

Standard Project Fiche

1. Basic Information

1.1 CRIS Number (Year 1): BG 2004/016-711.11.04

1.2 Title: Support for Increasing the Competitiveness of Bulgarian Enterprises

1.3 Sector: ESC / Competitiveness

1.4 Location: Bulgaria

1.5 Duration: Phase 1 – FM 2004
Phase 2 – FM 2005
Phase 3 – FM 2006

2. Objectives

2.1 Overall Objective(s):

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

2.2 Project purpose:

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

2.3 Accession Partnership (AP) and NPAA priority

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

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

This project addresses also a number of priorities within the Accession Partnership and the National Programme for the Adoption of the Acquis, and in particular:

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

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

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

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

2.5 Cross Border Impact N/A

3. Description

3.1 Background and justification:

o Policy context

Economic growth is closely related to the main priority of the Bulgarian economic development – preparation for EU membership. Achieving economic growth presumes maximum use of the

comparative advantages of the Bulgarian economy and increase of competitiveness at macro- and micro-level.

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

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

Priority 1: Increase the competitiveness of the Bulgarian enterprises

Objectives

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

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

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

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

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

The major objectives of the strategy are:

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

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

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

○ **Problem identification**

A number of studies, surveys and overviews, focused on entrepreneurship's problems and obstacles, have been carried out in previous years. These studies identify and prioritize a number of problems in the sector that need to be dealt with through adequate state policy and reforms.

The lack of investment in modern technologies, internationally recognized standards, quality management, innovations, energy saving technologies and enhanced management culture are particularly recognized as major obstacles for the development of Bulgarian enterprises.

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

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

- Outdated machinery and very limited investment in modern technologies

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

- Difficulties with meeting the quality standards and other EU requirements

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

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

¹ According to a research named "Bulgarian business and EU accession", carried out in November 2003 by *Alfa Research Ltd.*, one of the Bulgarian leading social research entities.

The out-dated machinery and technologies used by the majority of Bulgarian enterprises, cause not only low productivity and efficiency, but also have a serious negative influence on the OSH conditions in the enterprises and on the compliance of the latter with the standards for environment-friendly production. The resources, which should be invested during the next few years in both areas, are estimated as a serious burden for the enterprises. In view of forthcoming accession, it is however imperative for Bulgarian businesses to mobilize their efforts and resources in achieving a significant improvement in these key areas.

○ **Measures to assist enterprises tackle with the outlined problems**

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

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

- Consultation assistance for raising the awareness and developing comprehensive understanding of the accession-related requirements to the Bulgarian businesses, as well as for the elaboration and implementation of strategies and programmes of the enterprises to comply with these;
- Investment support to the enterprises, to serve as an incentive for them to invest in upgrading their production technologies and to promote innovation. Investment in modern technologies and R&D is a major precondition and inseparable part of the successful implementation of enterprises' programmes for introducing higher quality standards, improving the OSH conditions, achieving compliance with the ecological standards, etc..
- Training measures aimed at enhancing the vocational qualification of the staff of the enterprises. The need of tailor-made vocational training of the staff of enterprises is substantiated by the labour market researches, which indicate disparities between the labour force available qualification and the real needs of the developing enterprises. The necessity of upgrading the vocational qualification of the workers of the enterprises and to bring it in line with enterprises' development needs, will emerge even stronger as a result of the implementation of the EU-compliance projects of the enterprises..

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

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

Public-Private Partnership (PPP) Grant Scheme is aimed at improving the business environment, including on a regional and local levels, through promoting the development of PPPs as a successful practice for co-operation between private entities and public authorities for the realization of activities of common public interest.

The multiannual character of the project allows a “pilot” start and later a “fine-tuning” of the measures foreseen in the fiche for 2005 and 2006.

3.2 Sectoral Rational

N/A

3.3 Results

For all years:

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

Phase 1

- Promotion information campaign carried out;
- Preparatory research elaborated for the needs of the PPP, identifying the services provided to the businesses by the public administration at central, regional and municipality level;; report with analysis and recommendations prepared and presented to relevant public authorities;
- Comprehensive database of the of the administrative services provided to businesses prepared;
- List of qualified consultancy service providers prepared;
- Study on the development needs of enterprises carried out, to serve as a basis for designing the Consultancy Grant Scheme;
- Analysis on available instruments for enterprise financing prepared;
- IB support to the relevant institutions provided by the TA;
- Consultancy Grant Scheme Implemented;
- App. 500 companies consulted;
- App. 150 business plans developed;
- Needs assessment for consulting, training or supply for an enterprise prepared;
- Application Form and Tender documents for enterprises willing to apply for support under the Competitiveness Support Grant Scheme, prepared;

- Competitiveness Support Grant Scheme implemented;
- Innovation activities and R&D promotion implemented.
- Vocational training of the staff of enterprises delivered;

- PPP Grant Scheme implemented;
- Successful partnership among private business and public authorities established;
- Improved quality of the provided administrative services;
- A number of administrative services outsourced to non-government entities;
- Qualitative projects elaborated through the project pipelines support;
- Investment Centres created and effectively running;

Phase 2

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

Phase 3

- Promotional campaign of the Grant schemes for Phase 3 carried out;
- Updated results of the project surveys, including lessons learned from previous phase;
- Consultancy Grant Scheme implementation continued;
- Competitiveness Support Grant Scheme implementation continued.
- Assessment of the overall implementation of the Grant schemes under Phase 1 and 2.

3.4 Activities (including Means)

There is one TA contract with ILO/ITC, which is going to act as a TA, and three inter-related grant schemes to achieve the stated objectives.

The TA contract will be in the form of a *Contribution-Specific Agreement*, as envisaged under the Practical Guide to Phare contract procedures (PRAG) for co-operation with an international organization. The TA will provide surveys to research both the existing consultancy market and the consultancy needs of enterprises, as well as will assist in the preparation and the launch of the Call for Proposals for the Grant Schemes. The Public-Private Partnership Grant Scheme has to help establishing an attractive business environment and promote successful models for co-operation between private businesses and public authorities. The Consultancy Grant scheme aims to provide a range of consultation measures, aiming at identifying the accession-related development needs of beneficiary enterprises, developing business strategies and plans for them, measures to improve their quality management, etc. The Competitiveness Support Grant Scheme will provide grants to support activities aimed at implementation of acquis standards and internationally recognized market requirements, supporting innovation activities and R&D, improving management systems and enhancing the vocational qualification of staff.

Phase 1

Technical Assistance (ILO/ITC)

In view of the specific nature of the project activities and the long-term and complex character of the TA envisaged, it is planned that the TA under this project will be carried out by the International Labour Organization (ILO) channelled through its International Training Centre (ITC), located in Turin, Italy. The latter will be the official partner in the project implementation. It is expected that the ILO/ITC will be engaged during the whole period of project implementation i.e. during the three phases. The long experience and distinguished record of the ILO/ITC related to providing support for sustainable economic growth and building of partnerships, along with their unique emphasis on the work with social partners, makes them exceptionally qualified for the implementation of the TA activities described in detail below.

It is considered that ILO/ITC is the best-positioned partner to support the implementation of the current project for the following specific reasons:

- It is the mandate of the ILO/ITC to act as a specialized agency of the UN in the field of economic policy and labour market development and to assist its Member States in such areas as enterprise development, sustainable local development and income generation;
- The areas of competence and expertise of ILO/ITC are directly corresponding to the objectives of the current project, namely:
 - Identification of workable and practical approaches to successful enterprise development;
 - Development of policies and strategies for SMEs development;
 - Enhancement of the quality and the impact of various employment and training policies;
- The ILO/ITC training and research specialists are part of a worldwide network of resource persons and consultants from prestigious academic and training institutions, enterprises, trade unions, other governmental and non-governmental organizations;
- The ILO/ITC works through a variety of innovative media and methods – from the traditional to the most sophisticated – with emphasis on the most appropriate, relevant and practical;
- The ILO/ITC will assure a continuity of the performed activities for the whole period of project implementation (five years), which will be impossible for a standard service contract under the PRAG rules;

The legal basis for the inclusion of ITC/ILO in the project activity is the Financial and Administrative Framework Agreement (FAFA) signed on April 29, 2003 between the European Community and the United Nations, which agreement sets out the framework for the United Nations and the Commission to enhance their cooperation including programmatic partnership, and in particular the Agreement of July 8, 2003 between the European Community and the International Labour Organisation by virtue of which the ILO adheres to the FAFA. Under the FAFA (Preamble), the UN organizations “may manage EU contributions ... to an operation, programme or project administered by the United Nations (referred to as an Action)”. The TA activities hereby assigned to be fulfilled by the ILO/ITC qualify as such an “Action”, and therefore fall within the scope of the co-operation between the UN and the European Community covered by the FAFA.

For the assignment of the TA activities, a *Contribution-Specific Agreement* (as envisaged under the PRAG for co-operation with an international organization) will be signed between the MoE as beneficiary institution and the ILO/ITC, which agreement will be subject to endorsement by the EC Delegation to Bulgaria.

For the project purposes the ILO/ITC will establish a National Project Office (NPO), which will co-ordinate and support the activities to be implemented within the project duration. The NPO will maintain limited permanent staff throughout the whole project duration, which will ensure continuity of TA activities and of the IB support provided to the beneficiary institutions.

The activities proposed are consistent with the priorities and measures identified in the Multi-Annual programming Document and the Sectoral Operational Programme.

The TA activities will consist of the following components:

1. Preparation for Project Implementation

- Promotion and information campaign – a number of public promotion activities will be held throughout the country in the 28 regional centres and other major towns;

during the campaign the project purpose and the aim of the three Grant Schemes will be publicised;

- Gathering and processing information on Bulgarian enterprises interested in participating in the project (questionnaires filled-in by interested enterprises, as well as impressions from on-site interviews);
- Comprehensive database of business-consultancy organizations: creation of a list of consultancy service providers willing to deliver consultancy services under the Consultancy Grant Scheme. The consultancy organizations included in the database, will be classified in compliance with the international best practices according to their capacity, expertise and field of competence, and other similar criteria.

2. Research Component

It is intended that the ILO/ITC will carry out a national survey, the specific goals of which will include:

- Identification and analysis of the branches and sectors of the economy, including on a regional basis, that could be described as having a potential for long-term sustainable growth together with proposals for sector/branch allocation of the funds under the Competitiveness Support Grant scheme;
- Analysis of the different instruments available for enterprise financing (e.g. grants, loans, leasing, etc.), and possibilities for achieving synergy and coherence between them;
- Determining the main problems and development needs of the enterprises, which would serve as a basis for preparation of the Consultancy and the Competitiveness Support grant schemes;
- Annual up-date of the survey results, including lessons learnt from previous phases;
- Impact assessment of the Grant schemes;

The study will be carried out in coordination with the related labour market study to be carried out by ILO/ITC for the Ministry of Labour and Social Policy under the related Phare project “Human Resource Development and Promotion of Employment”. The research for the Ministry of Economy will identify the relevant business development needs of enterprises, and the one for the MLSP will address the training needs. Thus the current situation of the business will be fully described covering both economic and employment aspects. The results of the survey would be used for future analyses and planning from all the relevant institutions. The joint research will assure horizontal coherence and coordination.

3. Specific assistance for the development of PPP measures

- Development of models for successful co-operation between public authorities and private partners for activities of public interest;
- Outline possible fields of PPP co-operation, according to the EU best practices, and disseminate this knowledge among potential participants in such PPPs and provide;
- In particular, with respect to applying the PPP approach to the delivery of administrative services to businesses, the TA will:
 - Carry out a comprehensive research, identifying and analysing the services, provided by the public administration at central, regional and municipality level to the businesses (“administrative services to businesses”);
 - Prepare of a report on the of the administrative services provided to businesses, as the Report will:

- give recommendations for improvement of the administrative services to businesses, or their elimination if they are deemed unnecessary or irrelevant,
- identify the administrative services, the delivery of which is considered appropriate to be delegated to non-government entities through the PPP approach.
- The Report should be based on the already existing good practices in the area of PPP, implemented in EU Member States and other countries, and at the same time it should take into consideration the Bulgarian specificity;
- The Report will be disseminated among the relevant administrations at all screened levels.
- Provide advisory services to the Bulgarian administration during the decision-making process for determination of the number and type of administrative services to businesses to be delegated through the PPP approach.
- Elaborate a database containing a list of business services which the Bulgarian administration on central, regional and municipality level is prone to outsource for implementation by external organizations. This database will serve as a basis for launching the call for proposals for the PPP grant scheme.
- Elaborate criteria for the selection of organizations, which to provide PPP services;
- Propose the list of services and the elaborated criteria for outsourcing, for approval by the relevant administrations, before the launch of the Call for Proposals;
- With respect to promoting PPPs, whose task will be to offer coherent local support and creating attractive environment for investors (so-called “pro-investment PPPs”), the TA will carry out a study on the existing NGOs, Business Centres, private consulting companies and entrepreneurship organizations, their capacity and quality of provided services compared to the SMEs needs;
- Provide support in setting up and linkage during the first year of the PPP projects.

4. Assistance in Grant Scheme Implementation

- Assist in the preparation of Grant scheme guidelines and application forms;
- Participation in the Promotion Campaign for the Calls for Proposals;
- Assist in the launch of the Calls for Proposals
- Assist in the evaluation of applications through creation of a database of and providing specific training to project assessors, who will take part in the projects evaluation process during the three project phases.

5. IB Component

- Being an institution specialised in providing training and consultations, ILO/ITC is will also provide training for officials of the Ministry of Economy, the national agencies responsible for SME development and the social partners – trade unions and employers’ organizations, on the process of reforming policies, regulations and institutions for enabling SME development - improving the skills of participants to analyse, design and implement programmes to manage a programme of reform to improve the business environment for small enterprise development, etc. Training seminars, workshops, study visits in EU member states and other appropriate forms of

trainings will be implemented, in coordination with capacity building measures carried out under other projects.

Means: *Contribution-Specific Agreement* between the MoE and ILO/ITC, endorsed by the ECD to Bulgaria.

Public-Private Partnership (PPP) Grant Scheme

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

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

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

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

In particular, with respect to applying the PPP model for the delegation of the delivery of administrative services to private organizations, before the launch of the Call for Proposals the TA based on its research will provide recommendations to the respective public authorities which administrative services it in principle considers appropriate to be delegated to the private entities (potential grant beneficiaries). Based on these recommendations, the relevant authorities at central, regional and municipality level will approve the outsourcing of these services. The TA will also, propose criteria for the selection of the organisations to provide those services.

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

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

- Outsourcing the provision of specific administrative services to businesses (usually provided by a public central or local agency or authority) in order to stimulate the decentralization process, to improve the quality and to achieve economic effectiveness of the services. The grant aid will finance the pilot start-up of the activities related to implementation of the delegated services by the respective organisations (limited refurbishment of needed premises, software and hardware deliveries, training of project staff, studying best practices, etc.);
- Support for preparation of project pipelines for local business infrastructure under PPP approach in order to enhance capacity on local level to generate project ideas, to prepare and implement projects;
- Elaboration of the needs of PPP oriented training for local public and private partners; development of training modules on a variety topics related to PPP activities, investment and local economic development; training implementation;
- Creation of a concept for data collection, processing and monitoring of business information on regional level; development of web-based database that will provide information to potential investors and the public authorities - possibilities for developing business, existing private and public companies, available resources (land, finances, human resources, etc.), potential partners, etc.
- Upgrade of existing business centres to act as Investment Centres in order to serve as a contact point for all the various partners (both public and private) who are involved in business development on a local level.

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

The minimum project size will be 5,000 Euros and the maximum 25,000 Euros. Phare will provide up to maximum of 75% of the total cost of the project (in case of commercial entities, the Phare contribution will be up to 50%) The Beneficiaries will provide the remaining in the means of co-financing.

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

Consultancy Grant Scheme

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

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

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

- The first step would be the pre-qualification of the consultancy companies as follows:

- Criteria for selection of the consultants will be generated – e.g. company's experience, capacity, variety of services offered, track record and experience, etc. One of the criteria will be the fee rate proposed by each company per type of consultancy assignment (consultancy module), e.g. manufacturing and logistics consultation module, marketing plan module, financial management module, etc. The criteria will be consulted by the Steering Committee, and approved by the PAO;
- Applying the approved criteria, the TA will prepare a list of qualified consultancy organisations among those that have expressed their interest in delivering consultancy services to enterprises under the grant scheme;
- The list of pre-qualified consultancy companies will be approved by PAO. All pre-qualified consultancy organizations will be eligible to provide services to the Grant Beneficiaries under the grant scheme.
- o Award of grants to Beneficiaries:
 - A Call for Proposals will be launched;
 - Eligibility criteria would determine which enterprises could apply to benefit from the scheme, e.g. industry sector, sales volume, employment, growth potential, etc. (the criteria will be determined according to the TA research results); These criteria will also serve as basis for the ranking of the applicant enterprises;
 - The applicants will indicate which consultancy company from the pre-qualified database they choose. On the basis of the fixed rates and the consultancy modules the consultants have offered, the applicants will form their budgets, subject to a maximum project size of 5000 Euro; the modules with services offered should be precisely defined.
 - Award of grant contracts;
 - The procurement of services by the Grant Beneficiaries will be done as a single tender procedure under 5000 Euro according to the rules of PRAG.
 - A mechanism for monitoring of the performed consultancies will be elaborated. Feedback from consulted companies on their satisfaction by the the services provided will be gathered, as it could serve for public ranking of the service providers on the internet, etc.;
- o As a result of the Scheme implementation it is expected for app. 500 companies to receive consultations and app. 150 business plans to be developed and implemented. The grant scheme model will deliver support in a number of areas, for example like:
 - Business Screening and Strategy - evaluation and implementation;
 - Marketing – market research, marketing strategy development, implementation of strategy;
 - Quality – support for preparation for ISO (and or other quality management) implementation and certification;
 - Innovation – technological transfer and innovations, innovation audit, strategy development and implementation;
 -
 - Manufacturing – manufacturing efficiency audit, process improvement strategy and implementation;
 - Finance – profit improvement/cost reduction initiative – evaluation and implementation;
 - General business management development;
 - Human resource management;

- Operational improvements;
- Preparation the company for applying under the Competitiveness Support Grant Scheme.

The Grant Beneficiaries will be SMEs (as defined in the applicable Bulgarian legislation), as well as those other enterprises that comply with the criteria for SMEs except for the requirement to be 'independent'². The maximum amount for the individual project will be €5,000. The grant will provide up to maximum of 50% for enterprises (in case of SME beneficiaries – 65%) of the total cost of the project. The Beneficiaries will provide the remaining 50% (in case of SMEs – 35%) of the project in the means of co-financing.

It is considered that structured like this, the grant scheme has a number of benefits. The Grant scheme is not complicated for administration – the single tender procedure will simplify the contracts and they will be easy to manage and monitor. The development of the Bulgarian consultancy market will be also supported. The pre-qualification list of consultancy organizations will guarantee that the selected consultants possess the necessary qualification, capacity and are stable and reliable consultancy providers. At the same time the applicant enterprises will have the opportunity to choose themselves a consulting company according to their exact needs. The rules of competition and transparency will be observed – every company will have the chance to be included in one of the lists (the Consultancy organizations database or the Grant Beneficiaries), if it meets the pre-approved criteria. The transparency for selection of consultants will be ensured by the Steering Committee and the PAO's approval of the criteria.

All the procedures for selection of the consultancy providers and grant applicants will be under PRAG rules.

The monitoring of the results of the Consultancy Grant scheme will be supported by the TA and performed by the regional coordinators of the Ministry of Economy.

Eligible organizations: Bulgarian productive sector enterprises.

Means: Grant Scheme.

Competitiveness Support Grant Scheme

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

Therefore The Grant Scheme will support projects related to achieving compliance with the acquis requirements and international market standards.

Achieving compliance with acquis requirements is based on legal obligations and duties, undertaken by Bulgaria in the economy field in the process of EU accession. International market

² Under the Law on SMEs, an 'independent enterprise' is the sole-proprietorship, as well as a commercial entity or a co-operative, in which not more than 25% of the capital or the voting rights in the General Assembly are possessed by a person or persons that do not comply with the requirements for SMEs.

standards are established by the real market environment and recognized best international practices, which although being non-obligatory, are of essential importance for maintaining and increasing the competitiveness of enterprises.

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

- Occupational safety and health standards (OSH);
- Quality Management Systems (QMS);
- Environmental standards;
- Innovation and R&D activities;
- GMP and GLP, etc.;
- Introducing safety marks, CE marks, sector specific internationally recognized standards etc.;

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

Bulgarian productive sector enterprises will be eligible to apply for a grant aid with a project aimed at abovementioned activities, as priority will be given to enterprises belonging to sectors or branches with growth potential, as outlined by the TA research.. The TA will as well prepare needs assessment of the sectors/branches, and propose the most appropriate targeting of the scheme.

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

The Grant Beneficiaries will be SMEs (as defined in the applicable Bulgarian legislation), as well as those other enterprises that comply to the criteria for SMEs except for the requirement to be 'independent' (*see footnote remark² above*).

The grant will provide up to a maximum of 50% of the total eligible project costs for the beneficiary enterprises (up to 65% in the case of beneficiary SMEs). The remaining project costs – 50% (35% for SMEs) will have to be provided by the beneficiaries.

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

Although the Competitiveness Support Grant Scheme is based on the TA research on enterprises' needs, and although it is envisaged that the Consultancy Grant Scheme will precede the Competitiveness Support Scheme, the eligibility of applicants will not depend on previous consultancy received under the Consultancy Grant Scheme. Selection criteria will be quality and productivity improvements, to result in better competitiveness, evidence of adequate management to utilise the proposed grant effectively, and the quality of the project proposal itself. Enterprises having received consultation support under the Consultancy Grant Scheme, will however be given a priority in the evaluation and selection process.

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

- **Consultations** - minimum size of this grant element 2,000 Euros, maximum - 15,000 Euros;

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

- Implementation of the standards for occupational safety and health conditions (OSH);

- Implementation and certification for QMS (ISO and or other quality management standards);
- Implementation of best practices, tailored to meet the specific needs of the beneficiary;
- Development and implementation of strategies for alignment with environmental standards and beyond;
- Improving the quality control of products and services, including categorization and licensing of enterprises;
- Introduction of GMP and GLP and elaboration of details manual of instructions for validation of GMP and GLP principles; etc.
- Implementation of safety marks, CE marks;
- Implementation of sector specific internationally recognized standards, etc.

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

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

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

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

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

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

Eligible applicants: Bulgarian productive sector enterprises

Means: Grant Scheme.

The applicants have the right to apply for any combination of the grant elements, within the minimum and maximum levels. However project proposals for vocational training measures only will not be eligible for funding under this grant scheme³.

The maximum grant amount in any case cannot exceed 50 000 euro.

Phase 2

The ILO/ITC will be responsible for the update of the survey results. If needed, the TA will also revise the guidelines for applicants and application forms for the grant schemes, and will conduct the promotional campaign of the Consultancy Scheme for Phase 2.

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

Phase 3

The ILO/ITC will be responsible for the update of the survey results. If needed the TA will also revise the guidelines for applicants and application forms for the grant schemes, and will conduct the promotional campaign of the Consultancy Scheme for Phase 3.

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

In Phase 3 it is also expected to conduct an impact assessment of the Grant scheme implementation under the first two phases. The impact assessment will be carried out by the ILO/ITC, possibly with the usage of external independent sub-contractors

3.5 Linked Activities:

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

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

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

³ Such project proposal are considered not to correspond to the priorities of this project, as vocational training measures on their own are supported by the HRD-focused programmes and projects.

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

BG9908.01 – “Management Training”. The *wider objective* of the project was to increase the competence of Bulgarian managers and improve the performance of Bulgarian companies in order to support privatisation and the functioning of a market economy, make Bulgarian companies more competitive internationally and prepare their management for accession to the EU.

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

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

3.6 Lessons learned:

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

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

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

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

Bearing in mind the experience accumulated over previous funded projects (BG 0102.01 "SME services and technology grant scheme", BG 0102.02 "High-technology business incubators"- "Research and development Grant Scheme"), the Ministry of Economy has made significant efforts to prove its capacity to manage SME oriented initiatives, aiming to strengthen productive sector.

This project has been elaborated in close cooperation between the line ministries in the sector "Economic and Social Cohesion" – Ministry of Economy (MoE), Ministry of Labor and Social Policy (MLSP) and Ministry of Regional Development and Public Works (MRDPW). This cooperation was formalized through the establishment of a working group including the above-mentioned ministries, which was convoked on a regular sessions in the process of elaboration of the project proposals for the sector. As a result the proposed activities under the project fiches in the sector are in conjunction with each other, as this fact is a prerequisite for the cooperation between the line ministries in ESC Sector to continue in project implementation.

The most important lessons and actions can be summarized as follows:

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

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

4. Institutional Framework

The beneficiaries of the Consultancy Grant Scheme are the enterprises benefiting from the supported consultancy services.

The beneficiaries of the Competitiveness Support Grant Scheme are Bulgarian enterprises .

The beneficiaries of the PPP Grant Scheme are municipalities, existing business centres, NGOs and entrepreneurs associations.

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

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

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

Evaluation committees will be formed for selection of Grant Beneficiaries.

The Project Steering Committee

A Project Steering Committee (PSC) will be established in order to co-ordinate, assist and monitor project implementation activities.

The main functions of the PSC are as follows:

- Provide strategic advice and recommendations for the implementation of the project activities;
- Approval of the results from the TA survey(s);
- Approval of the progress reports concerning the overall implementation, on a quarterly basis;
- Counselling on problem issues;
- Provide opinion to the PIU and the PAO of the various qualification, eligibility and evaluation criteria for the Grant Schemes, before their approval by the PAO.

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

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

PAO

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

MoE - IA

The overall administrative and financial management is the responsibility of the MoE. This includes:

- Overall coordination of the project implementation;
- Preparing and submission of procurement documentation based on inputs from the PIU, contracting and contracting procedures of works, supplies, goods and grants;
- Negotiations of contracts;
- Accounting, payments, and financial control for the contracts and grants;
- Overall monitoring and evaluation of the project activities;
- Preparation of quarterly and ad hoc reports on project status and fund management. (full description of financial and implementation arrangements is given in Annex B – Administrative capacity).

The Ministry of Economy will appoint a Senior Project Officer (SPO). The SPO will be a head of the PIU, and will be responsible for management and co-ordination of the project and will

assume the overall responsibility for the timely, smooth and efficient technical implementation of the project.

PIU

A Project Implementation Unit (PIU) will support the SPO, which unit will be in charge of fulfilment of various tasks during the project implementation. The PIU will be situated in the MoE and will include representatives from:

- relevant Directorates of MoE;
- MoE regional coordinators in pre-accession programmes;
- the Agency for Small and Medium-sized Enterprises⁴.
- other public institutions whose functions reason their active involvement in project's implementation.

The PIU will be in charge of the technical implementation and day-to-day administration of the project.

Other Key Institutions Involved in the Project's Implementation

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

For the arrangement of the collaboration between the MoE and the ILO/ITC, a *Contribution-Specific Agreement* will be signed before the start of the project activities. Any amendments or additional tasks to be carried out by the ILO/ITC by Phases will be arranged with addenda to the signed agreement.

⁴ Under a Law on amendments to the Law on SMEs, currently being at second reading in Parliament, it is envisaged that the Agency for Small and Medium-sized Enterprises and the Executive Agency for Export Promotion will be merged into a new Executive Agency for Entrepreneurship Promotion under the Minister of Economy. The new Agency will implement the state policy in the field of SMEs development, entrepreneurship and export promotion, as well as will deliver a range of services to SMEs. It is expected the merger to be finalized by the 3rd quarter of 2004. The Agency will preserve the administrative capacity and the experience generated through the TA implementation and will assure sustainability of the activities. It is further envisaged that the new Agency will have regional offices in each of the 28 districts, among the major functions of which will be to work on a regional level on the pre-accession programmes implemented by the MoE. As soon as these Regional Offices are established, it is envisaged that the regional co-ordinators, working now for the Pre-accession Programmes and Projects Directorate of the MoE, will join the regional offices and become employees of the Agency. This would ensure institutional continuity, stronger partnership and co-ordination between the key institutions involved in the project's implementation.

5. Detailed Budget

Year 1/Phase 1	EU	Support				
	Investment Support	Institution Building	Total EU (=I+IB)	National Co-financing	IFI	TOTAL*
Contract 1 - TA		1.6 MEUR	1.60 MEUR			1.6 MEUR
Contract 2 – PPP Grant Scheme	1.8 MEUR		1.8MEUR	0.6 MEUR		2.4 MEUR**
Contract 3 – Consultancy Grant scheme	1.5 MEUR		1.5 MEUR	0.5 MEUR		2.0 MEUR**
Contract 4 - Competitiveness Support Grant Scheme	4.5 MEUR		4.5 MEUR	1.5 MEUR		6.0 MEUR**
Total	7.8 MEUR	1.6MEUR	9.4 MEUR	2.6 MEUR		12.0 MEUR
Year 2/Phase 2	Indicative	EU Support				
Contract 5 – Consultancy Grant scheme	1.5 MEUR		1.5 MEUR	0.5 MEUR		2.0 MEUR
Contract 6 – Competitiveness Support Grant Scheme	6.0 MEUR		6.0 MEUR	2.0 MEUR		8.0 MEUR
Total	7.5 MEUR		7.5 MEUR	2.5 MEUR		10.0 MEUR**
Year 3/Phase 3	Indicative	EU Support				
Contract 7 – Consultancy Grant scheme	1.5 MEUR		1.5 MEUR	0.5 MEUR		2.0 MEUR
Contract 8 - Competitiveness Support Grant Scheme	4.5 MEUR		4.5 MEUR	1.5 MEUR		6.0 MEUR
Total	6.0 MEUR		6.0 MEUR	2.0 MEUR		8.0 MEUR**
Total	21.3 MEUR	1.6 MEUR	22.9 MEUR	7.1 MEUR		30.0 MEUR

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.

* Should the total cost of the project exceeds the estimate shown in the table above, the private beneficiaries will provide the necessary additional co-financing.

**The grant will finance up to 50 % of the total cost of the project size (up to 65% in case of SMEs). The grant beneficiaries will provide the remaining 50 % of the individual project costs (35% in case of SMEs).

6. Implementation Arrangements

6.1 Implementing Agency

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

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

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

The Implementing Agency will have the following responsibilities:

- allocation of funds to the contractor;
- verification all contract documentation and payment authorization;
- overall monitoring and evaluation of the project.

The project implementation and monitoring will be executed by the members of the PIU, supported by the 28 regional coordinators of the Ministry of Economy.

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

6.2 Twinning

N/A

6.3. Non-standard aspects

The TA support of ILO/ITC will be ensured through signing of a Contribution-Specific Agreement (as envisaged under the PRAG for co-operation with an international organization) between the MoE as the beneficiary institution of EU aid and the ILO/ITC. The EC Delegation to Bulgaria will endorse this agreement on behalf of the project donor. Such a non-standard procedure has already been used in relation to the UNDP involvement in the EU funded Beautiful Bulgaria II project and in Phare 2003 project of the National Council for Ethnic and Demographic Issues and has been endorsed by the European Commission/Brussels (see Annex A).

6.4. Contracts

One Contribution-Specific Agreement between the MoE and ILO/ITC concerning the technical assistance component of the project, including all sources of funding (EU, Government), modalities for funds transfers to ILO/ITC, utilization and reporting. The Contribution-Specific Agreement will provide a detailed description of the technical support, which will be provided by ILO/ITC.

For Consultancy Grant Scheme: The envisaged maximum project size of projects is Euro 5.000.

For Competitiveness Support Grant Scheme – the envisaged maximum grant size is 50,000 Euros.

For PPP Grant Scheme – the envisaged maximum project size is Euro 25.000.

7. Implementation Schedule

7.1 Start of activities/call for proposals

Start of TA activities – January 2005

Start of Call for Proposals for Consultancy Grant Scheme – June 2005

7.2 Start of project activity for Phase 1

Start of project activities –October 2005

7.3 Project completion

End of project activities – December 2009

8. Equal Opportunity

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

9. Environment

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

10. Rates of return

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

11. Investment criteria (applicable to all investments)

11.1 Catalytic effect

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

11.2 Co-financing

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

11.3 Additionality

No other financiers shall be displaced by this Phare intervention.

11.4 Project readiness and size

Project will start after preparation of Contribution-Specific Agreement between MoE and ILO/ITC for the TA activities, as well as the preparation of a Call for Proposals tender

documentation by responsible project units. Overall methodology for project implementation, operational monitoring and evaluation will also be prepared. All documents will be put in operation after approval by the ECD.

11.5 Sustainability

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

11.6 Compliance with state aids provisions

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

12. Conditionality and sequencing

The project will start after the signing of the Financial Memorandum between Bulgaria and the European Union, which is foreseen by the end of 2004.

ANNEXES TO PROJECT FICHE

1. Logframe
2. Detailed implementation chart (compulsory for year 1, optional for future years)
3. Contracting and disbursement schedule, by quarter, for full duration of project (including disbursement period) (compulsory for year 1)
4. Capacity of the ILO/ITC in the field of enterprise development;
5. Administrative capacity of MoE as Implementing Agency;
6. ILO/ITC Letter of confirmation for providing the technical assistance envisaged;
7. EU regulations and directives relevant to the project's goals and priorities..

ANNEX 1

LOGFRAME PLANNING MATRIX FOR PROJECT			Programme name and number	
Support for Development the Competitiveness of Bulgarian Enterprises			Contracting period expires Phase 1 - November 2006 Phase 2 – November 2007 Phase 3 – November 2008	Disbursement period expires Phase 1 – November 2007 Phase 2 – November 2008 Phase 3 – November 2009
			Total budget: 30 MEUR	Phare budget: 22.75 MEUR
Overall objective	Objectively Verifiable Indicators	Sources of Verification		
To foster the sustainable development of Bulgarian enterprises through improving their competitiveness.	<ul style="list-style-type: none"> • Sustained increased sales/profitability of assisted SMEs 	<ul style="list-style-type: none"> • Surveys of assisted companies 2 to 3 years after assistance 		
Project purpose	Objectively Verifiable Indicators	Sources of Verification	Assumptions	
<ul style="list-style-type: none"> • To increase the competitiveness of Bulgarian productive sector enterprises and prepare them to cope with the competitive pressure within the EU through targeted support in accession-related aspects of their development (achieving compliance of manufacturing processes with EU environmental standards and occupational safety & health (OSH) requirements, introducing QMS, GLP and GMP, increasing energy efficiency, enhancing the capacity for innovations and R&D), promoting the sustainable development of growth potential enterprises; • To create attractive business environment at regional and local level through promoting the public-private partnership development. 	<ul style="list-style-type: none"> ○ Increased in number of SMEs with standards accreditation/compliance ○ Increased investment by SMEs in RTD ○ Increased energy efficiency in assisted companies <p>Improved business environment as measured by SME surveys</p>	<ul style="list-style-type: none"> • Statistical data; • Ex-post evaluation surveys; • PIU reports; 	<ul style="list-style-type: none"> • Commitment of relevant institutions • Commitment of business environment • Commitment of prospective beneficiary SMEs to improvement n standards and to RTD investment. 	
Results	Objectively Verifiable Indicators	Sources of Verification	Assumptions	
<p>For all years:</p> <ul style="list-style-type: none"> ○ Bulgarian enterprises in-depth acquainted with relevant EU acquis requirements and standards to be met; ○ Enterprises consulted, investments in modern equipment, innovation and R&D activities supported, vocational qualification of staff enhanced, these resulting in better compliance with acquis standards and international market requirements achieved; ○ Increased number of long-term sustainable and competitive enterprises; <p><u>Phase 1</u></p> <ul style="list-style-type: none"> ○ Promotion information campaign carried out; ○ Preparatory research elaborated for the needs of the PPP, identifying the services provided to the businesses by the public administration at central, regional and municipality level; report with analysis and recommendations prepared and presented to relevant public authorities; ○ <u>Comprehensive database</u> of the of the administrative services provided to businesses 	<ul style="list-style-type: none"> ▪ Number of scientific researches implemented; ▪ Number of enterprises that have introduced innovations; ▪ Number of enterprises complying with the respective EU standards; ▪ Number of enterprises certified; ▪ Number of consulted enterprises; ▪ Increased revenue from business services (%); ▪ Number certified business 	<ul style="list-style-type: none"> • National statistics; • Progress reports on TA contract; • Monitoring and evaluation reports from the IA's and PIU's visits; • Independent interim reports; • Project final report; • Grant scheme application forms 	<ul style="list-style-type: none"> • Output relevant to enterprises' needs; • Effective co-operation with other institutions; • Willingness of the applicants to participate in the training and consulting sessions; • Willingness of the business support institutions to co-operate; • Willingness of the applicants to participate in the investment component; 	

<p><u>prepared:</u></p> <ul style="list-style-type: none"> ○ List of qualified consultancy service providers prepared; ○ Study on the development needs of enterprises carried out, to serve as a basis for designing the Consultancy Grant Scheme; ○ Analysis on available instruments for enterprise financing prepared; ○ IB support to the relevant institutions provided by the TA; ○ Consultancy Grant Scheme Implemented; ○ App. 500 companies consulted; ○ App. 150 business plans developed; ○ Needs assessment for consulting, training or supply for an enterprise prepared; ○ Application Form and Tender documents for enterprises willing to apply for support under the Competitiveness Support Grant Scheme, prepared; ○ Competitiveness Support Grant Scheme implemented; ○ Innovation activities and R&D promotion implemented. ○ Vocational training of the staff of enterprises delivered; ○ PPP Grant Scheme implemented; ○ Successful partnership among private business and public authorities established; ○ Improved quality of the provided administrative services; ○ A number of administrative services outsourced to non-government entities; ○ Qualitative projects elaborated through the project pipelines support; ○ Investment Centres created and effectively running; <p><u>Phase 2</u></p> <ul style="list-style-type: none"> ● Promotional campaign of the Grant Schemes for Phase 2 carried out; ● Results of the project surveys updated, including lessons learned from previous phase; ● Consultancy Grant Scheme implementation continued; ● Competitiveness Support Grant Scheme implementation continued; <p><u>Phase 3</u></p> <ul style="list-style-type: none"> ● Promotional campaign of the Grant schemes for Phase 3 carried out; ● Updated results of the project surveys, including lessons learned from previous phase; ● Consultancy Grant Scheme implementation continued; ● Competitiveness Support Grant Scheme implementation continued. ● Assessment of the overall implementation of the Grant schemes under Phase 1 and 2. 	consultants;		
Activities	Means		Assumptions
<p>Phase 1</p> <p>Technical Assistance (ILO/ITC)</p> <p>1. Preparation for Project Implementation</p> <ul style="list-style-type: none"> ○ Promotion and information campaign – a number of public promotion activities will be held throughout the country in the 28 regional centres and other major towns; during the campaign the project purpose and the aim of the three Grant Schemes will be publicised; 	<ul style="list-style-type: none"> ○ Contribution Specific Agreement; ○ Consultancy Grant Scheme; ○ Competitiveness Support Grant Scheme; ○ PPP Grant Scheme; 		<ul style="list-style-type: none"> ○ The necessary Grant Scheme documentation prepared and approved in time. ○ Qualified experts available; ○ All participating

<ul style="list-style-type: none"> ○ Gathering and processing information on Bulgarian enterprises interested in participating in the project (questionnaires filled-in by interested enterprises, as well as impressions from on-site interviews); ○ Comprehensive database of business-consultancy organizations: creation of a list of consultancy service providers willing to deliver consultancy services under the Consultancy Grant Scheme. The consultancy organizations included in the database, will be classified in compliance with the international best practices according to their capacity, expertise and field of competence, and other similar criteria. <p>2. Research Component</p> <p>It is intended that the ILO/ITC will carry out a national survey, the specific goals of which will include:</p> <ul style="list-style-type: none"> ○ Identification and analysis of the branches and sectors of the economy, including on a regional basis, that could be described as having a potential for long-term sustainable growth together with proposals for sector/branch allocation of the funds under the Competitiveness Support Grant scheme; ○ Analysis of the different instruments available for enterprise financing (e.g. grants, loans, leasing, etc.), and possibilities for achieving synergy and coherence between them; ○ Determining the main problems and development needs of the enterprises, which would serve as a basis for preparation of the Consultancy and the Competitiveness Support grant schemes; ○ Annual up-date of the survey results, including lessons learnt from previous phases; ○ Impact assessment of the Grant schemes; <p>3. Specific assistance for the development of PPP measures</p> <ul style="list-style-type: none"> ● Development of models for successful co-operation between public authorities and private partners for activities of public interest; ● Outline possible fields of PPP co-operation, according to the EU best practices, and disseminate this knowledge among potential participants in such PPPs and provide; ● In particular, with respect to applying the PPP approach to the delivery of administrative services to businesses, the TA will: <ul style="list-style-type: none"> ○ Carry out a comprehensive research, identifying and analysing the services, provided by the public administration at central, regional and municipality level to the businesses (“administrative services to businesses”); ○ Prepare of a report on the of the administrative services provided to businesses, as the Report will: <ul style="list-style-type: none"> ▪ give recommendations for improvement of the administrative services to businesses, or their elimination if they are deemed unnecessary or irrelevant, ▪ identify the administrative services, the delivery of which is considered appropriate to be delegated to non-government entities through the PPP approach. ▪ The Report should be based on the already existing good practices in the area of PPP, implemented in EU Member States and other countries, and at the same time it should take into consideration the 			<p>institutions co-operate effectively;</p> <ul style="list-style-type: none"> ○ Sufficient motivation of the participants;
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Bulgarian specificity;

- The Report will be disseminated among the relevant administrations at all screened levels.
 - Provide advisory services to the Bulgarian administration during the decision-making process for determination of the number and type of administrative services to businesses be delegated through the PPP approach.
 - Elaborate a database containing a list of business services which the Bulgarian administration on central, regional and municipality level is prone to outsource for implementation by external organizations. This database will serve as a basis for launching the call for proposals for the PPP grant scheme.
 - Elaborate criteria for the selection of organizations, which to provide PPP services;
 - Propose the list of services and the elaborated criteria for outsourcing, for approval by the relevant administrations, before the launch of the Call for Proposals;
- With respect to promoting PPPs, whose task will be to offer coherent local support and creating attractive environment for investors (so-called “pro-investment PPPs”), the TA will carry out a study on the existing NGOs, Business Centres, private consulting companies and entrepreneurship organizations, their capacity and quality of provided services compared to the SMEs needs;
- Provide support in setting up and linkage during the first year of the PPP projects.

4. Assistance in Grant Scheme Implementation

- Assist in the preparation of Grant scheme guidelines and application forms;
- Participation in the Promotion Campaign for the Calls for Proposals;
- Assist in the launch of the Calls for Proposals
- Assist in the evaluation of applications through creation of a database of and providing specific training to project assessors, who will take part in the projects evaluation process during the three project phases.

5. IB Component

- Being an institution specialised in providing training and consultations, ILO/ITC is will also provide training for officials of the Ministry of Economy, the national agencies responsible for SME development and the social partners – trade unions and employers’ organizations, on the process of reforming policies, regulations and institutions for enabling SME development - improving the skills of participants to analyse, design and implement programmes to manage a programme of reform to improve the business environment for small enterprise development, etc. Training seminars, workshops, study visits in EU member states and other appropriate forms of trainings will be implemented, in coordination with capacity building measures carried out under other projects.

PPP Grant Scheme

The activities to be financed under the PPP grant scheme will be, but not limited to, the following:

- Outsourcing the provision of specific administrative services to businesses (usuall

<p>provided by a public central or local agency or authority) in order to stimulate the decentralization process, to improve the quality and to achieve economic effectiveness of the services. The grant aid will finance the pilot start-up of the activities related to implementation of the delegated services by the respective organisations (limited refurbishment of needed premises, software and hardware deliveries, training of project staff, studying best practices, etc.);</p> <ul style="list-style-type: none"> ○ Support for preparation of project pipelines for local business infrastructure under PPP approach in order to enhance capacity on local level to generate project ideas, to prepare and implement projects; ○ Elaboration of the needs of PPP oriented training for local public and private partners; development of training modules on a variety of topics related to PPP activities: investment and local economic development; training implementation; ○ Creation of a concept for data collection, processing and monitoring of business information on regional level; development of web-based database that will provide information to potential investors and the public authorities - possibilities for developing business, existing private and public companies, available resources (land finances, human resources, etc.), potential partners, etc. ○ Upgrade of existing business centres to act as Investment Centres in order to serve as a contact point for all the various partners (both public and private) who are involved in business development on a local level. <p>Consultancy Grant scheme</p> <p>The implementation of the Grant Scheme will go through a number of consequent steps:</p> <ul style="list-style-type: none"> ○ The first step would be the pre-qualification of the consultancy companies as follows: <ul style="list-style-type: none"> - Criteria for selection of the consultants will be generated – e.g. company's experience, capacity, variety of services offered, track record and experience, etc. One of the criteria will be the fee rate proposed by each company per type of consultancy assignment (consultancy module), e.g. manufacturing and logistics consultation module, marketing plan module, financial management module, etc. The criteria will be consulted by the Steering Committee, and approved by the PAO; - Applying the approved criteria, the TA will prepare a list of qualified consultancy organisations among those that have expressed their interest in delivering consultancy services to enterprises under the grant scheme; - The list of pre-qualified consultancy companies will be approved by PAO. All pre-qualified consultancy organizations will be eligible to provide services to the Grant Beneficiaries under the grant scheme. ○ Award of grants to Beneficiaries: <ul style="list-style-type: none"> - A Call for Proposals will be launched; - Eligibility criteria would determine which enterprises could apply to benefit from the scheme, e.g. industry sector, sales volume, employment, growth potential, etc. (the criteria will be determined according to the TA research 			
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<p>results); These criteria will also serve as basis for the ranking of the applicant enterprises;</p> <ul style="list-style-type: none"> - The applicants will indicate which consultancy company from the pre-qualified database they choose. On the basis of the fixed rates and the consultancy modules the consultants have offered, the applicants will form their budgets, subject to a maximum project size of 5000 Euro; the modules with services offered should be precisely defined. - Award of grant contracts; - The procurement of services by the Grant Beneficiaries will be done as a single tender procedure under 5000 Euro according to the rules of PRAG. - A mechanism for monitoring of the performed consultancies will be elaborated. Feedback from consulted companies on their satisfaction by the services provided will be gathered, as it could serve for public ranking of the service providers on the internet, etc.; <p>o As a result of the Scheme implementation it is expected for app. 500 companies to receive consultations and app. 150 business plans to be developed and implemented. The grant scheme model will deliver support in a number of areas, for example like:</p> <ul style="list-style-type: none"> - Business Screening and Strategy - evaluation and implementation; - Marketing – market research, marketing strategy development, implementation of strategy; - Quality – support for preparation for ISO (and or other quality management) implementation and certification; - Innovation – technological transfer and innovations, innovation audit, strategy development and implementation; - Manufacturing – manufacturing efficiency audit, process improvement strategy and implementation; - Finance – profit improvement/cost reduction initiative – evaluation and implementation; - General business management development; - Human resource management; - Operational improvements; - Preparation the company for applying under the Competitiveness Support Grant Scheme. <p>Competitiveness Support Grant Scheme</p> <p>The individual grant will comprise of three elements, which are considered to be the three principle aspects of development support needed by enterprises:</p> <p>➤ Consultations</p> <p>Activities eligible for funding under this element of the grant include, but are not limited to, consultation for:</p> <ul style="list-style-type: none"> o Implementation of the standards for occupational safety and health conditions (OSH); o Implementation and certification for QMS (ISO and or other quality management standards); o Implementation of best practices, tailored to meet the specific needs of the 			
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<p>beneficiary;</p> <ul style="list-style-type: none"> ○ Development and implementation of strategies for alignment with environmental standards and beyond; ○ Improving the quality control of products and services, including categorization and licensing of enterprises; ○ Introduction of GMP and GLP and elaboration of details manual of instructions for validation of GMP and GLP principles; etc. ○ Implementation of safety marks, CE marks; ○ Implementation of sector specific internationally recognized standards, etc. <p>➤ Investment support</p> <p>Eligible investments, to be financed under this element of the grant, will be those that are related to and needed for achieving the above outlined priorities of the Grant Scheme, such as: technology transfer and renovations; market-oriented R&D activities; improvement of the innovation capacity of existing enterprises; research for demand-driven new products and services; development of new products in-factory as additions to, or replacement of, existing product lines but with higher added value content; testing of new product or processes by certified institutions to ensure compliance with standards and specifications; major upgrading of existing product range to yield higher added value through higher unit revenues and/or lower unit costs; introduction of GMP and GLP for the sectors needed (e.g. pharmacy, vet pharmacy, biotechnology, etc.), etc.</p> <p>➤ Vocational Training – minimum size of this grant element 2,000 Euros, maximum 10,000 Euros;</p> <p>The vocational training, which will be provided under this element of the grant, should be closely related to the activities implemented under the consultation and investment elements of the grant, thus forming an inseparable part of the support package. Eligible activities under this element of the grant will be:</p> <ul style="list-style-type: none"> ○ Elaboration of detailed needs analysis for vocational training of the beneficiary employees; ○ Development of specifically tailored training programmes (training modules); ○ Delivery of vocational training to current and/or prospective employees of the beneficiary enterprise; <p><u>Phase 2</u></p> <p>The ILO/ITC will be responsible for the update of the survey results. If needed, the TA will also revise the guidelines for applicants and application forms for the grant schemes, and will conduct the promotional campaign of the Consultancy Scheme for Phase 2.</p> <p>The Grant schemes under Phase 2 – Consultancy Grant Scheme and Competitiveness Support Grant Scheme – are a continuation of the Grant scheme under Phases 1, but they will be launched for enterprises, which have not been awarded a grant under the previous Calls for Proposals.</p> <p><u>Phase 3</u></p> <p>The ILO/ITC will be responsible for the update of the survey results. If needed the TA will also revise the guidelines for applicants and application forms for the grant</p>			
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<p>schemes, and will conduct the promotional campaign of the Consultancy Scheme for Phase 3.</p> <p>The Grant schemes under Phase 3 – Consultancy Grant Scheme and Competitiveness Support Grant Scheme – are a continuation of the Grant scheme under Phases 1 and 2, but they will be launched for enterprises, which have not been awarded a grant under the Calls for Proposals in Phase 1 and 2.</p> <p>In Phase 3 it is also expected to conduct an impact assessment of the Grant scheme implementation under the first two phases. The impact assessment will be carried out by the ILO/ITC, possibly with the usage of external independent sub-contractors</p>		
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Annex 2

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

Components	2004	2005				2006				2007				2008				2009			
	D	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operational PIU	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Operational PSC		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
TA		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Call of proposals for PPP grant			X																		
Grants execution				X	X	X	X	X													
Monitoring				X	X	X	X	X													
Final Evaluation																					
Call of proposals for Consulting Support grant				X																	
Grants execution				X	X	X	X	X	X												
Monitoring				X	X	X	X	X	X												
Final Evaluation									X												
Call of proposals for Competitiveness Support grant							X														
Grants execution								X	X	X	X	X									
Monitoring									X	X	X	X									
Final Evaluation																					
Call of proposals for Consulting Support grant – Phase 2						X															
Grants execution							X	X	X	X	X	X									
Monitoring							X	X	X	X	X	X									
Final Evaluation												X									
Call of proposals for Competitiveness Support grant – Phase 2									X	X											
Grants execution											X	X	X	X	X						
Monitoring										X	X	X	X	X	X	X					
Final Evaluation																X					
Call of proposals for Consulting Support grant – Phase 3										X											
Grants execution											X	X	X	X	X						
Monitoring										X	X	X	X	X	X	X					
Final Evaluation																X					
Call of proposals for Competitiveness Support grant – Phase 3													X	X							
Grants execution														X	X	X	X	X	X		
Monitoring														X	X	X	X	X	X	X	
Final Evaluation																				X	

Annex 3

Contracting and Disbursement Schedule by Quarter (Phase 1 + Phase 2 + Phase 3)

Project Title Support for Development the Competitiveness of Bulgarian Enterprises																					
Components	Cumulative contracting and disbursement schedule by quarter in MEUR (provisional)																				Total
	2005				2006				2007				2008				2009				
	Q1	Q 2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<u>Contract 1 - TA</u>																					
Contracted	1.6																			1.6	
Disbursement	1.6																			1.6	
%	100% *																			100%	
<u>Contract 2 – Grant PPP</u>																					
Contracted			2.4																	2.4	
Disbursement			1.44			0.72		0.24												2.4	
%			60%			30%		10%												100%	
<u>Contract 3 – Consultancy support</u>																					
Contracted			2.0																	2.0	
Disbursement			1.2			0.6		0.2												2.0	
%			60%			30%		10%												100%	
<u>Contract 4 – Competitiveness Support</u>																					
Contracted							6.0													6.0	
Disbursement							3.6		1.8		0.6									6.0	
%							60%		30%		10 %									100%	

<u>Contract 5</u> <u>Consultancy support</u>																				
Contracted					2.0															2.0
Disbursement					1.2			0.6			0.2									2.0
%					60 %			30%			10 %									100%
<u>Contract 6–</u> <u>Competitiveness</u> <u>Support</u>																				
Contracted								8.0												8.0
Disbursement								4.8			2.4			0.8						8.0
%								60%			30 %			10 %						100%
<u>Contract 7 –</u> <u>Consultancy support</u>																				
Contracted										2.0										2.0
Disbursement										1.2		0.6		0.2						2.0
%										60 %		30 %		10 %						100%
<u>Contract 8 –</u> <u>Competitiveness</u> <u>Support</u>																				
Contracted													6.0							6.0
Disbursement													3.6			1.8		0.6		6.0
%													60%			30 %		10%		100%

*According to the Financial and Administrative Framework Agreement of April 29, 2003 between the European Community and the United Nations, and the Agreement of July 8, 2003 of ILO's adherence to it.

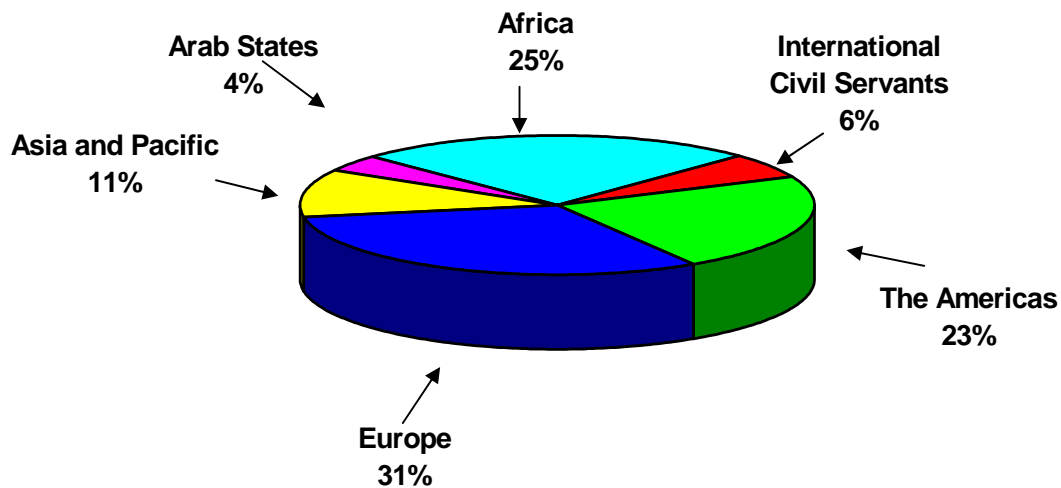
Annex A

International Training Centre of the ILO

To date, over 110,000 men and women from 177 nations have benefited from the Turin Centre's training and consulting services.

As an example, in 2002, the International Training Centre held 369 group training programmes: 181 in Turin, 167 in countries worldwide and 21 at a distance, for a total of 8,007 participants. Many of these programmes included study tours within Europe.

Participants by Region (2002)



Financing

The Centre's training programmes are financed by multilateral agencies, including the World Bank and the European Commission, bilateral donors, the ILO and other UN organizations, as well as by the recipient governments and institutions.

Customized Training Services

Through training and learning, the Centre develops human resources and institutional capacity in pursuit of the ILO's primary goal of decent work for men and women. Decent work is the focus of its four strategic objectives and the guiding principle of its technical cooperation.

To assist countries in their social and economic development, besides training proper, the Centre provides related technical support and advisory services, such as:

- identification of training needs
- project design
- provision of expertise
- on-line information and technical advice
- evaluation
- follow-up

Customized training projects include manpower and training audits; assistance to beneficiary institutions in setting up and managing their own training programmes; advice to clients on installing in-house programmes, curriculum development; staff training; supply of training manuals and experts to assist in programme implementation.

Areas of Expertise

The Centre's expertise is reflected by the wide spectrum of training offered each year, responding to the priority needs of different regions: Africa, the Americas, the Arab States, Asia and the Pacific, and Europe.:

- international labour standards and human rights
- employment creation and enterprise development
- training policies and systems
- project management
- procurement management
- public sector management
- capacity building for workers' organizations
- capacity building for employers' organizations
- social protection
- occupational safety and health
- labour relations

- distance education and learning technology applications
- European Social Fund projects
- gender equality and women empowerment

1.1.1.1.1 Languages

Training is offered in the language of the participants: Arabic, Chinese, English, French, Italian, Portuguese, Russian and Spanish, and others, on request.

Staff

The Centre's 200 staff includes an international group of some 60 training and sector specialists endowed with the technical, teaching and linguistic skills required for a rapid response in designing and delivering quality training in different languages, tailored to different socio-economic and cultural contexts. Besides this core group, the Centre draws upon a worldwide network of resource persons and consultants from leading academic and training institutions, enterprises, trade unions, and governmental and non-governmental organizations. Activities are often designed and delivered in cooperation with partner organizations in client countries with a view to enhancing their institutional capacity.

In addition, The Turin Centre draws on the experience available from International Financing Institutions and development partners such as the World Bank, the European Commission and bilateral aid agencies.

ENTERPRISE DEVELOPMENT

The mission of the Centre's Enterprise Development Programme is to promote better opportunities for women and men to secure decent work through capacity-building for ILO constituents and development partners in enterprise and cooperative development.

The important role of enterprises, especially small ones, in employment creation is widely recognized. Improving the quality of jobs available in enterprises, whether micro, small, medium or large ones, is an important component of the ILO's activities to promote decent work. The Centre provides training in facilitating the creation of quality sustainable jobs in enterprises of all sizes. In doing so, the Centre's Enterprise Development Programme works closely with

the Department for Job Creation and Enterprise Development and the Social Finance Programme at the International Labour Office in Geneva. Increasingly, the Centre also works closely with the ILO's sub-regional offices to tailor its programmes to local needs.

The Programme targets intermediary organizations that can facilitate employment creation and the promotion of decent work in enterprises. The aim is to disseminate good practice in the following core areas:

- training of trainers in entrepreneurship education for vocational and technical training institutions
- policies and strategies for small and medium-sized enterprise development
- emerging good practices in business development services
- managing business development services for increased impact
- training of small business advisers and consultants
- women's entrepreneurship development
- international marketing for small and micro enterprises
- training of trainers in designing courses for small enterprises and micro-enterprises
- microfinance for conflict-affected communities
- effective management of microfinance institutions
- making guarantee funds work for small enterprises and micro-enterprises
- managing consultancy services for cooperatives
- human resources management and productivity improvement in enterprises
- socially responsible enterprise restructuring.

In 2002 the Centre hosted the annual meeting of the Committee of Donor Agencies for Small Enterprise Development.

Training projects were implemented for Albania, Angola, Argentina, Bosnia and Herzegovina, Brazil, Cape Verde, Chile, Guinea-Bissau, Hungary, Kazakhstan, Kenya, Kosovo, Mozambique, Romania, Russia, São Tomé and Príncipe, Tanzania, Uganda, Uruguay and Viet Nam.

At the request of national counterpart organizations, tailor-made courses were organized for Albania, China, Ethiopia, Mexico, Pakistan, Russia, Ukraine and Francophone countries of West Africa.

The following projects were implemented for European countries:

Project	Country	Years	Sponsor
International Conference “Socially Responsible Enterprise Restructuring” in Athens	EU and candidate countries (25)	2003	EC
International Seminar “ Human Resource Management in the context of Socially Responsible Enterprise Restructuring”	EU and candidate countries (25)	2003	EC
International Seminar “ Socially Responsible Enterprise Restructuring”	EU and candidate countries (25)	2002	EC
Entrepreneurship and Small Business Development at Regional Level	Russia	1993-96	Swiss government
Training of Trainers in Management of SMEs in Central Asian and Caucasian Countries	Kazakhstan Kyrgyzstan Uzbekistan Armenia Georgia Azerbaijan	1999	EC UN ECE South Korea
Poverty alleviation through the promotion of SMEs for women in Albania	Albania	1996-99	Italian government AGFUND
Strengthening SME Support Institutions in Hungary:	Hungary	1998-01	Flemish Community of Belgium
“Strengthening SME Support Agencies for Employment Creation and Poverty Reduction in Post-Conflict Kosovo”	Kosovo	2000-02	Italian government AGFUND
“Poverty alleviation through the promotion of women’s self-employment and small-scale entrepreneurship in Bosnia-Herzegovina”	Bosnia-Herzegovina	2000-2003	Italian government AGFUND
Strengthening Business Development and Micro-Credit Services for SME support, Employment Creation and Poverty Reduction (Kosovo)	Kosovo	2003-04	Italian government AGFUND

Training courses in the field of small business development and entrepreneurship promotion conducted in 2003:

Course title	Duration & Dates	Language	Target group	Country
Business Development Services - Diploma course for small enterprise consultants	3 months 01/04-30/06	English	Trainers, consultants and advisers on business development issues	Open (distance learning)
Know About Business (KAB) – Entrepreneurship education in vocational and technical training	2 weeks 11/03-22/03	English	Trainers/teachers in vocational and technical training institutions, principals, administrators and future leaders in entrepreneurship for vocational and technical education/training, professional staff of technical co-operation projects with responsibility for introducing/implementing enterprise education, etc.	Kampala, Uganda
Effective management of micro-finance institutions for small enterprises and micro-enterprises	2 weeks 15/04-26/04	English	Managers and other officials, including credit/lending officers and staff responsible for setting up new financing schemes from banks, SME credit institutions, microfinance institutions, NGOs, credit unions, savings and loans co-operatives, guarantee funds, etc.	Open
Improving productivity through good practice in human resources management	2 weeks 06/05-17/05	English	Managers from private and public sector companies and organizations, consultants, trainers concerned with human resources management and enterprise performance improvement.	Open
Creating and improving business to business networks	2 weeks 27/05-07/06	English	Designers and managers of enterprise development programmes, including staff of financial and non-financial business development services entities.	Open

Course title	Duration & Dates	Language	Target group	Country
Marketing para Micro y Pequeñas Empresas	2 weeks 03/06-14/06	1.1.1.1.1 Spanish	Representantes de organizaciones de afiliación y representación de los pequeños empresarios y de los trabajadores. Ejecutivos, directivos y/o técnicos de Instituciones, Cooperativas, Entidades y Organismos responsables para programas de desarrollo de micro y pequeñas empresas. Funcionarios del nivel central, regional y local responsables para diseño y ejecución de políticas de desarrollo empresarial. Profesionales provenientes de cooperativas, institutos o centros académicos de investigación .	Open
Socially responsible enterprise restructuring and the creation of new jobs in emerging economies	2 weeks 17/06-28/06	1.1.1.1.2 Russian	National and local government officials, executives of employers' and worker's organizations, NGOs, development agencies, enterprise senior managers, trainers and consultants.	Russia
Socially Responsible Enterprise Restructuring and Effective Privatisation	1 week 17/06 – 21/06	Arabic	National and local government officials, executives of employers' and worker's organizations, NGOs, development agencies, enterprise senior managers, trainers and consultants.	Open
Training of advisers and consultants for SMEs: how to become a better business adviser	2 weeks 24/06 – 05/07	English	Managers, business advisers and consultants from enterprise development agencies, SME support institutions, small business associations, government business support agencies, employers' organizations, chambers of commerce, etc.	Open
Making Guarantee Funds	1 week	English	Managers and staff of existing guarantee	Open

Course title	Duration & Dates	Language	Target group	Country
work for small and micro-enterprises	22/07-26/07		schemes and officials of organisations, including microfinance institutions, that are planning to establish a guarantee fund. Officials of organisations that may provide financing to guarantee schemes.	
Comprendre l'Entreprise (CLE): la formation à l'entrepreneuriat dans les établissements de formation professionnelle et technique	2 weeks 22/07-02/08	French	Formateurs(-trices)/enseignant(e)s des centres de formation technique et professionnelle, principaux, administrateurs et futurs responsables du développement de l'esprit d'entreprise et de l'éducation/formation technique et professionnelle, personnel professionnel des projets de coopération technique ayant une responsabilité pour introduire et/ou mettre en place une éducation à l'entreprise.	Open
Gestão de microcréditos	2 weeks 22/07-02/08	Portuguese	Directores, empresários e técnicos esponsáveis pela definição e promoção de políticas de apoio às MIPES provenientes das seguintes organizações: Organizações de filiação e representação dos empresários; Instituições e ONGs cujo objectivo seja a promoção e apoio às MIPES; Organismos do Estado responsáveis pela promoção e apoio às MIPES: Ministério da Industria, Ministério da Condição Feminina, Ministério das Finanças..	Open
Renforcement des capacités des organismes d'appui aux PME	2 weeks 12/08-23/08	French	Responsables des institutions ou organismes ayant pour mission de fournir de l'assistance aux MPME. Les autorités d'organisations patronales ou de chambres de commerce et les responsables de l'administration chargée	Open

Course title	Duration & Dates	Language	Target group	Country
de la promotion des MPME.				
Emerging good practices in Business Development Services (BDS) – third annual seminar	1 week 09/09 – 13/09 + 3-day study tour	English/	Officials, policy-makers, advisers, project managers and senior staff of national and international institutions and organisations dealing with enterprise development.	Open
Buenas prácticas emergentes en los servicios de desarrollo empresarial – tercero seminario annual	1 week 09/09 – 13/09 + 3-day study tour	Spanish	Funcionarias/os, responsables de la formulación de políticas, asesoras/es, jefes de proyectos y personal directivo de instituciones nacionales e internacionales dedicadas al desarrollo empresarial.	Open
Diseño de acciones de formación para Micro y Pequeñas Empresas	2 weeks 16/09-27/09	Spanish	Representantes de organizaciones de afiliación y representación de los pequeños empresarios y de los trabajadores. Ejecutivos, directivos y/o técnicos de Instituciones, Cooperativas, Entidades y Organismos responsables para programas de desarrollo de micro y pequeñas empresas. Funcionarios del nivel central, regional y local responsables para diseño y ejecución de políticas de desarrollo empresarial. Profesionales provenientes de cooperativas, institutos o centros académicos de investigación .	Open
Formation des conseillers/formateurs en création et développement de PME Comment améliorer	2 weeks 30/09-11/10	French	Personnes disposant d'une formation supérieure dans le domaine du management et de la gestion d'entreprises, et d'une expérience confirmée dans ce domaine qui exercent leurs activités au sein d'institutions	Open

Course title	Duration & Dates	Language	Target group	Country
l'environnement porteur des entreprises.			ou d'organisations ayant pour vocation essentielle l'assistance et le soutien aux PME.	
Socially responsible enterprise restructuring and the creation of new jobs in transition economies	2 weeks 14/10-25/10	English	National and local government officials, executives of employers' and workers' organizations, NGOs, international projects and development agencies, enterprise senior managers, trainers and consultants from countries in transition.	Open
Promoting Women's Entrepreneurship	2 weeks 14/10 – 25/10	Arabic	Senior officials from government agencies, employers' and workers' organisations; office-holders and members of women's business associations, including chambers of commerce; senior staff of institutions active in the promotion of women's entrepreneurship.	Turin
Sistemas, modelos y estructuras de Cooperación Inter-Empresarial de Pequeñas Empresas	2 weeks 04/11-15/11	Spanish	Representantes de organizaciones de afiliación y representación de los pequeños empresarios y de los trabajadores. Ejecutivos, directivos y/o técnicos de Instituciones, Cooperativas, Entidades y Organismos responsables para programas de desarrollo de micro y pequeñas empresas. Funcionarios del nivel central, regional y local responsables para diseño y ejecución de políticas de desarrollo empresarial. Profesionales provenientes de cooperativas, institutos o centros académicos de investigación .	Open
Policies and strategies for SME development – How	2 weeks 04/11-15/11	English	Policy-makers and other senior officials of government departments and institutions	Open

Course title	Duration & Dates	Language	Target group	Country
to design programmes to improve the enabling environment for SMEs			responsible for SME development; senior executives of associations of SMEs, employers' organisations and trade unions with an active interest in the SME sector; senior executives of small business associations and chambers of commerce and industry; managers and senior staff of SME support organisations or service providers; professionals involved with the formulation and design of SME development programmes.	
Micro-finance for refugees and internally displaced people	2 weeks 11.11 – 22.11	Arabic	Officials of relevant finance agencies and relief agencies.	Open
Cooperative Entrepreneurship: Managing Business Development Services (BDS) for Cooperatives	2 weeks 02/12 – 13/12	English	Managers and senior staff of organisations providing business development services to the cooperative movement.	Open
Managing Business Development Services (BDS) for Increased Impact – How to improve the outreach, impact and sustainability of organizations providing BDS	2 weeks 02/12 – 13/12	English	Managers and senior staff of enterprise development institutions from the public and private sectors: senior executives of small business associations, chambers of commerce and industry, senior staff of development projects providing BDS to SMEs, professionals involved in the formulation and design of enterprise development	Open

Course title	Duration & Dates	Language	Target group	Country
programmes.				

The Training Campus

Turin-based training takes place at a campus with an area of 10 hectares equipped with training and conference rooms including simultaneous interpretation and video-conferencing facilities, computer laboratories, a fully equipped multimedia production and reprographic unit, a computerized documentation and information service linked to several international databases and the Internet.

In addition the residential campus offers accommodation, catering arrangements, banking facilities, a post office, international telephone exchange, telex and telefax, travel agency, sports grounds, cinema and recreation centre.

Annex B

MINISTRY OF ECONOMY PHARE IMPLEMENTING AGENCY

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

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

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

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

The Agency for Small and Medium-sized Enterprises will be the Intermediate body for the OP “Competitiveness of the Bulgarian Economy” and will be responsible for day-to-day management of the SF assistance. The exact responsibilities of the Intermediary Body will be further defined under the envisaged Phare 2003 project for SF preparation.

FINANCIAL MANAGEMENT AND CONTROL SYSTEM

These rules for financial management and control are in compliance with the Law for Public Internal Financial Control. With minister of economy order (ПД 16-36/ 21.01.2004) the Financial Management and Control System (FMCS) was adopted for implementation of PHARE projects under responsibility of the IA within the MoE.

The **persons** who apply the rules envisaged in that system are:

- Civil servants from the Financial control and payment department including financial experts and IA's accountant;
- Financial controller, appointed by the minister and directly subordinate to him;

The **FMCS** aims mainly at:

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

The FMCS consists of **two main parts**:

- System for preliminary control (ex-ante control);
- System of double signature.

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

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

The monitoring experts are responsible for checking the following items:

- Whether the sub-contracting tender procedures are in compliance with the Practical Guide to contract procedures financed by the general budget of the European Communities in the context of external actions (PRAG);
- Correspondence between the reported activities and those included in the respective contract

The financial experts are responsible for checking the following items:

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

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

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

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

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

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

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

Double signature system

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

Keeping the documentation

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

Annex C

Council Regulations and Directives, concerning acquis related compliances

Environmental standards

- Council Directive 96/61/EC of 24 September 1996 concerning integrated pollution prevention and control
- Council Directive 1999/32/EC of 26 April 1999 relating to a reduction in the sulphur content of certain liquid fuels and amending Directive 93/12/EEC
- European Parliament and Council Directive 94/63/EC of 20 December 1994 on the control of volatile organic compound (VOC) emissions resulting from the storage of petrol and its distribution from terminals to service stations
- Directive 2001/80/EC of the European Parliament and of the Council of 23 October 2001 on the limitation of emissions of certain pollutants into the air from large combustion plants
- European Parliament and Council Directive 94/62/EC of 20 December 1994 on packaging and packaging waste
- Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste
- Council Directive 91/271/EEC of 21 May 1991 concerning urban waste-water treatment
- 97/622/EC: Commission Decision of 27 May 1997 concerning questionnaires for Member States reports on the implementation of certain Directives in the waste sector (implementation of Council Directive 91/692/EEC)
- Council Directive 91/692/EEC of 23 December 1991 standardizing and rationalizing reports on the implementation of certain Directives relating to the environment

1.2. Energy efficiency technologies

- 31975Y0709(03)
Council Resolution of 17 December 1974 on a Community action programme on the rational utilization of energy
- 31975Y0725(02)
Council Resolution of 3 March 1975 on energy and the environment
- 21994A1231(53)
Final Act of the Conference on the European Energy Charter - Annex 3: Energy Charter Protocol on energy efficiency and related environmental aspects

- 31995Y1207(03)
Council Resolution of 23 November 1995 on the Green Paper For a European Union Energy Policy'
- 32003D1230
Decision No 1230/2003/EC of the European Parliament and of the Council of 26 June 2003 adopting a multiannual programme for action in the field of energy: "Intelligent Energy — Europe" (2003 — 2006) (Text with EEA relevance)
- 31998Y1217(01)
Council Resolution of 7 December 1998 on energy efficiency in the European Community
- 31986Y0924(01)
Council Resolution of 15 September 1986 on improving energy efficiency in industrial firms in the Member States

1.3. Occupational safety and health standards

- 32003H0134
Council recommendation of 18 February 2003 concerning the improvement of the protection of the health and safety at work of self-employed workers
- 32002G0705(01)
Council Resolution of 3 June 2002 on a new Community strategy on health and safety at work (2002-2006)
- 31992L0058
Council Directive 92/58/EEC of 24 June 1992 on the minimum requirements for the provision of safety and/or health signs at work (ninth individual Directive within the meaning of Article 16 (1) of Directive 89/391/EEC)

1.4. Innovation and demand driven R&D activities

- 32002R2321
Regulation (EC) No 2321/2002 of the European Parliament and of the Council of 16 December 2002 concerning the rules for the participation of undertakings, research centres and universities in, and for the dissemination of research results for, the implementation of the European Community Sixth Framework Programme (2002-2006) (Text with EEA relevance)
- 32000Y1228(01)
Council resolution of 16 November 2000 on making a reality of the European area of research and innovation: guidelines for the European Union's research activities (2002-2006)
- 32000Y0719(01)
Council Resolution of 15 June 2000 on establishing a European area of research and innovation

- 31999D0172
1999/172/EC: Council Decision of 25 January 1999 adopting a specific programme for research, technological development and demonstration on promotion of innovation and encouragement of SME participation (1998 to 2002)

- 31999D0170
1999/170/EC: Council Decision of 25 January 1999 adopting a specific programme for research, technological development and demonstration on energy, environment and sustainable development (1998 to 2002)

- 31999D0169
1999/169/EC: Council Decision of 25 January 1999 adopting a specific programme for research, technological development and demonstration on competitive and sustainable growth (1998 to 2002)

- 31999D0167
1999/167/EC: Council Decision of 25 January 1999 adopting a specific programme for research, technological development and demonstration on quality of life and management of living resources (1998 to 2002)

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

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

1.5. GMP & GLP

- 32001L0020
Directive 2001/20/EC of the European Parliament and of the Council of 4 April 2001 on the approximation of the laws, regulations and administrative provisions of the Member States relating to the implementation of good clinical practice in the conduct of clinical trials on medicinal products for human use

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

CLARIFICATION

on the notes of Implementation, Contracts and Nuclear Task Force Unit (Co-ordination of Financial Instruments Directorate, DG Enlargement) of 24.06.2004 referring to the Phare Project “Support for Increasing the Competitiveness of Bulgarian Enterprises”

A. THE PARTICIPATION OF ILO/ITC IN PROJECT ACTIVITIES

The involvement of the International Labour Organization’s Training Centre (ILO/ITC) in the Project activities (to provide technical assistance and IB support to the MoE throughout the 3 project phases) has been carefully considered from the very beginning of the programming exercise, both from the side of compliance with applicable regulations, as well as with respect ILO/ITC’s ability to deliver high-quality contribution for the project activities.

We believe that there is no contradiction with the PRAG⁵ rules or with the Financial Regulation of the ILO/ITC’s involvement in the project activities. We further believe this involvement would provide a valuable contribution to achieving the overall project’s objectives.

I. Legal framework of the action

The involvement of the ILO/ITC to carry out the activities under Component 1 of the Project is in compliance with the Financial Regulation and the PRAG.

The negative comment on that issue from the Implementation and Contracts Unit (Co-ordination of Financial Instruments Directorate, DG Enlargement) seems to be based on a misunderstanding of the legal form of ILO/ITC’s involvement in the project activities. In particular, the comment has not taken into account the status of ILO/ITC as an “international organisation” within the meaning of Art.53 and Art.108 para.2 (b) of the Financial Regulation, respectively within the meaning of SECTION 7. RELATIONS WITH INTERNATIONAL ORGANIZATIONS of the PRAG.

With respect to actions implemented by international organizations, the Financial Regulation and the PRAG provide a clear differentiation between two scenarios:

1. An international organization is awarded a grant under an existing grant programme.
Under this scenario an international organisation is awarded the grant either through participating in a Call for Proposals, or through a direct award allowed in explicitly mentioned cases. Under this scenario it is the relevant Contracting Authority under the grant programme that awards the grant, and all rules relevant to grant procedures apply (PART I, TITLE VI GRANTS of the Financial regulation, SECTION 6 GRANTS of the PRAG).
2. An international organization implements an action financed by the European Communities budget by joint management.
Art.108, para.2(b) of the Financial Regulation states that “*expenditure implemented as part of shared, decentralised or joint managment within the meaning of Article 53 of the Regulation ... do*

⁵ Practical Guide to contract procedures financed by the General Budget of the European Communities in the context of external actions

not constitute grants within the meaning of this Title” [TITLE VI GRANTS, PART I of the Financial Regulation]. This is also understood from Section 7.1. of the PRAG “...For the purposes of this Guide, joint management implies a grant and is subject accordingly to the rules set out in Part 6 above unless otherwise provided for in the Guide and in particular in the model contribution agreement to an international organisation. Grants to international organisations other than in the case of joint management are wholly subject to the rules in Part 6 of this Guide.” Therefore, an action implemented together with an international organization by joint management is not treated as a grant within the meaning of the grant award procedures, but is treated as action implemented under a specific agreement between the EC and that International Organisation. I.e. the general rules of awarding grants are not applicable to the ‘joint-management type’ of actions, as the direct specific agreement is the very basis for the implementation of that action.

As mentioned in PRAG’s SECTION 7.1., a number of framework financial and administrative agreements have been signed since the beginning of 2003 between the European Commission and a number of international organizations, to outline the framework conditions for joint management of actions with those organisations. One of these agreements is the Financial and Administrative Framework Agreement (FAFA) of April 29, 2003 between the EC and the UN (explicitly mentioned in the PRAG). Under an Agreement of July 8, 2003 between the European Community and the International Labour Organisation (ILO), the latter has adhered to the FAFA. The International Training Centre (ITC) is explicitly mentioned in that agreement as a separate entity of the ILO, to which entity of adherence to the FAFA applies.

The FAFA explicitly states that the UN organizations “*may manage EU contributions ... to an operation, programme or project administered by the United Nations (referred to as an Action)*”. The TA project activities assigned to be fulfilled by the ILO/ITC qualify as such an “Action”, and therefore fall within the scope of the co-operation between the UN and the European Community, covered by the FAFA. Based on the FAFA, a specific contribution agreement is to be signed to cover the detailed implementation of the action assigned to the international organisation. (The template of such agreement is enclosed as an annex to the PRAG.)

It is obviously the first scenario on which the Implementation and Contracting Unit bases its comment, while the involvement of the ILO/ITC is undoubtedly within the second scenario of co-operation between the EC and an international organisation.

Some specifics of the ILO/ITC involvement in the project activities is brought by the fact that this ‘joint management type’ of action will be financed by an EC budget line for a Phare project, in the context of the pre-accession assistance to Bulgaria. Under this project the Bulgarian Ministry of Economy shall act as a Contracting Authority (CA) under decentralised implementation.

The situation implies that, in addition to the rules for joint management, the rules for decentralised management should also be observed. That’s why the agreement for assigning to the ILO/ITC the TA activities is to be agreed at two ‘levels’:

(i) On the programme level, in the Project Fiche. The latter is the basic document ascertaining that the EC as the external aid donor and Bulgaria as beneficiary country and co-funding party, and the ILO/ITC as an international organization have agreed to carry out the specified action under the conditions of joint management. (The letter of engagement of ILO/ITC to carry out the assigned activities is incorporated as enclosure to the project fiche).

(ii) On the implementation level, in the specific agreement to be signed between the MoE as CA and the ILO/ITC. This agreement will detail all issues related to implementation of the action, and it would be subject to an ex-ante approval by the EC under the decentralized implementation system.

All issues not specified in the Project Fiche, will be detailed in this specific agreement (e.g. the costs of the ILO/ITC Project Office, etc.).

Thus the Project Fiche and the Specific Agreement will be harmonized and coordination will be reached on central level (between ILO/ITC and EC) through approving the Project fiche, as well as on decentralized level (between the Contracting Authority and ILO/ITC).

II. Reasons to prefer partnership (joint management) of the TA activities with the ILO/ITC

A number of reasons have motivated us to invite ILO/ITC as a project implementation partner:

1. The actions assigned to be implemented by ILO/ITC correspond to the mandate and key areas of competence of the latter. The long experience and distinguished record of the ILO/ITC in these areas along with their unique emphasis on the work with socio-economic partners, makes them exceptionally qualified for the implementation of the TA activities. This is in detail outlined and justified in the project fiche and the annex of ILO/ITC capacity related to the project activities.
2. The joint work with ILO/ITC on the project implementation is viewed as a co-operation exercise with the MoE, which co-operation is expected to be more efficient for the fluent project implementation than 'regular' contractual relations between CA and a service provider. Such a 'cooperation approach' would turn the TA activities into a flexible research & assistance instrument for the MoE that would require and allow more active participation of the MoE. The joint management is going to be a basis for a continuous cooperation between the ILO/ITC and the MoE, and increase the capacity of the Ministry to manage multi-annual programmes. The CA will strengthen its international relations and will receive an advantage to gain new experience, especially in the field of partnership projects and joint management.
3. The ILO/ITC training and research specialists are part of a worldwide network of resource persons and consultants from prestigious academic and training institutions, enterprises, trade unions, other governmental and non-governmental organizations. Having ILO/ITC as a project implementation partner would allow the MoE to benefit from this pool of experts, as flexibly needed throughout the different activities and stages, and phases of project implementation (which is not possible under regular service contract, where key experts are in principle fixed for the contract duration).
4. The Project Fiche 2004-2006 provides for a three-phase implementation. The core of each phase are the Consultancy Grant Scheme and Competitiveness Support Grant Scheme, which are envisaged to be (re-)launched in all 3 phases. TA is envisaged at each of the 3 phases, with essentially the same task – to assist the grant schemes implementation and provide continuing IB support to the MoE. In case that the Technical Assistance (TA) is provided through a service contract the most probable outcome will be that there will be a different contractor each phase. In addition, the two-year disbursement period will not allow for the contracted Consultant to cover the whole three-year period of a single phase implementation. For that reason **continuity**, which is essential for this multi-annual project, can be provided only through a joint management (partnership) with an international organization - ILO/ITC, which will be able to guarantee a **continuing long-term support**. This is unlikely to happen if the TA is structured as a service contract, due to above contracting and disbursement time limitations.
5. The assigning of the TA and IB-support activities to the ILO/ITC would not allow any delays of the project implementation that might occur and cumulate, in case there is a new tender procedure for selection of the TA is launched each phase. On the contrary – the participation of ILO/ITC will be a prerequisite for the smooth, efficient and on-time implementation of the grant scheme components. The ILO/ITC team would be in place as soon as the contribution specific agreement is signed (in the very beginning of 2005).

B. PPP GRANT SCHEME

The comment is based on misunderstanding who the grant beneficiaries under this scheme are.

The grant beneficiaries will not be the institutions that would delegate/outsource the provision of certain services, etc., but the private entities (NGOs, commercial entities, etc.) that would deliver the services by delegation and on behalf of the relevant authorities. The activity of delivering services by those private entities is to be financed by the grants.

In the usual case, the entity which will undertake the performance of such duties, should charge either the public authority or the person to which the service is being delivered a certain fee for the services provided. The role of the PPP Grant Scheme is however to pilot-test the outsourcing of administrative services while there is still no experience in this field, therefore grants are considered a necessary incentive for the private entities to apply to deliver those services. As soon as this PPP model is tested and proves adequate, after the end of the grant scheme, 'ordinary' service contract relations would be established between the public authorities and the service providers.

C. ESTABLISHING THE LIST OF POTENTIAL CONTRACTORS UNDER THE CONSULTANCY GRANT SCHEME

For establishing the list of potential contractors, from which the grant beneficiaries will have to procure services, the short-listing procedure under the restricted tender proceedings will be used by analogy. An invitation will be published to all interested parties to express their interest in participating in the short-listing procedure. Short-listing (pre-selection) will be done according to pre-defined criteria. This should ensure transparency and equal treatment of all potential contractors. This will be reflected in the project fiche.



Centre international de formation • International Training Centre • Centro Internacional de Formación

Le Directeur

Turin, 8 April 2004

Dear Ms. Koldanova,

Re.: Project: "Support for Increasing the competitiveness of Bulgarian Enterprises"

I am pleased to inform you that the International Training Centre of the International Labour Organization (ILO/TURIN) confirms its interest to provide technical assistance to the Bulgarian Ministry of Economy for the implementation of the above-mentioned project.

ILO/TURIN will be able to mobilise promptly for the implementation of this important project whereby the spectrum of our services will range from overall project management support to specific inputs related to strengthening the network of providers of "business development services" and the prioritisation, selection, monitoring and reporting on the operation of the proposed grant schemes.

The proposed technical assistance will help to implement smoothly the project activities aimed at increasing the competitiveness of the Bulgarian productive sector, enhancing enterprises, inducing sustainable economic growth, reducing regional disparities, promoting employment generation in branches with high growth potential and building regional partnerships. We consider these objectives and activities to correspond to the mandate and key areas of competence of the International Training Centre of the ILO.

The International Training Centre therefore pledges its commitment to provide the technical assistance for the project's implementation. It is our understanding that this assignment will be implemented in accordance with the provisions of the Financial and Administrative Framework Agreement (FAFA) of April 29, 2003 between the European Community and the United Nations, and subsequent adherence to the Agreement by the ILO dated July 8, 2003.

I take this opportunity to thank you for your confidence in our Centre and look forward to a fruitful and long-term collaboration.

Yours sincerely,


François Trémeaud,
Executive Director of the ILO

Ms. Evgenia Koldanova
Deputy-Minister of Economy
Ministry of Economy
8, Slavianska Street
1051 – Sofia (Bulgaria)