Project Fiche for the Transition Facility

1. Basic Information
1.1 CRIS Number: 2007/019-303.03.06

1.2 Title: Strengthening the capacity of State Fund “Agriculture” for electronic data exchange in its role as a Paying Agency and establishment of interface between the PA systems and DG Agri information systems

1.3 Sector: Agriculture
1.4 Location: Bulgaria

2. Objectives

2.1 Overall Objective(s):

Production of timely and reliable data for management and control of the legality of EAGF and EAFRD expenditure

2.2 Project purpose:

The purpose of this project is the establishment of systems for electronic data transfer between the PA information systems and DG Agri information systems

2.3 Justification

Key findings of the monitoring report on Bulgaria’s preparedness for EU accession:

Any Member State must guarantee the correct allocation of agricultural funds. Shortcomings in this respect may delay the disbursement of funds or give rise to correction or recovery of the EU taxpayers’ money. In addition, a special mechanism is adopted to address the remaining systemic deficiencies in the management of EU agricultural funds covered under IACS. Exchanges of information and documents between the Commission and the Member States, and the provision and notification of information from the Member States to the Commission are generally carried out electronically. On the basis of information communicated to the Commission by the Member States, the Commission places at the disposal of the Member States the funds needed to cover expenditure to be financed by the EAGF and the EAFRD. In this respect computer systems for exchange of information under the EAGF and the EAFRD are very important and should be established.

- Regulation (EC) No 1290/2005
- Commission Regulation 883/2006
- Doc AGRI/39727/2006-REV1-EN

3. Description

3.1 Background and justification:
State Fund Agriculture in its role as a Paying agency has received accreditation from the Competent Authority on 20 December 2006. At present SF “Agriculture” has 1204 people employees. Experts are recruited in accordance with the policy for recruitment and are trained in implementation of the manuals and also in the use of the IT system.
The functions of the Paying Agency are as follows:
1. Accept, check and take decisions on the applications on the schemes and support measures under the Common Agricultural Policy and Fishery Policy
2. Execute payments on the schemes and support measures under the Common Agricultural Policy and Fishery Policy
3. Execute accounting of the operations on the schemes and support measures under the Common Agricultural Policy and Fishery Policy
4. Control the uptake of the financial support provided under the schemes and support measures under the Common Agricultural Policy and Fishery Policy, which require ex-post control
5. Execute intervention on the market of agricultural products and implement other measures for market regulation set out in EU legislation.
6. Inform the Ministry of Agriculture and Forestry and the European Commission about the support provided
7. Distribute information on the schemes and support measures under the Common Agricultural Policy and Fishery Policy.
8. Perform other tasks assigned by a law, an act of the Council of Ministers or of the Minister of Agriculture and Forestry, or laid down by EU legislation.

In the framework of the Phare project BG 2003/004-937.03.03 a specialized information system (software application) for processing of claims for financial support under EAGF and EAFRD has been developed. The process of development of the system has started in May 2006 and finished in December 2006. The system allows registering, authorization and calculation of claims from the respective administrative units of the Agency. The system provides information on the commitments made with reference to the calculated and authorized amounts, the executed payments and the debts recorded.

Additionally, an information system for processing of claims for all area based schemes has been developed in the period December 2005-June 2006. The system has used as a basis the Austrian Invekos system and has been modified for the needs of the Bulgarian Paying Agency. The system itself comprises several databases as integrated control system, land parcel identification system and aid applications database. The data is centrally administered and the system provides the possibility for the verification of aid applications and cross-checks to be made.

The European legislation requires timely communication via electronic systems of the data concerning the financial operations executed. The forms of the reports and references to be generated are laid down in the Community rules. This requires fast transfer of large amount of data from both information systems to the electronic systems of the Commission and generation of reports based on parameters defined in advance.

To achieve these objectives and to simplify communication and ensure that the computer systems concerned can transfer information at a high speed, communication modules should be established and set operational. This will allow direct interface for electronic exchange of data of the system developed under Phare BG 2003/004-937.03.03 with DG Agri systems.
3.2 Linked activities:
This project is a continuation to a number of projects aiming at supporting the process of establishing a Paying Agency and setting up of IACS in Bulgaria.
- BG 0201.02 - Establishment of a Paying Agency and preparation for setting up of IACS in Bulgaria—phase 1
The above-mentioned twinning project between Bulgaria, the Netherlands and Great Britain started on 1 April 2004 with the aim to assist the building up of the administrative capacity at State Fund Agriculture to become the single Paying Agency in Bulgaria. The two specific objectives of the project were establishment of an accredited PA and preparation of IACS and implementation of a pilot scheme.
- BG 2003/004/016-937.03.03 - Establishment of a Paying Agency and preparation for setting up of IACS in Bulgaria—phase 2
The project includes delivery of hardware and development of software. An information system for all schemes that are nor area based has been developed under this project.
- BG 2004/016-711.03.01 — preparation of the Bulgarian Ministry of Agriculture and Forestry to implement the Second Pillar of EU Common Agricultural Policy – Rural development and establish the Paying Agency and prepare the setting up of IACS in BG—phase 3. Hardware equipment is going to be provided for the PA Headquarters.
- BG-2005/017-353.03.01- hardware equipment for the regional offices of the PA is going to be provided. Technical assistance is envisaged for upgrade of manuals and procedures.

3.3 Results:
1. Definition of the level of use of the current system and establishment of links with the one to be developed.
2. Information systems of the PA interface with DG Agri information systems.
3. Successful installation and testing of the communication modules.
4. Availability of complete manuals for software developers, administrators and users.
5. Sustainable training for 10 administrators and 100 users, incl. training of trainers and acquisition of all required skills for the staff to operate with the communication modules.

3.4 Activities:
1. Assessment of the systems for communication currently in place
2. Development of interface with EC systems
3. Installation and testing of the developed communication modules
4. Elaboration of complete manuals for software developers, administrators and users
5. Training for 10 administrators and 100 users, incl. training of trainers

3.5 Lessons learned:
The established IT systems provide the possibility for registering, authorization and calculation of claims from the respective administrative units of the Agency. The European legislation requires sending data concerning claims for payment according to specific format. This is a heavy and time consuming activity. Automatic systems for transmission of data will allow faster and reliable data transfer.

4. Institutional Framework
State Fund "Agriculture" is designated to be the single Paying Agency in Bulgaria which is responsible for the payments to agricultural producers with funds for the
implementation of the Common Agricultural Policy and the Common Fisheries Policy of the European Union. According to the organisational structure State Fund Agriculture has 28 regional offices, 11 district offices and 11 Local Technical Inspectorates. The local offices of the Technical Inspectorate are responsible for performing the spot checks. The Headquarters are organised in 7 specialised departments: Agricultural Market Mechanisms, Direct Payments, Implementation of Rural Development Measures, Fisheries and Aquacultures, Payments, Financial Service and Technical Inspectorate. There are also several general departments such as IT, Legal Department, etc. State Fund “Agriculture” is expected to receive accreditation by the Competent Authority by the end of the 2006. The total number of staff in the organisational structures of SFA is 1204.

State Fund “Agriculture” has received accreditation from the Minister of Agriculture and Forestry on 20 December 2006.

The necessary preparation for establishment of the PA has been made. Written procedures concerning application and processing of claims for financial support, execution of control of the payments and for on the spot checks have been elaborated. The necessary number of staff has been hired and trained. The offices for the PA are ready and the necessary computer equipment has been installed. Communications between the Headquarters and the regional structures of the PA have been built. Internal Audit Department has conducted a pre-accreditation audit on the elaborated procedures for compliance with European and national legislation. The software for all CAP schemes that are not based on IACS is ready. Insofar as the application of Community legislation to the communication of electronic and digitised documents requires automatic transmission of data, information systems should be upgraded with modules for electronic data communication.

5. Budget

<table>
<thead>
<tr>
<th>€M</th>
<th>Transition Facility support</th>
<th>Co-financing</th>
<th>Total cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investmt</td>
<td>Institution Building</td>
<td>Total Transition Facility (=1+1B)</td>
</tr>
<tr>
<td>Contract 1 Technical Assistance for PA</td>
<td>0.405</td>
<td>0.405</td>
<td>0.135</td>
</tr>
<tr>
<td>Total</td>
<td>0.405</td>
<td>0.405</td>
<td>0.135</td>
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</tbody>
</table>

(*) contributions from National, Regional, Local, Municipal authorities, FLs loans to public entities, funds from public enterprises. All the co-financing is joint co-financing and will be provided from the state budget. In the case where the final overall cost is lower than foreseen in the project fiche, the national public and Transition Facility co-financing shall be reduced proportionally so as to maintain the agreed rate of co-financing.

(**) private funds, FLs loans to private entities

Contributions from the Bulgarian administration for effective implementation of the twinning/twinning light/TA may be further detailed in the twinning contract/terms of references.

To ensure smooth implementation of the project, the beneficiary will provide adequately equipped office space with telephone, PC (Internet) and fax. Photocopier and access to the necessary information as well as secretarial support will be ensured during the project life-time. In addition the beneficiary will provide space and facilities for workshops (training), consultations and seminars. The national co-financing will be specified in the twinning contract.

6. Implementation Arrangements
6.1 Implementing Agency

The CFCU (Ministry of Finance) will be the Contracting Authority responsible for tendering, contracting, payments and financial reporting and will work with close cooperation with the beneficiary. The State Treasurer of the Ministry of Finance will act as PAO of the project. Her contact details are:

Ms. Gergana Beremska  
PAO  
Ministry of Finance  
102, Rakovski Str., 1000 Sofia, Bulgaria,  
Tel: (+359 2) 9859 2772  
Fax: (+359 2) 9859 2773  
E-mail: cfcu@minfin.bg

SPO:  
Mr Dimitar Peychev, Deputy Minister  
Ministry of Agriculture and Food Supply  
Address: 55 Hristo Botev blvd.  
Sofia  
Tel: 359 2 98511 240  
Fax: 359 2 980 87 06  
E-mail: dp Peychev@mzgar.government.bg

The PIU at the Ministry of Agriculture and Food Supply will be responsible for monitoring of project implementation and coordination of the activities at all stages of the project cycle. Contact details of the PIU:

Ms. Demina Bairaktarska  
Director of European and International Programmes and Projects Directorate  
Ministry of Agriculture and Food Supply  
Address: 55 Hristo Botev blvd.  
Sofia  
Tel: 359 2 981 6163  
Fax: 359 2 981 75 42  
E-mail: demina@phare-agr.orbitel.bg

The beneficiary will be State Fund “Agriculture”, which will be responsible for the implementation of the project.  
The Terms of references for the service contract will be prepared by an independent expert contacted under Project Preparation Facility.

Beneficiary contact point:

Mr. Muhettin Karaoglan  
Deputy Executive Director of State Fund Agriculture  
Address: # 136Tsar Boris III blvd.  
Sofia 1618, Bulgaria  
Tel.: 359 2 8187 204  
Fax: 359 2 8187 202  
e-mail: muhettin_karaoglan@dfz.bg

A Steering Committee (StC) shall be established, comprising of representatives of the Consultant, State Fund “Agriculture”, (and other stakeholders as necessary), Contracting Authority - CFCU, Phare Implementing Unit and National Aid Coordinator. StC will
manage and monitor the proper project implementation. The Committee will meet
regularly (at least on quarterly basis), in order to approve project reports and discuss future
activities.

The project monitoring and control activities of the StC will be:
• Monitor progress;
• Compare achievement with plan;
• Detect problems;
• Initiate corrective actions;
• Authorize further work.

The Steering Committee meetings will convene on a quarterly basis for presentation of
the Quarterly reports (QR) and also ad hoc, if there is a special issue raised, requiring a
StC decision to be taken.

6.2 Twinning
NA

6.3 Non-standard aspects
NA.

6.4 Contracts
The projects will be implemented through one service contract:

Contract 1 Technical Assistance for PA 540,000

7. Implementation Schedule

7.1 Start of tendering/call for proposals
March 2008
Start of the PPF expert mission: January 2008
ToR elaborated: February 2008

7.2 Start of project activity
October 2008

7.3 Project Completion
July 2009

8. Sustainability
Sustainability of project results will be achieved through:
- elaboration of manuals for system administrators and users;
- training of current and newly appointed staff in implementation of the manuals and also
  on the use of the IT system.

9. Conditionality and sequencing
IT systems for processing of claims for support under EAGF and EAFRD fully
developed and operational.
Identification of trainers to ensure sustainability of training for users and administrators.
Independent needs analysis/feasibility study is carried out before the tender of the project
is launched, performed by PPF expert mission.
ANNEXES TO PROJECT FICHE
ANNEX 1: LOGICAL FRAMEWORK MATRIX
ANNEX 2: DETAILED IMPLEMENTATION CHART
ANNEX 3: CONTRACTING AND DISBURSEMENT SCHEDULE BY QUARTER FOR FULL DURATION OF PROGRAMME
**ANNEX 1: LOGFRAME MATRI**

**Strengthening the capacity of State Fund “Agriculture” for electronic data exchange in its role as a Paying Agency and establishment of interface between the PA systems and DG Agri information systems**

<table>
<thead>
<tr>
<th>Program name and number:</th>
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<tr>
<td><strong>Conducting period expires:</strong></td>
<td><strong>Disbursement period expires:</strong></td>
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<td>15.12.2009</td>
<td>15.12.2010</td>
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<table>
<thead>
<tr>
<th><strong>Overall Objective</strong></th>
<th><strong>Objectively Verifiable Indicators</strong></th>
<th><strong>Sources of verification</strong></th>
<th><strong>Assumptions</strong></th>
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</thead>
<tbody>
<tr>
<td>Production of timely and reliable data for management and control of the legality of EAGF and EAFRD expenditure</td>
<td>Data concerning EAGF and EAFRD expenditure validated and transmitted to DG Agri in the respective deadlines</td>
<td>Monitoring reports</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Project purpose</strong></th>
<th><strong>Objectively Verifiable Indicators</strong></th>
<th><strong>Sources of verification</strong></th>
<th><strong>Assumptions</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment of systems for electronic data transfer between the PA information systems and DG Agri information systems</td>
<td>• Systems for electronic communication operational by the end of the project allow automatic transmission of data • Data concerning EAGF and EAFRD expenditure processed, validated and transmitted to DG Agri by the end of the project in line with EU format</td>
<td>Reports concerning reports on transmitted data</td>
<td>Necessary funds to cover the administrative costs to operate the Paying agency are provided</td>
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<table>
<thead>
<tr>
<th><strong>Results</strong></th>
<th><strong>Sources of verification</strong></th>
<th><strong>Assumptions</strong></th>
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<tr>
<td>Definition of the level of use of the current system and establishment of links with the one to be developed. 2. Information systems of the PA interface with DG Agri information systems. 3. Successful installation and testing of the communication modules. 4. Availability of complete manuals for software developers, administrators and users. 5. Sustainable training for 10 administrators and 100 users, incl. training of trainers and acquisition of all required skills for the staff to operate with the communication modules.</td>
<td>• Reliable communication modules are in place information systems are in place with information on aid applications allowing a faster transfer of information • 100 users and 10 administrators successfully manage and operate with the IT system • Trained staff provides positive evaluation on training seminars • Manuals for software developers, administrators and users are</td>
<td>Activity reports on projects implementation • Annual progress reports for the European Commission • Certificates &amp; evaluation forms of training undergone</td>
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**Total budget:** EUR 0.540 M  
**TF budget:** EUR 0.405 M
<table>
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<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
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<tbody>
<tr>
<td>1. Assessment of the systems for communication currently in place</td>
<td>Technical assistance contract</td>
<td>Assessments, installation and testing executed according to the plan</td>
</tr>
<tr>
<td>2. Development of interface with EC systems</td>
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<td>PA provides sufficient human resources involved in the project</td>
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<tr>
<td>3. Installation and testing of the developed communication modules</td>
<td></td>
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<tr>
<td>4. Elaboration of complete manuals for software developers, administrators and users</td>
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<tr>
<td>5. Training for 10 administrators and 100 users, incl. training of trainers</td>
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**Preconditions:**

- IT systems for processing of claims for support under EAGF and EAFRD fully developed and operational
- Identification of trainers to ensure sustainability of training for users and administrators
- Independent needs analysis /feasibility study is carried out before the tender of the project is launched, performed by PPF expert mission.
Annex II - Detailed implementation chart

Project title: Strengthening the capacity of State Fund “Agriculture” for electronic data exchange in its role as a Paying Agency and establishment of interface between the PA systems and DG Agri information systems

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<th>Component</th>
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<th>2009</th>
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<td>III Q</td>
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<td>P/T</td>
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<td>TA</td>
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Annex III Contracting and disbursement schedule by quarter for full duration of project

*Project title:* Strengthening the capacity of State Fund “Agriculture” for electronic data exchange in its role as a Paying Agency and establishment of interface between the PA systems and DG Agri information systems

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<tbody>
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<tr>
<td>Disbursed</td>
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