

SUMMARY PROJECT FICHE

Project number: BG981001

Title: Special Preparatory Programme for the Structural Funds in Bulgaria - SPP

Location: Bulgaria

Objectives:

The wider objective is to develop the capacity to absorb and manage Structural Funds following accession to the EU.

The specific objectives include:

- preparation of design and implementation of structural and cohesion policies in line with Objective 1-type programmes including the progressive shift in procedures towards the application of Structural Funds principles to enable a smooth transition at the time of accession;
- preparation and approval of a National Development Programme similar to those drawn-up for the EU cohesion member states;
- specific preparation for the effective use of the new pre-accession instruments from year 2000 onwards;
- developing direct experience of the operational aspects of the conception, planning and implementation of an Objective 1-type of programmes at regional and local level through a specific integrated project in an area of declining industry and a rural development measure.

Description:

If the European Commission proposals are accepted by the European Council, three financial instruments will be available to Bulgaria from 2000 onwards till 2006 (or date of accession if prior to 2006): the Phare instrument, the ISPA (Instrument for Structural Policies for Pre-Accession), and the SAPARD (Special Accession Programme for Agriculture and Rural Development).

In that context, the increased Community financing, the required national public co-financing within a stable macro-economic context, requires that Bulgaria adapt its programming, implementing, monitoring, audit and evaluation capacity to be ready in time to implement efficiently the two pre-structural instruments from year 2000 onwards, closely co-ordinated with the Phare instrument, and to ensure a smooth transition in order to benefit from the Structural Funds and the Cohesion Fund at the time of Accession.

Institution Building:

Measure 1. Design and implementation of structural and cohesion policies:

A Central Co-ordination Unit (CCU) will be established by the Bulgarian Government to undertake the essential programming and planning co-ordination activities (essential legal framework, National Economic Development Plan, sound financial management and control systems, etc. – see Annex 4 for further detail) necessary for the Pre-Accession Instruments (ISPA and SAPARD) and, subsequent to accession, the Structural Funds and the Cohesion Fund.

The CCU will be staffed on the basis of merit with representatives of at least the Ministries of Finance, Transport, Environment and Water, Foreign Affairs, Agriculture and Fisheries, Labour, Education, Regional Development and Public Works, and a representative from the Prime Minister's office.

The designated Bulgarian members, who will have a technocratic profile, will be detached to the

Unit on a half-time basis, for a period of two years. The Director of the CCU will be appointed by the Bulgarian Government. A Permanent Secretariat for the CCU will be established. It will be composed of one representative of each Ministry represented in the CCU, and will assist all CCU members in the administrative tasks. The CCU will be strengthened by long-term detachments of officials from EU national administrations with experience in Objective 1 type programmes of the Structural Funds and the Cohesion Fund (both national sectoral programmes and regional and large projects). The CCU will meet periodically at least once a month to discuss technical aspects of the programme. Representatives of the European Delegation to Sofia, of DG IA, DG XVI, DG V, DGVI, DG XIV and from other sectoral DGs shall be invited to participate to the meetings of the CCU.

Eligible expenditure for the central unit will cover:

- Start up cost (equipment). The premises will be provided by the Bulgarian Government.
- Cost of medium and long-term detachment of EU civil servants to Bulgaria (twinning)
- Cost of short to medium-term detachment of Bulgarian official to EU administration and the European Commission (DGIA, V, VI, XIV, XVI, and other sectoral DGs).
- Strengthening of the institutional capacity through enhanced training initiatives, including the development of local training capacities.
- External consultancy (EU and Local).

Measure 2. Specific institutional building and preparation to ISPA & SAPARD instruments:

The CCU unit will create two sub-units as special Task Forces to prepare for ISPA and SAPARD (detail of their proposed tasks is given in annex 4). Eligible expenditure for the Task Forces will be similar to those of the CCU and will include projects preparation costs (however the main activity of the Task Forces will concentrate on institutional building to prepare for the ISPA and SAPARD instruments).

Projects for integrated regional development (measure 3)

This measure is aimed at giving the Bulgarian authorities direct experience of the operational aspects of the conception and implementation of an “Objective 1” type of programmes at regional and local level. Possible projects being considered are:

- a) Project for the Pernik Area : Promoting of the processes of restructuring, rehabilitation and development of the Pernik depressive region, Periurban Land Reclamation and Mining Industry Diversification.
- b) Project for a rural area: A project will be built in a priority sector (i.e. in milk production) aiming at improving its vertical integration. This will involve an ex-ante analysis of the sector's needs, a strategy for priority measures, financial forecasting and budgeting, setting quantifiable targets, implementation and monitoring arrangements, project selection and approval procedures and the designation of the partnership involved on the ground. It be conducted by the Ministry of Agriculture. The scope of the project should be simple and clear and should involve a limited number of well targeted measures in order to ensure successful implementation and results. National co-financing should be guaranteed beforehand for the project, should it be even limited (between 15-25%), as well as financial contribution of the private partners - farmers, processing industry (between 40-50%) for the purpose of testing in real terms the financial and budgetary capacity building. Furthermore the sustainable rural development of Dobrich region could be envisaged.

Programming and monitoring of the SPP (measure 4)

A Steering Programming and Monitoring Committee of the Programme (SPMC) will be set up. It will be composed of a Director, members of the CCU, representatives of the ISPA and SAPARD Task Forces, and representatives of the European Commission (DG IA, XVI, VI, V, XIV, and other sectoral DGs).

The tasks of the SPMC are:

- To monitor individual projects of each measure of the programme,
- To facilitate and monitor individual actions to be decided by the Bulgarian government (new legislative measures, procedures, implementing structures and mechanisms etc..),
- To review the general progress of the programme,
- To discuss evaluation and audit reports of the programme.

Institutional framework:

The Ministry of Regional Development and Public Works will be charged of co-ordinating the implementation of the actions in the field of Structural and Cohesion Policy. Other ministries will be involved; in particular the Ministries of Finance, Transport, Environment and Water, Agriculture and Fisheries Labour; Education Foreign Affairs (see measure 1). Annex 4 provides further details on the institutional framework for this project.

Budget (in MECU):

	Institution Building	Investment	Total Phare	Recipient	Total
<u>Institution Building</u>					
Measure 1	2,0		2,0		2,0
Measure 2:					
- Task Force ISPA	1,6		1,6		1,6
- Task Force SAPARD	1,0		1,0		1,0
<u>Actions (Measure 3)</u>					
- Pernik area project		1,2	1,2	pm	1,2
- Rural area project		1,0	1,0		1,0
<u>Monitoring (Measure 4)</u>	0,2		0,2	pm	0,2
TOTAL	4,8*	2,2	7,0		7,0

* Under Institution Building an estimated 1.8 Mecu is planned to be contracted by Brussels for twinning arrangements.

Implementation arrangements:

The implementing authority will be the Ministry of Regional Development and Public Works. The Central Finance and Contracts Unit (CFCU) shall be responsible for the carrying out of tendering, contracting and payment process in accordance with the standard Phare rules and procedures. ~~will act as Implementing Agency retaining the overall responsibility for the implementation of the programme in accordance with standard Phare rules and procedures.~~ The Task Forces are responsible for the operational management of the respective programme components.

Implementation schedule:

	Start of tendering	Start of project activity	Completion
Institution building	Oct. 1998	Oct.1998	Dec. 1999
Actions	Oct. 1998	Nov. 1998	Feb. 2001

Equal opportunity:

Specific selection criteria and indicators shall be applied in accordance to the experience of structural funds activities.

Environment:

Specific selection criteria and indicators will be applied in accordance with the experience of structural funds activities.

Investment criteria:

As projects will be selected in accordance to structural funds eligibility rules and will be part of a wider local development programme, they will have to meet catalytic effect (in the local economy), additionality (through co-financing at the national level), sustainability and competition criteria.

Conditionality and sequencing:

As described under measure 4, the Steering Programming and Monitoring Committee of the SPP will be the main decision making forum. Decision of the Bulgarian Government to set up the CCU (measure 1), with the adequate staff, is a precondition for the implementation of the whole programme.

Annexes

1. Logframe Matrix
2. Implementation chart
3. Contracting and Disbursement Schedule
4. The Central Co-ordination Unit, ISPA and SAPARD Task Forces
5. Relation with previous and ongoing Phare activities

Annex 1

BG981001 LOGFRAME MATRIX for the Special Preparatory Programme (SPP) for the Structural Funds			Budget	7 MECU
Wider Objective	Indicators of Achievement	Sources of Information	Assumptions and Risks	
<ul style="list-style-type: none"> ➤ Develop the capacity to absorb and manage Structural Funds following accession to the EU 	<ul style="list-style-type: none"> ➤ National Economic Development Plan. ➤ Readiness to make full and effective use of ISPA and SAPARD by 2000 ➤ Ability to introduce Structural Fund procedures for economic development programmes from 2000 onwards. 	<ul style="list-style-type: none"> ➤ Seconded EU officials ➤ Information provided by EU Commission (Guide for National Economic Development Plan, Guide for SAPARD) 	<ul style="list-style-type: none"> ➤ Set-up of the central Unit ➤ National Economic Development Plan adopted by cabinet of ministers & parliament ➤ Maintenance of structures & processes developed by SPP 	
Immediate Objectives	Indicators of Achievement	Sources of Information	Assumptions and Risks	
<ul style="list-style-type: none"> ➤ The preparation and approval of a National Development Programme similar to those drawn-up for the EU cohesion countries (Greece, Ireland, Portugal and Spain). ➤ The preparation necessary for the full and effective use of the new pre-Accession instruments fully coordinated and complementary with Phare assistance introduced from 2000 onwards. <p>The preparation necessary for a progressive shift in procedures towards the application of Structural Fund principles from 2000 onwards until Accession, enabling a smooth transition at the time of Accession;</p>	<ul style="list-style-type: none"> ➤ National Plan Agreed ➤ Pilot projects launched ➤ Operational implementing structures 	<ul style="list-style-type: none"> ➤ Draft National Economic Development Plan ➤ Government regional and sectoral programmes ➤ Published government development targets and objectives ➤ Reports produced by Central Unit ➤ Seconded EU officials and ➤ Seconded Bulgarian official to EU ➤ Reports and decisions of the Steering Programming and programme Monitoring Committee ➤ Evaluation and audit report on the SPP 	<ul style="list-style-type: none"> ➤ Support of EU administrations ➤ Programmes adopted by cabinet of ministers, agreement reached on development priorities ➤ Availability of co-funding for pilot projects ➤ Partnerships established at regional and national level ➤ Strengthening of implementing structures ➤ Strengthening of control audit functions 	
Results	Indicators of Achievement	Sources of Information	Assumptions and Risks	
<ul style="list-style-type: none"> ➤ National Economic Development Plan produced and approved. ➤ Appropriate programmes and procedures identified from wide range of EU experiences. Best practice models adopted. ➤ Priorities for Institution Building identified. 	<ul style="list-style-type: none"> ➤ Draft National Development Plan published ➤ Development of 'Programming and Procedures Manual' appropriate to CEEC conditions 	<ul style="list-style-type: none"> ➤ Government reports ➤ Central Unit publications and reports ➤ Training courses on programming and procedures 	<ul style="list-style-type: none"> ➤ Support of EU Member State administrations ➤ Central Unit and Task Forces of key ministries and development agencies established and co-ordinated ➤ Consultation with regional/local government ➤ Regional databases established 	
Outputs	Indicators of Achievement	Sources of Information	Assumptions and Risks	
<ul style="list-style-type: none"> ➤ Central Unit (CU) established, staffed and 	<ul style="list-style-type: none"> ➤ Secondment and appointment of staff 	<ul style="list-style-type: none"> ➤ Local and central government reports 	<ul style="list-style-type: none"> ➤ Ministerial agreement on location and 	

<p>equipped</p> <ul style="list-style-type: none"> ➤ Exchanges of CEEC & EU officials ➤ Long term placements of CEEC staff in EU administrations ➤ Comprehensive programme of workshops and training courses. ➤ Pilot Actions 	<p>to CCU</p> <ul style="list-style-type: none"> ➤ Increased awareness of EU Structural Funds programmes and procedures ➤ Increased numbers of trained staff in regional and central administrations 	<p>and statistics</p> <ul style="list-style-type: none"> ➤ Awareness raising publications produced by CU ➤ CU technical reports ➤ Training materials sponsored by CU 	<p>functioning of CCU</p> <ul style="list-style-type: none"> ➤ Necessary administrative arrangements are made for CCU functioning ➤ Officials seconded to CCU ➤ Support of EU Member State administrations
<p>Inputs</p> <p>Financial: Phare: 7.00 MECU; national co-financing for pilot projects will be required at progressive rates, up to the minimum Objective 1 co-financing rate i.e. 15 to 25%.</p> <p>Technical Assistance: CEEC-EU institutional agreements; administrative support from EU officials/experts, provision of training and supply of equipment/materials.</p>			

Annex 2

BG981001 Special Preparatory Programme for Structural Funds
Detailed Implementation Chart

Month	1998																1999				2000		2001	
	1 S	2 O	3 N	4 D	5 J	6 F	7 M	8 A	9 M	10 J	11 J	12 A	13 S	14 O	15 N	16 D	17 J	28 D	29 J	36 A				
A. INSTITUTION BUILDING																								
Central Unit (Measure 1) Task 1,3,4	SA																	(1)	(1)	(1)	(1)			
Central Unit Development Plan (Meas. 1) Task 2		SA																C						
Task Forces ISPA-SAPARD (Meas.2)	SA																	C	(1)	(1)	(1)			
Steering Committee (measure 4)	SA																							
B. Projects (Measure 3)		SA																						C
Tendering, contracting and coordination.	ST																							

(1) It is possible that the Central Unit(s) will continue in operation after 1999 under revised funding arrangements.

Notes: ST = Start Tendering; SA: Start Activity; C = Completion

Annex 3

Cumulative Quarterly Contracting Schedule (MECU)

Project	3Q 98	4Q 98	1Q 99	2Q 99	3Q 99	4Q 99	1Q 00	2Q 00	3Q 00	4Q 00	1Q 01	2Q 01	Total
Preparation for Structural Policies		4.8 69%	2.2 100%						-----	-----	-----	-----	7.0

Indicative Cumulative Quarterly Disbursement Schedule (MECU)

Project	3Q 98	4Q 98	1Q 99	2Q 99	3Q 99	4Q 99	1Q 00	2Q 00	3Q 00	4Q 00	1Q 01	2Q 01	Total
Preparation for Structural Policies		0.5	2.1	2.3	1.5	0.3	0.3						
Cumulative		0.5 7%	2.6 37%	4.9 70%	6.4 91%	6.7 96%	7.0 100%						7.0

The Central Co-ordination Unit (CCU)

The CCU will have a technocratic character and should prepare decisions to be taken by the Bulgarian government (new legislative measures, procedures, implementation structures and mechanism etc.). The CCU could create sub-Units as specialised Task Forces for specific topics (for example ISPA, SAPARD) and have the recourse a limited member of external consultants for specific areas and for legal advise and strategic studies. The Task Forces presidents are members of the CCU.

The task of the central unit are:

- Task 1: Develop the necessary legal framework for the preparation of a National Economic Development Plan similar to the ones drawn up in objective 1 member states (GR, IRL, P, E). For example, review the organisation of competencies assigned to different ministries, the division of competence between central and regional and local levels (in line with the special assistance to the ministry of Regional Development and Public Works under GTAF 97), provisions governing granting of public money to third parties, especially the private sector, procedures for the preparation and approval and implementation of the plan.
- Task 2: Prepare a National Economic Development Plan for the whole territory of Bulgaria similar to the ones drawn up in objective 1 member states (GR, IRL, PORT, E). In principle this plan should cover the following sectors and programmes: productive investment (business support, competitiveness, inward investment, privatisation etc.) for industry and services including Research and Development and Tourism, infrastructure (energy, telecom, health, etc, and especially transport and environment for the ISPA instrument), human resources (Initial education, long-life learning, active labour market policies), modernisation of the agricultural sector, including fisheries and the integrated development of rural areas (SAPARD Instrument), special integrated programmes targeted to individual disadvantaged regions.

The plan should identify the national (and regional and local where relevant) sources of co-financing and should seek complementary funds from the private sector and International Financial Institutions.

- Task 3: Verify and strengthen where necessary arrangement for the sound management of EU funds within the national framework and procedures (budget earmarking of EU credits). For example, compatible budget concepts (commitments, payments eligible expenditure etc....), management of financial flows, earmarking funds for co-financing, independent internal financial control and external audit, monitoring and evaluation systems, new special project management and implementing structures.
- Task 4: Examine specific topics (e.g. water management by river basin, land register, habitat protection, construction of infrastructures promoting economic development promotion of technological innovations etc.). These topics are horizontal and under the responsibility of different Ministries and have to be examined in the context of ISPA, SAPARD and other objective 1 type of programmes.

The CCU unit will create two sub-units as special Task Forces to prepare for ISPA and SAPARD. Eligible expenditure for the Task Forces will be similar to those of the CCU and will include projects preparation costs (however the main activity of the Task Forces will concentrate on institutional building to prepare for the ISPA and SAPARD instruments). The Task Forces will be reinforced by twinning arrangements.

a) Task Force ISPA:

The existing PHARE CBC PMU acting as a co-ordinating and financing structure, with Project Implementation Units in charge of project preparation and implementation in the transport and environment sectors, could extend its competence to the co-ordination of ISPA projects, and in a first stage ISPA project preparation.

For the transport sector, priority projects will be determined by the screening exercise (special technical assistance of 0,3 MECU) for which terms of reference have been agreed with the Ministries of Transport, Regional Development and Public Works and the related project beneficiary.

This exercise will also design the financial engineering of important large projects including the question of national co-financing.

For the environment sector, priority projects will be determined following the procedure proposed in the National Programme for environment through the National Environmental Protection Fund, priority projects will focus on water and air pollution and waste management, productive investment in the field of environment as well as environmental protection. Specific institutional development assistance could be made available for the national Environmental Protection Fund. However, the responsibility for the implementation of the environment investment projects under ISPA still needs to be agreed with the Bulgarian authorities, and in particular the Ministry of Environment and the Ministry of Regional Development and Public Works.

Furthermore other priority projects in the transport and environment sectors will be identified and prepared in the framework of the PHARE CBC BG/GR programme and of the Large Scale Infrastructure facility, as well as in the framework of the National PHARE Transport and Environment programmes.

The Task Force will also identify further improvements to be made in the field of Public Procurements and Environmental Impact Assessment (in relation to the ISPA and SAPARD projects) complementing the actions already foreseen in these fields by the Institution Building Programme.

At a later stage when large priority projects have been identified the Task Force will investigate the need for creation of special project management and implementing Structures of those projects. The Task Force will also review the national concession policy for attraction of private capital.

For these horizontal “projects” (Procurement, Concession, Environmental, Impact Assessment, Cost-Benefit), the Task Force will either be reinforced with specialised and fully dedicated staff (at least one for procurement, one for cost-benefit and one for environment), or identify within the Bulgarian administration the existing units in charge of these issues which would act as PIU for these projects.

Implementing authority for the ISPA Task Force will be the enlarged CBC ISPA PMU where CBC and ISPA activities will be clearly defined and separated.

b) Task force SAPARD:

The SAPARD Task Force will be a new structure created inside the Ministry of Agriculture, Forestry and Agrarian Reform, and will prepare the Rural Development Plan as component of the National Economic Development Plan on the basis of a guide to be provided by the Commission.

Furthermore it will identify any complementary institution building actions to prepare for SAPARD activities.

The task force SAPARD should include agricultural specialists in primary sector (including forestry and fisheries), legislative issues (veterinary, phytosanitary, land policy, quality requirements, organic farming, environment...), agri-food industry, co-operatives and producers groups, as well as specialists in integrated rural development. It will ensure the link with other Ministries and public bodies responsible for agricultural and rural development. It will work on setting-up the required legal framework, budgetary, financial and control procedures, together with the central co-ordination unit and, whenever necessary, on reviewing the policy instruments under way of preparation (i.e. the State Agricultural Fund, the draft Producers Support Act, the draft Ordinance on Organic Production...).

The Task Force SAPARD will be managed by the same new structure as for measure No 1.

Annex 5

Relation of the project with previous Phare activities and with ongoing projects.

Strengthening of Regional Policy at national level and of the Regional and Local Authorities:

A priority project has been finalised with the Bulgarian authorities (0,8 MECUs under GTAF 1997 - BG9704). This project will allow the development and establishment of a legal base for regional policy, the division of competence between the national and regional and local level as well as the activation and creation of Regional Development Agencies and the preparation of new pilot regional development programmes for regions with special difficulties, one of the pilot region could be part of the CBC area with Greece in view of the next INTERREG Phare CBC programme. The programme also foresees the reinforcement of the Ministry of Regional Development and Public Works.