Summary Project Fiche

1.   **Basic Information**

   1.1. Désirée Number: BG 0203.13
   1.2. Title: Development and Implementation of VIES requirements and EU interoperability standards in the field of VAT within the Integrated Information System (IIS) of the Bulgarian Tax Administration to achieve interoperability with Member States and DG TAXUD
   1.3.Sector: *Taxation*
   1.4. Location: General Tax Directorate

2. **Objectives**

   2.1. Overall Objective:

   The overall objective of the project is to improve the administrative capacity of the Bulgarian Tax Administration in the field of information technology in accordance with the key indicators from the Fiscal Blueprints of the European Commission. Furthermore, to adopt and integrate the EU standards and practices (VIES) according to EU requirements and in accordance to DG TAXUD specifications.

   2.2. Project purpose:

   The purpose of the project is to develop and implement the VIES (VAT Information Exchange System) requirements and integrate these requirements into the IIS (Integrated Information System) National System. The adaptation and computerisation represents a EU requirement, stated in the legal basis of this business, which also specifies mandatory computerization as an Accession requirement. The successful completion of this project will support the efficient management of the tax administration and its operational activities, the effective administrative co-operation with EU member states and DG TAXUD and the enhanced communication with stakeholders.

   Specifically, this project includes the development, implementation and integration of the **VIES system and application software**, supply and installation of **computer hardware and telecommunication equipment** and **Technical Assistance and technical training** in system and application software and management of the development processes.

   The support through the project will be provided in the following areas:
   - **Development of** VAT Information Exchange System (VIES) including its' integration in the National IIS system.
   - **Supply of equipment and standard software** – provision of communication, computer and security equipment and software required specifically to implement the VIES module within the IIS system throughout Bulgaria.
   - **Technical Assistance** –
     - Provision of long-term assistance to the BTA in the areas of project planning and management (including contract management), software development and quality control;
     - Provision of IT technical and functional training to the project development and support staff and to future users of the system from within the tax administration employees;

2.3. Accession Partnership and NPAA priority

The objectives and activities in this project represent the priorities, clearly stipulated in the Accession Partnership and the NPAA as follows:

2.3.1. Accession Partnership

- **Short-term objectives**: Improvement of tax collection at national and regional level, in particular through strengthened VAT information processing.
- **Medium-term objectives**: Strengthen administrative capacity and control procedures including administrative co-operation and mutual assistance.

2.3.2.   National Programme for the Adoption of the Acquis Communautaire

- **Short-term priorities**

Development of an Information strategy in accordance with the concept for Establishment of a Unified Revenue Agency

Development of "Information Security Policy" and "Implementation Plan for a Two-year Period"

- **Medium-term priorities**

Development and implementation of a tax integrated information system, including the collection of social security fees.

3. Description

3.1. Background and justification

The Bulgarian Tax Administration (BTA) has reorganised completely its activities since the beginning of the year 2000. Some basic elements that outline the essence of the changes, are: the introduction of a new Tax Procedures Code; the implementation of the functional principle of organisation; the restructuring of the administrative units; significant changes in the existing tax legislation. All of these changes are aiming at harmonisation with the European legislation and best practice.

BTA, under the Ministry of Finance, is responsible for the overall administration and collection of central governmental taxes including personal income and corporate taxes, local and municipality taxes, and most VAT and excise duties. Responsibility for tax policy has been transferred to the Tax Policy Directorate of the Ministry of Finance.

Development and implementation of EU standards and practices in the field of VAT, integration of these practices into the IIS, as well as interoperability with EU systems are priorities set out in major EC pre-accession documents. One of the strategic objectives of the EC Fiscal Blueprints includes facilitation of IT solutions for transfer of data with the EU. In particular, appropriate IT systems capable of interfacing with EU systems should be in place in order to achieve harmonization in the IT area. Furthermore, the Conclusions of EC Regular Report 2001 in the area of customs and taxation state that Bulgaria will need to develop IT systems that allow for exchange of data with the EC. The EC interconnectivity study states in its Recommendations that BTA should define and plan the required tasks in order to meet the requirements for the VIES and identifies technical assistance requirements for developing interfaces with EU systems.

The government's pre-accession strategy envisages the establishment and operation of information systems, interconnected and inter-operating with the European tax-oriented systems like VIES, which is necessary to ensure administrative co-operation and exchange of information with European tax administrations.

Also in the year 1999, the Bulgarian government took a decision for the transformation of the current tax administration into the so called Unified Revenue Agency (URA), incorporating on top of its current taxation operations also the collection and audit of social, health, pension and unemployment contributions. The main objectives of the URA are to unify and simplify the collection processes, lower the costs of collection and increase collection compliance. For this reason by the end of the year a comprehensive "IT Strategy" was worked out, covering all the needs and requirements of the current tax administration, the EC Fiscal Blueprints and the vision for the future transformation.

Development of the IT sector

The Ministry of Finance has provided target co-financing of parallel activities, which cover the development of the computer and telecommunications infrastructure, indirectly related to the development and implementation of IIS, amounting to 14 million Lev = **7 million EURO,** for a period of 3 years.

In the long-term plans of MoF, nearly half of this amount is dedicated to the supply of new computer equipment – office computers, servers, printers, etc. Another significant amount will be spent on supply of licensed system and application software for software development, office use and telecommunication applications. The third most significant item is servicing and technical support of IT. In parallel to these, significant financial resources will be spent on purchasing or renting of telecommunication facilities (lines and equipment), that are indispensable for the operation of the information systems nation-wide.

3.2. Linked activities

3.2.1. URA Project

Project, currently under implementation, financed by Japanese Grant through the World Bank, provides for a three-month technical assistance for "Elaboration of Information Systems Architecture" for the future Unified Revenue Agency (URA). It provides a design of application architecture, of infrastructure technology architecture and design of an effective and efficient information service (IS) organization needed to support IT architectures, identifying the gap between the current and desired organization and providing an IS organization project base, including security issues.
Under this project a decision has been taken to adapt an ready IIS, tailored to the needs of the tax administration, in view of its future transformation into the Unified Revenue Agency. Suitable IIS will be selected and further developed and it will become the backbone structure to be complemented with the necessary equipment and applications to provide for interconnectivity with EU information systems. The present project will provide for VIES interconnectivity. At a later stage further developments will secure conditions to add up the SEED/EMCS and FISCAL SCENT systems in accordance with EU requirements.

3.2.2 Phare multi-country programme will provide for the installation of CCN/CSI infrastructure (EURODOMAIN) under an agreement envisaged to be signed between the Candidate Countries and the European Commission.

3.2.3 Feasibility study
The final specifications for supply of equipment will be determined on the basis of the further detailed Feasibility Study to be performed before the implementation of this project activity, for which BTA will request additional technical assistance support through PPF.

3.2.4 Phare-2000 Twinning project "Reform and modernisation of the Bulgarian Tax Administration"

The preparatory work for developing IT systems that would allow for the exchange of data with EC and the Member states has started under the Phare-2000 Twinning project of BTA, covering the establishment of CLO.

3.3. Results

The project will produce a very complex set of results, the core of which will be comprised of the following:

3.3.1. Development and Implementation of the systems required for interconnectivity with the EU fiscal system VIES on the basis of the EU legal requirements and the Common Communication Network / Common System Interface (CCN/CSI) technical specifications. Implementation of CLO (Central Liaison Office for VIES).

This project will complement the IIS and will meet the functional and technical requirements of the EC for CCN/CSI. In this way, the Bulgarian tax administration will meet one of the most important prerequisites for accession – the capability of direct interconnection to EU and Member States fiscal information systems.

3.3.2. The necessary environmental and technical infrastructure for the above systems as well as some additional equipment to support the development of the National IIS system as follows:
4. The necessary hardware and standard software required for the VIES application hosting and communications requirements.
5. Additional Hardware and standard software to ensure thorough interoperability and interconnectivity with EU systems including those whose development is underway.

3.3.3 Improved administrative capacity and organisation/management techniques of the IT Department through the provision of:
6. Technical Assistance in the Project, Quality and Contract Management with knowledge on the above systems, as suggested by the DG TAXUD Tempo Methodology and Interconnectivity project.
7. Technical Training for the IT staff in the areas related to these developments.

3.4. Activities:

In order to reach the objectives of the project and achieve the foreseen results, the following set of activities will be performed:

3.4.1. Component 1 - Development and implementation of the DG TAXUD Interconnectivity requirements for VIES.

- Enhance the National system to include the requirements of the VIES system (two new boxes in the national VAT return form, etc.);
- Development and Implementation of the VIES system;
- Integration of the VIES system into the National system;
- Completion and development of the CLO.

3.4.2. Component 2 - Supply and installation of equipment and software as follows:

8. Purchase the equipment necessary to host the VIES applications as specified by DG TAXUD requirements
   Main server
   Enterprise Storage Server
   Band subsystem
   UPS
   Software
   Storage System
9. In order to successfully install and operate IIS within the Bulgarian Tax Administration (BTA) on a national level, a very sophisticated modern computer and telecommunication infrastructure is required.

In the last several years BTA – within the structure of the MoF in the frame of a centralised governmental programme, has modernised significantly its IT potential – LANs, fibre optic connections, computers and servers. In addition, a huge investment plan in this area will be realised by MoF in the future 3 years (see 9.1. "Co-financing"). The Phare support within this project will complement these measures.

3.4.3. Component 3 – Technical Assistance and Technical Training

This component covers technical assistance offered to Candidate countries in various areas, as well as technical training for the TA IT staff.

10. Technical assistance for the materialization of the above project developments through adequate Project, Quality and Contract management advising. This will be achieved by an International long-term experts in Project Management, assisted by a Quality Manager Advisor, a Contracts manager Advisor and an Administrative assistant.
    - Project management advising not only with regard to VIES but covering the whole spectrum of TA developments during the respective period (2 years). For this position an extensive project management experience, as well as knowledge on contract management is required. Understanding of VIES will also be preferred. A full time international expert is required to work at this position for two years.
    - Quality management advising to implement IT methodology and assist the administration in accepting the contracted deliverables. This is a full-time position for an international expert for the second year of the project.
    - Administrative assistant, full time, local staff 2 years.

11. Technical Assistance for the proper finalization of the above project developments through adequate evaluation of the technical deliverables, in accordance with the TA IT strategy and the system requirements. This will be achieved by the use of Local and International short-term experts in the IT technical fields for:
   - Analysis
   - Technical Design
   - Technical testing
   - Implementation (Programming)
   - Ad-hoc Technical training of TA IT staff.

   A pool of International and National short-term Technical and Business experts to assist the quality management of the deliverables and ensure that what has been requested is delivered by the contractors.

12. Technical Training which will be subcontracted to local/international Training Firms through the TA contract according to the specific needs of the BTA IT department. The training will match the technical needs of Component 1.

   This training will be managed within the technical assistance contract by subcontracting local or international IT training companies to deliver predefined training courses in the areas of
   - Operational systems training
   - Database training
   - Network training
   - Security training
   - Analysis and design techniques training (ex. UML Rational Rose) to enhance the analysis skills of the IT staff and assist in proper delivery of technical requirements to the contractors as well as the maintenance period of the system when finished.

4. Institutional Framework

4.1. Beneficiary Institution

The Beneficiary Institution will be the Bulgarian Tax Administration under the auspices of the Ministry of Finance. BTA (represented by the General Tax Director) is structured in four hierarchical levels:
- General Tax Directorate
- 5 Regional Tax Directorates, 28 Territorial Tax Directorates and 1 Territorial Tax Directorate "Large Taxpayers"
- 122 Tax Offices
- 80 Tax Bureaus.

The tax administration has 9 500 officials.

4.2. Ownership

BTA will be the owner of the equipment and facilities purchased for the development and implementation of the Integrated Information System. All assets, acquired under this project - through Phare Programmeme funding or national co-financing - will be owned by BTA.

5. Detailed Budget

	Phare Support					TOTAL
	Investment	Institution Building	Total Phare (=I+IB)	Nat Co-financing	IFI	
- **Component 1. Development and implementation of the DG TAXUD Interconnectivity requirements (VIES).**		1,50 MEURO	1,50 MEURO			1,50 MEURO
- **Component 2. Supply and installation of equipment and system software**	2.00 MEURO		2.00 MEURO			2.00 MEURO
- **Component 3. Technical Assistance & Technical training**		0,80 MEURO	0,80 MEURO			0,80 MEURO
Total	**2,00 MEURO**	**2.30 MEURO**	**4.30 MEURO**	**0.7M EURO**		**5.00 MEURO**

6. Implementing Agency

The Central Financing and Contracting Unit in the Ministry of Finance, which will be the Implementing Agency, responsible for tendering, contracting and payment procedures. The project will be managed under the Practical Guide to Phare, ISPA and SAPARD Contract Procedures (PRAG). For the successful implementation of the project, a Co-ordination and Supervisory Committee will be established in BTA, which will include representatives of GTD, MoF and other related stakeholders. This will allow monitoring of the implementation of the project at every stage of its development and ensure timely measures or decisions at a higher level, which would facilitate its successful realisation.

The execution of the project will be supported by the existing Phare Project Implementation Unit in GTD.
Dedicated Project Implementation Teams, consisting of highly qualified specialists, will be responsible for the execution, monitoring and co-ordination of activities through all phases - from project inception to its completion, and will guarantee further development and long-term sustainability of the Integrated Information System.

6.1. Contracts

6.1.1. Contract 1. **Service contract with supply elements**, Duration **2 years plus 1-year** contingency for ddevelopment and Implementation of VIES
6.1.2. Contract 2: Supply and Installation of Equipment and Software - 1 **year plus 1-year** contingency

6.1.3. Contract 3: **Service** contract for Technical Assistance for component 1 including:
- o A full time Project Management expert (2 years)
- o A full time Quality Management expert (1 year)
- o A full time local administrative assistant (2 years)
- o Ad-hoc local and/or international technical experts on a needs basis.
- o A budget for Technical training to be subcontracted
- o A contingency budget

7. Implementation Schedule

7.1. Start of tendering/call for proposals - January 2003
7.2. Start of project activity – April/May 2003
7.3. Project Completion – April/May 2005 + 1 year contingency

8. Equal Opportunity

Equal participation in the project by women and men will be assured. There will be no bias in relation to gender, ethnic origin, religious or political affiliation.

9. Investment criteria

9.1. Project Readiness and Size

The development and implementation of EU standards and practices in the field of VAT, integration of these practices into the IIS, as well as interoperability with EU systems are a priority objective within all strategic documents.

BTA is ready to launch such a project and implement its results. A detailed "Concept Paper" for IIS has been developed, taking into account the interconnectivity of the system with corporate information systems of other national administrations, such as the Ministry of Finance, National Customs Agency, National Social Security Institute, National Statistics Institute, etc. Initial investments in training of leading IT experts on the computer platforms, which will be used for the development of the system, have been accomplished.

There are separate target funds for the establishment of a dedicated nation-wide telecommunication infrastructure, which will serve as a technical basis for the operation of the system. Considerable part of the funds has already been invested and concrete results achieved.

The Tax Administration has considerable staff potential of IT experts trained to utilise the development tools and the future provided functionality of the system.

10. Conditionality

The Bulgarian Government has identified the development of the IT sector within the tax administration as crucial for the development and modernisation of the BTA and there is commitment to make the necessary investment in the establishment of Integrated Information System (which is Medium-term priority in the NPAA) and the development of computer and telecommunications infrastructure. The future IIS is envisaged to be open and flexible enough to facilitate future developments of the structure and functions of the tax administration and expanding the scope of its activities on a national and international level.

11. Annexes to Project Fiche

1. Logical framework matrix in standard format

2. Detailed implementation chart

3. Contracting and disbursement schedule by quarter for full duration of programmeme (including disbursement period)

4. Reference to feasibility / pre-feasibility studies. For all investment projects, the executive summary of the economic and financial appraisals, and the environmental impact assessment should be attached

LOGFRAME PLANNING MATRIX FOR Project **"DEVELOPMENT AND IMPLEMENTATION OF THE EU STANDARDS AND PRACTICES IN THE FIELDS OF VAT AND INTEGRATION OF THESE PRACTICES INTO THE INTEGRATED INFORMATION SYSTEM (IIS) FOR THE BULGARIAN TAX ADMINISTRATION, AS WELL AS INTER-OPERATE WITH DG TAXUD AND THE MEMBER STATES"**	Programme name and number BG 2002	
	Contracting period expires: 11.2004	Disbursement period expires 11.2005
	Total budget (MECU): 11,30	**Phare budget (MECU):: 4,30**

Overall objective	**Objectively verifiable indicators**	**Sources of Verification**
• Improvement of the administrative capacity of the Bulgarian Tax Administration in the field of information technology in accordance with the key indicators from the Fiscal Blueprints of the European Commission. Adoption and computerisation of the EU standards and practices (VIES) as Accession to the EU requirements and in accordance to DG TAXUD specifications.	• Level of preparedness for accession in compliance with the key indicators of EC Fiscal Blueprints	• EC Regular Report • GTD Reports on implementation of NPAA

Project Purpose	**Objectively verifiable indicators**	**Sources of Verification**	**Assumptions**
The purpose of the project is to develop and implement the VIES (VAT Information Exchange System) requirements and integrate these requirements into the IIS (Integrated Information System) National System. The successful completion of this project will support the efficient management of the tax administration and its operational activities, the effective administrative co-operation with EU member states and DG TAXUD and the enhanced communication with stakeholders.	• Capabilities for interconnection and interoperability with EU information systems; • Trained BTA staff for operation and use of the systems; • Implemented information management standards.	• GTD Annual Report • Regular reports of GTD's Statistics, Analyses, Prognoses Dept	• Consistent governmental policy in support of the process of reform and modernisation of the Tax Administration

Results	Objectively verifiable indicators	Sources of verification	Assumptions
1. Developed and implemented systems required for interconnectivity with the EU fiscal system (VIES) on the basis of the EU legal requirements and the CCN/CSI technical specifications. Implementation of CLO (Central Liaison Office for VIES) 2. The necessary environmental and technical infrastructure for the above systems as well as some additional equipment to support the development of the National IIS system as follows: • The necessary hardware and standard software required for the VIES application hosting and communications requirements. • Additional hardware and standard software for the National System Needs as a support to the Bulgarian effort to complete the National IIS system.; 3. Improved administrative capacity and organisation/management techniques of the IT Department through the provision of: • Technical Assistance in the Project, Quality Management with knowledge on the above systems, as suggested by the DG TAXUD Tempo Methodology and Interconnectivity project. • Technical Training for the IT staff in the areas related to these developments.	• Approved protocols of final testing and implementation procedures; • Established interconnection and interoperability with EU fiscal information systems; • Level of preparedness of operational and managerial staff to use the information system; • Installed and operational telecommunication infrastructure; • Implemented criteria for information management.	• Reviews of administrative capacity • Sector Monitoring Reports • Regular reports of the Project management and co-ordination bodies (Management and Co-ordination Boards) • Regular reference statements produced within GTD	• Existence of adequate legal basis for establishment of interconnectivity and interoperability with EU VAT and Excise systems • Established internal co-ordination and monitoring bodies • Consistent BTA policy in the field of IT.

Activities	Means	Assumptions

1. **Component 1 - Development and implementation of the DG TAXUD Interconnectivity requirements for VIES**.
  - Enhance the National system to include the requirements of the VIES system (two new boxes in the national VAT return form, etc.);
  - Development and Implementation of the VIES system;
  - Integration of the VIES system into the National system;
Completion and development of the CLO
	Direct technical assistance for Component 1 and Component 3:
	
	Supply of equipment for Component 2:
		• Availability of qualified IT staff within BTA
		• Consistent support from BTA senior management for IT developments and implementation
		• Regular monitoring and analyses of activities
		• Efficient training of BTA staff for use of the systems

2. Component 2 - Supply and installation of equipment and software as follows • Purchase the equipment necessary to host VIES applications as specified by the DG TAXUD requirements Main server Enterprise Storage Server Band subsystem UPS Software Storage System • Purchase of additional equipment necessary to complete IIS. 3. Component 3 – Technical Assistance and Technical Training • Technical assistance for the materialization of the above project developments through adequate Project, Quality and Contract management advising. This will be achieved by an International long-term experts in Project Management, assisted by a Quality Manager Advisor, a Contracts manager Advisor and an administrative assistant. • Technical Assistance for the proper finalization of the above project developments through adequate evaluation of the technical deliverables, in accordance with the TA IT strategy and the system requirements. This will be achieved by the use of Local and International short-term experts in the IT technical fields for: • Analysis • Technical Design • Technical testing • Implementation (Programming) • Ad-hoc Technical training of TA IT staff. • Technical Training which will be subcontracted to local/international Training Firms through the TA contract according to the specific needs of the BTA IT department. The training will match the technical needs of Component 1. This training will be managed within the technical assistance contract by subcontracting local or international IT training companies to deliver predefined training courses in the areas of - Operational systems training - Database training - Network training		

- Security training - Analysis and design techniques training (ex. UML Rational Rose) to enhance the analysis skills of the IT staff and assist in proper delivery of technical requirements to the contractors as well as the maintenance period of the system when finished.		

Preconditions

- Developed IIS and long-term strategy for its maintenance and sustainability
- Secured human and material resources for development and implementation of EU IT standards and practices in the field of VAT and Excises.

Detailed Budget Breakdown

Project title: **Development and Implementation of the EU standards and practices in the fields of VAT and Excises and integration of these practices into the Integrated Information System (IIS) for the Bulgarian Tax Administration, as well as inter-operate with DG TAXUD and the Member States**

Total budget of the Project: 4.3 million ?uro

Contract	Title	Investment support	Institution building	Total Phare amount (M Euro)
1	Service contract: Development and Implementation of VIES	0,50 MEURO	1.50 MEURO	2.00 MEURO
2	Supply and Installation of Equipment and Software	1.50 MEURO		1.50 MEURO
3	Service contract for Technical Assistance for component 3		0.80 MEURO	0.80 MEURO
Total		2.00 MEURO	2.30 MEURO	4.30 MEURO

IMPLEMENTATION SCHEDULE

	? ODULES	2003												2004												2005												2006				
		J	F	?	?	?	J	J	?	S	?	N	D	J	F	?	?	?	J	J	?	S	O	N	D	J	F	N	A	N	J	J	A	S	O	N	D	J	F	N	A	M
	Component 1. Development and implementation of the DG TAXUD Interconnectivity requirements for VIES / CCN/CSI	🟩	🟩	🟩	🟩	🟩	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪
	Component 2. Supply and installation of equipment and system software	🟩	🟩	🟩	🟩	🟩	🟩	🟩	🟩	🟩	🟩	🟩	🟩	🟩	🟩	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪
	Component 3. Technical Assistance & Technical training	🟩	🟩	🟩	🟩	🟩	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪	🟪

Legend	
Tendering and contracting	🟩
Implementation and disbursement	🟦
Contingency	🟪

CONTRACTING AND DISBURSEMENT SCHEDULE
(indicative scheme)

"DEVELOPMENT AND IMPLEMENTATION OF THE EU STANDARDS AND PRACTICES IN THE FIELDS OF VAT AND EXCISES AND INTEGRATION OF THESE PRACTICES INTO THE INTEGRATED INFORMATION SYSTEM (IIS) FOR THE BULGARIAN TAX ADMINISTRATION, AS WELL AS INTER-OPERATE WITH DG TAXUD AND THE MEMBER STATES"

All figures in million Euro

	01.01.03	31.03.03	30.06.03	30.09.03	31.12.03	31.03.04	30.06.04	30.09.04	31.12.04	31.03.05	30.06.05	30.09.05	31.12.05	31.03.06	30.06.06
Contracting		2,80				1.50									
Disbursement			0,3	0,6	1,0	1,3	1,9	2,5	3,1	3,7	4,3				