important lessons and actions can be summarized as follows:
- Ensuring the institutional continuity in the event of staff changes in the implementing bodies;
- Strengthening partnership between institutions and organizations involved in the process of programming, implementation and evaluation;
- Strengthening coordination and cooperation between ECD and MoE;
- To ensure and to preserve the quality of the administrative capacity of the implementing structures (training to be provided when necessary);
- Improvement of the quality of documents prepared by IA and consultant teams.

At the moment the project activities start, the implementation of all previous projects will be finished, which will allow to prepare measures according to the lessons learned.

4. Institutional Framework

The Ministry of Economy and Energy (MoEE) is the Implementing Agency (respectively Contracting Authority) of the project as it is mandated to be IA under PHARE Program in the ESC/Competitiveness sector.

The MoE will manage and administrate the project through the Programme Authorizing Officer (PAO). The Pre-accession Programs and Projects Directorate (PPPD) will act as the administration of the IA / PAO.

The National Authorising Officer (NAO) will nominate the Programme Authorising Officer (PAO) for the project.

Evaluation committees will be formed for selection of Grant Beneficiaries.

The Project Steering Committee

A Project Steering Committee (PSC) will be established in order to co-ordinate, assist and monitor project implementation activities. The main functions of the PSC are as follows:
- Provide strategic advice and recommendations for the implementation of project activities;
- Approval of the results from the TA survey(s);
- Approval of the progress reports concerning the overall implementation, on a quarterly basis;
- Counselling on problem issues;
• Provide opinion to the PIU and the PAO of the various qualification, eligibility and evaluation criteria for the Grant Schemes, before their approval by the PAO.

A Deputy Minister of Economy and Energy will chair the Steering Committee and its members will be selected in consultation with the EC Delegation. Members of the relevant ministries will be included – Ministry of Labour and Social Policy (MLSP), Ministry of Regional Development and Public Works (MRDPW), Ministry of Finance (MoF), other concerned public bodies, and also representatives of other key stakeholders, such as business and employers’ organizations, trade unions, etc., but assuring in an appropriate way that the nominated persons will not be in a potential conflict of interests.

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

PAO

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

MoE - IA

The overall administrative and financial management is the responsibility of the IA. This includes:
• Overall coordination of the project implementation;
• Preparing and submission of procurement documentation based on inputs from the PIU, contracting and contracting procedures of services and grants;
• Negotiations of contracts;
• Accounting, payments, and financial control for the contracts and grants;
• Overall monitoring and evaluation of the project activities;
• Preparation of quarterly and ad hoc reports on project status and fund management. (full description of financial and implementation arrangements is given in Annex B – Administrative capacity).

PIU

A Project Implementation Unit (PIU) will be established at the Executive Agency for Promotion of Small and Medium Sized Enterprises (EAPSME), as it may also include representatives from other MoE directorates and relevant state institutions. The PIU will be in charge of the technical implementation and day-to-day administration of the project, and will support the SPO in his/her activity.

The EAPSME will appoint the Senior Project Officer (SPO). The SPO will be head of the PIU, and will be responsible for the timely, smooth and efficient technical implementation of the project.
The Implementing Agency will provide strong assistance to the EAPSME during the first phase of the project implementation in order to facilitate the smooth assuming of the PIU-responsibilities by the latter. The existing capacity within the EAPSME will be further developed through provision of support and cooperation by the PPP Directorate (Implementing Agency under Phare). In the process of structuring the PIU, the IA would perform a methodological support to EAPSME through provision of draft job descriptions, internal procedures for project management, guidelines for monitoring, control sheets for monitoring, etc. Training programme with relevant modules and measures will be elaborated and provided by the IA in order to prepare the PIU staff for implementing Phare projects.

The execution of PIU functions by EAPSME will contribute for gaining project implementation experience, and will serve as a smooth transition towards its future role as an Intermediate Body for the Operational Programme “Developing the Competitiveness of the Bulgarian Economy” (as envisaged under Chapter 21 of Bulgaria’s accession negotiations).

A memorandum of Understanding will be signed between the Implementing Agency (IA) and the PIU before the start of project activities. The Memorandum will detail the scope and timing of the delegation of responsibilities from the IA to the PIU.

Action plan for the institutional building of the Project Implementation Unit within the Executive Agency for Promotion of SMEs to implement Phare projects, is hereto provided as an Annex C.

Other Key Institutions Involved in the Project’s Implementation

Among the key institutions supporting the project will be the Bulgarian Association of Regional Development Agencies (BARDA), the Bulgarian Chamber of Commerce and Industry (BCCI), Bulgarian Chamber of Economy (BCE) and the regional chambers of commerce and industry, National Association of Municipalities in Republic Bulgaria, non-governmental organisation and entrepreneurial associations. The 8 regional Euro Info Centres, which operate within BCCI and its regional structures, will also, back up the centres and the access of SMEs to it.

5. Detailed Budget

<table>
<thead>
<tr>
<th>Year 2006/Phase 3 €M</th>
<th>PHARE/Pre Accession Instrument support</th>
<th>Co-financing</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Consultant Grant Scheme</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>1.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td></td>
<td>Competitiveness Support Grant Scheme</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>4.5</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>Investment support</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6.0</td>
<td>2.0</td>
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</table>
## Year 2004/Phase 1 €M

<table>
<thead>
<tr>
<th>Investment Support</th>
<th>EU Support</th>
<th>National Co-financing (*</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total EU (=I+IB)</td>
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<tr>
<td><strong>Contract 1 TA</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>(framework)</td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>0.190</td>
<td>0.190</td>
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<td>0.190</td>
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<tr>
<td><strong>Contract 2 – TA</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>(service)</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>0.41</td>
<td>0.41</td>
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<td>0.41</td>
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<tr>
<td><strong>PPP Grant Scheme</strong></td>
<td>0.75</td>
<td>0.75</td>
<td>0.25</td>
<td>1.0 (****)</td>
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<tr>
<td><strong>Consultancy</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant Scheme</td>
<td>1.5</td>
<td>1.5</td>
<td>0.5</td>
<td>2.0 (****)</td>
</tr>
<tr>
<td><strong>Competitiveness</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support Grant Scheme</td>
<td>6.55</td>
<td>6.55</td>
<td>2.19</td>
<td>8.74 (****)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8.80</td>
<td>0.60</td>
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</table>

## Year 2005/Phase 2 €M

<table>
<thead>
<tr>
<th>PHARE/Pre-Accession Instrument support</th>
<th>Co-financing</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>National Public Funds (**)</td>
<td>Other Sources (**)</td>
</tr>
<tr>
<td>Consultancy Grant Scheme</td>
<td>1.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Competitiveness Support Grant Scheme</td>
<td>6.0</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Investment support - sub-total</strong></td>
<td>7.5</td>
<td>2.5</td>
</tr>
</tbody>
</table>

| % of total public fund                | 75 %         | 25 %       |

The Phare contribution for investment costs will be no more than 75% of eligible public expenditure, the balance having to be covered by the national co-financing. All operational and running costs and the maintenance of the equipment will be provided by the final beneficiaries.

(*) The national co-financing is provided by the state budget through the National Fund Directorate of the Ministry of Finance in the form of joint co-financing with the PHARE funds.

(**) Contributions from National, Regional, Local, Municipal authorities, FIs loans to public entities, funds from public enterprises

(*** ) Private funds, FIs loans to private entities.

(****) The grant will finance up to 65% of the total costs of the project. The grant beneficiaries will provide the remaining 35% of the individual project costs.

(***** ) The grant will finance up to 75% of the total costs of the project. The grant beneficiaries will provide the remaining 25% of the individual project costs.
6. Implementation Arrangements

6.1 Implementing Agency
The Implementing Agency will be the Ministry of Economy and Energy (MoEE). The Ministry of Economy and Energy (MoEE) will be the Contracting Authority and in that capacity will conduct tenders, conclude contracts and authorize related payments.

Ministry of Economy and Energy
Directorate “Pre-accession Programmes and Projects”
8 Slavyanska Str.
1046 Sofia;

The National Authorising Officer (NAO) will nominate the Programme Authorising Officer (PAO) for the project.

The Implementing Agency will have the following responsibilities:
• allocation of funds to the contractor;
• verification all contract documentation and payment authorization;
• overall monitoring and evaluation of the project.

The project implementation and monitoring will be executed by the members of the PIU.

Upon EDIS accreditation of IA at the MoEE, all provisions in the fiche concerning the ex-ante approval of procedures and documentation, will be considered void for the future project implementation activities.

6.2 Twinning
N/A

6.3 Non-standard aspects
There will be no non-standard procedures envisaged under this project. The PRAG rules and procedures will be strictly followed.

6.4 Contracts
The project will be implemented through two TA contracts (one framework contract and one service contract) and several grant schemes, as follows:
- Consultancy Grant Scheme: The envisaged maximum project size of projects is Euro 5,000.
- Competitiveness Support Grant Scheme – the envisaged maximum grant size is 50,000 Euros.
- PPP Grant Scheme – the envisaged maximum project size is Euro 25,000.

7. Implementation Schedule

7.1 Start of activities/call for proposals
Start of TA framework contract – June 2005
Start of TA service contract – July 2006
Start of the Call for proposals for PPP Grant Scheme – January 2006
Start of Call for Proposals for Consultancy Grant Scheme (Phase 1) – February 2006
Start of the Call for Proposals of the Competitiveness Support Grant Scheme (Phase 1) – July 2006
Start of Call for Proposals for Consultancy Grant Scheme (Phase 2) – September 2006
Start of the Call for Proposals of the Competitiveness Support Grant Scheme (Phase 2) – December 2006
Start of Call for Proposals for Consultancy Grant Scheme (Phase 3) – July 2007
Start of the Call for Proposals of the Competitiveness Support Grant Scheme (Phase 3) – January 2008

7.2 Start of project activity for Phase 1
Start of project activities – February 2005
Start of project activities (Phase 2) – September 2006
Start of project activities (Phase 3) – July 2007

7.3 Project completion
End of project activities – November 2009

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

9. Environment
The project will have a positive impact to the environment. Some of the project activities are expected to be aimed at introducing environment-friendly production processes and achieving compliance with EU ecological standards. Therefore an ecological improvement is expected. The respective Bulgarian and EU legislation will be taken into consideration. Environmental Impact reports will be undertaken when required by the Practical Guide and the Bulgarian law.

10. Rates of return
Each applicant project under the grant schemes will be assessed for its viability, including a rate-of-return assessment

11. Investment criteria (applicable to all investments)

11.1 Catalytic effect
The Business support will reinforce the entrepreneur skills and will increase the capacity of enterprises. It will catalyse the creation of competitiveness of the Bulgarian small and medium-sized enterprises through their more efficient organization and management and cost reduction.

11.2 Co-financing
The necessary co-financing for this project will be provided from the Bulgarian national budget and the private beneficiaries. If the total cost of the project is greater than the amount envisaged in the project fiche, the private beneficiaries will provide the extra support required.

11.3 Additionality
No other financiers shall be displaced by this Phare intervention.

11.4 Project readiness and size
The project will start with launching the framework contract procedure for the first TA component. This will be followed by the preparation of a Call for Proposals tender documentation by responsible project units. Overall methodology for project implementation,
operational monitoring and evaluation will also be prepared. All documents will be put in operation after approval by the ECD.

11.5 Sustainability

The project covers the three most important aspects of the enterprise development - consultation support, vocational training and investment support. Providing support to these major areas ensures the sustainable and competitive development of beneficiary SMEs after accession.

11.6 Compliance with state aids provisions

The project is in accordance with Article 92(3)(a) of the Treaty of Rome. All actions financed by Phare will be carried out in line with the rules and procedures of the Practical Guide to EU Assistance and comply with the state aid agreements. The project is also in conformity with the rules for state aid – applicable Bulgarian Law on State Aid and its implementation rules, the Commission Regulation (EC) No.70/2001, and the recently adopted Bulgaria’s Regional Map on State Aid.

12. Conditionality and sequencing

The project will start after the signing of the Financial Memorandum between Bulgaria and the European Union, which is foreseen by the end of 2006.

ANNEXES TO PROJECT FICHE

1. Logframe
2. Detailed implementation chart (compulsory for year 1, optional for future years)
3. Contracting and execution of contracts schedule, by quarter, for full duration of project (including execution of contracts period) (compulsory for year 1)
   A. Administrative capacity of MoE as Implementing Agency;
   B. EU regulations and directives relevant to the project’s goals and priorities;

   C. Action plan for the establishment of Project Implementation Unit within the Executive Agency for Promotion of SMEs to implement Phare Programme Projects
## ANNEX 1

### LOGFRAME PLANNING MATRIX FOR PROJECT

<table>
<thead>
<tr>
<th>Programme name and number</th>
<th>Contracting period expires</th>
<th>End of execution of contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support for Increasing the Competitiveness of Bulgarian Enterprises</td>
<td>Phase 1 - November 2006</td>
<td>Phase 1 – November 2007</td>
</tr>
<tr>
<td></td>
<td>Phase 2 – November 2007</td>
<td>Phase 2 – November 2008</td>
</tr>
<tr>
<td></td>
<td>Phase 3 – November 2008</td>
<td>Phase 3 – November 2009</td>
</tr>
<tr>
<td></td>
<td>Total budget: 30.34 MEUR</td>
<td>Phare budget: 22.90 MEUR</td>
</tr>
<tr>
<td></td>
<td>Total budget Phase 3: 8.00 MEUR</td>
<td>Phare budget Phase 3: 6.00 MEUR</td>
</tr>
</tbody>
</table>

### Overall objective

To foster the sustainable development of Bulgarian SMEs through improving their competitiveness.

### Project purpose

- To increase the competitiveness of Bulgarian productive sector SMEs and prepare them to cope with the competitive pressure within the EU through targeted support in accession-related aspects of their development (achieving compliance of manufacturing processes with EU environmental standards and occupational safety & health (OSH) requirements, introducing QMS, GLP and GMP, increasing energy efficiency, enhancing the capacity for innovations and R&D), promoting the sustainable development of growth potential SMEs;
- To create attractive business environment at regional and local level through promoting the public-private partnership development.

### Results

For all years:
- Bulgarian SMEs in-depth acquainted with relevant EU acquis requirements and standards to be met;
- SMEs consulted, investments in modern equipment, innovation and R&D activities supported, vocational qualification of staff enhanced, these resulting in better compliance with acquis standards and international market requirements achieved;
- Increased number of long-term sustainable and competitive SMEs;
- Number of SMEs that have introduced innovations;
- Number of SMEs complying with the respective EU standards;
- Number of SMEs certified;
Phase 1
- Promotion information campaign carried out;
- Preparatory research elaborated for the needs of the PPP;
- List of qualified consultancy service providers prepared;
- Analysis of experience with Bulgarian grant schemes for SMEs carried out (lessons learned), to serve as a basis for designing the Consultancy Grant Scheme;
- IB support to the relevant institutions provided by the TA;
- Consultancy Grant Scheme Implemented;
- App. 500 companies consulted;
- App. 150 business plans developed;
- Needs assessment for consulting, training or supply for an enterprise prepared;
- Application Form and Tender documents for SMEs willing to apply for support under the Competitiveness Support Grant Scheme, prepared;
- Competitiveness Support Grant Scheme implemented;
- Innovation activities and R&D promotion implemented.
- Vocational training of the staff of SMEs delivered;
- PPP Grant Scheme implemented;
- Successful partnership among private business and public authorities established;
- Qualitative projects elaborated through the project pipelines support;
- Pro-Investment Centres created and effectively running;

Phase 2
- Promotional campaign of the Grant Schemes for Phase 2 carried out;
- Results of the project surveys updated, including lessons learned from previous phase;
- Consultancy Grant Scheme implementation continued;
- Competitiveness Support Grant Scheme implementation continued;

Phase 3
- Promotional campaign of the Grant schemes for Phase 3 carried out;
- Consultancy Grant Scheme implementation continued;
- Competitiveness Support Grant Scheme implementation continued.

**Activities**

<table>
<thead>
<tr>
<th>Phase 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Technical Assistance</strong></td>
</tr>
<tr>
<td><strong>Phase 1</strong></td>
</tr>
<tr>
<td><strong>Technical Assistance (framework and service contracts)</strong></td>
</tr>
</tbody>
</table>

**Means**

<table>
<thead>
<tr>
<th>Phase 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TA framework contract</strong></td>
</tr>
<tr>
<td><strong>TA contract</strong></td>
</tr>
<tr>
<td><strong>Consultancy Grant Scheme</strong></td>
</tr>
<tr>
<td><strong>Competitiveness Support Grant Scheme</strong></td>
</tr>
<tr>
<td><strong>PPP Grant Scheme</strong></td>
</tr>
</tbody>
</table>

**Assumptions**

<table>
<thead>
<tr>
<th>Phase 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The necessary Grant Scheme documentation prepared and approved in time.</strong></td>
</tr>
<tr>
<td><strong>Qualified experts available.</strong></td>
</tr>
<tr>
<td><strong>All participating institutions co-operate effectively.</strong></td>
</tr>
</tbody>
</table>

**Activities**

| Number of consulted SMEs; |
| Independent interim reports; |
| Project final report; |
| Grant scheme application forms |

**Activities**

<table>
<thead>
<tr>
<th>Phase 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of consulted SMEs;</td>
</tr>
<tr>
<td>Independent interim reports;</td>
</tr>
<tr>
<td>Project final report;</td>
</tr>
<tr>
<td>Grant scheme application forms</td>
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</tbody>
</table>

**Activities**

<table>
<thead>
<tr>
<th>Phase 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of consulted SMEs;</td>
</tr>
<tr>
<td>Independent interim reports;</td>
</tr>
<tr>
<td>Project final report;</td>
</tr>
<tr>
<td>Grant scheme application forms</td>
</tr>
</tbody>
</table>

**Activities**

| Number of consulted SMEs; |
| Independent interim reports; |
| Project final report; |
| Grant scheme application forms |

**Activities**

| Number of consulted SMEs; |
| Independent interim reports; |
| Project final report; |
| Grant scheme application forms |

**Activities**

| Number of consulted SMEs; |
| Independent interim reports; |
| Project final report; |
| Grant scheme application forms |
The project implementation support will include:

- Carry out a national study/survey, with the following main tasks:
  - To screen the sectors/branches of Bulgarian economy, the list of which will be approved by the Project Steering Committee, in order to comprehensively analyse the situation in those sectors/branches with respect to the actual level of compliance with relevant acquis requirements;
  - Further, to identify and prioritize (by various relevant criteria, e.g. importance, volume of investments required, etc.) the main areas/aspects where efforts should be concentrated in by enterprises belonging to those sectors/branches in order to achieve acquis compliance;
  - To carry out a pilot “acquis compliance audit” among a representative number of SMEs within chosen by the PSC particular already screened sector(s), in order to get practical experience of the most common “compliance problems” faced by those SMEs, as well as of the most appropriate solutions for these.
  - To analyse the different instruments available for SMEs financing (e.g. grants, loans, leasing, etc.), and to provide recommendations on the possibilities of achieving synergy and coherence between them (e.g. how to make it possible to use these instruments as different funding sources of investment project of SMEs that can apply under the Competitiveness Grant Phase 3: Consultancy Grant Scheme; Competitiveness Support Grant Scheme; Competitiveness Support Grant Scheme; Sufficient motivation of the participants;
Based on the results of abovementioned study, the TA should elaborate a methodological guidance book (guidelines) addressed to enterprises belonging to above sectors, providing practical advice on the work to be done for achieving acquis compliance, how to prepare their projects under the Competitiveness Support Grant Scheme, etc. These methodological guidelines could also be used in the evaluation process under the grant scheme as a basis for assessing the quality of the project proposals.

Assistance in the Competitiveness grant scheme implementation (assistance in the preparation of grant scheme guidelines and application form, and in the launch of the Call for Proposals; participation in the promotion campaign of the Call for Proposals; assistance in the evaluation of project proposals through creation of a database of, providing specific training to project assessors who will take part in the project evaluation process during the three project phases,);

Support for enhancing the administrative capacity of the institutions involved in the process of implementation. The TA will provide IB support for officials of the Ministry of Economy and Energy, the national agencies responsible for SME development and the social partners – trade unions and employers’ organizations, on the process of reforming policies, regulations and institutions for enabling SME development, in order to improve the skills of participants to analyse, design and implement programmes to improve the business environment for SMEs development, etc. Training seminars, workshops, study visits in EU member states and other appropriate forms of trainings will be implemented, in coordination with capacity building measures carried out under other projects.

**PPP Grant Scheme**
The activities to be financed under the PPP grant scheme will be, but not limited to, the following:
- Support for preparation of project pipelines for local business infrastructure under PPP approach in order to enhance capacity on local level to generate project ideas, to prepare and implement projects;
- Elaboration of the needs of PPP oriented training for local public and private partners; development of training modules on a variety topics related to PPP activities, investment and local economic development; training implementation;
- Creation of a concept for data collection, processing and monitoring of business information on regional level; development of web-based database that will provide information to potential investors and the public authorities - possibilities for
developing business, existing private and public companies, available resources (land, finances, human resources, etc.), potential partners, etc.

- Upgrade of existing business centres to act as Investment Centres in order to serve as a contact point for all the various partners (both public and private) who are involved in business development on a local level.

**Consultancy Grant scheme**

The implementation of the Grant Scheme will go through a number of consequent steps:

- The first step would be the pre-qualification of the consultancy companies as follows:
  - Criteria for selection of the consultants will be elaborated under Phase 1 and approved by the PAO;
  - Applying the approved criteria a list of qualified consultancy organisations among those that have expressed their interest in delivering consultancy services to SMEs under the grant scheme will be prepared;
  - The list of pre-qualified consultancy companies will be approved by PAO. All pre-qualified consultancy organizations will be eligible to provide services to the Grant Beneficiaries under the grant scheme.

- Award of grants to Beneficiaries:
  - A Call for Proposals will be launched;
  - Eligibility criteria would determine which SMEs could apply to benefit from the scheme, e.g. industry sector, sales volume, employment, growth potential, etc. (the criteria will be determined according to the TA research results); These criteria will also serve as basis for the ranking of the applicant SMEs;
  - The applicants will indicate which consultancy company from the pre-qualified database they choose. On the basis of the fixed rates and the consultancy modules the consultants have offered, the applicants will form their budgets, subject to a maximum project size of 5000 Euro; the modules with services offered should be precisely defined.
  - Award of grant contracts;
  - A mechanism for monitoring of the performed consultancies will be elaborated. Feedback from consulted companies on their satisfaction by the services provided will be gathered, as it could serve for public ranking of the service providers on the internet, etc.;

- As a result of the Scheme implementation it is expected for app. 500 companies to receive consultations and app. 150 business plans to be developed and implemented. The grant scheme model will deliver support in a number of areas, for example like:
  - Business Screening and Strategy - evaluation and implementation;
  - Marketing – market research, marketing strategy development, implementation of strategy;
- Quality – support for preparation for ISO (and or other quality management) implementation and certification;
- Innovation – technological transfer and innovations, innovation audit, strategy development and implementation;
- Manufacturing – manufacturing efficiency audit, process improvement strategy and implementation;
- Finance – profit improvement/cost reduction initiative – evaluation and implementation;
- General business management development;
- Human resource management;
- Operational improvements;
- Preparation the company for applying under the Competitiveness Support Grant Scheme.

The Grant Beneficiaries will be SMEs, as defined in the Bulgarian legislation. The maximum size of the individual project will be €5,000.

**Competitiveness Support Grant Scheme**

The individual grant will comprise of three elements, which are considered to be the three principle aspects of development support needed by SMEs:

➢ **Consultations**

Activities eligible for funding under this element of the grant include, but are not limited to, consultation for:

- Implementation of the standards for occupational safety and health conditions (OSH);
- Implementation and certification for QMS (ISO and or other quality management standards);
- Implementation of best practices, tailored to meet the specific needs of the beneficiary;
- Development and implementation of strategies for alignment with environmental standards and beyond;
- Improving the quality control of products and services, including categorization and licensing of SMEs;
- Implementation of safety marks, CE marks;
- Implementation of sector specific internationally recognized standards, etc.

➢ **Investment support**

Eligible investments, to be financed under this element of the grant, will be those that are related to and needed for achieving the above outlined priorities of the Grant Scheme, such as: technology transfer and innovations; market-oriented R&D activities; improvement of the innovation capacity of existing SMEs; development of new products in-factory as additions to, or replacement of, existing product lines but with higher added value content; testing of new product or processes by certified institutions to ensure compliance with standards and specifications; major upgrading of existing
product range to yield higher added value through higher unit revenues and/or lower unit costs; etc.

- **Vocational Training** – minimum size of this grant element 2,000 Euros, maximum 10,000 Euros;

The vocational training, which will be provided under this element of the grant, should be closely related to the activities implemented under the consultation and investment elements of the grant, thus forming an inseparable part of the support package. Eligible activities under this element of the grant will be:

- Elaboration of detailed needs analysis for vocational training of the beneficiary employees;
- Development of specifically tailored training programmes (training modules);
- Delivery of vocational training to current and/or prospective employees of the beneficiary enterprise;

**Phase 2**
The Contracting Authority will revise the guidelines for applicants and application forms for the grant schemes (if needed), and will conduct the promotional campaign of the Consultancy and Competitiveness Support Grant Schemes for Phase 2.

The Grant schemes under Phase 2 – Consultancy Grant Scheme and Competitiveness Support Grant Scheme – are a continuation of the Grant scheme under Phases 1, but they will be launched for SMEs, which have not been awarded a grant under the previous Calls for Proposals.

**Phase 3**
The Contracting Authority will revise the guidelines for applicants and application forms for the grant schemes (if needed), and will conduct the promotional campaign of the Consultancy and Competitiveness Support Grant Schemes for Phase 3.

The Grant schemes under Phase 3 – Consultancy Grant Scheme and Competitiveness Support Grant Scheme – are a continuation of the Grant scheme under Phases 1 and 2, but they will be launched for SMEs, which have not been awarded a grant under the Calls for Proposals in Phase 1 and 2.
### Annex 2

Implementation Chart – Support for Development the Competitiveness of Bulgarian Enterprises (Phase 1 + Phase 2 + Phase 3)

<table>
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<th>Components</th>
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## Annex 3
### Contracting and Execution of contracts Schedule by Quarter (Phase 1 + Phase 2 + Phase 3)

#### Project Title
Support for Development of the Competitiveness of Bulgarian Enterprises

<table>
<thead>
<tr>
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Annex A

MINISTRY OF ECONOMY AND ENERGY
PHARE IMPLEMENTING AGENCY

ADMINISTRATIVE CAPACITY FOR IMPLEMENTATION OF PHARE PROJECT
PROPOSAL “Support for Increasing the Competitiveness of Bulgarian Enterprises”

The “Pre-accession Programmes and Projects”/PPP/ Directorate in the Ministry of Economy and Energy will be the future Managing Authority of “Development of the Competitiveness of the Bulgarian Economy”. Currently the Directorate acts as a Project Implementation Unit for the PHARE projects under the Financial Memoranda 2000, 2001, 2002 – Sector “Economic Development”. At present it has 25 employees in place with substantial background education in finance, law, economics, international relations and engineering with excellent computer and language skills. These employees already gained significant experience in the Phare programming cycle and implementing and monitoring of grant schemes. They have passed through several trainings related to Phare procedures and contract awarding as well as to the management of future programmes and projects under the Structural Funds. Nevertheless all the employees of the Directorate will be particularly trained and prepared for management of Structural Funds under Phare funded IB projects. A Twinning project “Strengthening the capacity of the Ministry of Economy and Energy to manage Operational Programme “Development of the Competitiveness of the Bulgarian Economy” under Structural Funds” is going to be implemented at the Ministry of Economy and Energy starting July 2004. This project will provide a number of training courses increasing the capacity for programming, management, evaluation and monitoring of projects and programmes under EU Structural Funds.

The “PPP” Directorate is planned to act as an Implementing Agency for the Phare programming period 2004-2006 under Financial Memorandum 2004. It has already taken adequate measures for its accreditation under EDIS in terms of staff, experience and qualification as well as organizational structure and the Directorate is already invited to take part in the following phases of the process of preparation for EDIS.

In the future the staff of the Directorate will be increased to 30 people by June 2005 and up to 35 – by December 2006. Within the framework of currently implemented Phare IB projects and already designed Phare projects under Phare 2003-2004, the staff of the Directorate is and will be adequately trained with respect to their future responsibilities. Training is to be provided under bilateral agreements between the Ministry of Economy and Energy and Member States administration.

The Agency for Small and Medium-sized Enterprises will be the Intermediate body for the OP “Competitiveness of the Bulgarian Economy” and will be responsible for day-to-day management of the SF assistance. The exact responsibilities of the Intermediary Body will be further defined under the envisaged Phare 2003 project for SF preparation.
These rules for financial management and control are in compliance with the Law for Public Internal Financial Control. With minister of economy order (РД 16-36/ 21.01.2004) the Financial Management and Control System (FMCS) was adopted for implementation of PHARE projects under responsibility of the IA within the MoE.

The persons who apply the rules envisaged in that system are:
- Civil servants from the Financial control and payment department including financial experts and IA’s accountant;
- Financial controller, appointed by the minister and directly subordinate to him;

The FMCS aims mainly at:
- Effective financial management of the projects implemented by the PPP Directorate act as the IA for all PHARE projects in the MoEE;
- Full compliance with the requirements of the Practical Guide to contract procedures financed by the general budget of the European Communities in the context of external actions (PRAG);
- Irregularity prevention;
- Authenticity of the accounting information.

The FMCS consists of two main parts:
- System for preliminary control (ex-ante control);
- System of double signature.

The System for preliminary control (ex-ante control) controls the legitimacy of all activities and documents concerning the financial management of EU-funded projects and also their compliance with the EU – requirements in this area.

The preliminary control is carried out by financial experts, accountant of the Implementing Agency and the financial controller. Each request for payment issued by a beneficiary must be checked from monitoring expert and financial experts after careful examination of the technical and financial reports presented by the beneficiary.

The monitoring experts are responsible for checking the following items:
- Whether the sub-contracting tender procedures are in compliance with the Practical Guide to contract procedures financed by the general budget of the European Communities in the context of external actions (PRAG);
- Correspondence between the reported activities and those included in the respective contract.
The financial experts are responsible for checking the following items:

- Whether the Contract between the Implementing Agency and the Beneficiary is signed;
- Are all necessary documents according to the Special conditions of the contract related to the request for payment, available;
- Eligibility of costs;
- Rule of Origin / Certificate of Origin for the supply contracts;
- Correspondence of expenditure between the respective contract and presented financial report
- Other requirements.

Thereafter the Head of Department “Financial control and payments” carries out certification of the request for payment. The accountant also checks the legitimacy of the request, arithmetic errors and opportunity payment to be executed and prepares the bank order.

All checks carried out by the financial experts, head of department and accountant finish with filling in checklist for each request for payment.

Before payment to be executed, the financial controller checks all documents for their legitimacy and their compliance with EU-requirements and Bulgarian legislation and filling in a checklist expressing his opinion about the payment.

For every contract with beneficiary the IA keeps a dossier with respective number (responding to the number in the PERSEUS accounting system) containing the whole documentation concerning the implementation process. Each dossier consists of:

- Inventory of the documentation;
- Checklist for the movement of the dossier between different units and servants involved in project implementation;
- The filled in forms and checklists for every request for payment;
- Financial identification;
- Copies of the bank payment orders;
- Notifications about budget alterations;
- Addendum to the Contract;
- Financial guarantee;
- Reports about equipment supply;
- Others.

Delegated auditors from the Public Internal Financial Control Agency (PIFCA) carry out the ex-post control of PPP Directorate’s activities. Their obligation is to write audit report to the Minister of Economy and Energy recording any omissions and possibilities for improvement of the financial management process.

**Double signature system**

According to PRAG rules, the **double signature system** is a fundamental principle for payments to project beneficiaries. This system guarantees that a payment can be carried out only after availability of two signatures. The Minister of Economy and Energy authorizes the two persons qualified to sign payment documents. The Programme Authorizing Officer (PAO) informs in written the National Authorizing Officer (NAO) about the persons with right to sign bank orders and to oblige IA’s account. Thereafter each payment can be carried out only after the two signatures are laid on place.
**Keeping the documentation**

All documents concerning the financial management of EU-funded projects has to be classified and registered timely and to be kept safely by the financial experts, the accountant in the IA and financial controller. After finishing each project the documentation has to be arranged in respective archive for the time required in PRAG.
Annex B

EU Regulations and Directives, concerning acquis related compliances

Environmental standards


1.1. Energy efficiency technologies

- 31975Y0709(03)
  Council Resolution of 17 December 1974 on a Community action programme on the rational utilization of energy

- 31975Y0725(02)
  Council Resolution of 3 March 1975 on energy and the environment

- 21994A1231(53)
• 31995Y1207(03)

• 32003D1230
  adopting a multiannual programme for action in the field of energy: "Intelligent Energy —
  Europe" (2003 — 2006) (Text with EEA relevance)

• 31998Y1217(01)
  Council Resolution of 7 December 1998 on energy efficiency in the European Community

• 31986Y0924(01)
  Council Resolution of 15 September 1986 on improving energy efficiency in industrial firms in
the Member States

1.2. Occupational safety and health standards

• 32003H0134
  Council recommendation of 18 February 2003 concerning the improvement of the protection of
  the health and safety at work of self-employed workers

• 32002G0705(01)
  Council Resolution of 3 June 2002 on a new Community strategy on health and safety at work
  (2002-2006)

• 31992L0058
  safety and/or health signs at work (ninth individual Directive within the meaning of Article 16 (1)
  of Directive 89/391/EEC)

1.3. Innovation and demand driven R&D activities

• 32002R2321
  2002 concerning the rules for the participation of undertakings, research centres and universities
  in, and for the dissemination of research results for, the implementation of the European
  Community Sixth Framework Programme (2002-2006) (Text with EEA relevance)

• 32000Y1228(01)
  Council resolution of 16 November 2000 on making a reality of the European area of research and
  innovation: guidelines for the European Union's research activities (2002-2006)

• 32000Y0719(01)
  Council Resolution of 15 June 2000 on establishing a European area of research and innovation
• 31999D0172

• 31999D0170

• 31999D0169

• 31999D0167

• 31990Y0713(01)
Council Resolution of 29 June 1990 concerning cooperation in the field of scientific and technical research (COST) and Central and Eastern European States

• 31995Y1219(02)
Council Resolution of 27 November 1995 on small and medium-sized industrial enterprises (SMES) and technological innovation

1.4. **GMP & GLP**

• 32001L0020

• 31996L0045
Seventh Commission Directive 96/45/EC of 2 July 1996 relating to methods of analysis necessary for checking the composition of cosmetic products (Text with EEA relevance)
Annex C

Establishment of Project Implementation Unit within the Executive Agency for Promotion of SMEs

to implement Phare Programme Projects

(Steps and Actions to be taken)³

Regarding the management and implementation of Phare projects and the preparation of Republic of Bulgaria for participation in EU Structural Funds (according the obligations under Chapter 21), there is a necessity for establishment of specialized unit within the EAPSME, which to perform the following functions and responsibilities:

- taking the tasks of Project Implementation Unit (PIU) for technical preparation and implementation of projects under Phare Programme, for which the Ministry of Economy and Energy is acting as Implementing Agency;
- preparation for performing functions as Intermediate Body (IB) for management of funds under EU Structural Funds.

For the successful implementation of the envisaged functions and tasks is necessary to undertake the following consecutive steps and actions:

1. Amendment of the State of Regulations of EAPSME.

   The amendment of the State of Regulations will establish a unit, which is functionally orientated toward activities for implementation of Phare Projects and preparation for performing functions as IB for EU SF.

   The performed functions should be described in details in the State of Regulations of the Agency. The unit could be established as a department in one of the existing directorates with the Agency or created as a new directorate.

   Considering that the unit that implements Phare Projects will perform its duties with the assistance of regional coordinators, situated in the regional offices of the Agency, the Directorate, which will implement these functions, should have the statute of Directorate General, as per the requirements of the Administration Law.

   At the present moment, activities for implementation of international programmes and projects are not systemized in the State of Regulations of EAPSME. The following functions could be given as an example:

   - Directorate General “Information services and regional coordination” (art. 12, paragraph 1, point 10-14);
   - Directorate :Technological development and innovations” (art. 13, point 7-9, 12,15);
   - Directorate “Competitiveness and entrepreneurship” (art. 14, point.2, point 18).

   The respective functions should be concentrated in one unit without limitation of the range of activities of the already existing directorates, because each one of them would be involved in the future projects’ implementation regarding its specialized fields of actions.

2. Internal organization and structure of the established unit.

³ The presented document is a draft version and it does not represent the official position of Ministry of Economy and Energy and the EAPSME.
The unit should consist of at least six people and professional characteristic should be prepared for each of the positions, which to correspond to the following requirements:

- Education in the field of: Law, International Relations, International Economic Relations, Economy, Finance;
- Experience in the area of: Management of programmes and projects;
- Professional background in the field of: Competitiveness, Innovations, Entrepreneurship, Technological development, etc.

Representatives from PPP Directorate within Ministry of Economy and Energy should participate in the selection of the staff, with a view of their experience in management of similar programmes and projects.

Within the frames of the established unit, sectors (sub-units) should be set to perform the following activities:
- monitoring of projects;
- preparation of tender documentation;

In the process of structuring the unit, the PPP Directorate would perform a methodological support to EAPSME through provision of: draft professional characteristics, internal procedures for project management, guidelines for monitoring, control sheets for monitoring, etc.

3. Establishment of PIU as per Phare rules and procedures.

For the establishment of PIU the following measures should be taken:
- An order of the Executive Director of EAPSME for appointment of Senior Project Officer (SPO) and to define the staff of the PIU by names for each implemented project.
- Signing of Memorandum of Understanding between Ministry of Economy and Energy (Phare Implementing Agency) and EAPSME (PIU). The Memorandum will describe in details the responsibilities of PIU in implementation of Phare projects. The draft MoU will be elaborated in PPP Directorate and will be confirmed with the Agency. The MoU should be signed until mid of February 2005.

4. Training of PIU.

Training programme with relevant modules and measures will be elaborated for providing training to the PIU staff.

The staff of the PIU should be partially determined not later than the middle of February 2005, so the respective experts to pass training in PPP Directorate.

The training will be organized and conducted in Directorate “Preaccession Programmes and Projects”. It will include practice training (on-the-job training) for EAPSME’s staff, orientated toward concrete activities to be performed in future.

The training will be no longer than six months totally (February – August 2005).

5. Regional coordinators as part of the PIU.

Until September 2005, EAPSME should build the necessary capacity to act as PIU (operationally and functionally prepared). The level of preparedness EAPSME to work effectively under Phare projects will be a precondition the Ministry of Economy and Energy to take measures for transferring the regional coordinators (now working within PPP Directorate) to the regional offices of EAPSME.