



MINISTRY OF REGIONAL DEVELOPMENT AND PUBLIC WORKS

DIRECTORATE GENERAL „PROGRAMMING OF REGIONAL DEVELOPMENT”

**REVIEW OF THE FIRST OPENED SCHEMES UNDER
OPERATIONAL PROGRAMME
REGIONAL DEVELOPMENT 2007-2013**

S U M M A R Y

Sofia

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Review of the first opened schemes under Operational Programme “Regional development” 2007-2013 is the first evaluation of OPRD implementation conducted in the framework of project BG161001/501/2008/007 “Planning and implementation of evaluations under OPRD 2007–2013” financed by Priority axis 5 “Technical assistance” of OPRD.

Specific goals of the evaluation are as follow:

- *To prepare expert independent analysis and evaluation of OPRD implementation, quality of the processes, procedures, documents and products during the phases of preparation, evaluation, contracting, implementing and monitoring of the active non-repayable aid schemes under OPRD.*
- *To propose specific recommendations for corrective measures at programme and project level aiming at improvement of implementation quality and optimization of the process of managing non-repayable aid schemes.*
- *To develop the evaluation culture and capacity of MA experts which will be used in carrying out future evaluations.*

According to Contract 241/ 27.08.2009 the evaluation has been conducted by the Consortium “Prime-Microfund” for a period of four months.

For achieving the goals set in the technical specification, the Executor made review of the processes of preparation and opening, project selection and contracting as well as the systems and procedures for monitoring of the implementation of 14 schemes for non-repayable financial aid opened in 2007 and 2008. The schemes are as follow:

№	Title of the scheme of non-repayable financial aid
1.	BG161PO001/1.1-1/2007 <i>“Support for providing adequate and effective educational, social and cultural infrastructure, contributing to the development of sustainable urban areas”</i>
2.	BG161PO001/1.1-2/2008 <i>„Support for providing adequate and effective state educational infrastructure, contributing to the development of sustainable urban areas”</i>
3.	BG161PO001/1.1-3/2008 <i>“Support for providing adequate and effective state social infrastructure, contributing to the development of sustainable urban areas”</i>
4.	BG161PO001/1.1-4/2008 <i>“Support for providing adequate and effective infrastructure of Labour offices”</i>
5.	BG161PO001/1.1-5/2008 <i>Support for providing adequate and effective state cultural infrastructure, contributing to the development to sustainable urban areas”</i>
6.	BG161PO001/1.4-1/2007 <i>“Support for prevention of fire risks and damages in agglomeration areas”</i>

Nº	Title of the scheme of non-repayable financial aid
7.	BG161PO001/1.4-2/2008 <i>"Support for improving urban environment"</i>
8.	BG161PO001/1.4-3/2008 <i>"Support for small scale infrastructure measures for prevention against landslides in agglomeration areas"</i>
9.	BG161PO001/3.1-1/2008 <i>"Support for cultural monuments of national and world importance contributing to sustainable tourism development"</i>
10.	BG161PO001/3.3-1/2008 <i>"Support for effective national marketing of tourist product and improvement of information service"</i>
11.	BG161PO001/4.1-1/2007 <i>"Support for providing adequate and effective educational infrastructure contributing to sustainable local development"</i>
12.	BG161PO001/4.1-2/2008 <i>"Support for small scale infrastructure measures for prevention against landslides"</i>
13.	BG161PO001/4.2-1/2008 <i>Support for interregional cooperation and exchange of best practices"</i>
14.	BG161PO001/5-01/2008 <i>"Technical assistance for preparation, management, monitoring, evaluation, information, control and strengthening the administrative capacity for implementing OP "Regional development-2007-2013"</i>

For the purposes of the evaluation the following methods have been used:

- Review of the documents for the different schemes on spot in MA of OPRD ;
- Interviews and consultations with experts from MA of OPRD on central level;
- Interviews and consultations with the heads of the regional units of MA of OPRD;
- Survey with municipalities eligible under the reviewed schemes (94 completed questionnaires received from municipalities, which is 35.61% of all municipalities in the country);
- Interviews with 27 municipalities eligible under the reviewed schemes;
- Survey with NGOs that have applied under the reviewed schemes;
- Interviews with the teams of the framework programmes of Specific beneficiaries;
- Internet survey with the potential OPRD beneficiaries;
- Survey with social-economic partners - members of OPRD Monitoring Committee;
- Review and analysis of UMIS information provided by MA of OPRD and other additional information provided by MA of OPRD;
- Review and analysis of conducted reports and audits of MA of OPRD.

Based on the performed review the Executor elaborated 14 individual reports for the separate schemes of non-repayable financial aid and a summary report for the progress achieved at OP level with recommendations for making amendments and improvement in the implementation of aid schemes. The main findings and recommendations for improving the execution of aid schemes under OPRD are presented below.

Identified disparities, gaps and problems in implementing non-repayable aid schemes under OPRD

1. Preparation and design of schemes
• <i>During the elaboration of the application packages, particularly under the schemes for selection of project proposals, the parties concerned have not been consulted.</i> • <i>In the process of drafting the application packages the units of MA responsible for formulation of indicators at scheme-level and drafting formats for technical reports were not involved;</i> • <i>There is no procedure for preliminary control of the answers to questions asked during the application process.</i>
2. Project selection and contracting
• <i>The selection committees included external assessors but no criteria for professional experience and expertise relevant to the specifics of the schemes were used;</i> • <i>For the purposes of revision of budgets of project proposals no methodology was used to guarantee equal approach of the separate selection committees;</i> • <i>There is no register of objections against the decisions of the evaluation committees and their answers;</i> • <i>The successful candidates were not given enough time to review the corrections in the budget and activities of their project proposals before contracting;</i> • <i>There is no obligation in the contracts with beneficiaries regarding the achievement of indicators and their reporting.</i>

3. Implementation, monitoring and results of projects approved

- *There is no clear procedure in the Procedure Manual for monitoring and reporting of indicators defined in project proposals/ framework programmes;*
- *In the information about the on-the-spot checks there is no information at scheme level about the identified problems, recommendations made and corrective measures undertaken by beneficiaries. The information is available only at project level;*
- *No trainings of beneficiaries, including Specific Beneficiaries, have been organized by MA regarding contract implementation and reporting;*
- *There is no Guidance and instructions for the Specific Beneficiaries regarding implementations of schemes.*

Recommendation for corrective measures at OP level during the preparation and implementation of future aid schemes

1. Preparation and design of schemes

- *Given the fact that the information for publishing schemes in the indicative annual work programme is important for the potential candidates, in order to be able to schedule funds and to perform activities on the technical preparation of project proposals, it is particularly important for candidates that the annual programme include information for the degree of readiness and the maturity of project proposals, e.g. the technical readiness of the project ;*
- *Before initiating the process of elaborating the application packages an analysis has to be made for the needed external as well as internal expertise and on this basis to form a team for elaborating the documents. The discussions and decisions of the team should be recorded for ensuring adequate audit path;*
- *The head of MA of OPRD to issue an order for assigning the staff for drafting the application package with the correspondent deadlines;*
- *To continue the practice of publishing a draft application package on the OPRD web page, so that all concerned parties get acquainted and be able to comment on unclear moments at preparatory stage. In this manner still in the beginning stage the inaccuracies may be corrected and the eligible activities and supporting documents will be clearly defined.*
- *During the elaboration of application package it is recommended to consult the social-economic partners and the NGO sector according to the specific of the scheme;*
- *During the elaboration and concordance of application package the Monitoring unit to be involved for the purposes of formulating indicators at scheme level as well as the formats of technical reports;*
- *For the ex-ante control of the application package by MA units minimum deadlines to be introduced;*

- *The comments during the ex-ante control on the application package to be reflected in details in the check-list;*
- *In the Guidelines for application a special section for indicators to be included explaining the meaning and the effect of their performance and bounding them with reimbursement of funds and also the way in which MA of OPRD requests information about their reporting;*
- *In the text of the contract for non-repayable financial aid as part of the application package to be included an obligation of the beneficiary to achieve the indicators defined in the project and binding that achievement with reimbursement of funds;*
- *For schemes with no deadlines for application higher minimum criteria for approval of projects to be introduced in order to improve the quality of financed projects - at least 80% of maximum score;*
- *For schemes with no deadlines for applications communication with stakeholders to be maintained – continuous informing of potential candidates for the remaining financial resources under the scheme;*
- *MA of OPRD to take the necessary measures for clear and precise definition of eligible activities in the Guidelines for applicants in order to avoid interpretations during the application process and project selection;*
- *In cases when there is a case or issue arising after publishing the scheme and affecting the eligibility rules an official statement to be prepared by MA of OPRD and all stakeholders to be informed;*
- *For eligible costs (preparation of project proposal, preparation of tender documentation), which experience shows that are subject of regular comment and reduction by the evaluation committee, maximum amounts or relative proportion (in %) of total costs to be defined in advance;*
- *Revision of the criteria for technical and financial evaluation is required aiming at reflecting the specifics of the particular scheme and for the purposes of objectivity of assessment, which can be performed using more quantifiable criteria;*

- *The design of the application form and accompanying documents to be reviewed aiming at elimination of unnecessary sections of information and documents that are inapplicable for the given scheme;*
- *MA of OPRD to use more actively different communication channels - radio and television networks (national and regional cable networks), print media (national, regional and specialized publications), as well as Internet - both to inform potential applicants and to present OPRD to the public;*
- *The design of each scheme to be accompanied by a Plan for information events of different nature – publication of invitation, information days, press conferences, briefings, interviews;*
- *Along with the copy of the publication of the scheme in a national daily newspaper a Printout (Print Screen) of the publication on the OPRD website and on the Integrated information portal for general information about the management of Structural and Cohesion Fund to be kept;*
- *During the information days more detailed information on eligible activities, costs and specifics of the particular scheme to be presented, as well as case studies, most common mistakes and good practices. As an option can be used a combination of presentation of general information in the beginning followed by individual consultations to participants by preliminary inquiry;*
- *Depending on the deadline for applications additional information days to be organized in which to be discussed and clarified specific issues that have already been raised under the scheme and to focus on practical difficulties of potential applicants arising in the process of project preparation;*
- *Feedback – after completion of the information days satisfaction of the participants to be examined about the usefulness and quality of information provided. Such a survey should be mandatory and the results should be processed by the Department “Organizational Development, Information and Publicity”. On the basis of the results measures to optimize campaigns should be taken;*

- *Representatives from departments "Execution of programme priorities", "Monitoring" and "Financial management and control" to participate in the information days in order to answer questions within their competence;*
- *When publishing an aid scheme again during the information days the most common mistakes during previous application to be presented as well as the most common weaknesses in the quality of the submitted proposals;*
- *Questions and answers for the closed schemes to be archived/recorded and removed from OPRD website to facilitate potential applicants;*
- *Detailed procedure for preparation and preliminary control of answers to questions during the application process to be elaborated;*

2. Project selection and contracting

- *Comments from the different departments of MA of OPRD performing preliminary control of the various phases of evaluation to be promptly recorded and detailed in the checklists for the purpose of future audits and evaluations;*
- *Procedure to be elaborated in the internal rules for conducting project assessment, which requires preliminary definition of criteria for selection of evaluators under the individual schemes, whose experience and expertise meet the specifics of the schemes;*
- *The evaluation committees should include experts with experience in project evaluation from the sphere of economic and regional development and in schemes with investment component assisting assessors should be hired with relevant engineering education;*
- *Preliminary training of evaluators to be organized as a measure guaranteeing equal approach in the different evaluation committees within the scheme and uniformity of approach of assessors within an evaluation committee, including familiarization with questions and answers received during the application process. Such training is appropriate to be held before the official start of the evaluation*

committee;

- *All the decisions and activities of the evaluation committee to be recorded in detail in the evaluation report;*
- *Methodology for revising budgets of project proposals to be developed. It can determine whether the recommendations of the evaluators from the individual evaluation grids , which concern the revision of certain costs, are required;*
- *MA of OPRD to formulate conditions under which successful applicants can inspect the amendments in the budgets and activities of their project proposals before signing the contracts. This will reduce the risk of errors, irregularities or suspension of project implementation. This can take place after the preparation of the report of the evaluation committee before announcing the decision of the Head of MA for funding the selected projects;*
- *In the checklist for contracts it should be envisaged the opportunity for adding appendixes according to the specific of contracts;*
- *Positions for control in the checklists to be developed, making it possible to carry out quality inspection of the contents of the general and specific conditions of contracts;*
- *To include the contract number in the checklist;*
- *All the pages of the dossier of the contracts to be numbered to ensure its integrity;*
- *In the checklist for double funding to be included controls related to the additional information from agencies providing public funds for investment activities and the work of the interdepartmental committee. Checklist to be completed only after receiving all the necessary information for drawing the appropriate conclusions;*
- *MA to organize timely receiving on part of the final beneficiaries of contract dossier in order to start the timely implementation of activities;*
- *To initiate appropriate changes in the design of UMIS in order to register contracts signed after the release of additional financial resources, i.e. to change the status of a project proposal from approved to financed.*

3. Implementation, monitoring and results of projects approved
• <i>MA of OPRD to conduct training for beneficiaries where the implementation manual and instructions for the specific scheme to be presented;</i> • <i>To use effectively the procedure for internal control of the activities of the regional departments of MA OPRD;</i> • <i>Clear procedure for monitoring and reporting on the implementation of project indicators to be worked out;</i> • <i>More detailed procedure regarding the responsibilities and deadlines for collecting and filling in information into UMIS to be drafted in the Manual for OPRD management and implementation;</i> • <i>To maintain systematic and structured information at scheme level regarding on the spot checks containing problems identified, recommendations made and measures taken by the beneficiary;</i> • <i>To maintain systematic and structured information at OPRD level for the most common errors and irregularities in project implementation;</i> • <i>To maintain and publish a register of good practice in OPRD schemes;</i> • <i>To simplify the procedure for submitting and processing technical reports, financial reports and requests for payment under OPRD schemes;</i> • <i>To eliminate the practice of signing additional agreements to contracts in cases of changes in the bills of quantities or differences between the initial budget and prices achieved as a result of tenders;</i> • <i>To respect the deadlines laid down in OPRD Manual for beneficiaries regarding the issuance of opinions by OPRD Managing Authority on project implementation.</i>

Recommendations on Priority axis 5 "Technical assistance" of OPRD

- *It is recommended that the evaluation of the quality of project proposals under the scheme is carried out not by evaluation committee but by an expert panel consisting of the heads of departments and deputy chief director;*
- *The methodology for evaluation to be based on confirmation of the performance of each criterion with YES. The session for approving project proposals to be at two phases - discussion of the design concept presented by the head of the respective department and evaluation of the project proposal.*
- *If the performance of a criterion cannot be confirmed by Yes, the project proposal to be returned for revision to the respective department.*
- *The "Monitoring" department of MA of OPRD to monitor the implementation of the obligations of the departments-beneficiaries to submit quarterly reports and summarize them in a progress report on implementation of the scheme. In the report must be presented an updated schedule of execution of orders, an updated schedule for tender procedures and updated information on performance indicators.*

Recommendations for changes in regulations concerning OPRD implementation

• *Contingency costs*

It is recommended to qualify as eligible expenditure under the so-called investment projects "contingency costs" amounting to 5% of the value of construction works. Construction process is related to the performance of many different works, which cannot always be predicted and priced during preparation and design. Experience shows that during implementation there are demands for additional works to prepare or carry out other works as well as the need to conduct larger volume than initially planned which is a condition

required to achieve the desired overall result of construction works performed. Therefore, we consider mandatory the recognition of "contingency costs" as an appropriate tool to ensure conditions for the successful completion of investment activities and the use of these resources should be agreed with MA of OPRD thus ensuring its cost effectiveness.

- *To determine as recoverable expenditure the VAT costs spent by municipalities and central administration - beneficiaries under OPRD.*

It should be noted that this recommendation cannot be applied only to OPRD, but it would be appropriate if applied to all OPs where beneficiaries are also public authorities - local and central. The requirement for providing co-funding for OPRD is set at 15%, which is currently covered by the state budget. The structure of project budgets contains different types of activities out of which only the costs for human resources do not generate VAT. All other costs are associated with external executors (technical design, consultancy, construction supervision, publicity activities, audits) and respectively VAT, which OPRD treats as irrecoverable and thus becomes part of the total project cost. Therefore, we can say that the value of each project represents 83.67% cost of the execution itself and 16.33% to cover costs of VAT. Assuming that this ratio is valid for the whole OPRD, the result is that 261 488 168 Euros from a total budget of 1 601 274 759 Euros will be allocated to finance the indirect tax such as VAT. Significantly, this amount exceeds even funds designated as national co-financing. This structure of project financing questions the general objectives of the program and the effectiveness of funds aimed at improving economic conditions in Bulgarian regions.

- *To determine as eligible expenditure the management of framework investment programs*

Currently, it is more than obvious that the central administrations designated as specific beneficiaries under OPRD are insufficiently active, and perhaps prepared to fulfill their

obligations and respectively generate such absorption of resources as envisaged in OPRD. They are unable to prepare Mid-term framework investment programmes adequate to OPRD requirements, to meet the requirements for quality and mature technical projects, and still it is not possible to comment on their ability to successfully implement the financed projects for the sole reason that they have actually not started most of the contracts. That is why, we propose that MA of OPRD initiate changes in the respective legislation, so that the costs for managing framework programme be considered as eligible expenditure.