

## FINANCING AGREEMENT<sup>1</sup>

The European Commission, hereinafter referred to as "**THE COMMISSION**", acting for and on behalf of the European Community, hereinafter referred to as "**THE COMMUNITY**"

on the one part, and

The Government of the Republic of Bulgaria, hereinafter referred to as "**THE RECIPIENT**"

on the other part,

HAVE AGREED AS FOLLOWS:

The measure referred to in Article 1 below shall be executed and financed out of the budget resources of THE COMMUNITY in accordance with the provisions set out in this Agreement. The technical, legal, and administrative framework within which the measure referred to in Article 1 below shall be implemented is set out in the General Conditions annexed to the Framework Agreement between THE COMMISSION and THE RECIPIENT, and supplemented by the terms of this Agreement and the Special Provisions annexed hereto.

### ARTICLE 1 - NATURE AND SUBJECT

As part of its aid programme, THE COMMUNITY shall contribute, by way of grant, towards the financing of the following MEASURE:

Programme number: **BG 2006/018-343**

Title: **PHARE national programme (Part II) for Bulgaria in 2006 (€ 140,554 million)**

Duration: **Until 30 November 2008**

### ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of **140,554 M€** hereinafter referred to as "**THE EC GRANT**".

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<sup>1</sup> The Financing Agreement structure is as follows : 1. the cover pages with the references to the country concerned, amount and authority to sign, 2. Framework Agreement incl. Annex A and Annex B; Annex C – Special Conditions (the text of the adopted financing proposal starting from **Description and Objectives** onwards; and Annex D 'Visibility/Publicity).

### ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until **30 November 2008** subject to the provisions of this Agreement. All contracts must be signed by this date. Any balance of funds of the EC GRANT, which have not been contracted by this date shall be cancelled.

The deadline for execution of contracts of THE EC GRANT is **30 November 2009**<sup>2</sup>. THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the contract execution period, should this be requested in due time and properly justified by THE RECIPIENT. Disbursements of funds may continue for up to 12 months after the deadline for the execution of contracts to meet liabilities properly incurred through the execution of the contracts entered into under this programme. This Financing Agreement shall expire once those disbursements have been completed. All the funds which have not been disbursed by that time shall then be returned to the Commission.

### ARTICLE 4 - ADDRESSES

Correspondence relating to the execution of THE MEASURE, stating THE MEASURE'S number and title, shall be addressed to the following:

**for the COMMUNITY:**

**Representation of the European Commission**

9 Moskovska Str  
PO Box 668  
BG-1000 Sofia  
Bulgaria

Tel: (+359 2) 933 5252

Fax: (+359 2) 933 5233

**for THE RECIPIENT:**

**Mr Lyubomir Datzov**

Deputy Minister of Finance  
102 Rakovski St  
BG-1040 Sofia  
Bulgaria

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<sup>2</sup> Consistency between the main text of the FP (1<sup>st</sup> page) and the FM (1<sup>st</sup> page as well as in the 'Implementation Arrangements' chapter) must be ensured. The deadline for contracting and the deadline for execution of contracts should correspond accordingly.

ARTICLE 5 - NUMBER OF ORIGINALS

This Agreement is drawn up in duplicate in the English language.

ARTICLE 6 - ENTRY INTO FORCE

This Agreement shall enter into force on the date on which it has been signed by both parties.  
No expenditure incurred before this date is eligible for the EC GRANT.

The Annexes shall be deemed an integral part of this Agreement.

Done at .....

Date

for THE RECIPIENT

National Aid Coordinator  
Deputy Minister of Finance  
Lyubomir Datzov

*19.01.2007*

Done at .....

Date

for THE COMMUNITY

Head of EC Representation in Bulgaria  
Michael Humphreys

*[Signature]*

*19.01.2007*

Encl.:

1. Framework Agreement (incl. Annexes A & B)
2. Special Provisions (Annex C)
3. Visibility/Publicity (Annex D)

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**ANNEX C**

**TO THE FINANCING AGREEMENT  
FOR THE PHARE NATIONAL PROGRAMME  
FOR BULGARIA (PART II) IN 2006**

**1. OBJECTIVES AND DESCRIPTION**

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The Phare National Programme 2006 has been deployed according to the 6 overarching priorities that have been set for the MAP 2004-2006 as above mentioned.

For the part II it concentrates on 10 of the 12 objectives per sector:

<i>Objective 01</i>	<i>Political criteria</i>
<i>Objective 02</i>	<i>Internal market and economic criteria</i>
<i>Objective 03</i>	<i>Agriculture</i>
<i>Objective 04</i>	<i>Transport</i>
<i>Objective 05</i>	<i>Employment, social policy and education</i>
<i>Objective 06</i>	<i>Energy</i>
<i>Objective 07</i>	<i>Environment</i>
<i>Objective 08</i>	<i>Justice and home Affairs</i>
<i>Objective 09</i>	<i>Customs and Finance</i>
<i>Objective 10</i>	<i>Administrative reform and capacity, Unallocated IB Envelope</i>
<i>Objective 11</i>	<i>Economic and Social Cohesion</i>
<i>Objective 12</i>	<i>EC programmes and agencies, PPF</i>

Summary descriptions<sup>1</sup> of the individual projects grouped under the sectoral objectives are as follows hereafter.

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<sup>1</sup> Descriptions are indicative; some details may be changed

## **Objective 1: Political Criteria**

<b><i>BG 2006/018-343.01.01 : Deinstitutionalisation through provision of community based services for risk groups</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2004-2006 / Year 3</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 6.525 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>Ministry of Labour and Social Policy</i></b>

The aim of this project is to support the child welfare reform as well as the mental healthcare reform. The project envisages inter alia the creation and development of community-based services. This project is targeted on different categories of vulnerable people including children and families at risk, adult mentally disabled and elderly people and includes the selection of projects presented by the relevant institutions.

<b><i>BG 2006/018-343.01.02: Improvement of the situation and inclusion of the disadvantaged ethnic minorities with a special focus on Roma</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2004-2006 / Year 3</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 10.982 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

The aim of this project is to ensure systematic improvement of the situation of disadvantaged ethnic minorities with a special focus on Roma by implementing specific measures with regard to education, health and urbanization and establishment of institutional arrangements at all levels. It focuses on:

- improving access to integrated education and public infrastructure for disadvantaged ethnic minorities with a special focus on Roma;
- improving interactions between the disadvantaged ethnic minorities and central/local public administration and police structure;
- created conditions for social integration of young Roma through participation in higher education;
- improved material base of selected integrated kindergartens and schools with ethnically mixed classes;
- improved health status of Roma by performed preventive health care services, health promotion and education;
- improved disadvantaged ethnic minorities social integration by upgrading the existing public infrastructure and measures for legalising the constructions;
- and sustainable administrative capacity to manage, in the future, social cohesion projects.

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## **Objective 2: Internal market and economic criteria**

<b>BG 2006/018-343.02.01: Further development of the National Conformity assessment system and metrology infrastructure</b>	
<b><i>Duration / Phase</i></b>	<b><i>2005-2006 / Year 2</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 5.243 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

The Chapter 1 "Free movement of goods" includes "Legal metrology and pre-packaged products" and "New Approach Directives" which require efforts to be focused mainly on transposition and enforcement measures.

In this regards, the project aims at ensuring provision of adequate and reliable services to Bulgarian industry and relevant protection and safety of society by means of:

- Strengthening the administrative and technical capacity of the institutional infrastructure concerned with the national conformity assessment system, including fundamental and legal metrology institutions, national market surveillance and designating authorities and accreditation system with respect to the implementation of basic strategy documents, New Approach legislation and alignment with the EU practice;
- Exchange and provision of information in the field of conformity assessment by means of establishing a state-of-the-art information management system, serving the activities of the institutional units involved, including a national contact point for the economic operators offering services in electronic way.

<b>BG 2006/018-343.02.02: Establishment of Consulting Centres Network Within The System of the National Chamber of Skilled Crafts</b>	
<b><i>Duration / Phase</i></b>	<b><i>2006</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 1.075 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>Ministry of Economy and Energy</i></b>

This project aims at strengthening and developing the capacity of the Regional Chambers of Skilled Crafts (RCSC) and The National Chamber of Skilled Crafts (NCSC) to provide consultancy services. The creation of a Consultant Centre network will contribute to improving the competitiveness of the enterprises in the crafts sector. The consultant services provided by highly qualified experts will boost awareness and knowledge of the target group of entrepreneurs and craftsmen, therefore enhancing the potential of the human resources. The regional dimension of the project, laying the emphasis on an equilibrated distribution of the consultancy centres throughout the country will help overcome regional disparities in the crafts sector with regard to access to information and to highly qualified expert assistance.

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### Objective 3: Agriculture

<b><i>BG 2006/018-343.03.01: Improving the internal market control via variety testing and seed control, improvement of the phytosanitary control and biological testing, and bringing the animal waste processing system in Bulgaria in line with the EU requirements</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2004-2006 / Year 3</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 6.600 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

The aim of this project is to strengthen the capacity of the Ministry of Agriculture and Forestry (MAF) and its services to undertake the priorities for EU alignment and implement the reforms identified in the current Accession Partnership and the National Program for the adoption of the Acquis (NPAA).

This third phase will focus on the following activities:

- Construction of a processing plant for animal by-products not intended for human consumption meeting the EU requirements with one separate line for Category 3 material.
- Supply, installation and putting into operation of equipment for reception, processing and storage of Category 3 material (for processing and for intermediate plants).
- Supply and installation of cleaning and disinfection on equipment for trucks, premises, equipment and containers;
- Supply, installation and putting into operation of equipment for waste water treatment, purification and heat generation for the whole plant;
- Supply of specialized transport vehicles and transport containers.
- Construction of an intermediate plant (collection plant) for Category 1, Category 2 and Category 3 material.
- Performance of Engineer supervision services

<b><i>BG 2006/018-343.03.02: Approximation and implementation of the legislation - CAP and CFP mechanisms – and strengthening the administrative capacity of MAF to meet future responsibilities.</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2004-2006 / Year 3</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 0.965 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

The aim of this project is to develop implementation mechanisms based on harmonized laws and by-laws in the agricultural sector. It focuses on harmonising the legal framework in a participative manner; making the Common Market Organisations for grain operate as necessary; establishing an Inter-branch association of fruit and vegetable producers; making the Common Fishery Policy (CFP) operational; supervising Vine and Wine production qualitatively and quantitatively, improving milk and meat production and improving communication skills.

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This third phase is focused on the supply of equipment for milk laboratories.

<b><i>BG 2006/018-343.03.03: Equal participation of Bulgaria on the EU seed market based on improved and precise variety testing and quality control systems</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2006</i></b>
<b><i>Twinning</i></b>	<b><i>Yes -TW light</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 1.296 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

The aim of this project is to strengthen the administrative capacity of the Executive Agency on Variety Testing and Field Inspections (EAVTFICS) for variety testing and seed certification through training and supply of update equipment. This will ensure the reliability of the entire variety testing and certification process which on its part will guarantee the quality of seed and propagating material produced in Bulgaria. The results expected from the realisation of the new project for strengthening of the Agency's activities are the following:

- the Central Laboratory of EAVTFISC is equipped
- Regional Variety Testing and Seed Control Stations are equipped with basic machines and accessories
- DUS Department at Central Office of the EAVTFISC is equipped
- Experts from DUS and VCU Departments are trained in application of EU testing procedures

<b><i>BG 2006/018-343.03.04: Improvement of the plant protection control system and implementation of EU requirements related to phytosanitary control on quarantine organisms, biological testing, authorisation and control on plant protection product</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2006</i></b>
<b><i>Twinning</i></b>	<b><i>Yes - TW light</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 1.619 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

The aim of this project is to strengthen the capacity of the National Service for Plant Protection under the Ministry of Agriculture and Forestry (MAF) to implement EU requirements related to control the quarantine organisms, to implement Good Epidemiological Practice (GEP) based biological testing and authorization and control of the plant protection products, in order to limit the potential risk for human health, animal health, biodiversity conservation and environment for inappropriate usage of Plant Protection Products ( PPPs).

This will allow:

- effective control on quarantine organisms in compliance with EU requirements
- establishment of reliable Pest Risk Analyses for Quarantine Pests (PRAQP),
- Biological testing carried out in compliance with GEP standards
- Quality control on the application of the PPPs



<b>BG 2006/018-343.03.05: Improvement of the Control on the Feed Additives and of the Diagnostic and Laboratory System for Animal Health Control</b>	
<b>Duration / Phase</b>	<b>2006</b>
<b>Twinning</b>	<b>Yes - TW light</b>
<b>Phare budget</b>	<b>€ 1.100 M</b>
<b>Implementing Agency</b>	<b>CFCU</b>

This project aims to improve the control of feed and food additives and contaminants in fields of feed safety, food safety chain, environmental pollution and protection of customer's interests and improvement of veterinary public health and animal health status. This will be covered by two sub-projects:

- Support National Grain and Feed Service (NGFS) to practically implement the control (inspections and chemical analyses) of animal feeds in accordance with Regulation 882/2004, Regulation 1831/2003 and Regulation 183/2005.
- Increasing the diagnostic capacity of the Laboratory System for control of the feed and food safety in order to ensure the farm animal health status, protection against environmental pollution and veterinary public health safety.

#### **Objective 4: Transport**

<b>BG 2006/018-343.04.01: Improvement of the efficiency of the road transport control system</b>	
<b>Duration / Phase</b>	<b>2006</b>
<b>Twinning</b>	<b>N/A</b>
<b>Phare budget</b>	<b>€ 1.200 M</b>
<b>Implementing Agency</b>	<b>CFCU</b>

This aim of this project is to increase the level of the road safety, to improve the efficiency of the control in the area of road transport and the protection of the environment and ensuring the fair competition between transport operators. This project will notably provide the Executive Agency Road Transport Administration (BEARTA) with Web based Information system and appropriate technical equipment (mobile laboratories) for roadside checks and checks in the undertakings.

#### **Objective 5: Employment, social policy and education**

<b>BG 2006/018-343.05.01: Strengthening of the Capacity of the agency of disabled person in planning and implementing of the state policy for people with disabilities</b>	
<b>Duration / Phase</b>	<b>2006</b>
<b>Twinning</b>	<b>N/A</b>
<b>Phare budget</b>	<b>€ 1.375 M</b>
<b>Implementing Agency</b>	<b>Ministry of Labour and Social Policy</b>

To improve the elaboration and implementation of the state policy for integration of people with disabilities by enhancing the capacity of the Agency for disabled people in analysing, planning and implementing of the state policy for integration of people with disabilities, as well as in coordinating the joint actions of all interested institutions, non-governmental business and non-profit organizations, and in administrating the implementation process at national, regional and municipal level.

**Objective 6: Energy**

N/A

**Objective 7: Environment**

<b><i>BG 2006/018-343.06.01: Strengthening of administrative structures for radiation protection and safety use of ionizing in diagnostics and therapy</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2006</i></b>
<b><i>Twinning</i></b>	<b><i>Yes</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 2.950 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

This project aims at strengthening the administrative and institutional health care structures in Bulgaria in regard to the radiation protection, reduction of the radiation exposure of the public as required in the Basic Safety Standards Directive 96/29 EURATOM and with regard to health protection of individuals against the dangers of ionizing radiation in relation to Medical Exposures as required in the Medical Exposures Directive 97/43/EUROATOM, raising the level of the medical services and by this approaching a better quality of life. This will contribute to increasing the safety use of ionizing radiation for medical purposes and effectiveness of early cancer diagnostics and treatment, applying comprehensive QA policy in diagnostic radiology, nuclear medicine and radiotherapy and innovation and enhancing the activity of the Secondary Standard Dosimetry Laboratory in accordance to the EC requirements.

<b><i>BG 2006/018-343.06.02: Strengthening of the Capacity of the organisations responsible for environmental laboratory analyses</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2006</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 2.595 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

The overall objective of this project is to improve the quality of the environmental data notably by strengthening the capacity of the organizations responsible for environmental laboratory analyses, through the provision of laboratory equipment.

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<b>BG 2006/018-343.06.03: Strengthening of the surface water monitoring network</b>	
<b>Duration / Phase</b>	<b>2006</b>
<b>Twinning</b>	<b>Yes</b>
<b>Phare budget</b>	<b>€ 3.925 M</b>
<b>Implementing Agency</b>	<b>CFCU</b>

The aim is the strengthening of the national surface water monitoring systems ensuring that adequate monitoring is performed and the results are fed into the process of preparing and updating the Programme of measures and the River Basin Management Plans for all 4 River Basin Directorates in Bulgaria. This project will be implemented through a twinning and a supply component.

### **Objective 8: Justice and Home affairs**

<b>BG 2006/018-343.07.01: Support for further Implementation of the Strategy for Reform of Bulgarian Judiciary</b>	
<b>Duration / Phase</b>	<b>2006</b>
<b>Twinning</b>	<b>N/A</b>
<b>Phare budget</b>	<b>€ 6.900 M</b>
<b>Implementing Agency</b>	<b>CFCU</b>

The aim of this project is to develop the necessary administrative and judicial capacity to transpose, implement and enforce the *Acquis* and to accrue the benefits of an operational national network of effective and transparent information systems for the Judiciary.

This third phase focuses on the following sub-projects:

- “Support for Establishment of Security Infrastructure for the Judiciary and of Witness Protection System in penal proceedings”: improve the infrastructure and physical security of the judiciary, and to establish an effective Witness Protection System in penal proceedings.
- “Support of the Implementation of the Strategy for Reform of the Judiciary through Introduction of Judicial Information Technologies - Third Stage”: to strengthen the institutional capacity of Bulgarian judicial system through: elaboration and full implementation of modern judicial management Information Systems - Financial, Accounting, Human Resources, Inspectorate, Judiciary IT e-learning, Central electronic archive, International Penal and Civil Cooperation, and security; implementation of the concepts of e-Justice.

<b>BG 2006/018-343.07.02: Further Strengthening of Border Control and Management of the Future EU External Borders through Modernisation of Technical Equipment, Development of Centralised Information Systems and Introduction of EU Best Practices and Standards in the Field of Border Control</b>	
<b>Duration / Phase</b>	<b>2004-2006 / Year 3</b>
<b>Twinning</b>	<b>Yes</b>
<b>Phare budget</b>	<b>€ 10.800 M</b>
<b>Implementing Agency</b>	<b>CFCU</b>

The aim of this project, involving institution building and investment is efficient border control and management according to the requirements and standards of the EU for external borders guarding, improved border control results with respect to counteraction to cross-border organised crime, a change in the manner of work of border police officers and improved information infrastructure and communication environment for the needs of the border control and migration systems. The target of this third phase is the improvement of the technical equipment of the Bulgarian Border Police and development of the automated information system for border control in accordance with the additional EU requirements for border guarding of the external frontiers; implementation of air surveillance on the borders and achieving of complete readiness for implementation of compensatory measures in the border zone of the future internal EU borders.

<b><i>BG 2006/018-343.07.03: Modernising the Bulgarian Police and Enhancing its Efficiency</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2004-2006 / Year 3</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 2.300 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

The aim of this project is to eliminate the objective preconditions leading to human rights violation within the police practice by the means of improving the physical conditions of detention premises in District Police Directorates and police stations and by promoting better respect for human rights under police detention. This will include continuing the process of adaptation of the existing premises for detention based at the regional and local police units in compliance with the standards set by the European Committee for Prevention of Torture and the delivery of technical equipment for the functioning of the special home for foreigners in the territory of the town of Ljubimetz (near Bulgaria-Turkish border).

<b><i>BG 2006/018-343.07.04: Further strengthening of forensic capacity for inspections of crime scenes</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2006</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€1.250 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

This project aims at strengthening the Bulgarian forensic police and enhancing its capacity for collection of evidence on the crime scene, their preservation, and preliminary valuation and opportunely using in the operational activity. This includes the introduction of new technical equipment for collecting of evidence, the quality improvement of the photographs and the video films from the crime scene, as well as a system for their storage, the training of the forensic specialists.

<b><i>BG 2006/018-343.07.05: Improving of the standards and practicing of policing at local level in Bulgaria and enhancing the quality of its management.</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2006</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€1.500 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

The aim of this project is to enhance the capacity and modernise the Bulgarian Police by development & introduction of best-practices compliant with national standards of policing at local level (the level of the District Police Unit) and further implementation of the community-policing model at this level based on the best European practices in community policing.

<b><i>BG 2006/018-343.07.06: Establishment and strengthening of a national system for support of crime victims</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2006</i></b>
<b><i>Twinning</i></b>	<b><i>Yes</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 2.000 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

The purpose of the project is the establishment and Strengthening of a National System for Support of Crime Victims. Based on the experience of leading Member States in public compensation of victims of violent crimes and other practice of supporting victims, a complete system of the required documents, proceedings and main document carriers of information of the Central body and its local units will be elaborated. The training of the staff will be ensured through the elaboration of an educational system for training of the Central Body and its units' officials and implemented effective training based on the Member states experience for work and support of victims of crimes and administrating their compensation. A component of the project is targeted on communication to inform the public for victims' rights, specially the right of compensation in some of the cases, as well as the order and ways of applying for such compensation. Leaflets and other materials will be published and a web-page will be created, as well as a public awareness campaign. IT systems will be implemented as well in the relevant units dealing with this issue.

<b><i>BG 2006/018-343.07.07: Improvement of the operative capacity of the Bulgarian Border police staff</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2006</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€3.645 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

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This project is targeted on the improvement of the effectiveness of the activities of the Bulgarian Border Police staff so as to the complete implementation of the Schengen standards in the field of border management. This includes the improvement of the specialized personal equipments of the border police staff aiming to increase its capacity for border checks and surveillance in the open air and counteracting the terrorism and smuggling on sea/river

<b><i>BG 2006/018-343.07.08: Building up of digital radio-communication system, incorporating in the common system (112) intended for emergency calls response of structural units of National Fire Safety and Civil Protection Service along the roads of European infrastructural corridors.</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2006</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 5.250 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

This project is targeted on the building-up of a digital radio communication system, approved by the European Telecommunication Standardization Institute (ETSI), with the purpose of achieving of common European standard of public safety and security services. This system operates in frequency band 380 – 400 MHz. It will be included in a future common system (112) intended for emergency calls response in the Republic of Bulgaria along the roads of European infrastructural corridors.

<b><i>BG 2006/018-343.07.09: Strengthening the sustainability and the role of the probation service.</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2006</i></b>
<b><i>Twinning</i></b>	<b><i>Yes</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 1.65 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

To support the full establishment and sustainable implementation of probation policy in Bulgaria in line with the best European practices. This project will notably contribute to building capacity for the continual professional training and development of staff and developing a range of effective interventions with offenders to meet identified need and address diversity, the implementation of a flexible probation system. Technical equipment and IT communication systems for the probation service will be provided.

#### **Objective 9: Customs and Finance**

<b><i>BG 2006/018-343.08.01: Strengthening of the customs control on the future EU external borders and in the area of the Common Agricultural Policy (CAP)</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2004-2006 / Year 3</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 3.187 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

The aim of this project is improvement of the customs control efficiency at the future EU external borders and enhancement of the administrative capacity of the customs for the future implementation of the CAP. It focuses on enhancement of the operational and administrative capacity of the customs control and modernization of the specialised technical equipment; and assistance to the Bulgarian Customs Administration (BCA) in the process of adoption of the European customs legislation and practices in the field of the CAP.

<b><i>BG 2006/018-343.08.02: Further Development of the process of the Bulgarian Customs Administration Computerisation and Development of a National System for Administering the Excise Duty Entirely by the Customs Administration</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2004-2006 / Year 3</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 3.450 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

The aim of this project is the computerisation of the customs business at the national level in line with the targets identified in the BCA Strategic documents in order to meet the accession criteria in accordance with the acquis and implementation of the acquis in the field of excise duties and automation of the activities related to administering the excise duties.

This third phase is focused on the “Extension of the Excise management system (EMS.1)” including “Supply of equipment for the EMS IT infrastructure”.

<b><i>BG 2006/018-343.08.03: Alignment with the Acquis on Taxation and Strengthening of the Administrative Capacity of the Revenue Administration</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2004-2006 / Year 3</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 3.307 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

The aim of this project, is creating a business friendly environment in the country, clear and efficient revenue collection and administration through harmonisation of Bulgarian tax legislation with the acquis and strengthening the administrative capacity of revenue administration in the process of accession to the European Union. This third phase is focused on the acquisition and implementation of an electronic archive management system and its integration with the information system of NRA so as to improve its data entry and data processing capacity, development of system software application for organisation efficiency assessment, supply of software for e-audits and tax fraud investigation.

<b><i>BG 2006/018-343.08.04: Sustainable development of the National Statistical System</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2006</i></b>
<b><i>Twinning</i></b>	<b><i>Yes</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 2.310 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

The Project aims to fully integration of the National Statistical System (NSS) into the European Statistical System (ESS) .In this second phase, the further development of the National Statistical System will be ensured by:

- Reorganization of the NSI regional structure in order to strengthen the administrative capacity and in connection with the absorption of the Structural Funds
- Adjust the capacities of the RSOs and NSI to produce these data
- Statistical Data production according to the new aligned NSI regional structure in connection with the absorption of the Structural Funds

<b><i>BG 2006/018-343.08.05: Improvement of the coordination, management and implementation mechanisms of EU Structural Instruments in Bulgaria</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2006</i></b>
<b><i>Twinning</i></b>	<b><i>Yes</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 2.000 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

The aim of this project is to fine-tune the systems and schemes for better management, monitoring and control of the Structural Funds in Bulgaria and strengthening the capacity of the Central Coordination Unit, the Managing Authorities, the intermediate Bodies and final beneficiaries involved in EU Cohesion policy application in Bulgaria

<b><i>BG 2006/018-343.08.06: Computerisation of the Bulgarian National Custom Administration in line with the EU legislative developments in the area of electronic customs</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2006</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 2.625 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

This project will contribute to the computerisation of the customs business in line with the EU standards and BCA requirements for realisation of simple and paperless environment for customs and trade and implementation of the security management model for the EU external borders. More specifically, a software solution will be provided that will allow international exchange of data on pre-arrival summary and customs declarations, pre-departure summary declarations, economic operators and risk management in order to improve the effectiveness of controls against fraud, to expedite the flow of goods and to contribute to better supply chain security through interoperability with the Member States' electronic clearance systems.

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## **Objective 10: Administrative Reform and Capacity**

<b><i>BG 2006/018-343.09.01: Strengthening the Capacity of the Anti-Corruption Commission to Counteract Corruption in Public Administration and Judiciary</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2004-2006 / Year 3</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 2.075 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

The aim of this project is to strengthen the capacity of the Anti Corruption Commission (ACC) and the internal control body of the Supreme Judicial Council (the Commission for fight against corruption in the Judiciary) to curb the corruption in the administration and the Judiciary. The project aims to support the Commission for enhance combating corruption, in law enforcement bodies by developing a corrupt practices prevention programme as well as a code of ethics for officials in Ministry of Interior and target ministries, and providing specialized training and equipment, including an information system, to the officials who are directly involved in countering corruption

<b><i>BG 2006/018-343.09.02: Improving quality service delivery at the medium and small municipalities</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2006</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 2.450 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

The aim of this project is to develop efficient, transparent, modern and high quality administrative services provided at local level by:

- Increased levels of development in the administrative service delivery
- Customers relationship concept, including feedback system, developed and implemented in the local administrations
- Developed and piloted mechanisms for stakeholders involvement in the process of improving administrative service delivery
- Upgraded front-offices layout and improved working conditions

<b><i>BG 2006/018-343.09.03: Unallocated Institution Building Envelope (second part)</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2006</i></b>
<b><i>Twinning</i></b>	<b><i>Yes</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 2.0 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

This facility, will provide Institution Building support through assistance (twinning, twinning light, or other form of technical assistance) to meet the requirements related to specific, urgent and unforeseen needs identified. In particular this facility may help to strengthen the implementation of *Acquis* in particular areas where assistance is still necessary; strengthen the institutional and operational capacity of public administration bodies, develop human resources

of public administration institutions relevant for the implementation of the EU *Acquis*; facilitate public administration reform and develop the institutions involved in current and future management of EC funds, and in the protection of these funds against fraud, other irregularities and corruption. The use of this envelope has to be approved by the Commission.

<b><i>BG 2006/018-343.09.04: Strengthening the capacity of the Bulgarian government structures for monitoring and analysing major policy issues and designing coherent strategic solutions</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2006</i></b>
<b><i>Twinning</i></b>	<b><i>Yes</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 1.5 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>CFCU</i></b>

The aim of this project is to strengthen the policy management and decision-making capacity of the Government of Bulgaria, leading to more predictable and better coordinated policies. This will contribute to improve the capacity of the Council of Ministers administration for:

- providing comprehensive strategic advice, and logistic support to the decision-making process in the Government;
- monitoring the implementation of the priorities in the Government Programme;
- guidance and coordination of policy development at central and regional level.

This will contribute as well to establish effective feedback from the regional administrations regarding the impact of the national policies on the development of the regions.

### **Objective 11: Economic and Social Cohesion**

<b><i>BG 2006/018-343.10.01: Human Resources Development and promotion of employment</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2004-2006 / Year 3</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 10.525 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>Ministry of Labour and Social Policy</i></b>

The aim of this project, involving notably a grant scheme is to advance Bulgaria's labour market transformation and to make progress in adapting the employment system so as to be able to implement the European Employment Strategy and to prepare for accession to the EU. It focuses on:

- the development of an effective system of labour market needs analysis and the promotion of more effective active labour market policies;
- the development and implementation of an effective strategy and framework for life long learning incorporating reform of the VET system (IVET and CVT) as well as further implementation of the adult learning strategy.

<b><i>BG 2006/018-343.10.02: Fostering the development of regional tourism potential through upgrade of the related infrastructures</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2005-2006 / Year 2</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 8.880 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>Ministry of Regional Development and Public Works</i></b>

This project aims at reducing regional disparities and achieving sustainable regional growth through enhancing the potential of the tourism sector and providing business opportunities and higher incomes to local population.

It focuses on increasing the investment attractiveness in areas with tourism potential through improving their accessibility (road network) and water supply and sewage networks. Preference will be given to projects focused in areas, which clearly demonstrate a high tourism potential and with a clearly justified need for development support in both areas of roads and water supply/sewerage. In this respect proposals including targeted integrated interventions in both areas, will be preferably encouraged.

<b><i>BG 2006/018-343.10.03: Industrial zones development</i></b>	
<b><i>Duration / Phase</i></b>	<b><i>2005-2006 / Year 2</i></b>
<b><i>Twinning</i></b>	<b><i>N/A</i></b>
<b><i>Phare budget</i></b>	<b><i>€ 13.500 M</i></b>
<b><i>Implementing Agency</i></b>	<b><i>Ministry of Regional Development and Public Works</i></b>

This project aims to improve the infrastructure of industrial zones, business parks and locations and establish efficient conditions for attracting new investments, thus increasing the economic development potential. This will include notably:

- Technical and procurement documentation for the selected sites elaborated;
- Accessibility to industrial locations improved
- Related technical infrastructure of industrial locations and sites developed
- Technical business facilities provided
- Basic conditions for attracting new investors and creating job opportunities established
- Supervision of works activities in the industrial locations provided

### **Objective 12: Other programmes**

N/A

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## Lessons Learned

Experience with the implementation of Phare programmes in previous years and evaluation have led to a number of general lessons being learned. These lessons have been developed in the Country Interim Evaluation Review released in March 2004 and recommendations have been made according to the key lessons learned and taken into account. Moreover, the Country Summary Report released in December 2005 has provided a list of recommendations, discussed with the Bulgarian authorities during the Joint Monitoring Committee (JMC) in December 2005 in Sofia.

The following agreements have been reached on the Recommendations made (R):

*R1: Bodies responsible for the implementation of works projects (Roads Executive Agency and Ministry for Regional Development and Public Works) should contract out the update of the technical designs for upcoming Phare projects once it is known that they will be included in the proposal for financing to the EC for the next Annual Programme. Likewise, land acquisition for such Phare projects, where necessary, should commence at this stage and not wait for the signing of the FM*

Recommendation should apply to all IAs and PIUs that are responsible for works projects.  
Improvements have been initiated under projects covered by 2004 & 2005 FMs with the efficient utilisation of funds provided by Project Preparation Facilities (PPF)

*R2: The CFCU, in conjunction with the Bulgarian beneficiary, should ensure that the contracting process for the procurement of the Resident Twinning Adviser's office equipment is complete ahead of his/her arrival.*

CFCU has prepared & disseminated detailed specific instructions to all TW beneficiaries

*R3: Phare ESC grant schemes likely to be implemented after Bulgaria's accession to the EU should be monitored on a regular and frequent basis to ensure the absorption of allocated funds is not being detrimentally affected by the availability of assistance under Structural Funds measures.*

SF measures will start immediately after accession but the implementation of the first grant schemes funded under SF will begin not earlier than 2008. This will reduce the risk of overlap with the GS funded under Phare 2004 and 2005. It should be noted that the recommendation is particularly relevant to programming Phare 2006 and taken into consideration for programming.

*R4: Co-ordination of Phare and other non-EU Funds should be brought under the control of the management of EU Funds Directorate at the Ministry of Finance*

Changes to the system proposed in the meantime should help improve co-ordination within the Bulgarian administration.

*R5: The role and scope of the Sectoral Monitoring Sub-Committees (SMSCs) for Phare should be strengthened and targeted on resolution of sector-specific issues and formulation and adoption of corrective actions.*

The twinning project of MEUFD on monitoring and evaluation has the objective to revise the templates of the monitoring reports and propose changes that would make them more useful to all stakeholders.

In addition, the decision to have JMCs every 6 months allows swift reactions following problems identified in SMSCs meeting. But in cases of urgent actions needed written procedures for recommendation of JMC/SMSC had been agreed.

*R6: Bodies responsible for the management of grant schemes should consider ways to improve monitoring project effectiveness and integrate lessons learned into the design of the future schemes (with a particular view to their deployment under Structural Funds)*

The monitoring system is in place and is implemented with the active participation of the regional structures of the PIUs and the IAs. The duties and the responsibilities of the different institutions are described in the MoU and formalized in the internal rules and procedures for operational and financial monitoring. In some of the cases monitoring information systems are established.

The EC Delegation has contracted independent monitoring and evaluation of grant schemes financed under 2003 & 2004 FMs on a sample basis, and will share the outputs with the BG side.

*R7: A formal structure for quality control of programming, particularly for project fiches(PFs) , is needed*

At the level of the Bulgarian authorities, a formal structure for quality control exists through the implementation of the following mechanism:

- i) Sector coordinators perform preliminary assessment of PFs
- ii) experts from the programming sectors within “Coordination of Projects and Programmes” Department at MEUFD control and assess PF's quality
- iii) working meetings with Sector Co-ordinators are organized
- iv) guidance is provided and guidelines submitted to all potential beneficiaries.

The EC confirmed that the following methodology for quality control is in force:

- i) Stage1 - Preliminary assessment of Log Frame Matrix,
- ii) Stage 2 - Detailed Assessment of Project Fiches,
- iii) Stage 3 – fine-tuning of the project fiches
- iv) Stage 4 – comprehensive EC internal consultations.

*R8: The Ministry of Finance should ensure that gaps in Bulgaria's obligations to meet the requirements of the Acquis are addressed through instruments immediately at its disposal, for example the Phare 2005 Unallocated IB Envelope (UIBE).*

The use of the UIBE in 2004 and 2005 has been accelerated to timely address the remaining needs. For more urgent needs assistance is secured through the annually approved Plan of the Council for European Integration as well as through projects financed by the national budget.

*R9: The Management of EU Funds Directorate (Ministry of Finance) should develop a training programme for first-time beneficiaries on the process of preparing and implementing projects.*

Training sessions were carried out in 2006. In addition the NAC Services have disseminated to project beneficiaries detailed information on:

- i) the documents and Guidelines for Phare programming and implementation
- ii) the existing opportunities for training on project management provided by the Institute on Public Administration and European Integration and other training organisations.

Moreover, a careful follow-up of the implementation of projects by the means of Monthly meetings is carried by the ECD and updated procurement plans of projects 2004 and 2005 have been provided early this year by the Bulgarian authorities to the Commission. This allows to identify in advance risks of delays and to take remedial actions. More specific lessons relating to individual sectors have also been learned and are reflected in the design of individual projects.

### **Overall programme conditionalities**

Before the Financing Agreement between the Commission and the Government of Bulgaria is signed, the National Aid Coordinator will satisfy the Commission that adequate steps have been taken to staff and resource adequately the National Fund, CFCU, Ministry of Regional Development and Public Works, other Implementing Agencies and project management units involved in implementing this programme.

Before the Financing Agreement between the Commission and the Government of Bulgaria is signed, the National Aid Coordinator will confirm the availability of the national co-financing indicated in each project fiche, and the modalities for combining Phare and national co-financing when projects are contracted.

Any project involving the supply of equipment and works requires national co-financing as shown in the relevant project fiche. In addition, all operational and running costs and the maintenance of the equipment will be provided by the final beneficiaries.

If the total cost of equipment or works is less than the amount envisaged in the fiche, the amount of Phare support will be reduced to maintain unchanged the relative proportions of Phare support and national co-financing shown in the fiche. If the total cost is greater than the amount envisaged in the fiche, the extra support required will be provided by additional national co-financing.

Before the Financing Agreement between the Commission and the Government of Bulgaria is signed, the National Aid Coordinator will satisfy the Commission that draft twinning contract, terms of reference and technical specifications have been prepared, as appropriate, to allow each project to be launched immediately.

For any project delivered partly or wholly by twinning, a draft twinning contract shall be presented to the Commission Delegation for approval within three months of notification of selection of the twinning partner. If no draft contract is presented within this period, the Commission may re-circulate the project to Member States for selection of a new twinning partner, tender the project for commercial technical assistance, or cancel the project.

Projects to be implemented through twinning or twinning light require the full commitment and participation of the senior management of the beneficiary institution. In addition to providing the twinning partner with adequate staff and other resources to operate effectively, the senior management must be fully involved in the development

and implementation of the policies and institutional change required to deliver the project results.

For projects involving more than one Bulgarian Ministry or agency, the National Aid Co-ordinator will ensure that effective mechanisms for co-operation and co-ordination between such Ministries or agencies are in place. The National Aid Co-ordinator will undertake thorough reviews of progress on implementation of the projects listed at least every three months from the time the Financing Agreement is signed until the final date for contracting.

If these reviews indicate that by the first quarter of the final year for contracting (2008 unless otherwise specified) there is a high risk of a project or component of a project not being contracted, the Commission reserves the right to take remedial action including, if necessary, reallocating funds to other purposes or cancelling projects or components thereof.

Further project-specific conditionalities are described in each project fiche



## 2. BUDGET

### 2.1. Budget Table for 2006

No.	OBJECTIVE	Phare support			Co-financing		TOTAL
		IB	INV	Total Phare (in €M)	Other sources (**)	National public fund (*)	
01	Political criteria	2.850	14.657	17.507		4.887	22.394
02	Internal market and economic criteria	1.795	4.523	6.318		1.508	7.826
03	Agriculture	0.550	11.030	11.580		3.677	15.257
04	Transport	0.405	0.795	1.200		0.400	1.600
05	Employment, social policy and education	1.000	0.375	1.375		0.125	1.500
07	Environment	1.400	8.070	9.470		2.690	12.160
08	Justice and Home affairs	4.250	31.045	35.295		10.350	45.645
09	Customs and Finance	3.800	13.079	16.879		4.361	21.24
10	Administrative reform and capacity	7.500	0.525	8.025		0.175	8.200
11	Economic and Social cohesion	4.225	28.680	32.905		10.685	43.590
	<b>TOTAL</b>	<b>27.775</b>	<b>112.779</b>	<b>140.554</b>	<b>0</b>	<b>38.858</b>	<b>179.412</b>

(The distribution of figures between the budget lines is indicative within the limits of Art. 5 MoUNF)

(\*) Contribution from national, regional, local, municipal authorities, FIs loans to public entities, funds from public enterprises.

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

### 2.2. Principle of Co-Financing

In accordance with the Phare Guidelines, all investment projects supported by Phare must receive co-financing from national public funds.

The Community contribution may amount to up to 75% of the total eligible public expenditure. Taxes are not an element eligible for co-financing.



Co-financing for Institution Building projects is provided by the Beneficiary Country bearing certain infrastructure and operational implementation costs, through financing the human and other resources required for effective and efficient absorption of Phare assistance.

### **3. IMPLEMENTING AGENCIES**

Implementing Agencies will be responsible for sub-programmes as follows:

The Central Finance and Contracting Unit (CFCU) of the Ministry of Finance will be the Implementing Agency for all programmes and sub-programmes, except for projects BG2006/018-343.01.01, BG2006/018-343.05.01 and BG2006/018-343.10.01 for which the Implementing Agency is the Ministry of Labour and Social policy, for project BG2006/018- 343.02.02 for which the Implementing Agency is the Ministry of Economy and Energy and for projects BG2006/018-343.10.02 and 10.03 for which the Implementing Agency is the Ministry of Regional Development and Public Works.

### **4. IMPLEMENTATION ARRANGEMENTS**

#### **4.1. Method of Implementation**

Implementation of the programme will follow Art. 53 (1) b (second alternative) of the Financial Regulation<sup>2</sup>. The Beneficiary Country will continue to ensure that the conditions laid down in Art. 164 (1) (a) - (e) of the Financial Regulation are respected at all times.

Until the accreditation of Implementing Agencies foreseen by Art. 12 (2) of Regulation 1266/1999<sup>3</sup>, project selection, tendering and contracting by the Beneficiary Country will be subject to ex-ante approval by the Commission.

#### **4.2. General rules for Procurement**

Procurement shall follow the provisions of Part 2, Title IV of the Financial Regulation and Chapter 3 of Part 2, Title III of its Implementing Rules<sup>4</sup>, as well as the rules and procedures for service, supply and works contracts financed from the general budget of the European Communities for the purposes of cooperation with third countries adopted by the Commission on 24 January 2006 (C(2006)117).

The Contracting Authorities shall also use the procedural guidelines and standard templates and models facilitating the application of the above rules provided for in the "Practical Guide to contract procedures for EC external actions" (PRAG) as published on the EuropeAid website<sup>5</sup> at the date of the initiation of the procurement or grant award procedure.

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<sup>2</sup> Council Regulation (EC, Euratom) 1605/2002 of 25 June 2002; OJ L 248; 16.9.2002; p. 1

<sup>3</sup> Council Regulation (EC) 1266/1999 of 21 June 1999; OJ L 161; 26.6.1999; p. 68

<sup>4</sup> Commission Regulation (EC; Euratom) 2342/2002 of 23. December 2002; OJ L 357; 31.12.2002; p.1 as amended by Commission Regulation (EC, EURATOM) 1261/2005 of 20 July 2005. OJ L 201, 02.08.2005 p 3

<sup>5</sup> current address: [http://ec.europa.eu/comm/europeaid/tender/gestion/index\\_en.htm](http://ec.europa.eu/comm/europeaid/tender/gestion/index_en.htm)

### 4.3. Grant Schemes

For grant schemes the precise implementation arrangements will be specified in the relevant project fiches in line with the following principles:

The procedures and formats to be used in the implementation of the schemes and award of the grants will follow the procurement rules for External Actions. In particular, due care will be given to the selection process of the projects. Grants will be awarded in conformity with the provisions of chapter 6 of the Practical Guide, and following the principles of Phare decentralised management. Prior to EDIS accreditation, the ex-ante approval of the Commission Delegation in Bulgaria will be required.

The competent PAO for the programme under which the grant scheme is financed has to retain his/her contractual and financial responsibility for the implementation of the schemes. In particular, the PAO has to formally approve the call for proposals, application forms, evaluation criteria, as well as the selection process and results. The PAO also has to sign the grant agreements with the beneficiaries and to ensure adequate monitoring and financial control under his/her authority and responsibility. With this reservation, the management can be decentralised from the PAO to the appropriate bodies at sectoral or regional level.

The implementation of selected projects through provision of works, supplies and services, which are sub-contracted by the final beneficiaries of the individual grants, shall be subject to the procurement rules for External Actions at the time of implementation. Following a positive assessment of the Implementing Agency's capacity to operationally and financially manage the schemes in a sound and efficient manner<sup>6</sup>, the Commission Delegation may decide to waive its ex-ante approval of sub-contracting carried out by the final beneficiaries of the individual grants. The detailed provisions governing the role of the Delegation in the above-mentioned sub-contracting phase will be specified, as appropriate, in the Exchange of Letters between the Delegation and the national authorities following the above-mentioned assessment exercise.

Grant schemes will not involve projects for which the Phare contribution is below € 50 000 or above € 2 million. This lower limit may be waived as a result of the above-mentioned assessment of the Implementing Agency's capacity of giving assurance of sound financial management. The lower limit is not applicable in the case of NGOs.

The financial commitments in Phare terms will take effect at the date of signature of the grant agreements by the competent PAO. The projects should be fully implemented before the expiry date for contract execution of the corresponding Financing Agreement.

### 4.4. Implementation Principles for Twinning Projects

Twinning projects are set up in the format of a grant contract (twinning contract) whereby the selected Member State administration agrees to provide the requested public sector expertise (including the long term secondment of an official assigned to provide full time counsel to the beneficiary administration as Resident Twinning Advisor) against the reimbursement of the expenses thus incurred. This twinning contract is in line with the provisions of Article 27 of the Financial Regulation and of Part One, Title VI on grants of the Financial Regulation and its Implementing rules.

Further to the provisions of Article 160, first paragraph of the aforementioned Implementing Rules, the Contracting authority shall use the rules and proceedings set out in the regularly updated Twinning Manual (which includes a system of fixed rates and prices for the

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<sup>6</sup> see section 11 and Annex 4 of the 2004 Phare Programming Guide



reimbursement of the provided public sector expertise by the selected Member state administration for launching, selection, implementation and closing of twinning projects.

The twinning manual is available on the Website of DG ELARG at the following address: <http://europa.eu.int/comm/enlargement/pas/twinning/index.htm>.

## 5. MANAGEMENT OF ASSISTANCE

### 5.1. Project Management

#### 5.1.1. Responsibilities

The National Aid Co-ordinator (NAC) will have overall responsibility for programming and monitoring of Phare programmes.

The National Authorising Officer (NAO) and the NAC shall be jointly responsible for the co-ordination between Phare, ISPA and SAPARD, as well as the Structural and Cohesion Funds.

The NAO and the Project Authorising Officer (PAO) will ensure that the programmes are implemented in line with the procedures laid down in the instructions of the Commission. They will also ensure that all contracts required to implement the Financing Agreement are awarded using the procedures and standard documents for External Actions in force at the time of implementation, and that EU state aid rules are respected.

#### 5.1.2. Project Size

All projects will be greater than 2 M €. Nonetheless, in accordance with the Phare Guidelines, some specific objectives may require smaller projects such as:

- a) projects focused primarily on institution building where the Bulgarian Ministry/agency concerned has limited absorptive capacity and cannot utilise as much as € 2 million
- b) projects constituting part of a wider multi-annual project where the total value of the multi-annual project is greater than € 2 million.
- c) projects considered as very relevant even if the usual financial threshold is not formally reached

#### 5.1.3. Deadline for contracting and execution of contracts, programming deadline

(1) All contracts must be concluded by no later than November 30, 2008.

- (2) All contracts must be executed by no later than November 30, 2009.

In no case can the contracting period for projects implemented under this programme exceed three years after the date of the global commitment (Art. 166 (2) FR). Budgetary commitments which have not given rise to payments during three years counted from the date of the legal commitment will be de-committed (Art. 77 (3) FR).

(3) Under DIS, a complete tender dossier must be submitted to the Delegation for approval by no later than 6 months after the signature of the Financing Agreement. In case of non-compliance, the Beneficiary Country will inform the JMC, which may recommend

reallocation or cancellation of funds in accordance with Art. 5 of the MoU on the National Fund.

#### *5.1.4. Environmental Impact Assessment and Nature Conservation*

The procedures for environmental impact assessment as set down in the EIA-directive<sup>7</sup> are fully applicable for all investment projects under Phare. If the EIA-directive has not yet been fully transposed, the procedures should be similar to the ones established in the above-mentioned directive. If a project would fall within the scope of annex 1 or annex 2 of the EIA-directive, the carrying out of the EIA-procedure must be documented<sup>8</sup>.

If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art. 6 of the Habitats-directive must be documented<sup>9</sup>.

All investments shall be carried out in compliance with the relevant community environmental legislation. The project fiches will contain specific clauses on compliance with the relevant EU-legislation in the field of the environment according to the type of activity carried out under each investment project.

## **5.2. Financial Management**

### *5.2.1. Principles and Responsibilities*

The National Fund in the Ministry of Finance, headed by the NAO, will supervise the financial management of the programme, and will be responsible for reporting to the European Commission. The NAO shall have the overall responsibility for financial management of the Phare funds, and the full accountability for the Phare funds of a programme until the closure of that programme.

The NAO shall ensure that the Phare rules, regulations and procedures pertaining to reporting and financial management are respected, and that a reporting and project information system is functioning.

The Commission will make payments to the NF in accordance with the Memorandum of Understanding signed between the Commission and the Republic of Bulgaria in December 1998.

Payments will be made following requests from the NAO onto a separate bank account, denominated in €, which will be opened and managed by the National Fund in the central bank or in a Government guaranteed bank. In principle, all bank accounts will be interest bearing.

According to Articles 3 & 4 of the implementing rules of the Financial Regulation accrued interest is the property of the Beneficiary Country. The NAO must however ensure that the accrued interest is actually registered in its entirety as revenue in the national budget. Furthermore the NAO will ensure a regular reporting of the interest via Perseus.

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<sup>7</sup> DIR 85/337/EEC; OJ L 175/40; 5.7.1985, as amended

<sup>8</sup> in Annex EIA to the corresponding investment project fiche.

<sup>9</sup> in Annex Nature Conservation to the corresponding investment project fiche

### 5.2.2. *Payments to the National Fund*

A first payment<sup>10</sup> of up to 20% of the funds to be managed locally, will be sent to the NF following signature of the Financing Agreement and the Implementing Agreements between the NF and the Implementing Agencies (IAs)/Central Finance and Contracts Unit (CFCU). Furthermore, the NAO must submit to the Commission the designation of the PAOs and a description of the system put in place, highlighting the flow of information between the NF and the IA/CFCU and the manner in which the payment function between them will be carried out.

Two further payments<sup>11</sup> of up to 30% of the funds to be managed locally will be made. The second payment will be triggered when 5 % of the total budget in force has been disbursed by the IAs and the CFCU. The third payment may be requested when 35% of the total budget in force has been disbursed.

A final fourth payment will be made when 70 % of the total budget in force has been disbursed and all contracts have been signed.

Exceptionally the NAO may request more than the percentage agreed where it can be demonstrated by a cash-flow projection that the cash-flow requirements in the subsequent period will exceed such percentage. In cases where the aggregate of the funds deposited in the NF, CFCU and IAs accounts exceeds 15% of the total budget in force for the programme the Commission may exceptionally authorise a payment, if the NAO provides duly substantiated evidence that contractual obligations cannot be met with the funds available.

### 5.2.3. *Payments from the National Fund to the Implementing Agency*

The National Fund will make payments to IAs, including the CFCU, in accordance with Implementing Agreements signed between the NF and the IAs/CFCUs. Bank accounts for sub-programmes shall be opened in the name of the relevant Implementing Agency/CFCU in charge of financial management of the sub-programme in line with Art. 13 of the MoU on the National Fund.

As long as implementation follows DIS, each individual Implementing Agreement must be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the CFCU/IA there will be no payments from the NF to the CFCU. The CFCU and the IAs must each be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all operations carried out by the relevant CFCU/IA.

### 5.2.4. *Payments to the National Fund for Participation in Community Programmes and Agencies*

Non applicable.

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<sup>10</sup> representing pre-financing as defined in Art. 105 (1) of the Implementing Rules to the Financial Regulation

<sup>11</sup> representing interim payments or the renewal of pre-financing as defined in Art. 105 (1) of the Implementing Rules to the Financial Regulation

### 5.2.5. *Payments in Case of Contractual Retention Clauses*

For those contracts with contractual retention clauses (e.g. funds retained for a warranty period), the Implementing Agency assumes full responsibility for managing the funds until final payment is due, as well as for ensuring that the said funds will only be used to make payments related to the retention clauses.

The IA further assumes full responsibility towards the contractors for fulfilling the obligations related to the retention clauses. Funds not paid out to the contractors after final payments have been settled shall be reimbursed to the Commission.

### 5.2.6. *Closure of Expenditure and Clearance of Accounts*

No later than sixteen months after the end of execution of contracts, the NF will submit a final declaration of expenditure and a final technical progress report covering both PHARE support and co-financing and an attestation regarding the regularity, accuracy and veracity of the accounts transmitted. The final certified expenditure should at this point equal the original value of the contracts minus any deductions and savings agreed with contractors in the course of implementation. This should also equal payments made plus any sums outstanding on account of contractual retention.

If the payments received from the Commission exceed the final certified expenditure, the NF shall return the excess to the Commission at the time of submitting the final declaration. If there are any outstanding payments (with the exception of contractual retention funds), the NF should provide an explanation and a forecast when payment will be finalised. The NF shall report on progress on contractual retention funds and outstanding payments on a quarterly basis. If they are not paid to the contractor, they shall be returned to the Commission.

After evaluation of the final declaration, the Commission will state its view on any expenditure to be excluded from Community funding, where it finds that expenditure has not been executed in compliance with Community rules.

The results of the Commission's checks and its conclusions to exclude expenditure from financing will be notified in writing to the NF, which shall be given one month to transmit its reply in writing.

If no agreement is reached within one month of receipt of the NF's written reply, the Commission shall decide and establish the amounts to be excluded, having regard in particular to the degree of non-compliance found, the nature and gravity of the infringement as well as the financial loss suffered by the Community.

Following the decision about amounts to be excluded, all ineligible expenditure will be recovered without prejudice to the treatment of irregularities and subsequent financial corrections stipulated below.

The funds will be recovered either by direct reimbursement from the NF or by compensation in accordance with Community rules.

## 6. MONITORING AND EVALUATION

Project implementation will be monitored through the Joint Monitoring Committee (JMC). It includes the NAO, the NAC and the Commission services. The JMC will meet at least once a year to review all Phare funded programmes in order to assess their progress towards meeting the objectives set out in the Financing Agreements and the Accession Partnership. The JMC may recommend a change of priorities and/or reallocation of Phare

funds. Furthermore, the JMC will review the progress of all pre-accession EU-funded assistance programmes once a year (Phare, ISPA, SAPARD).

For the Phare programme, the JMC will be assisted by Sectoral Monitoring Sub-Committees (SMSC), which will include the NAC, the PAO of each Implementing Agency (and the CFCU where applicable) and the Commission Services. The SMSC will review in detail the progress of each programme, including its components and contracts, assembled by the JMC into suitable monitoring sectors. Each sector will be supervised by one SMSC on the basis of regular monitoring reports produced by the Implementing Agency, and interim evaluations undertaken by independent evaluators. The SMSC will put forward recommendations on aspects of management and design, ensuring that these are effected. The SMSC will report to the JMC, to which it will submit overall detailed opinions on all Phare financed programmes in its sector.

The Commission services shall ensure that this programme will be subject to interim (either centralised or decentralised) and/or ex post evaluations.

## **7. EQUAL TREATMENT**

Equal opportunity and gender equality are fundamental principles enshrined in the Treaty that are reflected in the programming and implementation of the Phare funding.

## **8. AUDIT, FINANCIAL CONTROL, ANTI-FRAUD MEASURES, PREVENTIVE AND CORRECTIVE ACTIONS**

### **8.1. Supervision and Financial Control by the Commission and the European Court of Auditors**

All Financing Agreements as well as all resulting contracts are subject to supervision and financial control by the Commission (including the European Anti-Fraud Office) and audits by the European Court of Auditors. As long as EDIS is not yet applicable to the Implementing Agencies in the Beneficiary Country, this includes measures such as ex-ante verification of tendering and contracting carried out by the Delegation in the Beneficiary Country.

In order to ensure the efficient protection of the financial interests of the Community, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96<sup>12</sup>.

The controls and audits described above are applicable to all contractors and subcontractors who have received Community funds.

Without prejudice to the responsibilities of the Commission and the European Court of Auditors<sup>13</sup>, the accounts and operations of the National Fund and, where applicable, the CFCU and all relevant Implementing Agencies may be checked at the Commission's discretion by the Commission itself or by an outside auditor contracted by the Commission.

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<sup>12</sup> Council Regulation (EC, Euratom) 2185/96 of 11. November 1996, OJ L 292; 15.11.1996; p. 2

<sup>13</sup> as referred to in the General Conditions relating to the Financing Memorandum" attached to the Framework Agreement

## 8.2. Obligations of the Beneficiary Country

### 8.2.1. *Audit and Financial Control*

In order to ensure sound financial management of the Phare funds, the Beneficiary Country must have a system for management and control of assistance in accordance with generally accepted principles and standards in place. This system shall fulfil the requirements set out in Art. 164 of the Financial Regulation, and in particular provide adequate assurance of the correctness, regularity and eligibility of claims on Community assistance.

The Beneficiary Country's management and control systems shall provide a sufficient audit trail, as defined in Art. 7 (2) of Commission Regulation 438/2001<sup>14</sup>.

The competent national financial control authority shall carry out appropriate financial controls of all actors involved in the implementation of the programme.

Each year an audit plan and a summary of the findings and main recommendations of the audits carried out and an outline of the follow-up given to past audit recommendations shall be sent to the Commission. Audit reports shall be at the disposal of the Commission.

### 8.2.2. *Preventive Measures*

The Beneficiary Country shall take any appropriate measure to prevent and counter active and passive corruption<sup>15</sup> practises at any stage of the procurement procedure or grant award procedure, as well as during the implementation of corresponding contracts.

The authorities of the beneficiary country, including the personnel responsible for the implementation of the programme, shall also undertake to take whatever precautions are necessary to avoid any risk of conflict of interest, and shall inform the Commission immediately of any such conflict of interest or any situation likely to give rise to any such conflict.

### 8.2.3. *Anti-Fraud Measures and Corrective Actions*

Beneficiary Countries shall, in the first instance, bear the responsibility to ensure investigation and satisfactory treatment of suspected or actual cases of fraud and irregularities following national or Community controls.

The national authorities shall ensure the functioning of a control and reporting mechanism equivalent to the one foreseen in Commission Regulation 1681/94<sup>16</sup>.

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<sup>14</sup> Commission Regulation (EC, Euratom) 438/2001 of 2 March 2001, OJ L 63; 3.3.2001, p.21

<sup>15</sup> Active corruption is defined as the deliberate action of whosoever promises or gives, directly or through an intermediary, an advantage of any kind whatsoever to an official for himself or for a third party for him to act or to refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties in a way which damages or is likely to damage the European Communities' financial interests.

Passive corruption is defined as the deliberate action of an official, who, directly or through an intermediary, requests or receives advantages of any kind whatsoever, for himself or a third party, or accepts a promise of such advantage, to act or to refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties in a way which damages or is likely to damage the European Communities' financial interests.

<sup>16</sup> Commission Regulation (EC) 1681/94 of 11. July 1994; 12.7.94; p. 43





In particular, all suspected or actual cases of fraud<sup>17</sup> and irregularity<sup>18</sup> as well as all measures related thereto taken by the national authority must be reported to the Commission services without delay. Should there be no suspected or actual cases of fraud or irregularity to report, the Beneficiary Country shall inform the Commission of this fact within two months following the end of each quarter.

In case of irregularity or fraud, the Beneficiary Country shall make the necessary financial corrections required in connection with the individual irregularity. The corrections made by the Beneficiary Country shall consist in cancelling all or part of the Community contribution. The Community funds released in this way may be re-used by the NF for the purpose of the programme, in compliance with Art. 5 of the MoU on the National Fund.

### **8.3. Recovery of Funds in Case of Irregularity or Fraud**

Any proven irregularity<sup>19</sup> or fraud<sup>20</sup> discovered at any time during the implementation of the programme or as the result of an audit will lead to the recovery of funds by the Commission.

If, after completing the necessary verifications, the Commission concludes that:

- (a) the Beneficiary Country has not complied with the obligations to prevent, detect, and correct irregularities or
- (b) the implementation of a project appears not to justify either part or the whole of the assistance allocated or
- (c) there are serious failings in the management or control systems which could lead to irregularities,

the Commission may suspend further financing of the programme in question, and, stating its reasons, request that the Beneficiary Country submit comments and, where appropriate, carry out any corrections within a specified period of time.

If no agreement is reached by the end of the period set by the Commission and if the required corrections have not been made, the Commission may – taking into account any comments made by the Beneficiary Country – decide within three months to:

- (a) reduce or cancel any payment for the programme in question, or

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<sup>17</sup> Fraud shall mean any intentional act or omission relating to: the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of, the European Communities; non disclosure of information in violation of a specific obligation with the same effect; the misapplication of such funds for purposes other than those for which they are originally granted.

<sup>18</sup> Irregularity shall mean any infringement of a provision of national or Community law, this Financing Memorandum or ensuing contracts, resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, by an unjustified item of expenditure. The term “Community law” in this context shall be defined as the entirety of Community rules applicable between the Parties of the Financing Memorandum (e.g. the Europe Agreements, Framework Agreements, the MoU on the Establishment of the National Fund etc.)

<sup>19</sup> see definition above

<sup>20</sup> see definition above

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(b) make the financial corrections required by cancelling all or part of the assistance granted to the programme concerned.

The Commission shall, when deciding on the amount of a correction, take into account the principle of proportionality, the type of irregularity and the extent and financial implications of the shortcomings found in the management and control system of the Beneficiary Country.

In the absence of a decision to do either (a) or (b), further financing of the programme shall immediately resume.

The National Authorising Officer will ensure the reimbursement of any unused funds or any sum wrongly paid within sixty calendar days of the date of the notification. If the NAO does not repay the amount due to the Community, the Beneficiary Country shall refund this amount to the Commission.

Interest on account of late payment shall be charged on sums not repaid by applying the rules specified in the Financial Regulation.

## **9. VISIBILITY AND PUBLICITY**

The PAO in charge will be responsible for ensuring that the necessary measures are taken to ensure appropriate publicity for all activities financed from the programme. This will be done in close liaison with the Commission. Further details are set down in the Annex on Visibility and Publicity.

## **10. SPECIAL CONDITIONS**

In the event that agreed commitments are not met for reasons which are within the control of the Government of the Republic of Bulgaria, the Commission may review the programme with a view, at the Commission's discretion, to cancelling all or part of it and/or to reallocate unused funds for other purposes consistent with the objectives of the Phare programme.

