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Open Government Initiative

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Open Government Initiative

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FOREWORD

DPK was awarded contract number 183-C-00-02-00103-00 in April 2002 to implement a three-year anti-corruption project in the Republic of Bulgaria. The project, which came to be known as the Open Government Initiative (OGI), was undertaken to enhance transparency and accountability of government, and to promote stability, economic prosperity, rule of law and the consolidation of democratic processes. The project's goals were two fold:

1. Achieve increased transparency and reduce preconditions for corruption in public administration by providing technical assistance and support to the GOB anti-corruption efforts, particularly those of the Procurement Office of Ministers and the National Audit Office of the Republic of Bulgaria.
2. Foster civil society participation, promote anti-corruption practices and raise public awareness thorough a public-private partnership in order to create a strong non-governmental mechanism to fight corruption where it has occurred.

To achieve these goals, the project activities were implemented under three components:

Component 1: Audit and Internal Control

Component 2: Public Procurement

Component 3: Civil Society

Project implementation proceeded under this approach until May 2005, when a two year option period, Modification 6, was executed. Modification 6 established the new project framework and incorporated a new statement of work (SOW) designed to further enhance transparency and accountability, and promote good governance. This new SOW contained two new goals:

1. Assist the Government of Bulgaria in strengthening its government auditing system that consists of internal control, supreme audit and the corresponding parliamentary oversight and follow-up actions.
2. Streamline Bulgaria's public procurement system and provide continued assistance to sectors where corruption risks are high and to enhance the overall operation of the public procurement system

During the annual planning stage at the start of Year 4 (Option Year 1), in consultation with USAID, the project's strategic goals and Higher Level Results were redesigned to better support the project's achievement of the newly established objectives.

This Final Report will report progress as measured against the accomplishment of these indicators. Reporting in this manner allows analysis of the project's performance in activities that are most illustrative of the project's efforts as directed by USAID and the Government of Bulgaria, particularly in the critical period immediately prior to Bulgaria's entrance to the European Union and graduation from USAID assistance.

EXECUTIVE SUMMARY

OGI's efforts to strengthen Bulgaria's government auditing and public procurement systems, promote transparency and eliminate preconditions for corruption due to poor oversight have been largely successful. This success is a function of the professionalism and dedication of OGI's staff; the commitment and resolve of the Bulgarian counterparts, namely, the National Audit Office (NAO), the Bulgarian Chapter of the Institute of Internal Auditors (IIAB), the Public Procurement Agency (PPA), Public Internal Financial Audit Control Agency (PIFCA), the Bulgarian Industrial Association (BIA), the Ministry of Finance's Internal Control Directorate (ICD), pilot ministries (MOH, MRDPW), and the Economy and Policy Committee of the National Assembly; and the direction and support of USAID.

The project's legacy is manifest in strengthened and newly created local associations, including the IIAB, the BIA, and grantees of the Center for the Study of Democracy's (CSD) Coalition 2000 grants program; government institutions, such as the PPA and the Center for the Protection of Competition (CPC); legislation that is compliant with EU Directives and incorporates international best practices, including the Public Procurement Register (PPR), the Register on the Assets of High Ranking Politicians, the Register on Political Parties, and numerous audit and procurement manuals that have greatly increased the government's capacity to provide accountable and transparent governance and civil society's capacity to advocate for continued strengthening in this area. These achievements have already been instrumental in Bulgaria's ascension to the European Union and it is expected that the Bulgarians themselves will be able to independently carry forward the reform agendas to help secure gains made with USAID's assistance and ensure the maintenance of the positive momentum already created.

As evidenced by the CSD's 2007 report, *Anti-Corruption Reforms in Bulgaria: Key Results and Risks*, Bulgarian people have more than begun the difficult task of demanding more accountable government. For the first time in a decade, this survey shows that a majority of Bulgarians consider corruption to be the most important problem facing their country. In part because of USAID's support through the OGI project, the institutions, legislation, practices, and mechanisms necessary to deter corruption in the public sector are now in place. Due in part to OGI's efforts, the primary goal of USAID's graduation strategy in Bulgaria – that the country will be securely grounded on a sustainable path toward democratic governance at all levels – has been achieved. Citizens are holding their government to a higher standard and there are systems and procedures in place to monitor and sanction corrupt behavior. With Bulgaria's ascension to the European Union and the establishment of the means to combat corruption and increase transparency it is expected that this trend will continue to strengthen, to the benefit of the citizens of Bulgaria.

OVERVIEW OF THE PROJECT COMPONENTS

COMPONENT I: AUDIT AND INTERNAL CONTROL (AIC)

The Open Government Initiative (OGI) project commenced in 2002 to promote greater transparency and accountability in the government of Bulgaria. To achieve the goals of the Audit and Internal Control (AIC) Component, the AIC's activities were directed to achieve the following four higher level results (HLRs):

Establishment of financial management, control systems, and an internal audit framework within the public sector

The AIC component worked in close cooperation with the Internal Control Directorate (ICD) of the Ministry of Finance, beginning from its establishment in 2004, to strengthen the legislative framework to ensure compatibility with EU standards and to provide auditors with the skills, knowledge and standards necessary to enact the legislation. OGI provided the ICD with extensive institutional support in the form of trainings on internal controls and auditing, risk assessment, audit reports writing, and fraud detection and prevention. OGI also organized a study tour to Poland for the entire ICD staff to observe best practices, establish professional networks, and to benefit from lessons learned.

In 2006, the National Assembly adopted two new laws- the Financial Management and Control Act (FCM) and the Internal Audit Act. Both laws were drafted by the ICD with OGI technical assistance and professional advice. After passage of these laws, the ICD adopted secondary legislation, in accordance with international standards, on internal auditing standards, methodologies, and guidelines. The guidelines are the framework documents for Internal Audit and Control in Bulgaria's public sector. Upon passage of the laws, OGI translated related background literature and conducted extensive trainings for ICD experts on their responsibilities under the new laws.

The success of these efforts is evidenced in the 2006 European Commission's (EC) reports on financial management and internal audit which stated, "The legislative framework necessary to ensure full compatibility of operations financed by the Structural Funds with EU policies and legislation is now in place. Bulgaria has adopted the necessary amendments to its Public Procurement Law and passed a new Concessions Law in line with the *acquis*."

Support more effective oversight through audit of government activities

The AIC component provided extensive assistance to the NAO to strengthen its capacity to effectively monitor and control the execution of the State budget and to prevent fraud and corruption in the public sector. To achieve results in this area OGI targeted three distinct areas of need: auditing of public procurement procedures, performance auditing, and auditing to prevent and detect fraud and corruption.

The AIC team, in cooperation with the Public Procurement (PP) component, developed compliance audit questionnaires for use in auditing public procurement procedures above and below the thresholds stipulated in the Public Procurement Law (PPL) and provided practical trainings for

approximately 80 auditors from the central and regional offices.

In response to a NAO request for performance auditing support, the AIC team, with the help of international consultants, conducted a thorough review of the draft NAO audit manual as it related to value for performance audits. The NAO incorporated these recommendations into the final version of the manual. After the manual was finalized, the AIC team and an international consultant provided result-oriented performance audit trainings for 193 auditors and managers, and produced and disseminated templates and working documents to be used by the auditor at all stages of the audit engagement.

The NAO, as an oversight audit body, plays a major role in prevention and detection of fraud and corruption. To strengthen performance in this critical mission area, most of the AIC's efforts in the period 2004-2006 focused on introducing international best practices in fraud detection and prevention, collecting adequate and reliable audit evidence, and reporting actionable audit findings. As a result of OGI assistance, 12 NAO and internal auditors, including 1 manager, have been certified as Certified Fraud Examiners (CFEs) by the Association of Certified Fraud Examiners (ACFE). In addition, 287 NAO managers and auditors, ministerial managers, internal auditors, and inspectors have been trained on fraud detection and prevention, collecting of audit evidence, and writing skills.

The increase in oversight of government activities through audits has decreased the conditions necessary for corrupt acts and the increase in auditing has targeted both the government spending and the finances of government officials and parties as well. In the words of the EU Monitoring Report of Sept 26, 2007 (page 4) "The legislative framework for the fight against corruption has been improved with the adoption of amendments to the laws on political parties and on publicity of property owned by high level officials. All ministers have published their asset declarations on the internet."

Build capacity of the internal audit units on the central government level

In the period 2003 – 2007, internal auditing in Bulgaria's public sector underwent significant reform that resulted in international recognition for its implementation of international best standards and practices. In the beginning of 2006, in accordance with international standards and based in part upon the successful efforts of the AIC, internal audit functions were decentralized and instituted within the respective central government organizations.

In association with its strategic partner, the IIAB, OGI held and promoted training programs and seminars based on international internal auditing standards and methodologies. OGI provided financial support for the Certified Internal Auditor (CIA) exam Parts 1 – 3 and the corresponding study textbooks to be translated and issued in Bulgarian, and OGI directly funded exam costs for 24 auditors. To further support the development of the audit profession, numerous professional trainings on international best practices in reports writing, risk assessment, and managing of internal audit engagement for public sector auditors were organized by OGI, in addition to the variety of successful training seminars completed in cooperation with IIAB.

Long after the end of OGI, the IIAB will remain a strong legacy in the area of internal auditing and control in the public sector. As a result of AIC's initiatives, the dissemination in Bulgarian of the best fraud examination practices and techniques will be continued by the local chapters of the IIAB and ACFE, established with OGI support.

Increase accountability of high state officials for declaring their property and enhancing transparency of political parties financing

As part of the program for the implementation of the transparent governance strategy and for preventing and counteracting corruption, OGI drafted amendments to the Law on Publicity of Property of High State Officials that entered into force in January 2007. The law now authorizes the NAO, with support of other public bodies, to carry out inspections to confirm the accuracy of declarations submitted to the NAO by persons occupying high public positions. Furthermore, the recent amendments introduced sanctions for officials refusing to submit the declaration and widened the range of persons obliged to declare their assets.

OGI also drafted comments and recommendations on the Political Party Law and submitted them to the Parliament. Amendments to the Law were adopted in August 2006. These amendments stipulate that members of the governing and controlling bodies of the political parties have to declare all their domestic and foreign assets, income, and expenditures to the NAO. Political parties have to name their donors as well as the type and value of donations. Furthermore, political parties now also have to submit to the NAO a list of non-profit bodies in which their senior members participate. In September 2006, the NAO made public the results of a detailed audit of the financial activities and the management of the property of political parties.

The AIC component initiated and funded the development of two electronic registers to publicize the disclosures required by these two new laws on the internet. These registers increase public information of the financial undertakings of their political parties and political figures, and allow oversight agencies to check the veracity of the reported information against other databases. These databases have increased the transparency by allowing increased access to the reported information and increasing the quality of the reported information through streamlined online processes.

COMPONENT II: PUBLIC PROCUREMENT

Below are the main aspects of four procurement reform activities in Bulgaria achieved through the OGI/USAID project's commitment and efforts.

Enhance the procurement institutions and legislation interacting with the procurement stakeholders in Bulgaria

With OGI support, Bulgaria's public procurement institutions and legislation were greatly enhanced in the lead up to Bulgaria's ascension to the EU. OGI's involvement in legislative reform included providing technical advice on draft laws, preparing and disseminating legal and regulatory background materials, and facilitating dialogue between public procurement stakeholders. The impact of OGI's efforts are evident in contrasting the state of Bulgaria's public procurement system in 2002, when the functions of a public procurement regulatory body were performed by a Directorate of 20 people in the Council of Ministers, to 2007 when these functions are performed by an independent Public Procurement Agency (PPA) with a staff of 53 people.

OGI facilitated collaboration between the key institutions in public procurement – PPA, NAO, SFIA, CPC, Prosecutor General Office, contracting authorities, and the business sector. Problems related to transparency, accountability, and efficiency of public procurement in Bulgaria are now constantly subject to discussions between public procurement actors, oversight bodies, and non-governmental organizations. This increased collaboration bodes well for the future of continued reform in the realm

of public procurement, as the hard work of establishing networks and buy-in has already been undertaken. Going forward, decisions should be made in an informed, collaborative, and defined manner as opposed to the ad-hoc manner that previously characterized the process.

OGI also worked on further strengthening the Bulgarian public procurement review system to ensure the system's compliance with the latest developments introduced by the case law of the European Court of Justice (ECJ). To this end, the project developed and published a handbook that systematizes European Court of Justice (ECJ) public procurement case law and the decisions of EU public procurement review bodies. Knowledge of ECJ case law will improve officials' understanding of Bulgaria's PPL, as many of the statutes in the new PPL are derived from past ECJ judgments.

The public procurement legal framework reform initiatives were successfully completed in 2006, as indicated by a green ranking in the EC Monitoring report when the requirements of the EU Public Procurement Directives were fully transposed into Bulgarian legislation.

In 2002, the EC noted that "The necessary implementing legislation has not yet been developed." (2002 Regular Reports on Bulgaria's Progress Towards Accession, p. 51). Four years later, in relation to the Public Procurement legislation, the European Commission (EC) concluded in its Monitoring report (p. 18), dated 16 May 2006, that "Bulgaria is now generally meeting the commitments and requirements arising from the accession negotiations in the non-harmonized and public procurement areas, as a result of significant progress."

Build procurement professionalism and administrative capacity through development of manuals, tools, skills and dissemination of modern international practices

OGI encouraged and supported the institutionalization and professionalization of the public procurement functions within the line ministries. With the PP's assistance, public procurement units in 5 ministries (Regional Development and Public Works, Transport, Environment and Waters, Labor and Social Policy, and the Road Agency) were established during the period 2004-2007. In addition, comprehensive internal public procurement systems were established in the OGI pilot ministries, and the piloted experience was disseminated to the NAO and other ministries. The PP also developed and implemented training modules for procurement professionals and judges to ensure that there exists a knowledgeable cadre of practitioners and the institutional capacity to train subsequent generations of professionals.

At the request of the procurement stakeholders, OGI developed and widely disseminated 5 sets of Standard Procurement Documents (SPDs) for goods, services, and works. The PPA has since adopted some SPDs for awarding public procurement contracts and has recommended them for use by all the contracting authorities. This initiative was undertaken to be responsive to the needs of the project's counterparts and to better enable the sustainable improvement of Bulgaria's public procurement system. The Bulgarian Center for the Study of Democracy, in its seventh Corruption Assessment Report *On the Eve of EU Accession: Anti-Corruption Reforms in Bulgaria* (published in March 2006), recommended the use of SPDs as an effective measure for reducing corruption opportunities. The report stressed that the purpose of these documents is to streamline the available award processes and to make the contracting authorities more responsible for their activities as well as to reduce companies' transaction expenses.

The OGI PP component also introduced the concept of the Procurement Management Cycle (PMC),

which comprises the best international practices and models in the area of public management. The introduction of this management approach is a step towards the establishment and maintenance of a full fledged public procurement system in which the public procurement process is transparent and allows for fair competition. The use of public procurement strategies and PMC techniques is a new and modern approach to public governance. It allows the processes of public procurement planning, award, performance, and monitoring to be managed on the basis of clear visions of the results that should be achieved, and is an approach that can be replicated across different functional areas.

The dissemination in Bulgaria of the best public procurement techniques and practices will be continued by the public procurement professionals trained by OGI. As part of OGI's legacy, two Trainer of Trainers (ToT) and five standard training modules have been instituted. More than 12 ToT trainings, organized by OGI, were held for the first time in Bulgaria. They provided public procurement professionals with applicable procurement knowledge and practical skills on how to present information and share knowledge and skills.

At JSI's request, OGI PP staff and experts trained over 138 judges from city and regional courts on the new procurement legislative system. This joint initiative evidenced the positive effect collaboration can have in enabling assistance activities with seemingly separate mandates to leverage their impact.

Establish the Bulgarian Public Procurement Register as the primary source for e-procurement and international procurement announcements

OGI undertook extensive work to ensure that Bulgaria has the capacity to undertake e-procurement and international procurement announcements. These efforts have been greatly appreciated by the counterpart, the PPA, and have, for the first time in Bulgaria, provided an online repository for procurement contracts and enabled bidders to access this information in real time.

One hundred percent of the technical assistance for the development of the software and delivery of the hardware for the PPR was provided by OGI/USAID project. The PPR was evaluated as "an important step forward in the improvement of accountability in public procurement in Bulgaria. The fact that about 5,000 public procurement bidders used the Register in 2005 is a sign of enhanced transparency". Report "On the Eve of EU Accession: Anti-corruption Reforms in Bulgaria" of the Center for the Study of Democracy, p. 28.

As a step towards e-advertisement in Bulgaria, a new set of e-contract notice forms were developed in 2006 for use with the PPA's electronic PPR. The upgraded electronic contract notice forms and the "form editor" tool allows for more accurate and user-friendly form completion and submission of contract notices by contracting authorities. In 2007 the PPR was further upgraded with OGI assistance. The new enhancements ensured automatic exchange of data between PPR and the Tenders' Electronic Daily (TED) and e-advertisement of the Bulgarian procurement procedures in TED. As a result of this initiative, over 1,500 procurement documents have been completed using the forms editor and digital signature features, a number that is expected to grow significantly due to increased visibility of this option.

In 2007 OGI provided extensive technical and financial support to the development of a Document Management System to coordinate the process of on-line submission of contract notices to the PPR and registration in the PPA document registration system. The deployment of this system will create preconditions for streamlined electronic announcement and transfer of procurement documentation.

As a result of OGI's work, 71,520 procurement documents have been registered with the PPR since it went online, over 17,435 during the first 6 months of 2007 alone. These developments have taken Bulgaria yet another step closer to introducing e-procurement in Bulgaria, a goal which the PPA will continue to work towards in the coming years due in large measure to the approaches and initiatives undertaken by the OGI.

Foster sustainable collaboration between the private and public sector to achieve procurement integrity at national level

The BIA focused its work on fostering more active participation of the business community in ensuring integrity in public procurement through dissemination of the Public Procurement Code of Ethics, developed by OGI. With OGI support, BIA developed its capacity as a sustainable organization that has a leading role in public procurement training of the experts from different business organizations. As part of the OGI legacy, there will be a core of over 105 trained trainers in public procurement active within the business sector.

Because of the strong cooperation developed between OGI and the BIA, the business sector played an active role in public procurement reform in Bulgaria. OGI, together with its counterpart, the BIA, facilitated a roundtable discussion between the business sector and members of the National Assembly's Economic Policy Committee within whose remit the PPL lies. The business community's views on changes and amendments to the public procurement bill were heard by policymakers. As a result of the discussion, the recommendations the business community provided were reflected in the new PPL, and adopted by the National Assembly in April 2006.

COMPONENT III: CIVIL SOCIETY

The Civil Society (CS) component operated from June 2002 to the end of the initial contract in May 2005, and monitored the Coalition 2000 (C2) grant and program activities led by the Center for the Study of Democracy (CSD); strengthened the capacity of civil investigators, journalists, and government counterparts; improved access to public information through trainings and technical outreach; and oversaw OGI's small grants program.

The CS component worked closely with Bulgarian civil society organizations, media outlets, and government organizations to increase awareness of the problems caused by corrupt activity and build capacity to combat this corrupt activity. The legacy of USAID's involvement with civil society organizations is evident in the activities of the 22 grantees, whose achievements include establishing an Anticorruption Council in Blagoevgrad via a grant to Transparency International Bulgaria, creating a voluntary monitoring system in Plovdiv, forming Club Journalists against Corruption headed by Reni Nikolova, and developing with the Institute for Public Environment Development (IPED) a manual for anticorruption administrative internal control for municipalities.

Other activities undertaken by the CS worked to build the capacity of the media and local counterparts. The CS component worked closely with local public relations (PR) firms to organize seminars and discussions for NGO leaders, journalists, reporters, and government officials on contemporary methods of communicating with institutions, interviewing, and investigating to improve communications, transparency, and cooperation amongst the parties. Participants included PR officials from Sofia, Varna, Burgas, Shumen, Stara Zagora, Targovishte, Burgas, Plovdiv, and Russe and 190 local investigative journalists. To educate the public about the corruption prevention initiatives undertaken by government and NGOs, a joint series of broadcasts on selected corruption

stories were launched in October 2003. The 30-minute documentaries were shown weekly on nine local and national cable TV stations for a period of two years.

A key component of OGI's CS strategy involved working with government counterparts to improve citizen's and the media's access to public information, improve the dialogue between NAO and PIFCA auditors, and enhance the organizational management within NAO, PIFCA, and the new PPA. The CS team worked with a local NGO, Access to Information Program (AIP), to draft PIFCA's first internal manual on Access to Information. The manual was presented to PIFCA leadership and regional offices at an official launching event in May 2005 and will serve as a future training tool for all PIFCA employees.

Another activity undertaken with the AIP was a series of work shops that trained 245 professionals on requirements, rights, and obligations under the Access to Public Information Act and related laws.

LEGACY OF THE "OPEN GOVERNMENT INITIATIVE" PROJECT

A telling measure of a project's success is the legacies that it leaves. By "legacies," USAID/Bulgaria refers to those "victories declared" that the Mission will have left behind by the time funding ends. We have characterized "legacy mechanisms" as those means by which these legacies will be sustained after USAID funding ends. These mechanisms include, but are not limited to: trust funds, foundations, bi-national commissions, NGOs, alumni associations, user charges, regional institutions, and enabling environments that will sustain the legacies.

Since the OGI was based on a graduation strategy, assistance efforts increasingly concentrated on building self-sustainable local capacity. While this is not a new approach for USAID/Bulgaria, it was important to further concentrate on capacity building and developing the appropriate legacy mechanisms that guarantee the replication and dissemination of successful U.S. models. OGI was successful in establishing a number of legacies and legacy mechanisms in Bulgaria's transparency and accountability laws, regulations, institutions, and procedures.

LEGAL FRAMEWORK LEGACIES

Over the life of the project, OGI catalyzed the Bulgarian National Assembly to pass and amend laws on Public Procurement, Internal Audit, Financial Management and Control (FMC), Political Parties Finance, and High State Officials Assets Disclosure that brought Bulgaria into compliance with European Union standards and paved the way for the country's acceptance as a member of the EU. General details of each of these laws and the role that OGI played in their adoption are set forth below.

Public Procurement Law

With OGI assistance, in 2004 Bulgaria's National Assembly passed the Public Procurement Law which provides a legislative and administrative framework for a goods procurement system that improves service, facilitates evaluation, and renders corruption more difficult. The new law established a Public Procurement Agency (PPA) within the Ministry of Economy to implement and regulate the oversight, evaluation, award, and execution of public procurement contracts.

In December 2005, OGI organized and facilitated a working meeting of project counterparts from the National Audit Office (NAO), Public Internal Financial Control Agency (PIFCA), and the PPA at the Tripartite Agreement for Cooperation and Coordination in Public Procurement Oversight. At this forum representatives from all the procurement oversight institutions came together at the highest level to show their commitment to public procurement reform. The meeting resulted in the final elaboration and formulation of the changes and amendments to the Public Procurement Law necessary for full compliance with the revised EU procurement legislation.

Initial concerns from the business community over the coverage of the law led to a discussion of secondary legislation and amendments to the original law. In February 2006, OGI organized a meeting between the Bulgaria Industrial Association (BIA) and members of parliament to finalize the text of the law with recommendations from the business community. The proposed changes and amendments entered the National Assembly at the beginning of 2006, were passed in April, and went into effect on July 1st of that year. The passage of this law, which is fully compliant with EU Directives, was a major milestone in Bulgaria's road to European Union accession.

Financial Management & Control and Internal Audit Acts

Based in part on OGI's technical assistance and recommendations for improvement during the drafting phase, the Financial Management & Control and Internal Audit Acts were passed in March 2006. The laws addressed the need for improvements in financial management and control and strengthened government auditors' ability to more effectively provide assistance to management. While the implementing legislation and regulations to Article 46 of the Law on Public Administration and amendments to the Draft Public Administration law had been prepared by the autumn of 2004, they were not approved by the National Assembly. OGI worked to facilitate the adoption of the amendments in the Administration Law which were enacted in March 2006.

These laws introduced into the public sector the concept of managerial responsibility, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, and decentralized internal audit. OGI's Audit and Internal Control (AIC) component catalyzed this reform and over the years of the project gained a reputation as a reliable and competent source of professional advice and assistance.

Law for Publicity of the Assets of High Public Officials and Law on Political Parties

OGI provided legislative support in amending the 2001 Political Parties and Assets Disclosure Acts. The former makes party finances more transparent and liable to audit by the National Audit Office (NAO), while the latter obliges political and other senior government officials to declare property, income, and expense information and imposes sanctions for non-disclosure. This advancement represents a marked improvement in the transparency and accountability of high-level officials and political parties in Bulgaria.

INSTITUTIONAL LEGACIES

In addition to assisting in establishing a strengthened legal framework, OGI provided technical assistance to its oversight counterparts and institutionalized professional organizations to bolster the work of these watchdog professions. OGI provided extensive assistance to the fledgling Bulgarian branch of the Institute of Internal Auditors (IIAB) and the Association of Certified Fraud Examiners (ACFE), two organizations that defend the interests of these professions, providing legitimacy and recognition to the anti-corruption work they undertake. Other OGI capacity building efforts include the establishment and strengthening of the aforementioned Public Procurement Agency, as well as the Public Procurement Register and the legacies from OGI's civil society involvement.

The Institute of Internal Auditors in Bulgaria (IIAB)

With OGI support, the Bulgarian chapter of the Institute of Internal Auditors (IIA) was established in 2003. Among the IIA's main activities are disseminating the assessment standards for internal auditors' work, and studying, spreading, and promoting knowledge and information on internal audit and financial control. Official recognition from the IIA of the significant development of the Bulgarian chapter entitled the new chapter to translate, publish, and disseminate the Standards for the Professional Practice of Internal Auditing and Code of Ethics, and to organize short term and long term internal auditing training for auditors, accountants, and financial experts.

The increase in the IIAB's local and international stature has resulted in a much stronger and dynamic body, as evidenced by the four fold growth in the IIAB's membership from about 100 when OGI began supporting the IIAB to over 400 today, less than 4 years later. As a result of this impressive growth, at the annual international conference of the IIA, held in June 2006 in Houston, Texas, IIAB was recognized as the most rapidly developing chapter in Eastern Europe and an October 2006 international conference on Internal Auditing in the Public Sector, organized by the IIAB and funded in part by OGI, was recognized by IIA Inc. as the in most important in Europe during 2006.

Association of Certified Fraud Examiners (ACFE)

The Association of Certified Fraud Examiners (ACFE) is the world's premier provider of anti-fraud training and education. Together with nearly 40,000 members, the ACFE is reducing business fraud world-wide and inspiring public confidence in the integrity and objectivity of the profession. The mission of ACFE is to reduce the incidence of fraud and white-collar crimes, and to assist its Membership in their detection and deterrence.

Certified Fraud Examiners (CFEs) are leaders in the anti-fraud community, noted as specialists in the prevention and deterrence of fraud. They represent the highest standards held by the ACFE and possess expertise in all aspects of the anti-fraud profession. Qualifications for becoming a CFE include having high moral character and meeting minimum professional and academic requirements. The CFE designation is acknowledged globally and preferred by employers.

To develop a strong local network of CFEs in Bulgaria, OGI supported the establishment of a local CFE chapter, now in formation and expected to be granted full chapter rights in April 2008. Chapter bylaws and a trademark licensing agreement were adopted in accordance with Bulgarian legislation and sent to the ACFE in December 2006. Already due to OGI efforts, 25 NAO auditors applied for associate membership in the ACFE. OGI contributed to the CFE application fees for all new associates and annual dues for the public sector CFEs. Monthly meetings are already taking place at which CFEs discuss professional issues that impact the profession. The local ACFE chapter will remain a USAID and OGI legacy that will support public sector auditors' ability to prevent and detect fraud.

Public Procurement Register (PPR)

A major OGI legacy in supporting the newly-established PPA has been the creation of the Public Procurement Register (PPR). This state-of-the-art web-based system was officially launched 25 May 2005 and provides for direct, on-line completion and filing of procurement forms on the PPA webpage by procuring entities that have universal electronic signature and have registered with the system. This eliminates the need to send the information in hard copy. OGI fully funded the development and deployment of the PPR and the subsequent development of a Document Management System and Tenders Electronic Daily capabilities that further enhanced the PPR and brought it closer to full e-procurement compliance.

The PPR will play a key role in Bulgaria's procurement system. As part of the Bulgarian government e-Government strategy, it will ensure enhanced e-access to procurement documentation and connectivity to the EU procurement database.

Register on Assets of People in High State Offices and Electronic Register of Political Parties

The project fully funded the development of two electronic registers, operational as of June 2007, that facilitate public access to this information and enable oversight agencies to check the veracity of the reported information against other databases (<http://register.bulnao.government.bg/>). The political parties register offers a central database of all financial report data and disseminates the collected information on the Internet. The updated list of Political Parties directly from the Sofia City Court is fed directly into the register, which provides real time updates for the first time. The register is also used to publish the list of political parties that did not publish their reports and the reports themselves. Reports are gathered annually and for each election. The High State Office register is used in much the same manner and officials who do not submit their forms in a timely manner are fined by the National Revenue Office.

CIVIL SOCIETY INITIATIVES

The Civil Society component operated until the end of the initial contract and included implementing a small grants program; strengthening the capacity of civil investigators, journalists, and government counterparts; and improving access to public information through trainings and technical outreach. Legacies include an Anticorruption Council in Blagoevgrad, a voluntary monitoring system in Plovdiv, a Journalists Against Corruption Club, and a manual for anticorruption administrative internal control for municipalities. Other legacies of the Civil Society component include improved dialogue between the NAO and PIFCA auditors, and work with Access to Information Program (AIP), a local NGO, to draft PIFCA's first internal manual on Access to Information that serves as a training tool for all PIFCA employees. Each of these successes greatly enhances the institutional oversight capabilities of government and civil society organizations.

HIGH LEVEL TANGIBLE RESULTS¹

COMPONENT I: AUDIT AND INTERNAL CONTROL

Goal A: Encourage acceptance and implementation of management responsibility for internal control in central public administration

A.1 Government harmonization units responsible for internal control are taking a leadership role and providing the necessary guidance and capacity building for ministries to take up their new responsibilities

Through the planning and funding of technical assistance and numerous trainings OGI played a crucial role supporting the government harmonization units for internal control. Successful candidates were produced within these units and at different levels and institutions of the government. As new communication spaces were developed for them to analyze, discuss, and answer their problems; new capacities were built capacities, guidance was provided, and leadership fostered for public employees to assume and play their important role and responsibility in their respective ministry or institution.

OGI helped ensure harmonization between the internal control units and the ministries. OGI researched the harmonization of Bulgarian law to EU directives, produced a working document, and provided this information to the legislative drafting committee. A draft modification of the Public Procurement Law (PPL), based in part on the information provided, was developed and submitted to the working committee for review.

OGI has worked in very close cooperation with the Internal Control Directorate of the Ministry of Finance (ICD), going back to its creation in 2004. In 2005 OGI provided targeted ad-hoc technical assistance to the Central Harmonization Unit (CHU), the precursor to the ICD, through translating related legislation and reviewing and providing feedback on the first and second versions of the new Financial Management and Control (FMC) Law.

OGI fund all ICD's employees in the trainings, seminars, round-tables, and conferences aimed to strengthen the capacity of the directorate to take its leadership role in internal auditing and control in the public sector. Among the areas of training were certified internal auditing, internal controls, risk assessment, Committee of Sponsoring Organization's (COSO) framework on internal controls, management responsibility, fraud detection and prevention, and audit report writing.

OGI, in cooperation with World Learning, organized a study tour in Poland from 30 May to 4 June 2006. Eight internal auditors, managers, and experts from the ICD participated. The primary purpose of the study visit was to obtain knowledge of the practices of Polish ministries, with particular focus given to the Ministry of Finance, in the area of internal audit and control, and to get acquainted with the methodologies, standards, and ordinances that regulate internal auditing in the public sector. A highlight of the tour was the opportunity for the Bulgarian participants to discuss with their Polish colleagues common problems encountered and to share different approaches to overcome these

¹ See Annex High Level Tangible Results

problems. As a result of the study tour, the participants developed a detailed action plan which was presented to the Minister of Finance in a special report.

In addition to the Polish study tour, trainings were also held in Bulgaria. OGI conducted 4 trainings on FMC and internal audit in May and June 2006. The trainings were organized by the Institute of Internal Auditors Bulgaria (IIAB) in cooperation with the EU Directorate General (DG) Budget, the EU delegation in Bulgaria, and the Ministry of Finance. The purpose of the trainings was to emphasize the leading role of the ICD and raise awareness within the public management sector of the legislatively supported internal control reform. Over 100 municipal counselors attended the first two trainings in Svishtov which focused on internal auditing at the municipal level. OGI COP Grant Wilson delivered presentations on the role the internal audit committee plays in ensuring the independence of internal audits. The next two trainings, on management responsibility and good financial management in the public sector, were attended by secretaries general from Bulgarian ministries, state agencies, and the NAO. These national representatives were joined by more than 40 mayors and managers from Bulgarian municipalities.

Until 2006 OGI developed a cadre of professionally trained internal auditors not only within the ICD but within other ministries as well. OGI funded and supported a total number of thirteen auditors from the ICD in training and sitting for the Certified Internal Auditor (CIA) professional certification exams. In addition, OGI financed 12 internal auditors from other Bulgarian ministries to participate in CIA trainings.

OGI, in cooperation with the ICD, organized five trainings on FMC and Internal Audit for internal auditors and control experts at the central and local government levels. Sixty-one (61) internal auditors from ministries, municipalities, and state agencies were trained in internal auditing for the public sector in October and November 2006. Part of the training included lectures from the ICD on changes to the legislation and internal audit standards in the public sector. Finally, toward the end of 2006, OGI assisted the ICD in organizing training activities for 20 internal auditors on strategic and operational planning for internal audits and 24 internal auditors on FMC. Participants were introduced to the recent changes in the management and internal control area, learned about the elements of effective financial management, and obtained methodological guidelines for increasing managerial responsibility. At the request of the ICD in December, OGI provided professional literature on audit planning, quality assessment, risk management, performance, and corruption auditing to the Directorate.

A.2 At least 2 ministries are utilizing internal control and risk models and practices in their management and all others have knowledge, tools, and information on these management tools

In May 2006, the first two pilot demonstrations of control self-assessment monitoring techniques in Bulgaria, within the Ministries of Health and Regional Development, were successfully completed by OGI in cooperation with IIAB. Both pilot demonstrations were performed at a high professional level and with active support from the Ministries' management. 3 Bulgarian certified control self assessment experts were actively involved in the pilots and gained practical experience to facilitate future CSAs in Bulgaria. OGI's Control Self Assessment STTA, Prof. Andrew Chambers, developed detailed reports on the results of the two workshops. These reports were officially presented to the Chief of Cabinet at the Ministry of Health and the Secretary General at the Ministry of Regional Development.

OGI started in March 2006 an intense program to spread the information and the managerial tools necessary to enhance the internal controls within the public sector. In that month a high-level, interactive 3-day training on Internal Controls and Fraud Awareness was attended by senior managers from seven Bulgarian ministries and the Executive Roads Agency. The training, held just one week after the passage of the new Law on Financial Management and Control in the Public Sector by the Parliament, illustrated, through discussions and case studies, the new concepts introduced by the law, including managerial responsibility for internal control within organizations. Managers received detailed instruction on typical public sector fraud and corruption schemes and anti-fraud mechanisms.

OGI, in cooperation with IIAB and the ICD, organized more trainings on management responsibility and good financial management in the public sector. The first training, held in June 2006 in Albena, was attended by Secretaries General from Bulgarian ministries, state agencies, and the NAO. The second, held in the Golden Sands resort in Varna, was attended by more than 40 mayors and managers from Bulgarian municipalities. The presenters at the two trainings were from the DG Budget of the EU Commission, the ICD, and the IIAB, in addition to OGI COP Grant Wilson. ICD Director Dobrinka Mihaylova presented the new legislative changes in FMC and internal audit in the public sector. The EU representatives introduced the concepts of management responsibility, risk analysis, and management of identified risks. Grant Wilson made presentations on control self-assessment as a management tool. There were thorough discussions on the practical aspects of functioning of the FMC systems as well as on the implementation of the contemporary concept of the internal audit and risk management.

A.3 Internal audit within ministries applies international audit standards

In order to apply international audit standards, a decentralization of the PIFCA had to occur. At the beginning of December 2005, five pilot Internal Audit Units were formed within the Ministries of Regional Development and Public Works, Transport, Environment and Waters, Labor and Social Policy, and the Road Agency. In order to enhance internal audit capacity within the government, the ICD donated 22 copies of the Professional Auditing Standards (issued by IIA in the Bulgarian language) to the auditors in these five pilot units.

The new Law on Internal Auditing in the Public Sector was adopted by Parliament in February 2006. In accordance with the law, internal audit units were established in all central and local level budget organizations. OGI contributed to the development of the capacity of these newly established units by providing a series of practical trainings, workshops, and professional literature.

In May 2006, eight internal auditors from Bulgarian ministries were trained by the OGI on audit report writing. The participants acquired valuable knowledge on how to prepare persuasive, logical, clear, and influential audit reports using an objective and unbiased writing style.

The appliance of international audit standards was achieved at the end of June 2006 when the Bulgarian Parliament adopted Standards for Internal Auditing in the Public Sector. These standards are based on internationally recognized IIA standards for internal auditing. Besides the technical assistance and trainings, OGI assisted in promoting the standards by disseminating copies to the internal audit units in the ministries and major municipalities. Today, the 197 internal auditors

working at the central level of government and others working in sub-national roles undertake audits in accordance with international audit standards.

In November 2006, a practical, high-level training on Tools and Techniques for Audit Managers was held and attended by 10 ministerial internal audit managers. The trainer, Dianna Sullivan, who was well known and highly-regarded by the Bulgarian auditors from her two previous training sessions in Bulgaria, discussed topics including planning an audit through the use of risk assessments, managing the audit, and monitoring the audit process. Participants learned how to establish the proper tone during the audit, and deliver audit results by developing a collegial, professional audit relationship between the internal auditor and the audit client, and how to establish a good audit team and motivate and inspire the audit staff for a positive performance.

A.4 An annual report on the state of internal control in government is provided to Parliament

The ICD's Central Harmonization Unit on Internal Control (CHU on IC) was responsible for drafting the respective legislation on Reporting on the State of Financial Management and Control Systems in the Public Sector. This project was supported by SIGMA of the EU. OGI followed up this work with a planned study tour to Poland for the ICD where the requirement was discussed. The Bulgarian Ministry of Finance experts observed the practice of their Polish colleagues on the preparation of annual reports on the state of FMC systems in the public sector.

On 9 May 2007, the Public Financial Inspection Agency (PFIA), the legal successor of PIFCA, presented the results of its inspection activities for the prior fiscal year. PFIA Director, Ginka Draganinska, announced that, of 208 public financial inspections between July and December 2006, 164 were finalized and 44 remained transitional for 2007. Sixty percent (60%) of the claims were made by applications, complaints, or flags from government officials, citizens, and legal entities, demonstrating high interest in the agency's activities, trust in its operations, and professionalism of its members. Only 20% of the claims were rejected for lacking legal grounds, illustrating sound knowledge of legislative requirements. Claims originated from the General Prosecutors' Office, NAO, and PPA, revealing good communication, collaboration, and control activities between the separate bodies.

A.5 The local chapter of the Institute of Internal Auditors (IIA) provides internationally-recognized knowledge on management, internal control, and audit issues

OGI supported the IIA by funding all its trainings, seminars, and high-level conferences directed at improving the knowledge and strengthening the capacity of government experts to utilize international standards. OGI arranged a study tour to Prague to visit the Czech IIA for training, observation, and discussions on the creation of an IIA chapter in Bulgaria. With this assistance from OGI, the local IIA chapter was established in 2003. In September 2005 the statute of the IIAB was changed from 'chapter in formation' to 'chapter' – official recognition from the IIA of the significant development of the Bulgarian IIA chapter.

The increase in the IIAB's local and international stature has resulted in a much stronger and dynamic body, as evidenced by the four fold growth in the IIA's membership from about 100 when

OGI began supporting the IIAB to over 400 today, less than 4 years later. As a result of this impressive growth, at the annual international conference of the IIA, held in June 2006 in Houston, Texas, IIAB was recognized as the most rapidly developing chapter in Eastern Europe. This recognition is a testament to USAID's support; the IIA stands as a legacy to this support and will continue to perform good work long after USAID has departed Bulgaria.

OGI played a leading role in organizing the local chapter of the IIAB. OGI sponsored the participation of the IIAB President Tzvetan Tzvetkov in the Corporate Governance Conference of the International IIA, which took place in Belgium. OGI also sponsored IIAB participation in a COSO seminar and in a two-day seminar on the latest changes in tax and financial legislation in the public sector. OGI supported the establishment of an IIAB exam center for Certified Internal Auditors, and purchased 10 sets of textbooks for PIFCA employees to study for the exams. The first exam was carried out in May 2004 and from then on, exams were carried out on a regular basis in Bulgaria.

With OGI support, the IIAB offered, for the first time in Bulgaria, Part I of the CIA exam in May 2006, resulting in a significant increase in the number of participants in the examination – over 80 auditors from the public and the private sector took the exam. In order to strengthen the capacity of Bulgarian trainers to provide CIA training in Bulgarian, OGI supported a “Training of Trainers” workshop organized by IIAB in Sofia and presented by OGI consultant, Jean Pierre Garritt. Four representatives from the IC Directorate, as well as other public sector experts, participated. The IIAB then offered Part II of the CIA exam in November 2006. OGI financed the translation and printing of the CIA exam review textbook Part II – Conducting the Internal Audit Engagement.

As part of its ongoing support, OGI provided assistance to the IIAB to organize an international conference on Internal Auditing in the Public Sector. The conference was held on the 9th and 10th of October 2006 and more than 200 professionals in the audit and financial management areas from Bulgaria and elsewhere in Europe participated in this high level event. The Minister of Finance, Plamen Oresharski, delivered the opening speech addressing the challenges standing before internal auditors and the importance of the profession for public and private sector organizations. Among the presenters were the IIA international president, David Richards; the President of the European IIA, Richard Nelson; the ex-President of the ECIIA, Jean Pierre-Garitte; Robert Gielisse from the DG budget unit at the EU Commission; the President of the IIA-UK and Ireland, Phil Tarling; and many other high-level audit managers from Central and Eastern Europe. The OGI COP, Grant Wilson, made a presentation on the application of control self-assessment in the public sector. OGI supported this event by financing the conference facilities and preparing and printing all advertising materials and handouts. This conference was recognized by IIA, Inc. as the most significant internal audit event in Europe during 2006.

Goal B: Improve monitoring and reporting performance of audit bodies in Bulgaria public sector

B.1 There is a core of knowledgeable managers as well as auditors in the field of fraud awareness and its minimization

To ensure the sustainability of the trainings implemented, and to develop a strong local network of Certified Fraud Examiners (CFE), OGI supported the establishment of a local CFE chapter. Chapter bylaws and a trademark licensing agreement were adopted in accordance with Bulgarian legislation and sent to the Association of Certified Fraud Examiners (ACFE) in December 2006. At the end of

March 2007, the local Bulgarian chapter of the Association of Certified Fraud Examiners was officially registered with the Sofia city court. This was the result of the one-year joint efforts of OGI and the CFEs in Bulgaria. OGI funded all registration fees for the newly established chapter, organized regular meetings of the ACFEs, translated the chapter bylaws, and streamlined the whole process. The members of the ACFE local chapter adopted an ambitious plan for the future development and promotion of the chapter including application in a competition for a research project, increasing the number of ACFE members and organizing fraud related trainings. The local ACFE chapter will remain a legacy of the OGI Project in Bulgaria in the area of fraud detection and prevention that will help minimize corruption in the public sector of Bulgaria.

Due to OGI assistance, 12 NAO and internal auditors, including 1 manager, have qualified as Certified Fraud Examiners (CFE) by the Association of Certified Fraud Examiners (ACFE). Other 25 applied for associate membership with the ACFE as a first step to becoming certified members. In addition, 287 NAO managers and auditors, ministerial managers, internal auditors, and inspectors have been trained on fraud detection and prevention, collecting of audit evidence, and writing skills.

Upon request of the NAO Chairman, OGI also organized Fraud Detection and Prevention Trainings for headquarter and regional NAO auditors. The trainings were conducted by Dr. Nickolas Zacchea, a certified fraud examiner. The trainings were held in Sofia and Plovdiv during January and February 2006 and focused on evidence collection techniques, investigation of bribes and kickbacks, and interviewing skills. At Plovdiv, Forty-one (41) NAO auditors attended and were awarded certificates by OGI.

In addition OGI funded a high-level policy forum “Internal Auditing in Bulgaria,” in November 2005. Mr. Gene Gibson, acting Mission Director of USAID-Bulgaria opened the forum together with Mr. Plamen Oresharski, Bulgarian Minister of Finance, and Mr. Robert Gielisse, Unit Head of the EC’s Resources and Assistance to Candidate Counties. The forum presented to the Bulgarian government and non-governmental stakeholders the new structure of internal auditing in the Bulgarian public sector and solicited support for the timely adoption of the relevant legislation by the Bulgarian Parliament. The forum was attended by over 70 professionals, MPs, and senior civil servants to discuss the first IIAB concept paper on internal auditing in Bulgaria.

B.2 The NAO has readable, actionable, and thorough reporting of audit findings, conclusions, and recommendations supporting the organization’s direction, expected results, and a functioning follow-up process

To support the NAO, OGI began by holding various conferences on key issues including on the Supreme Audit Institutions and the Fight Against Corruption, Issues Related to the Maintenance of the Register of Assets of Public Officials, and the Funding and Auditing of Political Parties. From November 2005 to November 2006, OGI funded 32 NAO auditors and managers to participate in three, 3-day practical trainings on auditing tools and techniques and audit report writing. In January 2006, OGI consultant Dr. Nicolas Zacchea submitted a report on Best Audit Follow-up Practices to the NAO Board Members. In addition, OGI consultants Dr. Zacchea and David Murphy delivered a concept paper on an audit quality assurance framework which was presented to the NAO for consideration. Currently, the NAO is updating their quality assurance procedures.

In November 2006, OGI consultant Edward Eustace commenced work on the review of the performance audit chapter of the NAO audit manual. Mr. Eustace is an experienced international audit consultant and specialist in value-for-money audits. He worked closely with the NAO Legal

and Methodology Department and discussed step by step his approach with them along with suggested amendments. Further to the review, Mr. Eustace made connections with the Comptroller and Auditor General (C&AG) in Ireland as well as the European Court of Auditors in Luxembourg to ensure current European Commission directions are taken into account in the revised methodology for the NAO. A few months later, Mr. Eustace completed his work on the review of the performance audit chapter of the NAO audit manual. He provided a final report incorporating all his views, suggestions, and recommendations for the layout and the content of the NAO performance audit manual. His recommendations were accepted and adopted by the NAO Methodology Department.

OGI international consultant Jean-Pierre Garitte and the local internal audit expert Snezhina Stavreva developed a Strategic Audit Plan for the newly established Internal Audit Unit of the NAO. Mr. Garitte and Ms. Stavreva together held meetings with key NAO stakeholders including the President, Board Members, Secretary General, the head of the legal department, and others to assess the current status of the NAO, to develop a strategic plan for the organization, and to institute an actionable approach for doing so in the future. In February 2007, after Mr. Garitte vetted the plan with the NAO Board, the final Strategic Audit Plan was presented to NAO President Valeriy Dimitrov, and was officially adopted by the Board members.

In March 2007, OGI organized and conducted a Study Tour to the Office of the Auditor General (OAG) of Canada for the NAO Chairman and five Board members. The main goal of the visit was to give opportunity for the members of the NAO to establish professional networks with and learn from the best practices of one of the world's leading supreme audit institutions. Mrs. Sheila Fraser, Auditor General of Canada, met the Bulgarian delegation and discussed the role of the Auditor General in Canada, specifically, its relations with Parliament and procedures and mechanisms for achieving quality and transparency of the work of the OAG. The NAO Chairman, Prof. Dimitrov, also presented the role and mandate of the Bulgarian NAO to the OAG. The presentations and discussions focused on the best management practices of a well-run office of a Supreme Audit Institution, including reporting techniques, quality assurance frameworks, and tips for presenting the message to the public in the audit reports. The Bulgarian delegation was also particularly interested in human resource management matters and appraisal systems. The Canadian OAG also shared with their Bulgarian colleagues all their internal policies and related manuals for each product line – financial and compliance, performance and forensic audit.

B.3 Oversight bodies have increased capacity to monitor and report on Internal Control matters

OGI selected Ned Eustace to perform a consultancy to encourage and enable the National Assembly to better use the work of the NAO to improve government accountability, examine principles of government accountability to Parliament, identify international SAI/Parliamentary liaison practices, and assess the current model for NAO/Parliamentary interaction in Bulgaria. His findings were presented to NAO Board members in May 2006.

Based on current research and international practice, Mr. Eustace interviewed the NAO Chair and some Board members, the President of the Bulgarian chapter of the IIA, the President of the Bulgarian Industrial Association, to propose ways of “tuning” the Bulgarian model for long-term progress in government accountability and effectiveness, Mr. Eustace found that although the NAO Act is a strong, well-constructed piece of legislation that provides an excellent foundation for an effective SAI role in practice the Act is not adhered to and there is insufficient dialogue between the National Assembly and the NAO. The NAO needs to be stronger if it is to assist the National

Assembly in exerting pressure on the government, he continued, and NAO audit reports have no impact on the annual national budget process. Nor is there a formal link between the NAO and the National Assembly and the NAO's role is not as visible to civil society as it could be.

To address these issues, he recommended creating a subcommittee of the Budget and Finance Committee and drafting detailed suggested terms of reference for its consideration. MPs/Committee members should be trained in modern concepts of good governance, and NAO staff should be trained to write plain language reports that are understandable and that provoke action. Additionally, MP and media briefing sessions and report summaries should be consulted, and committee members should be provided with questions for the government and officials appearing before it. Finally, he suggested further strengthening the NAO's message management and communications capacity.

207 NAO and ministerial managers and auditors underwent extensive trainings on international best practices in internal audit, risk assessment, internal control models, report writing, and fraud detection and prevention. Three(3) NAO experts participated in high-level trainings on Internal Controls and Fraud Awareness organized by OGI in March 2006. Also attending were senior managers from seven Bulgarian ministries, the National Audit Office, and the Roads Executive Agency (See Annex 11 - Training Agenda). Held just one week after the passage of the new Law on Financial Management and Control in the Public Sector by the Parliament, this training illustrated through discussions and case studies the new concepts introduced by the law (e.g., managerial responsibility for internal control within organizations). Managers were acquainted with typical public sector fraud and corruption schemes and anti-fraud mechanisms. Certificates were awarded upon successful completion.

In July 2006 Consultant Knol gave a one-hour presentation on Risk Management to the NAO Board Members during which he stressed the role of risk assessment in the effective management of an organization and shared the experiences of the Ministry of Health, Welfare, and Sports of Netherlands in applying the risk management model.

A performance audit in public procurement training was held in July 2006 in Plovdiv for 30 NAO auditors from the central and regional offices. OGI contracted three international consultants to conduct the practical training. Ned Eustace developed and presented an audit methodology for conducting a performance audit engagement, illustrated with practical case studies and numerous examples. In addition, participants received Performance Audit Kit Forms to be used in all steps of the performance audit.

OGI COP Grant Wilson, who has extensive audit experience, participated as a trainer by providing practical examples, elaborating on selection of criteria, conducting field work, and reporting of value-for-money auditing. The Risk Management module was presented by Dirk Knol, an Audit Manger in the Ministry of Health, Welfare, and Sports of Netherlands. He explained in detail what contemporary risk management is, why it should be performed in all public sector organizations, and benefits of the approach.

Niels Hansen, OGI Procurement Consultant from Denmark, presented the public procurement management cycle and illustrative case studies. Participants demonstrated high interest and were very proactive in solving practical cases. All NAO auditors obtained certificates for participation. After the training, NAO management requested another series of trainings to be provided by OGI in November 2006.

The second series of OGI trainings was again held in Plovdiv in November and attended by more than 60 audit managers and senior auditors from the central and regional offices. The NAO provided case studies from its practice which were discussed during the training. Participants gained practical knowledge to help them conduct performance audits and received Performance Audit Kit Forms to be used in all steps of the audit engagement. All participating NAO auditors obtained official attendance certificates.

At the end of November 2006, 50 NAO auditors were trained on the new FMC and internal auditing laws. The lecturers from the MoF IC Directorate presented the new concepts of internal controls, risk assessment, and managerial responsibility, and the internal auditor's role. OGI provided technical support for the event.

B.4 Parliament is actively involved in the review and follow up of NAO reports, and collaborates with NAO on achieving its objectives

The Public Sector Accountability Subcommittee of the Budget and Finance Committee that monitors and follows-up on NAO audit reports was established in the beginning of April 2007. It consists of a Chair and six members, three from the leading coalition and three from the opposition. It initially meets once per week, attended by the Chairperson of the Audit Chamber, the Minister of Finance, and their deputies as well as other persons invited by the Subcommittee Chairperson. Following the meeting, the Chairperson draws up a report with an evaluation of the budget implementation submitted to the Budget and Finance Committee and to the Members of the National Assembly.

In March 2007, OGI organized and conducted a Study Tour to the Office of the Auditor General (OAG) of Canada for the NAO Chairman and five Board members. The main goal of the visit was to give the members of the NAO established professional networks and to learn from the best practices of one of the world's leading supreme audit institutions. Mrs. Sheila Fraser, Auditor General of Canada, met the Bulgarian delegation and discussed the role of the Auditor General in Canada, specifically, its relations with Parliament and procedures and mechanisms for achieving quality and transparency. The NAO Chairman, Prof. Dimitrov, also presented the role and mandate of the Bulgarian NAO to the OAG.

During the Study Tour to the Office of the Auditor General (OAG) of Canada for the NAO Chairman and five Board members three main areas of interest were discussed: strategic and operational planning, professional practices and office administration. The presentations and discussions focused on the best management practices of a well-run office of a Supreme Audit Institution. Issues related to reporting techniques, quality assurance framework, and tips for presenting the message to the public in the audit reports were discussed at great lengths.

B.5 Financial information of public officials and political parties is available to the public

OGI initially organized two roundtables to discuss audit practices under the law on political parties' financing and drafted recommendations to strengthen that law and to ensure that the NAO will have greater powers to monitor how political parties raise and spend their finances. In 2006 the *Law on Political Parties* was amended to take on board the recommendations of the European Commission to Bulgaria formulated in the Commission's Monitoring Report of 16 May 2006, and to meet the public expectations for wider transparency and control of political parties' funding. The newly-introduced requirement for members of the governing and supervisory bodies of political parties, and for the representatives of such parties, to disclose their property, income, and expenditure, both

within the country and abroad, following the procedure set out in the *Law on Property Disclosure by Persons Occupying Senior Positions in the State* (article 30(3) of the *Law on Political Parties*) can certainly be evaluated as a positive step.

OGI provided legislative support in amending the 2001 Political Parties and Assets Disclosure Acts. The former makes party finances more transparent and liable to audit by the National Audit Office (NAO), while the latter obliges political and other senior government officials to declare property, income, and expense information and imposes sanctions for non-disclosure. Both Acts expand the scope and coverage of disclosure requirements, mandating more officials to publicize their assets.

A major USAID/OIG legacy is the development of two electronic registers: one for the Assets of People in High State Office according to the newly amended law on publicity of the property of high state officials (HSOs), and one for political parties financing. The electronic registers, operational as of June 2007, will facilitate public access to this information and will enable oversight agencies to check the veracity of the reported information against other databases. Both advancements represent marked improvements in the transparency and accountability of high-level officials and political parties in Bulgaria.

COMPONENT II: PUBLIC PROCUREMENT

Goal A: Strengthen public procurement integrity and transparency at the national level

A.1 Bulgaria procurement legislation is fully compliant with EU acquis

Both the PPL and the administrative practices in the area of public procurement in Bulgaria are compliant with the EU Acquis, according to the most recent EC report on FMC and internal audit. In order to assist the process of developing public procurement practices consistent with the EU law, OGI continued to develop training materials related to the public procurement case-law of the European Court of Justice (ECJ). The rules established by the case-law of the European Court of Justice, related to the stages of the Procurement Management Cycle, were presented at a working seminar on “Modern Approaches for Preventing Violations in Spending Budget Funds in the Public Procurement System” (see also C 3).

In the beginning of the project, OGI researched the harmonization of Bulgarian law with EU directives and worked to produce and provide information to the legislative drafting committee. OGI drafted modifications of the Public Procurement Law and submitted them to the working committee for its review. The changes to the PPL came into force in July 2006. Additionally, OGI commenced work on development of the new procurement register under the Public Procurement laws.

Next OGI worked toward implementation and held a major conference on “The Efficiency of the Public Procurement System in Bulgaria,” with the Ministry of Energy, in collaboration with the EC Delegation, the World Bank, the NAO, and PIFCA. OGI also organized a ministerial-level discussion on “Secondary Legislation for Implementing the new Public Procurement Law.” Participants’ feedback was used to upgrade OGI’s concept paper on secondary legislation. Then OGI organized a round table discussion for MPs and business organizations on the draft PPL (on its second reading) and carried out a series of ministerial-level working group meetings on secondary PPL legislation for government officials and businesses concerned with the new legislation. In addition, OGI provided a compendium of analyses and recommendations on public procurement secondary legislation to the PPA to assist them in the drafting of the new secondary legislation issued October 2004.

To develop the Standard Tender Documents (STDs) and other administrative forms, OGI reviewed and revised the STDs for goods, works, and services and presented the completed STDs at a national conference to an audience of high-level officials, prominent business representatives, and donors. OGI also developed and completed 10 Standard Notices required by the new PPL. Local consultants worked on rendering STDs compliant with the new PPL, and the notices were officially presented to the PPA at a ceremony in September 2004.

Additionally, STDs for services and supplies were developed for open procedure and open competition, and also for negotiated procedures under the PPL and under the Ordinance for Small Public Procurement Contracts, in line with the new amendments of the PPL. Two sets of STDs, for general works and engineering, were finalized and the changes to the PPL came into force in July 2006. The SPDs for works and for engineering were disseminated on paper and on CD among public procurement experts from over 14 ministries and trade companies.

In August 2006, the PP team developed a chronological, high-level history of procurement events in Bulgaria over the past few years at the request of the US Embassy. The chronology presented the development of Public Procurement legislation in Bulgaria over the past 6 years and its gradual improvement towards better transparency, accountability, and fair competition. The establishment of the Public Procurement Agency (PPA) and the Public Procurement Register (PPR), developed with the assistance of the OGI project, were highlighted in the document as the most widely acknowledged milestones in Public Procurement Reform in Bulgaria. Most of the stages in the development of the Public Procurement system in Bulgaria were supported by OGI and showed progress through OGI assistance.

Analysis of the EC Monitoring report on the state of preparedness for EU membership of Bulgaria and Romania, issued on 26 September 2006, showed Bulgaria proceeding at an acceptable rate in the area of public procurement. Public Procurement was not listed as one of the outstanding issues that required attention in order to harmonize with the EU *acquis* and procurement standards.

A.2 A fully-independent PPA that actively leads and disseminates methodology and processes in public procurement

To create the Public Procurement Register (PPR), OGI coordinated with the EC Delegation, SIGMA, World Bank, Ministry of Economy (MoE), and Public Procurement Agency (PPA) staff to establish the requirements. OGI completed an alternative, cost-effective design for the new PPR to be used to decide on the extent of funding that USAID/OGI will allocate to the Register. OGI assisted the MoE in developing and implementing the Common Procurement Vocabulary (CPV) required by EU standards into the Bulgarian statistical database framework.

OGI worked on the Public Procurement Register (PPR) of Bulgaria as per the Work Plan for 2003–2004 and officially launched the PPR with a high-profile public event to promote the usefulness and key role of the PPR for the smooth accession to the EU public procurement market. The Public Procurement – Questions & Answers Handbook, a compilation of the ideas and the accumulated experience as a result of the many joint initiatives of OGI with its pilot ministries, was published. It summarizes and promotes the best practices used by the OGI pilot ministries in implementing public procurement procedures.

By the second half of 2006, the PPR webpage had more than 164,300 registered visits by all players in the public procurement arena – contracting authorities, bidders, contractors, representatives of the media, and the general public. This figure indicates the usefulness of the information and the high level of interest towards it. OGI built PPA's leadership role by facilitating interaction between PPA and the other oversight bodies (NAO and PIFCA) in dialogue and legislative drafting.

Once the new functionalities of the PPR were established with OGI assistance, the number of e-notices sent to the PPR increased gradually. More than 25 contracting authorities sent their notices electronically using electronic signatures. According to the PPA, more than 200 e-notices were sent from the beginning of December 2006. In order to further facilitate the e-procurement process, the OGI PP team worked with the PPA on the preparation of two projects related to upgrading functionalities of the PPR and its electronic document registration system (e-document management system) (see also - A3).

The draft of the first Code of Ethics in Public Procurement was developed by OGI with the active participation of OGI counterparts and the business sector. A new Public Procurement Management

Strategies and Tools - Public Procurement Management Cycle (PMC) Training Module was developed. The Secretaries-General of all the Bulgarian ministries were trained as well as public procurement managers and experts from all ministries. The PMC is a new concept for Bulgaria, ensuring a holistic approach to public procurement.

The OGI team also organized and conducted an International Public Procurement Conference on best practices in the area of public procurement, entitled “Public Procurement Management Strategies and Cycles.” The conference was attended by more than 120 local and 25 international procurement experts. Mr. Mike Fritz, USAID Mission Director, opened the conference.

Mr. Piort Gorezki from OECD, one of the keynote speakers at the conference, spoke about the main directions for the modern development and professionalization of the procurement process. Miglena Pavlova, Executive Director of the PPA, through her comprehensive presentation on the PPA’s achievements over the past two years, demonstrated the upgraded professional capacity of the leading procurement institution in Bulgaria and asserted the Agency’s role in streamlining the public procurement practices in Bulgaria. PPA representatives at the conference took an active role in discussing international best practices in the area of public procurement, confirming from the exchange of views and ideas that Bulgaria has successfully introduced best practices implemented by many EU member-countries. Through this forum, the PPA also had the opportunity to benefit from the experiences and ‘lessons learned’ of EU member states that are at a more advanced stage in the field of e-procurement and to transfer practices applicable to Bulgaria. (see also A4, B1, B2 and C3 Higher Level Tangible Results).

OGI provided technical assistance to develop and publish the PPA’s Annual Report for 2005. The PPA Annual Report, which was released at the OGI International Public Procurement Conference, focused not only on the structure, role, and functions of the Agency, but also updated new aspects of the public procurement system and Agency efforts to streamline public procurement processes in Bulgaria.

The OGI PP team worked extensively with the PPA and, at their request, started two projects related to the enhancement of the PPR. The first supported PPA’s upgrade of the functionalities of the PPR and its electronic document registration system (e-document management system) as a step to facilitate the introduction of e-procurement. It will assist the PPA in developing an electronic record keeping system for e-notices received by the Agency, and became operational in February 2007. The second project, launched in 2006, established an automatic exchange of information between PPR and Tenders Electronic Daily (TED), achieving interoperability between the two registers, enabling contracting authorities to create only one file to be sent to all publishing authorities- the PPR, the Bulgarian State Gazette, and the EC Official Journal.

OGI assisted the Public Internal Financial Control Agency (PIFCA) by training PIFCA auditors on corruption indicators in public procurement. OGI also supported the Peace Corps English language training to the PIFCA regional directorates in Haskovo and Smolyan and donated 20 desktop computers to the PIFCA audit department to be used for training PIFCA auditors. OGI trained auditors in IT applications and purchased written materials for the PIFCA resource center.

OGI conducted a training needs assessment based on focus groups at the ministerial and municipal levels. Pilot municipalities were selected for improvement of internal control procedures (Tundja,

Stara Zagora, Veliko Tarnovo, and Silven) and the initial drafts of the internal control manual for municipalities was developed.

A.3 The PPA and PPR are fully supportive of EU contracting requirements and facilitate international investment in Bulgaria

OGI participated in the conference on Procurement and Anti-corruption co-organized by USAID/Washington and the British Department for International Development (DFID) in London. The Executive Director of the new PPA participated in the conference. The Procurement Team presented OGI's strategy and obstacles encountered in working towards OGI procurement objectives.

In addition to the conference in London, OGI, with the cooperation of the PPA, held an international seminar on "Strengthening the Role of the Administration and the Judicial Capacity in the Implementation and Enforcement of the Acquis Communautaire in the Area of Public Procurement," at the American University in Bulgaria (AUBG). Thirty public procurement officers from Bulgaria, Romania, and Turkey were trained on the latest developments in the public procurement segment of the EU *acquis communautaire*. The PP team provided major input in the compiling and editing of a Handbook on the Conference proceedings in cooperation with the Bulgarian Public Procurement Agency. The Handbook contains all main papers presented during the seminar, including OGI's material contribution. This book will provide public procurement experts in Bulgaria further information on the public procurement experience in Hungary, Poland, Bulgaria, Romania, and Turkey, and on the use of e-procurement as a tool for making public procurement more transparent and cost-effective.

OGI also held an international conference on "Regulating Public Procurement Internal Market Acquis: National Perspectives and European Experience," to provide a forum for exchange of experience among EU, recent accession countries, and the candidate countries in how to best reform the public procurement sector to comply with the public procurement segment of the *acquis communautaire*.

In addition to conferences, OGI actively coordinated with the EC Delegation and the new Twinning with the PPA to work out a donor plan of activities without overlaps. A meeting between OGI; Mrs. Paulina Stanoeva, Representative of the EC Delegation in Bulgaria; and Mr. Stefano Cacciamani from the PHARE Twinning Project BG 2005/IB/FI/04 was held. Led by OGI COP Grant Wilson, the discussion ranged a large variety of subjects including trainings, conferences, workshops, and working discussions, and working with the pilot ministries and main counterparts at the PPA, NAO, and BIA. OGI also collaborated with the newly established Commission for Protection of Competition (CPC), initiated by the PPA. The activities above were considered as initiatives in compliance with the procurement transparency efforts of the EU Delegation in Bulgaria. The future involvement of the procurement appeals institutions, such as the Supreme Administrative Court and the CPC, in OGI procurement efforts with PPA, were confirmed.

A.4 Procurement review procedures and decisions are consistent with EU practices and best working models and are widely disseminated

OGI completed an assessment of the administration of the procurement process within pilot municipalities. STDs drafted by OGI were disseminated for testing of municipalities. The assessment was a key source of input for the concept paper on secondary legislation.

OGI's PP team, with consultant Ms. Cani Fernandez, finalized and translated A Handbook on the European Court of Justice (ECJ) case law. The Handbook assists Bulgarian public procurement officials by building awareness of EU compliant public procurement procedures. The aim is to provide an overview of the EU legal framework in the field of public procurement. In this regard, OGI has strived to summarize not only the relevant EU legislation, but also case law of the ECJ and the different measures introduced by Member States to enable national implementation of EU rules in Bulgaria. When Bulgaria became a Member State in January 2007, all national legislation, as well as each public procurement procedure, became subject to European Commission and ECJ review; therefore, Bulgarian public procurement officials needed relevant knowledge of the review procedures.

ECJ public procurement case law was also presented at the International Public Procurement Conference, organized by OGI (see also A2, B1, B2 and C3). The aim of the presentation was to acquaint the participants with the jurisdiction and case law of the ECJ in settling public procurement disputes and to implement this knowledge in their everyday practice. The new Public Procurement review procedures in Bulgaria, introduced by the latest amendments to the Public Procurement Law in force as of 1 July 2006, and the Procurement Appeals Systems of Estonia, Croatia, and Turkey, were also presented at the Conference. Officials had the opportunity to compare and discuss the different approaches for dealing with public procurement infringements and the challenges encountered in the process of implementing EU Remedies Directives requirements. Although the Commission for Protection of Competition (CPC) in Bulgaria was only recently entrusted with the functions of a new public procurement review body, experts from this Commission actively participated in the discussions during the Conference. A representative of the CPC, together with three other international and Bulgarian experts, presented the conclusions from the second discussion panel of the conference entitled "Public Procurement Management Cycle-Contract Award and Contract Performance."

OGI organized, at the request of the PPA, the first working meeting between the PPA and the CPC. The aim of the working meeting was to facilitate the coordination between the two institutions and to support the process of building the capacity of the CPC in view of the fact that it started to function as a public procurement review body only recently. The working meeting was at the highest possible level for the two institutions – all members of the CPC and the Executive Director of the PPA were present, together with senior civil servants.

The PPA shared with CPC 'lessons learned' in the process of implementing the PPL and the secondary legislation in the area. The Chairman of the CPC pointed out that the discussions were beneficial to CPC's work, and expressed a willingness to conduct joint work in the future

In October 2006, after their first working meeting supported by OGI, the CPC and the PPA signed an Agreement for Collaboration in Public Procurement. The aim of the Agreement is to facilitate the cooperation between the two institutions through the exchange of information, joint expert working groups, and exchange of expert opinions.

To further strengthen the Procurement Management Cycle (PMC) Training module, OGI and its local and international public procurement consultants drafted a public procurement handbook – Procurement Management Cycle (PMC) Guidelines, in line with the latest amendments to the legislation and the most up-to-date EU and international best practices. The PMC Guide was developed to help managers and experts working in the public procurement field to efficiently and

cost-effectively plan, organize, and perform procurement activities. The PMC Guidelines cover strategic planning and approaches for ensuring continuity between what is planned and what is being achieved. The management issues that every procurement manager has to address are emphasized, including organization of the process, internal organization and administrative coordination, ethical aspects during the respective activities, monitoring, and performance evaluation. The draft of the booklet was pilot tested at OGI seminars with contracting authorities and business.

Goal B: Develop extensive procurement reform activity directed to deal with specific sectors, including Health and Public Works

B.1 At least 2 'high risk' sectors (e.g., Health and public Works Sectors) are utilizing international best practices (including transparency) in the procurement of Services, Supplies, and Works

OGI selected the Ministry for Energy and Energy Resources (MEER), the Ministry of Economy (MoE), and the Ministry of Regional Development and Public Works (MRDPW), as pilots where to implement trainings and technical assistance in order to strength its practices in the procurement of services, supplies, and work.

On-the-job trainings for their inspectors were provided to apply best international standards of internal control and audit. In addition, twenty-five (25) inspectors from the pilot ministries (MEER, MoE, and MRDPW) and energy trade companies were trained in Plovdiv on internal controls and fraud detection and prevention. OGI presented the "Ideal Inspectorate" concept paper at a roundtable organized by the Council of Ministers for the Heads of Inspectorates and Secretaries' General in Velingrad.

OGI also trained 60 heads of directorates from seven ministries and representatives from the Anti-Corruption Commission (ACC) on internal controls; trained 60 participants from MEER and energy trade companies in financial management and an additional 60 financial officers from MEER and their trade companies on International Accounting Standards (IAS); and sponsored the participation of 10 employees from MEER, the Ministry of Regional Development, and Kozlodui Nuclear Power Plant in a study tour to Finland to gain knowledge of internal control and nuclear waste management. To assist them, OGI donated 5 laptops to be used by MEER inspectorates to conduct inspections around the country, and OGI carried out a compliance and operational inspection of the MEER Financial and Accounting Directorate. The audit documentation developed with the AIC team's assistance was incorporated into the appendices of the Inspection Manual.

OGI reviewed the 2003 Annual Activity Report of the MoE Inspectorate and reports on completed inspections, identifying and recommending areas for improvement. The Registration, Licensing, and Control Directorate of the MoE was also inspected.

OGI organized Standard Tender Documents (STDs) workshops with MEER experts. As an example, 63 STDs for goods, services, and works were adjusted to match the Bulgarian Legislation according to the professional advice of MEER practitioners. OGI completed a final version of the Open Procedure Standard Tender Documents and 21 STDs for goods, seven of which prompted debates. These were submitted for review by International Procurement Consultants (IPC) whose comments were used to further refine the documents.

OGI conducted a two-day training program for MEER entitled “Planning and Management of Public Procurement,” contributing to more uniform and efficient procurement practices. OGI organized, at the recommendation of the EU, a study tour to Denmark to directly expose Bulgarian experts from OGI pilot ministries and the PPA to models of successful and efficient EU procurement. At an OGI seminar on “Procurement Planning and Management,” OGI witnessed proof of the success of the tour as six procurement experts from MEER guided the discussions on awarding public contracts within the MEER system.

OGI held meetings with the Deputy Minister and Secretary General of MRDPW to discuss technical assistance and drafted the work plan with the Ministry staff. The Deputy Minister and senior legal staff attended an OGI-organized study tour of the Danish Procurement system. OGI trained 30 MPWRD experts on planning and management of public procurement. As a result of this training, the MRDPW procurement officers finalized a plan for drafting an internal methodology for awarding public contracts.

OGI conducted a study tour on Public Works Contracts in Management and Monitoring Systems for 11 participants – 10 representatives of contracting authorities awarding high-value public works contracts (MRDPW, MoE, MEER, Ministry of Environment and Water, NAO, PPA, and the BIA) and one representative from the business sector. The study tour took place at the Public Procurement Research Center at the Florida Atlantic University in Fort Lauderdale, FL, USA. In addition to the management of public procurement procedures for public works, the tour covered monitoring contract performance, an important aspect of public procurement not yet well developed in Bulgaria. The Center provided participants with a wide range of know-how and tools in the area of public works including management and monitoring systems based not only on their professional qualifications but also on their proven capacity as trainers in the field.

B.2 At least 2 ‘high risk’ sectors (e.g. Health and Public Works Sectors) as well as oversight bodies (e.g., NAO, PIFCA, Inspectorates) have tools for and are commencing to monitor contract performance

OGI established a pilot public procurement project in the Ministry for Energy and Energy Resources (MEER), in the Ministry of Foreign Affairs, and at the municipal level in Blagoevgrad, Velingrad, Stara Zagora, Rousse, Dryanovo, and Jambol.

The Public Procurement Component and the Audit and Internal Control (AIC) Component jointly worked on the logistics and preparation of materials for the Performance Audit of the Public Procurement Management Cycle seminar conducted by the OGI AIC team. (see AIC section for more information). The Florida study tour covered monitoring contract performance in the area of works. The study tour provided the Bulgarian senior-level public procurement managers with tools and know-how to commence monitoring contract performance. The ministries will be further assisted in the process of implementation of monitoring through PMC Guidelines developed by the project.

The PPMC Guide is one of the practical tools that will be at the disposal of the PPA, NAO, and contracting entities in the process of public procurement management. Risk management in public procurement, performance monitoring, and evaluation are some of the issues that are specifically covered by the Guide. The participants at the pilot testing highlighted, as a positive approach, the use of various examples for procurement risks and good practices.

Experts from the PPA and the NAO at the pilot testing shared their experiences of some of the most topical discussion issues and, thus, contributed to the development of the PPMC Guidelines.

B.3 All contracting authorities are aware and have access to piloted experience and methods

At its International Public Procurement Conference, OGI presented its piloted experience with the Ministry of Regional Development and Public Works (MRDPW) and with the Ministry of Health. In addition, OGI disseminated its Public Procurement Questions & Answers booklet to all participants. The conference was attended by representatives of all central and many local-level contracting authorities, the PPA, the NAO, the CPC, and other stakeholders.

Two members of the PP team, together with representatives of the PPA, participated in an International Conference entitled, “Advancing Public Procurement: Practices, Innovation, and Knowledge-Sharing,” which took place in Rome, Italy. Eighty research papers on various public procurement management issues from over thirty countries and many international organizations were presented. Mrs. Eva Radeva, OGI Procurement Program Manager, was a discussant on the Public Procurement Skills panel. She made a major contribution to this discussion by challenging the papers presented and focusing on the skills that make the public procurement process effective and efficient. At the Conference, OGI’s experience was disseminated internationally during the discussions at the various meetings. The experience and lessons learned during the conference were shared with all OGI counterparts at the working meetings and seminars.

The pilot experience of the Ministry of Health (MoH) and the MRDPW in the implementation of the PMC Concept is presented in the PMC Guide (see also B1). The experience of the two OGI pilot ministries was also discussed at the pilot testing of the PPMC Guide. The experts from the MRDPW and MoH shared with the experts from PPA, NAO, CPC, and the Ministries of Economy, Energy, and Agriculture and Forestry, their experience and lessons learned relating to public procurement planning and project definition.

Goal C: Gather support for comprehensive procurement reform by supplying information to public and private sector suppliers, the legislature, government officials, and businesses

C.1 The Business Sector has knowledge, tools (including the PPR), and information on procurement management and performance

OGI signed a Letter of Agreement (LOA) with the Bulgarian Industrial Association (BIA) on 23 January 2006 to cover the period from November 2006 to March 2007. The purpose of the LOA was to establish a framework for mutual cooperation between OGI and BIA in the process of strengthening accountability in procurement processes and practices. Based on previous joint activities with BIA, who proved to be an active and efficient partner, OGI selected it to support the project in accomplishing the project’s objectives and activities. The Bulgarian Industrial Association – Union of the Bulgarian Business (BIA) (named Bulgarian Industrial Association till 2006) is a prominent and respected business association with wide membership, including 87 branch (sector) organizations, 26 regional organizations, 58 local bodies, the Bulgarian Academy of Sciences, universities and scientific and technical unions, the Central Cooperative Union, and over 15,000 commercial companies (263 of which are among the largest 300 companies in Bulgaria).

Activities focused on procurement ethics, public procurement monitoring and contract performance, training of trainers, and publication of watchdogs' information on malpractices in public procurement.

BIA, with the support of OGI, organized a round table on the "Review of Public Procurement Procedures – Methodology, Rules, and Possibilities." Representatives of branch associations from different business sectors, including construction, IT technologies, roads, electrical engineering, among others, participated in the discussions. The round table covered the most topical problems in the area of public procurement from the perspective of economic operators, including the latest public procedures, specifics in the PPL, amendments to the technical specifications and requirements of the tenderers, and the new public procurement appeals procedure.

Additionally, BIA, with OGI support, organized a Training of Trainers (ToT) on the "Practical Aspects of the Implementation of the Public Procurement Management System." The ToT focused on two major groups of issues – development of public procurement management expertise and development of training skills. As a result of the training, 15 experts and managers of training centers from various branches of the business sector shared experience in the practical implementation of procurement management approaches and techniques.

C.2 There is a core of knowledgeable facilitators in the procurement practice who share their expertise

In 2005, OGI conducted Bulgaria's first ever ToT program in public procurement for Bulgarian oversight bodies, including the NAO and PIFCA, the OGI pilot ministries (MoH, MRDPW, MoE, and MEER), and for representatives from the most prominent and active business associations.

OGI trained 80 experts from the contracting authorities, control institutions, and business associations participating in public procurement on public procurement procedures and the necessary trainer skills to continue training in public procurement beyond the OGI project. As part of the ToT approach adopted by OGI, a public procurement "ToT Q&A" textbook was developed to ensure wide dissemination and sustainability of OGI's efforts.

OGI then upgraded the Public Procurement ToT module, in view of the new amendments to the legislation from July 2006. The module training presentations reflected all new provisions including the new procedure competitive dialogue, the new contracting tools, the frame work agreements and dynamic purchasing system, and some new terminology among other material.

C.3 Stakeholders (e.g., business sector, PPA, NAO, internal auditors, ministries) collaborate on procurement overview issues (including transparency and accountability)

In order to achieve this High Level Results (HLR), OGI supported an International Conference on Public Procurement Management Strategies and Cycles with Bulgarian contracting authorities and oversight bodies. Lecturers, including international as well as local public procurement experts, exchanged ideas and lead discussions on the most effective best practices to ensure the transparent and accountable spending of public funds. Representatives from the central public procurement regulatory bodies of Slovenia, Hungary, Latvia, Lithuania, Estonia, Czech Republic, Poland, Croatia, and Turkey, alongside speakers from prominent public procurement consulting companies from Denmark and Belgium, made presentations on best management approaches for planning and managing the process of awarding public contracts and on issues including ethical rules at every

stage of the public procurement management cycle, remedies in public procurement, and the case-law of the ECJ.

In addition to the conference, OGI arranged for stakeholders of the NAO, as well as for three representatives from the PPA, to participate in the Florida study tour, strengthening ties between the two organizations and gaining new ideas regarding public works oversight issues.

The role of the PPR as a major transparency tool and main source of information in the area of public procurement in Bulgaria was further strengthened. The Regulation for the Implementation of the Law for the State Financial Inspection, promulgated on 13 August 2006, provides that a permanent commission within the State Financial Inspection Agency (SFIA) will evaluate the information on the PPR every three months using the following criteria: public interest, value, number of the public procurement contracts awarded by one contracting authority, type of the procedures and risk areas, and others. The results of the analysis will be used by the SFIA as a basis for selecting which public procurement procedures and contracts will be subject to financial inspection.

OGI organized a working seminar on “Modern Approaches for Preventing Violations in Spending Budget Funds in the Public Procurement System” developed by experts from the PPA, members of the CPC, and representatives from the Supreme Administrative Court. For the first time, beneficiaries of the seminar included representatives of the Public Prosecutors’ Office and Sofia City Prosecutor’s Office. Four prosecutors attended the seminar at the invitation of the Chairman of the CPC. Their participation in the seminar contributed to perfecting their capacity to identify corruption red flags of the frequent violations in planning, managing, concluding, and executing public procurement contracts. The novel approach of presenting possible violations of public procurement contracts included a review of practices of the Court of Justice of European Communities in Luxembourg to solve public procurement disputes and presented Supreme Administrative, district, and regional courts’ practices from 2004 to 2006 that violated the legal bases of public procurement contracts.

Amendments to the PPL were presented by a judge from the Supreme Administrative Court in a working discussion with representatives from the CPC. The discussion also covered the appeals procedure under Article 120 and the respective articles in the PPL. The aim of this session of the working seminar was to unify the approaches in solving cases in an informal atmosphere away from the official communication between the first and second public procurement appeals instances. Experts from the PPA and the NAO presented and discussed their practice in applying the PPL and the Ordinance for Public Procurement Contracts under the Thresholds. The working seminar was evaluated as beneficial for the coordination and interaction between key public procurement institutions, which is essential for the system to ensure accountability, transparency, free and fair competition, and speedy and effective resolution of disputes.

The CPC, the new public procurement stakeholder, established a mechanism for collaboration not only with the PPA but also with the General Prosecutor’s Office. The Chairman of the CPC and the Prosecutor General signed an Agreement for Interactions and Collaboration. Both institutions will closely monitor the public procurement process, the use of public funds, and the implementation of concessions contracts and will also exchange information on indicators for infringements. The USAID Mission Director, the OGI Chief of Party, and the Executive Director of the PPA attended the signing ceremony.

COMPONENT III: CIVIL SOCIETY

The Civil Society (CS) component between June 2002 and May 2005 had several main tasks: monitoring of the Coalition 2000 (C2) grant and program activities led by Center for the Study of Democracy (CSD); capacity building for civil investigations and journalists; access to public information; capacity building for government counterparts through training courses; and OGI's small grants program.

GRANT TO COALITION 2000 (C2)

The C2 grant with OGI started in August 2002. It supported C2 activities in the following areas: 1) public awareness, policy, and capacity building for anti-corruption action, including preparation of a Corruption Assessment Report (CAR); 2) anti-corruption education; 3) legal support for the Ombudsman institution nationally and locally; 4) small grants; 5) media monitoring of corruption-related articles; 6) corruption indexes on the spread of corruption; 7) trafficking and corruption; and 8) corporate governance and anti-corruption work. In August 2004, USAID reduced the grant to C2 and requested that C2 activities become more focused and results oriented. The new scope of work narrowed C2's activities to the following: 1) support for the Ombudsman institution, including legal issues and local level implementation; 2) anti-corruption education and corruption in education; 3) preparation of the CAR and organization of a related policy forum; and 4) small grants.

For the three years of the C2 grant, the OGI CS Manager worked closely with his team providing program support and advice, participating in a variety of events, and providing technical guidelines. In addition, the OGI Grant Administrator and Financial Manager together with the DPKSF Financial Manager regularly reviewed C2 financial reports and compliance with USAID regulations. The grant was audited by KPMG twice.

CAPACITY BUILDING FOR MEDIA AND LOCAL COUNTERPARTS

To build the capacity of media and local counterparts, the CS team worked with several partner organizations to train grantees, journalists, and reporters in investigative journalism, access to public information, relations with government institutions, and USAID financial management.

At the end of 2003, OGI brought former USAID/Budapest officer, Mr. Richard Solloway, to train the C2 and OGI small grantees' financial and project managers in grant management, internal policies, budgeting, accounting, program activities, reporting, and USAID standards. In addition, OGI brought Mr. Peter Nunez, a professor of law at the University of San Diego, to provide policy advice to the C2 working group on trafficking issues. During his consultancy, Professor Nunez lectured at the Military Academy in Sofia, where future customs officers are trained.

In 2003 and 2004, OGI worked closely with IREX/Promedia and the Media Development Center (MDC) to train government officials, NGO leaders, journalists, and electronic and print media reporters from central and local areas to improve transparency and cooperation between the parties. Training participants included PR officials from Sofia, Varna, Burgas, Shumen, Starga Zagora, Targovishte, Burgas, Plovdiv, and Russe, and 190 local investigative journalists attended seminars and working discussions. The major topics covered by the trainings were contemporary methods of communicating with institutions, interviewing, and investigating.

Starting from October 2003, OGI, IREX/Promedia, and Nova TV launched a joint series of broadcasts to present selected corruption stories and educate the public on the initiatives undertaken by government and NGOs to prevent corruption. The 30-minute documentaries were shown weekly on nine local and national cable TV stations for a period of two years.

As of early 2004, the CS component focused on media work with the goal of improving the image of OGI government partners and NGOs. Nova TV and National Darik Radio were contracted to air regular broadcasts on grantees' findings and OGI government events for one year. These broadcasts became a valuable tool for educating the general public on transparency and accountability in general and ways to expose and curb corruption and bring important cases of corruption and abuse of power to the responsible executive and legal institutions.

For three consecutive years the C2 and OGI jointly organized annual awards for investigative journalists working in the area of corruption. OGI sponsored the production of awards and the CS Manager participated in the evaluation board to select the best journalistic materials on corruption-related topics published or broadcast in Bulgaria. The awarding ceremony traditionally took place at the US Embassy and was hosted by the US Ambassador, Hon. James W. Pardew.

CAPACITY BUILDING AND SUPPORT FOR GOVERNMENT COUNTERPARTS

A key component of OGI's CS strategy involved working with government counterparts in the area of transparency. The CS' efforts focused on achieving better access to public information for citizens and media, improving the dialogue between NAO and PIFCA auditors, and enhancing the organizational management within NAO, PIFCA, and the new PPA.

OGI developed an excellent professional partnership with the Bulgarian NGO "Access to Information Program (AIP)." Between December 2002 and March 2005, OGI and AIP organized a series of access to information workshops for OGI grantees, NGOs, NAO, PIFCA, and the pilot Ministries. The goal of these workshops was to make public officials aware of the requirements, rights, and obligations of the Bulgarian Access to Public Information Act and related laws, and to provide practical guidance on how to best provide requested public information. In total 245 professionals were trained.

In 2004 and early 2005, OGI facilitated a series of innovative seminars on public information and communications, which were attended by PIFCA, NAO, and journalists, designed to improve written and verbal communications among media, citizens, and government internal and external auditors; encourage the exchange of information; and overcome specific challenges encountered by PIFCA and NAO in presenting activities and reports to media.

The OGI's CS team contributed to transparency and greater openness of PIFCA by participating, together with the AIP experts, in drafting PIFCA's first internal manual on access to information. OGI and AIP provided advisory services to the PIFCA working group to make sure that the manual complied with all legal procedures on supplying information to citizens and media. The manual was presented to PIFCA leadership and regional offices at an official launching event in May 2005 and will serve as a future training tool for all PIFCA employees.

The CS team worked on strengthening the PPA's organizational management and team building capacities through a practical interactive seminar on organizational management. The 3-day PPA organizational management seminar was organized in late March 2005 and was attended by all 35

PPA employees. The seminar addressed important issues including internal coordination and communications; human resources development; and joint goals, strategies, and visions, all while having a positive team-building impact.

The CS team supported the positive image of the PPA and enhanced its visibility and public profile by designing and organizing a media campaign commemorating the launching of the PPR and the celebration of the PPA's 1-year anniversary. These events increased the public's awareness of transparency issues and linked PPA in a positive and constructive manner to its procurement partners, including government and business entities and local media.

OGI SMALL GRANTS PROGRAM

The OGI small grants program for investigation of corruption allegations and corrupt practices was designed to support Bulgarian civil society's efforts in the areas of good governance, transparency, and curbing corruption. OGI disbursed \$270,000 to NGOs with the main objectives to:

- Develop and sustain a systematic effort to gather information, investigate, and submit corruption cases to the prosecutors and the courts
- Develop better and more flexible investigative techniques of NGOs and journalists for tracking and publicizing corruption cases
- Monitor media and other public signals to detect corruption cases for investigation
- Follow the investigative process as far as possible under the legal and judicial constraints in Bulgaria
- Develop public awareness campaigns and prevention activities in all corruption sensitive areas

The OGI small grant program helped achieve the following accomplishments via investigations, meetings with government authorities, articles in newspapers, and other activities under the OGI small grants.

- Sofia Municipality appointed a special committee to review the waste collection concession contracts and its implementation by the two concessionaires. The committee found unclear contracting and improper implementation and issued a report with findings and recommendations. The report proposed to renegotiate all concession contracts in compliance with the requirements of the law.
- The Supreme Prosecution Office of Cassation appointed tax and financial check ups in the University of Veliko Tarnovo. The President of the University was questioned and prosecuted on allegations of corruption and malfeasance. Illegal long distance educational centers and illegal branches of Veliko Tarnovo University were closed down. Several months following this scandal the same practice was discovered in the University of Shumen and regional prosecution officials started an investigation into the management of this university.

- Committee for Education and Science to the Parliament was informed about the conflict of interests where senior officials at the Ministry of Education sitting in the textbook approval committee were also authors of approved textbooks. Vladimir Atanassov, then Minister of Education, was informed several times but did not undertake any actions. After this case was announced in the media and because of a number of other allegations of malfeasance, he was dismissed and excluded from the cabinet.
- Illegal privatization of the forest in Dospat (Rodope Mountains) which took place in 2000 was investigated for more than three years by Green Balkans Association. As a result, in early 2004 the privatization was announced void and null and the forest was restituted to the state.
- Other cases of illegal cutting of Bulgarian forests in Panaguriste, Klisura, and Orizare were submitted to prosecution. Green Balkans are following up on a regular basis and announcing results to local media.
- Improved procedures and better citizens' control at the three border posts in Vidin (border with Serbia and Montenegro, Romania, and Bulgaria). Teams of journalists now regularly interview citizens on whether they were asked to pay a "passing fee" of 5 to 10 euro. Reports are publicized on a monthly basis in the local newspapers. Mayors of the border municipalities signed a Letter of Cooperation to stop the petty corruption among customs and border post officers and improve regional cooperation through joint efforts and activities.
- The Tax Administration in Varna took into account recommendations made by an OGI small grantee and changed the practice and terms for issuance of certificates for lack of outstanding taxes, thus providing better and faster services to citizens.
- As a result of a live interview broadcast on the Plovdiv Public TV in which a young couple was bribed by a doctor in a city hospital, the hospital management apologized publicly and returned the bribe.
- After two documentaries aired on Channel 1 of the Bulgarian National TV in June and September 2004 dealing with the case of illegal issuance of licenses for transportation of hazardous substances by a company with no authorization to do so, prosecution officials began an investigation of the company's management.
- Municipality of Montana worked in close cooperation with the experts of the Institute for Public Environment Development (IPED) to implement procedures for anticorruption administrative internal control. Auditors assessed all the areas of activity of the local administration, including the compliance of administrative services provided by the local administration with the legal regulations and deadlines, quality of services, human resources management, internal and external communications, public information activities, public procurement process, and municipal property management. IPED will continue to advise Montana municipality in the process of introducing better administrative practices for greater efficiency, transparency, and quality of services offered to citizens. After the pilot testing, it is intended for this model to be replicated in other municipalities in Bulgaria which will help them to achieve compliance with EU public sector standards and requirements.

The following is a list of the most significant legacy achievements from the OGI small grants program:

- Anticorruption Council in Blagoevgrad established via a grant to Transparency International Bulgaria
- Voluntary monitoring system established by Green Balkans in Plovdiv
- Club Journalists against Corruption headed by Reni Nikolova
- Manual for anticorruption administrative internal control for municipalities developed by IPED

APPENDIX 1
HIGHER LEVEL RESULTS

Component 1 – Audit and Internal Control					
Goal	Higher Level Tangible Result	Achieved	Details	Measurements	
				Qualitative	Quantitative
A - Encourage acceptance and implementation of management responsibility for internal control in central public administration	A1. Government harmonization units responsible for internal audit and control are taking a leadership role and providing the necessary guidance and capacity building for ministries to take up their new responsibilities	YES	<p>In 2005 the Central Harmonization Unit (CHU), which was later became the Internal Control Directorate (ICD), was founded. OGI has provided the CHU with extensive institutional support in the form of trainings on internal controls and auditing, risk assessment, audit reports writing and fraud detection and prevention. OGI also organized a study tour to Poland for the whole ICD to observe best practices and to benefit from lessons learned.</p> <p>In 2006 the Parliament adopted two new laws: the Financial Management and Control law and the Internal Audit law. Both laws were drafted by the ICD with OGI technical assistance and professional advice. After passage of these laws, the ICD adopted secondary legislation, in accordance with international standards, on internal auditing standards, methodologies and guidelines. The guidelines are the framework for Internal Audit and Control in Bulgaria's public sector.</p>	<p>Report before the adoption of the new laws - 2005 EC Monitoring Report, p.58</p> <p>“Arrangements for financial management and control have been designed but need to be adapted following the adoption of relevant legislation by the end of 2005. Substantial structural weaknesses in this area in the context of the management of the pre-accession funds are raising serious concerns regarding Bulgaria's capacity to manage the Structural Funds and the Cohesion Fund in a sound and efficient way. Therefore financial management and control functions need to be strengthened in a timely manner.”</p> <p>Report after the adoption - EC Monitoring Report, May 2006, p.32</p> <p>“The legislative framework necessary to ensure full compatibility of operations financed by the Structural Funds with EU policies and legislation is now in place. Bulgaria has adopted the necessary amendments to its Public Procurement Law and passed a new Concessions Law in line with the acquis.... In general, preparations are well underway in this area.”</p>	<p>The whole staff of the IC directorate (10 employees) trained on internal controls and managerial responsibility, including a 10 day Fraud Detection and Prevention training course and a 3 day Internal Controls and Fraud Awareness.</p>

Component 1 – Audit and Internal Control					
Goal	Higher Level Tangible Result	Achieved	Details	Measurements	
				Qualitative	Quantitative
	A2. At least 2 ministries are utilizing internal control and risk models and practices in their management and all others have knowledge, tools and information on these management tools	YES	<p>OGI completed two pilot Control Self Assessment exercises (CSAs) in the ministries of Health and Regional Development. Detailed reports containing the pilot experience findings and recommendations were submitted to Bulgarian officials.</p> <p>OGI in cooperation with Institute of Internal Auditors (IIA) organized a high-level seminar for Secretaries Generals, ministerial managers and senior experts on internal controls and managerial responsibility and fraud awareness.</p>		<p>43 representatives from 15 Ministries trained on leading international practices in internal control and the COSO model of assessment of internal controls and risk management.</p> <p>50 NAO auditors trained on financial management and control.</p>
	A3. Internal audit units within ministries apply international audit standards	YES	<p>The internal auditing standards adopted by the ICD are based entirely on the IIA's standards that are the international standard.</p> <p>OGI provided government internal auditors trainings on internal auditing, risk assessment and audit reports writing.</p> <p>OGI assisted in promoting the standards by disseminating copies to the internal audit units in the ministries and major municipalities.</p>		197 internal auditors trained in international audit standards working in the central level government.

Component 1 – Audit and Internal Control					
Goal	Higher Level Tangible Result	Achieved	Details	Measurements	
				Qualitative	Quantitative
	A4. An annual report on the state of internal control in government is provided to Parliament	YES	Per the new FMC law the first annual report will be presented by the Minister of Finance to the Parliament in June 2007.	<p>Comprehensive report on the state of Financial management and control system in the public sector provided on time to the Parliament.</p> <p>The IC directorate has prepared a risk assessment questionnaire to be completed by all ministries and central level agencies.</p>	
	A5. The local chapter of the IIA provides internationally-recognized knowledge on management, internal control and audit issues	YES	<p>With OGI support the local IIA chapter was established in 2003. In September 2005 the statute of the IIA Bulgaria was changed from 'chapter in formation' to 'chapter' – official recognition from the IIA of the significant development of the Bulgarian chapter as an institution that provides qualified trainings, professional discussions and support to Bulgarian internal auditors.</p> <p>OGI supported the IIA by funding all its trainings, seminars and high-level conferences aimed at improving the knowledge and strengthening the capacity of government experts to utilize international standards. OGI helped make possible the first Certified Internal Auditor exam in Bulgaria in 2006, parts I and II, in by funding the translation of the related CIA textbooks.</p>	<p>The Bulgarian IIA chapter organized an international conference on Internal Auditing in the Public Sector attended by officials from the Ministry of Finance, the EU and USAID, that was recognized by the IIA as the most significant internal audit event in Europe during 2006.</p> <p>As a result of this impressive growth, at the annual international conference of the IIA, held in June 2006 in Houston, Texas, IIA Bulgaria was recognized as the most rapidly developing chapter in Eastern Europe.</p>	At the beginning of 2003 IIA Bulgaria had about 100 now, less than 4 years later, there are 400 members.

Component 1 – Audit and Internal Control					
Goal	Higher Level Tangible Result	Achieved	Details	Measurements	
				Qualitative	Quantitative
B - Improve monitoring and reporting performance of audit bodies in Bulgaria's public sector	B1. There exists a core of knowledgeable managers as well as auditors in the field of fraud awareness and its minimization	YES	<p>Due to OGI assistance, 12 NAO and internal auditors have been certified as Certified Fraud Examiners (CFE) by the American Association of Certified Fraud Examiners (ACFE).</p> <p>287 NAO managers and auditors, ministerial managers, internal auditors and inspectors were trained on fraud detection and prevention, collecting of audit evidence and writing skills.</p> <p>OGI is supporting the establishment of a local CFE chapter which is anticipated to happen by the end of April 2007.</p> <p>Chapter bylaws and a trademark licensing agreement were adopted in accordance with Bulgarian legislation and sent to the ACFE in December 2006. The local ACFE chapter will remain as an USAID OGI legacy that will support public sector auditors' ability to prevent and detect fraud.</p>		<p>287 NAO managers and auditors trained on fraud detection and prevention.</p> <p>12 auditors, 7 NAO auditors and 5 internal auditors were certified as Fraud Examiners by the ACFE.</p>

Component 1 – Audit and Internal Control					
Goal	Higher Level Tangible Result	Achieved	Details	Measurements	
				Qualitative	Quantitative
	B2. The NAO has readable, actionable and thorough reporting of audit findings, conclusions and recommendations support the organization's direction and expected results, and a functioning follow-up process	YES	<p>Organized extensive trainings on managing of audit engagement, collecting audit evidence, performance audit and audit reports writing, including supporting 16 NAO auditors to attend an Audit Report Writing training course in May 2006.</p> <p>In January 2006, OGI consultant Dr. Nicolas Zacchea submitted a report on Best Audit Follow-up Practices to the NAO Board Members. In addition, OGI consultants Dr. Zacchea and David Murphy delivered a concept paper on an audit quality assurance framework which was presented to the NAO for consideration.</p> <p>In March 2007, OGI provided recommendations for improvement of the NAO draft audit manual on Performance auditing that were incorporated in the final version of the document.</p>		<p>193 managers and auditors trained on performance auditing and audit report writing.</p> <p>NAO Chairman and 5 Board members participated in the Canadian study tour to learn reporting techniques, quality assurance framework and tips for presenting the message to the public in the audit reports.</p>
	B3. Oversight bodies have increased capacity to monitor and report on internal control matters.	YES	<p>Provided NAO managers and auditors with extensive trainings on international best practices in internal audit, risk assessment, internal control models, report writing and fraud detection and prevention.</p>		<p>210 NAO and ministerial managers, auditors and experts trained.</p>

Component 1 – Audit and Internal Control					
Goal	Higher Level Tangible Result	Achieved	Details	Measurements	
				Qualitative	Quantitative
	B4. There exists an active and involved parliamentary committee that reviews and follows up on NAO reports, and collaborates with NAO on achieving its objectives	YES	Organized a study tour to Ireland for 6 NAO Board members and 5 MPs to study how to improve NAO-Parliament interactions. As a direct result of the study tour the NAO President and the Chairman of the Parliamentary Budget and Finance Committee decided to establish a subcommittee to the Budget & Finance committee to monitor the state budget and to review and follow-up on NAO audit reports. The subcommittee at the Parliament was established in the beginning of April, 2007.		Public Accounts subcommittee under the Budget and Finance Committee in Parliament established to monitor and follow-up on NAO audit reports
	B5. Financial information on public officials and political parties is available to the public.	YES	<p>Funded development of two electronic registers: one for the Law on Publicity of the Property of High State Officials and the other for Law on Political Parties Financing. These registers will allow ready and open access by the public to these records. This is a major USAID/OGI legacy.</p> <p>OGI provided recommendations and organized roundtable discussions on the amendments to the Law on Publicity of the Property of High State Officials and the Law on Political Parties Financing in supported their adoption by the Parliament subsequent amended in September 2006.</p>	<p>The declarations of the assets of High State Officials are accessible to the public.</p> <p>The Political Parties' financing is transparent and the information is available to media and public.</p>	<p>Amendments to the Law on Publicity of the Property of High State Officials and the Law on Political Parties Financing passed.</p> <p>Two electronic registers developed for the NAO by the end of June 2007.</p>

Component 1 – Audit and Internal Control					
Goal	Higher Level Tangible Result	Achieved	Details	Measurements	
				Qualitative	Quantitative
			OGI worked to ensure amendments in the law resulted in increased transparency of High state officials' (HSOs) assets and that the National Audit Office would have greater powers to monitor how political parties raise and spend their finances.		
Component 2 - Public Procurement					
Goal	Higher Level Tangible Result	Achieved	Details	Measurements	
				Qualitative	Quantitative
A. Strengthen public procurement integrity and transparency at national level	A 1. Bulgaria procurement legislation is fully compliant with EU Acquis	YES	<p>The Bulgarian Public Procurement Law (PPL) is fully harmonized with the EU requirements according to EC monitoring reports dated May and September 2006.</p> <p>OGI and Bulgarian Industrial Association (BIA) conducted a roundtable discussion with members of Parliament's Economic Policy Committee on the changes of the PPL. As a result of the roundtable discussion, prominent business associations had a chance to influence changes to the PPL.</p> <p>OGI was actively involved in the legislative reforms by giving advice and bringing together public procurement stakeholders and discussing the necessary changes.</p>	<p>The significant progress in the area of public procurement was noted in the monitoring reports of the European Commission.</p> <p>In 2002, the EC noted (page 51) that "The amendment to the public procurement Act is a further step towards implementation of the acquis, although it does not yet ensure full alignment.... The necessary implementing legislation has not yet been developed."</p> <p>In May 2006 the Commission stated (page 18):"Bulgaria is now generally meeting the commitments and requirements arising from the accession negotiations in the non-harmonized and public procurement areas, as a result of significant progress."</p> <p>In the last monitoring report of the EC, September 2006, no further requirements to revise public procurement legislations were made. With the Sept. Report, public</p>	1 new PPL and 1 amendment in 2004, 3 amendments in 2005 and 4 amendments in 2006 consulted with OGI.

Component 1 – Audit and Internal Control					
Goal	Higher Level Tangible Result	Achieved	Details	Measurements	
				Qualitative	Quantitative
				procurement was marked as a “green area” while in the previous monitoring report, October 2005, public procurement was considered as a “yellow area”.	
	A 2. A fully independent PPA that actively leads and disseminates methodology and process in public procurement	YES	<p>OGI lobbied for the establishment of an independent public procurement body. The Public Procurement Agency (PPA), which was established under the auspices of the new Public Procurement Law of October 2004 (drafted with the support of OGI), was established in March 2004. The PPA is Bulgaria’s first clearly defined, autonomous administrative structure created to address public procurement issues.</p> <p>PPA is fully functional and develops and disseminates methodological guidelines not only in hardcopy but also through its web-site, which developed with OGI assistance.</p> <p>OGI organized five study tours to build the PPA’s administrative capacity building to Denmark, Sweden, Ireland, Florida and Hungary. The tours focused in part on improving</p>	<p>The PPA procurement methodologies, manuals and guidelines were developed with the OGI’s technical assistance requested by the beneficiaries.</p> <p>The PPA became a working national procurement institution because of the OGI’s technical assistance.</p>	<ol style="list-style-type: none"> 1. Q&A procurement booklet on the new PPL; 2. Manual on the new PPL – developed by PPA experts with the OGI’s assistance; 3. ToT on the new PPL; 4. Training module on identification of the most frequent violations/indicators for corruption; 5. Training module on procurement planning and management; 6. Training module on Procurement Cycle Management. 7. Internal procurement rules regulating the management and planning administrative

Component 1 – Audit and Internal Control					
Goal	Higher Level Tangible Result	Achieved	Details	Measurements	
				Qualitative	Quantitative
			<p>coordination and information sharing between contracting units.</p> <p>The PPA has disseminated all materials developed by the pilot ministries to other stakeholders.</p>		processes in the PP.
	A 3. The PPA and PPR are fully supportive of EU contracting requirements including E-procurement and facilitate international investment in Bulgaria.	YES	<p>The Public Procurement Register (PPR), was fully funded by OGI and launched in May 2005, is compliant with EU contracting requirements. The PPR streamlines and automates the public procurement process to make it more transparent, accountable and fair.</p> <p>The PPR is used by 1,500 contracting authorities (central and local government agencies and departments, hospitals etc.); 5,000 businesses; and CSOs, including the media, NGOs, judges, citizens, interested in monitoring Bulgaria's public procurement. The PPR includes data on the PPL, contract notices, information about awarded contracts, EU norms, and other procurement info.</p> <p>OGI provided additional funding and technical support to further</p>	<p>The Bulgarian procurement institutions, tools, manuals and skills are the USAID legacy contributed through the OGI project.</p> <p>The PPR was evaluated as “an important step forward in the improvement of accountability in public procurement in Bulgaria. The fact that about 5,000 public procurement bidders used the Register in 2005 is a sign of enhanced transparency”²</p>	<p>OGI provided 100 % of the technical and financial assistance required to develop and upgrade the PPR.</p> <p>The number of the visits to the website for the period June 1 2005 to June 30,2007: 839,502</p> <p>The number of visits during the period January 1, 2007 to June 30, 2007: 234,126, an increase of 5% over the previous period.</p> <p>Number of documents sent using e-forms and/or digital signature: 1502, previously zero</p>

² Report “On the Eve of EU Accession: Anti-corruption Reforms in Bulgaria” of the Center for the Study of Democracy , p. 28; http://www.csd.bg/files/CAR-III_Eng.pdf

Component 1 – Audit and Internal Control					
Goal	Higher Level Tangible Result	Achieved	Details	Measurements	
				Qualitative	Quantitative
			<p>upgrade the PPR. Enhancements include the development of a Document Management System functionality that allows for the processing of electronically signed documents and an upgrade that provides for automatic exchange of information between PPR and Tenders Electronic Daily (TED).</p> <p>To ensure that the PPR is user friendly and sustainable OGI developed user guides and conducted trainings and troubleshooting. PP experts from contracting authorities and business organizations were trained on how to use the PPR and e- notices to develop both supply and demand side capabilities.</p>		<p>Number of documents registered in the PPR: 71520</p> <p>Number of documents registered during the period January 1, 2007 to July 11, 2007: 17,435</p> <p>25 PPA experts trained to manage the PPR.</p> <p>17 e-procurement notices developed with OGI support.</p>
	A 4. Procurement review bodies and procedures are consistent with EU practices and best working models and the procurement judiciary acts are widely disseminated	YES	<p>OGI provided extensive trainings, technical support in the form of legal reviews and recommendations and material support, in the form of a case law handbook.</p> <p>Thirteen hundred copies of a handbook on case law from the European Court of Justice and EU public procurement review bodies, including information on interim measures and implementation procedures. Trainings on the powers of the</p>	<p>OGI/USAID project has significant role in the capacity building of the Bulgarian judiciary in the area of procurement</p> <p>The EC noted in its May 2006 Monitoring Report that due to the amendments to the PPL, which became effective on July 1, 2006, "The legislative shortcomings in the field of public procurement are being solved. The new Law on Concessions and amendments to the Law on Public Procurement were adopted in April 2006. Both laws</p>	<p>Over 138 judges from city and regional courts trained on public procurement.</p> <p>Over 50 judges participated in the procurement panel discussion developed and presented by OGI</p> <p>1 analysis of Bulgaria's appeal</p>

Component 1 – Audit and Internal Control					
Goal	Higher Level Tangible Result	Achieved	Details	Measurements	
				Qualitative	Quantitative
			<p>ECJ were conducted, with a focus on how to initiate a remedy procedure at the European level if a Bulgarian authority breaches EU law.</p> <p>OGI assisted in organizing the Second National Judges Conference at the request of USAID's Judicial Strengthening Initiative (JSI). The PP team organized and facilitated Panel 1 in Session B: "Topical Issues in the Area of Public Procurement".</p> <p>In September 2005, at the request of the MoEE, OGI submitted a legal review of Bulgaria's appeal system, with analysis and recommendations of pending changes to the PPL in accordance with EU Acquis and international best practices.</p> <p>OGI also supported the CPC – the body newly mandated to undertake public procurement review functions (after July 1, 2006) by: facilitating the first working meeting between the PPA and CPC and involving CPC staff and experts in trainings and the Procurement Management Cycle study tour.</p>	<p>include a remedies mechanism in line with EU requirements. Some improvement of administrative capacity and development of professional skills can be reported. As regards remedies, the Commission for the Protection of Competition (CPC) is now in charge of processing pending complaints lodged from all over the country" Monitoring Report of the EC, May 16, 2006, p. 17-18</p>	<p>system.</p> <p>75 % of the CPC members trained on procurement</p> <p>1 booklet on the ECJ practices developed and disseminated 1000 copies in Bulgarian and 300 copies in English.</p>

Component 1 – Audit and Internal Control					
Goal	Higher Level Tangible Result	Achieved	Details	Measurements	
				Qualitative	Quantitative
B. Extensive procurement reform activity directed to deal with specific sectors, including Health and Public Works	B 1. At least 2 'High Risk' sectors (e.g., Health and Works Sectors) are utilizing international best practices (including transparency) in the procurement of services, supplies, and works	YES	<p>OGI supported two high risk sectors, Health and Public Works, in developing of sustainable public procurement tools in compliance with international best practices.</p> <p>OGI developed standard procurement documents (SPDs) for use in these two high risk sectors, which were later disseminated to all other sectors, for the procurement of services, supplies and works.</p> <p>Due to OGI's assistance, in March 2007 Bulgaria became the first EU country with a Procurement Cycle Management (PCM) guide. The PCM guide provides guidance in areas that not subject to legislative regulations but which are extremely important for purposes of budget efficiency. Reference materials on: needs assessments, project and procurement budgeting, linking budget and procurement scheduling processes, contract implementation and monitoring</p>	OGI broadened EU public procurement officials' knowledge of EU models and procurement cycle management good procurement practices and by developing the first PCM Guide in EU.	<p>OGI developed 5 sets of SPDs for use in the high risk sectors and other sectors: for services and goods for open procedure and open contest; for service and goods for negotiation procedure with notice; for service and goods for negotiation procedure without notice; for works for open procedure and open contest; for engineering contracts for open procedure and open contest</p> <p>The SPDs were disseminated to 16 Bulgarian ministries, PPA and NAO.</p> <p>One Public Procurement</p>

Component 1 – Audit and Internal Control					
Goal	Higher Level Tangible Result	Achieved	Details	Measurements	
				Qualitative	Quantitative
			<p>at each PCM stage are included in the guide.</p> <p>Secretaries General from all Bulgarian ministries received trainings on the PCM, with special attention paid to coordinating budget process planning and public procurement planning.</p> <p>OGI also organized working seminars on “Coordination Between Budget Process Planning” and “Public Procurement Planning” to disseminate to all ministries, via the PPA, best practices and lessons learned from the pilot ministries.</p> <p>OGI also Organized study tour to Ireland (Feb. 2006), in cooperation with World Learning, for MOH and hospital representatives to learn more about this high risk sector.</p>		<p>Management Guide was developed and published</p> <p>10 working seminars and trainings in the period 2006 – April 2007</p> <p>12 participants – 4 directors of hospitals, plus 1 NAO member plus MoH Deputy minister and other ministry’s staff</p>
	B 2. At Least 2 ‘High Risk’ Sectors (e.g. Health and Works Sectors) as well as Oversight Bodies (e.g., PPA, NAO and PIFCA) Have Tools and are Commencing to Monitor Contract	YES	<p>OGI drafted, finalized and disseminated the NAO’s performance audit manual and provided associated trainings. These efforts provided the oversight body with the tools and expertise to monitor contract performance.</p> <p>As referenced above, the Procurement Cycle Management (PCM) guide</p>		<p>NAO performance audit manual drafted, finalized and disseminated. Associated trainings completed</p> <p>OGI organized 2 working meetings of the MRDPW for the improvement of the Internal Public</p>

	Performance		provides reference materials on: needs assessments, project and procurement budgeting, linking budget and procurement scheduling processes, contract implementation and monitoring.		Procurement Rules and including a chapter on monitoring.
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Component 1 – Audit and Internal Control

Goal	Higher Level Tangible Result	Achieved	Details	Measurements	
				Qualitative	Quantitative

	B.3. All contracting authorities are aware of and have access to piloted experience and methods	YES	At the International Public Procurement Conference, which was attend by all OGI partners and more than 200 contracting authorities, OGI disseminated the “OGI Public Procurement – Questions and Answers” booklet, which summarizes and promotes the best practices used by the OGI pilot ministries in implementing public procurement procedures. The booklet is a compilation of	Basic materials for the development of PCM Availability of sustainable tools for procurement capacity building. PPA experts with OGI support disseminate procurement knowledge	2 sets of IPPR for the MoH and MRDPW 200 contracting authorities and 1500 experts are beneficiaries of the “Public procurement – questions and answers” booklet 30 public
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Component 1 – Audit and Internal Control					
Goal	Higher Level Tangible Result	Achieved	Details	Measurements	
				Qualitative	Quantitative
			<p>the ideas and lessons learned as a result of the extensive joint initiatives OGI undertook with the pilot ministries. The booklet examines issues which are expected to resonant most with practitioners in other sectors.</p> <p>The internal public procurement rules developed in the pilot ministries were later modified to include monitoring mechanisms for all stages of the public procurement process. These rules form the basis of some of the chapters of the PMC Guide that are applicable to all sectors and have been disseminated among contracting authorities.</p> <p>In June 2006 OGI and the American University in Bulgaria, in cooperation with the PPA organized training seminar and a produced a book on “Strengthening the Role of the Administration and the Judicial Capacity in the Implementation and Enforcement of the Acquis Communautaire in the Area of Public Procurement”.</p> <p>The seminar was attended by 30 public procurement representatives from Bulgaria, Romania and Turkey. The seminar was funded by the EU’s PHARE Program and co-financed by USAID Bulgaria</p>		<p>procurement officers from Bulgaria, Romania and Turkey have enhanced knowledge of the public procurement system in these countries and on the implementation in the EU of rules of public procurement.</p>

Component 1 – Audit and Internal Control					
Goal	Higher Level Tangible Result	Achieved	Details	Measurements	
				Qualitative	Quantitative
			through OGI.		
C. Gather support for comprehensive procurement reform by supplying information to the public, private sector suppliers, the legislature, government officials, and businesses	C 1. The business sector has knowledge, tools (including the PPR) and information on procurement management and performance	YES	<p>Developed a training module on the Most Frequent Violation in Public Procurement which was used to train 75 representatives from the business sector.</p> <p>Organized 12 working seminars and round-table discussion on the PP legislation and PP management best practices with the participation of all ministries and representatives of the business associations to ensure that views of these important stakeholders were considered in the drafting of the laws and regulations.</p> <p>With OGI support, the Bulgarian Industrial Association (BIA) developed its capacity as a sustainable organization capable of leading public procurement training and dissemination. A Public Procurement Hotline created by OGI is currently operated by BIA and will remain in use after USAID's graduation.</p>	<p>Business sector has pro-active approach for the improvement of the PP knowledge and skills and for the dissemination of the best PP practices.</p> <p>Increased public procurement vigilance of the Bulgarian business sector.</p>	<p>75 experts from the Business sector trained on the Most Frequent Violation in Public Procurement.</p> <p>12 joint working discussions and round tables held with the BIA (representatives of 10 organizations participated).</p> <p>2 booklets on the violations in Public Procurement developed by BIA.</p> <p>Number of the calls to the Hot Line</p>

Component 1 – Audit and Internal Control					
Goal	Higher Level Tangible Result	Achieved	Details	Measurements	
				Qualitative	Quantitative
	C 2. There is a core of knowledgeable facilitators in procurement practice who share their expertise	YES	<p>OGI developed sustainable tools, including two trainer of trainers modules and a training modules on the PMC, for capacity building of trainers on public procurement knowledge and skills.</p> <p>As part of the OGI legacy, there will be a core of over 105 trained trainers in public procurement active within the business sector and 190 public procurement experts trained as trainers.</p> <p>OGI certified 34 public procurement managers from 12 ministries (other than Works and Health) after training on PMC.</p>		<p>2 ToT modules developed.</p> <p>190 public procurement experts trained as trainers.</p> <p>OGI certified 34 public procurement managers from 12 ministries (other than in the Works and Health sectors) after training on PMC.</p>

Component 1 – Audit and Internal Control					
Goal	Higher Level Tangible Result	Achieved	Details	Measurements	
				Qualitative	Quantitative
	C 3. Stakeholders (e.g., business sector, PPA, NAO, internal auditors, ministries) collaborate on procurement overview issues (including transparency and accountability)	YES	<p>OGI organized the first working meeting of CPC and PPA and a 3-partitate meeting (December 2005) of the three procurement Bulgarian oversight bodies: PPA; NAO and PIFCA (now SFIA), with 11 subsequent follow-up meetings.</p> <p>In December 2005 OGI conducted a forum for the business sector on the “Efficient Solutions for Improving the Practice for Awarding Public Procurement Contracts”. The NAO, Arbitration Court and the PPA, and other contracting authorities attended to listen to the suggestions of business community. In Sept.2006 OGI held an International Public Procurement Conference on the Procurement Management Strategies and Cycle. Lecturers lead discussions on the best practices to ensure transparent and accountable spending of public funds and representatives from the central public procurement regulatory bodies of 10 countries, presented best approaches to plan and manage the award of public contracts and on issues such as ethical rules and remedies in public procurement and the case-law of the European Court of Justice.</p>	<p>There is improved coordination between all institutions with responsibilities in PP – PPA, NAO, PIFCA (now SFIA), CPC, Supreme administrative court and the Prosecutor General Office.</p> <p>There is also:</p> <ul style="list-style-type: none"> - Agreement for collaboration between PPA; NAO and PIFCA; - Agreement for collaboration between the PPA and CPC; - Agreement for Collaboration between the CPC and the Prosecutor General Office. <p>The business sector collaborates with oversight bodies to improve public procurement practices, including public transparency and accountability.</p> <p>Public procurement stakeholders share views and discuss topical management issues and exchange experiences with international public procurement professionals.</p>	<p>In Dec. 2005 initial meeting of Bulgarian procurement oversight bodies: PPA; NAO and PIFCA (now SFIA) held, 10 follow-on meetings have since been held.</p> <p>Representatives from over 10 business organizations shared experiences and made recommendations to improve the legislative framework and contract award practices</p> <p>130 public procurement professionals from 12 countries trained on the best management approaches for planning and managing the process of award of public contracts.</p>