

## Standard Project Fiche

### 1. Basic Information

**1.1 CRIS Number (Year 1): BG2004/016-711.08.04**

**1.2 Title: Strengthening the Institutional Capacity of the Ministry of Finance**

**1.3 Sector:** Customs and Finance

**1.4 Location:** Bulgaria, Sofia

**1.5 Duration:** -Multi-annual 2004-2005

I Phase: 2004

II Phase: 2005

### 2. Objectives

#### 2.1 Overall Objective(s):

Strengthening the relevant institutional capacity at the Ministry of Finance in order to achieve, upon accession, sound public finance and efficient management of the national and the EU funds.

#### 2.2 Project purpose:

##### **Component 1: Support for Improvement of the Budgeting Process in Bulgaria – Twinning**

- Improvement of budget planning and procedures in compliance with the best EU practices.

##### **Component 2: Strengthening the Capacity of the “Management of European Union Funds” Directorate at the Ministry of Finance for Monitoring and Evaluation – Twinning and Technical Assistance**

- Full and effective implementation of the EU regulations for Monitoring and Evaluation for the EC Pre-Accession instruments.
- Further strengthening of the capacity of MEUFD for effective and efficient management of the Structural Funds and Cohesion Fund.

##### **Component 3: Building up integrated State Treasury in the MoF - Twinning**

- Harmonisation of the functions and the structure of the Bulgarian State Treasury with the best practices in the EU member states.

##### **Component 4: Development of the common IT architecture in MoF. Further development and implementation of FMIS – Technical Assistance**

- Development of Enterprise Architecture in MoF.
- Further development of FMIS and establishment of effective information technology management methods and tools within the MoF for better service to the basic function.

##### **Component 5: Strengthening the institutional capacity of the AEAF – Twinning**

- Strengthening the capacity of the AEAF in order to meet the increased requirements for economic policies analysis in view of Bulgaria's future participation in the EU economic policy co-ordination process.

#### **Component 6: Equipment Supply**

- Improvement of the infrastructure and the capacity for financial management, IT architecture and training in the budget sector

### **2.3 Accession Partnership (AP) and NPAA priority (and implementing measures envisaged by the Action Plan for AP priorities related to strengthening administrative and judicial capacity)**

#### **Accession Partnership 2003 – Financial and budgetary provisions /Component 1, Component 3, Component 4, Component 5/**

- Continue efforts to bring the budgetary principles and rules into line with those standards generally applicable in the Community.
- Special attention to be paid to multi-annual budgeting
- Macro-economic forecasting to be further developed
- Effective Evaluation and monitoring procedures for projects and programmes to be developed
- Further development of the Treasury Single Account, the Financial Management Information System and the System for Electronic Budgetary Payments, and continued strengthening of the drafting procedure for the annual state budget.
- Treasury system to be implemented.
- Financial Management Information System to be established.

#### **Accession Partnership 2003 /Component 2/**

- Strengthen administrative structures to ensure that it has the necessary capacity for fully effective use of and proper accounting for EC funds.
- Make progress in implementing the Bulgarian National Strategy for preparation on Structural and Cohesion Funds. Continue to adopt the framework legislation needed to implement the acquis under this chapter.
- Further elaborate the arrangements to ensure inter-ministerial co-ordination as well as the definition of the tasks to be performed by the bodies involved in the preparation and implementation of Structural Funds and the Cohesion Fund at the national and regional level.
- Bring administrative capacity of the units designated as future managing authority up to the level required for efficient and correct implementation of Structural Funds assistance.
- Continue to improve capacity at the level of the technical preparation of programmes to be co-financed by the Structural and Cohesion Funds.
- Make progress in ensuring compliance with acquis requirements for monitoring and evaluation, in particular as regards the ex-ante evaluation of the development plan and the collection and processing of the relevant statistical information and indicators. The timely availability and functioning of an effective monitoring and evaluation system will be of crucial importance for the effective and efficient implementation of the Structural Funds programmes.

**Roadmaps for Bulgaria and Romania 2002 - Financial and budgetary provisions**  
**/Component 1, Component 3, Component 4, Component 5/**

**Short term:**

- Further develop the Treasury Single Account, the Financial Management Information System and the System for Electronic Budgetary Payments, and continued strengthening of the drafting procedure for the annual state budget. Further develop an adequately staffed and equipped co-ordinating body in the area of own resources.

**Medium term:**

- Continue efforts to bring the budgetary principles and rules into line with those standards generally applicable in the Community.
- Improve compliance of national account statistics with ESA 95 standard and enhance their exhaustiveness.
- Build up technical and administrative capacity as regards operational management of own resources and to collect and transfer future EC all own resources to the Community budget in a timely manner.
- Transparent procedures need to be applied e.g. for recruitment and promotion, providing qualified staff to ensure sustainability of reforms, improving human resource management in the state administration, simplifying and clarifying the legal framework for administrative decision-making.
- Improve the quality of the National Development Plan. Bulgaria needs to put serious efforts in strengthening its strategic capability and operational capacity to improve and implement the National Development Plan, in order to transform it into a comprehensive national planning tool.

In its Regular Report 2003 on Bulgaria's progress towards accession the European Commission recommended a further progress to be made in the above mentioned priority areas.

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

MEUFD at the Ministry of Finance was designated as a Managing authority for the Community Support Framework (CSF) upon accession of the country to the EU. The full responsibility of preparation of the Development plan, ex-ante evaluation and its negotiation with the Commission falls to the Directorate. In addition to it, in compliance with Art. 34 (Regulation 1260/1999) the Directorate should organise in cooperation with the Commission the mid-term evaluation. The future CSF Managing authority has delegated the tasks of NDP drafting and the organisation of the execution of the ex-ante evaluation of NDP to the Agency for Economic Analysis and Forecasting.

**2.5 Cross Border Impact**

Not applicable

### **3. Description**

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

The EU Accession Partnership with The Republic of Bulgaria, as well the Regular Report of the EU Commission for 2003 on the progress made by Bulgaria provide for reinforcement of institutional and administrative capacity in the Public Finance area. In the Pre-accession Economic Programme for the year 2003 – 2006 the Bulgarian government confirms the engagement for further development and implementation of the broad programme for improvement of public finance.

The main aim of this project is to support the further development of the Ministry of Finance in the following areas, together with strengthening of the drafting procedure for the annual state budget, budget execution and successful government policy in the sphere of the public finance with view of Bulgaria's accession to the EU. This IB project aims at ensuring that the staffs within the Ministry of Finance and in line ministries and municipalities have the proper skills and experience as to perform the functions in the new conditions. In order to ensure the effective and efficient management and administration of these responsibilities, Technical and Twinning Assistance is sought for:

- Support to enhance the overall co-ordination of policy implementation in budget sphere
- Assistance in the development of fully operational management and administrative capacities for budget planning, execution and reporting
- Training the Ministry's staff and the staff of line ministries and municipalities in the financial management, monitoring and evaluation of policies and programmes.

#### **Component 1: Support for Improvement of the Budgeting Process in Bulgaria**

At present Bulgaria is in a process of ambitious budgetary reforms, which, among other things, are prompted by the country's commitment as an accession country to the EU to ensure sound financial management of both national and EU budget resources. The reforms aim at developing a more robust and comprehensive budget preparation process that is medium-term in outlook, more strategically focused and performance oriented. More specifically, they will improve budgetary management and will ensure that institutional arrangements and government priorities are put in place to allow policy-makers to make strategic choices on the basis of informed analysis of public expenditure issues.

In the field of budget planning and preparation the Bulgarian government has gained significant experience so far and with the help of PHARE projects. A new method of budgeting - programme and performance budgeting is currently being developed and implemented on a pilot basis. It will change and improve the practices of allocating scarce budget resources among different priorities, and will reduce the costs related to budget implementation. 3 ministries have already prepared and submitted to Parliament programme budgets in parallel to the statutory regular budgets. Another 4 ministries will prepare programme budgets for 2005. This method will be installed in all line ministries by the end of 2007. Therefore, the necessary capacity needs to be built and established in MoF, as well as within the line ministries.

The Ministry of Finance will have an increased role in analysing and evaluating line ministries' budget policy proposals. These two functions should be adequately developed. The line ministries and the Ministry of Finance should develop greater expertise for making financial analyses of the proposed programmes.

The new budgeting principals will influence the preparation of the municipalities' budgets and will contribute to a better allocation of resources and greater transparency of the local finance.

The transition to new budget practices in line with the reform requirements calls for enhanced capacity within the administration for efficient financial management. The capacity of the civil servants in the financial administration will be facilitated through the new organisational unit at the Ministry of Finance, the Public Finance School within the Budget Directorate. In order to be able to perform its role as facilitator for the capacity strengthening of the financial administration, the Public Finance School will build its own capacity in terms of personnel, trainers and programs in a MATRA-funded project preceding this project. Further on, within this project, it will need to further enhance the skills of the PFS staff and modernise and improve the quality of its training methods and programs.

## **Component 2: Strengthening the Capacity of the “Management of European Union Funds” Directorate at the Ministry of Finance for Monitoring and Evaluation**

EU requirements in the field of monitoring and evaluation can be considered extensive and have increased considerably in the current programming period. The assessment for EDIS of Phare identified gaps namely in monitoring and evaluation capacity. So, the MEUFD at the Ministry of Finance has to undertake particular actions for strengthening the Monitoring and Evaluation capacity of its staff, in order to enhance the effectiveness and efficiency of the pre-accession, Structural and Cohesion Funds and thereby contributing to the economic and social cohesion.

As per 31 March 2004 the projects being implemented under the National Phare Programme for Bulgaria and Phare Cross Border Co-operation (2000, 2001, 2002 and 2003) are 173. The total amount of Phare allocation is 450 MEUR. About 40 new projects at the indicative amount of 411 MEUR are envisaged under multi annual programme Phare 2004-2006 and the indicative budget for Cross Border Co-operation 2004-2006 is 121 MEUR. The overall co-ordination and thorough monitoring for early identification of risks is a major task of Management of Phare Department within MEUFD. The Phare Monitoring Information System (MIS) that will be elaborated under PPF 2003 will need to be further upgraded, so that all relevant PIUs and IAs could directly incorporate data in the system thus significantly increasing its efficiency. Being an on-line system Phare MIS will need to be better protected, so that no unauthorised access is possible.

All actors in the monitoring of Phare programme need to be further trained to use the system and benefit from it.

The full decentralisation of the monitoring requires better understanding of the process and knowledge of how to use its outputs.

A decentralised evaluation system for Phare Programme has to be established by the end of 2005. The Bulgarian administration should create sufficient capacity for the assignment and the management of the evaluation process of Phare Programme. In this

respect, both for monitoring and evaluation, it will be very useful to share the experience of the new member states of the EU.

The European Commission has demanded for a long period of time a working Management Information System to be created for ISPA Programme implementation in Bulgaria. Such system was created and is fully operational since May 2004. It will serve as a workflow management system, database for all documents related to ISPA, and reporting tool generating various reports on the state of implementation of ISPA Programme in Bulgaria.

However, due to lack of resources some major issues could not be properly addressed at the time of ISPA MIS creation. Among these was most notably the problem for data security and protection of information. ISPA MIS was initially designed as a web based solution accessible through Internet. Because of that and to enable the limited access of common users to the system in order to increase the publicity and general knowledge on ISPA implementation in Bulgaria, the system does have limited options to provide sufficient data security and protection of information. The great amount of important documents to be processed by ISPA MIS combined with the relatively easy access in order to provide publicity create a serious necessity of upgrade of the system, which could not be done at the present time due to lack of resources. The possible solutions could be either purely software based or may include software and hardware.

Another upgrade of ISPA MIS will be required for the transfer of ISPA Programme to the Cohesion Fund after the accession of Bulgaria to EU in 2007. Even though the two instruments are quite similar there are still some important differences in the workflow, which will require some modifications to ISPA MIS. The upgrade will include only software.

The everyday activities performed by the Management of ISPA Funds Department require a flawless system for monitoring and evaluation of projects implementation. The present system is working fine, but MEUFD believes it could be further improved by identifying the gaps in the monitoring and evaluation system on the projects. The assessment will be followed by Gaps filling and training of ISPA CU staff; elaboration of database of independent evaluators; elaboration of a grid and system for certification of evaluators; preparation of needs assessment, strategy and working document for Monitoring and ex-ante Evaluation under the Cohesion Fund; training, external and internal coaching of the Management of ISPA Funds Department on the future ex-ante evaluation of the Cohesion Fund.

A Strategy for participation of the Republic of Bulgaria in the Structural Funds and the Cohesion Fund of the EU was adopted on 28 May 2002 by the Council of Ministers Decision ? 312. It outlines the main goals, principles and structures that are required by Bulgaria to access and effectively utilise future Structural Funds and the Cohesion Fund. In conformity with the EC Regulation 1260/1999 MEUFD at the Ministry of Finance as a future Managing Authority for the CSF will be responsible for various tasks related to monitoring and evaluation of the Structural Funds and the Cohesion Fund of the EU namely:

- Ex-ante evaluation of the National Development Plan,

- Participation in midterm evaluation process, jointly with the European Commission,
- Chair and provide a Secretariat for the Monitoring Committee of the Community Support Framework
- Setting up a system for collection of reliable financial and statistical information for the needs of the monitoring and assessment indicators and for assessment, and shall ensure the submission of such information to the European Commission
- Setting up a mechanism for the Monitoring Committee of the Community Support Framework

### **Component 3: Building up an integrated State Treasury in the MoF**

A new treasury structure was included in the new Structural Regulation of the Ministry of Finance. It comprises three separate directorates – State Treasury, Government Debt and the National Fund under the State Treasurer's management, coordination and control.

The project is focused on the further development and implementation of a modern integrated State Treasury, harmonized with the best practices in the EU member states. It aimed at enabling the State Treasury to operate as an active manager of the assets and liabilities of the State. The first step that has to be undertaken is an in-depth research in the practices for the State Treasury in EU member states aiming creation of model of modern integrated State Treasury developed in accordance with the best practices in EU. After the model for the modern integrated State Treasury is developed, next step is this model to be implemented through developing needed procedures, rules, IT system which to support the activities of modern integrated State Treasury and staff training.

The development of modern integrated State Treasury in compliance with the best practices in the EU member states is very complex task, which should be managed as a project.

### **Component 4: Development of the common IT architecture in MoF. Further development and implementation of FMIS**

The development and implementation of common IT architecture, based on the principles of Enterprise architecture and implementation of IT management framework and procedures are cornerstones of the process of improving the institutional capacity of MoF. Further Phare investment support will be requested after the achievement of results in Phase One when needs for equipment will be identified.

The development of the Financial Management Information System (FMIS) for the budgetary sector within the Republic of Bulgaria is an important phase of the undergoing budget's reform for achieving effective management of the budgetary resources in compliance with the contemporary tendencies in the countries of the European Community.

For the purposes of the management of the process of developing the FMIS, a Steering Committee is established ( by Order ? 982/17.11.2003 ? of the Minister of Finance). The FMIS Steering Committee (SC) is responsible for high-level decisions, for the defining of the FMIS scope and for the authorization of the FMIS plans. The chairman of the SC of FMIS is the Secretary General of the Ministry of Finance.

## **Component 5: Strengthening the institutional capacity of the AEAF**

Since its establishment in 1991, the Agency for Economic Analysis and Forecasting (AEAF) proved to be one of the key government divisions carrying out comprehensive macroeconomic analysis and forecasts for the needs of both the Bulgarian Government and international organisations (like IMF, World Bank, OECD, etc.) Recently the Agency has a set of new assignments related to the EU accession process with an emphasis on the areas of economic policies assessment.

With respect to the broad responsibilities of AEAF and in order to further increase the Agency's capability to better perform the duties currently assigned, it is necessary to undertake measures for strengthening the institutional capacity of AEAF.

To achieve the above stated goal, several types of actions should be undertaken:

- Alignment of the existing regulatory framework for AEAF with the best EU practices. This would secure the legal background for smooth functioning of the Agency.
- Administrative and human resources management improvement in order to ensure and maintain high quality of AEAF staff.
- Augment of the existing set of analytical tools in the Agency by introduction of new research methods and models and refinement of the existing ones. AEAF is responsible for the preparation of the Pre-accession Economic Program, which consists of an analysis of the relevancy of all economic policy measures planned by the Bulgarian government in the medium term and suggestions for their improvement. Currently AEAF does not have at its disposal versatile on the one hand and powerful enough on the other, set of tools for the assessment of the possible effects of the proposed policy measures. At present such assessments are made primarily with dynamic econometric models, the main purpose of which is quite different, namely to forecast the future development of macroeconomic indicators only in respect to a certain time period. Thus, in order to offset the disadvantages of the econometric methods expert opinions are used, which in some cases does not provide the necessary quality of the analysis.

General equilibrium models (GEM) represent a specialized analytical framework, which has the full capabilities of analysing the effects of the various government policies. They have been extensively used over the past 20 years as a standard setting for economic policy analysis in both developed countries and in countries in transition. Not surprisingly, general equilibrium models were also the tools of choice when researchers began studying the potential impacts of the external sector developments. Unlike all the other analytical tools that are being used currently (and which are examples of partial equilibrium models), the purpose of the general equilibrium models is to give a complete picture of the economy, of how all markets function, taking into account the relations among them.

AEAF does not have the necessary experience in the development of static modelling frameworks, which are implemented using the class of the general equilibrium models. The available expertise in AEAF amounts only to some formal theoretical training. The development of a GEM, specific to the work



of AEAF will enable the Agency staff to perform high-quality assessments of the contemplated policy actions and come up with proposals for reasonable alternatives and corrective actions if necessary. As an overall effect, this will improve the quality of Bulgaria's economic policies.

- Further IT development (including a Datawarehouse system) is an additional task necessary for the successful implementation of the analytical tools at AEAF. Relevant hardware and software equipment is also needed in order to accomplish the final goal of the project for strengthening the institutional capacity of the Agency for Economic Analysis and Forecasting.

### **Component 6: Equipment Supply**

The adequate supply is needed to support the effective and efficient execution of all the project component activities related to the strengthening of the institutional capacity within the Ministry of Finance.

#### **3.2 Sectoral rationale**

Not applicable

##### **3.2.1 Identification of projects**

Not applicable

##### **3.2.2 Sequencing**

Not applicable

#### **3.3 Results:**

##### **Phase 1 – 2004**

#### **Component 1: Support for Improvement of the Budgeting Process in Bulgaria – Twinning**

##### **Component 1.1 Improvement of legal framework**

- Drafted new or amended budgetary legislation and lower level regulatory acts, on the basis of best EU practices;
- Drafted new or amended regulatory acts for building up solid law framework for the local authorities to provide effective financial management;
- Drafted new or amended legislation making possible active participation of the citizens in defining the priorities of financing of the public services;
- Improved and transparent creditworthiness methodology for local economic development.
- Evaluated impact of the new / amended budgetary legislation; possible amendments in certain normative acts elaborated, if needed

##### **Component 1.2 Improvement of budgetary practices**

- Sustainable and realistic Medium Term Fiscal Framework.
- Developed uniform programme budgeting methodology (planning, preparation, execution, reporting and evaluation of programme budgets);
- Prepared programme budgets in selected new pilot line ministries

- Developed methodology for microeconomic analysis and evaluation of public sector programmes;
- Developed methodological guidelines for preliminary assessment and evaluation of investment projects in the public sector
- Developed uniform standards for government budget activities.
- Developed internal guidelines for evaluation by the MoF of effectiveness and efficiency of programmes and projects of the line ministries
- A report on Optimisation of Spending Units' Structures
- Analysis of the formulated expenditure responsibilities on central and local government levels and proposal of some changes;
- Increased financial independence of municipalities;
- Developed standards for the main policy sectors – education, health, culture, social affairs;
- Improved mechanism of state transfers, esp. equalizing subsidy from central government to municipalities;
- Improved methodology for analysis and evaluation of social, economic and financial discrepancies among municipalities.
- Implemented improved budget procedure and elaborated methods for coping with problems
- Implemented uniform programme budgeting methodology and prepared programme budgets in selected new pilot line ministries and 4 municipalities;
- Implemented government budget activities standards, jointly with the National Association of Municipalities in the Republic of Bulgaria and line ministries
- Implemented methodology for microeconomic analysis and evaluation of public sector programmes
- Implemented methodological guidelines for preliminary assessment and evaluation of investment projects in the public sector
- Implemented internal guidelines for evaluation by the MoF of effectiveness and efficiency of programmes and projects of the line ministries, incl. preliminary assessment of investment projects
- Programme budgeting implemented in all the ministries and in some new municipalities
- The impact of the implemented methodologies and guidelines monitored and assessed and possible changes elaborated, if needed

### **Component 1.3 Professional Development through Training**

(With the participation of the Public Finance School at the MoF)

- A training programme in the subject areas under Components 1.1 and 1.2 (reflecting also EU best practices) developed and implemented for the MoF, pilot line ministries staff.

### **Component 1.4 Enhancement of the Public Finance School Training Capacity**

- Conducted Feasibility Study and prepared Technical Specification for the enlargement of the PFS with new premises outside the main building of MoF.
- Conducted Feasibility Study for development of a documentation centre of the PFS, incl. digital library, hard-copy library, an electronic system for planning, archiving and management of training activities
- Conducted Feasibility Study for implementing best practices of modern learning methods (e.g. web-based interactive e-learning)

- PFS staff trained in developing marketing techniques: Publicity & PR – building an image in the public area
- PFS staff further trained in communication and presentation skills
- Designed and printed information and advertising materials for the PFS.

## **Component 2: Strengthening the Capacity of the “Management of European Union Funds” Directorate at the Ministry of Finance for Monitoring and Evaluation – Twinning**

### **Component 2.1 Strengthening the Capacity of Management of PHARE funds Department**

#### **2.1.1 Capacity building for the newly created Phare Monitoring and Evaluation unit**

- New appointed staff trained.

#### **2.1.2 Evaluation of Phare Programme**

- System for exercising of the identified “good practices” on monitoring and evaluation that are stated within the Handbook of Guide to Good Practices prepared by the Evaluation Advisory Group created.
- Capacity for organising and steering the Phare interim evaluation process developed

#### **2.1.3 Improvement of the organisation and performance of the SMSCs sessions with regard to EDIS implementation and higher responsibilities of the NAC services:**

- Improved SMSC performance
- JMC meeting carried out twice a year

## **Component 3: Building up integrated State Treasury in the MoF - Twinning**

### **Component 3.1 Further development of functional organisation**

- Report of the review of the current situation in the BG State Treasury (Cash management; Short term budget forecast; Budget accounting and statistics; Methodology of budget control; Debt management; National fund with EU resources.) based on results achieved of the SIGMA project;
- Optimized model of integrated BG State Treasury organization as per best practices in the EU member states;
- Conducted workshop for presentation and discussion of the optimized model of integrated BG State Treasury organization at high level management of the MoF aimed at approval of the model;
- Implemented optimized model of integrated BG State Treasury organization;
- Elaborated internal work standards, rules, procedures for functioning and accountability of the integrated State Treasury;
- Implemented internal work standards, rules, procedures for functioning and accountability of the integrated State Treasury;

### **Component 3.2 Administrative capacity development**

- Report for assessment of the current professional knowledge and skills of the staff of the State Treasury;
- Prepared gap analysis for needed staff knowledge and skills perfection;

- Approved program for perfection of professional knowledge and skills of the staff of the State Treasury;"
- Conducted training and study visits for the staff according to the program.
- Assessment report of the achieved professional knowledge and skills of the staff of the State Treasury in previous phase and preparation of gap analysis for necessary staff knowledge and skills perfection
- Further developed program for perfection of professional knowledge and skills of the staff of the State Treasury;"
- Supplied planned training and study visits for the staff according to the program;
- Conducted planned training and study visits for the staff according to the program;

### **Component 3.3 Legal framework development based on the implementation of the new model of State Treasury organization**

- Report of the current legislation with regards to the State Treasury functions;
- Prepared propositions for legislative changes in the functions and/or institutional structure of the State Treasury, necessary for the effective management of the budgetary funds;
- Drafted legislative acts;
- Conducted workshop for increase awareness and transparency of the proposed legislative changes in the functions and/or institutional structure of the State Treasury necessary for the effective management of the budgetary funds with the Parliament and BNB;
- Proposed secondary legislative changes in the functions of the State Treasury, necessary for the effective management of the budgetary funds;
- Conducted workshop for increase awareness and transparency of the proposed secondary legislative changes in the functions of the State Treasury necessary for the effective management of the budgetary funds with the Council of Ministers;

### **Component 4: Development of the common IT architecture in MoF. Further development and implementation of FMIS**

#### **Component 4.1 Development of the common IT architecture in MoF**

- Prepared analysis of the current status of IT infrastructure in the MoF,
- Prepared a Needs Assessment for improvement of the IT infrastructure in the MoF;
- Designed Enterprise Architecture of the MoF
- Developed Enterprise Architecture in MoF;
- Developed IT strategy of MoF, based on Enterprise Architecture (EA) model;
- Prepared common IT strategic plan, based on EA;
- Developed IT management framework;
- Developed and implemented IT Security policy and procedures;
- Developed Disaster Recovery Plan;
- Prepared a Feasibility Study for the information system of the State Treasury Directorate;
- Trained civil servants on the IT strategic planning, IT management, IT security rules.
- Phare MIS further upgraded.
  - New designated IAs and PIUs incorporated in the system.
  - New designated IAs and PIUs trained.

- Better security and data protection leading to less possibility for unauthorized access to the PHARE MIS ensured.
- Better security and data protection leading to less possibility for unauthorized access to the ISPA MIS ensured

#### **Component 4.2 Further development and implementation of the FMIS**

- Review of the current business and functional requirement of the MoF and spending units to the FMIS III;
- Assessment of the FMIS as a part of the Enterprise Architecture;

#### **Component 4.3 Technical specifications**

- Prepared technical specifications for the necessary hardware and software for development of Enterprise Architecture in the MoF, including the Disaster Recovery Center;
- Prepared technical requirement for the necessary hardware and software for FMIS Stage III;
- Prepared procedures and technical specification for establishment of interfaces between FMIS and other systems in the MoF or using by the spending units;
- Prepared technical specifications for update and adjust MIS for National Fund Directorate under Structural Funds and Cohesion fund;
- Prepared Technical Specification for software for the purposes of a documentation centre of the PFS, incl. digital library and an electronic system for planning, archiving and management of training activities
- Prepared Technical Specification for implementing best practices of modern learning methods (e.g. web-based interactive e-learning)
- Prepared technical specifications for the necessary hardware and software for improvement of the IT infrastructure in the MoF;
- Prepared technical specifications for the necessary hardware and software for the information system of the State Treasury Directorate;

### **Component 5: Strengthening the institutional capacity of the AEF – Twinning**

#### **Component 5.1 Legal Framework Analysis**

- Study visit to a similar to the AEF institution from an EU member country
- Report on the possibilities to align the existing regulatory framework to the best EU practices

#### **Component 5.2 Administrative management improvement**

- Organisational structure and organisation behaviour optimised:
  - Report on the results of the current organisational structure analysis;
  - Elaborated recommendations for improved and streamlined internal communication system
  - Methodology for quality control developed and implemented
- Further human resources development
  - Report on needs assessment for further HR development
  - Training Programme adjusted to the needs of the AEF
  - Elaborated Career Development and Job Motivation Plan in line with the best European practices;
  - Training Programme implemented;

- Report on the results of Training Programme implementation

### **Component 5.3 Analytical Methods Development and Implementation**

- *General Equilibrium Model* concept developed
  - General Equilibrium Model concept built up and designed;
  - Prepared Technical Specification for supply of GEM software
  - GEM developed and customised
  - Report on the implementation of GEM for assessment of particular policy measures
  - Workshop on the results of GEM implementation
  - Developed methodology for aggregating the impact indicators on a measure, priority and macro level for the purposes of impact assessment
  - Workshop on the economic impact assessment of the planned government interventions on a macro level.
- Developed methodology for *sector and regional models* construction
  - Sector models concept built up and designed
  - Specific sector models elaborated and implemented
  - Report on the basic concepts and methods for developing integrated methods for analyses of the Bulgarian regions;
  - Written methodology for regional analysis and forecasting based on information, non-homogenous in territorial decomposition aspect;
  - Experts from AEAF's staff trained in the methods for regional and sector analysis and forecasting;
  - Five experts from the Agency acquainted with the theoretical background of integrated tools for spatial planning;
- Quality of the regular publications assessed
  - Survey on the quality of the AEAF's regular publications
  - Report on the results of the survey
  - Written recommendations for improvement of the publications' quality

### **Component 5.4 IT development for successful implementation of the analytical tools**

- Developed IT model of the Agency for successful implementation of the activities under components 5.2 and 5.3
  - Feasibility study on the overall IT model of the Agency
  - A concept for AEAF's Datawarehouse built up and designed
  - Technical Specification for the AEAF's Datawarehouse prepared
  - Technical Specification for the Datawarehouse software customisation (incl. user's manuals) prepared
  - AEAF's Datawarehouse developed
  - Trained operators to maintain the Datawarehouse system
  - Report on Datawarehouse operation
- Documents for staff training room in place
  - Feasibility study for AEAF's staff training room equipment developed
  - Concept for staff training room equipment elaborated;
  - Technical Specification for staff training room equipment elaborated.

## **Component 6: Equipment Supply**

### **Component 6.1 FMIS**

- Supply of additional SAP R/3 licences on behalf of National Fund Directorate;

## **Phase 2 – 2005**

### **3.3.1 Project 1**

#### **Component 2: Strengthening the Capacity of the “Management of European Union Funds” Directorate at the Ministry of Finance for Monitoring and Evaluation – Technical Assistance**

##### **3.3.1.1 Purpose**

Further strengthening of the capacity of MEUFD for effective and efficient management of the Structural Funds and Cohesion Fund.

##### **3.3.1.2 Results**

#### **Component 2.2 “Preparation of MEUFD to act as a future CSF Managing Authority (central coordinating unit) for the EU Structural Instruments”**

##### **2.2.1 Development mechanisms and capacity for CSF (NSRF) Monitoring Committee**

- Monitoring and reporting structures are designated
- Preliminary CSF (NSRF) Monitoring Committee is set up
- Training for the members of the MC provided
- The management system interlinked to FMIS and the budget information system in line with the requirements of Regulations such as Art. 34.1a/CR 1260/1999

##### **2.2.2 Support during the negotiation phase with the EC**

- Support during the negotiation phase of the NSRF with the EC is provided
- Specialised courses regarding the negotiation phase with EC are organised,

##### **2.2.3 Identification of gaps in the capacity for the future CSF Managing Authority (central coordination unit) and for the future OP Managing Authorities and gap plugging**

- Capacity gaps are identified
- Training Programme for the newly recruited staff is designed. It is built on the requirements to the directorate as future central co-ordination unit, incl. policy co-ordination, strategic planning, organising evaluation, carrying out strategic monitoring of the NSRF implementation, and on the requirements for the future OP Managing Authorities etc.
- CSF Managing Authority (central co-ordinating unit) and OP Managing authorities are fully equipped to oversee the delivery of Regulation 438/2001 by the designated authorities and Bodies
- Mechanism for the identification and correction of the performed budgetary imbalances is established to ensure that planned central government co-financing is in place.
- Training on generalised correction mechanism is performed
- Systems and procedures for producing the Verification of Additionality Table(s) are established
- Evaluation capacity within central co-ordinating unit is developed

### **3.3.2 Project 2**

#### **Component 4: Development of the common IT architecture in MoF. Further development and implementation of FMIS**

##### **3.3.2.1 Purpose**

- Further development and implementation of Enterprise Architecture in MoF.
- Further development of FMIS and establishment of effective information technology management methods and tools within the MoF for better service to the basic function.

##### **3.3.2.2 Results**

###### **Component 4.1 Development of the common IT architecture in MoF**

- Implemented Enterprise Architecture in MoF;
- Implemented IT management framework;
- Developed IT management standards, manuals, handbooks;
- Datawarehouse for microeconomic analysis and evaluation developed and implemented;
- Microeconomic datawarehouse loaded with data;
- Trained the staff in using the microeconomic datawarehouse system and analytical software
- Organised MIS software for the needs of the coordination of the EU Funds (ISPA, Phare and Structural Funds) and national investments, including:
  - Designed, developed and implemented MIS software;
  - Elaborated manual and trainings for the involved users
  - Provided overall maintenance of the system and help desk for users for at least 2 years

###### **Component 4.2 Further development and implementation of FMIS**

- Designed, developed and implemented FMIS phase III at the pilot spending units/enlarging functionality by implementation of new modules, according the priorities in the FMIS Strategy
- Designed, developed and established interfaces for FMIS phase III between FMIS and other systems in the MoF or used by the spending units.
- Updated and adjusted FMIS modules, used by National Funds Directorate under the Structural Funds and Cohesion fund.
- Design, development and implementation of information system for the State Treasury (to be continued in the next year)
- Equipped with suitable skill and fully trained personnel at the spending units.

### **3.3.3 Project 3**

#### **Component 6: Equipment Supply**

##### **3.3.3.1 Purpose**

Improvement of the infrastructure and the capacity for financial management, IT architecture and training in the budget sector

##### **3.3.3.2 Results**

###### **Component 6.1 Development of the common IT architecture in MoF**



- Supplied the necessary hardware and software for development of Enterprise Architecture in MoF;
- Supplied the necessary hardware and software for the improvement of the IT infrastructure of the MoF;
- Supplied and installed the necessary equipment and software for the purpose of information security;
- Supplied specialised analytical software for microeconomic analysis and evaluation, according to activities, stated in Component 4.1
- Supplied of equipment for realization of the MIS software for the needs of the coordination of the EU Funds (ISPA, Phare and Structural Funds) and national investments activities regarding Component 4.1

#### **Component 6.2 FMIS**

- Supplied and implemented additional hardware and software for the purposes of FMIS phase III;
- Purchased of additional licenses of software for the purposes of FMIS phase III;
- Supplied and installed the necessary equipment and software integration of FMIS and the other financial systems in the MoF;
- Supplied and installed the necessary equipment and software for the purpose of State Treasury System,
- Trained end-users on FMIS phase III and State Treasury System.

#### **Component 6.3 Strengthening the institutional and administrative capacity of the AEAF**

- Supplied the equipment for the Staff training room, based on the Needs Assessment Report and Technical Specifications developed under Phase 1, Component 5;
- Supplied the relevant hardware and software for further implementation of the activities under “Component 5.2. Human resources and Organizational Management” and “Component 5.3. Analytical Methods” based on the Needs Assessment Report and Technical Specifications developed under Phase 1 Component 5;
- Supplied and installed hardware, system software and tools needed for development, building and operation of the AEAF’s Datawarehouse based on the Technical Specifications developed under Phase 1, Component 5

#### **Component 6.4 Public Finance School**

- Equipped new premises for the Public Finance School outside the main building of MOF, based on the Needs Assessment Report and Technical specification developed under Phase 1.
- Supply of a specialised software for a digital library to the PFS base on the Needs Assessment Report and Technical Specifications developed under Phase 1. PFS staff trained in using the digital library.
- Supplied electronic system for planning, archiving and management of training activities of the PFS, based on the relevant Technical Specification developed in Phase 1, Component 4.3;
- Supplied and implemented system for advanced methods of training for the PFS (web-based interactive e-learning system) based on the Needs Assessment Report

and Technical Specifications developed under Phase 1, Component 4 Relevant training of staff.

- Equipped hard-copy PFS library

### **3.4 Activities:**

#### **Phase 1 – 2004 /implemented in 2005/**

#### **Component 1: Support for Improvement of the Budgeting Process in Bulgaria – Twinning**

##### **Component 1.1 Improvement of Legal Framework**

- To review the current legal framework of the budget process
- To support the Bulgarian authorities in drafting new or amending existing budgetary normative acts, both primary and secondary, on the basis of best EU practices
- To update and further improve primary and secondary legislation concerning the budget process.
- To monitor and evaluate the impact of the new/amended budgetary legislation
- To elaborate possible amendments in certain normative acts, if needed.

##### **Component 1.2 Improvement of budgetary practices**

- To create tools and procedures for efficient implementation of the MTFF in the line ministries.
- To create awareness with the relevant stakeholders about the importance of a stable and realistic MTFF.
- To develop a uniform programme budgeting methodology (planning, preparation, execution, reporting and evaluation of programme budgets).
- To support the preparation of programme budgets of new pilot line ministries.
- To develop a methodology for microeconomic analysis and evaluation of public sector programmes.
- To develop methodological guidelines for preliminary assessment and evaluation of investment projects in the public sector.
- To analyse and assess the structures of the spending units in view of optimization of public expenditure management.
- To develop internal guidelines for the staff of the MoF, consistent with the uniform programme budgeting methodology, for evaluation of the budget proposals of First-level Spending Units.
- To analyse and formulate expenditure responsibilities on central and local government levels.
- To conduct a study on the role and mandate of municipalities in main policy sectors – education, health, culture, social affairs.
- To analyse and improve the mechanism of equalizing subsidy from central government to municipalities, incl. through comparative analysis with other countries
- To elaborate government budget activities standards, jointly with the National Association of Municipalities in the Republic of Bulgaria and line ministries
- To monitor the implementation of the improved budget procedure designed in the project and elaborate methods for coping with problems.

- To support the preparation of programme budgets of new pilot ministries and 4 municipalities through implementation of the uniform programme budgeting methodology developed in the earlier stage of the project.
- To implement government budget activities standards, jointly with the National Association of Municipalities in the Republic of Bulgaria and line ministries.
- To implement the methodology for microeconomic analysis and evaluation of public sector programmes developed in the earlier stage of the project.
- To implement the methodological guidelines for preliminary assessment and evaluation of investment projects in the public sector developed in the earlier stage of the project.
- To assess the effectiveness and efficiency of programmes and projects of the line ministries, on the basis of the internal guidelines for evaluation by the MoF staff developed in the earlier stage of the project.
- To support the preparation of programme budgets in the remaining ministries and some new municipalities through implementation of the programme budgeting methodology.
- To monitor and assess the impact of the implemented methodologies and guidelines developed and implemented under the project.
- To elaborate possible changes in the developed methodologies and guidelines, if needed.

### **Component 1.3 Professional Development through Training**

(With the participation of the Public Finance School at the MoF)

- To review the current situation in the area of professional knowledge and skills of MoF, pilot line ministries' staff and pilot municipalities' staff based on the results achieved in the 2004-2005 Matra project for the PFS.
- To prepare a curriculum and implement training based on the needs of the MoF and pilot line ministries' staff and the municipalities' staff in relation to the activities in Components 1.1 and 1.2.

### **Component 1.4. Enhancement of the Public Finance School Training Capacity**

- To conduct a Feasibility Study and prepare a related Technical Specification for the enlargement of the PFS with new premises outside the main building of the MoF.
- To conduct a Feasibility Study for development of a documentation centre of the PFS, incl. digital library, hard-copy library, electronic system for planning, archiving and management of training activities.
- To investigate best practices of modern learning methods (e.g. web-based interactive e-learning and other modern methods), conduct related Feasibility Study
- To support the PFS staff in developing marketing techniques: Publicity & PR - building an image in the public area.
- To further train the PFS staff in communication and presentation skills.
- To design and print information and advertising materials for the PFS.

**Means:** Twinning Covenant

## **Component 2: Strengthening the Capacity of the “Management of European Union Funds” Directorate at the Ministry of Finance for Monitoring and Evaluation – Twinning**

### **Component 2.1 Strengthening the Capacity of PHARE funds Department**

#### **2.1.1 Capacity building for the newly created Phare Monitoring and Evaluation unit**

- Intensive training for the appointed staff. (Currently two experts are working for the M&E unit. Additional 6 will be hired by the end of 2005)

#### **2.1.2 Evaluation of Phare Programme**

- Development of a system for exercising of the identified “good practices” on monitoring and evaluation that are stated within the Handbook of Guide to Good Practices prepared by the Evaluation Advisory Group created.
- Development of the capacity for organising and steering the Phare interim evaluation process

#### **2.1.3 Improvement of the organisation and performance of the SMSCs sessions with regard to EDIS implementation and higher responsibilities of the NAC services:**

- Further improvement of the SMSCs performance
- Carry out the JMC meeting twice a year

**Means:** Twinning Covenant

## **Component 3: Building up integrated State Treasury**

### **Component 3.1 Further development of functional organisation**

- To review current situation in the BG State Treasury (Cash management; Short term budget forecast; Budget accounting and statistics; Methodology of budget control; Debt management; National fund with EU resources.) based on results achieved of the SIGMA project;
- To develop an optimized model of integrated BG State Treasury organization as per best practices in the EU member states;
- To present and discuss the optimized model of integrated BG State Treasury organization at high level management of MoF aimed at approval of the model;
- To implement the optimized model of integrated State Treasury organization;
- To elaborate internal work standards, rules, procedures for functioning and accountability of the integrated State Treasury;
- To implement internal work standards, rules, procedures for functioning and accountability of the integrated State Treasury;

### **Component 3.2 Administrative capacity development**

- To assess current professional knowledge and skills of the staff of the State Treasury and preparation of gap analysis for necessary staff knowledge and skills perfection
- To prepare program for perfection of professional knowledge and skills of the staff of the State Treasury;"
- To supply planned training and study visits for the staff according to the program;
- To assess achieved professional knowledge and skills of the staff of the State Treasury in previous phase and preparation of gap analysis for necessary staff knowledge and skills perfection

- To develop further the program for perfection of professional knowledge and skills of the staff of the State Treasury;"
- To supply planned training and study visits for the staff according to the program;
- To conduct planned training and study visits for the staff according to the program.

### **Component 3.3 Legal framework development based on the implementation of the new model of State Treasury organization**

- To research and analysis of the current legislation with regards to the new State Treasury functions
- To prepare propositions for legislative changes in the functions and/or institutional structure of the State Treasury, necessary for the effective management of the budgetary funds;
- To support drafting of the proposed legislative acts;
- To increase awareness and transparency of the proposed legislative changes in the functions and/or institutional structure of the State Treasury necessary for the effective management of the budgetary funds with the Parliament and BNB;
- To prepare propositions for secondary legislative changes in the functions of the State Treasury, necessary for the effective management of the budgetary funds;
- To increase awareness and transparency of the proposed secondary legislative changes in the functions of the State Treasury necessary for the effective management of the budgetary funds with the Council of Ministers;

**Means:** Twinning Covenant

### **Component 4: Development of the common IT architecture in MoF. Further development and implementation of FMIS**

#### **Component 4.1 Development of the common IT architecture in MoF**

- To review of current status of IT infrastructure in MoF, based on Sigma feasibility study;
- To prepare a Needs Assessment for improvement of the IT infrastructure in the MoF;
- To design an Enterprise Architecture of the MoF based on Sigma feasibility study;
- To develop an Enterprise Architecture in MoF, based on Sigma feasibility study;
- To develop an IT strategy of MoF, based on Enterprise Architecture (EA) model;
- To prepare common IT strategic plan, based on EA;
- To develop an IT management framework;
- To develop and implement IT Security policy and procedures;
- To develop Disaster Recovery Plan;
- To prepare a Feasibility Study for the information system of the State Treasury Directorate;
- Training civil servants on the IT strategic planning, IT management, IT security rules.
- Further upgrade of the Phare MIS
- Involvement of new actors (new designated IAs and PIUs)
- Intensive training for the newly involved units
- Increase of the MIS security and data protection

- Further adjustment (software and hardware) to ISPA MIS to ensure better security and data protection (required by the Bulgarian Classified Information Protection Act and the fact that ISPA MIS will be web-based solution)
- Further adjustment (software) of ISPA MIS for Cohesion Fund

#### **Component 4.2 Further development and implementation of FMIS**

- Review of the current business and functional requirement of the MoF and spending units to the FMIS III;
- Assessment of the FMIS as a part of the Enterprise Architecture;

#### **Component 4.3 Technical specifications**

- To prepare technical specifications for the necessary hardware and software for development of Enterprise Architecture in MoF, including the Disaster Recovery Center;
- To prepare technical specifications for the necessary hardware and software for FMIS Stage III;
- To prepare procedures and technical specification for establishment of interfaces between FMIS and other systems in the MoF or using by the spending units;
- To prepare technical specifications for update and adjust MIS for National Fund Directorate under Structural Funds and Cohesion fund;
- To prepare Technical Specification for development of a digital library for PFS
- To prepare Technical specification for electronic system for planning, archiving and management of PFS training activities.
- To prepare a Technical Specification for the implementation of E-learning and other modern training methods to be used by PFS
- To prepare technical specifications for the necessary hardware and software for improvement of the IT infrastructure in the MoF;
- To prepare technical specifications for the necessary hardware and software for the information system of the State Treasury Directorate;

**Means:** Service Contract

### **Component 5: Strengthening the institutional capacity of the AEAF – Twinning**

#### **Component 5.1 Legal Framework Analysis**

- To analyse all the relevant for the AEAF's functioning regulatory framework (primary and secondary legislation)
- To get acquainted with the best EU practices for institutional organization of similar analytical units

#### **Component 5.2 Administrative management development**

- To develop and further improve the existing organisational structure of the AEAF:
  - To review and assess the current organisational structure;
  - To get acquainted with the best European practices in the area;
  - To present written proposals for improvement and streamlining of the internal communication system;
  - To review the quality control system
  - To prepare methodology for quality control system
  - To implement the methodology for quality control system
- To ensure further human resources development

- To prepare needs assessment for further HR development
- To draw up a Training Programme adjusted to the needs of the AEAF
- To implement the specific for the AEAF's needs Training Programme;
- To provide assessment of the results from the implementation of the Training Programme

### **Component 5.3 Analytical Methods Development and Implementation**

- To develop a General Equilibrium Model (GEM).
  - To build and design a General Equilibrium Model concept;
  - To provide guidance in adaptation of the GEM for particular policy measures;
  - To present and disseminate the results on the implementation of the GEM
  - To develop an appropriate methodology for aggregating the impact indicators on a measure, priority and macro level for the purposes of impact assessment
- To develop methodology for sector and regional models construction
  - To build and design a concept for sector models
  - To implement the concept for sector models
  - To develop integrated methods for regional analyses and forecasting, based on information, non-homogenous in territorial decomposition aspect;
  - To implement the integrated methods for regional analyses and forecasting
  - To evaluate the results in the area of sector and regional analyses and forecasting
  - To study the spatial planning principles and the best EU practices
  - To acquire knowledge on spatial co-ordination of sector policies.
- To review the quality of the regular publications
  - To conduct a survey on the quality of the AEAF's regular publications
  - To summarise the results of the surveys
  - To prepare recommendations for improvement of the publications' quality

### **Component 5.4 IT development for the needs of successful implementation of the analytical tools**

- To develop further the IT model in the Agency in order to ensure the successful implementation of the activities under components 2 and 3
  - To analyse the overall IT model in the Agency and to develop a feasibility study
  - To build up and design a concept for AEAF's Datawarehouse
  - To prepare Technical Specification for the AEAF's Datawarehouse.
  - To prepare Technical Specification for the Datawarehouse software customisation (incl. user's manuals)
  - To build up the AEAF's Datawarehouse
  - To train the staff on the usage of Datawarehouse
  - To analyse the results of Datawarehouse's operation
- To ensure the continuous improvement of the specific skills of the AEAF's staff to implement new models and techniques for economic analysis and forecasting
  - To develop a feasibility study for AEAF's staff training room equipment
  - To elaborate a concept for staff training room equipment;

- To prepare Technical Specification for staff training room equipment
- Means:** Twinning Contract

**Component 6: Equipment Supply**

- Additional SAP R/3 licenses on behalf of National Fund Directorate, based on feasibility study made by GTZ.
- Means:** Supply Contract

**Phase 2 – 2005 /implemented in 2006/**

**Component 2: Strengthening the Capacity of the “Management of European Union Funds” Directorate at the Ministry of Finance for Monitoring and Evaluation**

**Component 2.2 “Preparation of MEUFD to act as a future CSF Managing Authority (central coordinating unit) for the EU Structural Instruments”**

**2.2.1. Development of mechanisms and capacity for CSF (NSRF) Monitoring Committee**

- Assistance in designation of the monitoring and reporting structures
- Assistance in setting up the CSF (NSRF) Monitoring Committee
- Training for the members of the MC provided, incl. socio-economic partners
- The management system (Art. 34.1a/CR 1260/1999) should be interlinked to FMIS and the budget information system

**2.2.2. Support during the negotiation phase with the EC**

- Provide support during the negotiation phase of the NSRF with the EC
- Organisation of specialised courses in carrying out successful negotiations

**2.2.3. Identification of gaps in the capacity for the future CSF Managing Authority (central coordination unit) and for the future OP Managing Authorities and gap plugging**

- Identification of capacity gaps.
- Elaboration of the training programme of the newly recruited staff on the basis of requirements to the directorate as future central co-ordination unit and of future OP’s Managing Authorities (policy co-ordination, strategic planning, organising evaluation, carrying out strategic monitoring of the NSRF implementation, etc)
- Develop capacity of MEUFD to oversee the delivery of EC Regulation 438/2001 by the designated authorities and bodies
- Develop evaluation capacity in MEUFD
- Intensive training on general budgeting and development of the expertise for the assessment of the budgetary imbalances
- Training on generalised correction mechanism
- Policy advice and training delivered on the development of procedures and systems to produce the Verification of Additionality Table(s).

**Means:** Technical Assistance



**Component 4: Development of the common IT architecture in MoF. Further development and implementation of FMIS**

**Component 4.1 Development and implementation of the common IT architecture in MoF**

- To implement Enterprise Architecture in MoF;
- To implement IT management framework;
- To develop IT management standards, manuals, handbooks;
- To develop and implement the datawarehouse for microeconomic analysis and evaluation
- To load the microeconomic datawarehouse with data;
- To train the staff in using the microeconomic datawarehouse system and analytical software
- To organise MIS software for the needs of the coordination of the EU Funds (ISPA, Phare and Structural Funds) and national investments, including:
  - To design, develop and implement MIS software;
  - To elaborate manual and trainings for the involved users
  - To provide overall maintenance of the system and help desk for users for at least 2 years

**Component 4.2 Further development and implementation of FMIS**

- To design, develop and implement FMIS phase III at the pilot spending units/enlarging functionality by implementation of new modules, according the priorities in the FMIS Strategy
- To design, develop and establish interfaces for FMIS phase III between FMIS and other systems in the MoF or used by the spending units.
- To update and adjust the FMIS modules used by National Funds Directorate under the Structural Funds and Cohesion fund.
- To develop and implement the information system for the State Treasury (to be continued in the next year)
- To train personnel at the spending units.

**Means:** Service Contract

**Component 6: Equipment Supply**

**Component 6.1 Development of the common IT architecture in MoF**

- To supply the necessary hardware and software for development of Enterprise Architecture in MoF;
- To supply the necessary hardware and software for the improvement of the IT infrastructure in the MoF;
- To supply and install the necessary equipment and software for the purpose of information security ;
- To supply equipment for realization of the MIS software for the needs of the coordination of the EU Funds (ISPA, Phare and Structural Funds) and national investments activities regarding Component 4.1
- To supply specialised analytical software for microeconomic analysis and evaluation, according to activities, stated in Component 4.1

### **Component 6.2 FMIS**

- To supply and implement of additional hardware and software for the purposes of FMIS phase III;
- To purchase additional licenses of software for the purposes of FMIS phase III;
- To supply and install the necessary equipment and software integration of FMIS and the other financial systems in the MoF;
- To supply and install the necessary equipment and software for the purpose of State Treasury System, according to activities stated in Component 4.2
- To train the end-users on FMIS phase III and State Treasury System.

### **Component 6.3 Strengthening the institutional and administrative capacity of the AEAF – Supply**

- To supply the equipment for the Staff training room based on the Needs Assessment Report and Technical Specifications developed under Phase 1 Component 5;
- To supply the relevant hardware and software for further implementation of the activities under “Component 5.2. Human resources and Organizational Management” and “Component 5.3. Analytical Methods” based on the Needs Assessment Report and Technical Specifications developed under Phase 1 Component 5;
- To supply and install hardware, system software and tools needed for development, building and operation of the AEAF’s Datawarehouse based on the Needs Assessment Report and Technical Specifications developed under Phase 1 Component 5;

### **Component 6.4 Public finance school**

- To procure equipment for PFS lecture premises outside the main building of MoF based on the relevant Technical Specification developed in Phase 1
- To supply software for the needs of a digital library and to train PFS staff in using the digital library based on the Needs Assessment Report and Technical Specifications developed under Phase 1, Component 1 and Component 4;
- To supply an electronic system for planning, archiving and management of training activities of the PFS, based on the relevant Technical Specification developed under Phase 1, Component 4.3 ;
- To supply and implement a system for advanced methods of training for the PFS (web-based interactive e-learning system) based on the Needs Assessment Report and Technical Specifications developed under Phase 1, Component 1 and Component 4 and to train the PFS staff in using it.
- To equip the hard-copy PFS library

**Means:** Supply Contract

### **3.5 Linked activities:**

**BG9909-02-01 “Support for the Implementation of the Medium Term Strategy and the Restructuring of the Ministry of Finance”.** The design of BG9909-02-01 has been modified since the beginning to make it more relevant to the existing

situation but the Ministry of Finance and ECORYS-NEI have managed to implement numerous changes.

Important outputs of the project recently completed (July 2003) are related to the budget reform. These include further development of the pilot program budgeting, creating more analytical functions to assist a better budgetary decision-making process, establishment of a permanent facility, the Public Finance School for training civil servants in the public finance area, etc. The project was focused on the restructuring process and capacity building in the MoF in order the Ministry to be able to meet the new requirements. The immediate objectives of the BG9909-02-01 have been met. The MoF was reformed and the newly established and restructured directorates and departments are already functioning efficiently.

– **“Reform of the Bulgarian Budget Sector, Improvement of Budget Planning and Budget Preparation” (MAT 0/BG/9/2)** funded by MATRA. In the period January 2001 – October 2002 the Ministry of Finance was involved in the implementation of the project “Reform of the Bulgarian Budget Sector, Improvement of Budget Planning and Budget Preparation” funded by the MATRA pre-accession Programme of the Dutch government and executed by the Netherlands Economic Institute (NEI). The implementation phase of this project was divided into two assignments: Optimisation of the Budget Cycle and Pilot study on Programme Budgeting in a Medium Term Context.

– **“Strengthening the capacity of the public finance administration in Bulgaria”, (MAT/03/BG/09)** which will be funded by the MATRA pre-accession Programme of the Dutch government. At the Ministry of Finance has been established a new organisational unit under the budget directorate - the Public Finance School in order to help the transition to new practices in the budget area through systematic training on a long-term basis. The proposed project’s activities focus on the institutional building of the Public Finance School and the preparation of its staff to fulfil their new functions. The objective is to make the Public Finance School capable of managing an entire training process in the working fields relevant to the needs of the public finance administration. The Public Finance School will work for the development of the professional knowledge, skills and attitudes of the civil servants working in the field of action of the Ministry of Finance.

- **BG 2003/004 – 937.10.04 “Setting up a coherent system for the Structural Funds and the Cohesion Fund in Bulgaria for the Managing Authority of the Community Support Framework (CSF) and the single Paying Authority for the Structural Funds (SF) and the Cohesion Fund (CF)”**. The project purpose is to strengthen the capacity of the Management of European Union Funds Directorate and the National Fund within the Ministry of Finance as future Managing and Paying authorities.

Managing and Paying Authorities designated and ready to assume obligations under Council Regulations 1260/99 and Commission Regulations 438/2001 and 448/2001 (related to SF);

The expected results of the project are as follows: Managing and Paying Authorities designated and ready to assume obligations under Council Regulations 1164/94 as amended by Council Regulations 1264/99 and 1265/99 (related to CF); Monitoring/Management Information System in place; Completion of harmonisation of tasks related to public internal financial control of EU funded programmes in line

with the Council Regulations 1260/99 and Commission Regulations 438/2001 and 448/2001

- **BG2003/004-937.10.05.15 – “Ex-ante evaluation of the Bulgarian National Development Plan 2007-2013”** The aim of this project is to assess the impact of the proposed interventions within the Bulgarian National Development Plan, to optimise the allocation of budgetary resources under priorities and and to improve the overall quality of the NDP, National Strategic Reference Framework and coherence with the Community strategic guidelines and the national and regional priorities chosen.

– **BG0103.09 “Improving the management of EU Funds”**. The project is designed as to improve the management of EU funds and co-financing resources in Bulgaria to make extended decentralisation of PHARE implementation possible. Strengthening the capacity of the National Fund and the Phare Implementing Agencies to manage EU funds and co-financing resources.

– **ISPA project “Preparation of the National Fund, ISPA Implementing Agencies and Public Internal Financial Control Agency to implement Extended Decentralised Implementation System (EDIS), including Gap Assessment, Gap Filling and Compliance Assessment”**. The general objective of the project is to prepare the project beneficiaries to meet the minimum criteria for EDIS, which covers the Stages 1 to 3 of the EU Roadmap to EDIS.

– **Technical Assistance for the Preparation and Implementation of ISPA/Cohesion Fund Management Information System (ISPA/Cohesion Fund Database)**.

– **Phare 2002 Horizontal Programme** preparing the candidate countries for extended decentralisation (EDIS) in the management of the pre-accession funds in Bulgaria. The project is designed as to improve the management of EU funds and co-financing resources in Bulgaria in preparation for extended decentralisation of PHARE and ISPA implementation by strengthening the capacity of the National Fund and the Implementing Agencies to manage EU funds and co-financing resources in preparation for extended decentralisation.

### **SIGMA**

Sigma assistance will be provided to MoF in the following areas

- Support in the budgetary reform.
- Treasury
  - To analyse the current structure, functions and tasks of the State Treasury established in compliance with the new MoF's Rules of Procedure developed under PHARE Project BG9909-02-01;
  - To propose different variants for further development of the Bulgarian State Treasury in line with the best practices for a modern integrated State Treasury in the EU member states;
  - To develop further the Centralized Harmonization Unit for financial management and control in the budget sector, in compliance with the EU standards;

- To assess the need to create a Debt Management Agency and to institutionalize the Bulgarian State Treasury.
- To conduct a workshop on further development of the modern integrated Bulgarian State Treasury.

The successful completion of this project and its results are the prerequisites for the successful implementation of the PHARE twinning Project “Building up integrated State Treasury in the MoF”.

- Feasibility study for the Enterprise Architecture of MoF (including the Disaster Recovery IT Center)

Currently a PHARE project titled **“Improving Economic Modelling in the Agency for Economic Analysis and Forecasting (AEAF) in Bulgaria” (BG 0205.02.03)** is being carried out in AEAF. Its main goals are to develop two dynamic econometric models: one to be used for short-term forecasting (a quarterly model), and one to be used for medium and long-term forecasting (a yearly model). The development of the yearly model builds on the work carried out under another PHARE project, which was completed in 2003 in cooperation with the Central Planning Bureau of the Netherlands.

Presently the Agency takes part in another project, financed by the Department for International Development, UK – **“Bulgaria Tax Modelling”**. The purpose of the project is to develop a sophisticated macroeconomic tax modelling system to inform and underpin tax reform policy.

AEAF has worked on a number of international projects financed by the US Agency for International Development, the World Bank, PHARE and other donors. One of the major recent projects is a project on improving the quality of National Accounts in collaboration with the National Statistical Institute and the Harvard Institute for International Development in 2001.

In 1994 and 1995, AEAF in collaboration with the Economic Development Institute of the World Bank organised two International Summer Schools “The Economics of the Market” for civil servants from the Balkan countries in transition.

AEAF has in the past been involved in studies in various fields but it could considerably improve its performance if more tools are developed and applied. A start has already been made with the design and formulation of an annual macro-economic model under the umbrella of the EU-funded project “Support for Implementation of Medium Term Strategy and Restructuring of the Ministry of Finance” (BG 9909.02.01), but there still exists a strong need for further expanding and upgrading the tools available within the Agency.

**MAT03/BG/9/1** - Institutional support for the Bulgarian Ministry of Finance - The project aim is to strengthen capacity of the staff of the MEUF Directorate to perform its task regarding the management of the CSF and to develop a system of indicators for monitoring and evaluation of the CSF implementation

### **3.6 Lessons learned:**

The Recommendations and conclusions of the final report on PHARE Project BG9909-02-01 “Support for the Implementation of the Medium Term Strategy and Restructuring of the Ministry of Finance” and of the Regular Report 2002 on Bulgaria’s progress towards accession were taken into consideration during the elaboration of the project.

The completed so far institution building has made a positive but only partial contribution to achieving the wider and immediate objectives of the programmes. The outputs of the technical assistance and twinning measures have had a positive impact in increasing both the planning capacity of the Bulgarian administration, and their awareness of the programme budgeting, budget execution, accounting and reporting, and further development of the FMIS and the principles upon which they operate. Project outputs have made an essential contribution to assisting Bulgaria to introduce new modern methods of budget planning and execution in accordance of best international practices.

**Practical problems faced in the management of national and EC funds include:**

- Staff numbers in the most of the line institutions are inadequate;
- There is insufficient staff continuity;
- Staff quality/training is inadequate;
- It is difficult to retain good quality staff;
- There is poor co-ordination and internal communications between and within various line institutions involved in the budget planning, execution and reporting process;
- High-level officials should be involved in the project and asked to support it in order to succeed.

The Independent Evaluator – EMS Consortium through its Bulgarian team co-operated successfully with the MEUFD experts in respect to improving the monitoring and evaluation capacity – seminars and trainings were organised, new monitoring templates for Phare Programme were established and important progress was achieved.

Taking into consideration the importance of monitoring and evaluation processes, the WG 2 within EAG disseminated a Questionnaire to all Member States, Accession and Candidate Countries. It aimed at sharing between all countries the existing experience on monitoring and evaluation activities, procedures and responsibilities. On the basis of the results a Guide to ‘Good practices’ will be prepared Bulgarian administration will profit from it and will implement all positive experience and practice of other MSs and ACs in respect to improve the pre-accession instruments performance.

There are a will and good practice for exchange of experience between Bulgaria and some Member States (Ireland, Finland) - for the Structural Funds management and Laaken Countries (Czech Republic, Lithuania and Latvia) – for ISPA Funds management.

#### **4. Institutional Framework**

The Ministry of Finance (State Treasury Directorate, Budget Directorate, State Expenditures Directorate, Local Government Financing Directorate, Information System Directorate, National Fund Directorate, Management of EU Funds Directorate) and Agency for Economic Analysis and Forecasting are the main beneficiary institution for this project. The main functions of the ministry are:

1. Implements, coordinates and controls the Government policy targeted at maintaining economic stability on the basis of sound public finances, stability of prices and the national currency.
2. Develops the country's short and medium term budget policy, draws up the Republic of Bulgaria's state budget and controls its actual implementation.
3. Performs treasury functions through management of and control over the implementation of the consolidated fiscal program through the single treasury account system.
4. It develops the national accounting standards.
5. Management of EU Funds.

Currently the MoF employs 558 persons divided in 18 Directorates.

The principal functions and tasks of the **Agency for Economic Analysis and Forecasting** are as follows:

- to analyse the current business environment and the economic situation and to elaborate assessments on the country's economic development prospects;
- to prepare short-, medium- and long-term forecasts for Bulgaria's economic development trends under different economic policy scenarios;
- To examine on a comparative basis economic transition in Bulgaria and the other Central and Eastern European countries.

The Agency has been responsible for the preparation of the annual macroeconomic framework and macroeconomic projections for the budget formulation. It also analyses the medium-term implications of fiscal risks for the overall fiscal position and supplements the baseline medium-term projections prepared for the budget with various scenarios taking into account specific risks and possible variations of economic parameters, such as interest rates or the exchange rate. The Agency together with other ministries and institutions elaborates and suggests specific economic programmes and observes and assesses their implementation. The AEAF participates in the pre-accession negotiations and the preparation of Bulgaria for a full-fledged membership in the EU. The Agency is responsible for the elaboration and annual updating of the Pre-accession Economic Programme. The Agency is in charge of the preparation of the National Development Plan and of the updating and improvement of the National Economic Development Plan (2000 - 2006).

A Steering Committee /SC/ will be established for each of the components. The SC is a decision making body. The main functions of the SC are as follows:

- To review the progress made during project implementation;
- To provide advice and recommendations for corrective measures, if needed in order to achieve project objectives;
- To ensure sound project co-ordination by exchange of timely information on project's developments.

Each SC shall include the representatives of the beneficiary directorates, the CFCU, National Fund Directorate and representatives of the EC Delegation to Bulgaria as observers.

The Steering Committee meetings will be held every three months or in force majeure situation. The Steering Committee (SC) will monitor, supervise and co-ordinate the overall progress and implementation of the components and will be responsible for approving the project deliverables.

The MoF will support the implementation of the proposed project by assuring the necessary organizational environment, making available the necessary personnel.

## 5. Detailed Budget /in MEUR/

<b>Year 2004/Phase 1</b>	<b>Phare Support</b>					
	<i>Investment</i>	<i>Institution Building</i>	<b>Total Phare (=I+IB)</b>	<b>National Co-financing*</b>	<b>IFI*</b>	<b>TOTAL</b>
<b>Component 1</b>						
<i>Twinning Covenant</i>		1,300	1,300			1,300
<b>Total Component 1:</b>		1,300	1,300			1,300
<b>Component 2</b>						
<i>Twining Covenant (2.1)</i>		0,600	0,600			0,600
<b>Total Component 2:</b>		0,600	0,600			0,600
<b>Component 3</b>						
<i>Twinning Covenant</i>		0,800	0,800			0,800
<b>Total Component 3:</b>		0,800	0,800			0,800
<b>Component 4</b>						
<i>Service Contract</i>		0,720	0,720			0,720
<b>Total Component 4:</b>		0,720	0,720			0,720
<b>Component 5</b>						
<i>Twinning Covenant</i>		0,600	0,600			0,600
<b>Total Component 5:</b>		0,600	0,600			0,600
<b>Component 6</b>						
<i>Supply Contract</i>	0,140		0,140	0,047		0,187
<b>Total Component 6:</b>	0,140		0,140	0,047		0,187
<b>Total Year 1</b>	<b>0,140</b>	<b>4,020</b>	<b>4,160</b>	<b>0,047</b>		<b>4,207</b>

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. The national co-financing will be provided by the National Fund Directorate at the Ministry of Finance. All operational and running costs and the maintenance of the equipment will be provided by the final beneficiaries.

\*National co-financing of the twinning component will be up to 10 % of the National budget according to the Twinning manual



<b>YEAR 2005</b>	<b>Phare/Pre-Accession Instrument support</b>	<b>Co-financing</b>			<b>Total Cost</b>
<b>€M</b>		<b>National Public Funds (*)</b>	<b>Other Sources (**)</b>	<b>Total Co-financing of Project</b>	
<b>Year 2005 - Investment support jointly co funded</b>					
<b>Component 6</b> Supply Contract	1.425	0.475		0.475	<b>1.9</b>
<b>Investment support – sub-total</b>	1.425	0.475		0.475	<b>1.9</b>
<b>% of total public funds</b>	<b>max 75 %</b>	<b>min 25 %</b>			

In case of parallel co-funding (per exception to the normal rule), see the following special condition: **No parallel co-financing**

<b>Year 2005 Institution Building support</b>					
<b>Component 2</b> Service contact	0.350	-	-	-	<b>0.350</b>
<b>Component 4</b> Service contact	0.750				<b>0.750</b>
<b>IB support</b>	<b>1.100</b>				<b>1.100</b>

<b>Total project 2005</b>	<b>2.525</b>	<b>0.475</b>		<b>0.475</b>	<b>3.000</b>
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(\*) contributions from National, Regional, Local, Municipal authorities, FIs loans to public entities, funds from public enterprises.

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

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. For Twinning the national co-financing is up to 10% of the contracted value

<i>indicative Year 2006</i> <i>Investment support</i>	NA	NA	NA	NA	NA
<i>indicative Year 2006</i> <i>IB support</i>	NA	NA	NA	NA	NA
<b>Total (indicative) project 2006</b>	NA	NA	NA	NA	NA

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. The national co-financing will be provided by

the National Fund Directorate at the Ministry of Finance. All operational and running costs and the maintenance of the equipment will be provided by the final beneficiaries.

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

(\*\*) private funds, FIs loans to private entities

## **6. Implementation Arrangements**

### **6.1 Implementing Agency**

The Central Financing and Contracting Unit (CFCU) will be the Implementing Agency under the project.

Contact details:

Mr. Vladimir Valchev

CFCU Director

102, Rakovski str., 1040 Sofia, Bulgaria

Tel.: +359 2 9859 2772, 359 2 9859 2777

Fax: +359 2 9859 2773

The Programme Authorising Officer will be the Secretary General of the Ministry of Finance.

Contact details:

Mr. Tencho Popov, Secretary General of the MoF

102, "Rakovski" St.

1000 Sofia

Tel.: (+ 359 2) 9859 20 13

Fax: (+ 359 2) 987 39 29

### **6.2 Twinning**

Beneficiary Institutions of the twinning components will be the MoF and the AEAFF, as well as the institutions responsible for the finalisation of the programme budgeting, State Treasury and FMIS. The implementation arrangements are to be administered through the CFCU.

All Twinning components will include a MS Project Leader, who continues to work in his/her MS administration but who devotes a portion of his/her time to conceiving, supervising and co-ordinating the overall thrust of the project. The MS Project Leader should be a high-ranking official commensurate with the requirement for an operational dialogue and backing at political level. The MS Project Leader is not an Adviser; s/he directs the implementation of the project. S/he is always complemented by at least one full-time expert, known as the Resident Twinning Adviser (RTA), from a MS to work on a day-to-day basis with the beneficiary administration in the beneficiary country and accompany the implementation of the Twinning project.

The stay of the RTA is foreseen to be at least 12 months.

RTA Profile:

1. Work experience in implementation of EU Phare Programme;
2. Language proficiency: Fluency in English;
3. Education: Relevant education in the area of business administration, etc.

The RTA will be upheld by teams of short-term experts to support the relevant activities of the Project.

**Beneficiary Contact Points:**

**Component 1**

Mr. Dobrin Pindjurov, Director of Budget Directorate, Ministry of Finance  
102, “Rakovski” Str.  
1040 Sofia, Bulgaria  
Tel.: (+ 359 2) 9859 21 00  
E-mail: [D.Pindjurov@minfin.bg](mailto:D.Pindjurov@minfin.bg)

**Component 2**

Ms. Borianna Pencheva, MEUF Director  
102, “Rakovski” St.  
1040 Sofia, Bulgaria  
Tel.: (+ 359 2) 9859 29 00  
Fax: (+ 359 2) 9859 2929  
E-mail: [B.Pencheva@minfin.bg](mailto:B.Pencheva@minfin.bg)

**Component 3**

Ms. Gergana Beremska, State Treasurer, Ministry of Finance  
102 “Rakovski” Str.  
1040 Sofia, Bulgaria  
Tel.: (+359 2) 9859 24 95  
E-mail: [g.beremska@minfin.bg](mailto:g.beremska@minfin.bg)

**Component 5**

Mr. Rumen Borissov, Executive Director of the Agency for Economic Analysis and Forecasting  
31, “Aksakov” Str.  
1000 Sofia  
Tel.: (+ 359 2) 9859 56 00  
E-mail: [r.borissov@aeaf.minfin.bg](mailto:r.borissov@aeaf.minfin.bg)

**6.3 Non-standard aspects**

There are no non-standard contracts or tender procedures envisaged within this project. The Phare Practical Guide and a Reference manual on “Twinning” projects will be strictly followed.

**6.4 Contracts**

**Phase I**

**6.4.1. Under Component 1**

- One Twinning Covenant at the sum of 1.3 MEUR.

**6.4.2. Under Component 2**

- One Twinning Covenant at the sum of 0.6 MEUR

**6.4.3. Under Component 3**

- One Twinning Covenant at the sum of 0.8 MEUR.

**6.4.4. Under Component 4**

- One Service Contract at the sum of 0.72 MEUR.

#### **6.4.5. Under Component 5**

- One Twinning Covenant at the sum of 0.6 MEUR.

#### **6.4.6. Under Component 6**

- One Supply Contract at the sum of 0.187 MEUR.

**Total for Phase I - at the sum of 4.207 MEUR.**

### **Phase II:**

#### **6.4.1. Under Component 2 (2.2)**

- One Service contract at the sum of 0.35 MEUR.

#### **6.4.2. Under Component 4**

- One Service contract at the sum of 0.75 MEUR

#### **6.4.3. Under Component 6**

- One Supply Contract at the sum of 1,897 MEUR.

**Total for Phase II - at the sum of 2,997 MEUR.**

**Total for all Phases - at the sum of 7,204 MEUR.**

### **7. Implementation Schedule**

#### **Phase I**

##### **Component 1**

#### **7.1 Start of tendering/call for proposals**

- Call for proposals: 3Q 2004

#### **7.2 Start of project activity: 3Q 2005**

#### **7.3 Project completion: 4Q 2007**

##### **Component 2**

#### **7.1 Start of tendering/call for proposals**

- Call for proposals: 3Q 2004

#### **7.2 Start of project activity: 3Q 2005**

#### **7.3 Project completion: 4Q 2007**

##### **Component 3**

#### **7.1 Start of tendering/call for proposals**

- Call for proposals: 3Q 2004

#### **7.2 Start of project activity: 3Q 2005**

#### **7.3 Project completion: 4Q 2007**

##### **Component 4**

#### **7.1 Start of tendering/call for proposals**

- Start of tendering: 1Q 2005

#### **7.2 Start of project activity: 3Q 2005**

#### **7.3 Project completion: 4Q 2007**

##### **Component 5**

#### **7.1 Start of tendering/call for proposals**

- Call for proposals: 3Q 2004

**7.2 Start of project activity: 3Q 2005**

**7.3 Project completion: 3Q 2007**

**Component 6**

**7.1 Start of tendering/call for proposals**

- Start of tendering: 1Q 2005

**7.2 Start of project activity: 3Q 2005**

**7.3 Project completion: 4Q 2005**

**Phase II**

**Component 2**

**7.1 Start of tendering/call for proposals**

- Start of tendering: 3Q 2005

**7.2 Start of project activity: 1Q 2006**

**7.3 Project completion: 1Q 2007**

**Component 4**

**7.1 Start of tendering/call for proposals**

- Start of tendering: 3Q 2006

**7.2 Start of project activity: 3Q 2007**

**7.3 Project completion: 3Q 2008**

**Component 6**

**7.1 Start of tendering/call for proposals**

- Start of tendering: 3Q 2006

**7.2 Start of project activity: 3Q 2006**

**7.3 Project completion: 1Q 2008**

**8. Equal Opportunity**

Equal opportunity for employment of men and women will be guaranteed.

**9. Environment**

The project has no environmental impact.

**10. Rates of return**

Not applicable

**11. Investment criteria**

**11.1 Catalytic effect:**

The administrative capacity of the Ministry of Finance will be strengthened. The PHARE support catalysis the preparation of Bulgaria towards EU accession, thus adding up to the government own efforts to create administrative structures for sound and efficient management and control of pre-accession aid, as well future management of the EU Structural Funds.

**11.2 Co-financing:**

The National Co-financing will be up to 10 % of the project value for the Twinning component and 25% for the supply and will be provided from the State budget through the National Fund Directorate at the Ministry of Finance.

### **11.3 Additionality:**

Phare intervention has not displaced other public or private sector financing for this project.

### **11.4 Project readiness and size:**

This project is designed to address the immediate needs in a much targeted manner for strengthening the institutional capacity of the MoF and line institutions that will be involved in the process of programme budgeting, building up an integrated State Treasury and future development of the FMIS. It is crucial that the necessary capacity building takes place to ensure that the respective administration is well positioned to assume their planned roles in full.

### **11.5 Sustainability:**

The project implementation shall guarantee the role of the Ministry of Finance in the process of programme budgeting, building up integrated State Treasury, and strengthening the management of the EU funds and future development of the FMIS.

### **11.6 Compliance with state aids provisions**

Not applicable

## **12. Conditionality and sequencing**

### **Phase 1**

Component 3. Building up integrated State Treasury in the MoF

The condition for starting this project is successfully finished SIGMA Project..

Component 4. Development of the common IT architecture in MoF. Further development and implementation of FMIS

The condition for starting this project is successfully finished SIGMA Project..

## **ANNEXES TO PROJECT FICHE**

1. Logical framework matrix
2. Detailed implementation chart
3. Contracting and disbursement schedule, by quarter, for full duration of project
4. Reference list of feasibility/pre-feasibility studies, indepth ex ante evaluations or other forms of preparatory work.
5. Reference list of relevant laws and regulations
6. Reference list of relevant strategic plans and studies

# Annex 1

Phare log frame (Please, reflect the comments above in the log frame matrix as well as in the other tables and charts!)

LOGFRAME PLANNING MATRIX FOR Project “ <b>Strengthening the Institutional Capacity of the Ministry of Finance</b> ”	Programme name and number	
	Contracting period /Year 2/ expires: 30 November 2007	Disbursement period /Year 2/ expires: 30 November 2008
	Total budget /Year 2/: <b>2.997 MEUR</b>	Phare budget /Year 2/: <b>2.523 MEUR</b>

Overall objective	Objectively verifiable indicators	Sources of Verification	
Strengthening the relevant institutional capacity at the Ministry of Finance in order to achieve, upon accession, sound public finance and efficient management of the national and the EU funds.			
Project purpose		Sources of Verification	Assumptions
<b>Component 1: Support for Improvement of the Budgeting Process in Bulgaria</b>			

<p>- Improvement of budget planning and procedures in compliance with the best EU practices.</p> <p><b><u>Component 2: Strengthening the Capacity of the “Management of European Union Funds” Directorate at the Ministry of Finance for Monitoring and Evaluation</u></b></p> <ul style="list-style-type: none"> <li>– Full and effective implementation of the EU regulations for Monitoring and Evaluation for the EC Pre-Accession instruments.</li> <li>– Further strengthening of the capacity of MEUFD for effective and efficient management of the Structural Funds and Cohesion Fund.</li> </ul> <p><b><u>Component 3: Building up integrated State Treasury in the MoF</u></b></p> <ul style="list-style-type: none"> <li>– Harmonisation of the functions and the structure of the Bulgarian State Treasury with the best practices in the EU member states.</li> </ul> <p><b><u>Component 4: Development IT system in MoF. Further development and implementation of FIMS</u></b></p> <ul style="list-style-type: none"> <li>- Further development of FMIS and establishment of effective information technology management methods and tools within the MoF for better service to the basic</li> </ul>			
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function.			
<p><b>Component 5: Strengthening the institutional capacity of the AEAF – Twinning</b></p> <ul style="list-style-type: none"> <li>- Strengthening the capacity of the AEAF in order to meet the increased requirements for economic policies analysis in view of Bulgaria's future participation in the EU economic policy co-ordination process.</li> </ul> <p><b>Component 6: Equipment Supply</b></p> <ul style="list-style-type: none"> <li>– Improvement of the infrastructure and the capacity for financial management and training in the budget sector</li> </ul>			
<b>Results</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<b>Phase 1 – 2004</b>			
<p><b>Component 1: Support for Improvement of the Budgeting Process in Bulgaria – Twinning</b></p> <p><b>Component 1.1 Improvement of legal framework</b></p> <ul style="list-style-type: none"> <li>• Drafted new or amended budgetary legislation and lower level regulatory acts, on the basis of best EU practices;</li> <li>• Drafted new or amended regulatory acts for building up solid law framework for the local authorities to provide effective financial</li> </ul>	<p><b>Component 1: Support for Improvement of the Budgeting Process in Bulgaria</b></p> <ul style="list-style-type: none"> <li>• Amended /new Organic Budget Law and lower level legislation published in the State Gazette</li> </ul>	<p><b>Component 1: Support for Improvement of the Budgeting Process in Bulgaria</b></p> <ul style="list-style-type: none"> <li>• Evaluation reports</li> <li>• Public surveys</li> <li>• Reports and analysis of the MoF</li> <li>• Reports on changes in the structure of the line ministries.</li> <li>• Information from</li> </ul>	<p><b>Component 1: Support for Improvement of the Budgeting Process in Bulgaria</b></p> <ul style="list-style-type: none"> <li>• The respective legislation approved by the Parliament and / or Council of Ministers</li> <li>• Support from the other units in the budget sector, related to the</li> </ul>

<p>management;</p> <ul style="list-style-type: none"> <li>• Drafted new or amended legislation making possible active participation of the citizens in defining the priorities of financing of the public services;</li> <li>• Improved and transparent creditworthiness methodology for local economic development.</li> <li>• Evaluated impact of the new / amended budgetary legislation; possible amendments in certain normative acts elaborated, if needed</li> </ul> <p><b>Component 1.2 Improvement of budgetary practices</b></p> <ul style="list-style-type: none"> <li>• Sustainable and realistic Medium Term Fiscal Framework.</li> <li>• Developed uniform programme budgeting methodology (planning, preparation, execution, reporting and evaluation of programme budgets);</li> <li>• Prepared programme budgets in selected new pilot line ministries</li> <li>• Developed methodology for microeconomic analysis and evaluation of public sector programmes;</li> <li>• Developed methodological guidelines for preliminary assessment and evaluation of investment projects in the public sector</li> </ul>	<ul style="list-style-type: none"> <li>• Better correspondence between the approved 3-years budget forecasts and the annual budgets.</li> <li>• Programme budgets of the pilot line ministries and municipalities prepared in a unified approach.</li> <li>• Comparable indicators and defined standards for evaluation of the degree of accomplishment of the budget programmes by 2005.</li> <li>• Functioning data base with standard, valid and consistent data about the programme execution by 2004</li> <li>• Applicable system of</li> </ul>	<p>government bills, and committee reports, letters of appropriation, operational plans.</p> <ul style="list-style-type: none"> <li>• Follow-up data on annual reports and budget documentation</li> <li>• State gazette, legislation data base</li> <li>• Reports of the MoF and CoM</li> <li>• Multifunctional tables ensuring maximum flexibility of the analysis</li> <li>• Analyses and evaluations of the different expenditure policies</li> <li>• Reports and financial accounts of the MoF and CoM</li> </ul>	<p>implementation of the Programme Budgeting</p> <ul style="list-style-type: none"> <li>• Adoption of the necessary normative acts by the Council of Ministers</li> <li>• Cooperation with the other participants in the process</li> <li>• Political consensus on the budget expenditure priorities</li> <li>• Indicators are consistent with the specific of the programmes assessed</li> </ul>
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<ul style="list-style-type: none"> <li>• Developed uniform standards for government budget activities.</li> <li>• Developed internal guidelines for evaluation by the MoF of effectiveness and efficiency of programmes and projects of the line ministries</li> <li>• A report on Optimisation of Spending Units' Structures</li> <li>• Analysis of the formulated expenditure responsibilities on central and local government levels and proposal of some changes;</li> <li>• Increased financial independence of municipalities;</li> <li>• Developed standards for the main policy sectors – education, health, culture, social affairs;</li> <li>• Improved mechanism of state transfers, esp. equalizing subsidy from central government to municipalities;</li> <li>• Improved methodology for analysis and evaluation of social, economic and financial discrepancies among municipalities.</li> <li>• Implemented improved budget procedure and elaborated methods for coping with problems</li> <li>• Implemented uniform programme budgeting methodology and prepared programme budgets in selected new pilot line ministries and 4 municipalities;</li> </ul>	<p>methods, rules and procedures for microeconomic analysis by 2005.</p> <ul style="list-style-type: none"> <li>• The programme budget of investment programmes based on structured procedures</li> <li>• Approved methods and mechanisms for evaluation, monitoring and analyses of the budgets of the line ministries</li> <li>• Implemented strategy for assessment of the expenditures and accepted internal rules and procedures for effective budget expenditures</li> <li>• Degree of implementation of the optimized structure of the line ministries and better administration</li> <li>• Unified approach in the development of programme budgets for the pilot line ministries and municipalities</li> <li>• Unified approach in the monitoring, evaluation and</li> </ul>		
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<p>implemented for the MoF, pilot line ministries staff.</p> <p><b>Component 1.4      Enhancement of the Public Finance School Training Capacity</b></p> <ul style="list-style-type: none"> <li>• Conducted Feasibility Study and prepared Technical Specification for the enlargement of the PFS with new premises outside the main building of MoF.</li> <li>• Conducted Feasibility Study for development of a documentation centre of the PFS, incl. digital library, hard-copy library, an electronic system for planning, archiving and management of training activities</li> <li>• Conducted Feasibility Study for implementing best practices of modern learning methods (e.g. web-based interactive e-learning)</li> <li>• PFS staff trained in developing marketing techniques: Publicity &amp; PR – building an image in the public area</li> <li>• PFS staff further trained in communication and presentation skills</li> <li>• Designed and printed information and advertising materials for the PFS.</li> </ul>	<ul style="list-style-type: none"> <li>• Prepared and approved Feasibility Study Report and Technical Specification for PFS enlargement by the end of Phase 1.</li> <li>• Prepared and approved Feasibility Study report for the documentation centre by the end of Phase 1.</li> <li>• Identified best practices of modern learning methods</li> <li>• Prepared and approved Feasibility Study report</li> <li>• New marketing techniques applied in the area of Publicity and PR</li> <li>• Conducted trainings for PFS staff in communication and presentation skills.</li> <li>• Information and advertising materials printed in the end of Phase 1.</li> </ul>		
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<p><b>Component 2: Strengthening the Capacity of the “Management of European Union Funds” Directorate at the Ministry of Finance for Monitoring and Evaluation – Twinning</b></p> <p><b>Component 2.1 –Strengthening the Capacity of Management of PHARE funds Department</b></p> <ul style="list-style-type: none"> <li>• <b>2.1.1 Capacity building for the newly created Phare Monitoring and Evaluation unit</b></li> <li>• New appointed staff trained.</li> </ul> <p><b>2.1.2 Evaluation of Phare Programme</b></p> <ul style="list-style-type: none"> <li>• System for exercising of the identified “good practices” on monitoring and evaluation that are stated within the Handbook of Guide to Good Practices prepared by the Evaluation Advisory Group created.</li> <li>• Capacity for organising and steering the Phare interim evaluation process developed</li> </ul> <p><b>2.1.3 Improvement of the organisation and performance of the SMSCs sessions with regard to EDIS implementation and higher responsibilities of the NAC services:</b></p> <ul style="list-style-type: none"> <li>• Improved SMSC performance</li> <li>• JMC meeting carried out twice a year</li> </ul>	<p><b>Component 2: Strengthening the Capacity of the “Management of European Union Funds” Directorate at the Ministry of Finance for Monitoring and Evaluation – Twinning</b></p> <ul style="list-style-type: none"> <li>• 7 experts trained</li> <li>• Phare evaluations organized by the MEUFD</li> <li>• Lessons learned on the basis of monitoring implemented</li> <li>• Trainings organized on the basis of the training programme developed</li> <li>• Experts trained</li> <li>• Higher quality of monitoring reports recognized by EC</li> <li>• JMC meeting organized</li> </ul>	<p><b>Component 2: Strengthening the Capacity of the “Management of European Union Funds” Directorate at the Ministry of Finance for Monitoring and Evaluation – Twinning</b></p> <p>SMSCs reports Experts annual assessment Evaluation reports Lessons learned used in practice Twinning quarterly reports Progress reports (Steering Committee) Experts annual assessment Evaluation contracts signed Evaluators applied for certification Monitoring reports</p>	<p><b>Component 2: Strengthening the Capacity of the “Management of European Union Funds” Directorate at the Ministry of Finance for Monitoring and Evaluation – Twinning</b></p> <p>Both parties (twinner and Beneficiary mobilize appropriate human and financial resources Correct and timely supply of contracted equipment</p>
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	twice a year		
<b>Component 3: Building up integrated State Treasury in the MoF - Twinning</b> <b>Component 3.1 Further development of functional organisation</b> <ul style="list-style-type: none"> <li>• Report of the review of the current situation in the BG State Treasury (Cash management; Short term budget forecast; Budget accounting and statistics; Methodology of budget control; Debt management; National fund with EU resources.) based on results achieved of the SIGMA project;</li> <li>• Optimized model of integrated BG State Treasury organization as per best practices in the EU member states;</li> <li>• Conducted workshop for presentation and discussion of the optimized model of integrated BG State Treasury organization at high level management of MoF aimed at approval of the model;</li> <li>• Implemented optimized model of integrated BG State Treasury organization;</li> <li>• Elaborated internal work standards, rules, procedures for functioning and accountability of the integrated State Treasury;</li> <li>• Implemented internal work standards, rules, procedures for functioning and accountability of the integrated State Treasury;</li> </ul>	<b>Component 3: Building up integrated State Treasury in the MoF</b> <b>Component 3.1 Development of functional organisation</b> <ul style="list-style-type: none"> <li>• Document presenting current situation in BG State Treasury (Cash management; Short term budget forecast; Budget accounting and statistics; Methodology of budget control; Debt management; National fund with EU resources.) based on results achieved of the SIGMA project;</li> <li>• Draft document presenting Optimised model of integrated State Treasury in line with the best practices in the EU member states;</li> </ul>	<b>Component 3: Building up integrated State Treasury in the MoF</b> <ul style="list-style-type: none"> <li>• Document presenting current situation in BG State Treasury; Conducted discussion on detailed description of the current situation in the BG State Treasury.</li> <li>• Draft model of integrated State Treasury in line with the best practices in the EU member states</li> </ul>	<b>Component 3: Building up integrated State Treasury in the MoF</b> Successfully finished SIGMA Project, with following deliverables: <ul style="list-style-type: none"> <li>• Analysis of the current structure, functions and tasks of the State Treasury established, in compliance with the new MoF's Rules of Procedure;</li> <li>• Documented different variants for further development of the Bulgarian State Treasury in line with the best practices for a modern integrated State Treasury in the EU member states;</li> <li>• Build up centralized harmonization unit for financial management and control in the budget sector, in compliance with the EU standards;</li> <li>• Document presenting</li> </ul>

<p><b>Component 3.2 Administrative capacity development</b></p> <ul style="list-style-type: none"> <li>• Report for assessment of the current professional knowledge and skills of the staff of the State Treasury;</li> <li>• Prepared gap analysis for needed staff knowledge and skills perfection;</li> <li>• Approved program for perfection of professional knowledge and skills of the staff of the State Treasury;"</li> <li>• Conducted training and study visits for the staff according to the program.</li> <li>• Assessment report of the achieved professional knowledge and skills of the staff of the State Treasury in previous phase and preparation of gap analysis for necessary staff knowledge and skills perfection</li> <li>• Further developed program for perfection of professional knowledge and skills of the staff of the State Treasury;"</li> <li>• Supplied planned training and study visits for the staff according to the program;</li> <li>• Conducted planned training and study visits for the staff according to the program;</li> </ul> <p><b>Component 3.3 Legal framework development based on the implementation of the new model of State Treasury organization</b></p>	<p><b>Component 3.2 Administrative capacity development</b></p> <ul style="list-style-type: none"> <li>• Document presenting assessment of the current professional knowledge and skills of the staff of the State Treasury;</li> <li>• Document presenting gap analysis for needed staff knowledge and skills perfection;</li> <li>• Signed document presenting program for perfection of professional knowledge and skills of the staff of the State Treasury;"</li> <li>• Mission reports, training certificates.</li> </ul> <p><b>Component 3.3 Legal framework development based on the implementation</b></p>	<p><b>Component 3.2 Administrative capacity development</b></p> <ul style="list-style-type: none"> <li>• Document presenting assessment of the current professional knowledge and skills of the staff of the State Treasury;</li> <li>• Document presenting gap analysis for needed staff knowledge and skills perfection;</li> <li>• Signed document presenting program for perfection of professional knowledge and skills of the staff of the State Treasury;"</li> <li>• Mission reports, training certificates.</li> </ul>	<p>assessment of the need to create a Debt Management Agency and to institutionalize the Bulgarian State Treasury.</p> <ul style="list-style-type: none"> <li>• Conducted workshop on further development of the modern integrated Bulgarian State Treasury.</li> </ul>
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<ul style="list-style-type: none"> <li>• Report of the current legislation with regards to the State Treasury functions;</li> <li>• Prepared propositions for legislative changes in the functions and/or institutional structure of the State Treasury, necessary for the effective management of the budgetary funds;</li> <li>• Drafted legislative acts;</li> <li>• Conducted workshop for increase awareness and transparency of the proposed legislative changes in the functions and/or institutional structure of the State Treasury necessary for the effective management of the budgetary funds with the Parliament and BNB;</li> <li>• Proposed secondary legislative changes in the functions of the State Treasury, necessary for the effective management of the budgetary funds;</li> <li>• Conducted workshop for increase awareness and transparency of the proposed secondary legislative changes in the functions of the State Treasury necessary for the effective management of the budgetary funds with the Council of Ministers;</li> </ul>	<p><b>of the new model of State Treasury organization</b></p> <ul style="list-style-type: none"> <li>• Document presenting current legislation with regards to the new State Treasury functions;</li> <li>• Documents presenting drafted legislative acts</li> <li>• Documents presenting approved proposals for legislative changes in the functions and/or institutional structure of the State Treasury by the Parliament, necessary for the effective management of the budgetary funds;</li> <li>• Documents presenting drafted secondary legislative documents</li> <li>• Document presenting approved proposals for secondary legislative changes in the functions of the State Treasury by Council of Ministers necessary for the effective management of the budgetary funds;</li> </ul>		
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<p><b>Component 4: Development of the common IT architecture in MoF. Further development and implementation of FIMS</b></p> <p><b>Component 4.1</b> Development of the common IT architecture in MoF</p> <ul style="list-style-type: none"> <li>• Prepared analysis of the current status of IT infrastructure in MoF ,</li> <li>• Prepared a Needs Assessment for improvement of the IT infrastructure in the MoF;</li> <li>• Designed Enterprise Architecture of the MoF</li> <li>• Developed Enterprise Architecture in MoF;</li> <li>• Developed IT strategy of MoF, based on Enterprise Architecture (EA) model;</li> <li>• Prepared common IT strategic plan, based on EA;</li> <li>• Developed IT management framework;</li> <li>• Developed and implemented IT Security policy and procedures;</li> <li>• Developed Disaster Recovery Plan;</li> <li>• Prepared a Feasibility Study for the information system of the State Treasury Directorate;</li> <li>• Trained civil servants on the IT strategic planning, IT management, IT security rules.</li> <li>• Phare MIS further upgraded. <ul style="list-style-type: none"> <li>- New designated IAs and PIUs incorporated in the system.</li> <li>- New designated IAs and PIUs trained.</li> </ul> </li> </ul>	<p><b>Component 4: Development of the common IT architecture in MoF. Further development and implementation of FIMS</b></p> <p><b>Component 4.1 Development of the common IT architecture in MoF</b></p> <ul style="list-style-type: none"> <li>• Detailed and clear analysis of IT infrastructure in MoF</li> <li>• Clear definition of IT infrastructure investments, according to business needs of MoF</li> <li>• Designed and developed common integrated architecture in MoF</li> <li>• Increased effectiveness, adequacy, efficiency of IT management</li> <li>• The efficiency of the IT strategic plan and security policy</li> <li>• Efficiency of all applied procedures and methodologies</li> <li>• Number of trained experts</li> <li>• Optimised IT structures</li> <li>• 75% of projects monitored by the new Internet-based</li> </ul>	<p><b>Component 4: Development of the common IT architecture in MoF. Further development and implementation of FIMS</b></p> <p><b>Component 4.1 Development of the common IT architecture in MoF</b></p> <ul style="list-style-type: none"> <li>• Analysis of the current status of IT infrastructure in MoF</li> <li>• Needs Assessment</li> <li>• EA model, EA documents and reports</li> <li>• IT Strategic plan</li> <li>• IT Security Policy</li> <li>• IT management framework and procedures</li> <li>• Disaster Recovery Plan</li> <li>• Quarterly and Final Reports</li> </ul>	
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<ul style="list-style-type: none"> <li>- Better security and data protection leading to less possibility for unauthorized access to the PHARE MIS ensured.</li> <li>• Better security and data protection leading to less possibility for unauthorized access to the ISPA MIS ensured</li> </ul> <p><b>Component 4.2 Further development and implementation of the FMIS</b></p> <ul style="list-style-type: none"> <li>• Review of the current business and functional requirement of the MoF and spending units to the FMIS III;</li> <li>• Assessment of the FMIS as a part of the Enterprise Architecture;</li> </ul> <p><b>Component 4.3 Technical specifications</b></p> <ul style="list-style-type: none"> <li>• Prepared technical specifications for the necessary hardware and software for development of Enterprise Architecture in MoF, including Disaster Recovery Center;</li> <li>• Prepared technical requirement for the necessary hardware and software for FMIS Stage III;</li> <li>• Prepared procedures and technical specification for establishment of interfaces between FMIS and other systems in the MoF or using by the spending units;</li> <li>• Prepared technical specifications for update and adjust MIS for National Fund Directorate</li> </ul>	<p>system</p> <ul style="list-style-type: none"> <li>• ISPA MIS protected so that no unauthorized access is possible</li> </ul> <p><b>Component 4.2 Further development and implementation of the FMIS</b></p> <ul style="list-style-type: none"> <li>• Completed technical specifications for the necessary hardware and software for development of Enterprise Architecture in MoF;</li> <li>• Completed technical specification for FMIS Stage III</li> <li>• Completed technical specification for establishing of interfaces for FMIS and other accounting systems used by the spending units</li> </ul>		
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<p>under Structural Funds and Cohesion fund;</p> <ul style="list-style-type: none"> <li>• Prepared Technical Specification for software for the purposes of a documentation centre of the PFS, incl. digital library and an electronic system for planning, archiving and management of training activities</li> <li>• Prepared Technical Specification for implementing best practices of modern learning methods (e.g. web-based interactive e-learning)</li> <li>• Prepared technical specifications for the necessary hardware and software for improvement of the IT infrastructure in the MoF;</li> <li>• Prepared technical specifications for the necessary hardware and software for the information system of the State Treasury Directorate;</li> </ul>	<p>and integrated FMIS with the other financial system</p> <ul style="list-style-type: none"> <li>• Completed technical specification for update and adjust MIS for National Fund Directorate under Structural Funds and Cohesion fund</li> <li>• Completed technical specification for software for the purposes of a documentation centre for the PFS</li> <li>• Completed technical specification for the implementation of modern learning methods(e.g. web-based interactive e-learning)</li> <li>• Completed technical specifications for the necessary hardware and software for improvement of the IT infrastructure in the MoF;</li> <li>• Technical specifications for the necessary hardware and software for the information system of the State Treasury Directorate;</li> </ul>		
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<p><b>Component 5: Strengthening the institutional capacity of the AEAF – Twinning</b></p> <p><b>Component 5.1 Legal Framework Analysis</b></p> <ul style="list-style-type: none"> <li>• Study visit to a similar to the AEAF institution from an EU member country</li> <li>• Report on the possibilities to align the existing regulatory framework to the best EU practices</li> </ul> <p><b>Component 5.2 Administrative management improvement</b></p> <ul style="list-style-type: none"> <li>• Organisational structure and organisation behaviour optimised: <ul style="list-style-type: none"> <li>– Report on the results of the current organisational structure analysis;</li> <li>– Elaborated recommendations for improved and streamlined internal communication system</li> <li>– Methodology for quality control developed and implemented</li> </ul> </li> <li>• Further human resources development <ul style="list-style-type: none"> <li>– Report on needs assessment for further HR development</li> <li>– Training Programme adjusted to the</li> </ul> </li> </ul>	<p><b>Component 5: Strengthening the institutional and administrative capacity of the AEAF</b></p> <p><b>Component 5.1 Legal Framework Analysis</b></p> <ul style="list-style-type: none"> <li>• Document providing suggestions on the way the existing regulatory framework could be aligned to the best EU practices</li> </ul> <p><b>Component 5.2 Administrative management improvement</b></p> <ul style="list-style-type: none"> <li>• Report reviewing and assessing the organizational structure;</li> <li>• Written recommendations for the improvement of internal communication;</li> <li>• Drafted methodology for quality control; 2 trained employees in staff planning;</li> <li>• Training Programme developed</li> </ul>	<p><b>Component 5: Strengthening the institutional and administrative capacity of the AEAF</b></p> <p><b>Component 5.1 Legal Framework Analysis</b></p> <ul style="list-style-type: none"> <li>• Official Gazette,</li> <li>• Commission Regular Reports</li> <li>• Periodic Reports to EU Delegation in Sofia</li> <li>• Terms of Reference and Tender Dossier</li> </ul> <p><b>Component 5.2 Administrative management improvement</b></p> <ul style="list-style-type: none"> <li>• Progress Reports to EU Delegation in Sofia;</li> <li>• Periodic Reports to EU Delegation in Sofia;</li> <li>• Quarterly and final Reports on the project;</li> <li>• Reports of the Steering Committee of the project.</li> <li>• Reports of the Steering Committee of the project.</li> </ul>	<p><b>Component 5: Strengthening the institutional and administrative capacity of the AEAF</b></p> <p><b>Component 5.1 Legal Framework Analysis</b></p> <ul style="list-style-type: none"> <li>• Relevant legislative and institutional measures approved by the Government and adopted by the Parliament and implemented</li> <li>• Adoption of the relevant secondary legislation by the Council of Ministers</li> </ul> <p><b>Component 5.2 Administrative management improvement</b></p> <ul style="list-style-type: none"> <li>• Support from the Ministry of finance;</li> <li>• Strict observance of Bulgarian legislation in force</li> <li>• Support from the Ministry of finance;</li> <li>• Procurement of needed hardware, software and other equipment.</li> </ul>
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<p>needs of the AEAF</p> <ul style="list-style-type: none"> <li>– Elaborated Career Development and Job Motivation Plan in line with the best European practices;</li> <li>– Training Programme implemented;</li> <li>– Report on the results of Training Programme implementation</li> </ul>			
<p><b>Component 5.3 Analytical Methods Development and Implementation</b></p> <ul style="list-style-type: none"> <li>• <i>General Equilibrium Model</i> concept developed <ul style="list-style-type: none"> <li>– General Equilibrium Model concept built up and designed;</li> <li>– Prepared Technical Specification for supply of GEM software</li> <li>– GEM developed and customised</li> <li>– Report on the implementation of GEM for assessment of particular policy measures</li> <li>– Workshop on the results of GEM implementation</li> <li>– Developed methodology for aggregating the impact indicators on a measure, priority and macro level for the purposes of impact assessment</li> <li>– Workshop on the economic impact assessment of the planned</li> </ul> </li> </ul>	<p><b>Component 5.3 Analytical Methods Development and Implementation</b></p> <ul style="list-style-type: none"> <li>• Technical Specification for supply of GEM software available;</li> <li>• Methodology for aggregating the impact indicators on a measure, priority and macro level for the purposes of impact assessment;</li> <li>• 5 experts acquainted with EU practices in sector model building;</li> <li>• Document reporting on the basic concepts and methods for developing integrated methods for analyses of the Bulgarian regions;</li> <li>• Five experts from the</li> </ul>	<p><b>Component 5.3 Analytical Methods Development and Implementation</b></p> <ul style="list-style-type: none"> <li>• Periodical reports to the EU Delegation in Sofia by the PIU</li> <li>• Analytical papers written</li> <li>• Methodology paper;</li> <li>• Manuals and publications;</li> <li>• EU experts' reports</li> <li>• Monitoring by Delegation;</li> <li>• AEAF reports;</li> <li>• Staff certificates;</li> <li>• Consultants' reports</li> </ul>	<p><b>Component 5.3 Analytical Methods Development and Implementation</b></p> <ul style="list-style-type: none"> <li>• Free access to NSI data and to all other sources of economic information</li> </ul>

<p>government interventions on a macro level.</p> <ul style="list-style-type: none"> <li>• Developed methodology for <i>sector and regional models</i> construction <ul style="list-style-type: none"> <li>– Sector models concept built up and designed</li> <li>– Specific sector models elaborated and implemented</li> <li>– Report on the basic concepts and methods for developing integrated methods for analyses of the Bulgarian regions;</li> <li>– Written methodology for regional analysis and forecasting based on information, non-homogenous in territorial decomposition aspect;</li> <li>– Experts from AEAF's staff trained in the methods for regional and sector analysis and forecasting;</li> <li>– Five experts from the Agency acquainted with the theoretical background of integrated tools for spatial planning;</li> </ul> </li> <li>• Quality of the regular publications assessed <ul style="list-style-type: none"> <li>– Survey on the quality of the AEAF's regular publications</li> <li>– Report on the results of the survey</li> <li>– Written recommendations for improvement of the publications'</li> </ul> </li> </ul>	<p>Agency acquainted with the theoretical background of integrated tools for spatial planning;</p> <ul style="list-style-type: none"> <li>• Document summarizing the results of the survey</li> </ul>		
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training room equipment elaborated.			
<b>Component 6: Equipment Supply</b> <b>Component 6.1 FMIS</b> <ul style="list-style-type: none"> <li>Supply of additional SAP R/3 licences on behalf of National Fund Directorate;</li> </ul>	<b>Component 6: Equipment Supply</b> SAP R/3 licenses on behalf of National Fund Directorate in place		
<b><u>Phase 2 – 2005</u></b>			
<b>Component 2.2 “Preparation of MEUFD to act as a future CSF Managing Authority (central coordinating unit) for the EU Structural Instruments”</b> <b>2.2.1 Development mechanisms and capacity for CSF (NSRF) Monitoring Committee</b> <ul style="list-style-type: none"> <li>Monitoring and reporting structures are designated</li> <li>Preliminary CSF (NSRF) Monitoring Committee is set up</li> <li>Training for the members of the MC provided</li> <li>The management system interlinked to FMIS and the budget information system in line with the requirements of Regulations such as Art. 34.1a/CR 1260/1999</li> </ul> <b>2.2.2 Support during the negotiation phase with the EC</b> <ul style="list-style-type: none"> <li>Support during the negotiation phase of the NSRF with the EC is provided</li> <li>Specialised courses regarding the</li> </ul>	<b>Component 2: Strengthening the Capacity of the “Management of European Union Funds” Directorate at the Ministry of Finance for Monitoring and Evaluation</b> <ul style="list-style-type: none"> <li>Monitoring and reporting structures in operation</li> <li>CSF Monitoring Committee functioning</li> <li>Number of attended courses</li> <li>Exchange of data between the MIS, FMIS and the budget information system</li> </ul>	Project Progress Reports Monitoring Reports Evaluation Reports	

<p>negotiation phase with EC are organised,</p> <p><b>2.2.3 Identification of gaps in the capacity for the future CSF Managing Authority (central coordination unit) and for the future OP Managing Authorities and gap plugging</b></p> <ul style="list-style-type: none"> <li>▪ Capacity gaps are identified</li> <li>▪ Training Programme for the newly recruited staff is designed. It is built on the requirements to the directorate as future central co-ordination unit, incl. policy co-ordination, strategic planning, organising evaluation, carrying out strategic monitoring of the NSRF implementation, and on the requirements for the future OP Managing Authorities etc.</li> <li>▪ CSF Managing Authority (central co-ordinating unit) and OP Managing authorities are fully equipped to oversee the delivery of Regulation 438/2001 by the designated authorities and Bodies</li> <li>▪ Mechanism for the identification and correction of the performed budgetary imbalances is established to ensure that planned central government co-financing is in place.</li> <li>▪ Training on generalised correction mechanism is performed</li> <li>▪ Systems and procedures for producing the</li> </ul>	<ul style="list-style-type: none"> <li>• Number of negotiations skills courses organised</li> <li>• Number of negotiators trained</li>   <li>• Number of courses from the programmes organised</li> <li>• Number of experts trained</li> <li>• Monitoring and reporting structures in operation</li>   <li>• Number of training programmes developed and under implementation</li> <li>• Number of special training courses provided</li> </ul>		
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<p>Verification of Additionality Table(s) are established</p> <ul style="list-style-type: none"> <li>▪ Evaluation capacity within central co-ordinating unit is developed</li> </ul>	<ul style="list-style-type: none"> <li>• Number of projects under community initiative programmes prepared.</li> <li>• Number of staff trained</li> </ul>		
<p><b>Component 4.1 Development of the common IT architecture in MoF</b></p> <ul style="list-style-type: none"> <li>• Implemented Enterprise Architecture in MoF;</li> <li>• Implemented IT management framework;</li> <li>• Developed IT management standards, manuals, handbooks;</li> <li>• Datawarehouse for microeconomic analysis and evaluation developed and implemented;</li> <li>• Microeconomic datawarehouse loaded with data;</li> <li>• Trained the staff in using the microeconomic datawarehouse system and analytical software</li> <li>• Organised MIS software for the needs of the coordination of the EU Funds (ISPA, Phare and Structural Funds) and national investments, including: <ul style="list-style-type: none"> <li>○ Designed, developed and implemented MIS software;</li> <li>○ Elaborated manual and</li> </ul> </li> </ul>	<p><b>Component 4: Development of the common IT architecture in MoF. Further development and implementation of FIMS</b></p> <p><b>Component 4.1 Development of the common IT architecture in MoF</b></p> <ul style="list-style-type: none"> <li>• Implemented Enterprise Architecture in MoF;</li> <li>• Implemented IT management framework;</li> <li>• Developed IT management standards, manuals, handbooks;</li> <li>• The efficiency of the microeconomic analysis and evaluation;</li> <li>• Number of trained staff for working with the datawarehouse system for microeconomic analysis and</li> </ul>	<p>Experts annual assessment ISPA Monitoring reports ISPA Monitoring Committee reports</p>	

<p>trainings for the involved users</p> <ul style="list-style-type: none"> <li>○ Provided overall maintenance of the system and help desk for users for at least 2 years</li> </ul> <p><b>Component 4.2 Further development and implementation of FMIS</b></p> <ul style="list-style-type: none"> <li>• Designed, developed and implemented FMIS phase III at the pilot spending units/enlarging functionality by implementation of new modules, according the priorities in the FMIS Strategy</li> <li>• Designed, developed and established interfaces for FMIS phase III between FMIS and other systems in the MoF or used by the spending units.</li> <li>• Updated and adjusted FMIS modules, used by National Funds Directorate under the Structural Funds and Cohesion fund.</li> <li>• Design, development and implementation of information system for the State Treasury (to be continued in the next year)</li> <li>• Equipped with suitable skill and fully trained personnel at the spending units.</li> </ul>	<p>evaluation</p> <ul style="list-style-type: none"> <li>• Number of experts trained</li> <li>• Evaluators database exists</li> <li>• System for certification of evaluators exists</li> </ul> <p><b>Component 4.2 Further development and implementation of the FMIS</b></p> <ul style="list-style-type: none"> <li>• Implemented FMIS and interfaces</li> <li>• Quality of information for financial management;</li> <li>• System and technical documentation</li> <li>• Updated and adjusted FMIS modules, used by National Funds Directorate under the Structural Funds and Cohesion fund.</li> </ul>	<p>Progress reports (Steering Committee)</p> <p>Working documents related to the Cohesion fund</p>	
<b>Component 6: Equipment Supply</b>	<b>Component 6: Equipment Supply</b>	<b>Component 6: Equipment Supply</b>	

<p><b>Component 6.1 Development of the common IT architecture in MoF</b></p> <ul style="list-style-type: none"> <li>• Supplied the necessary hardware and software for development of Enterprise Architecture in MoF;</li> <li>• Supplied the necessary hardware and software for the improvement of the IT infrastructure of the MoF;</li> <li>• Supplied and installed the necessary equipment and software for the purpose of information security;</li> <li>• Supplied specialised analytical software for microeconomic analysis and evaluation, according to activities, stated in Component 4.1</li> <li>• Supplied of equipment for realization of the MIS software for the needs of the coordination of the EU Funds (ISPA, Phare and Structural Funds) and national investments activities regarding Component 4.1</li> </ul> <p><b>Component 6.2 FMIS</b></p> <ul style="list-style-type: none"> <li>• Supplied and implemented additional hardware and software for the purposes of FMIS phase III;</li> <li>• Purchased of additional licenses of software for the purposes of FMIS phase III;</li> </ul>	<p><b>Component 6.1 IT system in the MoF</b></p> <ul style="list-style-type: none"> <li>• Supplied the necessary hardware and software for development of Enterprise Architecture in MoF;</li> <li>• Supplied the necessary hardware and software for the improvement of the IT infrastructure of the MoF;</li> <li>• Supplied of equipment for realization of the MEUFD activities regarding Component 3.2.1</li> <li>• The specialised analytical software for microeconomic analysis and evaluation, in place</li> <li>• The necessary equipment and software for the purpose of information security and disaster recovery in place;</li> </ul> <p><b>Component 6.2 FMIS</b></p> <ul style="list-style-type: none"> <li>• Supplied and implemented additional hardware and software for the purposes of FMIS phase III;</li> <li>• Purchased of additional</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly and Final Reports</li> <li>• Reports on IT application</li> </ul>	
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<ul style="list-style-type: none"> <li>• Supplied and installed the necessary equipment and software integration of FMIS and the other financial systems in the MoF;</li> <li>• Supplied and installed the necessary equipment and software for the purpose of State Treasury System,</li> <li>• Trained end-users on FMIS phase III and State Treasury System.</li> </ul>	<ul style="list-style-type: none"> <li>licenses of software for the purposes of FMIS phase III;</li> <li>• Supplied and installed the necessary equipment and software integration of FMIS and the other financial systems in the MoF;</li> <li>• Supplied and installed the necessary equipment and software for the purpose of State Treasury System,</li> <li>• Trained end-users on FMIS phase III and State Treasury System.</li> </ul>		
<p><b>Component 6.3 Strengthening the institutional and administrative capacity of the AEAF</b></p> <ul style="list-style-type: none"> <li>• Supplied the equipment for the Staff training room, based on the Needs Assessment Report and Technical Specifications developed under Phase 1, Component 5;</li> <li>• Supplied the relevant hardware and software for further implementation of the activities under “Component 5.2. Human resources and Organizational Management” and “Component 5.3. Analytical Methods” based on the Needs Assessment Report and Technical Specifications developed under Phase 1 Component 5;</li> </ul>	<p><b>Component 6.3 Strengthening the institutional and administrative capacity of the AEAF – Supply</b></p> <ul style="list-style-type: none"> <li>• Supplied the equipment for the Staff training room</li> <li>• Supplied the relevant hardware and software for further implementation of the activities under “Component 5.2. Human resources and Organizational Management” and “Component 5.3. Analytical Methods”</li> </ul>		

<ul style="list-style-type: none"> <li>• Supplied and installed hardware, system software and tools needed for development, building and operation of the AEAF's Datawarehouse based on the Technical Specifications developed under Phase 1, Component 5</li> </ul> <p><b>Component 6.4 Public Finance School</b></p> <ul style="list-style-type: none"> <li>• Equipped new premises for the Public Finance School outside the main building of MOF, based on the Needs Assessment Report and Technical specification developed under Phase 1.</li> <li>• Supply of a specialised software for a digital library to the PFS base on the Needs Assessment Report and Technical Specifications developed under Phase 1. PFS staff trained in using the digital library.</li> <li>• Supplied electronic system for planning, archiving and management of training activities of the PFS, based on the relevant Technical Specification developed in Phase 1, Component 4.3;</li> <li>• Supplied and implemented system for advanced methods of training for the PFS (web-based interactive e-learning system) based on the Needs Assessment Report and Technical Specifications developed under</li> </ul>	<ul style="list-style-type: none"> <li>• Supplied and installed hardware, system software and tools needed for development, building and operation of the AEAF's Datawarehouse;</li> </ul> <p><b>Component 6.4 Public Finance School</b></p> <ul style="list-style-type: none"> <li>• Equipped and functioning new lecturing premises of the PFS by the end of Phase 2.</li> <li>• Supplied equipment and acquired and implemented software for the PFS digital library</li> <li>• Digital library used by PFS staff, trainers and trainees.</li> <li>• Functioning electronic system for planning, archiving and management of training activities</li> <li>• Supplied and implemented system for e-learning</li> <li>• Pilot E-learning training conducted with the participation of the PFS staff, trainers and selection of pilot</li> </ul>		
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<p>Phase 1, Component 4. Relevant training of staff.</p> <ul style="list-style-type: none"> <li>Equipped hard-copy PFS library</li> </ul>	<p>trainees</p> <ul style="list-style-type: none"> <li>Supplied books and journals on public finance</li> </ul>		
<b>Activities</b>	<b>Means</b>		<b>Assumptions</b>
<b><u>Phase 1 – 2004 /implemented in 2005/</u></b>			
<p><b>Component 1: Support for Improvement of the Budgeting Process in Bulgaria – Twinning</b></p> <p><b>Component 1.1 Improvement of Legal Framework</b></p> <ul style="list-style-type: none"> <li>To review the current legal framework of the budget process</li> <li>To support the Bulgarian authorities in drafting new or amending existing budgetary normative acts, both primary and secondary, on the basis of best EU practices</li> <li>To update and further improve primary and secondary legislation concerning the budget process.</li> <li>To monitor and evaluate the impact of the new/amended budgetary legislation</li> <li>To elaborate possible amendments in certain normative acts, if needed.</li> </ul> <p><b>Component 1.2 Improvement of budgetary practices</b></p> <ul style="list-style-type: none"> <li>To create tools and procedures for efficient implementation of the MTFF in the line</li> </ul>	<p><b>Component 1: Support for Improvement of the Budgeting Process in Bulgaria</b></p> <p>The activities will be implemented through: Twinning covenant</p>		



<p>ministries.</p> <ul style="list-style-type: none"> <li>• To create awareness with the relevant stakeholders about the importance of a stable and realistic MTFF.</li> <li>• To develop a uniform programme budgeting methodology (planning, preparation, execution, reporting and evaluation of programme budgets).</li> <li>• To support the preparation of programme budgets of new pilot line ministries.</li> <li>• To develop a methodology for microeconomic analysis and evaluation of public sector programmes.</li> <li>• To develop methodological guidelines for preliminary assessment and evaluation of investment projects in the public sector.</li> <li>• To analyse and assess the structures of the spending units in view of optimization of public expenditure management.</li> <li>• To develop internal guidelines for the staff of the MoF, consistent with the uniform programme budgeting methodology, for evaluation of the budget proposals of First-level Spending Units.</li> <li>• To analyse and formulate expenditure responsibilities on central and local government levels.</li> <li>• To conduct a study on the role and mandate of municipalities in main policy sectors –</li> </ul>			
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<p>education, health, culture, social affairs.</p> <ul style="list-style-type: none"> <li>• To analyse and improve the mechanism of equalizing subsidy from central government to municipalities, incl. through comparative analysis with other countries</li> <li>• To elaborate government budget activities standards, jointly with the National Association of Municipalities in the Republic of Bulgaria and line ministries</li> <li>• To monitor the implementation of the improved budget procedure designed in the project and elaborate methods for coping with problems.</li> <li>• To support the preparation of programme budgets of new pilot ministries and 4 municipalities through implementation of the uniform programme budgeting methodology developed in the earlier stage of the project.</li> <li>• To implement government budget activities standards, jointly with the National Association of Municipalities in the Republic of Bulgaria and line ministries.</li> <li>• To implement the methodology for microeconomic analysis and evaluation of public sector programmes developed in the earlier stage of the project.</li> <li>• To implement the methodological guidelines for preliminary assessment and evaluation of investment projects in the public sector</li> </ul>			
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<p>developed in the earlier stage of the project.</p> <ul style="list-style-type: none"> <li>• To assess the effectiveness and efficiency of programmes and projects of the line ministries, on the basis of the internal guidelines for evaluation by the MoF staff developed in the earlier stage of the project.</li> <li>• To support the preparation of programme budgets in the remaining ministries and some new municipalities through implementation of the programme budgeting methodology.</li> <li>• To monitor and assess the impact of the implemented methodologies and guidelines developed and implemented under the project.</li> <li>• To elaborate possible changes in the developed methodologies and guidelines, if needed.</li> </ul>			
<p><b>Component 1.3 Professional Development through Training</b> (With the participation of the Public Finance School at the MoF)</p> <ul style="list-style-type: none"> <li>• To review the current situation in the area of professional knowledge and skills of MoF, pilot line ministries' staff and pilot municipalities' staff based on the results achieved in the 2004-2005 Matra project for the PFS.</li> <li>• To prepare a curriculum and implement</li> </ul>			

<p>training based on the needs of the MoF and pilot line ministries' staff and the municipalities' staff in relation to the activities in Components 1.1 and 1.2.</p> <p><b>Component 1.4. Enhancement of the Public Finance School Training Capacity</b></p> <ul style="list-style-type: none"> <li>• To conduct a Feasibility Study and prepare a related Technical Specification for the enlargement of the PFS with new premises outside the main building of the MoF.</li> <li>• To conduct a Feasibility Study for development of a documentation centre of the PFS, incl. digital library, hard-copy library, electronic system for planning, archiving and management of training activities.</li> <li>• To investigate best practices of modern learning methods (e.g. web-based interactive e-learning and other modern methods), conduct related Feasibility Study</li> <li>• To support the PFS staff in developing marketing techniques: Publicity &amp; PR - building an image in the public area.</li> <li>• To further train the PFS staff in communication and presentation skills.</li> <li>• To design and print information and advertising materials for the PFS.</li> </ul>			
<b>Component 2: Strengthening the Capacity of</b>	<b>Component 2: Strengthening</b>		

<p>the “Management of European Union Funds” Directorate at the Ministry of Finance for Monitoring and Evaluation – Twinning</p> <p><b>Component 2.1 –Strengthening the Capacity of PHARE funds Department</b></p> <p><b>2.1.1 Capacity building for the newly created Phare Monitoring and Evaluation unit</b></p> <ul style="list-style-type: none"> <li>• Intensive training for the appointed staff. (Currently two experts are working for the M&amp;E unit. Additional 6 will be hired by the end of 2005)</li> </ul> <p><b>2.1.2 Evaluation of Phare Programme</b></p> <ul style="list-style-type: none"> <li>• Development of a system for exercising of the identified “good practices” on monitoring and evaluation that are stated within the Handbook of Guide to Good Practices prepared by the Evaluation Advisory Group created.</li> <li>• Development of the capacity for organising and steering the Phare interim evaluation process</li> </ul> <p><b>2.1.3 Improvement of the organisation and performance of the SMSCs sessions with regard to EDIS implementation and higher responsibilities of the NAC services:</b></p> <ul style="list-style-type: none"> <li>• Further improvement of the SMSCs performance</li> </ul>	<p>the Capacity of the “Management of European Union Funds” Directorate at the Ministry of Finance for Monitoring and Evaluation</p> <p>Twining covenant</p>		
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<ul style="list-style-type: none"> <li>• Carry out the JMC meeting twice a year</li> </ul>			
<p><b>Component 3: Building up integrated State Treasury</b></p> <p><b>Component 3.1 Further development of functional organisation</b></p> <ul style="list-style-type: none"> <li>• To review current situation in the BG State Treasury (Cash management; Short term budget forecast; Budget accounting and statistics; Methodology of budget control; Debt management; National fund with EU resources.) based on results achieved of the SIGMA project;</li> <li>• To develop an optimized model of integrated BG State Treasury organization as per best practices in the EU member states;</li> <li>• To present and discuss the optimized model of integrated BG State Treasury organization at high level management of MoF aimed at approval of the model;</li> <li>• To implement the optimized model of integrated State Treasury organization;</li> <li>• To elaborate internal work standards, rules, procedures for functioning and accountability of the integrated State Treasury;</li> <li>• To implement internal work standards, rules, procedures for functioning and accountability of the integrated State Treasury;</li> </ul>	<p><b>Component 3: Building up integrated State Treasury</b></p> <p>The activities will be implemented through:</p> <p>Twinning covenant</p>		

<p><b>Component 3.2      Administrative capacity development</b></p> <ul style="list-style-type: none"> <li>• To assess current professional knowledge and skills of the staff of the State Treasury and preparation of gap analysis for necessary staff knowledge and skills perfection</li> <li>• To prepare program for perfection of professional knowledge and skills of the staff of the State Treasury;"</li> <li>• To supply planned training and study visits for the staff according to the program;</li> <li>• To assess achieved professional knowledge and skills of the staff of the State Treasury in previous phase and preparation of gap analysis for necessary staff knowledge and skills perfection</li> <li>• To develop further the program for perfection of professional knowledge and skills of the staff of the State Treasury;"</li> <li>• To supply planned training and study visits for the staff according to the program;</li> <li>• To conduct planned training and study visits for the staff according to the program.</li> </ul> <p><b>Component 3.3      Legal framework development based on the implementation of the new model of State Treasury organization</b></p> <ul style="list-style-type: none"> <li>• To research and analysis of the current legislation with regards to the new State</li> </ul>			
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<p>Treasury functions</p> <ul style="list-style-type: none"> <li>• To prepare propositions for legislative changes in the functions and/or institutional structure of the State Treasury, necessary for the effective management of the budgetary funds;</li> <li>• To support drafting of the proposed legislative acts;</li> <li>• To increase awareness and transparency of the proposed legislative changes in the functions and/or institutional structure of the State Treasury necessary for the effective management of the budgetary funds with the Parliament and BNB;</li> <li>• To prepare propositions for secondary legislative changes in the functions of the State Treasury, necessary for the effective management of the budgetary funds;</li> <li>• To increase awareness and transparency of the proposed secondary legislative changes in the functions of the State Treasury necessary for the effective management of the budgetary funds with the Council of Ministers;</li> </ul>			
<p><b>Component 4: Development of the common IT architecture in MoF. Further development and implementation of FIMS</b></p> <p><b>Component 4.1 Development of the</b></p>	<p><b>Component 4: Development of IT system in the MoF. Further development and implementation of FMIS</b></p>		



<p><b>common IT architecture in MoF</b></p> <ul style="list-style-type: none"> <li>• To review of current status of IT infrastructure in MoF, based on Sigma feasibility study;</li> <li>• To prepare a Needs Assessment for improvement of the IT infrastructure in the MoF;</li> <li>• To design an Enterprise Architecture of the MoF based on Sigma feasibility study;</li> <li>• To develop an Enterprise Architecture in MoF, based on Sigma feasibility study;</li> <li>• To develop an IT strategy of MoF, based on Enterprise Architecture (EA) model;</li> <li>• To prepare common IT strategic plan, based on EA;</li> <li>• To develop an IT management framework;</li> <li>• To develop and implement IT Security policy and procedures;</li> <li>• To develop Disaster Recovery Plan;</li> <li>• To prepare a Feasibility Study for the information system of the State Treasury Directorate;</li> <li>• Training civil servants on the IT strategic planning, IT management, IT security rules.</li> <li>• Further upgrade of the Phare MIS</li> <li>• Involvement of new actors (new designated IAs and PIUs)</li> <li>• Intensive training for the newly involved units</li> </ul>	<p>The activities will be implemented through: Service Contract</p>		
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<ul style="list-style-type: none"> <li>• Increase of the MIS security and data protection</li> <li>• Further adjustment (software and hardware) to ISPA MIS to ensure better security and data protection (required by the Bulgarian Classified Information Protection Act and the fact that ISPA MIS will be web-based solution)</li> <li>• Further adjustment (software) of ISPA MIS for Cohesion Fund</li> </ul> <p><b>Component 4.2 Further development and implementation of FMIS</b></p> <ul style="list-style-type: none"> <li>• Review of the current business and functional requirement of the MoF and spending units to the FMIS III;</li> <li>• Assessment of the FMIS as a part of the Enterprise Architecture;</li> </ul> <p><b>Component 4.3 Technical specifications</b></p> <ul style="list-style-type: none"> <li>• To prepare technical specifications for the necessary hardware and software for development of Enterprise Architecture in MoF, including Disaster Recovery Center;</li> <li>• To prepare technical specifications for the necessary hardware and software for FMIS Stage III;</li> <li>• To prepare procedures and technical specification for establishment of interfaces</li> </ul>			
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<p>between FMIS and other systems in the MoF or using by the spending units;</p> <ul style="list-style-type: none"> <li>• To prepare technical specifications for update and adjust MIS for National Fund Directorate under Structural Funds and Cohesion fund;</li> <li>• To prepare Technical Specification for development of a. digital library for PFS</li> <li>• To prepare Technical specification for electronic system for planning, archiving and management of PFS training activities.</li> <li>• To prepare a Technical Specification for the implementation of E-learning and other modern training methods to be used by PFS</li> <li>• To prepare technical specifications for the necessary hardware and software for improvement of the IT infrastructure in the MoF;</li> <li>• To prepare technical specifications for the necessary hardware and software for the information system of the State Treasury Directorate;</li> </ul>			
<p><b>Component 5: Strengthening the institutional capacity of the AEAF – Twinning Component 5.1 Legal Framework Analysis</b></p> <ul style="list-style-type: none"> <li>• To analyse all the relevant for the AEAF's functioning regulatory framework (primary</li> </ul>	<p><b>Component 5: Strengthening the institutional and administrative capacity of the AEAF</b></p> <p>The activities will be implemented through:</p>		<p><b>Component 5. Strengthening the institutional and administrative capacity of the AEAF</b></p> <p><b>Component 5.1 Legal</b></p>

<p>and secondary legislation)</p> <ul style="list-style-type: none"> <li>• To get acquainted with the best EU practices for institutional organization of similar analytical units</li> </ul> <p><b>Component 5.2 Administrative management development</b></p> <ul style="list-style-type: none"> <li>• To develop and further improve the existing organisational structure of the AEAF: <ul style="list-style-type: none"> <li>– To review and assess the current organisational structure;</li> <li>– To get acquainted with the best European practices in the area;</li> <li>– To present written proposals for improvement and streamlining of the internal communication system;</li> <li>– To review the quality control system</li> <li>– To prepare methodology for quality control system</li> <li>– To implement the methodology for quality control system</li> </ul> </li> <li>• To ensure further human resources development <ul style="list-style-type: none"> <li>– To prepare needs assessment for further HR development</li> <li>– To draw up a Training Programme adjusted to the needs of the AEAF</li> <li>– To implement the specific for the AEAF's needs Training Programme;</li> </ul> </li> </ul>	<p>Twinning covenant</p>		<p><b>Framework Development</b> Approving the draft laws by the Council of Ministers and adopting by the National Assembly not later than mid-2006</p> <p><b>Component 5.2 Human Resources and Organisational Management</b> Effective co-operation with other similar institutions/universities/ IFIs</p>
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<ul style="list-style-type: none"> <li>– To provide assessment of the results from the implementation of the Training Programme</li> </ul>			
<p><b>Component 5.3      Analytical      Methods</b>  <b>Development and Implementation</b></p> <ul style="list-style-type: none"> <li>• To develop a General Equilibrium Model (GEM). <ul style="list-style-type: none"> <li>– To build and design a General Equilibrium Model concept;</li> <li>– To provide guidance in adaptation of the GEM for particular policy measures;</li> <li>– To present and disseminate the results on the implementation of the GEM</li> <li>– To develop an appropriate methodology for aggregating the impact indicators on a measure, priority and macro level for the purposes of impact assessment</li> </ul> </li> <li>• To develop methodology for sector and regional models construction <ul style="list-style-type: none"> <li>– To build and design a concept for sector models</li> <li>– To implement the concept for sector models</li> <li>– To develop integrated methods for regional analyses and forecasting,</li> </ul> </li> </ul>			

<p>based on information, non-homogenous in territorial decomposition aspect;</p> <ul style="list-style-type: none"> <li>– To implement the integrated methods for regional analyses and forecasting</li> <li>– To evaluate the results in the area of sector and regional analyses and forecasting</li> <li>– To study the spatial planning principles and the best EU practices</li> <li>– To acquire knowledge on spatial co-ordination of sector policies.</li> </ul> <ul style="list-style-type: none"> <li>• To review the quality of the regular publications <ul style="list-style-type: none"> <li>– To conduct a survey on the quality of the AEAF's regular publications</li> <li>– To summarise the results of the surveys</li> <li>– To prepare recommendations for improvement of the publications' quality</li> </ul> </li> </ul> <p><b>Component 5.4      IT development for the needs of successful implementation of the analytical tools</b></p> <ul style="list-style-type: none"> <li>• To develop further the IT model in the Agency in order to ensure the successful implementation of the activities under components 2 and 3</li> </ul>			
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<ul style="list-style-type: none"> <li>– To analyse the overall IT model in the Agency and to develop a feasibility study</li> <li>– To build up and design a concept for AEAF's Datawarehouse</li> <li>– To prepare Technical Specification for the AEAF's Datawarehouse.</li> <li>– To prepare Technical Specification for the Datawarehouse software customisation (incl. user's manuals)</li> <li>– To build up the AEAF's Datawarehouse</li> <li>– To train the staff on the usage of Datawarehouse</li> <li>– To analyse the results of Datawarehouse's operation</li> <li>• To ensure the continuous improvement of the specific skills of the AEAF's staff to implement new models and techniques for economic analysis and forecasting <ul style="list-style-type: none"> <li>– To develop a feasibility study for AEAF's staff training room equipment</li> <li>– To elaborate a concept for staff training room equipment;</li> </ul> </li> <li>• To prepare Technical Specification for staff training room equipment</li> </ul>			
<b>Component 6: Equipment Supply</b> <ul style="list-style-type: none"> <li>• Additional SAP R/3 licences on behalf of</li> </ul>	<b>Component 6: Equipment Supply</b>		

National Fund Directorate, based on feasibility study made by GTZ.	The activities will be implemented through: Supply Contract		
<b><u>Phase 2 – 2005 /implemented in 2006/</u></b>			
<b>Component 2: Strengthening the Capacity of the “Management of European Union Funds” Directorate at the Ministry of Finance for Monitoring and Evaluation</b> <b>Component 2.2 “Preparation of MEUFD to act as a future CSF Managing Authority (central coordinating unit) for the EU Structural Instruments”</b> <b>2.2.1. Development of mechanisms and capacity for CSF (NSRF) Monitoring Committee</b> <ul style="list-style-type: none"> <li>Assistance in designation of the monitoring and reporting structures</li> <li>Assistance in setting up the CSF (NSRF) Monitoring Committee</li> <li>Training for the members of the MC provided, incl. socio-economic partners</li> <li>The management system (Art. 34.1a/CR 1260/1999) should be interlinked to FMIS and the budget information system</li> </ul> <b>2.2.2. Support during the negotiation phase with the EC</b> <ul style="list-style-type: none"> <li>Provide support during the negotiation phase of the NSRF with the EC</li> </ul>	<b>Component 2: Strengthening the Capacity of the “Management of European Union Funds” Directorate at the Ministry of Finance for Monitoring and Evaluation</b> The activities will be implemented through: Service contract		



<ul style="list-style-type: none"> <li>▪ Organisation of specialised courses in carrying out successful negotiations</li> </ul> <p><b>2.2.3. Identification of gaps in the capacity for the future CSF Managing Authority (central coordination unit) and for the future OP Managing Authorities and gap plugging</b></p> <ul style="list-style-type: none"> <li>▪ Identification of capacity gaps.</li> <li>▪ Elaboration of the training programme of the newly recruited staff on the basis of requirements to the directorate as future central co-ordination unit and of future OP's Managing Authorities (policy co-ordination, strategic planning, organising evaluation, carrying out strategic monitoring of the NSRF implementation, etc)</li> <li>▪ Develop capacity of MEUFD to oversee the delivery of EC Regulation 438/2001 by the designated authorities and bodies</li> <li>▪ Develop evaluation capacity in MEUFD</li> <li>▪ Intensive training on general budgeting and development of the expertise for the assessment of the budgetary imbalances</li> <li>▪ Training on generalised correction mechanism</li> <li>▪ Policy advice and training delivered on the development of procedures and systems to produce the Verification of Additionality</li> </ul>			
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Table(s).			
<p><b>Component 4: Development of the common IT architecture in MoF. Further development and implementation of FMIS</b></p> <p><b>Component 4.1 Development and implementation of the common IT architecture in MoF</b></p> <ul style="list-style-type: none"> <li>• To implement Enterprise Architecture in MoF;</li> <li>• To implement IT management framework;</li> <li>• To develop IT management standards, manuals, handbooks;</li> <li>• To develop and implement the datawarehouse for microeconomic analysis and evaluation</li> <li>• To load the microeconomic datawarehouse with data;</li> <li>• To train the staff in using the microeconomic datawarehouse system and analytical software</li> <li>• To organise MIS software for the needs of the coordination of the EU Funds (ISPA, Phare and Structural Funds) and national investments, including: <ul style="list-style-type: none"> <li>• To design, develop and implement MIS software;</li> <li>• To elaborate manual and trainings for the involved users</li> </ul> </li> </ul>	<p><b>Component 4: Development of the common IT architecture in MoF. Further development and implementation of FIMS</b></p> <p>The activities will be implemented through: Service Contract</p>		

<ul style="list-style-type: none"> <li>• To provide overall maintenance of the system and help desk for users for at least 2 years</li> </ul> <p><b>Component 4.2 Further development and implementation of FMIS</b></p> <ul style="list-style-type: none"> <li>• To design, develop and implement FMIS phase III at the pilot spending units/enlarging functionality by implementation of new modules, according the priorities in the FMIS Strategy</li> <li>• To design, develop and establish interfaces for FMIS phase III between FMIS and other systems in the MoF or used by the spending units.</li> <li>• To update and adjust the FMIS modules used by National Funds Directorate under the Structural Funds and Cohesion fund.</li> <li>• To develop and implement the information system for the State Treasury (to be continued in the next year)</li> <li>• To train personnel at the spending units.</li> </ul>			
<p><b>Component 6: Equipment Supply</b>  <b>Component 6.1 Development of the common IT architecture in MoF</b></p> <ul style="list-style-type: none"> <li>• To supply the necessary hardware and software for development of Enterprise Architecture in MoF;</li> </ul>	<p><b>Component 6: Equipment Supply</b>  The activities will be implemented through:  Supply Contract</p>		

<ul style="list-style-type: none"> <li>• To supply the necessary hardware and software for the improvement of the IT infrastructure in the MoF;</li> <li>• To supply and install the necessary equipment and software for the purpose of information security ;</li> <li>• To supply equipment for realization of the MIS software for the needs of the coordination of the EU Funds (ISPA, Phare and Structural Funds) and national investments activities regarding Component 4.1</li> <li>• To supply specialised analytical software for microeconomic analysis and evaluation, according to activities, stated in Component 4.1</li> </ul> <p><b>Component 6.2 FMIS</b></p> <ul style="list-style-type: none"> <li>• To supply and implement of additional hardware and software for the purposes of FMIS phase III;</li> <li>• To purchase additional licenses of software for the purposes of FMIS phase III;</li> <li>• To supply and install the necessary equipment and software integration of FMIS and the other financial systems in the MoF;</li> <li>• To supply and install the necessary equipment and software for the purpose of State Treasury System, according to</li> </ul>			
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<p>activities stated in Component 4.2</p> <ul style="list-style-type: none"> <li>• To train the end-users on FMIS phase III and State Treasury System.</li> </ul> <p><b>Component 6.3 Strengthening the institutional and administrative capacity of the AEAF – Supply</b></p> <ul style="list-style-type: none"> <li>• To supply the equipment for the Staff training room based on the Needs Assessment Report and Technical Specifications developed under Phase 1 Component 5;</li> <li>• To supply the relevant hardware and software for further implementation of the activities under “Component 5.2. Human resources and Organizational Management” and “Component 5.3. Analytical Methods” based on the Needs Assessment Report and Technical Specifications developed under Phase 1 Component 5;</li> <li>• To supply and install hardware, system software and tools needed for development, building and operation of the AEAF’s Datawarehouse based on the Needs Assessment Report and Technical Specifications developed under Phase 1 Component 5;</li> </ul> <p><b>Component 6.4 Public finance school</b></p>			
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<ul style="list-style-type: none"> <li>• To procure equipment for PFS lecture premises outside the main building of MoF based on the relevant Technical Specification developed in Phase 1</li> <li>• To supply software for the needs of a digital library and to train PFS staff in using the digital library based on the Needs Assessment Report and Technical Specifications developed under Phase 1, Component 1 and Component 4;</li> <li>• To supply an electronic system for planning, archiving and management of training activities of the PFS, based on the relevant Technical Specification developed under Phase 1, Component 4.3 ;</li> <li>• To supply and implement a system for advanced methods of training for the PFS (web-based interactive e-learning system) based on the Needs Assessment Report and Technical Specifications developed under Phase 1, Component 1 and Component 4 and to train the PFS staff in using it.</li> <li>• To equip the hard-copy PFS library</li> </ul>			
			Preconditions







## ANNEX 2

### Implementation Chart Phase I/ Year 1

	2004		2005				2006				2007			
	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
<b>Component 1</b> Twinning covenant	CP	S	D	D	C/I	I	I	I	I	I	I	I	I	E
<b>Component 2</b> Twinning covenant	CP	S	D	D	C/I	I	I	I	I	E				
<b>Component 3</b> Twinning covenant	CP	S	D	D	C/I	I	I	I	I	I	I	I	I	E
<b>Component 4</b> Service contract			T	T	C	I	I	I	I	I	I	I	I	E
<b>Component 5</b> Twinning covenant	CP	S	D	D	C/I	I	I	I	I	I	I	I	E	
<b>Component 6</b> Supply contract			T	T	I	E								

Legend:

*CP – call for proposals*

*T – Tendering*

*S – Selection of twinning partners*

*D – Drafting of twinning covenant*

*C – Contracting*

*I – Implementing*

*E – Ending*

## Implementation Chart Phase II

	2005				2006				2007				2008			
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
<b>Component 2</b> Service contract		T	T/C	C	C/I	I	I	I	I/E							
<b>Component 4</b> Service contract							T	T	T	T	I	I	I	I	E	
<b>Component 6</b> Supply contract							T	T	T	T	I	I	E			

Legend:

*T – Tendering*

*C – Contracting*

*I – Implementing*

*E – Ending*

### ANNEX 3

<i><b>Project title:</b></i> Strengthening the Institutional Capacity of the Ministry of Finance													
Contracting	Cumulative contracting schedule by quarter in €m (provisional)												Total
	2005				2006				2007				
	I	II	III	IV	I	II	III	IV	I	II	III	IV	
<b>Component 1</b> Twinning covenant			1.3	1.3	1.3	1.3	1.3	1.3					1.3
<b>Component 2</b> Twinning covenant			0.6	0.6	0.6	0.6	0.6	0.6					0.6
<b>Component 3</b> Twinning covenant			0.8	0.8	0.8	0.8	0.8	0.8					0.8
<b>Component 4</b> Service contract			0.72	0.72	0.72	0.72	0.72	0.72					0.72
<b>Component 5</b> Twinning covenant			0.6	0.6	0.6	0.6	0.6	0.6					0.6
<b>Component 6</b> Supply contract			0.187	0.187	0.187	0.187	0.187	0.187					0.187
<b>Total contracting:</b> <i>Phase I / Year 1</i>			<b>2.887</b>	<b>4.207</b>	<b>4.207</b>	<b>4.207</b>	<b>4.207</b>	<b>4.207</b>					4.207

Disbursement	Cumulative disbursement schedule by quarter in €m (provisional)												Total	
	2005				2006				2007					
	I	II	III	IV	I	II	III	IV	I	II	III	IV		
Component 1 Twinning covenant			0.78	0.78	0.78	0.78	1.17	1.17	1.17	1.17	1.3	1.3	1.3	
Component 2 Twinning covenant			0.40	0.40	0.40	0.4	0.5	0.5	0.5	0.50	0.6	0.6	0.6	
Component 3 Twinning covenant			0.48	0.48	0.48	0.48	0.48	0.72	0.72	0.72	0.72	0.8	0.8	
Component 4 Service contract				0.432	0.432	0.432	0.432	0.648	0.648	0.648	0.648	0.72	0.72	
Component 5 Twinning covenant			0.36	0.36	0.36	0.36	0.36	0.54	0.54	0.54	0.6	0.6	0.6	
Component 6 Supply contract			0.168	0.187	0.187	0.187	0.187	0.187	0.187	0.187	0.187	0.187	0.187	
Total disbursement Phase I / Year 1			1.788	2.599	2.412	2.412	2.802	3.618	3.618	3.618	3.7388	3.42	4.207	

## Contracting and disbursement schedule Phase 2

<i>Project title: Strengthening the Institutional Capacity of the Ministry of Finance</i>														
Contracting	Cumulative contracting schedule by quarter in €m (provisional)													Total
	2005	2006				2007				2008				
	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	
<b>Component 2</b> Service contract	0.350													<b>0.350</b>
<b>Component 4</b> Service contract							0.750							<b>0.750</b>
<b>Component 6</b> Supply contract							1.897							<b>1.897</b>
<b>Total contracting:</b> <i>Phase 2 / Year 2</i>	<b>0.350</b>						<b>2.647</b>							<b>2.997</b>

Contracting	Cumulative disbursement schedule by quarter in €m (provisional)													Total
	2005	2006				2007				2008				
	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	
<b>Component 2</b> Service contract	0.210	0.210	0.210	0.315	0.315	0.315	0.350							<b>0.350</b>
<b>Component 4</b> Service contract							0.450	0.450	0.675	0.675	0.675	0.750		<b>0.750</b>
<b>Component 6</b> Supply contract							1.1382	1.7073	1.7073	1.897				<b>1.897</b>
<b>Total disbursement:</b> <i>Phase 2 /Year 2</i>	<b>0.210</b>	<b>0.210</b>	<b>0.210</b>	<b>0.315</b>	<b>0.315</b>	<b>0.315</b>	<b>1.25</b>	<b>2.1573</b>	<b>2.3823</b>	<b>2.572</b>	<b>0.675</b>	<b>0.750</b>		<b>2.997</b>

## **ANNEX 4**

### **Reference list of feasibility/pre-feasibility studies, indepth ex ante evaluations or other forms of preparatory work.**

1. SIGMA Preliminary Report on the State Treasury and IT architecture of the Ministry of Finance

## **ANNEX 5**

### **Reference list of relevant laws and regulations**

The following documents and legislation are considered relevant to the present project:

1. Council Regulation 1260/1999 laying down general provisions on the Structural Funds.
2. Commission Regulation 438/2001, laying down the detailed rules for the implementation of Council Regulation No 1260/1999 as regards the management and control systems for assistance granted under the Structural Funds.
3. Decree of the Council of Ministers No 33/ 11.02.2002, amended by Decree of Council o Ministers No 137/21.06.2004 for organisation and coordination of the preparation of Republic of Bulgaria for accession to EU.
4. Strategy for the participation of the Republic of Bulgaria in the Structural Funds and the Cohesion Fund of the European Union, adopted with Decision of the Council of Ministers No 312/ 28.05.2002.
5. Decree of the Council of Ministers No 171/ 02.08.2002, amended by Decree of the Council of Ministers No 12/ 19.01.2004 for establishment of Coordination Council for National Development Plan and coordination of the process for preparation of the programme documents of the Republic of Bulgaria for future use of the Structural Funds and the Cohesion Fund of EU.
6. Decision of Council of Ministers No 173/02.08.2002 for amendment of the Organic Rules of the Ministry of Finance.



## **ANNEX 6**

### **Reference list of relevant strategic plans and studies**

1. National Economic Development Plan 2000-2006
2. Strategy for modernisation of Public Administration
3. Plan for implementation of Strategy for modernisation of Public Administration
4. E-government strategy
5. Plan for implementation of E-government strategy
6. Strategy and plan for building up of Financial Management Information System (FMIS) in budget sector