

## **SUMMARY PROJECT FICHE**

### **1. BASIC INFORMATION**

- |     |                |  |
|-----|----------------|--|
| 1.1 | Désirée Number | BG 0006.07   |
| 1.2 | Title          | Capacity building for the Central Finance & Contracts Unit |
| 1.3 | Sector         | Administrative capacity                                    |
| 1.4 | Location       | Sofia, Bulgaria  |

### **2. OBJECTIVES**

#### **2.1 Wider Objective**

To ensure the efficient and effective management of EU funds in Bulgaria.

#### **2.2 Immediate Objective**

To strengthen the management and implementation capacity of the Central Finance & Contracts Unit (CFCU) in the Ministry of Finance

#### **2.3 Accession Partnership and NPAA priority**

The Accession Partnership contains short and medium-term priorities relating to reinforcing the management of EU funds and strengthening public financial control functions through the provision of adequate staff, training and equipment.

### **3. DESCRIPTION**

#### **3.1 Background and justification**

The CFCU in the Ministry of Finance was established in November 1998 under the New Orientations for Phare Decentralised Implementation. The CFCU is responsible for tendering, contracting, follow-up and payments for institution building and certain other Phare projects. It performs these functions on behalf of the beneficiary institution under each project, which are themselves responsible for project preparation and technical implementation. The CFCU operates in close liaison with these beneficiary institutions, and with the National Fund.

The CFCU was established against the background of a steady increase in the size of the annual Phare programme for Bulgaria, and a concomitant increase in the number of tenders, contracts and payments, including the administration related to twinning activities.

The operation of the CFCU is governed by a Memorandum of Understanding (MoU) between the European Commission and the Government of Bulgaria dated 12 November 1998. In view of the difficult financial situation in Bulgaria at the time that the CFCU was established, and the importance of ensuring proper management of EU funds, the Commission agreed to support the CFCU's operating costs for an initial transitional period. Article 5 of the MoU stipulates that:

*The cost of advisory services and administrative support, fees (salary) and training for the efficient operation and management of the CFCU, including computer equipment, photocopying and telecommunication equipment, as well as computer software and all operational costs shall be covered for an initial period of three years from the national Phare allocation for Bulgaria. Up to Mecu 0.9 million has been allocated for this purpose till the end of the year 2000 in the Financing Memorandum "General Technical Assistance Facility" (BG 9704) signed between the Government of Bulgaria and the European Community on 17 December 1997.*

*From the fourth year, these costs will be gradually taken over by the Government of Bulgaria as follows based on the annual proposal provided by the European Commission:*

*33% during the fourth year of operation of the CFCU (67% paid by Phare)*

*67% during the fifth year of operation of the CFCU (33% paid by Phare)*

*100% during the sixth year of operation of the CFCU.*

This project therefore provides the necessary funds for the further support that the Commission is committed to provide to the CFCU on a declining basis for the years 2001 (100%), 2002 (67%) and 2003 (33%): the third to fifth years of the CFCU's operation.

For the first phase of Phare support to the CFCU, from 1998 to the end of 2000, an external consultant was contracted to employ and train local experts working in the CFCU. This contract will finish at the end of 2000.

During the second phase of Phare support to the CFCU, from 2001 to 2003, the existing contracts for local experts working in the CFCU will be extended on a basis consistent with the MoU. The number of Phare-financed experts in the CFCU will decline in stages from the beginning of 2002 until Phare support ends entirely at the end of 2003.

In order to facilitate the continued effective operation of the CFCU as Phare support is phased out, the Ministry of Finance will prepare by 30 June 2001, and again by 30 June 2002, an organisational and staffing plan for the CFCU for the following calendar year. This plan will show the number of staff needed, their responsibilities, and any training requirements, to ensure continued effective operation of the CFCU in the following calendar year. The plan will be based on the expected workload of the CFCU and will explain the arrangements for meeting the costs of CFCU staff from Phare and national cofinancing, consistent with the financial arrangements defined in the MoU. The plan will be subject to the approval of the EC Delegation.

The Ministry of Finance will meanwhile create and make fully operational during 2001 a new directorate to absorb the responsibilities of the CFCU. This new directorate will be staffed by permanent and suitably trained civil servants. Well before the expiry of the contract of each Phare-financed expert currently working in the CFCU, the Ministry will make arrangements to fill the post on a permanent basis. This may include the appointment as an established civil servant an existing expert in the CFCU. These arrangements are designed to ensure vitally important continuity of staffing and ensure effective operation of the CFCU as, and after, Phare support is phased out.

### 3.2 Linked activities

The project builds on the assistance provided to the CFCU under the 1997 Phare programme. Similar assistance is also being provided to the National Fund under the 1997 programme, though this will cease at the end of 2000.

### 3.3 Results

- A continued improvement in the financial management capabilities of the staff and quality of services provided by the CFCU, which will be sustained as Phare support is phased out.
- The creation of a new directorate within the Ministry of Finance to absorb the functions of the CFCU that will be fully staffed and operational during 2001.

### 3.4 Activities

The existing local experts will ensure continued efficient operation of CFCU as Phare support is phased out and train newly recruited civil servants to the CFCU. The project will also support certain operational expenditures, as specified in the MoU.

## 4. INSTITUTIONAL FRAMEWORK

The beneficiary institution under this project is the CFCU, which is located in, and is under the responsibility of, the Ministry of Finance.

The CFCU is headed by a Programme Authorising Officer (PAO), who is a government official appointed by the Council of Ministers. The CFCU Director, who supervises the day-to-day activities of the CFCU, is a government official appointed by the Minister of Finance, as National Authorising Officer (NAO) and Head of the National Fund. The CFCU Director will be responsible for the technical implementation of this project.

In addition to the PAO and Director, the CFCU currently comprises two senior managers (a senior contracting and a senior financial manager), six managers (three contracting, two financial and one twinning manager) and two executive secretaries. Additional staff will be recruited to deal with the CFCU's increasing activities.

## 5. DETAILED BUDGET (MEUR)

	Investment Support	Institution Building	Total Phare (=I+IB)	National Co-financing	IFI	TOTAL
Local TA.		0.22	0.22	0.12		<b>0.34</b>
Operational costs		0.10	0.10	0.05		<b>0.15</b>
<b>Total</b>		<b>0.32</b>	<b>0.32</b>	<b>0.17</b>		<b>0.49</b>

The project will be co-financed by the Government of Bulgaria, in line with the provisions of the MoU (see section 3.1 above). 33% co-financing will be provided during 2002 and 67% during 2003. A special allocation has been made in the Government budget for this purpose. From 2004 onwards, the Government will accept full responsibility for adequately resourcing and staffing the CFCU.

## 6. IMPLEMENTATION ARRANGEMENTS

### 6.1 Implementing Agency

Central Finance & Contracts Unit

Ministry of Finance  
102 Rakovski St.  
1040 Sofia  
Bulgaria  
Telephone: 359 2 9859 2777 / 2772  
Fax: 359 2 9859 2773

## 6.2 Twinning

Not applicable.

## 6.3 Non-standard aspects

As explained in section 3.1 above, the Commission is committed, under the MoU establishing the CFCU, to meet the staffing and operating costs of the CFCU on a declining basis until the end of 2003. The existing experts financed by Phare are contracted by the consulting firm East-West Consulting (EWC). To ensure continuity of operations and proper enhancement of institutional capacity, the existing contract with EWC will be extended by direct agreement to cover the period from the beginning of 2001 to the end of 2003. The new contract will cover the costs of local experts and other operating costs on the declining basis set out in the MoU. The number of Phare-financed local experts in the CFCU and support for operating costs will therefore decline in stages: at the end of 2001 and 2002, before ending completely at the end of 2003. All Phare-financed experts will be required under their contracts to train new civil servants recruited to the CFCU.

For its part, the Ministry of Finance will create and make fully operational during 2001 a new directorate to absorb the functions of the CFCU. It will start recruiting new permanent staff for this directorate during 2001. Well before the expiry of the contract of each Phare financed expert, the Ministry will make arrangements to fill the expert's position, either by offering the existing expert an established position as a civil servant within the Ministry or by recruiting personnel from elsewhere in the Ministry or new staff from outside.

## 7. IMPLEMENTATION SCHEDULE

### 7.1 Start of tendering - Not applicable

A direct agreement to extend the existing contract with EWC, on the basis described above, will be concluded immediately after signature of the Financing Memorandum for the Phare 2000 National Programme.

### 7.2 Start of project activity

January 2001.

### 7.3 Project completion

December 2003.

## 8. EQUAL OPPORTUNITY

Opportunities for employment as local experts are open to both male and female candidates.

## **9. CONDITIONALITY**

It is a prior conditionality for signature of the Financing Memorandum on the Phare 2000 National Programme between the European Commission and the Government of Bulgaria that the Government will provide the Commission with acceptable assurances that it is taking adequate steps to staff and resource the National Fund and CFCU, to ensure that these bodies continue to function effectively after Phare support for their operating costs is withdrawn.

With regard to the financing and administration arrangement there is serious risk that a financing gap will occur in the period between the signature of the Financing Memorandum for Phare 2000 and the actual transfer of funds from Brussels to the NF account. This period, which may last up to 6 months, may result in the CFCU staff not being paid for their work until the middle of year 2001. This issue will be addressed during the year 2000 and a satisfactorily solution will be found.

The Ministry of Finance will establish and make fully operational during 2001 a new directorate to absorb the functions of the CFCU. It will appoint permanent staff to take over the responsibilities of the Phare-financed experts well before the contract of each expert expires. These permanent staff may be the existing experts appointed as established civil servants within the Ministry.

## **ANNEXES**

1. Logical framework matrix
2. Detailed implementation chart
3. Contracting and disbursement schedule

LOGFRAME PLANNING MATRIX FOR  CAPACITY BUILDING FOR THE CFCU			CFCU Support	Date of revision: 08.05.2000
			Contracting period expires: 31/12/2002	Disbursement period expires: 31/12/2003
			Total Budget: 0.49 MEUR	Phare contribution: 0.32 MEUR
Wider Objective	Indicator of Achievement	Sources of Information	Assumptions and Risks	
?To ensure the efficient and effective management of the EU funds in Bulgaria	? Timely contracting of funds ? Accelerated disbursement rate ? Quality control	? Financial reports ? Progress reports, monthly reports ? PIU, NF, EC Del., Phare HQ	? Co-ordination of the parties involved ? Logistical government support ? Stability of the institutional environment	
Immediate Objectives	Indicator of Achievement	Sources of Information	Assumptions and Risks	
? Strengthen the management capacity of CFCU  ? Strengthen the implementation capacity of CFCU	? Better results achieved  ? Timely finalisation of contracts and disbursement of funds	? Progress reports, monthly reports, PIU  ? Progress reports, PIU, NF, EC Del., Phare HQ	? Co-ordination of the parties involved ? Co-financing / logistical government support	
Results	Indicator of Achievement	Sources of Information	Assumptions and Risks	
? Improved financial management capability of the staff  ? Improved quality of services provided by CFCU  ? Creation of a new directorate within MoF to absorb the functions of CFCU	? Skilled and fully qualified CFCU team  ? Efficient project management and implementation  ? Existence of a new directorate that absorbs the CFCU functions within the MoF as a structure	? PIU, NF, EC Del., Phare HQ  ? PIU, NF, EC Del., Phare HQ  ? MoF, , EC Del.,	? Commitment of local staff  ? Co-financing / logistical government support  ? Stability of the institutional environment	
Inputs	Indicator of Achievement	Sources of Information	Assumptions and Risks	
? Local TA  ? Government Co-financing and support  ? EC Financial support	? CFCU local experts assigned  ? Bulgarian co-financing available  ? EC financing available	? MoF, EC Del., Phare HQ  ? MoF, EC Del., Phare HQ  ? NF, EC Del., Phare HQ	? Commitment of local staff  ? Co-financing / logistical government support  ? Financial gap for the EU funds in the period between signing the Phare FM 2000 and the actual transfer of funds to the NF	

ANNEX 2

DETAILED TIME IMPLEMENTATION CHART

Name of project : Capacity building for the CFCU in the Ministry of Finance

	2000												2001												2002												2003												
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	
Local TA.											C	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I
Operational Costs											C	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I

- D: Design
- T: Tendering
- C: Contracting
- I: Implementation

ANNEX 3

CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE

Name of project : Capacity building for the CFCU in the Ministry of Finance

	2000	2001				2002				2003			
	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Contracted	0,490												
%	100%												
Disbursed		0,037	0,074	0,111	0,148	0,189	0,229	0,270	0,310	0,354	0,399	0,443	0,490
%													
		8%	15%	23%	30%	39%	47%	55%	63%	72%	81%	90%	100%