

Document provided by Bulgaria

Subject : Additional information
Chapter 21 – Regional Policy and Coordination of Structural Instruments

Additional Information
In Accordance with the European Union Common Position
On Chapter 21 Regional Policy and Coordination of Structural Instruments
(CONF-BG 80/01)

Bulgaria wishes to refer to its Negotiating Position on Chapter 21 “Regional Policy and Coordination of Structural Instruments” (CONF-BG 56/01) and to the European Union Common Position on Chapter 21 (CONF-BG 80/01) and to provide additional information on issues raised in Document CONF-BG 80/01 and EC Detailed Requirements for provisional closure of Chapter 21.

1. Provisional NUTS classification

Bulgaria accepted the provisional NUTS classification, agreed by the National Statistical Institute and EUROSTAT in 2000 and will implement EC Regulation 1059/2003 on EU NUTS classification at the date of accession. The formal agreement is in the form of a letter from EUROSTAT to the National Statistical Institute No 004311 dated July 18, 2000. (The letter is enclosed in Annex 1.)

Bulgaria has defined the number and scope of the units, corresponding to the NUTS classification. The Bulgarian NUTS classification is as follows:

- NUTS 2 – planning regions,
- NUTS 3 – districts,
- LAU 1 (Local administrative units) – municipalities,
- LAU 2 (Local administrative units) – settlements.

Should Bulgaria intend to make changes to the agreed territorial units, these changes will be duly consulted with the Commission.

Decree of the Council of Ministers No 145/27 May 2000 establishes six planning regions, corresponding to NUTS 2 level, as follows:

- North-Western planning region with centre in the town of Vidin;
- North-Central planning region with centre in the town of Rousse;
- North-Eastern planning region with centre in the town of Varna;
- South-Eastern planning region with centre in the town of Bourgas;
- South-Central planning region with centre in the town of Plovdiv;
- South-Western planning region with centre in the town of Sofia.

The above-mentioned planning regions are confirmed and further regulated by the Law on Regional Development, (promulgated in State Gazette No 14/20.02.2004) .

In accordance with the Constitution of the Republic of Bulgaria the territory of the country is divided into municipalities and districts.

The Law on Administrative and Territorial Structure since 1995 defines the procedures for the establishment of municipalities and districts. The 1998 Amendment to that Law established the current 28 districts at NUTS 3 level and 264 municipalities. Presidential Decree No 1/05 January 1999 on Defining Borders and Centres of the Districts defined the borders and administrative centres of the districts.

The National Statistical Institute is responsible for updating the National Classification of the Administrative -Territorial and Territorial Units (NCATTU) and the Bulgarian part of the EU territorial units' classification for statistical purposes – NUTS.BG. On the basis of the 1995 NCATTU, and in full compliance with the NUTS principles, the National Statistical Institute further developed NUTS.BG, achieving compatibility between the NUTS territorial units and the Bulgarian administrative-territorial units, corresponding to NUTS levels 1 to 3. Thus, the National Statistical Institute provides statistical information on all NUTS levels.

The National Statistical Institute regularly informs EUROSTAT about changes in Bulgaria's territorial division. The information comprises of:

- Establishment, closure, split and merger of administrative-territorial units;
- Changes in the names of the territorial units or in their centres;
- Changes of the boundaries of the territorial units.

The Regional Statistical Offices, which are situated in the district centres, are in charge of the accumulation and annual reporting of statistical data.

Bulgaria confirms full compliance with the requirements of the EC Regulation 1059/2003 on NUTS classification. Bulgaria accepted the EUROSTAT proposal (Letter № 40112, dated April 29, 2003, enclosed in Annex 1A) related to the establishing of Statistical Regions at level NUTS 1. The information required for level 1 is available since it results from NUTS 2 level data. It is agreed that the country will be divided into 2 NUTS 1 territorial statistical units:

- Northern Bulgaria, consisting of the existing 3 planning regions NUTS 2 level: North-Eastern planning region; North-Central planning region; North-Western planning region;
- Southern Bulgaria, consisting of the existing 3 planning regions at NUTS 2 level: South-Eastern planning region; South-Central planning region; South-Western planning region.

This proposal has been co-ordinated with the line ministries and EUROSTAT has already been informed by the representatives of the NSI at the annual meeting of regional co-ordinators in Luxembourg, 3-5.12.2003.

The statistical units at NUTS1 level are formed on the basis of the existing 6 planning regions, corresponding to NUTS2 level. In order to fix the scope and the borders of the statistical units at NUTS1 level it is a prerequisite to have the planning regions, corresponding to NUTS 2 level, confirmed and further regulated by the Law on Regional Development. On the basis of this Law the NSI sent its formal decision to EUROSTAT for final approval. (Annex 1.B – Letter No 99-00-16/10.03.2004 of NSI - Reply to EUROSTAT Letter No 40112/29.04.2003; Annex 1.B.1 – NSI proposal for Units Code at levels NUTS 2-3), Annex 1.B.2 NUTS 2 Bulgaria Map.)

2. Legislative framework

Bulgaria confirms that will adopt and implement the legislative framework which will fully ensure compatibility of operations financed by the Structural Funds with the Community policies and legislation, especially Article 12 of the Council Regulation (CR) No 1260/1999, including the rules on competition, the award of public contracts, environmental protection and improvement and on the elimination of inequalities and the promotion of equality between men and women.

Accordingly, Bulgaria confirms that the provisions of the Treaty of the EU and the secondary legislation adopted under it will be directly applicable as of the date of accession.

In accordance with the above, Bulgaria has developed further its legislation to ensure full compatibility of the operations financed by the Structural Funds with the relevant Community policies and legislation in force.

Rules on competition (Detailed description of the relevant legislation is provided in the Position Paper on Chapter 6 “Competition”)

Law on the Protection of Competition – has been in force since 08 May 1998, followed by a Law on the amendment of the Law on the Protection of Competition promulgated in State Gazette No 9 from 31 January 2003. The Law entered into force on 4 February 2003. The Law and its amendment aim at ensuring protection and conditions for the promotion of competition and free initiative in the economy through providing protection against agreements, decisions and concerted practices, abuse of monopolistic and dominant position on the market, concentration of economic activities, unfair competition and other actions that may result in prevention, restriction or distortion of competition.

The Bulgarian system for monitoring and control of state aid is regulated in:

- Decision No 2/2001 of the EU-Bulgaria Association Council of adopting the implementing rules for the application of the provisions on State aid (promulgated in SG 77/2001);
- The State Aid Act (promulgated in SG 28/2002) and Rules on the applications of the SAA (promulgated in SG 68/2003);
- The Ordinance No 6 on the Procedure for Monitoring and Ensuring Transparency of State Aids, (promulgated in SG 77/2002);
- Decision of the Council of Ministers No 9/04 January 2002 on Approval of a Regional Map of State Aid - approving the intensity of regional state aid, based on planning regions (corresponding to NUTS 2).

Bulgarian system for monitoring and control of state aid consists of the following main components:

1. Control of state aids which is carried out by the CPC (controlling authority)

The Commission for the Protection of Competition authorizes and controls the granting of state aids.

All, which intend to grant or alter an already granted state aid, are obliged to notify that to the Commission in advance.

The Commission initiates proceedings: upon a notification; a written request of a competing undertaking whose interests have been distorted or threatened by a distortion of SAA; or upon its own initiative.

The Commission may establish with a substantiated decision, that there is no state aid.

When the Commission establishes that there is state aid, it announces a substantiated decision, by which: it declares that the aid falls within the scope of the permissible aid and authorises the granting of the aid; authorises the aid conditionally, or imposes compulsory prescriptions for its use; declares that the aid is prohibited and refuses to authorise the aid to be granted; determines that the aid granted does not comply with the Act, and rules the recovery of the unlawful aid where it is possible.

The Commission submits to the Ministry of Finance: copies of the notifications received and of its decisions to initiate proceedings upon its own initiative; copies of the decisions, as well as information as to whether the decision has been appealed.

2. Monitoring of state aids which is carried out by the State Aid Department (SAD) of the Ministry of Finance (MoF).

The monitoring authority – State Aid Department in the Ministry of Finance has the following responsibilities for:

- Ensuring transparency of state aid at national, regional and local level;
- Elaboration of the consolidated report on state aid, provided in the Republic of Bulgaria, passing it in accordance with the accepted procedures to the National Assembly, Council of Ministers, and European Commission. A copy of the report is forwarded to the Commission on Protection of Competition;
- Establishing and maintain of State Aid Register
- Executing ex-post control on granted state aid.

In 2003 a network of officials with responsibilities in the field of state aid was created including representatives of the relevant ministries, agencies, funds, regional administrations and structures.

The development of the Information network for monitoring of state aids, included in the Regulation for the monitoring and transparency of state aids started in the 2002.

This is a system for exchange of information, based on integrated actions through computer network from one side and trained staff from the other.

Staff of the Information network consists of responsible experts from ministries, agencies and departments from the central and regional administrations. Presently, it covers 80 officials from the central administration and 60 officials from the regional administrations employed on a full-time basis. During 2003 those 140 officials were trained in state aid issues.

Additional 510 experts at municipal level will be involved in the system by the end of 2004. The experts are identified and there is a timetable in place for their training in the state aids legislation and practice. It is foreseen that the training will take place by the end of the second quarter of 2004. Job descriptions of the regional and local staff will contain explicitly the task to gather and provide information related to the state aids in the Information system. This will ensure the continuity of responsibilities in case of staff turnover and job rotation. The aim is to have at district and municipality level at least two experts dealing with state aid schemes in order to avoid possible difficulties in case of staff turnover. These experts will be intensively trained to provide assistance and information to the citizens on the respective territorial level with regard to state aid issues. Their daily work on state aids will be about 20% of the total amount of their responsibilities, depending on the frequency and volume of information which they have to coordinate and give to the parties concerned. In addition to these functions, the experts will have other responsibilities within the district / municipality administration.

This means that an equivalent of 102 full time experts will be involved in the state aid issues on the regional level.

Thus the total number of the staff involved in the Information system will be 242 people, including experts at central, regional and local level. The number of envisaged staff is indicative.

The obligations of the experts involved in the Information system include:

- Cooperation for abidance/observance of the state aids legislation;
- Monitoring and control on projects' preparation of legal acts and projects for financial support and cooperation for abidance/observance of legal requirements/rules and procedures.
- Providing information for the State aid within the meaning of Art.1 (6) of the State Aid Act to the Ministry of Finance in 5 days term.

- Preparation of Annual reports and maintain of Individual State Aid Inventory;
- Monitoring of the legislation and practice in the process of European integration in order of non-violation of Bulgarian interests and providing information to the Ministry of Finance
- Cooperation for providing the necessary finance and organizational structure for ensuring the transparency of state aids and supporting the elaboration and providing of additional financial report/account from the state aids' recipients, in accordance to the legal rules.
- Preserving and giving information, as well as taking responsibility for the authenticity of the data provided.

The State Aids Department receives information concerning state aids from state aids donors and the Commission on protection of competition. In order to carry out their everyday duties the Controlling and Monitoring state aids bodies are in permanent mutual contacts on the state aid and are in continuous contact with CSF MA, as well.

CSF Managing Authority (MA) is a Directorate of Ministry of Finance, which carries out the control on measures, consisting state aid, subject of cofunding by the Structural Funds and/or the Cohesion Fund.

The CSF MA:

- notify the CPC about all measures, consisting state aid, related to funds from the EU. CPC assesses the aid schemes and takes a decision;
- give to SAD all information that needed for the State aid Inventory (Central register and “De minimis” inventory) and for Annual Report on State Aids.
- notify to the EC the state aid schemes co-financed by the Structural Funds. Information will be based on the information provided by the MA of the Operational Programmes. It is the responsibility of the MA of each Operational Programme to ensure that the accumulation per firm will stay within the de-minimis limits. The information will be provided, by the CSF MA, to the EC every time that a modification occurs and according to the requirements set out in the EU Regulations.

Award of public contracts (Detailed description of the relevant legislation is provided in the Position Paper on Chapter 1 “Free Movement of Goods”)

Law on Public Procurement is in force since June 1999, amended by the Law on Amendment of the Law on Public Procurement - in force since April 2002.

Ordinance on Public Procurement below the Thresholds set out in Article 7 of the Law on Public Procurement - in force since April 2000.

Ordinance on Public Procurement Register is in force since 2000.

Ordinance on Public Procurement award in the field of security and defense – in force since December 2002.

The new Law on Public procurement will fully harmonize the Bulgarian legislation with the *acquis* in the field of public procurement, including that applicable to the SFs operations. The definitions and scope of supplies, services and works as well as the definition of contracting authorities including the nomination of a body governed by the public law are fully compatible with the relevant provisions of the Directives 92/50/EEC, 93/36/EEC and 93/37/EEC. The draft law obliges the contracting authorities to use open or restricted procedure whenever the conditions for the use of negotiated procedure are not met. Provisions concerning the use of technical specification are introduced in the new law. The requirements for economic and financial standing and technical capabilities of the candidates are in full compliance with the *acquis*. Special rules shall be provided for the award of public procurement contracts by entities, operating in the utilities sectors, in correspondence with the provisions of Directive 93/38/EEC.

The Draft Law on Public procurement was communicated to DG “Internal Market” in July 2003.

The new Law on Public procurement will be adopted by the Parliament by June 2004 and will enter into force 6 months after its publication in the State Gazette. After the adoption of the Law by the Parliament the Council of Ministers Rules for its implementation will be adopted.

According to the draft law the Minister of Economy implements the national policy in the field of public procurement including:

- Development of draft legislation and international agreements in the field of the public procurement;
- Approval of standard forms of notices and information for the awarded public procurement contracts and organized design contests and publishes them in the State Gazette;
- Approval of the Procurement Nomenclature and publishing it in the State Gazette;
- The draft law provides for the establishment of Public Procurement Agency, which will assist the Minister of Economy in implementing the national policy in the field of the public procurement.

The Public Procurement Agency will have the following main functions:

- Issues methodological instructions on application of the Law;
- Notifies the competent authorities (NAO and PIFCA) for performing checks on the implementation of the law;
- Issues statements on draft legislation and international agreements in the field of public procurement.
- Maintains the Public procurement register;
- Maintains a List of the contracting authorities;
- Develops the standard forms of notices and information for the awarded contracts and approved projects;
- Develops the Procurement Nomenclature;
- Participates in the international cooperation in the field of public procurement;
- Presents to the Minister of Economy the annual report on the Agency activity.

The new Public Procurement Agency will be operational by the end of third quarter of 2004. It will emanate from the existing Public Procurement Directorate within the Council of Ministers.

It is a responsibility of each of the structures involved in the management of Structural Funds assistance – CSF Managing Authority, OP Managing Authority, and Intermediate Bodies, to ensure the practical application of the legislation on the field of Public Procurement – sound and transparent systems established, procedures manuals developed, relevant internal control in place.

Contracts for goods, services and works will be awarded in compliance with national rules, which will be in full compliance with Community regulations on public procurement and will be based on competitive tendering. In case of open tendering, in order to ensure widest possible competition for contracts they will be advertised in the national media and in the Official Journal of the European Communities where the relevant thresholds under the Community Directives are applicable.

Following the existing legislation the Public Internal Financial Control Agency (PIFCA) executing governmental control and the National Audit Office (NAO) executing parliamentary control carry out audits in all spending units of EU and national funds with special attention on the system and rules and their implementation in the field of public procurement.

The functions of the PIFCA and the NAO remain unchanged in the draft Law on the Public Procurement (LPP). PIFCA and NAO examine that the procurement procedures carried out by the entities acting as principals under the LPP are in compliance with the provisions of the LPP. In the future NAO and PIFCA will also control if the compliance with the Community policies in this area is ensured, as specified in Article 34(1) (g) and Article 12 of CR 1260/99.

When NAO and PIFCA find that the Law has been violated, they have the following powers:

- The external auditors of NAO describe the offences in the findings of their reports, give recommendations for improvement of the management and send the respective findings to the PIFCA.
- PIFCA is empowered to find out if the provisions of the Law on the Public Procurement have been violated and to give recommendations and impose administrative sanctions. PIFCA has developed and implements a special Manual on the Control over Public Procurement Procedures since July 2002.

Environmental protection and improvement (Detailed description of the relevant legislation is provided in the Position Paper on Chapter 22 “Environment”)

Following the development in the Bulgarian Environment Impact Assessment (EIA) practice and the Member-states experience several changes were made to the Environmental Protection Act in the EIA Chapter in order to make the requirements and rules more up-to-date and comprehensive. In 1998 most of the requirements of Directive 97/11/EC amending Directive 85/337/EEC were transposed into the Bulgarian legislation to specify the scope and contents of the EIA Reports on public and private projects.

A new Environmental Protection Act is in force since October 2002. It transposes the requirements of Directives on EIA and integrated pollution prevention and control. The following secondary legislation related to the implementation of the Environmental Protection Act has been adopted by the Council of Ministers:

- Regulation on the Environmental Impact Assessment (EIA) of the Investment Proposals for Construction, Activities and Technologies - elaborated in respect with the requirements of Directive 85/337/EC, as amended by Directive 97/11/ EC- Decree of the CoM No 59/07 March 2003. It specifies the requirements related to:
 - Assessment of the necessity for elaborating EIA on investment proposals;

- Consultations with legal bodies, the public and individuals, who will be affected by the implementation of the investment proposals;
- Scope, contents and form of the EIA report;
- Report quality;
- The process of projects implementation, the EIA role in the process of approval and issuing of permits within the investment process phases;
- EIA procedures on CBC projects according to the UN convention, ratified by Bulgaria in 1995;
- Control of the implementation of the decisions, issued by the responsible EIA authorities.
- Regulation on the Rules and Procedures for issuing Integrated Permits for Construction and Operation of New and for operation of Existing Industrial Installations and Facilities - prepared in order to transpose the requirements of Directive 96/61/EC for the integrated pollution prevention and control - Decree of the CoM No 62/12 March 2003. It specifies:
 - Rules and Procedures for issuing, revision and amendment of the integrated permits;
 - Rules and Procedures for identification of the Best Available Techniques for some categories of industrial activities;
 - Rules and Procedures for applying and control of the integrated permits;
 - Rules and Procedures for creating and maintenance of a Public Register for issuing, revision and amendment of the integrated permits.
- Regulation on the Organization of the National Scheme for Environmental Management and Audit, which creates the legal basis for implementation of the requirements of Regulation EC/761/2001 – Decree of the CoM No 61/12 March 2003. This Regulation defines:
 - The Management Bodies for the National Environmental Management Scheme and Audit and their competences;
 - The requirements to the organizations, wanted to be registered and to maintain their registration under the Regulation on the Organization of the National Environmental Management Scheme and Audit;
 - Rules and Procedures for the registration and implementation of the control over the compliance with the requirements for registration;
 - Rules and Procedures for information provision to the public and other parties concerned on the activity of the National Environmental Management Scheme and Audit.
- Regulation No 3 of 15.05.2003 of the Minister of Environment and Waters on the Organization of the National Eco-labeling Scheme, which creates the legal basis for implementation of the requirements of Regulation EC/1980/2000. The Regulation envisages first a National Eco-labeling Scheme similar to the one of the EU to be developed in order to prepare the Bulgarian administration for the full implementation of the requirements of the Regulation as of the date of accession.

- Regulation on the Rules and Conditions on EIA of national, regional and district Plans and Programmes is a transitional document - adopted on 20 February 2003, in force until 01 July 2004. The general framework of Directive 2001/42/EC on environmental impact assessment of certain plans and programmes is transposed in Section “Environmental Assessment of Plans and Programmes”, Chapter IV of the Environmental Protection Act (published in State Gazette No 91/25.09.2002). This section will be enforced on July 1, 2004. Until the time of enforcement the provisions of the transitional Regulation on environmental impact assessment of regional and district plans and programmes, of spatial plans and their amendments published in State Gazette No 24/2003) are applicable. By July 1, 2004, a new *Regulation on the procedures for carrying out environmental assessment of plans and programmes* shall be enforced to fully transpose the requirements of Directive 2001/42/EC.

NATURA 2000 - The Law on biodiversity – in force since 09 August 2002, fully transposes into the Bulgarian legislation the requirements of Birds Directive and Habitats Directive.

Chapter Two of the Biological Diversity Act provides for the creation of a National ecological network by 2006 which will cover 10-12% of the country’s territory and which will include:

- protected zones, which may include protected areas;
- protected areas which do not fall within the protected zones;
- buffer zones around the protected areas.

The percentage of the country’s territory to be covered by the National ecological network (10-12%) is calculated on the basis of the information regarding the already identified 165 sites under the CORINE-Biotopes project and the on-going studies for designation of protected areas under the Biological Diversity Act. Currently, approximately 5% of the country’s territory is covered by protected sites. The National Ecological Network will include, with priority, CORINE sites, Ramsar sites and ornithologically important sites.

The areas of European importance for the protection of certain types of natural habitats and habitats of plant and animal species, including birds are designated as protected zones. These zones will represent the Bulgarian part in the European ecological network NATURA 2000. The types of natural habitats and the habitats of plant and animal species, subject to protection, are listed in Annexes I and II of the Act; they include all natural habitats and habitats of plant and animal species, including birds, which are specified in the two Directives and which can be found in Bulgaria.

The Act sets out the criteria for identification and evaluation of the zones of European importance (article 7), which are identical with those, set out in Attachment III of the Habitats Directive.

On the basis of the completed evaluation, within 4 years of the adoption of the Act, a national list of the zones of European importance in Bulgaria, including for birds, should be prepared.

The Act designates the MoEW as the responsible institution in the process of establishing the network of protected zones (Section III, Chapter Two). The main steps regarding the establishment of the national network of protected zones are as follows:

- ensuring the studies, the evaluations and the preparation of documentation for the zones of European importance, fulfilling the requirements of Annex III to Directive 92/43/EC;
- organization of public discussions on the documentation with representatives of the relevant local administrations, scientific institutes and ecological organizations.
- preparation of a national list of the sites;

- consideration of the documentation and adoption of the list by a National Council on Biological Diversity, provided by law as a consultative body to the Minister of Environment;
- adoption by the Council of Ministers of the national list of all the territories to be appointed as protected zones under the scope of Directives 92/43/EEC and 79/409/EEC;
- designation as “protected zones” of the sites in the list, for the purpose of protection of bird habitats;
- designation as “protected zones” of the sites in the list, for the purpose of protection of the habitats of plant and animal species according to the Habitats Directive.

The Act regulates the preparation of management plans for protected zones and the procedure for their approval (Section V, Chapter Two).

Articles 31 –34 of the Act fully transpose the provisions of article 6 (2), (3), and (4) of the Habitats Directive concerning the requirements and the assessment of plans and projects which might have a negative impact on the protected zones.

It is provided that the plans, programmes and investment projects which are not immediately related to the management of protected zones or are not needed for this purpose, but which, separately, or in conjunction with other plans and projects, may have a significant negative impact on protected zones, shall be subject to environmental assessment (for plans and programmes), or to environmental impact assessment – for investment projects, included in Annexes No 1 and 2 of the Environmental Protection Act, under the procedure provided for on the same Act.

A positive statement on the environmental assessment for plans and programmes and a positive decision on the environmental impact assessment for investment projects are issued under the procedure provided for in the Environmental Protection Act, only when it is established that the protected zone will not be significantly damaged.

An exception to this rule is possible only for causes of primary public concern and when no alternative solution is available; where the respective protected zone includes a priority type of natural habitat and/or a habitat of a priority species, the exception can be granted only for considerations related to human health, public security or favourable impact on environment.

The MoEW is the competent authority for undertaking compensating measures for ensuring the coherence of the National ecological network, regardless of the implementation phase of the plan or the project. The measures consist in conservation or restoration of the same type of natural habitat or habitat of the same plant or animal species: at another place within the damaged protected zone; in an extension of the same or of another protected zone; in a new protected zone;

Steps for the establishing of NATURA 2000 in Bulgaria

165 sites of international importance have been identified In Bulgaria within the CORINE-Biotopes network, which will form the base of the National Ecological Network. It is envisaged that further additional researches are done in the rest of the regions in the country in order detailed information to be collected on the evaluation of the sites to be included in the National list.

The project “*Protection of species and habitats in Bulgaria according to the example of the European Community*”, financed by the Danish Cooperation for Environment in Eastern Europe (DANCEE), started in October 2002.

The main objective of the project is the identification of potential sites for NATURA 2000 in Bulgaria. This includes collection of additional information about the 165 sites identified under the CORINE-Biotopes project, studies of other sites with habitat types and habitats of the species specified in the Directives; preparation of documentation and assessments.

It is envisaged that by the date of accession, Bulgaria will have a list of protected zones, completed standard forms, specific structures and mechanisms for their protection and for implementation of the activities provided in the Biological Diversity Act.

In addition to the main objective of the project, the following measures are envisaged:

- capacity-building for the MoEW, the Ministry of Agriculture and Forestry, their regional structures, scientific institutions and NGOs, in the inventory and identification of potential sites for NATURA 2000;
- strengthening the participation of local communities and stakeholders in the planning and management of biological diversity;
- raising the awareness of the public and the local authorities about the conservation of biological diversity.

The conservation of biological diversity and the sustainable use of natural resources are managed and controlled by several government institutions.

The Ministry of Environment and Water (MoEW) draws up and implements the state policy in the field of environment, including biological diversity. The Executive Environmental Agency maintains a National Automated System of Environmental Monitoring. Regional structures of the MoEW are the 3 National Park Directorates, the four River Basin Directorates and the regional environmental inspectorates.

Some responsibilities in this respect are imposed upon other authorities, for example, upon the Ministry of Agriculture and Forestry concerning species for controlled use – fish species and game. The Ministry itself or through its national Division of Forestry is responsible for protection, preservation, recovery, use and conservation of protected areas in state owned forests. The Ministry of Regional Development and Public Works oversees the efficient use of land, energy and other resources as well as sustainable development at regional and municipal levels, including coastal zone.

The environmental protection as a horizontal priority is associated with the sustainable development, which will be promoted through the integration of environmental issues and improvement requirements into the programming documents and during the implementation. The OP Managing Authorities will maintain operational links with the bodies having specific responsibilities in terms of environmental protection. It is legally ensured, including procedures applied, with the Law on Environment Protection and the Regulation on the Environmental Impact Assessment. More specifically, the selection procedures for individual operations under the Structural Funds will take into consideration the horizontal priority.

The negotiations with EU on the Chapter 22 “Environment” were successfully completed on the 30th of June 2003.

Elimination of inequalities and promotion of equality between men and women (Detailed description of the relevant legislation is provided in the Position Paper on Chapter 13 “Social Policy”)

The Law on Prevention of Discrimination was adopted by the Parliament on 16 September 2003 and is in force since January 7, 2004.

The approach used under this Law covers the possible criteria on the basis of which the discrimination is defined. The Law transposes the following EU Directives:

- 2000/78/EC establishing general framework for equal treatment in employment and occupation;
- 2000/43/EC implementing the principle of equal treatment between persons irrespective of racial or ethnic origin;
- 75/117/EC on the application of the principle of equal pay for men and women;
- 97//80/EC on the burden of proof in cases of discrimination based on sex;
- 76/207/EEC on the implementation as regards access to employment, vocational training and promotion and working conditions;
- 92/85/EEC on the introduction of measures to encourage improvements in the safety and health at work of pregnant workers who have recently given birth or are breastfeeding.

The Law on Prevention of Discrimination is applied to a number of spheres and activities especially in respect of employment, education and disposing goods and services. A Commission on Prevention of Discrimination is foreseen to be established as an independent body irrespective of the executive authority, which shall apply the Law and impose sanctions in cases of discrimination. The Law also foresees three sub-commissions to be established – for ethnic and racial equality, for equal opportunities for men and women and for prevention of discrimination on the ground of all other indicators. Under the regulations of the Law, an administrative and court protection is foreseen in the cases of proven discrimination.

According to the Law the Commission for prevention of discrimination will be established in the first half of 2004 and will be operational on 1 July /the first three months of its establishment will be for election of suitable officials and the following three months are for elaboration of Regulations/. The Commission itself is an independent body for prevention of discrimination, protection against discrimination and provision of equal opportunities. The commission monitors the enforcement and observance of the Law and other laws related to equal treatment. The commission is legal entity and reports to National assembly. It consists of 9 people, 5 of them are elected by National Assembly and 4 of them are appointed by the President of Republic of Bulgaria.

The promotion of equal opportunities between women and men, in particular through gender mainstreaming approach will be one of the horizontal priorities of the CSF and the OPs. The gender mainstreaming approach will follow the Community policy concerning equality between men and women in particular those set by the EC Treaty, Structural Funds Regulations and the European Employment Strategy. It will also be in line with the national legislation and policy.

The gender aspect and the promotion of equality will be taken into account not only in the programming process. It will be included in the selection criteria of all projects. Furthermore all reports will be required to provide male/female breakdowns of included persons /end users/. The equality will be also a requirement in the evaluations of all measures, sub-measures and projects under the respective OP. Relevant equal opportunities organizations including NGOs as well as the Commission on Prevention of Discrimination will be consulted during the planning, implementation, monitoring and evaluation of all operations. The way of carrying out the information and publicity measures about the assistance under CSF and the OPs will pay attention to increasing the public awareness of equal opportunities. The compliance with the community policy for equal opportunities will be checked on the projects level. The Managing Authorities hold the overall responsibility for checking compliance with the Community policy in the field of equal opportunities according to Art. 12 of the EC Regulation No 1260/1999.

The operations financed by the Structural Funds and Cohesion Fund will be in conformity with Community policies in the areas of competition, public procurement, environmental protection and improvement, and the elimination of inequalities and the promotion of equality between men and women. The Managing Authorities of the OPs will be responsible for ensuring and applying the compatibility with the above stated EU policies with the assistance from Structural Funds (art. 34 (1)(g) R1260/1999). The CSF Managing Authority will be responsible for issuing guidelines and rules to all actors involved in tendering and contracting, providing guidance on Community and national rules in force in order to ensure sound and correct management. The guidance will be issued by June 30, 2006, aiming to ensure that all EU requirements, namely procurement and environment rules, equal opportunities as horizontal priorities, have been met before projects are approved for EU assistance. The issues will be integral part of the criteria list for project selection. All standard existing approach and financial sources will be used for training and seminars in the second half of 2006. The interrelation mechanism will be introduced and regulated by instructions, brochures, and application forms. The standard procedures implemented in the EU Member-States will be followed.

Multi-annual Budget Programming

With a view to introducing multi-annual budgeting of public resources including the national co-financing for the Structural Funds and Cohesion Fund assistance and allowing for sufficient flexibility for adjusting financial tables in accordance with the relevant procedures defined in Article 34.3 of Council Regulation No 1260/1999, four working groups in the Ministry of Finance have been established dealing with: improvement of the medium-term fiscal framework, introduction of programme budgeting, capacity strengthening and legislative review. The following budget reform steps have been scheduled and planned to be implemented:

Reform steps	Time-schedule
<p>Phased introduction of example programme budgeting at the First Level Spending Units (FLSUs).</p> <p>FLSU is a budget unit which is authorised to draft own budget.</p> <p>FLSUs are the following institutions: National Assembly, Comp, line ministries and municipalities.</p>	<p>in the Ministry of Environment and Water as a pilot project, followed by the Ministry of Transport and communications and the Ministry of Labour and Social Policy</p> <p>end of 2003 completed</p>
<p>Training of the staff of the FLSU financial directorates on the new methodology</p>	<p>Starting in 2003</p> <p>completed for MoF</p> <p>ongoing (2004 -2006) for other FLS</p>
<p>Modify the system of budget classification, so that a programme type of classification is added to the functional and economic type</p>	<p>2003-2004</p>
<p>Introduction of a new programme budgeting methodology</p>	<p>by the end of 2004</p>

Inclusion of all FLSUs in a example phase of programme budgeting, according to a specific timetable	by the end of 2005
The 2005 budget will be an example programme State Budget	2005
The 2007 budget will be the first programme State Budget of the Republic of Bulgaria.	2006

Some of these steps are implemented in the context of the project “Reform of the Bulgarian Budget Sector, Improvement of Budget Planning and Budget Preparation,” funded by the MATRA pre-accession programme of the Dutch Government, and jointly executed by the Netherlands Economic Institute (NEI) and the Ministry of Finance. Since September 2001 two Task Forces work on the optimisation of the budget cycle and on the introduction of multi-annual budgeting.

In this context Decision of the Council of Ministers No 56/2003 on the 2004 Budget Procedure extended the time span of the phases of the budget cycle, shifting them to an earlier start. The Decision further introduces elements of programme budgeting and preparation of three-year medium-term budget proposals by the FLSUs. It provides for earlier discussions of the budget at the Parliamentary commissions. The expected benefits are providing for a multi-annual basis and improved prioritization of the public expenditures, improved comprehensiveness and consolidation of the relevant data and further transparency and introducing more rigid financial discipline. For a second year Bulgaria is implementing partial multi-annual budget programming of public resources including the national co-financing for the EU assistance.

The Bulgarian Government perceives an integrated approach in the process of drafting of the national budget. During the national budget planning phase all national and EU resources are programmed together. In this respect the full achievement of strategic goals is ensured and the full additionality of the resources for achieving these goals is guaranteed. 30 FLSU on a central level take part in the process of planning of the national budget. In each FLSU on a central level 25-30 experts are working. Additionally there are 264 municipalities which are FLSU. Those units will be supported by future OP MA in regard to implementation of the EU policy in the area of the Structural Funds. These tasks are performed by the following institutions: Ministry of Finance: National Fund Directorate- future PA for structural Funds and the Cohesion Fund, MEUFD – future CSF and CF MA, CFCU- Implementing Agency as well as Phare, ISPA and SAPARD Implementing agencies within MAF, MoE; MLSP, MRDPW, MoEW and MoTC. More information about these structures and their administrative capacity is provided under p.5

In line with the priority of optimizing the budget cycle, the Ministry of Finance developed with Phare assistance a Medium Term Strategy (MTS). The purpose of the MTS is to provide a strategic framework for preparing the relevant structures to implement Bulgaria’s wider economic and social priorities agreed with the EU and the International Monetary Fund.

Bulgaria has been applying fully consolidated budget approach since 1997, which means that all financial flows are included in the budget sector. Planning and budgeting are based on the scope of the Mid-term financial framework (MTFF). There is a full compliance between MTFF and the commitments taken in the pre-accession programmes.

Bulgaria is implementing the financial and budget sector reforms in order to ensure sound financial management of both national and EU budget resources. To do that, it is working on building up sufficient capacity in the government administration in relation to systems, policy making, financial administration and personnel skills.

With a view to facilitate the transition to the new responsibilities and practices, and adhering to the commitment of the Bulgarian government to implement the requirements of the acquis communautaire, a special instrument for permanent professional training was created at the Ministry of Finance in the middle of 2003, namely a Public Finance School (PFS). The main objective of the PFS is to improve the performance of the public finance administration and to strengthen its capacity to work according to new benchmark practices and standards.

This will be done by providing specialized training to target groups of staff on the basis of identified training needs. The target group for training development is the central and regional authorities.

The Public Finance School uses two main sources of training expertise for building staff capacity:

- The knowledge and skills built up in the administration itself (mainly the Ministry of Finance). Starting from March 1, 2004 the Ministry of Finance methodological experts will provide training to the target groups in order to help them identify, apply, manage and evaluate projects funded by the EU Structural funds and the Cohesion fund.
- The experience of international experts/organizations, as a tool for transferring the international standards into the Bulgarian practice.

The trainers of the PFS are prominent experts of the public administration. In this training the practice, and not only theory should be leading, and practitioners will train practitioners.

The mission of the Public Finance School is to facilitate the creation of modern public sector financial administration in Bulgaria capable to meet the requirements for accession to the European Union in the area of public finance.

The Provisional Programme of the Public Finance School is provided in Annex 14.

Currently the national co-financing element for the pre-accession instruments is guaranteed by the Laws on Annual State Budget and by the procedures of the National Fund at the Ministry of Finance, which is in charge of the financial management of the EU Funds and corresponding national co-financing. The availability of the national co-financing resources for the implementation of the projects and measures under the Structural Funds and Cohesion Fund will be assured by the participation of the Paying Authority and the Managing Authority of the Community Support Framework and the Managing Authority for the Cohesion Fund in the procedure for preparation of the national budget.

Article 27 of the Organic Budget Law stipulates the procedure to ensure full or partial financing of the operations under the Programmes designed to be implemented on a multi-annual basis. The relevant part of the programme budget has to be annually included in the state budget.

Article 34 of the Organic Budget Law defines the procedures for flexibility of the national co-financing with regard to the different priorities.. In addition, Article 35 allows for the CoM to approve extra budgetary expenditures from the reserve for necessary and unforeseeable commitments. These procedures should be further developed with the foreseen amendment of the Organic Budget Law reflecting the principles of multi-annual budget programming and defining the steps and responsibility on transferring budget between priorities, Programmes and funds, which will ensure flexibility in the management of funds with respect to effective management and absorption. The first draft of the amended Organic Budget Law will be prepared by the Ministry of Finance by July 2004. The law will be submitted to the National Assembly by the end of 2004.

The CSF Managing Authority will closely monitor the expenditure and budget allocation for each Operational Programme within the CSF and make regular report to each meeting of the CSF Monitoring Committee. The Monitoring Committee will consider and approve recommendations presented by the Managing Authority on amendments of the contents of any financial decision on structural assistance including the transfer of funds between Programmes and priorities.

Financial Control and Audit

Bulgaria, in its positions CONF-BG 4/01, 46/02 and 48/02 ADD 25, accepts the financial control *acquis* as in force on 30 June 2002 and declares that it will be able to implement it by the time of accession. Bulgaria provided the additional information (CONF-BG 44/01, 82/01 and 47/02), relating to its public internal financial control systems, external audit, EU pre-accession and future funding as well as to the protection of the EU financial interests. The Chapter 28 “Financial control” was provisionally closed with the EU Common Position CONF-BG 49/02.

The legislative framework in the field of financial control sector related to the management of EU funds includes:

- Law on Public Internal Financial Control - adopted in October 2000, amended with the Law on amendment of the Law on PIFC – adopted on 16 October 2002, in force from 01 January 2003;
- Law on National Audit Office - adopted in December 2001;
- Regulation on the Implementation of the Law on Public Internal Financial Control, amended with CoM Decree No 97 of 29 April 2003, in force from 17 May 2003;
- Regulation on the Structure of the Public Internal Financial Control Agency (PIFCA);
- Decision of the Council of Ministers for the establishment of the Council on Public Internal Financial Control under the Council of Ministers - adopted in July 2002;
- Manual on the Control over Public Procurement Procedures performed by the PIFCA;
- Instruction on the Activities of the Delegated Internal Auditors of PIFCA;
- Instruction on the Preventive Control of PIFCA;
- Ordinance on the Certification Procedures performed by the PIFCA;
- Internal Audit Charter of PIFCA;
- Code of Conduct for the Internal Auditors of PIFCA;
- CoM Decree No 18 of 04 February 2003 for establishing the Council on Co-ordination of Combat against Irregularities concerning EU Financial Interests;
- Internal Audit Standards of PIFCA;
- Guidelines № 2/27.06.2003 on the establishment and functioning of the financial management and control systems;
- Guidelines for establishment of audit trail with documents templates annexed;
- Internal Audit Manual of PIFCA.

The main control functions in Bulgaria have been allocated to the Public Internal Financial Control Agency and the National Audit Office.

More information on the allocation of main control functions and in particular the internal audit function is provided under p. I. 4.

3. Decision on the designation of the bodies or authorities responsible for the preparation and implementation of Structural Funds and the Cohesion Fund as well as the way to ensure an effective inter-ministerial co-ordination

A Strategy for the Participation of the Republic of Bulgaria in the European Union's Structural Funds and Cohesion Fund was approved with a Decision of the Council of Ministers No 312 on the 28 May 2002. According to this Decision the following designation of bodies and authorities responsible for the preparation and implementation of the Structural Funds and Cohesion Fund has been made:

Programming of the Structural Funds assistance

- CSF MA has the overall responsibility for programming of the Structural Funds (SF) assistance;
- CSF MA delegates drafting of DP to the Agency for Economic Analysis and Forecasts (AEAF) under the Minister of Finance;
- OP MAs will be the authorities responsible for the development of the relevant Operational Programmes in consultation with the socio-economic partners, regional and local authorities.

Management of Structural Funds assistance

- Future CSF Managing Authority will be Management of EU Funds Directorate in the Ministry of Finance. It will be responsible for the general co-ordination of the management of Structural Funds assistance;
- Future Paying Authority for all Structural Funds will be National Fund Directorate in the Ministry of Finance. It will be responsible for drawing up, submitting and certifying payment applications to and receiving payments from the Commission;
- Future Managing Authority of the Regional Operational Programme (ROP) will be Programming of Regional Development Directorate General (DG PRD) in the Ministry of Regional Development and Public Works;
- Future Managing Authority of Development of the Competitiveness of the Bulgarian Economy Operational Programme will be Pre-Accession Programmes and Projects Directorate in the Ministry of Economy;
- Future Managing Authority of Human Resources Development Operational Programme will be Pre-Accession Funds and International Programmes and Projects Directorate in the Ministry of Labour and Social Policy;
- Future Managing Authority of Agriculture and Rural Development Operational Programme will be Rural Development and Investment Directorate in the Ministry of Agriculture and Forestry.
- Future Managing Authority of Transport Operational Programme will be placed within the Ministry of Transport and Communication
- Future Managing Authority of Environment Operational Programme will be hosted by the Ministry of Environment and Waters.

An organigramme for the last two Managing authorities will be provided consequently. Identification will be done by the end of September 2004.

Intermediate Bodies

By the end of the third quarter of 2004 CSF MA will issue Guidelines to OP MAs on the criteria and procedure for appointment of the IBs. The criteria will be based on assessment of the proven capacity and developed procedures of the latter in compliance with Art.4 of Regulation (EC) No.438/2001. Following the Guidelines, OP MAs will launch by the end of 2004 the procedure for appointment of IBs, which will be finalised by the end of second quarter of 2005. This will be adapted to further development of the Cohesion policy and to the definition of the priorities of the Operational Programmes.

An integral part of the Decision of the MA for appointment of IBs will be a detailed plan for enhancing the capacity of the designated IB and meeting the requirements for management of the Structural Funds.

Based on the functions executed and experience gained under the implementation of pre-accession instruments, at this stage it is clear that the following public bodies will act as IBs:

- Future Intermediate Bodies for the Regional Operational Programme will be set up on NUTS II level, in compliance with the determined priorities of the ROP;
- Future Intermediate Body for the Operational Programme Development of the Competitiveness of the Bulgarian Economy will be the Agency for Small and Medium Enterprises under the Minister of Economy. According to the priorities envisaged in the Operational Programme Development of the Competitiveness of the Bulgarian Economy additional Intermediate Bodies will be appointed based on the above-described procedure. Their number will correspond to the number of determined priorities of the Operational programme.
- Future Intermediate bodies for the Operational Programme Human Resources Development will be the Employment Agency and the Social Assistance Agency under the Minister of Labour and Social Policy and a specialized structure within the Ministry of Education and Science; this specialized structure will be established by the beginning of the year 2005.
-
- Future Intermediate body for the Operational Programme Agriculture and Rural Development will be the SAPARD Agency within the State Fund Agriculture.
- The future IB for the Transport and Environment OPs will be identified and designated by September 2004.

Organisational involvement in operational programmes is presented in Annex 5.

Management and co-ordination of Cohesion Fund operations

Future Cohesion Fund managing authority will be the Management of EU Funds Directorate in the Ministry of Finance. It will be responsible for the general management and co-ordination of Cohesion Fund operations.

- Future Cohesion Fund Paying Authority will be the National Fund Directorate in the Ministry of Finance. It will be responsible for drawing up, submitting and certifying payment applications to and receiving payments from the Commission for Cohesion Fund operations;
- Future authorities responsible for the implementation of Cohesion Fund operations in transport sector will be:
 - the Coordination of Programmes and Projects Directorate in the Ministry of Transport and Communication,
 - and the Road Executive Agency under the Minister of Regional Development and Public Works;

- Future authorities responsible for the implementation of Cohesion Fund operations in environment sector will be:
 - the Environment Directorate of the Ministry of Environment and Waters,
 - and the ISPA Implementing Agency Directorate “Public Works, Water Supply and Sewerage Systems” in the Ministry of Regional Development and Public Works.

With regard to the implementation of Structural Funds and Cohesion Fund assistance, the CSF Managing Authority, the single Paying Authority, OP Managing Authorities, the Cohesion Fund Managing Authority and Monitoring Committees at the level of CSF and OP and Cohesion Fund are bodies responsible to ensure effective inter-ministerial co-ordination. The relations and the way of communicating the relevant information should be based on the main principles of inter-ministerial coordination established in the public administration sector, further elaborated, where necessary, to reflect the specifics in the management of the Structural Funds.

(Organigrammes of the structures designated for implementation of the Structural Funds and Cohesion Fund is given respectively in Annex 2 and Annex 2.1)

The designated structures will be adapted in conformity with the future development of the Cohesion policy and its future Regulations.

The additional staff for the above-mentioned bodies will be recruited according to the provisions of the new Civil Servant Law, amended in October 2003 and the Regulation on rules and procedures for competition, adopted by CoM on 8 January 2004. An evaluation commission will be set up, including the Director of the Directorate, where are the free positions, representative from the HR Directorate and one jurist. The procedures for competition include three steps – assessment the candidate’s profiles against the job descriptions, writing procedures (it may be test or developing a conception in the relevant field) and an interview. Based on results from the writing procedure and the interview, the Commission shall propose three possible candidates for the free position. The best candidates will be invited after an interview with the head of the administration.

- Once recruited new experts will be intensively trained for the first six months of their appointment. Relevant training is provided by the Ministry and the Institute for Public Administration and European Integration according to the training plan of the directorate and the individual training plans, which include the Directorates activities as future CSF MA, Cohesion Fund MA, OP MA upon EU accession. Some of the training areas of intervention for the above –mentioned directorates for their existing and future staff are as follows:
 - Extending and deepening the knowledge on: EU regulations for structural funds; EU criteria and regulations for ISPA; EU criteria and regulations for the application and management of Community Initiatives; Key EU sectoral or regulatory policies; State aid rules and application; Economic and financial analysis (including Cost - benefit analysis);
 - Supporting other Agencies and Actors to develop projects and project Pipelines, focusing on: Advising and communicating implications of EU funds for Bulgarian public finance; Understanding, interpreting, communicating and advising on Commission notification; Identifying gaps, overlaps and duplication of aid; Coaching bodies on programming/project formulation; Giving advice and setting up framework for effective absorption of funds for appropriate project pipelines.
 - Coordination: Effective inter-ministerial policy coordination; Effective inter-ministerial programme development and coordination; Effective inter-ministerial project coordination (investment projects and grant schemes); Manage conflicts between other stakeholders.

- High-Level Negotiation: Conceptualizing, planning and implementing effective negotiation process, Negotiating to a common agreed position, Identifying and operating effectively in formal and informal negotiation situations with Bulgarian ministries and Commission
- Monitoring and Evaluation: Developing capacity for both process of preparation and actual elaboration of quality monitoring reports; Developing evaluation capacity

Between all different bodies and authorities playing role as future CSF and Cohesion Fund MA, OPs MA, PA and IBs will be established strong co-ordination mechanism. It will comprise two main links: operational and strategic. The operational one will include a system of monthly meetings and transfer of information. The Strategic one will continue the activities of the WGs established in the process of DP programming and will be based on the activities of the monitoring committees for the CSF, Cohesion Fund and OPs. The involvement of the regional, local authorities and the socio-economic partners will be ensured by their participation in the respective WG during the process of programming and the Monitoring committees afterwards. Detailed information and organigrammes on interrelation among the Working groups and their involvement on the different stages of programming and monitoring is provided under p.6

4. Decision on the designation of the bodies or authorities responsible for the implementation of the specific financial control provisions as laid down in the Commission Regulations (EC) No. 438/2001 and 448/2001.

Detailed information on the legal acts and procedures adopted or to be adopted in order to ensure the full compliance with the general procedures of the financial management and control is provided in the Bulgaria's Position Paper on Chapter 28, "Financial control" (CONF-BG 4/01, 46/02 and 48/02 ADD 25) and in the additional information (CONF-BG 44/01, 82/01 and 47/02), submitted to the Conference on Accession to the European Union. The Chapter 28 "Financial control" was provisionally closed with the EU Common Position CONF-BG 49/02 in 2003.

The main control functions in Bulgaria have been allocated to the Public Internal Financial Control Agency (PIFC Agency) and the National Audit Office in accordance with the Law on PIFC and Law on National Audit Office respectively.

The adequate separation of functions within the whole implementation structure established for the Structural Funds and the Cohesion Fund is ensured by the clear and distinct designation of the bodies, which will have management, payment, monitoring or control responsibilities in the implementation process. The establishment of these bodies is based on the principle of segregation of duties, in order to avoid the risk of conflict of interest between commitments and payments, management and control.

Following the existing Bulgarian legislation the internal audit function in all spending units responsible for the expenditures of national and EU funds is performed by PIFC Agency. The PIFCA staff carries out their audit work in the administration of the respective units but are officers of PIFCA and this status ensures their independence. Under the existing legislation the national and EU funds spending units are not authorised to establish their own internal audit units. This model was agreed upon under the Chapter 28 "Financial control".

The PIFCA staff consists of 1268 officers; most of them are internal auditors. The PIFC Agency's structure includes a Central Office and 9 Regional Directorates. A special coordinating directorate in charge of audit of EU funds has been established at the Central Office. It consists of 28 staff members. The number of auditors and legal advisors that have been trained to perform audit of EU funds so far is 52. The number of staff will be increased and by the end of the year 2006 it will be 120 internal auditors. Employees who will be recruited in the future will be trained in accordance with established training programmes and developed individual training plans.

The PIFC Agency will perform audits of the Managing Authorities, the Paying Authority and the Intermediate bodies participating in the implementation of Structural Funds and the Cohesion Fund, will carry out sample checks on operations (within the meaning of Chapter IV of Regulation 438/2001 and Chapter IV of Regulation 1386/2002), and will issue winding up declarations of the assistance. Different departments of the PIFC Agency will carry out these functions. The officers of PIFC Agency that perform the above functions are completely independent of any management, payment or control function of the Managing Authorities, the Paying Authority and the Intermediate bodies. The PIFC Agency will carry out its audit activities in accordance with the internationally accepted auditing standards.

In compliance with Art.7 of Regulation 438/2001 the Managing Authorities and the Intermediate Bodies under Structural Funds as well as the bodies, responsible for the implementation of the Cohesion Fund operations will ensure that their management and control systems provide sufficient audit trail. For the purpose, the PIFC Agency has issued in September 2003 general guidelines to them for the establishment of an audit trail as part of the management and control systems. These guidelines supplement the guidelines for the establishment and functioning of financial management and control systems, issued by PIFC Agency in July 2001 and in June 2003. They aim at indicating the relevant stages and procedures for management and control over the funds, the bodies responsible for their implementation as well as the documentation necessary to ensure the availability of a sufficient audit trail. Thus the summary amounts certified to the Commission can be reconciled for audit purposes with the individual expenditure records and supporting documents at each level.

The National Audit Office is in charge of the independent external audit. The main task of the National Audit Office is to contribute to the sound management of the budgetary and other public funds, as well as to provide the Parliament with correct information on the implementation of the funds in line with the principles of the rule of law, effectiveness, efficiency, economy and authentic reporting on the implementation of the respective budgets.

The National Audit Office is entitled to carry out independent or joint audits with the European Court of Auditors as regards the management and the absorption of the Structural Funds and Cohesion Fund.

The CSF Managing Authority on the basis of the information provided by the OP Managing Authorities will provide the necessary assurance to the Paying Authority on the procedures operated by them and by the Intermediate Bodies as required by article 9, *inter alia* of Regulation 438/2001. The Managing Authorities will have full information on the activities of the Intermediate Bodies.

The CSF Managing Authority will issue instructions to the relevant assistance Managing Authorities on how to set up their management and control systems, and will receive reports on its implementation from the relevant assistance Managing Authority (art.7, Regulation 438/2001). Entertaining its rights under art.9.3, Regulation 438/2001, the CSF Managing Authority will also receive aggregate information on the findings of the systems audit as well as of the sample check on operations from the PIFC Agency. The CSF Managing Authority will keep the Paying Authority informed about the procedures operated by the CSF Managing Authority, the relevant assistance Managing Authorities and Intermediate Bodies.

The independent on-the-spot checks will cover at least 5 % of the operations co-financed by the Structural Funds (Art. 10 of Regulation 438/2001) or at least 15% of those operations co-financed by the Cohesion Fund (Art. 9 of Regulation 1386/2002) and they will be performed by the PIFC Agency. However, PIFC Agency envisages wider coverage than those minimums set by the Regulations. The officers of PIFC Agency that perform the on-the-spot checks are completely and functionally independent of the Managing Authorities, the Paying Authority and the Intermediate bodies.

Those checks will be representative and will verify the legality and regularity of the management and control systems in place or the expenditure declarations made at the various levels, as well as their conformity with the principles of economy, efficiency and effectiveness. The checks shall establish whether any problems encountered are of a systemic character, entailing a risk for other or all projects carried out by the same implementing body.

These responsibilities should be regulated in the first and/or secondary legislation on Public Internal Financial Control by December 31, 2005.

The management and control systems of Managing Authorities, Paying Authority and Intermediate Bodies will ensure clear definition and adequate separation of functions, effective functioning and appropriate procedures as provided in the articles 3 and 4 of the Regulation 438/2001. The Managing Authorities and Intermediate bodies will perform the Article 4 checks pursuant to CR 438/2001 in order to verify the individual operations and to ensure compliance with the Article 28 of CR 1260/1999 and with the applicable national and Community rules. For further strengthening of the financial management and control systems the Law on the PIFC has established a new position of financial controller since 1 January 2003. The financial controller performs the ex-ante control function for compliance with existing legislation and is a member of the staff management of the spending unit. The PIFC Agency will perform audits of Managing Authorities, Paying Authority and Intermediate Bodies in order to ensure that their management and control systems function in compliance with the requirements of the articles 3 and 4 of the Regulation 438/2001.

(The flowchart of control functions is given in Annex 3)

Administrative capacity:

5. Setting up of the implementation system as required in the relevant regulations (Reg. 1260/1999 and 438/2001) and definition of the tasks and responsibilities of the bodies or authorities involved in the preparation and implementation of Structural Funds and the Cohesion Fund; decisions that ensure effective inter-ministerial co-ordination

With the Strategy for the Participation of the Republic of Bulgaria in the European Union's Structural Funds and Cohesion Fund, adopted with a Decision of Council of Ministers No 312 of 28 May 2002 the overall framework of the implementation system as required in the relevant regulations for the management of the assistance under the Structural Funds and the Cohesion Fund in Bulgaria was established. The key players in the management process with their main functions and responsibilities were defined.

Managing Authority of the Community Support Framework

With the above mentioned Strategy the Ministry of Finance is designated as a Managing Authority of the Community Support Framework. The MEUFD which will act as CSF MA at the Ministry of Finance is established by the Council of Ministers Decree No 173 of 2 August 2002.

The Managing Authority of the Community Support Framework will be responsible (in compliance with CR 1260/1999) for the efficiency and correctness of the management and implementation of the Structural Funds in the country, acting in full compliance with the corresponding national institutional, legal and financial system. For the performance of the task, the Managing Authority will:

- Organize the implementation of the CSF (CR1260/99, art. 34.1) and shall organise the update of the CSF in consultation with and subject to the approval of the relevant Monitoring Committee (CR1260/99, art. 34.3 &35.3a);

- Set up a system to gather reliable financial and statistical information on implementation, for the monitoring indicators and evaluation and ensure the submission of such information to the European Commission (CR1260/99, art. 34.1a);
- Co-ordinate the activities of the relevant assistance Managing Authorities (CR1260/99, art. 34);
- submit the Annual Implementation Report to the European Commission after receiving the approval of the Monitoring Committee (CR1260/99, art. 34.1c);
- Participate, together with the European Commission, in the Annual review meeting on the main outcomes of the previous year (CR1260/99, art. 34.2);
- Organize in cooperation with the European Commission the mid-term evaluation of the CSF (CR1260/99, art. 34.1d);
- Will chair and provide a Secretariat for the Monitoring Committee of the CSF (CR1260/99, art. 35.2);
- Be responsible for ensuring compliance of EU policies in the areas of competition, public procurement, environmental protection and improvement, and the elimination of inequalities and the promotion of equality between men and women.
- Ensure that the authorities participating in the management and implementation of the Community support maintain a separate accounting system or adequate accounting records of all transactions related to the support (CR1260/99, art. 34.1e);
- Ensure that the operations financed through that support are accurate by applying internal control systems to ensure compliance with the principles of effective financial management (CR1260/99, art. 34.1a,f);
- Ensure conformity with the Community policies by applying the Community rules for public procurement and by observing the obligations regarding information and publicity (CR1260/99, art. 12 & 34.1g, h).
- Be responsible for ensuring the necessary co-financing from the national budget.

The Management of EU Funds Directorate in the Ministry of Finance that will be future CSF Managing Authority is operational since August 2002. A substantial assistance to the structure in respect of its role of CSF Managing Authority is planned to be provided under Phare 2003 funded project BG 2003/IB/SPP-01 - Setting up a coherent system for the Structural Funds and the Cohesion Fund in Bulgaria for the Managing Authority of the Community Support Framework and the single Paying Authority for the Structural Funds and the Cohesion Fund.

The Management of EU Funds Directorate currently is staffed with 25 experts for whom intensive training is provided. Detailed individual working plans for the staff of the Directorate and Institutional Building Plan for the Management of EU Funds Directorate have been developed with the support of DFID. They are annually based and each year will be updated. An Organisational development strategy (ODS) for the Directorate will be in place by the end of second quarter of 2004. It will be elaborated for the period 2004 – 2006 and will be annually updated. At this stage the ODS will be developed only for MEUFD. All MA of the OPs will be following this pattern. CSF MA will provide to the OP MA a Methodology on how to develop their own OD Strategies by the end of June 2004. They will cover two-year period, namely 2005-2006.

The ODS will be focused on optimization of the structures, resources and building up tools for management of the processes. The OD strategy is aimed to improve the Directorate's internal performance and the quality of service provided to various ministries, European Commission, etc. by concentrating on:

- Developing the capability of individuals in units to perform at optimum levels;
- Improving the capabilities of divisional heads to lead and manage operations effectively;
- Improving the quality of communication and information flows between the Directorate and its key stakeholders;
- Improving the sharing of learning and knowledge within the Directorate;
- Strengthening working relationships within the Directorate, by focusing on: decision making processes, styles; management of conflict; ability to anticipate, identify, plan and manage change; ability to adapt and be flexible and manage crises; management and leadership styles; performance management processes; rewards and recognition.
- Improving the effectiveness of systems and processes to deliver an effective and efficient service;
- Changing gradually and in due course the focus from current (pre-accession) issues to medium term (post accession) imperatives.

When acting as a CSF MA:

- Number of staff will increase to 45 as follows: 5 experts will be hired by the end of 2004, 8 additional experts will be appointed by the end of 2005 and by the time of accession 7 more experts will be nominated.;
- Monitoring and evaluation capacity will be built up and continuously strengthened;
- A new unit, dealing with IT issues and Monitoring information system will be set up;
- Capacity for programming, incl. budget issues, legal and regulatory framework, effectively established links with the regions and municipalities will be further strengthened;
- A special unit co-ordination of evaluation- ex-ante, mid-term and ex-post will be established;
- Capacity for internal control in relation to Art. 4, EC Regulation 438/2001 will be built up.

An Organigramme of CSF MA is provided in Annex 4.

Organigrammes of the ROP and OPs Managing Authorities are illustrated in Annexes 15.1, 15.2, 15.3 and 15.4.

Further details about the establishment and administrative capacity development are provided in the detailed Road Map for capacity building (Annexes 16, 16.1, 16.2, 16.3, 16.4 and 16.5).

Paying Authority

Future single Paying Authority for all Structural Funds and the Cohesion Fund will be the National Fund Directorate in the Ministry of Finance. As a key component of the system for effective financial management of Structural Funds and Cohesion Fund the Paying Authority will be responsible for:

- Drawing up of the certificates of the statements of interim and final expenditures under the Structural Funds assistance;
- Conform the requirements of CR438/01, art. 9.2 & 9.3;
- Preparing and submitting payment applications and receiving payments from the Commission;

- Certifying to the Commission the eligibility of expenditures made;
- Carrying out the financial management of the funds disbursed from the Structural Funds and Cohesion Fund; (look the Regulation)
- Ensuring timely and smooth financing of the projects and participates in the procedure of the preparation of the national budget, thereby monitoring the provision of the necessary co-financing for the projects.

The National Fund Directorate is operational since February 1999 and gains significant experience in management of all the pre-accession assistance allocated to Bulgaria and the corresponding national co-financing. The institutional structure established since the very beginning ensures segregation of duties required for the effective management of financial resources and is a solid basis for adequate management and control systems in place.

The National Fund Directorate proved to have the necessary expertise and procedures to manage the EU and national funds in a way meeting the requirements for sound financial management and EU financial interests protected as Competent Authority managing SAPARD programme on a fully decentralized basis. Additional experience is gained in the ongoing process of preparation for extended decentralization in the management of Phare and ISPA funded projects. The National Fund capacity would be brought up to the SF and CF requirements with the implementation of two projects – Phare 2001 Improving the management of EU Funds (ongoing) and Phare 2003 twinning project Setting up a coherent system for the SF and CF in Bulgaria for the CSF Managing Authority and the single Paying Authority for the SF and CF. Currently, the National Fund has a staff of 22 experts and following its strategic plan for development will increase its staff up to 35 experts by December 2006. The increasing of the staff has taken into consideration the workload that is expected in the first years after accession when the National Fund will still be involved in the management of the pre-accession assistance /transition assistance/ and has responsibilities as a Paying Authority for the SF and the CF.

Managing Authorities of the Operational Programmes

The designated Managing Authorities of the Operational Programmes will be responsible for the effectiveness and legitimacy of the management and implementation of the respective Operational Programme under the overall control of the CSF Managing Authority. For the execution of that task, each Managing Authority shall:

- Act as Secretariat to the Working group for OP, which prepares the Operational Programme (including co-ordination with AEF, ministries and different bodies)
- Prepare the Programme Complement, which finalises in greater detail the Operational Programme in respect of the measures, organisation of activities, administration and control system of Management Authority and Intermediate body;
- Set up a system for gathering reliable financial and statistical information on implementation for the purposes of the monitoring and assessment indicators of the OP and shall ensure the transfer of that information to the CSF Managing Authority (monitoring and control system) (CR1260/99, Art. 34.1g);
- Be responsible for the drawing up amendments to the OP in coordination with relevant Monitoring Committee and CSF Managing Authority and getting approval by the European Commission;

- Be responsible for ensuring compliance of EU policies, principal and obligation in the areas of competition, publicity, public procurement, environmental protection and improvement, and the elimination of inequalities and the promotion of even opportunity between men and women for the projects under the OP. (CR1260/99, Art. 34.1g);
- Be responsible for the preparation and co-ordination with the CSF Managing Authority of the terms and procedures for selection of projects in the framework of the respective OP and for submitting them for approval to the respective Monitoring Committee;
- Implement and steer the Operational Programme:
 - o Be responsible for the implementation of the approved terms and procedures for project selection subject to CR1260/99, art. 35.3b;
 - o Exercise monitoring and control over projects and beneficiaries within the framework of the OP;
 - o Be responsible for financial management;
 - o Ensure the eligibility of the expenditures made by Final Beneficiaries¹ and make payments to them (Payment Department).

Payment Departments within the Managing Authorities shall be responsible for payments to the Final Beneficiaries, following the performance of the required verification of the eligibility of expenditures, the maintenance of a separate accounting system or of adequate accounting records of all the transactions related to the financial support. Adequate segregation of functions will be ensured.

- Be responsible for the Monitoring Committee:
 - o Will chair, organize the meeting and provide a Secretariat for the Monitoring Committee of the respective OP (CR1260/99, art. 35.2);
 - o Provide the necessary documents for the meetings of the Monitoring Committee and, if necessary, proposals for reallocation of funds;
 - o Be responsible for selection of the members, rules and responsibility of the Monitoring Committee in compliance with CR 1260/99 art. 35.1
- Be responsible for evaluation in context of framework of programming and implementation of programmes and projects:
 - o Organize ex-ante evaluation of the OP (CR1260/99, art. 41.1);
 - o Organize in co-ordination with the CSF Managing Authority and EC mid-term evaluation of the OP .(CR1260/99, art. 42.2);
 - o Collaborate with the EC and the CSF Managing Authority in organising ex-post evaluation of the OP. (CR1260/99, art. 43.2);
 - o Organize evaluation of system of implementation of the Intermediate bodies including control system to the Final Users.
- Be responsible for elaboration of different annual, multi annual and final reports (CR1260/99, art. 37) subject to the approval of the Monitoring Committee (CR1260/99, art. 35.3e);

¹ "Final Beneficiaries" will be understood in the meaning of first sentence of Art.9 (l) of Regulation (EC) No. 1260/1999, namely: "the bodies and public or private firms responsible for commissioning operations".

- Be responsible for internal and external control over the cascade of institutions up to the final beneficiaries:
 - o For on-the-spot check of the Intermediate body and Final Beneficiaries;
 - o Reporting annual or in special cases about the control carrying out in different stages of implementation of programmes and projects;
- Be responsible for compliance with art.11 and 46 of CR 1260/99 in relation to publicity, additionality and notification activities to the EC.

Intermediate body shall mean all public or private bodies or services acting under the responsibility of Management Authorities or performing tasks on their behalf in relation to the Final Beneficiaries.

Delegation of tasks to the Intermediate body will be subject to an agreement between the latter and the MA Main aspects of the Agreement will be:

- Operational Programmes – Priorities, Measures, Budget [Input and Indicative Financial Plans], Criteria for Regional Distribution of Means, Period of Assistance, Budget Rules (budget year, restrictions, national co-financing, etc.)
- Requirements for Monitoring system – Data and Indicator, Collection of Data, System of Collection, Security of Data, Transfer of Data, Availability of Data.
- Setting up the Accounting system.
- Tendering and Contracting [Final Beneficiaries] - EU – Rules and requirements, Forms, Documents, Information.
- Compliance with the EU – Regulations.
- Eligibility of Costs, Competition rules, Manuals and Guidelines for operation.
- Payment procedure to the Final Beneficiaries.
- Reporting system – Financial Reports, Implementation Reports (interim and final)
- Requirements of Evaluation of Programmes and Projects.
- Internal Administrative system – requirements and description (incl. procedures, responsibilities, org. structure, controls etc.)
- Internal Control and Audit trail – requirements and description.
- Processing the single Projects – call for proposals/tendering, information, publicity, Application Form, Consulting, application procedure, adoption procedure, checks and examinations, selection procedure, decision making, commitment procedure, contracting, control, monitoring, inspections, settlement (of debt) procedure, reporting etc.

Future Managing Authority of the Regional Operational Programme will be the current Programming of Regional Development Directorate General, strengthened with the staff of the current Phare Implementing Agency. The Directorate General is presently staffed with 18 experts at central and 28 at regional level. Since February 2004, the Directorate General has 3 Departments- Cross-border Co-operation Programming Department, Economic and Social Cohesion Programming Department and Monitoring and Coordination Department. Each Department is staffed with 6 experts

After the accession the cross-border co-operation will be implemented on a decentralised basis by the relevant municipalities and districts in the border regions.

The Directorate – Phare Implementing Agency in the MoRDPW, currently involved in tendering, contracting, payment, financial monitoring and control of Phare funded projects consists of 4 Departments with total staff of 39 experts:

- ESC tendering and contracting Department (13 experts)
- CBC tendering and contracting Department (15 experts)
- Payments and Disbursement Department (9 experts)
- Monitoring and Control Department (3 experts).

By the time of accession, the total number of staff to implement future MA functions is expected to reach 99 people – 71 at central level and 28 at district level. The staff will be recruited in conformity with the Civil Servant Law and will receive adequate training. The Managing authority will have regional supporting units.

- Existing and newly appointed experts will be fully involved in training programme to be provided by Phare 2003 twinning project.

The training will cover the whole body of SF programming, evaluation, implementation and monitoring.

The future structure of Directorate General (as described in Annex 5.1.A) will be as follows:

Programmes Management Directorate will perform its responsibilities for ROP programme management and monitoring. It will operate through:

- Programming Department responsible for preparation of ROP. The Department will cooperate closely with 6 Directorates at NUTS II level, which will be responsible to prepare RDPs and to coordinate ROP preparation in compliance with partnership principle at regional level. NUTS II Directorates will also act as Secretariats of Regional Development Councils.
- ROP Monitoring Department – it will ensure monitoring at programme level, collect data and will support the work of Monitoring Committee as a Secretariat
- IT Unit – responsible for the maintenance of the IT system
- Evaluation Unit – support the preparation of ex-ante, mid-term and ex-post programmes evaluation

Financial Management and Control Directorate will be responsible for payments to final beneficiaries and the verification of the eligibility of expenditures. It will perform its functions through:

- Payments Department - will assure the management of payment claims, submission of expenditure declarations to Paying Authority
- Accounting Department – will perform verification checks on expenditure

Operations Management Directorate will perform operations in selection and monitoring of projects. It will perform its functions through:

- Operations Monitoring Department – will conduct verification checks on the work done
- Operations Eligibility Department – will check eligibility of operations and compliance with EU rules.

Additionally, 3 units with specific functions, subordinated directly to the Directorate General will carry the following tasks:

- Internal Audit Units – will be responsible for system audits and effective audit trail
- Human Resource and Institutional Building Unit – responsible for the organizational development and training delivery
- Legal and anti-fraud Unit – will be responsible for compliance with EU regulations and directive and EU policies

The MA will delegate functions as appropriate to Intermediate Bodies at NUTS II level

- The final clarification and fine tuning of IB functions - delegation of tasks and the relation to the Managing Authority will be made in the framework of the Twinning project BG03/IB-SPP-02. This project aims to increase the capacity at ROP MA level. Additionally, the staff of the IB will be trained under complementary institutional building project to be proposed for funding under FM 2004

Future Managing Authority of OP “Development of the Competitiveness of the Bulgarian Economy” will be the “Pre-accession Programmes and Projects”/PPP/ Directorate in the Ministry of Economy. Currently the Directorate acts as a Project Implementation Unit for the PHARE projects under the Financial Memoranda 2000, 2001, 2002, 2003 in Phare ESC/ – Competitiveness”. 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 have 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, and evaluation and monitoring of projects and programmes under EU Structural Funds.

The “PPP” Directorate is expected to be mandated to act as an Implementing Agency (IA) for the Phare programming period 2004-2006 under Financial Memorandum 2004. The Directorate has taken adequate measures for its accreditation under EDIS in terms of staff, experience and qualification as well as organizational structure and it has already joined the other IAs in the following phases of the process of preparation for EDIS.

The PPP Directorate has already appointed 27 regional (district) co-coordinators through whom the decentralized implementation of activities will be ensured. Major tasks of the regional coordinators will be to co-ordinate the implementation of programmes with regional and local authorities and other stakeholders, organize on regional level the promotional campaigns of the programmes to be implemented, as well as carry out the monitoring of implementation of the projects by the final beneficiaries. It is envisaged by the end of 2004 the regional coordinators to join the Agency for SME² at its districts offices. This is expected to significantly enhance the institutional capacity of the latter as a future IB of the OP Development of the Competitiveness of Bulgarian Economy, as well as ensure sound co-ordination of activities between the PPP Directorate as MA and the IB.

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 further 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.

In the future the staff of the Directorate will be increased to 30 people by June 2005 and up to 35 – by December 2006. When the Directorate will act as Managing Authority of Operational Programme Development of the Competitiveness of the Bulgarian Economy will comprise five departments:

- Programming Department – 5 experts at the end of 2006
- Monitoring and Financial Control Department – 15 experts at the end of 2006
- Tender Department – 4 experts at the end of 2006
- Strategy Implementation Department – 7 experts at the end of 2006
- Internal and External Control Department – 3 experts at the end of 2006

The responsibilities of the above-mentioned departments will be as follows:

- Programming Department – overall programming process; secretariat to the Working group for OP which prepares the OP, Programme Complement, Community Initiatives; contact to the external institution, ministries and EC; deal with MF; preparing documents for reallocations of funds; needs analyses, evaluation and assessment in context of framework of programming and implementation of programmes and projects; training programmes for the MA staff.
- Monitoring and Financial Control Department will comprise two sectors:
 - Financial control and supervision sector – setting up and management of a system for collecting data and producing ordinary and special reports about the control carrying out in the different stages of implementation of programmes and projects; on-the-spot checks; providing information on spent or committed funds; preparing financial reports related to the Operational Programme; budget control and overall financial management; secretariat to the Monitoring Committee.
 - Payments sector: Submitting the requests for funds, declaration and statement of expenditures to the Payment Authority; Receiving the payment claims from the Final Beneficiaries; Performing validation and authorization of the expenditures; Make payments to the Final Beneficiaries; Maintaining of a separate accounting system and of adequate accounting records of all the transactions related to the financial support; Collecting the sums wrongly paid (bad debt collecting unit).

² Under the draft Law on amendment of the Law on SMEs, currently subject to second reading at Parliament, it is envisaged that the Agency for Small and Medium-sized Enterprises will be transformed, through merger with the Bulgarian Export Promotion Agency, into Agency for Entrepreneurship Promotion. The latter will have regional offices at each district.

- Procurement, Tender and Contracting Department – procedure for IBs selection, agreements with Intermediary Bodies; ensures the publicity (web-sites, newspapers, media contacts), approves all tender documents prepared by the Strategy Implementation Department. Control of the IBs in sound of procurement procedure in selection for funding. Ensures compliance of EU policies, principal and obligation in the areas of competition, public procurement, environmental protection and improvement and gender equality.
- Strategy Implementation Department – project implementation; information flow with IB or Final Beneficiaries, preparation of Calls for Proposals and other tender documents; elaborates risk analyses; prepares the notices of payment to the Payments sector; reporting (annual, multi annual and final implementation reports);
- Internal and External Control Department - examination of the operational systems of management and control for the on-the-spot checks handled by the Monitoring and Financial Control Sector, control payment procedure and report about the control carrying out. Provides recommendations for improvements. Directly report to the Head of the MA.

Future Intermediate body for the OP “Competitiveness of the Bulgarian Economy” will be the Agency for Small and Medium-sized Enterprises 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.

The flowchart which illustrates the bodies/structures foreseen for the implementation of the OP “Competitiveness of the Bulgarian Economy” is presented in Annex 5.2.

The number of the IBs for this OP will be increased up to the number of priorities of the same programme.

The Pre-Accession Funds and International Programmes and Projects Directorate in the Ministry of Labour and Social Policy, currently acting as Phare IA for grants scheme projects in social sector will be the Managing Authority of OP Human Resources Development.

Intermediate bodies foreseen for the implementation of the OP Human Resources Development will be the Employment Agency, the Social Assistance Agency plus a specialized structure (to be designated) within the Ministry of Education and Science. .

The MLSP has given a high priority to the issue of building and increasing the administrative capacity, not only of Pre-Accession Funds and International Programmes and Projects Directorate, but also of the Employment Agency. A series of training courses for both structures have been organized under the Phare 2001 twinning project ‘Preparation for Future ESF-type of Programmes and Projects’ focused on ESF programming, implementation, monitoring and evaluation. As a result of it a procedure manual has been elaborated, which should be a solid basis for developing the management and control systems of the OP MA. The Pre-Accession Funds and International Programmes and Projects Directorate is currently staffed with 24 experts at central level, who are civil servants and additionally 10 experts and technical assistants in the central office. There are also 28 regional coordinators and 28 financial experts in all NUTS 3 districts. In relation to the future implementation of the functions of OP MA the staff of the Directorate is 90 people.

The Employment Agency is foreseen to be one of the Intermediate bodies (IB) of the OP HRD. The Employment Agency created at the second half of 2003 a separate "Pre-accession funds" department within "Pre-accession funds and International affairs" directorate with 6 experts on central level and 26 experts on regional level. The staff of the department was trained under the training programmes of "PFIPP" directorate within MLSP. The capacity building of this department will be improved by working as PIU in the frame of current PHARE projects. At the beginning of the year 2005 there will be 18 experts at central and 26 experts at regional level. The staff will be trained under the training programmes of "PFIPP" directorate within MLSP and under the training programmes of the Institute for Public Administration and European Integration.

The Social Assistance Agency (SAA) is foreseen to be another intermediate body (IB) of the OP HRD. A specialized structure will be established until the beginning of the year 2005 within the SAA. There will be appointed at least 15 experts at central level. The appointed staff will be trained under the training programmes of "PFIPP" directorate within MLSP and under the training programmes of the Institute for Public Administration and European Integration.

A specialized structure within the Ministry of Education and Science also is foreseen to act as intermediate body of the OP HRD responsible for the implementation of the interventions in the field of education and science. The capacity building of the MES was improved by working as PIU in the frame of previous and current PHARE projects. The specialized structure will be established by the beginning of the year 2005. The appointed experts will be trained under the training programmes of "PFIPP" directorate within MLSP and under the training programmes of the Institute for Public Administration and European Integration.

The flowchart which illustrates the structure foreseen for the implementation of the OP Human Resources Development is presented in Annex 5.3.

Future Managing Authority of Operational Programme Agriculture and Rural Development will be the Rural Development and Investment Directorate in the Ministry of Agriculture and Forestry. The directorate is building successfully its administrative capacity in the preparation of the National Plan for Agriculture and Rural Development 2000-2006 and acting as a Secretariat of the SAPARD Monitoring Committee. It has acquired experience in programming, monitoring, evaluation and reporting to the Commission, ensuring the publicity of SAPARD (respectively OP Agriculture and Rural development). Currently the Directorate is staffed with 26 experts organized in three departments": the SAPARD Department, the Investments in Rural Areas Department, and the Agri-environment Department.

The SAPARD Department is responsible for the preparation, update and coordination of the Bulgarian National Agriculture and Rural Development Plan (2000 – 2006). After the preparation and the approval by EC of the National Agriculture and Rural Development Plan, the SAPARD Department acts as Secretariat of the SAPARD Monitoring Committee. In relation to this the main functions of the SAPARD Department are: preparation of the materials for the regular MC meetings (monitoring reports, analysis of programme implementation, proposals for Programme amendments). The Department also provides technical back-up of the Permanent Working Groups established under the Monitoring Committee for each measure. Branch organizations, relevant NGO's and related ministries are presented in the MC permanent working groups, where the SAPARD Programme implementation is discussed. The SAPARD Department is also responsible for the organization of the SAPARD mid-term evaluation (tender dossier preparation, procurement, administration and technical support, etc.), and of the SAPARD Annual Reports.

The main functions of the Investment in Rural Areas Department are: tendering under certain SAPARD measures (i.e. Vocational training) preparation for the implementation of Rural development measures not covered by SAPARD (Less favoured areas, Leader type measures, etc.); coordination of the activities of NGOs working in the area of rural development (following the partnership principle), support of the local rural administrations and preparation of integrated rural development plans.

The main responsibilities of the Agri-environment Department include: development of agri-environment programmes and related legislation; it is responsible for the compatibility of NARDP with the Acquis on agri-environmental protection and improvement; liaison with European commission and other international organizations in the framework of agri-environmental policy; development of administrative matrix for agri-environmental programme implementation; training and information; monitoring and control; management of the technical support for implementation of agri-environmental programme.

By December 31, 2005, the Organic Rule of the Ministry of Agriculture and Forestry will be modified to supplement the responsibilities of RDID, commissioning it to act as OP Managing Authority. In relation to the future functions of the Directorate as OP MA its staff will reach approximately 50 people. New employees dealing with the internal evaluation of the implementation will be hired. Staff responsibilities, operational manuals and job descriptions will be further elaborated on the basis of the results from a multi-annual Phare 2004-2006 project especially designed for the strengthening the administrative capacity of RDID to act as Managing Authority.

The implementation of the Operational Programme “Agriculture and Rural Development” will be predominantly based on the experience gained under SAPARD.

Future Intermediate Body for the OP Agriculture and Rural Development will be the SAPARD Agency within the State Fund Agriculture. It is developing the required capacity for successful implement of the SAPARD Programme. Currently the SAPARD Agency is staffed with approximately 230 people (90 at central and 140 at regional/district level). The administrative structure of the Agency at the central level consists of three main departments – Implementation department, Financial department and Internal audit department. Detailed Organigramme of the SA structure is provided in Annex 6 as an example of good practice already achieved. The Agency has 28 regional offices working for the implementation of three of the SAPARD measures, and six district measures operational units (working on the project payment). With respect to its future task and responsibilities as OP IB and Paying Agency for EAGGF-Guarantee, the SAPARD Agency’s institutional and administrative capacity will be further strengthened following a developed detailed plan. By the end of 2005, SAPARD Agency staff will be increased with at least 260 experts at central level (160 experts and 100 technical experts) and 150 at regional level and Agency staff will reach approximately 640 people. Establishing the Paying Agency, training the staff and creating the IACS will be done on the basis of the PHARE project “Establishment of Paying Agency and Preparation for setting up of IACS in Bulgaria “.

Training the officials involved with OP implementation and payments is envisaged under the RDID project under the Phare 2004-2006 multi-annual programming.

The key responsibilities of the SAPARD Agency as Intermediate Body for the OP Agriculture and rural development will be:

- Inform the Managing Authority following the detection of irregularities;
- Will be responsible for payments to the beneficiaries, following the performance of the required verification of the eligibility of expenditures, the maintenance of a separate accounting system or of adequate accounting records of all the transactions related to the financial support. Adequate segregation of functions will be ensured;

- Ensure the eligibility of the expenditures made by beneficiaries and make payments to the final beneficiaries (Payment Department);
- Exercise monitoring and control over projects and beneficiaries within the framework of the OP;
- Be responsible for the implementation of the approved terms and procedures for project selection subject to CR1260/99, art. 35.3b;
- Organize in coordination with the CSF Managing Authority the evaluation of projects through which the respective OP is implemented (CR1260/99, art. 34.1d);
- Establish the system and mechanisms to carry out a relevant control of final beneficiaries which are responsible for tendering, contracting and payments;
- Consolidate the monitoring data entered into the monitoring system by the final beneficiaries and channel it to the respective Managing Authority of the assistance;
- Conform the requirements of CR438/01, art. 3;
- Develop the relevant procedures under CR438/01, art. 5.2c;
- Following the requirements of CR438/01, art. 9, 2a fulfil the requirements of CR1260/99, art. 38.1c, e & 32.3,4.

The whole structure for the OP “Agriculture and Rural Development” is presented in Annex 5.4.

The Ministry of Transport and Communications will be involved in the implementation of Cohesion Fund operations in the transport sector including overall programming, monitoring and control of the relevant operations. Currently the Coordination of Programmes and Projects Directorate (CPPD) acts as ISPA Implementing Agency, gaining experience in the management and implementation of ISPA funded projects. By 31 December 2005 the Rules of procedures of the directorate will be amended to regulate its activity in the project management of the Cohesion Fund – Transport sector. The Coordination of Programmes and Projects Directorate specific responsibilities will be:

- Allocation of funds to the relevant beneficiaries (e.g. the present Port Administration Executive Agency that will be transformed into a state owned national company according to the planned changes in the relevant legislation, the present National Railway Infrastructure Company, the State Railway Company, the Civil Aviation Administration, etc.). The relevant beneficiaries will allocate these funds according to the respective needs for implementation of projects;
- CPPD will delegate the rights to the above mentioned beneficiaries for the technical implementation and the related operational monitoring of transport sector projects and will require regular reports concerning the technical implementation of these projects;
- The financial monitoring and control of all relevant operations.

The management and implementation of the transport sector projects financed by the Cohesion Fund under the Ministry of Transport and Communications will be ensured by 40 experts within the Coordination of Programmes and Projects Directorate and at least 20 experts within each of the relevant beneficiaries taking into account the huge transport projects amounts.

The Road Executive Agency under the Minister of Regional Development and Public Works will be an implementing body in the transport sector responsible for the road networks development projects. Currently it is involved in the implementation of ISPA projects. The Agency has established within its Investments and Construction Programmes Directorate a separate structure for the ISPA projects – 13 experts at the moment, and will further strengthen its capacity to prepare for the management of Cohesion Fund operations towards the moment of accession. Specialized training in road infrastructure project implementation, tendering and contracting procedures is envisaged.

The Ministry of Environment and Water will be the authority responsible for the implementation of Cohesion Fund operations in the environment sector. At the moment EU Funds for the Environment Directorate within the MoEW acts as ISPA Implementing Agency which staff of 18 people is planned to be increased up to 90 by the time of accession. Substantial training and IB for the directorate is foreseen under TA ISPA Project /3.5 MEUR/.

Experience and capacity to manage investment projects in the area of public works, water supply and sewerage systems is being gained in the MRDPW within the newly created Directorate “ISPA Programme – Public Works, Water Supply and Sewerage Systems”. Currently the Directorate acts as ISPA Implementing Agency - 11 experts in staff, is involved in the implementation of ISPA funded projects for Waste Water Treatment Plants. Following the development of its capacity, appropriate functions will be assigned to this unit within the whole implementation structure for the Cohesion Fund operations.

(Summarized information on EU funded projects that are related to bringing the administrative capacity up to the level required is given in Annex 7.)

(Summarised information on the administrative capacity of the authorities responsible for EU Funds assistance is presented in a tabular way in Annex 8)

The Bulgarian Government has taken an integrated approach, which is common for all Structural Funds and which will allow to manage all programmes in the same way. This approach requires well developed administrative capacity of all players involved in the process as well as properly established horizontal co-ordination among them. The Bulgarian Government is committed to ensure additional resources in order to develop and strengthen such a capacity and to guarantee that the appropriate co-ordination is in place. This approach will give flexibility to the designated structures to carry out their obligations under currently established system as well as will guarantee that these structures will be operational under the latest and future developments in the EU Cohesion Policy.

In determining the eligibility of expenditure made by operations co-financed by the Structural funds the Managing authorities of the CSF and the OPs, in co-operation with the Paying Authority, shall adopt common rules reflecting the relevant national rules and the rules at Community level (the relevant EC Regulations) in order to guarantee the uniform and equitable implementation of the assistance across the whole management and control system. The adoption of these rules may require application of stricter national provisions in certain cases which shall be specified for each measure and agreed with the EC and/or the relevant Fund. The Final Beneficiaries will be duly informed for the application of the eligibility rules at operational level so as to ensure smooth and efficient implementation process and allow for the necessary checks and control to be carried out before any certification of expenditure can be made by the Paying Authority.

The verification of operations will be performed by the respective authorities/bodies involved in the implementation of the OP. The relevant information should be maintained respectively by the Intermediate Bodies, OP Managing Authorities and CSF Managing Authority. Verification of operations is a function performed by the responsible authorities at each level to verify the operations under Structural Funds and to report for it. The relevant information should be provided on a regular basis.

The winding up declarations of the assistance will be issued by the PIFC Agency. The winding up declaration will be based on an examination of procedures and of a sample check of transactions. It will cover compliance of payments with the EC Regulations and CSF as regards the capability of the Managing and Paying Authorities, Intermediate Bodies and Final Beneficiaries administrative structures to ensure that such compliance has been checked before a payment is made.

The winding up declaration will state whether (a) Managing and Paying Authorities, Intermediate Bodies and Final Beneficiaries procedures are such as to give reasonable assurance that the operations charged comply with the EC Regulations and CSF, and what recommendations have been made for the improvement of systems, (b) the accounts of the Paying Authority, Management Authorities and Intermediate Bodies (if delegated) as well as the Final Beneficiaries are in accordance with their books and records, (c) the declarations of expenditure are materially true, complete and accurate record of the operations, (e) the financial interests of the Community are properly protected as regards the amounts to be collected and, where appropriate, guarantees obtained, (f) recommendations on the improvement of systems addressed to the Paying Authority, Management Authority, Intermediate Bodies as well as the Final Beneficiaries have been followed up, (g) any exceptional transactions or technical difficulties have been experienced and any significant modification of the information has been made since the previous report.

The declaration shall be accompanied by information on the number and qualifications of staff undertaking the examination, on the work done, on the number of transactions examined, on the level of materiality and confidence obtained, on any weaknesses found and recommendations made for improvement and on the operations of both the Winding up Body and other audit bodies, internal and external to the audited bodies, from which all or part of the Winding up Body's assurance on the matters reported was gained.

Bulgarian government has committed itself to develop the capacity of the relevant structures at central level which will be involved in the different stages of the Structural Funds policy life cycle by the end of 2004 and on the regional and local level – by the end of 2005.

With CoM Decision № 671 from 24-th of September 2003 Bulgarian Government adopted updated Strategy for Modernization of State Administration for the period 2003-2006 and an Action Plan for its implementation. The document follows the recommended by the European Commission twin track approach – strengthening the civil service, and strengthening the administrative capacity for implementing the acquis and the administrative capacity managing the EU Funds. This Strategy and the Strategy for the Participation of the Republic of Bulgaria in the European Union's Structural Funds and Cohesion Fund are main strategic documents, giving priority to the issue of setting up and strengthening the administrative capacity both on central and regional administrative level.

As part of the actions foreseen under both strategic Governmental documents, reforms in the key areas are carried out:

- Functional and organizational optimization of the administrative structures.
- Strengthening the capacity for strategic policy making and co-ordination.
- Regarding the process of decentralization – clear setting up of the responsibilities between central and local authorities
- Improving the partnership with economic and social partners and civil society as a basis for the elaboration of national policies and the legislation.

The activities concerning the administrative capacity for managing the EU Structural and Cohesion Funds, are concentrated on the following spheres:

- Institution building and strengthening the capacity of structures designated as CSF Managing Authorities, OP Managing Authorities, Paying Authority, Intermediate Bodies and Final Beneficiaries, as well as the Implementing Bodies and structures under the Cohesion Fund;
- Preparing the administrative structures for effective programming, management, monitoring, control and evaluation of the EU funded programs on central and regional level
- Establishing partnership mechanism in the process of programming and monitoring the assistance from Structural Funds.

The approach to effective management of human resources, including needs analysis, training, elaboration of specific selection criteria, carrier opportunities, represents a substantial part of the preparation for the management of EU Funds.

The implementation of the Strategy for modernization of state administration – from accession to integration, is coordinated by the Deputy Prime Minister, while the Minister of State administration is responsible for strengthening the civil service, and the Minister of European Affairs and the Minister of Finance, both, are responsible for strengthening the administrative capacity for implementing the *acquis* and for establishment of the EU Funds management capacity. All Ministers and Secretaries General in the ministries, and the district Governors, who perform the administrative control over the civil servants in the respective administrations, are involved in the process of implementation of the Government reform in this area. The total budget for the period 2002 - 2006 for the implementation of the Strategy is estimated to amount to 50 million BG leva.

A key role in the preparation of Bulgarian administration in that direction is assigned to the Institute for Public Administration and European Integration. It works closely with the institutions involved in the process of preparation for EU accession and management of EU Funds, taking into consideration the demands and needs with respect to training and professional qualification and thus reflecting its annual programme. (See Annex 7.1 where the related part of the adopted programme for 2004 of the Institute for Public Administration and European Integration is given.)

Programming capacity:

6. Presentation to the Commission of a development plan containing all the elements listed in Article 16 of Council Regulation (EC) No. 1260/1999 laying down the general provisions on the Structural Funds and of draft Operational Programmes containing all the elements listed in Article 18 of the Regulation; in cases where assistance is to take the form of a single programming document, the plan shall be dealt with as a draft single programming document and should, therefore, contain all the elements listed in Article 19 of the Regulation

The Strategy for the Participation of the Republic of Bulgaria in the European Union's Structural Funds and Cohesion Fund defines the Operational Programmes and the corresponding implementation structures for the management of the Structural Funds based on the priorities in the National Economic Development Plan (NEDP) 2000-2006 (which aims to meet the requirements of art. 16 of Regulation No 1260/1999 for Development Plan) and thorough assessment of Bulgaria's priorities and strategic goals for the next programming period. During the preparation of the Development Plan for the period 2007-2013 Bulgaria might reconsider and define new Operational Programmes on the basis of evaluation of the implementation of the NEDP 2000-2006 and as part of the *ex-ante* evaluation of the new Development Plan. Those should result either in endorsement or changes in the Development Plan and/or Operational Programmes already defined.

Institutional and administrative capacity developed in advance, at the necessary level to implement the new Operational Programmes, will be a requirement for their elaboration.

As a factor for sustainable development of the Bulgarian economy and a basis for preparation of Community Support Framework, the Development Plan for the next programming period (further referred the Development Plan (DP)) will be set up on a broad consultative basis with the social and economic partners and in close co-operation between the public bodies. The Development Plan will be prepared in compliance with EU and national legislation in force. The experience accumulated in developing NEDP 2000-2006 will be used in the preparation of the Development Plan and the inter-ministerial co-ordination and public-private interface will be further strengthened in the pre-accession period.

The task of drafting the Development Plan is assigned to the Agency for Economic Analysis and Forecasting (AEAF). The AEAF carries out an analysis of the current economic situation, and develops short-term and long-term forecasts under various economic policy scenarios and assumptions, as well as regional economic analysis and forecasts. In drafting and coordinating the DP AEAF will be supported by DP working group.

The major procedures for the preparation of a Development Plan were defined with the Decree of the Council of Ministers No 171/02 August 2002. The Decree is amended in the December 2003 in order to:

- Reflect the main steps in the preparation of the DP and OPs for the new programming period, starting in 2007
- Regulate the horizontal coordination;
- Determine cooperation and partnership among social-economic partners, regional and local authorities.

The *major actors* in the process are as follows:

1. The Council of Ministries will approve the DP and OPs.
2. The Co-ordination Council on NEDP 2000-2006, created with the Decree of the Council of Ministers No 171/02 August 2002 establishes a solid base for efficient co-ordination in defining vision, objectives, priorities, and measures between ministries and social partners. The Co-ordination Council of DP will endorse drafts and resolve any conflicts or tensions. It will be responsible to be in contact with the Co-ordination Councils for EU Integration and Economic Development. The Minister of Finance will chair DP Coordination Council and AEAF will act as its Secretariat.
3. The working group on DP, working groups on the OP, on the sector strategies and other specialised working groups are functioned under the Coordination Council of DP.

The DP working group will overview and coordinate the development and drafting of DP and OP.

The Executive Director of AEAF will chair the DP working group.

The DP Working group will consist of representatives of the MEUFD and AEAF, appropriate ministries representatives, representative of Economic Policy Directorate at the Council of Ministers, key socio and economic partners and representatives of regional and local authorities. The DP Working group will comprise approximately 25 persons. Its members are approved by the Coordination council on DP under the suggestion of the Chairman of the Working group, agreed with the concerned administrations.

The Chairmen of the working groups on OP and sector strategies are designated by the Coordination Council on DP under the suggestion of the deputy-minister of the line ministry responsible for the relevant OP or sectoral strategy.

Members of the working groups are approved by the Coordination Council on DP under the suggestion of the Chairmen of the working groups, agreed with the administrations concerned. The permanent members of the working groups are: experts of the relevant administrations in the fields covered by the respective OP or sector strategy and relevant representatives of the economic and social partners, territorial authorities of the executive power, NGOs and others.

The other specialised working groups might also be established by Decision of the Coordination Council on DP. The Decision includes: Title and purpose of the working group; Designation of the Chairman and the members; Specific responsibilities and work organisation; Term and quality requirements of the implementation of the given task.

4. The tasks of the Working Group on DP are:
 - Co-ordinates the process of DP elaboration;
 - Accountable for horizontal coordination on the OP preparation;
 - Responsible for avoidance of overlaps in OP;
 - Responsible for the compliance of the DP with the Community policies in the field of equality between men and women, state aid, environment and public procurement;
 - Organizes the DP publicity
5. The tasks of the working groups on OP and the sector strategies are:
 - Co-ordinate the OP elaboration, the programme complements and the sector strategies;
 - Responsible for development and drafting of their respective outputs with clear recognition of the work and outputs of the other Working Groups;
 - Introduce the priorities of the relevant OP or sector strategy for approval by the Coordination council on DP;
 - Co-ordinate prepared drafts of OP, programme complements, and sector strategies with the DP WG before their submission to the Coordination Council on DP;
 - Analyze the priorities of Bulgaria in the relevant fields covered by the OP and the sector strategies and elaborate motivated proposal for including priorities and measures from OP and the sector strategies into the DP;
 - Follow the changes in the European and national legislation and update the draft OP and sector strategies accordingly;
 - Guarantee the lack of overlaps of the OP measures as coordinate the draft OP and sector strategies with the DP WG before their hearing in the Coordination council on DP;
 - Responsible for compliance of OP with the Community policies in the field of gender equality, state aid, environment and public procurement
 - Responsible for consulting with and receiving inputs of defined and mobilized national partners
 - Organize the information and awareness campaign for the OP and sector strategies
 - Drafting of the OPs programme complement
6. The heads of the working groups report on their work to the Coordination council on DP and are responsible for the qualitative and timely elaboration of draft DP, OP and sector strategies.
7. The AEF elaborates Methodology for development of DP and Methodology for elaboration of OP, in which the specific responsibilities of the working groups are defined. The methodologies will be presented for discussion and approval by the Coordination council on DP.

8. The organisational and working rules of the working groups are approved by the Coordination Council on DP under the suggestion of the head of the respective working group.
9. Secretariat of the DP WG is “National Development Plan” Directorate within the AEAF.
10. Secretariats of the working groups on OP and sector strategies are the directorates, designated as Managing Authorities of the relevant OP and the directorates engaged in programming the sector strategies. The secretariats:
 - Prepare the meetings, coordinate agenda, prepare and send the invitation and the materials for the sessions to all members of the working group;
 - Write minutes of the sessions, coordinate them with all members of the working group and send a copy of the minutes to the secretariat of the Council;
 - Carry out tasks, set by the head of the working group.

An organigramme is provided in Annex 9.1

NDP and OPs Working groups will continue to exist after DP/OPs are ready. The Co-ordination Council will create the core of the CSF Monitoring Committee. Detailed explanation on the composition and role of the Monitoring Committees is provided under p.8. Continuity of functions of the DP and OP WGs as well as interrelations of the various bodies in the context of programming and monitoring is illustrated in Annex 9.2

In the process of preparation of the programme documents for participation of Bulgaria in the Structural funds and the Cohesion fund of the EU wide and effective association of all relevant partners will be established. An appropriate Methodology for the partners’ selection criteria will be elaborated by the CSF MA. It will circulate to the relevant OP ministries and other line ministries concerned. The ministries, designated as OP MA and for the Cohesion Fund MA will be requested to develop lists of bodies that should be considered for inclusion in their OPs and other OPs in which they have an interest or responsibility. List of partners that will take part in the preparation of the DP will be based on presented proposals of the OP MA. All lists of proposals will be presented for discussion and approval by the Coordination Council on DP. It will adopt the partners which will be included in the working groups on the elaboration of each programming document. At the availability of several partner organizations, with equal/similar activities, relevant to the determined criteria, their participation is realized on a 6-month rotation basis and the order is set by the organizations themselves. The partner organizations approved by the Co-ordination Council on DP designate their authorized representatives to be included in the working groups for the programming documents and inform the head of the respective working group.

AEAF will organise workshops for line ministries to clarify the precise tasks of partnership members at each stage of the process – DP and OP drafting committees, negotiating teams, etc.

The relevant bodies will invite future partnership organisations to nominate representatives to be involved in the various stages of the DP and OP drafting. (More details on the implementation of partnership principle is presented under point 8 – see below).

The provisions of the Law on Regional Development in the field of integrated regional development are aiming to regulate the strategic planning process at all levels and relate it to the principles of partnership and subsidiarity, underpinning the use of Structural Funds’ assistance. The Law will contribute to the establishment of an integrated regional development planning and programming system, applying a combination of the top-down and bottom-up approaches and an effective partnership mechanism.

Within this framework, for ensuring a wide and effective association of all relevant partners in the preparation of the Regional OP, the Law on Regional Development foresees the establishment of Regional Development Councils as consultative bodies in the planning regions (NUTS II level) which main role will be to ensure the involvement and participation of all relevant stakeholders, especially at regional/ local level, in the process of programming, financing, monitoring and assessment of integrated regional development measures.

In this respect, a separate administrative structure within the MRDPW has been set up – Strategic Planning of Regional Policy and Co-ordination of the Negotiations Process (SPoRPCNP) Directorate. Some of its major responsibilities are to:

- ensure the co-ordination between the national, district and local authorities, social –economic partners, public sector and the EC in the strategic planning of the regional development process;
- provide a methodological guidance and assistance to the planning regions’ structures and municipalities in the preparation of development policies and plans at regional/local level, consistent with the DP;
- elaborate the National Strategy for Regional Development (NSfRD) based on the analysis and assessment of the situation and the potential for development of regions, taking into account the strategic objectives and priorities of the DP, drafted by the AEAF. The NSfRD objectives and priorities underlie the ROP priorities and measures;
- harmonize the national legislation in the area of integrated and sustainable regional development with the acquis and monitor its implementation.

The Directorate and the Programming of Regional Development Directorate General in the MRDPW will be jointly responsible for overall coordination and integration / harmonization of the Regional OP with the Development Plan. With a view to strengthen the administrative capacity, the SPoRPCNP Directorate will increase its staff proportionally to the tasks from 15 experts up to 22 by the end of 2005.

The interrelations of this Directorate with the other bodies or structures responsible for the ROP are indicated in Annex 5.1.

In the process of OP preparation the respective line ministries will use the existing capacity and expertise in strategic planning and programme development, in close cooperation with the structures responsible for future OP implementation, to ensure the necessary level of integration of the OPs with the Development Plan.

The Development Plan and Operational Programmes will be prepared under the following major stages:

- Identification of partners and establishing an effective dialogue with them;
- Formalisation of DP working group;
- Preparation of socio -economic analysis and its implications on the economic policy;
- Definition of vision and strategic priorities;
- Preparation of Operational Programmes guidelines;
- Formalisation of OP working groups;
- Definition of DP priorities
- Drafting OPs;

- Indicative budgeting of OPs;
- Discussion of OPs for overlapping and consistency with the national priorities;
- Ex- ante evaluation of OPs;
- Macroeconomic impact assessment and ex-ante evaluation of the DP;
- Strategic environmental impact assessment in compliance with Article 41.2 of Regulation No 1260/1999;
- Assuring compliance with EU policies;
- DP/CSF information and public awareness programme;
- DP negotiations with the EC.

Working Group on DP is already established by the Co-ordination Council on DP on its first meeting which was taken place on 27 February 2004.

A detailed timetable following the approach described is presented in Annex 10.

The working group of HRD OP in its work takes into account the Joint Assessment Paper (JAP) of Employment Priorities in Bulgaria and its integration with Bulgarian strategic documents as well as the Lisbon agenda and the revised European Employment Strategy which constitute the policy framework for the future ESF intervention. They are founding documents for the EU directives in the field of equal treatment, vocational training and other issues related to labour market and employment as well as for the National documents which Bulgaria elaborated: New strategy for Social policy and Employment Strategy.

The current mechanisms for putting into practice these objectives are the Multi-Annual Programming – Phare Programme 2004-2006, which is close to the measures used under the Structural funds, as well as different measures and programmes, implemented under the National Action Plan for Employment. The programming for 2004-2006 has been closely linked to the policy priorities identified in the national Joint Assessment Paper. The other important document is the Joint Inclusion Memorandum (JIM), which is in a process of elaboration, and will be taken into account by the working group of HRD OP in connection to future programming.

Development of all above-mentioned programming documents will be based on a continuity of the already developed documents (revised and approved in September 2003) such as National Economic Development Plan 2000-2006, the three Sectoral Operational programmes, Regional Operational programme and Sectoral Strategies for transport and environment for the period 2004-2006. In the development of all OPs a unified approach will be applied - EU funding will be complementary to the national one. This approach will guarantee that the current debate on the future of the EU Cohesion policy will be also taken into account. All structures which will take part in different stages of the Structural Funds policy life cycle will have a capacity to implement the latest EU decisions in this area.

Taking into consideration the future development of the cohesion policy and having a special priority the further development of the administrative capacity, Bulgarian government is ready to consider in future the establishment of the separate Operational programme for capacity building.

In parallel with the programming the preparation of the project pipeline for the Structural Funds and the Cohesion Fund will start. The main steps of this process are:

- Preparation phase: Operational Programmes Managing authorities will start awareness campaign in which all local and regional administrative structures (NUTS II and LAU I level), social- economic partners and NGOs. The main aspect of the campaign will be to raise awareness with regard to Structural Funds and the Cohesion Fund Regulations, national programme documents and the best practices in management of Structural Funds established in different member states
- Project development: The above-mentioned authorities on central and local level will elaborate projects. This will include:
 - Seminars on project development
 - Seminars on assessment of the project proposals
 - Carrying out feasibility studies and cost benefit analyses
 - Design of investment schemes and guidelines for their implementation
 - Preparation of tender dossiers
- Quality control: the prepared projects will be externally assessed and further approved by the Managing Authorities of the respective Operational programmes.

A technical assistance under Phare and ISPA programmes is foreseen to develop a pipeline for mature investment projects which are ready to implement by the time of accession.

7. Ex-ante evaluation as referred to under Article 41 of the above mentioned Regulation to be carried out as a basis for preparing the development plan and assistance of which it shall form a part

The ex-ante evaluation procedure as an interactive approach will aim to improve the overall quality of the Development Plan and OPs.

The ex-ante evaluation of the Development Plan or an Operational Programme as referred to under Article 41 of Regulation No 1260/1999 will focus on the following key issues of evaluation:

- Analysis of the social-economic situation and of the previous evaluation results, if applicable;
- SWOT Analysis of Bulgaria and its regions;
- Assessment of the rationale and consistency of the development strategy having regard to the National Action Plan for Employment, the environment and the equality between men and women;
- Quantification of objectives and key disparities;
- Analysis of expected impacts and policy justification in relation to the starting situation;
- Relevance and quality of the implementation and monitoring arrangements.

The AEAFF supported by MEUFD as well as other programming authorities will have responsibility to coordinate and organize the execution of the ex-ante evaluation of DP (Phare funding will be ensured), i.e. carrying out tendering and contracting procedure, drafting Terms of Reference covering the ex-ante evaluation scope, specific targets and instruments, and assisting the ex-ante evaluation expert team in collection of and discussing on the required information with relevant DP actors.

The DP ex-ante evaluation will be a valuable source of additional expertise, verification, and advice in DP development. Finally the ex-ante evaluation findings and reflections will be incorporated in DP as its integral part.

Wholly independent external experts will carry out the DP ex-ante evaluation in line with the international practice for separate execution of planning, analytical, and evaluation activities. The DP ex-ante evaluation team might consist of both local and EU MS experts. Possible involvement of Bulgarian academic and research institutes in the process of ex-ante evaluation would be a prerequisite for building up capacity in evaluation of multi-annual national Programmes.

The evaluation will be based on a macro-economic model. The AEAFF will take the responsibility to conduct the macro-economic impact study.

The DP ex-ante evaluation procedure will be carried out by September 2005 period in line with the requirements of Regulation 1260/1999, and will cover the quantification, impact analysis and assessment of the strategic choices in the DP and the OPs (financing will be ensured under Phare programme). In its final stage the DP ex-ante evaluation will assess also DP consistency, efficiency and effectiveness achieved. In parallel by November 2005 the relevant OP' MAs will have the responsibility to organize and execute ex-ante procedures of every OP, supported by AEAFF and MF. An OP ex-ante procedure should be carried out in such manner ensuring independency and expertise of the evaluation team, and in line with all requirements and recommendations of Article 41 of Regulation No 1260/1999 and lying down in the Working Document No2 on the Ex-ante evaluation of the Structural Funds interventions. The OP ex-ante evaluation will also pay special attention to the areas of implementation, reporting, partnership and financial control OP arrangements.

The procedures and teams involved in DP and OP ex-ante evaluation procedures will interact each other in order to exchange their outputs and thus to increase the synergy effect from that stage of planning. The findings and proposals of DP and OP ex-ante evaluation procedures will be taken in respect in the DP and OPs finalization process.

8. Effective implementation of the partnership principle at all different stages of programming, financing, monitoring and evaluation of Structural Funds assistance

Building partnership is part of the strategic process of preparation of Bulgaria for participation in the Structural and Cohesion Funds. It is realized in four main directions: improved comprehension, better communication, capacity building and connection strengthening.

The partners will be involved in the preparation, financing, monitoring and evaluation of interventions. In addition, the appropriate partners will be involved in each programming stage (See Annex 11)

Beside the central administration (including line Ministries), the partners that will be involved in the preparation of the Development Plan and Operational Programmes are: district/regional authorities (NUTS 2); local authorities (National Association of the Municipalities in the Republic of Bulgaria); representatives of employers' organizations and trade unions, having nationwide representation; non-governmental organizations; Bulgarian Academy of Science and Universities. Their involvement and contribution to the programming process will be ensured through their participation in the DP working group. The partnership principle will be ensured also in the process of OP preparation through the same / similar partners' participation in the OP working groups. For technical purposes relevant sub-working groups will be established where sector specific NGOs will also participate. The way and procedures of their involvement will be in compliance with the amended Decision 171 of the CoM on establishing of the NDP Coordination Council.

Improving public-private interface is a prerequisite for defining priorities and measures in line with the investment priorities of the non-government sector. Participation of partners in the programming stage will help to ensure partners' financial contribution to the Development Plan.

In the process of preparation and actualization of the NEDP 2000-2006 a strong publicity campaign was accomplished. Conferences and consultation meetings were organised with a big contribution of a large number of partners. In September 2003 the Coordination Council approved all the Operational Programmes. The model used in the preparation of the previous DP proved to be successful and will be implemented in the development of the next DP/OPs.

To ensure continuous private co-financing of the operations financed by the Structural Funds attention will be given to measures under OPs, where private co-financing is required. It is foreseen that public-private partnerships are most likely in the field of concessions in development of the basic infrastructure. Increased visibility and feedback opportunities in the DP/OP preparation process will be ensured at different stages of DP/OP preparation by workshops, conferences, consultation meetings, dissemination of the information in the mass media, etc. Wide accessibility of the information on DP/OP preparation will also be guaranteed using web sites and special information campaigns.

To ensure involvement of the partners in the process of monitoring the Structural Funds assistance the following indicative composition of the CSF Monitoring Committee is foreseen:

Public authorities

- Ministry of Finance (Chairman), Ministry of Regional Development and Public Works, Ministry of Economy, Ministry of Labour and Social Policy, Ministry of Agriculture and Forestry, Ministry of Environment and Water, Ministry of Transport and Communication, Ministry of Education and Science, Ministry of Culture, Ministry of Youth and Sport, Ministry of Health, Ministry of Energy and Energy Resources, and Ministry of Interior
- 6 representatives from regional authorities NUTS II level
- Four representatives of local authorities (selected by the National Association of the Municipalities in the Republic of Bulgaria).

Social-economic partners:

- representatives of employers' organizations, having nationwide representation;
- representatives of trade unions, having nationwide representation;
- representatives of NGOs which represent groups of social – economic interests according to the Law on Economic and Social Council as well as of the Bulgarian Academy of Science and of the Universities
- Representatives of Women's organizations.

Partnership principle will be ensured also at the OP Monitoring Committee, where participation of the following will be secured:

- The Regional Operational Programme:

regional and local authorities representatives (including Regional Development Councils, "Technical Support, Coordination and Management of Regional plans and Programmes" Directorates); National Association of the Municipalities, and a delegated representative of the Regional Associations of the Municipalities, representatives of the economic and social partners; representatives of the NGOs in the field of environmental protection and sustainable development, and equal opportunities.

In advisory capacity will be representatives of other ministries related to the ROP; representative of Bulgarian Association of Regional Development Agencies and Business Centres (BARDA); the Small and Medium Sized Enterprises Agency, the Commission for anti-discrimination and the

Foundation for Local Government Reform (FLGR), representative of the EC and representatives of, EIB and EBRD.

- Improving the Competitiveness of the Bulgarian Economy OP:

socio-economic partners: representatives of employers' organizations, having nationwide representation (The Bulgarian Chamber of Commerce and Industry, The Bulgarian Industrial Association); representatives of trade unions, having nationwide representation; organizations representing the interests of business in different economic sectors; representatives of NGOs, which represent interests of relevant groups, related to the priorities and measures under the OP as well as of the Bulgarian Academy of Science and of the Universities.

- Human Resources Development OP:

Representatives of these socio-economic partners - employers' organizations, having nationwide representation; representatives of trade unions, having nationwide representation as well as institutions like MLSP, other relevant ministries and agencies – MES, MH, Employment agency, National Council of Ethnic and Demographic Issues (NCEDI) will participate in the Monitoring Committee of HRD OP.

- Agriculture and Rural Development OP (based on the experience gained in the implementation of SAPARD programme):

Based on the experience from SAPARD, the principle of partnership in the programming cycle for the Operational Programme will be fully taken into consideration. Line ministries and state agencies, socio-economic partners, Branch organizations in the area of agriculture and food industry, banking sector representatives, potential beneficiaries (namely farmers and food processors) targeted by the assistance from the Funds, NGOs working in the area of rural development and protection of the environment will be consulted during the programming stage of the OP.

Later on they will either be included in the permanent working groups to the OP Monitoring Committee or in the Monitoring Committee itself. As part of the Monitoring committee responsibilities include the modifications of the Programme and supervision of the Mid-term evaluations, the above organizations will be involved in these activities as well.

Representatives from environmental NGOs and branch associations will also be invited to participate in the project selection process to ensure transparency of the selection process.

As a result the whole OP will also gain faster publicity in the country.

During SAPARD programming and implementation relationships have been established with various organizations that have been involved in the monitoring process as members of the permanent working groups to aid the SAPARD Monitoring Committee in its decision-making, or as members of the Committee itself. Lists of the SAPARD Monitoring Committee and its working groups have been presented in Annex 12. The members of the Monitoring Committee are selected on the basis of Labour Code, which stipulates which organizations can be considered as nationally representative social and economic partners. Other advisory MC members include representatives from line ministries in order to ensure coordination of implementing development programmes. The members of the working groups were chosen on the basis of whether they are representing potential beneficiaries eligible for support under the specific measure. It is foreseen that these organizations will be attracted to participate in the future OP Monitoring Committee or its working groups. More specific rules of procedure and relationships in the programming/implementing/monitoring and evaluating the OP are expected as a result from the PHARE 2004-2006 project.

CSF and OPs Monitoring committees will interrelate by:

- Structural links - some of the members of the CSF MC will participate in the OP MCs and vice-versa
- Operational links – OP MCs will send reports to CSF MC; there will be links between the secretariats of the CSF MC and OP MCs

9. Setting up of a Management information System for monitoring and evaluation

The monitoring of the Community Support Framework and the Operational Programmes will be the responsibility of the relevant Managing Authority under the control of the CSF and Operational Programme Monitoring Committees respectively. The main task of the Monitoring Committees is to satisfy themselves as to the quality and effectiveness of the implementation of the Structural Funds. Monitoring will be carried out under the partnership principle. The partners shall promote the balanced participation of women and men.

Monitoring is based on the physical and financial indicators listed in the Operational Programme (or the Programme Complement), and developed pursuant to an indicative methodology and to the list of sample indicators published by the Commission. Indicators relate to the specific nature of the assistance, its objectives and the socio-economic, structural and environmental situation in the country and the regions. The indicators are more concerned with monitoring rather than evaluation and will therefore be incorporated within the specific OP (and their Programme Complements, if applicable). Where it is not possible to set quantified objectives, qualitative goals will be set out in the OPs.

Monitoring Unit in the Community Support Framework Management Authority (CSF MA) and in each OP Management Authority will be established. If necessary, further Monitoring Units will be established in the Intermediate Bodies. They will be established following the adoption of a Decree of the CoM by 30 June 2004 and will be put in place within the following twelve months, using this period for ensuring corresponding training.

Monitoring and Evaluation Units in the CSF MA and each OP Management Authority will be established by the end of 2004. The additional staff will be recruited following the standard procedure envisaged in the new Civil Servant Law, amended in October 2003. Once recruited, the new staff will be intensively trained for the first six months of its appointment. Training will be provided by the relevant Ministry and by the Institute for Public Administration and European Integration according to the training plan of the directorate and the individual training plans.

In the meantime the monitoring process and monitoring indicators will be integral part of Development Plan/Operational Programmes preparation process.

Pursuant to Articles 41 and 43 of Council Regulation (EC) No. 1260/1999 the Community Support Framework and the OPs will be subject to ex-ante, mid-term and ex-post evaluation, which will be outsourced to independent external experts.

In accordance with the information given under point 7 the AEAF supported by MEUFD as well as other programming authorities will have responsibility to coordinate and organise the execution of the ex-ante evaluation of DP, operational programmes and programme complements. An independent team of evaluators should conduct the ex-ante evaluation.

Responsibility for the mid-term and ex-post evaluation of the CSF and the OPs will fall within the European Commission in co-operation with the relevant MA. Independent external evaluators will conduct the evaluation. The ex-post evaluation will be finished within three years after the end of the programming period.

Managing authorities will be responsible for collecting all data to perform the evaluation.

The relevant Monitoring Committee will supervise the execution of the mid-term and ex-post evaluation.

It is planned to set up one centralized computerized monitoring and project follow-up data base, which would be unified for all the ministries, there by ensuring seamless flow of monitoring data and aggregation thereof at the central level at the Ministry of Finance as CSF Managing Authority. Therefore, the Ministry of Finance will be responsible for supervising, controlling and ensuring effective functioning of the database and its internal consistency (as well as reliability of data in it).

The primary information on physical and financial monitoring data should be collected and entered to the system by the final beneficiaries, based on respective supporting documents provided. These data should be transferred in electronic way to the MA of the OPs. To ensure a common approach in collecting and transferring data by the IB, the managing authority of the respective OP should issue guidelines. Through these Guidelines the MAs should ensure proper and correct entering of data, the level of access and security of the data. It will be the MA that will carry out the necessary checks and controls of physical and financial data collection. To ensure a proper management of the computerised monitoring system the staff involved in its operation will be adequately trained. By the date of Accession specific software and computerized network linking the key bodies responsible for the Structural Funds implementation in Bulgaria will be in place. The system will be designed and developed with the financial support of Phare programme and the professional assistance of private consultants.

For the time being only the main features of such a system can be mentioned.

- The system will be able to exchange data with the Commission services, using the format and content defined by the latter;
- The unit base of the system is the investment project corresponding to a given application for assistance. For each project a record will be made in the system including namely designation of the project, name and address of the operator/owner, total cost (planned and actual), starting date and date of completion (estimated and planned), cost breakdown by years and by expenditure components (planned and actual), financial sources, eligible and non eligible costs, EU assistance granted, public and private eligible expenditure incurred and paid to contractors (invoices/receipts) on the basis of payment claims, payment claims submitted (dates and amounts), payments of EU assistance (amounts and dates), physical indicators related to the respective measure targets e.g. jobs created, breakdown by men and women (planned and actual).
- Every project will be classified by sector according to the EU classification of activities;
- The software will automatically aggregate the projects by measure and then by priorities in order to obtain on line updated situation on the CSF;
- The territorial unit of the system is the municipality. Each project will be linked to a given municipality (or several if it covers various municipalities, being multi-municipal or multi-district project). The CSF Managing Authority will be in charge of the management of the entire system and will be the only entity authorized to change/correct data already inputted by the ministries.

- The system is intended not only for managing purposes but also for monitoring and control purposes. All the financial data and physical indicators of the CSF/OP will be inputted in the system and the actual situation and comparisons with the planned figures and targets will be calculated automatically by the system. By comparing plan and achievements for each project the system will provide a very important source of information to choose the sample of projects to be controlled every year.
- The main indicators concerning the efficiency of the public administration while managing the Structural Funds will as well be part of the system.
- The links with the State Budget will be organized in an integrated way with the current FMIS. The application form for a project will include the State Budget line, which will co-finance the project in order to facilitate the connection with the Budget if it happens to be a Central government project.
- All financial relations with the EU budget will as well be recorded in the database, namely the CSF commitments and the payments to the Paying Authority Management Information System.
- The CSF Monitoring Database will include the four Structural Funds (ERDF, ESF, EAGGF-Guidance and FIFG) and specific software to connect it with the Cohesion Fund projects since the latter will be recorded in a separate computerized system.
- The provider of input data for most of the indicators will be the National Statistical Institute whose methodology for collecting, analyzing and further handling data is to a great extent harmonized with the Eurostat requirements. This will ensure comparability with data provided by the statistical offices of individual EU Member States based on the common methodology. An example of a modern indicator appearing in the Second Progress Report on Economic and Social Cohesion of the European Commission is the employment rate in research and development and progressive tertiary sector included as an indicator for the first specific objective of creating conditions for economic growth by strengthening internal factors.

Data will be also provided by other institutions, such as ministries and national research institutes, and also the level of such data will not differ from those available at the European level.

All the indicators provided by the above institutions will comply with the Commission requirements related to their structure. They will be quantified and will contain the initial and target values and sources. General information on the source of indicators is perceived to be not only the institution providing such an indicator, but also its description and method of its acquiring, or computation, reliability and availability. Indicators at the level of the DP also respect the Commission recommendation on their limited number and acquiring them without excessive financial costs.

The process of setting up a system for the computerized exchange of the data required to fulfil the management, monitoring and evaluation requirements comprises the following steps:

<i>No</i>	<i>Main steps</i>	<i>Who is responsible</i>	<i>Timeframe</i>
1	Definition of actors, staff and tasks	-MoF, MEUFD (as future CSF MA) -OP line ministries	mid 2004
2	Definition of key data indicators in order to ensure comprehensive approach at all levels and unified reporting formats for the projects	-MoF, MEUFD (as future CSF MA) -OP line ministries -AEAF	third quarter of 2004

3	Agreement between the ministries involved will be achieved on indicators and key data to be collected	- CSF MA - OP MAs	forth quarter of 2004
4	Design of the overall information system	-MoF, MEUFD (as future CSF MA) -OP line ministries -external consultants	end of 2004
5	The first draft of the system will be operational		mid of 2005
6	Testing period and amendments, if necessary	-MoF, MEUFD (as future CSF MA) -OP line ministries -external consultants	End 2005
7	Staff training	external consultants	2006
8	Fully operational system	external consultants	end of 2006

As regard to component 3: The Agreement implies to specific ERDF, ESF, EAGGF and FIFG modules, meeting the particular monitoring needs of each Fund, that will have to be developed under the responsibility of the line ministries. The future OP MA needs to fix common requirements. Each line Ministry (IB) needs to make sure that the Final Beneficiaries collect the common and the Fund specific data, which it will then feed as aggregated data into the general monitoring system managed by the Ministry of Finance. The Ministry of Finance is responsible for setting up the overall monitoring system for the CSF and transferring monitoring data to the Commission according to Regulation 1260/1999.

In regard to component 4: The overall information system will be designed under Phare 2003 twinning project "Setting up the coherent system for Structural Funds and Cohesion Fund in Bulgaria for the Managing Authority of the CSF and the single Paying Authority for the Structural Funds and Cohesion Fund". Further development of the system will be done by the TA component under the same Project.

The timeframe for the fifth component will allow having a 6-month testing period and sufficient time for amendments, if necessary. It will also ensure the organising of an appropriate training of the staff that will work with the system.

The development of the system will go in parallel with the process of programming.

The system will be enforced by order of the Minister of Finance.

10. Legislative, budgetary and administrative framework which will allow for multi-annual programming, co-financing and financial management of Structural and Cohesion Funds assistance

In the context of the reform of the budgetary structure (as mentioned under p. I.2) an adequate legal basis and the necessary mechanism allowing for flexibility in the management of funds in the framework of the CSF and OPs, implemented on a multi-annual basis, will be established by mid of 2004.

The institutional framework for the mobilisation and circulation of financial flows under the SF assistance includes a single Paying Authority, Payment Departments within the Managing Authorities and Intermediate Bodies (with separate Payment Departments, if MA delegate task for payment to the Final Beneficiaries).

The single Paying Authority for the SF and CF is responsible for the certification and submission the declaration of the expenditures and payment applications to the EC, receiving and managing payment from the EC, refunding unused and wrongly used funds to EU budget, as well as for coordinating the irregularities reports for all funds made by the Managing Authorities. The PA has the responsibilities to: receive the request for funds, declaration and statement of expenditures from the Management Authority for respective OP via the MA CSF based on the sound financial management and control procedures throughout the control cascade, verify the documents received, as well as to ensure smooth flow of funds to the Final Beneficiaries of SF assistance.

The formal designation of the person or department that will draw up the certificates of expenditure as required by Article 9 of Commission Regulation (EC) No 438/2001 will be done by September 2005. Its functional independence of any services that approve claims shall be assured.

The Payment Department within the respective Managing Authority of the OP or Payment Department within the IB (if the MA delegate task for payment), has key responsibilities: to prepare monthly financial reports related to the respective OP, prepare requests for funds, declarations and statements on the expenditures – all to be sent to the Paying Authority by the respective OP Managing Authority via the CSF Managing Authority, as well as to prepare the supporting documentation necessary for the drawing up declaration of the expenditures and payment applications to the EC by the Paying Authority.

It is the responsibility of the Managing Authority CSF, MA OP and IB to do the Article 4 checks pursuant to Commission Regulation 438/2001, namely to ensure compliance with the terms of the relevant Commission decision under Article 28 of Commission Regulation 1260/1999 and with applicable national and Community rules on, in particular, the eligibility of expenditure for support from the Structural Funds under the assistance concerned, public procurement, State aid (including the rules on the accumulations of aid), protection of the environment and equality of opportunity.

The IBs after verification and validation of expenditure submit the payment claims to the Payment Department within the respective Managing Authority accompanied by the Application for payment. The Paying Department, which receives the payment claim from the Final Beneficiary should perform the validation and authorization of the expenditure. It will be the same structure that should execute payments to the Final Beneficiaries. The accounting function in respect of the payment will be within the structure that makes the payments. The task perform by the Payment Department within the MA could be delegated to the IB.

All three of these activities: authorization, execution of payments and accounting will be performed respecting in full separations of functions.

The availability of the national co-financing resources for the implementation of the projects and measures under the Structural Funds and Cohesion Fund will be assured by the participation of the Paying Authority and the Managing Authority of the Community Support Framework, Management Authorities of the OP and the Managing Authority of the Cohesion Fund in the preparation of the national budget.

Under twinning assignments (Setting up the coherent system for Structural Funds and Cohesion Fund in Bulgaria for the Managing Authority of the CSF and the single Paying Authority for the Structural Funds and Cohesion Fund, starting in March 2004 till November 2005) the procedures for the mobilization and circulation of the financial flows and for securing the required national co-financing will be completed.

(Flowchart on financial flow is given in Annex 13)

11. Procedures allowing for the collection and submission of the required data under the rules currently applied in the Member States with a view to the need to verify within the programming process the respect of the principle of additionality with reference to the level of the public or equivalent expenditure in the past

In order to establish the parameters for calculation of the levels of additionality a specific study will be carried out in the first half of 2004. The study will contribute towards defining the methodology of and the most effective ways of collecting information for ex-ante verification of additionality.

The study will be carried out under the auspices of the Agency for Economic Analysis and Forecasts as one of the components for the preparation of the Development Plan. This will provide the European Commission with appropriate information to permit the verification of the additionality.

The study will take full account of the guidance available in the Working paper No5 “The verification of additionality for Objective 1” issued by the Commission. The results of the study will provide *inter alia* the time table for the collection of the necessary information.

Bulgaria’s position:

The Bulgarian Government proposes the negotiations on this chapter to be provisionally closed on the basis of the existing *acquis*. The mechanism will be subsequently adapted in order to take into consideration the future development of the *acquis*.

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List of Annexes enclosed:

Annex 1 – Letter of Eurostat, No 004311, July 18, 2000;

Annex 1 A - Letter of Eurostat № 40112, April 29, 2003;

Annex 1.B – Letter No 99-00-16/10.03.2004 of NSI - Reply to EUROSTAT Letter No 40112/29.04.2003;

Annex 1.B.1 – NSI proposal for Units Code at levels NUTS 2-3);

Annex 1.B.2 NUTS 2 Bulgaria Map.

Annex 2 – Organigramme of the Structures Designated for Implementation of the Structural Funds;

Annex 2.1 – Organigramme of the Structures Designated for Implementation of the Cohesion Fund;

Annex 3 – Control Functions Flowchart;

Annex 4 – CSF Managing Authority Organigramme

Annex 5 - Organizational Involvement in Operational Programmes

Annex 5.1 – Regional Operational Programme Flowchart

Annex 5.1.A - The future structure of Programming of Regional Development Directorate General – in MRDPW

Annex 5.2 – OP “Competitiveness of the Bulgarian Economy” Management Flowchart

Annex 5.3 – OP “Human Resources Development” Management Flowchart

Annex 5.4 – OP “Agriculture and Rural Development” Management Flowchart

Annex 6 - Organigramme SAPARD Agency

Annex 7 - List of EU funded projects supporting the management of EU Funds
Administrative capacity

Annex 7.1 - Programme for 2004 on training of the public administration by the Institute for Public Administration and European Integration;

Annex 8 – Administrative capacity of the authorities responsible for EU Funds assistance;

Annex 9.1 – DP/OP Working Groups

Annex 9.2 - Interrelations in Programming and Monitoring Process;

Annex 10 – Indicative time-table for the elaboration of Development Plan;

Annex 11 – Partnership in Managing the SF Assistance Involvement in Various Stages;

Annex 12 – Lists of the SAPARD Monitoring Committee and Working Groups;

Annex 13 - Financial Flowchart.

Annex 14 - Public Finance School, Ministry of Finance - Provisional Programme

Annex 15.1 - MA Regional Operational Programme

Annex 15.2 - MA SOP ”Development of the competitiveness of Bulgarian economy”

Annex 15.3 – MA SOP ”Human resources development”

Annex 15.4 - MA SOP ”Agriculture and rural development”

Annex 16 – Road map for capacity building

Annex 16.1 – Ministry of Finance: CSF Managing Authority Management of EU Funds Directorate

Annex 16.2 – Ministry of Regional Development and Public Works: ROP Managing Authority Programming of Regional Development DG

Annex 16.3 – Ministry of Economy: OP “Development of the Competitiveness of Bulgarian Economy” Managing Authority Pre-accession Programmes and Projects Directorate

Annex 16.4 – Ministry of Labour and Social Policy: OP “Human Resources Development” Managing Authority Pre-accession Funds and International Programmes and Projects Directorate

Annex 16.5 – Ministry of Agriculture and Forestry: OP “Agriculture and Rural Development” Managing Authority Rural Development and Investment Directorate.

Annex 17 – Plan for preparation of the Republic of Bulgaria for Future use of the Structural and the Cohesion Funds of the EU.
