

I. ANNEXES

1 ANNEX 7. Reflection of Ex-ante findings in the OP

Ex-ante findings		Reflected		MA comments	
Conclusions	Recommendation	YES	NO	Reflected where	Reasons for not taking into account
<p><i>Socio Economic Analysis</i></p> <ul style="list-style-type: none"> Regarding the <i>Socio-Economic Analysis</i>, the structure and presentation of the Socio-Economic Analysis has been significantly improved in the last revision of the Competitiveness OP, and core sections on the SME Sector and the Research and Innovation sector have been improved Notwithstanding this improvement, the Socio-Economic Analysis remains significantly incomplete, for example in respect of a sectoral breakdown of the SME sector and sub-sector profiles, as well as the innovation governance section, as well as analysis of previous evaluation experience and lessons from Phare and other programmes. 	<p><i>Socio-Economic Analysis</i></p> <ul style="list-style-type: none"> Significant additional research and work is needed in order to ensure that this Analysis provides a robust and rigorous foundation for a successful OP implementation. The work here needs to focus in particular on: <ul style="list-style-type: none"> Addressing the specific omissions identified in the enclosed review of the Socio-Economic Analysis, for example the missing gaps in the analysis of the services sector, foreign direct investment etc. Including more analytical data on the research and innovation sector Including more analytical data on the high-tech and knowledge-intensive sectors Ensuring that previous project and evaluation experience in acquired and incorporated in this section <p>The work here needs to focus in particular on:</p> <ul style="list-style-type: none"> Overall, the summary of the macro-economic framework in the NDP ex-ante evaluation report reads well and this could be used in part for the text for the corresponding section of the Competitiveness OP. Table 1 (page 11) of the ex- 	YES		<p>Recommendations of the evaluators have been taken into account with regard to reviewing the socio-economic analysis:</p> <ul style="list-style-type: none"> Data on service sector and FDIs is added. Adjustments and extensions have been made regarding additional data on innovations, research and some sectoral analyses. The results of the recent survey on SMEs have been added as recommended by the evaluators. Experience from other countries has been considered and built into the OP throughout the planning process with the help of the twinning and other foreign experts. More comparing data and figures were added in the analysis, thus outlining the gaps according to EU-25 and 	

	ante report provides a useful tabular comparison of Bulgaria's macro-economic performance compared to the EU-25, although the comparison is made on 2003 figures.			EU-15 average indicators.	
<p><i>SWOT Analysis</i></p> <ul style="list-style-type: none"> Regarding the <i>SWOT Analysis</i>, this is not completely consistent with the SWOT Analysis, and there are numerous elements missing. The structure of the SWOT Analysis's also does not probably provide the optimal means of identifying and tracking the key areas where the Competitiveness OP can make a difference. The SWOT analysis will need to be further changed, once the Socio Analysis has been redone 	<p><i>SWOT Analysis</i></p> <ul style="list-style-type: none"> The following changes are thus recommended to increase the relevance and coherence of the SWOT: <ul style="list-style-type: none"> Including a Summary Findings section that links the findings of the Socio-Economic Analysis to the SWOT Providing an Introductory section explaining the purpose, content, and structure of the SWOT Considering <i>dividing the SWOT Analysis into at least 2 sections</i>: <ul style="list-style-type: none"> A <i>General Section</i>, focussing on factors that are considered 'external' to the focus of the Competitiveness OP A <i>Section on Competitiveness, SMEs and Innovation</i>, focussing on the factors considered most relevant to the focus of the Competitiveness OP and which will be addressed in the Competitiveness OP Strategy, Priorities and Operational Measures 	YES		<ul style="list-style-type: none"> References were included after each SWOT finding, pointing to which section of the analysis and/or strategy it is linked. 	<ul style="list-style-type: none"> Enlarging the SWOT and dividing it into General and Specific parts will only hamper the reading of the section, and that general findings in the SWOT on macroeconomic and other factors (e.g. issues on privatization and transport sector) have no direct connection with the OP content and are provided in the SWOT of the National Strategic Reference Framework document.
<p><i>Coherence with EU Structural Fund Rules on Economic and Social Cohesion</i></p> <ul style="list-style-type: none"> The Competitiveness OP is coherent with EU Structural Fund rules on Economic and Social Cohesion, mainly through its relevance to the second EU Guideline (Improving Knowledge and Innovation). 					

<p><i>Coherence with Key National Policy Documents</i></p> <ul style="list-style-type: none"> • Regarding coherence with the NSRF, the Competitiveness OP is generally highly relevant to the NSRF, in particular to the NSRF's first strategic objective of fostering rapid and high growth, and secondarily at developing a knowledge-based economy. While the revised version incorporates some changes and the transferring of actions between priorities, this does not affect significantly the coherence with the NSRF as the core focus and composition of the Competitiveness OP remains largely the same. • Similarly, the Competitiveness OP's coherence with the National Development Plan is also high, with the findings of the NDP Socio-Economic Analysis being broadly consistent with that of the Competitiveness OP, and similar challenges are highlighted regarding the SME sector. Given that the coverage of the NDP is much wider than the Competitiveness OP, it is to be expected that parts of the NDP List of disparities do not "map" neatly onto those in the Competitiveness OP. The majority of disparities listed in the relevant sections of the NDP Disparities List 			N/A	N/A
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<p>(Economy, and to a lesser extent Regional Development and Human Resources sections) are included in one form or another in the Competitiveness OP disparities, although sometimes in a somewhat different wording.</p> <ul style="list-style-type: none"> The Competitiveness OP Priorities and Priority Axe Objectives are highly consistent with the objectives of the <i>National SME Strategy 2000-2006</i>. While this is true across all of the objectives of the National SME Strategy, consistency is probably highest with the first objective of the National SME Strategy, that of <i>'stimulating R&D for the industry and the cooperation between the R&D departments, universities and companies'</i>. 					
<p><i>General Environmental Assessment of the Competitiveness OP</i></p> <ul style="list-style-type: none"> The Competitiveness OP global objective and priorities demonstrate a satisfying level of environmental coherence with the NSRF, NDP and its "Environment" Sector Programme and the Environmental OP objectives and priorities. The Competitiveness OP strategic goal doesn't state sufficiently clearly that the "Development of a dynamic economy, competitive at the 	<p><i>General Environmental Assessment of Competitiveness OP</i></p> <ul style="list-style-type: none"> Based on the general environmental analysis, the following recommendations are suggested: <ul style="list-style-type: none"> The Competitiveness OP general objective should stress on the condition that the dynamic economy will be developed based on the sustainable development principles. Competitiveness OP should support actions that avoid and/or minimize the negative environmental impact and the supported projects should meet the environmental 	YES		<p>A Strategic Environmental Assessment was carried out for OP "Competitiveness" as a follow-up of the general assessment provided under the ex-ante. All recommendations of the SEA and ex-ante were reflected in OP. Generally, OP "Competitiveness's priorities have positive or neutral environmental impact. During the implementation stage of the OP, preferences would be</p>	

<p>European and world market” is in accordance with the sustainable development principles.</p> <ul style="list-style-type: none"> • Most of the Competitiveness OP priorities environmental impact is of an indirect positive nature. Positive effects include for example COP-financed activities contributing to environmental protection by supporting investments in new and modern environmentally friendly or clean technologies, energy saving technologies, and promoting compliance with international market standards such as the Eco-management and audit scheme (EMAS) and environment management systems (ISO). 	<p>standards and/or to have a positive environmental statement (for projects, programmes and plans for which the legislation requires an environmental assessment).</p> <ul style="list-style-type: none"> • A number of specific recommendations regarding Competitiveness OP priorities in the area of environmental impact are provided in the Chapter on the general environmental assessment of the Competitiveness OP, and consideration should be given to incorporating these suggestions. Some of these recommendations are outside the scope of the Competitiveness OP and therefore need to be incorporated in other relevant Ops, in particular the Environment and Human Resources Ops 			<p>given to actions that avoid and/or minimize the negative environmental impact and a special requirement would be put that the supported projects should meet the environmental standards and/or to have a positive environmental statement (for projects, programmes and plans for which the legislation requires an environmental assessment).</p>	
<p><i>Energy Efficiency & the Competitiveness OP</i></p> <ul style="list-style-type: none"> • Interview fieldwork undertaken by the energy expert has established that there will be parallel projects running on energy efficiency and renewable energy in the country that will complement what can be achieved under the Competitiveness OP’s budget. However, the current version of the Competitiveness OP does not provide a clear picture of what gap in the knowledge and application of EERE measures that future projects will fill, and this is 	<p><i>Energy Efficiency and the Competitiveness OP</i></p> <ul style="list-style-type: none"> • It is important that the next version of the Competitiveness OP provides a clear picture of what gap in the knowledge and application of EERE measures that future projects will fill, in order to ensure that Competitiveness OP energy efficiency issues achieve complementarity with all other actions in EE in the country. • It is highly recommended that the Ministry acquires a review of international experience in the application of support for EERE projects in the SME sector, including an appraisal of the available instruments and policy mechanisms appropriate to the Bulgarian SME profile. This will ensure successful programme implementation and high absorption and success rates. 	<p>YES</p>		<ul style="list-style-type: none"> •The analysis of the OP provides clear picture not only on the whole energy chain in Bulgaria, identifying gaps and problems, but also on the previous experience on EE measures implemented in the country under different programmes. Thus operation 2.3 under PA2 will act as a complementarity to the existing projects implemented in energy sector. •OP “Competitiveness” MA has conducted a number of work meetings and consultations 	

<p>key is to achieve complementarity of all actions in EE in the country.</p> <ul style="list-style-type: none"> Stakeholder interviews have revealed that there is a lack of local knowledge regarding international experience in the application of support for EERE projects in the SME sector, including assessments of the available instruments and policy mechanisms appropriate to the Bulgarian SME profile. Despite energy being recognised a significant element in the competitiveness of the economy, the scope of the Competitiveness OP does not allow it to address on its own the issue in a coherent and holistic way. For example, both the Competitiveness OP and the Agricultural OP are looking into RES utilisation, however members of both Managing Authorities have more than a couple of joint pressing issues to deal with: connection to the grid, pricing, licensing are some of those which by no means can be dealt with not having insured a common strategy. 	<ul style="list-style-type: none"> A review of energy and environment related directives and regulations should be undertaken with a view to identifying those with relevance to SMEs and subsequently designing future Competitiveness OP measures along those requirements. The Competitiveness OP needs to work in synergy with other OPs for the matters relating to energy and there should be a body or authority ensuring complementary Measures under the OPs and avoiding duplication of work. 			<p>with the other MAs and with relevant stakeholders in order to achieve synergy not only in terms of energy efficiency measures but in all aspects of OP. As a result of these consultations, Regional OP envisages implementing an operation “Access to sustainable and efficient energy resources” that contains activities for construction of gas distribution pipeline sections from the national gas transmission network to the concerned areas. Such activities originally are part of the competent policy of the MoEE, but were proposed for financing by the means of “Regional Development” OP due to the local territorial coverage of the measure and heavy infrastructure activities, aimed at improving the conditions of the municipalities – main beneficiary under ROP. There would be no duplication with energy efficiency measures under “OP Competitiveness”, as the latter supports activities for decreasing the energy consumption in enterprises, while ROP is focused on</p>	
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				infrastructural measures for municipalities.	
<p><i>Competitiveness OP Objectives and Priorities</i></p> <ul style="list-style-type: none"> The balance and respective weight of the Competitiveness OP Priority Axe Objectives may however need to be reviewed. For example, Priority Axe Objective 12 – ‘<i>Providing topical and quality information about the foreign markets</i>’ – is hardly a worthwhile objective in its own right, rather one would think that it is more a key sub-objective of (a possibly adapted) Priority Axe Objective 12 – ‘<i>Strengthening of manufacturing capacities in enterprises and improving their access to markets through the advantages of business cooperation and clustering</i>’. Stakeholder feedback suggests that further work needs to be undertaken as a matter of priority in validating the current proposals for Competitiveness OP financial support measures, including determining the exact financial situation and needs of SMEs in Bulgaria and the absorption capacity among SMEs for Competitiveness OP. No doubt, previous project experience and the ongoing SME survey may shed further light on this 	<p><i>Competitiveness OP Objectives and Priorities</i></p> <ul style="list-style-type: none"> It is possible that further improvements can be made in adapting somewhat presentation and structure of the Section on the <i>Competitiveness OP Objectives and Priorities</i>. <ul style="list-style-type: none"> Consideration should be given to organising the four sections be re-organised as recommended in the body of this report. Regarding the Priority Axes, a diagrammatic overview of the Priority Axes, the relevant Priority Axe objectives, the target groups and component measures would also help the readability of this section of the Competitiveness OP document. The Priority Axe Objective ‘Relieving the access to the European and other international markets’ listed under Priority Axe 4 needs to be checked against the list on page 38, and included in this list if necessary. Overall, the balance and respective weight of the Competitiveness OP Priority Axe Objectives may need to be reviewed, as mentioned in the conclusions above. A clearer presentation of the key need sand disparities, however need to be reviewed. For example, Priority Axe Objective 12 – ‘<i>Providing topical and quality information about the foreign markets</i>’ – is hardly a worthwhile objective in its own right, rather one would think that it is more a key sub-objective of (a possibly adapted) Priority Axe Objective 12 – ‘<i>Strengthening of manufacturing capacities in</i> 	YES		<ul style="list-style-type: none"> PAs are restructured following EC recommendations for clearer and better presentations of PA’s operations. PA’s objectives were revised according to operations and schemes envisaged and for providing better link to strategy of OP. The MoEE carried out a national-representative survey to study on the absorption capacity of SMEs. The results of the recent survey on SMEs have been added as recommended by the evaluators. The main findings of the survey are provided in a separate chapter in the socio-economic analysis, but results of it are reflected in the whole document and serve as justification for budgeting and designing the operations. Following the results from the national survey on SMEs capacity to absorb SF resources and taking into consideration the recommendations of the ex- 	

<p>but it is unlikely to provide a comprehensive picture and guidance.</p>	<p><i>enterprises and improving their access to markets through the advantages of business cooperation and clustering.</i></p> <ul style="list-style-type: none"> • It is recommended that an external study is undertaken as a matter of priority to validating the current proposals for Competitiveness OP financial support measures. Such a study could include the following work axes: <ul style="list-style-type: none"> ○ Reviewing the exact financial situation and needs of micro-enterprises and SMEs in the high-tech sector and other sectors ○ Provide a clear overview of the current financial assistance instruments in the Bulgarian market for SMEs (guarantee instruments, grants, loans, overdraft, venture capital, venture lending etc). ○ Identify and clearly document current bank and non-bank lending practices and the challenges facing SMEs seeking financial support ○ Identify financing gaps that currently exist and may exist in the future during the lifetime of the Competitiveness OP ○ Assess the likely absorption capacity of SMEs both now and over the coming 3 years, based on a number of development scenarios. ○ Assess the likely key factors in financial intermediary absorption capacity during the implementation phase of the Competitiveness OP (factors that will influence capacity of banks to lend COP financial products or hybrid products: e.g. attractiveness of COP financial support measure for financial intermediary, 			<p>ante team, the balance and respective weight of the Competitiveness OP Priority Axes were reviewed, as shown in the document.</p> <ul style="list-style-type: none"> • Experience from other countries has been considered and built into the OP throughout the planning process with the help of the twinning and other foreign experts. 	
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	<p>publicity and marketing channels, loan application procedures, lending criteria, loan size, loan approval process etc.).</p> <ul style="list-style-type: none"> ○ Possibly review quickly experience and good practice in a number of other New Member States ○ Clearly signpost how COP measures can provide optimal value-added and <i>additionality</i> in the market, and for example not displace or crowd out any private sector lending activity. 				
<p><i>Competitiveness OP Development Process</i></p> <ul style="list-style-type: none"> • While the last year has witnessed progress in the development of the Competitiveness OP document, there is an urgent need to increase the rate of progress. Staff in the Ministry's PPPD Directorate has worked hard to develop the document on top of ongoing work, however we believe there is now a need to increase the rate of progress and involve more stakeholders. • The lack of general consensus on the appropriateness of current assumptions regarding the financial assistance measure in the Competitiveness OP also suggests that this process has not sufficiently involved key stakeholders in a structured discussion. Stakeholder estimates as to the investment capital available at SMEs vary significantly. • Ministry staff acknowledges that the 		YES		<p>Nevertheless no specific recommendation was provided, the programming team has further intensified the consultations with different stakeholders not only for programming of OP but in forthcoming implementation period.</p>	

<p>process is a learning one for all involved, something which will continue for all stakeholders through the rest of the development process and during the implementation of the Competitiveness OP. A large Working Group has been created and maintained during the development process, requiring time from the Ministry to co-ordinate this.</p>					
<p><i>Monitoring Indicators and Quantification of Objectives</i></p> <ul style="list-style-type: none"> • A number of IoAs in their present form may still present challenges in that they need to be more precise or pose challenges in terms of reliability/verification problems. • Problems regarding the quantification of target values stem from the lack of past comparative data (mainly unit cost and effectiveness rate data), the split of available funds between 1st and 2nd operation in measures with more than one operations and the lack of definite information regarding the co-financing rates (especially the regional aid map for Bulgaria). The evaluator can come back with estimates if all the above necessary information is provided. • Most base values that exist depend on NSI to provide data for the base value year, i.e. 2007. These values need to be completed, and this is 	<p><i>Monitoring Indicators and Quantification of Objectives</i></p> <ul style="list-style-type: none"> • Regarding the specific indicators: <ul style="list-style-type: none"> ◦ Wherever improvements could be made, suggestions and recommendations have been provided by the evaluation team. • Values for the base value year, i.e. 2007 need to be completed, as foreseen by the Ministry staff when the financial distribution of the OP is finalised. • At the general level, It is recommended that: <ul style="list-style-type: none"> ◦ Before the indicators are finalised that the Socio-Economic Analysis and SWOT are redrafted and the detailed component operations for each Priority Axe are finalised. This will allow the programme management to know exactly which type of business support initiatives etc. will be put in place and know exactly what information is available from previous evaluations and other organisations. ◦ The lack of sufficient data from previous project experience and evaluations is addressed. There are likely numerous relevant indicators where data is gathered by other organisations, which could be thus added to the Competitiveness OP List 	<p>YES</p>	<p>NO</p>	<ul style="list-style-type: none"> • The list of indicators has been refined and baseline values for 2004, 2005 and where possible for 2006 were added. • After the last redrafting of socio-economic analysis and PAs, the operations were more clearly designed and indicators adjusted as per the expected outputs and results. 	<ul style="list-style-type: none"> • Socio-economic analysis is based not only on official statistics – e.g. National Statistic Institute, Eurostat, etc., but also on a number of surveys (MoEE national survey on SMEs capacity), analytical reports (UNICREDITO report, Delloit and Touche report, etc.). but these are mainly findings which describe economic situation, they are not designed for measuring OP operations and results from its implementation. That is why, OP included indicators from official resources (NSI, Eurostat) and monitoring of OP, as well as it envisages carrying out specialized surveys and analysis as

<p>foreseen by the Ministry staff when the financial distribution of the OP is finalised.</p> <ul style="list-style-type: none"> Following on from this, it is not possible to review the quantification of objectives in the Competitiveness OP, as the lack of robust assumptions and data from past experience, as well as market demand and absorption data, is not sufficiently available. 	<p>without significantly increasing the monitoring workload for the Competitiveness OP managing authority</p>			<p>part of the internal on-going evaluation of OP implementation for the purposes of reporting OP results.</p>
<p><i>Management and Implementation Arrangements</i></p> <ul style="list-style-type: none"> A review of the IB plans for the Competitiveness OP shows that BSMEPA will have to bear the entire load of operational implementation of the programme, ranging from announcing Calls of Proposals to selection and contracting, administration and reporting and auditing. This makes it imperative that adequately trained staff and systems are in place. Both the Ministry and BSMEPA should be cognisant of the mixed experience from past Phare projects regarding Bulgarian IAs not having been sufficiently well prepared to deal with the rigors of an EU-funded programme. 	<p><i>Management and Implementation Arrangements</i></p> <ul style="list-style-type: none"> For the implementation phase that the Pre-accession Programs and Projects Directorate should consider an organisational structure that could (at least) include two sections i) a “secretariat-type” section, and ii) a “planning-monitoring” section. It is recommended that the Ministry further builds its programming-planning capability, especially by ensuring that all necessary monitoring/evaluation skills are fully developed among PPPD staff. It is recommended that a number of separate <u>planning tools</u> be developed (preferably in English) in parallel to the Competitiveness OP document: <ul style="list-style-type: none"> A general planning tool, setting out forward planning across all aspects of the Competitiveness OP development and implementation preparation A second management tool that: <ul style="list-style-type: none"> Clearly documents assumptions, variable factors, boundary conditions etc., underline Provides a record of various discussions held on Competitiveness OP policy and strategy choices, pros and cons of same, 		<p>Steps for proceeding with sufficient staffing of the Managing Authority and the IBs, and ongoing capacity building through the provision of trainings, guides, manuals etc were undertaken. The structure of MA is prepared to undertake all tasks to programme, implementation, monitor, manage (administrative and financial) and evaluate the OP. An evaluation unit is considered to be created as recommended by the ex-ante. Regarding the development of the project selection system, which will typically require a significant number of independent application assessors experienced in evaluating applications in the various Competitiveness OP grant schemes, a pool of experts</p>	

	<p>decisions taken</p> <ul style="list-style-type: none"> ○ Records strategic and operation issues kept open, pending further information or analysis • It is important than a comprehensive external review of BSMEPA's state of preparation for implementing the Competitiveness OP be undertaken during Q4 of 2006, if this is not already foreseen. • Regarding the development of the application evaluation system, which will typically require a significant number of independent application assessors experienced in evaluating applications in the various Competitiveness OP grant schemes, the evaluator recommends that a series of publicity and training activities be conducted in order to raise the available pool of such professionals. Consideration should be given to holding a call(s) for compiling a registry of such professionals as official application assessors for Competitiveness OP measures. 			<p>will be gathered. Currently, a call was just finalised, where external experts and assessors with proven professional experience and skills, expressed their interest, interviews followed and successful candidates will be included in the pool.</p>	

ORIGINAL