

BULGARIA

Child Welfare Reform Project

**Project Appraisal Document**

Europe and Central Asia Region

ECSHD

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<b>Project ID:</b> P064536	<b>Sector(s):</b> SA - Social Assistance
<b>Lending Instrument:</b> Specific Investment Loan (SIL)	<b>Theme(s):</b> Social Development; Social Protection
	<b>Poverty Targeted Intervention:</b> Y

<b>Project Financing Data</b>				
<input checked="" type="checkbox"/> Loan	<input type="checkbox"/> Credit	<input type="checkbox"/> Grant	<input type="checkbox"/> Guarantee	<input type="checkbox"/> Other:
<b>For Loans/Credits/Others:</b>				
<b>Amount (US\$m):</b> Euro 8.8 million (US\$ 8.0 million equivalent)				
<b>Proposed Terms:</b> Variable Spread & Rate Single Currency Loan (VSCL)				
<b>Grace period (years):</b> 5			<b>Years to maturity:</b> 20	
<b>Commitment fee:</b> 0.75%				
<b>Front end fee on Bank loan:</b> 1.00%				

Financing Plan:	Source	Local	Foreign	Total
BORROWER		5.14	0.26	5.41
IBRD		4.89	3.11	8.00
EC-PHARE -- EC PROGRAM FOR CENTRAL EUROPE		0.59	2.59	3.18
GOVERNMENT OF UNITED KINGDOM		0.98	1.00	1.99
GOV. OF JAPAN (EXCLUDING MINISTRY OF FINANCE - PHRD GRANTS)		0.76	0.25	1.00
Financing Gap		0.04	0.00	0.04
<b>Total:</b>		12.41	7.22	19.62

<b>Borrower:</b> GOVERNMENT OF BULGARIA
<b>Responsible agency:</b>
Ministry of Labor and Social Protection (MOLSP)
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<b>Estimated disbursements ( Bank FY/US\$m):</b>								
FY	2001	2002	2003	2004				
<b>Annual</b>	0.30	2.85	3.60	1.25				
<b>Cumulative</b>	0.30	3.15	6.75	8.00				

<b>Project implementation period:</b> 3 years
<b>Expected effectiveness date:</b> 05/15/2001
<b>Expected closing date:</b> 06/30/2004

## **A. Project Development Objective**

### **1. Project development objective:** (see Annex 1)

The project development objective is to improve child welfare and protect children's rights in Bulgaria through promoting community-based child welfare approaches such as de-institutionalization, abandonment prevention and street children services, as cost-effective alternatives to institutionalized child care. Thereby, the project will promote human capital development amongst disadvantaged children, and will facilitate meeting some of the human rights elements of European Union (EU) accession and the fulfillment of Bulgaria's commitment to the United Nations (UN) Convention on the Rights of the Child (CRC).

### **2. Key performance indicators:** (see Annex 1)

The basic performance indicators of this project are to reduce the number of children in institutions, and to provide improved access and quality of services to economically and socially disadvantaged children and their families. The specific indicators are that:

- 20 percent less children are institutionalized in the pilot municipalities by 12/31/2003;
- 20 percent less children are entering institutions in the pilot municipalities by 12/31/2003;
- 50 percent of the staff working in state residential care institutions in the pilot municipalities are re-trained and 20 percent are re-deployed to provision of alternative care by 12/31/2003;
- 30 percent of the families in the high risk communities in the pilot municipalities are provided with social services and support by 12/31/2003;
- 20 percent of the registered street children are returned to their families or placed in alternative care; 30 percent are involved in alternative educational and vocational programs; and 80 percent are provided with health care services in the pilot municipalities by 12/31/2003;
- Average cost per child in community-based alternative care is maintained at not more than 80 percent of the traditional state institution cost by 12/31/2003; and
- The following structures responsible for child protection are operational by 06/30/2001:
  - State Agency for Child Protection (SACP);
  - National Council for Child Protection (NCCP); and
  - Child Protection Departments (CPD) at the municipal level.

## **B. Strategic Context**

### **1. Sector-related Country Assistance Strategy (CAS) goal supported by the project:** (see Annex 1)

**Document number:** 17655-BUL

**Date of latest CAS discussion:** 04/28/98

The CAS supports the Government's development agenda to advance substantial structural reforms to rationalize the role of the state and enhance EU accession-related sector programs while simultaneously providing measures to protect poor and vulnerable groups during the transition and restructuring the Bulgaria social protection system.

The proposed project supports these CAS objectives in the following ways:

1. **Short-term** -- provide advice, finance, and leverage substantial additional finance from other partners for the reform program of the Government. The project allows the Bank to respond effectively to the Government's request for assistance in developing and implementing a comprehensive child welfare reform (CWR) strategy. The project would contribute to the CAS goal by promoting community-based services and providing support through technical assistance (TA) and training for capacity building both at the local and central level. It would support the government's reform strategy by providing an opportunity to implement cost-efficient and socially viable community-based alternatives to the existing system of state institutionalization of children.
2. **Medium term** -- provide advice and financing for EU accession-related sector programs. The project will support EU accession through the observance and promotion of the concepts embodied in the UN CRC and improving human rights.
3. **On-going** -- expand the development assistance management role, and broaden and deepen Bank partnerships with the EU, foreign and domestic foundations, private business and the NGO community. The project will support the government's initiatives in CWR by providing development assistance for capacity building of the SACP and to the municipal CPDs to manage the reform program, form partnerships, and coordinate the various donors involved.

## **2. Main sector issues and Government strategy:**

**Children's Rights:** Bulgaria ratified the UN CRC in 1991. Despite the fact that over the past ten years efforts have been made by Bulgarian Governments to bring child welfare and protection services in line with international standards derived from the UN CRC, and the obligations of Member States of the Council of Europe, the institutionalization of children is still the mainstay of child protection services in Bulgaria. Unfortunately, children are not the priority of the current residential care system. There are conflicts of interest between maintaining the institutions, staff employed and the budget for such purposes, and the true welfare of the child.

**Institutionalization:** The percentage of institutionalized children in Bulgaria is among the highest in Europe at 1.78 percent. At present, 35,123 children are in public institutionalized care (see Table 1). Most of these children are abandoned for economic or social reasons, some are physically or mentally disabled, less than 1 percent are orphans. Conditions in the institutions for infants and for older children vary, ranging from the reasonably good, to unacceptable. Children brought up in poor conditions in these institutions, without preparation for independent living are vulnerable to becoming involved in crime, prostitution, drugs and exploitation, mental disability, unemployment, homelessness and even suicide, and find it difficult to integrate effectively in society when they have to leave at age 18.

**Table 1. Children in Institutions (September 2000)**

Institutions	Age of Children	Number of Children
1. Ministry of Health (MOH)	0 - 7	4,265
2. Ministry of Education and Science (MES)	3 - 18	27,148
3. Ministry of Labor and Social Policy (MOLSP)	3 - 18	3,405
4. Ministry of Justice (MOJ)	14 - 18	145
5. Shelters and Day Centers for Street Children*	3 - 16	160
<b>TOTAL</b>		<b>35,123</b>

*Source: Compiled from official data*

*\*Data provided by NGOs*

**School Drop-outs:** According to information provided by the MES a further 45,000 children are dropping out of school each year, and the number of children at risk of severe social and family marginalisation is almost 90,000. In 1992, there were 87,000 new-borns, of which only 63,000 enrolled in first grade in 1999. School drop-out rates are presented in Table 2. The primary reasons for institutionalization, the phenomenon of street children and the growing number of school drop-outs include: social exclusion, economic hardship, unemployment, family break-down, alcoholism, and domestic violence. The Government is addressing this issue comprehensively with Bank assistance.

**Table 2. Drop-Out Rates**

School Year	1989	1990	1991	1992	1993	1994	1995	1996	1997
Drop-out rate %	3.0	3.0	2.9	3.5	3.3	3.3	3.5	3.4	3.3

*Source: 'Out-of-School Youth in Bulgaria', Mission Report, Sofia, February 1999, UNICEF.*

**Street Children:** The past ten years have seen the emergence of the phenomenon of street children. At present, some 3,000 to 5,000 are estimated to be living or working in the streets, although the number fluctuates substantially tending to rise in the warmer Summer months. Recently, there has been a tendency to limit institutionalization of children from families who resort to placement in institutions for reasons of low income only, whilst no alternatives to family support are offered: one of the reasons leading to the emergence of street children. The public care system has proved unable to address the issues stemming from the economic transition. A growing number of children are living and working in the streets. This is a complex problem with diverse causes including homelessness, parental death/disability and children running away from child-care institutions.

**Ethnic Minorities:** Although official statistics do not exist, it is generally observed that some 60-80 percent of institutionalized and street children are Roma. The Roma in particular, have been affected by unemployment and impoverishment during the years since transition. The Roma have a larger number of children than ethnic Bulgarians, and a much higher incidence of poverty: in 1997, 84 percent of the Roma were living in poverty compared to 36 percent of the population as a whole (*Bulgaria-Poverty during the Transition, Report No 18411, 07/06/99*). Bulgarian Turks and Muslims have slightly higher poverty incidence and larger families than ethnic Bulgarian, but account for a small proportion of institutionalized children.

**High Costs of the Current System:** In addition to the social and economic costs of institutionalization of children, there are also significant financial costs. The annual cost per child, placed in an institution under the MOH was US\$ 1,357 in 1998, and US\$ 1,046 in an institution under the MOLSP. These costs are substantially higher than the cost per child in a family, which was estimated at US\$ 631 in 1998 according to the Statistical Yearbook 1998 (National Statistical Institute). There is a high financial and social cost of sustaining the current public system of childcare institutions. Some of Bulgaria's most valuable human resources are being marginalised as children emerge from the public care system with inadequate education and insufficient skills to find productive employment, emotionally scarred, and unable to fully participate in society.

**Lack of Standards and Regulations:** There is no standardized national set of criteria for child welfare, which has led to low quality of care, lack of monitoring and assessment and misplacements in certain cases. There is no unified and standardized database or MIS on institutionalized children, which makes access to information and efficient interventions difficult.

**Limited Alternative Services:** There are few other services available for families in economic and social distress. The alternatives to institutional care do not reach the larger part of people in need of care. There are only limited social work services, inadequate cash or in-kind benefits and few community-based preventative resources such as counseling and family support centers. Foster family care has not yet become popular in Bulgaria. Day care centers for children with or without disabilities and other forms of care and prevention are not widely accessible. Over the past years, efforts have been made by NGOs, donors and some municipalities to develop community-based services as alternatives to institutionalization and to address the phenomenon of street children. Despite these efforts, improvement in child welfare has been small.

**Insufficient Staff Skills:** The institutional childcare system suffers from an acute shortage of experienced and well-trained professionals with the necessary knowledge and skills relevant to the specific needs of the child and the modern childcare requirements. The professional structure, training and skills of staff working in public care institutions, are not responsive to the specific needs of children in care. There is a significant deficit of skilled social workers, managers and para-professionals in for example, needs assessment, fostering and adoption, and family support.

**Negative Public Attitudes:** To a large extent, poor child care practices in institutions are due to public perceptions inherited from the past and a lack of options to institutionalization. There is a lack of information and understanding in society of the problems of children brought up in social care institutions. These children are often marginalised because of negative public attitudes.

**Police as Frontline Social Workers:** The police, in the absence of well developed social services, are often the first to interact with problem families and children, including street children, children in distress, victims of abuse/violence neglect, those suspected of crimes and juvenile offenders. However, often the police are either not aware of or do not fully uphold children's rights as they focus more on public law and order. Police facilities are inadequate for handling children in distressed circumstances in a humane manner. Yet there is a very real determination within the police to improve this situation and promote children's rights.

**Diffusion of Responsibility:** The responsibility for child welfare issues is divided between five ministries and municipal authorities, making intervention and coordination very difficult and creating institutional structures, which do not address the overall needs of children. During their lifetime children in public care go from one institution to another governed by different ministries, none of which put the child's interest first.

#### **Government Initiatives To Date:**

Recognizing the social and economic costs, as well as the general negative impact of the current public care system on children, the Bulgarian Government and the Parliament have demonstrated increasing interest in addressing these issues, abiding by the principles of the UN CRC. On May 31, 2000, the Child Protection Act (CPA) was adopted by the Bulgarian Parliament. The CPA creates the SACP, the NCCP (as a mechanism to involve all stakeholders in policy formulation) and the CPDs at the local level to deliver services. The CPA defines those responsible for the organization, provision and monitoring of the child and family support services, and the measures for child protection and the decision-making process. It also includes provisions for police protection of children in distress (i.e. those abandoned on the street, victims of abuse/violence/neglect, young offenders).

The CPA introduces police protection for missing, abused and street children. It also addresses the issue of the position and representation of the child in administrative and court proceedings. The decision-making process regarding the measures for child protection is a combination of administrative and court procedures, which provides a new mandate for the courts. The Council of Ministers (COM) has approved a CWR Strategy and master-plan, supported by the Bank, which will reform child care in Bulgaria in line with UN CRC and EU standards (see **Annex 12**). The Government has established a Project Steering Committee (PSC), comprising Deputy Ministers of all five ministries involved and the head of the SACP, to oversee the implementation of the CWR.

### **3. Sector issues to be addressed by the project and strategic choices:**

#### **Poverty and Human Capital Development.**

Community-based services promoted through the project will strengthen national and local structures and services protecting children. Support, counseling, and education provided through these services to families at-risk and in need will contribute to poverty alleviation. Prevention and de-institutionalization mechanisms promoted through the project will contribute to maintaining and reintegrating the children in the social structure of the community. This will help them become future productive members of the society contributing both to poverty alleviation and human capital development. The street children services included in the project will also address poverty alleviation and human capital development by providing services that will give these children a better chance for social reintegration.

#### **Strengthening and Rationalizing the Role of the State.**

The project will contribute to the strengthening of the SACP and the managerial capacity both at the central and municipal level. The project will support the process of restructuring the provision of child-care at the municipal level through prevention and de-institutionalization. The project will enhance partnerships with the NGO community and other development partners, especially the EU, UK (Department for International Development - DFID) and potentially the Swiss Development Cooperation (SDC). The prevention and de-institutionalization strategies will return child-care to the family, where it truly belongs, with the state providing support mechanisms and direct care only to the most difficult cases in a more community-based approach. Specifically, the role of the state will be strengthened and rationalized in the following manner:

- coordinating the activities of existing and newly emerging structures that are working with children around the implementation of common childcare standards;
- decentralizing the childcare system - delegation of the main rights and responsibilities for the development of services for children and families to the local (municipal) level;
- undertaking a transition from the predominantly institutional care system to a system providing services and care in a family-based environment; and
- providing services to the newly emergent problem groups of children (e.g. street children, victims of violence and neglect, those in juvenile detention) who have not received care or support from the state. This entails, *inter alia*, improving the manner in which the police protect children's rights as established within the UN CRC.

## C. Project Description Summary

**1. Project components** (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

The project will support the Bulgarian Government in reforming the child protection system, through developing services at the municipal level, reducing the flow of children into institutions, improving the quality of care for institutionalized children, developing alternative care systems and assisting older institutionalized children to integrate into the community as productive citizens. It will also focus on street children and Roma who are population groups particularly at-risk of poverty and social deprivation. The project would build upon existing smaller-scale initiatives of other donors and NGOs.

Component	Sector	Indicative Costs (US\$M)	% of Total	Bank-financing (US\$M)	% of Bank-financing
1. Capacity Building	Institutional Development	8.27	42.2	2.53	31.6
2. De-institutionalization	Social Protection Adjustment	7.01	35.7	4.24	53.0
3. Abandonment Prevention & Protection of Children's Rights	Social Assistance	3.39	17.3	0.67	8.4
4. Street Children Services	Social Assistance	0.87	4.4	0.48	6.0
<b>Total Project Costs</b>		19.54	99.6	7.92	99.0
Front-end fee		0.08	0.4	0.08	1.0
<b>Total Financing Required</b>		19.62	100.0	8.00	100.0

### Component I: Capacity Building (Euro 9.10 million)

**a. Policy Development.** TA and training will be provided to strengthen the SACP and the CPDs capabilities for the implementation of a co-ordinated national policy for child protection. Setting up partnerships with NGOs and other service providers will be encouraged both through building upon previous NGO experience and contracting out services by both central and Municipal structures. Most of this component will be funded by the EU through a Euro 3.5 million grant - a large part of which will finance a twinning relationship between the SACP and a similar Western European (Austrian) institution. The UK DFID will also provide policy advice and support the SACP and the training of judges in children's issues.

**b. MIS, Monitoring and Evaluation (M&E).** This component would support the development and implementation of three inter-related MIS systems: (i) for the **Municipal Social Assistance Services (MSAS)** based upon the MIS developed under the IDF grant on Social Assistance Policy, to cover the Sofia headquarters, the 28 regions and 270 municipalities in order to reduce fraud and establish the foundation for the improved targeting of social assistance, which is an important element in preventing low-income families from abandoning children; (ii) for the



CPDs, a child monitoring and tracking system at the national, regional and municipal level to monitor the flow of children into and out of institutions and to improve case management; and (iii) for the CWR project, a project-specific MIS to be used as the major tool for monitoring impacts and performance. Monitoring and evaluation of all project activities (including environmental aspects) would be supported under this component using both quantitative indicators and a program of qualitative beneficiary assessments both before and after project interventions. Impact indicators have been developed and are outlined in Annex 1 and in the Project Implementation Manual (PIM). Computers and office furniture will be provided to the MSAS and CPD and training provided to operate the MIS. *The MIS for the MSAS, CPDs and the CWR project, satisfactory to the Bank, will be established by 09/30/01. The establishment of the MIS (including application software) within the MSAS and CPDs is a Condition of Disbursement for the computer equipment for this sub-component.*

**c. Public Awareness & Training.** A strong public awareness campaign to be implemented with Bank finance will have three aims, to: (i) make families aware of alternatives to institutionalization; (ii) change public attitudes to accept the re-integration of institutionalized children into society, including domestic adoption and foster care; and (iii) change the mentalities of professionals working in the child welfare/protection sector and informing staff working in institutions being closed down of alternative employment, including working as foster care givers. Bank loan funds will finance management and social work training for the staff of CPDs and MSAS.

**d. Project Management.** A Project Management Unit (PMU) has been established to oversee the implementation of the project within the MOLSP. The PMU will be responsible for project implementation and management in the areas of: (i) procurement; (ii) financial management; (iii) M&E; (iv) communications and public awareness; (v) management and social work training for the CPDs responsible for carrying out different project-related activities; and (vi) donor coordination. Consultants with TOR and CVs satisfactory to the Bank, selected according to Bank guidelines, have already been appointed for all of the positions within the PMU.

## **Component II: De-institutionalization (Euro 7.71 million).**

This component will support the Bulgarian Government in improving the welfare of children through identifying, financing and M&E of sub-projects to prevent institutionalization of children, de-institutionalize and the improve the quality of residential care through alternative community-based services such as (but not limited to):

- **Day care centers** -- (i) providing day care for children coming from families at risk (e.g. where both parents have to work during the day and where there is no extended family support), and (ii) providing day care and therapeutic assistance for children with special needs and parental advice to their families in order to support the family to understand better their children and cope with their special situation;
- **Family counseling and support** -- providing advice and support to families at risk in order to keep them together and prevent abandonment and the institutionalization of children;

- **Parental education** -- teaching young parents how to cope with their children, helping them to become reliable and good parents, encouraging parent/child bonding to prevent child abandonment and institutionalization;
- **Mother and baby units** -- providing temporary shelter for young single mothers and their babies in order to promote attachment and support the young mothers by providing counseling (including legal advice) and parental education;
- **Small group homes** -- as community-integrated alternative residential care facilities providing short/medium term care for children when other solutions are not available, until a family solution is found;
- **Foster care training services** -- to recruit, assess and train future foster parents; and
- **Restructuring and rehabilitating institutions** - selective restructuring and rehabilitation of key facilities in which children will still reside after de-institutionalization has taken place to the maximum extent possible. *The MOLSP will prepare a separation and retraining program, satisfactory to the Bank, for staff from institutions being closed down or restructured no later than 09/30/01.*

Under the project a major way in which such services would be provided is through the development at the community level of Community Support Centers (complex of services) for children and families at risk. Such centers would integrate a Day Care Center (both for children with or without special needs) with satellite services for parents (services as already mentioned above). Beneficiary municipalities have been selected competitively based upon agreed criteria (see Annex 15). *An Implementation Agreement between MOLSP, SACP and participating MSAS, CPDs and municipalities, satisfactory to the Bank would be prepared no later than 09/30/01.* Models for these facilities have been designed, and *the first such facilities would be operational no later than 09/30/02 and maintained thereafter.* This component will be financed by the Bank, EU and possibly the Swiss Development Cooperation (SDC) together with some contribution by major international NGOs active in the field e.g. European Children's Trust (ECT) and Save the Children Fund (SCF).

**Component III: Abandonment Prevention & Protection of Children's Rights (Euro 3.73 million).**

This component focuses on the implementation of three key types of interventions aimed at the prevention of abandonment of children amongst high-risk and disadvantaged communities, most notably the Roma. Specifically community-based interventions would focus on: (i) strengthening early child development and pre-school education; (ii) improving the interaction of the police with children in general and high-risk communities in particular to work towards the prevention of abandonment, institutionalization, the resolution of social problems involving children and the reduction of child delinquency; and (iii) supporting the inclusion of the Roma in mainstream Bulgarian society. Baseline surveys, community analyses and follow-up M&E surveys will be

undertaken in all communities participating in all sub-components of this component of the project.

**a. Child Development in Disadvantaged Communities.** Disadvantaged communities will be able to access grants competitively to establish and or expand pre-school and kindergarten programs for children from the poorest communities in Bulgaria to prepare them for school, enhance their Bulgarian language skills, provide basic health care and a nutritional meal, and defray the costs of primary school (simple food, school uniform etc.) for the poorest parents.

**b. Child Protection.** Training will be provided to all police officers to make them more aware of children's rights and their role in promoting them under the UN CRC. More intensive training will be provided to the 270 inspectors currently dedicated to children and youth issues, and extending over time to improve the interaction of all police with children and youth. Minor refurbishments and training equipment will be provided to a National Training Center to be established in Sofia. The Bank loan will also finance the development of teaching materials and core curriculum drawing upon materials provided by UK DFID, and best practices from Western and Eastern Europe. The project will support this extension of the school and community policing program, pioneered by the UK DFID. Child pedagogic units will undergo simple refurbishment, with the upgrading of furniture and a computer provided on a selected basis to manage case loads. For children in distress, including juvenile offenders, lost children, and victims of violence and/or crime, the poor conditions in Juvenile Temporary Homes and the 24-hour juvenile holding rooms in police stations will be refurbished and brought up to the Bulgarian and EU norms for child safety, comfort and security. A protocol (satisfactory to the Bank) has been signed between the NPD and the MOLSP, based upon the UN CRC, indicating how the police will promote children's rights.

**c. Reduction of Social Exclusion.** Supported by the UK DFID, a social exclusion policy adviser will help in the development of local plans and sub-projects to reduce the exclusion of Roma starting in **Sliven, Nova Zagora and Yambol**. Activities include training Roma community facilitators in social work, children's issues and economic development and employment. Social and employment generation sub-projects will be undertaken by the Roma communities themselves.

#### **Component IV: Street Children Services (Euro 0.96 million).**

This component will support the SACP and the selected municipalities, working in partnership with local organizations/NGOs, to identify, finance, implement and monitor a number of sub-projects, targeting service provision for street children, in order to reduce their number through family and social reintegration, and to provide secure shelter and access to basic services such as health and education. This component will provide the following through the creation of about six Street Children shelters providing services and acting as the base for:

- Development of local strategies for overcoming the problems of the street children;
- Provision of local level services for street children and their families;
- Training of teams for outreach work with street children; and
- Exchange of experience with organizations that work on the same problem in Bulgaria.

The project envisages three organizational forms of services for the street children: (i) outreach, (ii) day centers and (iii) round-the-clock shelters. This component requires the active cooperation of municipalities, NGOs and the police to be effective. A cooperation agreement between these parties and action-plan outlining this collaboration, and the respective roles and responsibilities will be required before the Bank gives approval to any sub-project as outlined in the PIM. Models for these facilities have been designed, and *the first such facilities would be operational no later than 09/30/02 and maintained thereafter.*

## **2. Key policy and institutional reforms supported by the project:**

The project will support the implementation of the CPA which regulates child protection measures and the establishment of structures both at the national and municipal levels responsible for child policy implementation. Specifically, the SACP is responsible for (i) organizing and co-ordinating the government policy on the protection for children, (ii) preparing and funding national programs for the protection of children, (iii) guiding and controlling the CPDs, (iv) carrying out research, (v) creating and maintaining the MIS, (vi) encouraging NGO activities in the area of child protection, and (vii) promoting legislative initiatives. The project envisages:

- Developing a coherent child-centered policy on children's issues and strengthening the institutional capacity for implementing it. The project will support the establishment of the SACP at the national level, and of the CPDs within the MSAS at the local level. Moreover, it will support the development of unified standards and requirements for care and services for children and families in line with the UN CRC and EU standards, and the upgrading of the skills of staff in the system;
- Undertaking a transition from a centralized system of institutionalized child care to a system of service provision at the local level aimed at raising the maximum number of children in a family or family-like environment. This includes the development of a network of family support centers, de-institutionalization, improving the quality of care in residential institutions, integration and the re-integration of children and youth leaving social institutions as productive members of society;
- Developing specific approaches for the prevention of abandonment and social integration of children in high risk communities. These approaches include, but are not limited to, kindergartens and preparatory groups in the primary schools, attracting ethnic community staff in the social services provision programs, developing and implementing integration training modules, improving community policing and police interaction with children; and
- Addressing the issue of street children through service provision for them and their families, for equal access to training, healthcare and social integration.

### **3. Benefits and target population:**

This project will provide a wide range of support services to local communities, especially to families at-risk, including young single mothers, their children, those children already institutionalized, and other children in difficulty (especially street children). Without the project, local communities will continue without the much needed resources to provide counseling and support to the families and children in difficult situations, thereby resorting to institutionalization of such children.

Different levels of government, including the central government and municipalities will benefit through capacity building, direct investments, and through the support provided to them by the project to test and identify sustainable approaches to be developed on a larger scale subsequently. NGOs and private service providers will also benefit through the partnerships developed with the central and local authorities for the implementation of the sub-projects, fostered under the project. Additional benefits would include: (i) increased public awareness of child protection issues and enhanced participation of local communities in supporting families at-risk and children in need; (ii) improved community organization and implementation capacity at the municipal level; (iii) enhanced coordination of a wider network of development partners in support of child welfare reform; and (iv) more cost-effective and socially-effective alternatives to large state institutions.

### **4. Institutional and implementation arrangements:**

#### **4.1. Implementation period**

The project will be implemented over three years commencing in May 2001.

#### **4.2. Executing Agencies**

The **MOLSP** has overall responsibility for the project which it will execute through the PMU.

The **PSC** has been established to ensure a coherent multi-sectoral approach to the overall project. The CWR Project Director and the Executive Secretary of the National Council on Ethnic and Demographic Issues (NCEDI) will attend as observers.

At the municipal level, the **CPDs**, with TA and coordination provided by the PMU, would implement small-scale project activities (e.g. contracting services from NGOs/private service providers) and would manage and supervise the newly created child welfare services, while also playing a key gate-keeping role which would contribute to the reduction of the numbers of institutionalized children. The selected municipalities would contribute by providing buildings and/or land for the development of agreed project interventions.

Non-governmental organizations (**NGOs**) would participate in project development and the provision of services for children, ensuring the quality of the childcare provided. NGO services for specific project interventions will be contracted by the PMU or by the CPDs.

### **4.3. Project coordination**

The PMU will oversee the implementation of the project, under the guidance of the PSC, in achieving the performance indicators specified in Annex 1. It will coordinate and assess sub-projects targeting the development of services for children and families, including procurement and financial management, M&E. The PMU will coordinate and support the development of the CWR MIS, and the management training for project implementation at the MSAS level. The PMU will be responsible for ensuring transparency and free flow of information to the participants and beneficiaries of the CWR, and for the implementation of the public awareness campaign. In carrying out the above, the PMU will liaise and work closely with the PSC, the National Police Department (NPD), representatives of the five line Ministries, the SACP, development partners organizations and NGOs.

Adequate systems for information management, and for M&E will be established in order to ensure compatibility of all the activities with Bulgarian legislation, Bank and EU integration requirements.

The PMU will directly coordinate with other development partners. Greater implementation effectiveness will be achieved through the regular submission of progress reports (according to the agreed format in the PIM, which has been reviewed by the Regional FMS and found to be satisfactory to the Bank) as well as through direct development partners' involvement in the supervision missions. ***MOLSP, through the PMU, will prepare no later than November 30 each year a project Implementation Plan (PIP) satisfactory to the Bank, setting out the work program for the following calendar year. This would be adopted by MOLSP, revised annually thereafter, incorporated into the PIM, and thereafter carried out. The Government will provide, through MOLSP evidence satisfactory to the Bank that sufficient resources have been allocated in the annual budget to cover counterpart funding requirements under the project for the year in question.*** Any changes in the PIM should be approved by the Bank. All feasibility studies for sub-projects under Component II, III and IV should be satisfactory to the Bank.

### **4.4. Procurement, financial management and disbursement.**

All procurement, financial management and disbursement procedures will be in accordance with the relevant Bank guidelines and will be documented in the PIM. Procurement packages have been identified and are described in Annex 6. Fixed price contracts will be used for NGO service provision.

The Government has established and will maintain a project financial management system (FMS) in a format acceptable to the Bank (LACI requirements). The PMU established within MOLSP will be overall responsible for the Project financial management system. The PMU includes now all staff agreed upon (manager, finance manager, accountant, procurement specialist, a number of technical experts and an assistant). A financial management consultant (TAMS Ltd. Bulgaria) was appointed to develop the financial management system for the project. In accordance with the Bank's OP/BP 10.02, a financial management system has been established for the Project,

featuring a customized accounting software fully developed to respond to the Project specifics. The accountant and the finance manager will be the primary operators of the software with the PMU manager responsible for authorizing all payments. The procurement specialist will have limited rights to access the software on procurement related aspects. The initial appropriate training was provided to PMU staff and the final training sessions are to be done by February 15, 2001.

The consultant, together with PMU staff, has developed specific chart of accounts, detailed financial statements, reporting formats and methods, internal control procedures, disbursement and flow of funds arrangements, assigned staff responsibilities in order to ensure a complete segregation of duties.

The PMU will be fully in charge of all payments, procurement, contracting, disbursement, reporting, accounting, consolidation, planning, budgeting and auditing relating to the Project. No Project funds (including Loan amounts) can be transferred to beneficiaries or any other parties.

Detailed accounts will be kept for each project component and its sub-components. The accounts will also reflect the status of payment against each contract; utilization of the Special Account (SA) and replenishments made by the Bank; and sources of funding used. The PMU will prepare reports showing detailed budgeted and actual expenditures, uses of funds by source, summary of withdrawals and forecasts, statements of progress achieved to date and the objectives for the forthcoming quarter and semester. ***The PMU will submit the Project Management Reports (PMRs) to the Bank from June 30, 2001 and quarterly thereafter.***

A Special Account will be opened at the National Bulgarian Bank (Central Bank of Bulgaria). Government contribution will be received in a separate sub-account of the main budgetary account of the MOLSP.

The project annual financial statements will be audited each fiscal year in accordance with Bank guidelines, by independent auditors acceptable to the Bank. ***Conclusion of a contract with selected auditors, satisfactory to the Bank, is a Condition of Loan Effectiveness.***

Copies of the audit reports will be submitted to the Bank within six months of the close of Bulgaria's fiscal year. The audit report will cover both the compiled account of expenditure incurred during the fiscal year as well as the Statement of Expenses (SOEs) used for withdrawals from the SA. Special attention will be paid to confirming the transparency and accountability of the use of funds by the beneficiaries.

#### **4.5. Monitoring and evaluation arrangements.**

The M&E system will be based on the MIS developed within the PMU. Information on project progress will be collected through progress reports and supervision missions, and will be distributed to all participants. An underlying principle of the M&E system will be the external evaluation of the services offered, financed under Component I of the Project.

Two Project Impact Surveys (one at mid-term, the other on project completion), will be supplemented by a series of beneficiary assessments (undertaken every six months) targeted to the pilot municipalities. These will strengthen the M&E feedback mechanisms during the life of the project.

A project-specific MIS is being designed by a specialist to serve as the key project monitoring tool. The PMU would be responsible for monitoring progress against specific performance and impact monitoring indicators as summarized in Annex 1 and developed further in the PIM. *Starting July 31, 2001, a project report, in a format satisfactory to the Bank, will be submitted to the Bank no later than July 31 each year, and discussed with the Bank no later than September 30 each year, during project implementation.*

## **D. Project Rationale**

### **1. Project alternatives considered and reasons for rejection:**

**Lending Instruments:** A variety of alternative Bank lending instruments were reviewed as follows:

**LIL:** Although attractive from the point of view of the innovative activities envisaged under the project, the loan limit of US\$ 5 million is too small for the scope of activities required and would have only a minimal impact.

**APL:** The Government is not ready to commit to an extended commitment of Bank loan funds given anticipated future grants from the EU and bilateral sources. Moreover, the Bank would not wish to support multiple interventions in a specialized field such as CWR, but rather follow-up with a broader focus on the provision of improved social services to all age groups through the proposed Community Social Services Project in FY04.

**Adjustment Loan:** The Government requires finance for investment and institution-building rather than to undergird policy reform. Thus a SIL was selected as the most appropriate instrument.

**Institutional Arrangements:** Several alternative institutional arrangements were evaluated before a final choice was made:

**De-concentrated SACP:** The initial idea was to delegate childcare to the SACP with its own structures at the local level. This alternative envisaged all the childcare institutions being subordinated to the SACP, thereby establishing another administrative structure with increased costs. This idea was rejected also because of the excessive centralization of the responsibilities for developing services for children and families and the withdrawal of the municipalities from childcare policy implementation.

**SACP within the MOLSP:** Another alternative considered was to put the SACP under the control of the MOLSP, as the local level structures envisaged by the CPA are subordinated to



the MOLSP (as the CPD will be part of the MSAS). This would solve the problem with excessive administrative staff, but there would be strong administrative resistance from the other ministries that are currently responsible for childcare in their respective institutions.

**No SACP:** A third alternative considered was that rather than establishing the SACP, childcare would remain with the existing line ministries, with each aiming to improve the quality and development of alternative forms of care and services for families. This alternative was rejected because it would not lead to reform; a coordinating body for the institutions responsible for the children would be missing and it would not provide an opportunity to develop unified criteria and standards for child protection.

**SACP with Project under the MOLSP:** Based on the fact that the SACP will only become fully functional later in 2001, the need for promoting a coherent approach to child welfare issues, and coordinating development partners inputs, led to the idea to establish a PMU as the focal point for project implementation. The major responsibility for developing the new services for children and families lies with the MOLSP, which plays a leading role in reforming the system for service provision. Therefore, an agreement was reached to place the PMU within the MOLSP, with the possibility to transfer it to the SACP (which in any event falls under the budgetary domain of the MOLSP), when it is fully functional.

**2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned).**

Sector Issue	Project	Latest Supervision (PSR) Ratings (Bank-financed projects only)	
		Implementation Progress (IP)	Development Objective (DO)
<b>Bank-financed</b>			
Social Policy	Social Protection Adjustment Loan (completed)	S	S
Social Assistance	IDF Grant on Social Assistance	S	S
Community Development	Regional Initiatives Fund	S	HS
	Social Investment Fund (planned FY 02)		
Education Development	Education Modernization Project	S	S
Health Development	Health Sector Restructuring	HS	HS
	Health Sector Reform	S	S
<b>Other development agencies</b>			
EU	Urgent Social Support Programs No. 1 and 2. PHARE Child Welfare Reform		
UK DFID	Bulgarian-British Legal Initiative for Children.  Policy Advisor on CWR.  Community Police Project.  Social Exclusion Project.		
ECT	Children and Families.		
SCF	Development of Social Policy for Children and Families in Bulgaria.		

UNDP	Citizen Participation and Development.		
Swiss Development Cooperation (SDC)	Children in Institutions (completed). Child Welfare Reform (planned).		

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

### 3. Lessons learned and reflected in the project design:

The following experiences and lessons have been reviewed and addressed in project design. The sources of the lessons are given in parentheses: G = Global Development Experience; B = Bulgarian Development Experience; and C = Child Welfare Reform Experience.

- **Project Complexity:** Complex projects are more prone to failure (G). Unfortunately CWR in Bulgaria is inherently complex stemming from the division of responsibilities for child welfare between the five line Ministries, the municipalities and the many inter-related dimensions of child welfare. CWR projects are potentially risky as they require complex coordination and place an additional emphasis on project monitoring. The project addresses this issue by simplifying the implementation arrangements through the establishment of a single PMU, under the MOLSP, with an operational linkage to CPDs at the municipal level, and giving special attention to the development of a national MIS and M&E system.
- **Integrated Approach:** The issue of improving child welfare has many inter-related aspects, including issues of health and nutrition, living conditions, education and training (C). Therefore, to achieve a sustainable impact, it is necessary to address the problem on many fronts simultaneously. To make a difference there must be a critical mass of inter-related interventions at the local level, rather than scattered uncoordinated interventions spread across a larger area. The project will promote integrated activities in a relatively small number of municipalities (seven initially with more to be included if financing availability permits) in order to demonstrate the positive effects of an integrated approach.
- **Development Partners:** In a complex field such as CWR, different development partners and NGOs can bring complementary skills together to make a larger impact than a single financing agent alone (G, C). The project design and development reflects a continuing consultation process with a number of development partners, ranging from UNDP and UNICEF during design, EU on policy issues and the creation of the SACP, UK DFID on community policing, CWR and social exclusion issues. There has been regular information sharing between the CWR participants and joint work in preparing the relevant studies. The project design is the result of the cooperation and motivated involvement of all stakeholders. This practice will be sustained and expanded during project implementation.
- **NGO Involvement:** NGOs are frequently leaders in innovation and pioneering new approaches in CWR and their approaches need to be studied, and where cost-effective, replicated (C). A number of NGOs are currently developing services to address prevention of

abandonment and institutionalization, de-institutionalization and alternative care. Unfortunately most of these approaches are relatively small scale, albeit important pilot interventions scattered in different parts of the country. At the same time, in most of the cases, municipalities were not involved enough in the project design and implementation. However, a number of foreign NGOs active throughout the country have brought to Bulgaria valuable TA from around the world and are developing projects based on best foreign practice. The project will support the development of community-based services, based on previous NGO experience by including best practice projects and encouraging the development of municipality - NGO partnership in the process of project design and implementation.

- **Beneficiary Involvement:** Global experience demonstrates the need for communities to be fully involved in the project cycle from identification, through preparation, implementation and evaluation especially in sensitive sectors such as CWR where behavioral change is important (G,C). A recurrent weakness in Bulgaria, demonstrated mainly in extensive nation-wide projects, is that the connection with the community is lost, which results in minimal positive impact. The project addresses this issue through: (i) direct beneficiary involvement at all stages under Component III; (ii) ongoing beneficiary assessments under Component I; and (iii) extensive public awareness program to ensure the involvement and the support of the local communities under Component I.
- **Ethnic Diversity and Social Inclusion:** Addressing hard-core poverty in Bulgaria requires the social inclusion of disadvantaged ethnic groups (B). The lack of knowledge and understanding of the Roma population culture have resulted in ineffective initiatives to address their needs at the central and local level. The project will directly address the needs of the Roma and other disadvantaged ethnic groups through school preparation programs, more attentive community policing, and community development activities involving representatives from the community in providing services to children and families.
- **Sustainability:** The lack of a coherent approach to child welfare issues in the previous years has resulted in isolated interventions on the part of the government, development partners and NGOs, and has raised sustainability as an important issue (G, B, C). Experience has shown that investment in institutions may strengthen them without improving the quality of care for the children. Often, good practice and human capital, acquired in the course of a project, is lost after project completion. The Government's recognition of the need for a coherent approach to child welfare issues led to the adoption of the CPA and the establishment of a PSC. The project reflects these changes by supporting policy development, enhancement of the information flows throughout the CWR system and capacity building at all levels.
- **M&E:** Establishing a unified M&E system, adequate to the needs of the reformed CWR system, is a prerequisite for successful implementation (G). The M&E system will address the issue of horizontal and vertical information flows and will ensure a feedback mechanism to and reduce costs and is considered a critically important project component.

- **Project Readiness:** Projects need to have prepared up-front the sub-projects selection and design (feasibility studies), straightforward procurement and disbursement arrangements, clear flow of funds and implementation responsibilities, PIM, MIS (including M&E arrangements and FMS) to make an effective start (G,B). Intensive efforts are being made to complete all of these actions prior to loan effectiveness.
- **Redundancies from Structural Reform:** The main stakeholders to lose out from CWR are the staff working in institutions being closed down who become redundant - the opposition of these staff can be the largest single brake on continued reform. Recognizing this, Component II provides explicitly for retraining and other support for workers being made redundant. Moreover, such workers would be given some preference in foster-care training and the selection by NGOs for alternative services. Public awareness campaigns will be targeted to these workers to make them aware of alternative employment opportunities and to explain the rationale of the reforms.

#### 4. Indications of borrower commitment and ownership:

The Bulgarian Government is committed to the successful implementation of the CWR for improvement of the children welfare. The CPA was adopted which regulates the establishment of the SACP and CPD and eliminates the juridical obstacles for development of alternative forms of care and services for children and families in risk. The PSC has been established in order to support the work of the consultant team in the reform project development. The Government has approved a CWR strategy and master-plan for de-institutionalization (Annex II).

#### 5. Value added of Bank support in this project:

The Bank financed project would provide assistance to complement other development partners to bolster a comprehensive program that does not overlap or leave out targeted areas of the reform. The Bank can use its wider development experience and influence to catalyze more effective collaborative networks in support of the Government's integrative strategy for reforming child welfare services and protection.

### E. Summary Project Analysis (Detailed assessments are in the project file, see Annex 8)

#### 1. Economic (see Annex 4):

- Cost benefit      NPV=US\$ million; ERR = % (see Annex 4)
- Cost effectiveness
- Other (specify)

Through the implementation of the project , the following types of economic benefits will be obtained:

- **Component I (Capacity Building)** - a sound MIS for both child welfare and social assistance, thereby improving the management, policy and effectiveness in both systems;
- **Component II (De-Institutionalization)** - the substitution of expensive residential care by lower cost alternative community based care; improved social integration and higher economic productivity of children who would otherwise be handicapped and fail to develop employable skills as a result of institutionalization;

- **Component III (Abandonment Prevention & Protection of Children's Rights)** - prevention of high-cost residential care; promotion of human capital in disadvantaged groups; prevention and reduction of crime; and
- **Component IV (Street Children Services)** - improved human capital, and reduction of crime.

**Component I (Capacity Building):** In social assistance, a sound MIS combined with the necessary staff training included under the project will reduce fraud and double claims and improve targeting of benefits. Under full implementation, fraud reduction could amount to as much as 5-10 percent of the current expenditures of BGN 220 million under the Basic Minimum Income system; and perhaps improve targeting by a similar amount.

**Component II (De-institutionalization):** The development of alternative services to institutionalization will in the long run result in considerable savings for the state budget (see Annex 4 for details). If through prevention of institutionalization and reduced outflows to community-based alternatives, the number of institutionalized children could be reduced by 20 percent (or 7,000) over three years the net recurrent savings would be about BGN 8.4 million a year.

**Component III (Abandonment Prevention & Protection of Children's Rights):** For each child who avoids going into institutions through prevention activities, the budgetary savings could be as high as BGN 1,800 per annum in 1999 prices - or up to BGN 32,400 up to the age of 18 (in 1999 prices). Crime, and imprisonment in particular, are very costly for society involving not only high costs of direct damages, prosecution, incarceration but also the opportunity cost of the imprisoned not contributing to society. Although difficult to estimate accurately, crime prevention, and its powerful counterpart social inclusion, are likely to have extremely high social and economic rates of return.

**Component IV (Street Children Services):** Many street children resort to substance abuse, prostitution and other very damaging behaviors, leading to dramatically reduced life-expectancy and at the very least a very uncertain economic future with minimal earning capacity. The key-issue is to seek to reintegrate these children in mainstream society, address their health problems and provide them with some income-earning potential through the completion of basic education and vocational skills. Both components III and IV contribute powerfully to enhancing the human capital and hence employability of disadvantaged children.

## **2. Financial (see Annex 4 and Annex 5):**

NPV=US\$ million; FRR = % (see Annex 4)

The project is operated almost entirely within the public sector, therefore fiscal, rather than financial analysis, has been undertaken.

### **Fiscal Impact:**

CWR will generate substantial fiscal savings over the medium-term. However, there are three categories of up-front costs: (i) investment costs in developing new services, facilities, training

staff and developing the MIS (estimated at Euro 17.7 million over 3 years); (ii) costs of restructuring and redeploying staff; and (iii) some duplication of recurrent costs in the short-term as children are removed from institutions, placed in new services before entire old institutions can be closed down. Incremental recurrent costs per annum rise from about Euro 0.1 million in 2001 to Euro 0.7 million in 2003, but would be more than offset by savings of about Euro 1 million per annum by that time.

### **3. Technical:**

The project aims at changing the existing institutionalized system for child welfare/protection by preventing institutionalization and abandonment, and facilitating de-institutionalization through provision of a continuum of community-based services for child welfare and family support, and capacity building of specialized child welfare management structures both at central and municipal level.

The CPA establishes solid premises for profound changes in the Bulgarian child welfare/protection system, in line with the UN CRC requirements. A sound CWR strategy has also been approved by the Bulgarian Council of Ministers. In September 2000, the PSC was established, creating a solid basis for co-ordination of the project.

The project is building upon experience accumulated in the region over the last ten years both through NGO pilots and other similar Bank interventions (Romania, Lithuania). It also draws heavily upon data collected through a series of studies supporting the project preparation process, namely the (i) Social Assessment; (ii) Institutional Assessment; (iii) Background Report on the Child Welfare System in Bulgaria; (iv) Roma Issues Report; (v) Ethnic Minorities Report; (vi) Juvenile Delinquency Study; (vii) Management Training Needs Assessment; and (viii) Child Welfare Professionals Training Needs Assessment.

The project has been carefully prepared with close consultation and active participation of all interested stakeholders (MOLSP, MOH, MES, MOI, MOJ, bilateral development partners, NGOs and potential beneficiaries). Models for community-based services and alternative care have been designed for Mother and Baby Units, Community Support Centers and Street Children Services with NGO support. High quality architecture and engineering standards will be ensured by using highly qualified local TA.

Pilot municipalities for project implementation have been selected on rigorous and objective criteria such as the number of institutionalized children, street children, poverty data, data related to ethnic minorities, commitment to change of the local authorities (see Annex 15 for a detailed description of the selection process and criteria).

### **4. Institutional:**

An institutional assessment (see Annex 12) has been carried out to evaluate the capacity of the system to implement the reform. Currently policy decisions regarding child protection are the responsibility of the central government bodies (MOLSP, MES, MOH, MOI, MOJ). They regulate the corresponding social care institutions, which offer a social- health or an

educational model of institutional care. Child care services are financed through a centralized system of funding specific activities, based on the existing legislation and regulations, issued by the respective ministries. The local authorities have limited decision-making power, within the framework of the respective Ministry's methodological guidelines and regulations.

The project aims at building capacity at all levels of the child protection system to enable it to move from institutional child care to offering services for children and families. The reform requires the establishment and institutional strengthening of the new child protection structures, the SACP and the CPDs, in line with EU standards for modern management and quality assurance. Through its capacity building component, the project will establish modern merit-based management systems for the recruitment and development of staff, effective mechanisms for contracting services to NGOs and maintaining an adequate information system for children at risk and service providers.

#### 4.1 Executing agencies:

**MOLSP** will oversee the provision of services to children and families as part of the reform. The project will support the MOLSP in building up the CPDs within the MSAS. Special attention will be allotted to management training for the heads of MSAS and CPDs and to developing a unified MIS for child protection services.

**CPDs within the MSAS:** The activities the MSAS perform focus mainly on providing financial social assistance. The project will provide training and technical assistance to build the capacity of the CPDs to organize and oversee the provision of social services to children and families. Capacity building is envisioned in upgrading the CPDs' staff skills for social work with individual cases and customer service.

**NPD:** The project will support and build capacity within the NPD through upgrading police officers skills to work with children.

**SACP:** The need for formal co-ordination of child protection policies and activities is recognized in the CPA, which resulted in the establishment of the SACP in January 2001, as a standard-setting and monitoring body.

The project will provide training and technical support for strengthening the SACP, through EU finance, to achieve a co-ordinated child protection policy. Adequate funding and M&E mechanisms will be created to ensure the development of quality service provision.



#### 4.2 Project management:

Project management arrangements aim at eliminating the fragmented nature of the current system of childcare and of previous efforts for improving child welfare. The project addresses the issue of coordination in project management by establishing a PMU. The PMU will screen sub-projects from an environmental perspective, hiring in outside expertise where necessary, and will be the focal point of project implementation and will ensure consistency with the child welfare policy, developed by the PSC, the SACP and the NCCP.

It will coordinate the implementation of priority programs for service provision of the SACP, as well as activities related to the restructuring of institutions, staff qualification and re-qualification programs. The PMU will act as a liaison between the development partners to ensure the consistency and coherence in implementing development partners sub-project. It will provide technical assistance to the CPDs, monitor and evaluate small-scale projects for child welfare service provision at the local level.

#### 4.3 Procurement issues:

A procurement assessment and procurement plan have been completed (see Annex 6). Procurement arrangements and policies will be reflected in the PIM. Additional procurement training for PMU staff will be provided during implementation.

#### 4.4 Financial management issues:

The existing PMU established within the MOLSP will be responsible for the overall Project financial management system and reporting. A financial management system has been established for the Project in accordance with the Bank's OP/BP 10.02 and the PMU staff has received the initial training to use it.

A Special Account will be opened at the Bulgarian National Bank (BNB). Government contributions will be received in a sub-account of the main budgetary account of the MOLSP. In respect of the Project funds received from other development partners, a decision will be made on a case by case basis in respect of whether the PMU will manage these funds, or various other agencies as requested by these development partners.

The PMU will have the project accounts audited (including all special and project accounts and all statements of expenditures) in accordance with International Standards on Auditing, by auditors acceptable to the World Bank.

A financial manager and an accountant have been appointed.

An accounting firm has been hired and has developed the financial management system, including cost accounting. The accounting firm has prepared: specific charts of accounts; detailed financial statements; reporting formats and methods; set up internal control procedures; disbursement and flow of funds arrangements. The accounting firm has also provided initial training to the PMU financial-accounting staff in the use of the financial management system.

The PMU, will maintain their accounts in accordance with International Accounting Standards (IAS) and/or Bulgarian Accounting Standards (BAS). The PMU will be responsible for preparing Project Management Reports (PMRs) and Statements of Expenses (SOE) and submitting them to the Bank.

The PMU will prepare reports showing detailed budgeted and actual expenditures, uses of funds by source, summary of withdrawals and forecasts, statements of progress achieved and the objectives for the forthcoming quarter and semester.

Before World bank Board presentation, the PMU was subject to a review and certification process conducted by a World Bank Financial Management Specialist (FMS) confirming that its financial management system (i) satisfies the World Bank financial management requirements as stated in OP/BP 10.02 and (ii) can produce, with reasonable assurance, accurate and timely information on the status of the project as required by the World Bank for PMR-based disbursements under the Loan Administration Change Initiative (LACI).

The result of the above assessment was that the financial management system for this project meets the minimum Bank's financial management requirements and the Annex 4-B LACI Certification was issued. An agreement was reached with the Government on the remaining steps that are needed to strengthen the FM system as mentioned in the financial management action plan.

A detailed description of the financial management system for the project is presented in Annex 6.

The Project faces two major risks in the financial management area.

One risk is the PMU assuming the authority and responsibility for every aspect of the project, thereby exposing it to possible risks of collusion and corruption. To address this risk, all payment orders will be signed jointly by the PMU director and the MOLSP Deputy Minister and the beneficiaries' representatives will certify the works done, goods delivered and services rendered before the payments are made by the PMU. In addition, these representatives will also be invited in the offers' evaluation commissions and be involved in the development of the technical specifications. Moreover, the segregation of duties amongst PMU staff members is achieved to a large extent.

The second risk is that the project is exposed to delays in payments to suppliers (due to the signatures required) and inadequate counterpart funds in the government project account. the experience on existing projects indicate that this risk to a large extent is contained by adequate supervision by the Bank and has not been a problem so far.

**5. Environmental:** Environmental Category: F (Financial Intermediary Assessment)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

There are no significant environmental issues and Bulgaria's environmental laws and requirements

are compatible with the Bank's policies and those of the EU. Scattered civil works, both new construction and refurbishment, for the sub-projects under Components II, III and IV will be small. However, all necessary precautions will be taken to ensure that potentially toxic substances such as asbestos or lead from paint will be handled in a safe and environmentally sound manner, based upon positive experiences already gained in undertaking environmental reviews and monitoring environmental aspects of sub-projects. Furthermore, the construction plan will take steps to minimize waste, dust, and debris from construction and to safely dispose of construction wastes. Only licensed contractors will undertake such contracts. Two factors ensure that the activities implemented under the CWR project will not be environmentally damaging interventions:

- (i) Bulgaria has a strong policy for enforcing environmental regulations.
- (ii) The CWR project will finance only small scale construction and rehabilitation sub-projects, with minor environmental impacts.

### **National Environmental Legislation and Policies**

Bulgarian environmental laws and requirements are compatible with the Bank's policies and those of the EU. However, all necessary precautions will be taken to ensure that potentially toxic substances such as asbestos or lead from paint will be handled in a safe and environmentally sound manner. The construction plans will take steps to minimize waste, dust, and debris from construction and to safely dispose of construction wastes. Only licensed contractors will undertake such contracts.

The Bulgarian legislation relevant to environmental issues include the Environmental Protection Act and the Environmental Impact Assessment Regulations. The executive agencies responsible for their implementation are the Ministry of the Environment (MOE), the Regional Environmental Inspectorate and municipal administrations.

All construction works on the territory of the Republic of Bulgaria require the completion of an Environmental Impact Assessment Report (EIAR). The Environmental Impact Assessment Report is contracted by the investor and is prepared by independent experts. The procedure for licensing the experts, carrying out Environmental Impact Assessments was introduced through Government Ordinance 2 from of 1995.

### **Community Involvement in Assessing the Environmental Impact of Sub-Projects**

Community involvement in the assessment of the environmental impacts of sub-projects will be ensured via:

- (i) disclosure and dissemination of information about the envisaged project activities with potentially hazardous environmental impact. The PMU is responsible to provide the relevant information to communities prior to

consultations with the local stakeholders. The information should be provided in a timely manner and in a form that is meaningful for, and accessible to, the groups being consulted.

(ii) public consultation, soliciting people's views on proposed actions and engaging them in a dialogue. Interaction with people and eliciting feedback will allow the affected population to influence the decision-making process by raising issues which should be considered in developing the scope of sub-projects, project design, monitoring of environmental impact, risk mitigation and analysis of alternatives where applicable. The process of consultation on environmental issues should be documented.

### **Environmental Inspection for Sub-Projects at PMU Level**

Fully-fledged environmental assessments are not applicable in the case of sub-projects implemented under the CWR project. Projects entailing rehabilitation, maintenance and upgrading usually will have much more limited impacts, but may require attention to existing environmental problems at the site. Therefore, an environmental screening (inspection) may be more useful in fulfilling the environmental assessment needs for such projects.

The aim of environmental inspection at PMU level is twofold: (i) to ensure that sub-projects with negative environmental impact are not financed, and (ii) to ensure that approved sub-projects are implemented in an environmentally acceptable manner.

The environmental inspection will be initiated by the PMU. Normally, potential environmental impacts are identified early during the review of the proposal for a sub-project. For projects under implementation the environmental inspection will complement the check for compliance with national environmental legislation.

The process will include a detailed review of the technical proposal (specification) for small works with respect to defining the type and scale of the potential environmental impact and risk. The sample questionnaire for the review would address the following.

5.2 What are the main features of the EMP and are they adequate?

**n/a**

5.3 For Category A and B projects, timeline and status of EA:

Date of receipt of final draft: n/a

5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

**n/a**

5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

n/a

## 6. Social:

6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

The CWR generates the following social problems that will be taken into account during project implementation:

- The broad public does not understand the disadvantages of the childcare within an institutionalized environment. This may lead to a lack of understanding of the interests of the children and families living in risk, and to non-acceptance of the reform.
- Resistance from regional, local and central institutions, involved in childcare during the application of the new child centered approach.
- The personal and professional considerations of the individual staff in the existing specialized institutions for children. Re-location of the work force from childcare to provision of services for new groups in risk in the community.
- The social change should not contribute to additional trauma of children, who live in the institutions, due to the irresponsible closure of institutions and accommodation of children with unprepared host parents.
- The reform in the childcare system in the MSAS requires gradual implementation, so that those providing services for children and families are able to acquire knowledge, skills and understanding.

6.2 Participatory Approach: How are key stakeholders participating in the project?

### Project Preparation:

Participation of the various stakeholders was undertaken in the following manner:

- **Government Ministries:** The five involved ministries are overseeing the preparation process through regular meetings of an inter-ministerial child welfare coordination group, which has now been formalized as the PSC. There has been a series of workshops to build up a unified CWR approach.
- **Development partners:** There is a regular exchange of information with the key development partners, involved in CWR in Bulgaria. These development partners (EU, UK, SDC, UNDP) have also participated in preparatory workshops.
- **NGOs:** NGOs are key partners in this process at all stages. There is a continuous dialogue including participation in workshops and several NGOs (especially ECT and SCF).
- **Beneficiaries:** A social assessment, co-financed by the UNDP, has been completed. During implementation a number of public awareness campaigns will be undertaken which, inter alia, will help beneficiaries understand the CWR. Beneficiary communities will directly contribute to the design and implementation of the activities under Component III, with the support of the MSAS and municipalities. A series of beneficiary assessments and impact surveys will be

implemented under Component I.

**Project Implementation:**

Continued cooperation between the various participants in CWR will be a substantial element of the project during the implementation phase.

<b>Stakeholders Group</b>	<b>Preparation</b>	<b>Implementation</b>	<b>Operation</b>
Beneficiaries/community groups	IS/CN	CN	CN
MOLSP/SACP/Other Govt.	IS/CN/CL	IS/CN/CL	CL
Intermediary NGOs	IS/CN/CL	IS/CN/CL	IS/CL
Municipalities	IS/CN/CL	CL	CL
Other development partners	IS/CN/CL	CL	CL

Note: IS = information sharing; CN = consultation; CL = collaboration

**6.3 How does the project involve consultations or collaboration with NGOs or other civil society organizations?**

The project draws upon previous NGO experience accumulated both in Bulgaria and in other countries in the region. NGOs directly contributed to the development of models for Mother and Baby Units, Community Support Centers and Street Children Services and will be further actively involved in the project development through design, implementation, financing and M&E activities. Service provision for most of the new community-based services and alternatives will be contracted out by the MSAS with NGOs on a competitive basis, stimulating this way the local NGO environment and also the collaboration between NGOs and the municipal authorities.

**6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?**

Establishment of new structures - the SACP, CPD within the MSAS, regular M&E and discussion with stakeholders will all work towards ensuring that the project will achieve its social development outcomes. At the central level the NCCP will be responsible for providing feedback to the SACP from stakeholders and civil society. The project is providing TA and training at both the central and local levels. Beneficiary assessments will be conducted with all key stakeholders including children under Component I.

**6.5 How will the project monitor performance in terms of social development outcomes?**

The monitoring mechanisms are included in the project M&E sub-component covering the structures and activities both at the national (SACP, ministries) and at the local level (MSAS, CPD, municipalities, specialized institutions for children, NGOs, beneficiaries). The key performance indicators (see Annex 1) and impact of the project will be monitored through the MIS, regular beneficiary assessments and impact surveys.

## 7. Safeguard Policies:

7.1 Do any of the following safeguard policies apply to the project?

Policy	Applicability
Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Natural habitats (OP 4.04, BP 4.04, GP 4.04)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Forestry (OP 4.36, GP 4.36)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Pest Management (OP 4.09)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Cultural Property (OPN 11.03)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Indigenous Peoples (OD 4.20)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Involuntary Resettlement (OD 4.30)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Safety of Dams (OP 4.37, BP 4.37)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)	<input type="radio"/> Yes <input checked="" type="radio"/> No

7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.

Although technically OP 4.20 does not apply to this project, due to the very sensitive issues addressed, including the cultural distinctives of the Roma population, other ethnic minorities in Bulgaria, and the involvement of the NPD, the Bank and the Government have agreed on the following actions with the implementing agencies:

- the employment of an Ethnicity Specialist in the PMU;
- the full involvement of the Roma and other ethnic minorities in the design and implementation of the project components;
- seeking to maintain or re-integrate children within their own ethnic community wherever possible;
- special training given to foster care givers looking after Roma and other ethnic minority children, with the intention of drawing such foster care givers from within the child's own ethnic community wherever possible; and
- the inclusion of the NCEDI with observer status on the PSC.

## F. Sustainability and Risks

### 1. Sustainability:

The financial sustainability of the project is directly related to the establishment of appropriate schemes for funding of the various activities and services for children and families. Of great importance is the establishment of local level mechanisms, allowing funding of the local programs with municipal sources, mechanisms for redistribution and reallocation of the funds from one type of child care to another, as well as supporting “back-up” mechanisms in case of financial and economic crises at local level.

**2. Critical Risks** (reflecting the failure of critical assumptions found in the fourth column of Annex 1):

<b>Risk</b>	<b>Risk Rating</b>	<b>Risk Mitigation Measure</b>
<p><b>From Outputs to Objective</b></p> <p>Governments maintains commitment to child welfare reform.</p> <p>Adequate budgetary resources provided for child welfare activities.</p> <p>CPA is implemented.</p> <p>Close collaboration of the involved ministries, NGOs and community.</p> <p>Adequate and clear regulations are developed for the implementation of the child welfare reform.</p> <p>Favorable public attitude and supporting environment.</p> <p>Support and understanding of staff in the affected institutions.</p> <p>Street children do not respond to services offered.</p> <p>Ministries and municipalities fail to collaborate.</p> <p>Hostile reception by beneficiary population of services targeted to them.</p>	<p>M</p> <p>S</p> <p>M</p> <p>S</p> <p>M</p> <p>S</p> <p>S</p> <p>S</p> <p>S</p> <p>S</p> <p>S</p>	<p>NGO and development partner monitoring.</p> <p>Bank, NGO and development partner monitoring of budget allocations.</p> <p>Bank will monitor compliance and support implementation under the loan.</p> <p>NCPP will need to be strengthened to oversee the full involvement of all stakeholders.</p> <p>All development partners and NGOs need to support the SACP in this endeavor.</p> <p>Adequate public awareness campaign will be implemented under Component I.</p> <p>Staff need to be trained and take advantage of relocation programs under the National Employment Service.</p> <p>NGO workers will be in the front-line in contacting children.</p> <p>Project objectives will be clearly explained by the PMU and SACP.</p> <p>Good facilitators must contact the Roma and other ethnic groups, who must be involved in implementing their own projects.</p>
<p><b>From Components to Outputs</b></p> <p>All agencies implement the project efficiently.</p> <p>Adequate budget provided for alternative services.</p> <p>Disadvantaged communities (e.g. Roma) have ownership of project.</p> <p>Street children respond positively to services provided.</p>	<p>S</p> <p>S</p> <p>S</p> <p>M</p>	<p>PSC and PMU will ensure coordination and supervision for efficient project implementation. PMU will provide technical assistance to MSAS CPDs.</p> <p>Bank, NGO and development partner monitoring of budget allocations.</p> <p>Minority groups will be involved in sub-project preparation, design and implementation.</p> <p>Specially trained teams of social workers for outreach work with street children. Adequate and attractive educational and vocational training programs for street children.</p>



<b>Overall Risk Rating</b>	S
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Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N(Negligible or Low Risk)

### 3. Possible Controversial Aspects:

#### Social

- **Staff Redundancies and Labor Redeployment:** The implementation of community-based services aimed at preventing institutionalization of children and facilitating de-institutionalization will result in the reduction of the number of institutionalized children and the downsizing and closing down of some residential child care institutions. This would lead to very strong opposition to change from staff working in such institutions who may become redundant. In order to address this issue re-training and redeployment programs would be incorporated in the community-based services (Community Support Centers). NGOs and private service providers would be required to select, train and employ staff currently working in child care institutions for the provision of alternative services such as Mother and Baby Services, Foster Care, Small Group Homes or other social work activities included in the continuum of services provided through the Community Support Centers, wherever this is feasible. *The MOLSP will prepare a separation and retraining program, satisfactory to the Bank, for staff from institutions being closed down or restructured no later than 09/30/01 and implement it thereafter.*
- **Community Negativism:** Members of the local communities may have a negative initial reaction to the establishment of facilities such as street children services, day care centers for children with special needs, services for young offenders and small group homes for children in their neighborhoods. Public awareness campaigns, involving the local community in the development of such projects, involving them in voluntary activities and providing services to the local community through the new facilities will help prevent such negative reactions.
- **Ethnic Relations:** Ethnic minority groups are often suspicious when "outsiders" interfere in the life of their community. They might question the need for and might be reluctant about the development of new services, especially if such services would also address young offenders and would require interaction with the police. This issue will be addressed by involving the community members (beneficiaries) and especially the community leaders in the design, preparation and implementation of each intervention.

#### Governance

- **Institutional Complexity:** New structures such as SACP, NCCP and the CPDs will be set up to coordinate and implement the CWR activities. Lack of specialists and trained/experienced managers both at central and local level may impede the effective management and implementation of the project. Capacity building through TA and training both at central and local municipal level would be available from the early stages of project implementation. The PMU will be based on staff who already gathered experience in project implementation (Social Assistance Policy Development IDF Grant) and project coordination and implementation would be supervised from the very beginning by the PSC.

## **G. Main Loan Conditions**

### **1. Effectiveness Condition**

- Conclude contract with selected auditors, satisfactory to the Bank.

### **2. Other** [classify according to covenant types used in the Legal Agreements.]

#### **Dated Covenants (satisfactory to the Bank)**

- CPDs in pilot municipalities operational by **06/30/2001**.
- MISs functional for the MSAS, CPDs and the CWR Project by **09/30/2001**.
- Implementation agreement between MOLSP, SACP and participating municipalities by **09/30/01**.
- Separation and retraining program prepared by **09/30/01** for staff from institutions being closed down or restructured and implemented thereafter.
- First facilities under components II and IV operational by **09/30/02** and maintained thereafter.

#### **Ongoing**

- Annual Agreement on budgetary allocations for the project by **11/30** each year, and review of progress and project impact with the MOLSP and PSC.
- Prior Bank approval for any changes to the PIM.
- Bank approval of all sub-project feasibility studies.
- Submit PMR to the Bank from **06/30/01** and quarterly thereafter.
- Project report submitted to the Bank annually commencing **07/31/01** and discussed with the Bank by **09/30/01**, and thereafter annually on said dates.

#### **Disbursement**

- For MIS computers for the MSAS and CPDs, that the respective MIS (including application software) satisfactory to the Bank have been developed.

## H. Readiness for Implementation

- 1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
- 1. b) Not applicable.
- 2. The procurement documents for the first year's activities are complete and ready for the start of project implementation.
- 3. The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
- 4. The following items are lacking and are discussed under loan conditions (Section G):

## I. Compliance with Bank Policies

- 1. This project complies with all applicable Bank policies.
- 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.

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John A. Innes  
**Team Leader**

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Michal J. Rutkowski  
**Sector Manager**

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Andrew N. Vorkink  
**Country Manager**

**Annex 1: Project Design Summary**  
**BULGARIA: Child Welfare Reform Project**

<b>Hierarchy of Objectives</b>	<b>Key Performance Indicators</b>	<b>Monitoring &amp; Evaluation</b>	<b>Critical Assumptions</b>
<p><b>Sector-related CAS Goal:</b>            Support the Government in advancing substantial structural reforms to rationalize the role of the state and enhance EU accession, while protecting poor and vulnerable groups during the transition.</p>	<p><b>Sector Indicators:</b></p> <ol style="list-style-type: none"> <li>1. Meeting structural benchmarks agreed with the IMF.</li> <li>2. Poverty headcount rate.</li> </ol>	<p><b>Sector/ country reports:</b></p> <ol style="list-style-type: none"> <li>1. IMF reports.</li> <li>2. CEM.</li> <li>3. Poverty assessment update.</li> </ol>	<p><b>(from Goal to Bank Mission)</b></p> <ol style="list-style-type: none"> <li>1. Government maintains reform momentum and progress towards EU accession.</li> <li>2. Government creates and maintains appropriate incentives for investment in community-based child welfare reform.</li> </ol>
<p><b>Project Development Objective:</b>            To improve child welfare and protect children's rights in Bulgaria through promoting community-based child welfare approaches such as de-institutionalization, abandonment prevention and street children services, as cost-effective alternatives to institutionalized child care.</p>	<p><b>Outcome / Impact Indicators:</b></p> <ol style="list-style-type: none"> <li>1. Reduction of the total number of children in institutions by 20% in the pilot municipalities by 12/31/2003.</li> <li>2. Average cost per child in community-based alternative child care is maintained at not more than 80% of traditional state institution costs by 12/31/2003.</li> <li>3. Average duration of stay for children in residential care in pilot municipalities by 12/31/2003 is 20% shorter as compared to non-pilot municipalities.</li> <li>4. The number of children benefiting of community based services (including prevention, foster care and adoption) equals at least 30% of the number of institutionalized children in pilot municipalities by 12/31/2003.</li> </ol>	<p><b>Project reports:</b></p> <ol style="list-style-type: none"> <li>1. Beneficiary assessment.</li> <li>2. Household surveys.</li> <li>3. SACP reports and statistics.</li> <li>4. CPD reports and statistics.</li> <li>5. Project progress reports.</li> </ol>	<p><b>(from Objective to Goal)</b></p> <ol style="list-style-type: none"> <li>1. Government commitment to CWR maintained.</li> <li>2. Adequate budgetary resources provided for child welfare services.</li> </ol>

Hierarchy of Objectives	Key Performance Indicators	Monitoring & Evaluation	Critical Assumptions
<p><b>Output from each Component:</b></p> <p><b>1. Capacity Building</b> Development of coordinated national policy for childcare and services for children.</p> <p>The central and local institutional capacity for implementing community-based child welfare services is improved and full M&amp;E program is implemented.</p>	<p><b>Output Indicators:</b></p> <ol style="list-style-type: none"> <li>1. SACP established by 06/30/2001.</li> <li>2. NCCP starts functioning by 06/30/2001.</li> <li>3. CPDs start functioning by 06/30/2001.</li> <li>4. Training and technical assistance for capacity building at all levels starts by 05/31/2001.</li> <li>5. Unified standards for childcare (type and quality of childcare, staff qualification requirements, etc.) developed and adopted by 11/30/2001.</li> <li>6. Unified decision-making mechanism referring for particular child protection measures, implemented by 11/30/2001.</li> <li>7. MIS and M&amp;E system established by 11/30/2001.</li> <li>8. Regulations regarding the selection process for contracting the provision of services for children and families introduced by 11/30/2001.</li> <li>9. Annual technical and financial audit reports completed by 12/31/2001, 2002 and 2003.</li> </ol>	<p><b>Project reports:</b></p> <ol style="list-style-type: none"> <li>1. Expert assessment of the SACP (availability of an organizational diagram, internal regulations, system for permanent staff training, personnel, etc.).</li> <li>2. Reports and other documentation from SACP, NCCP and the ministries concerned with children issues.</li> <li>3. Reports of the MSAS regarding the unified requirements adopted and regularly updated information in the MIS.</li> <li>4. Bank supervision reports.</li> </ol>	<p><b>(from Outputs to Objective)</b></p> <ol style="list-style-type: none"> <li>1. Entrance in force of the CPA and the respective regulations.</li> <li>2. Clear definition of the local level decision-making responsibilities for the application of child protection measures and the social worker's statute in the CPD.</li> <li>3. Clear definition of financial mechanisms/flow of funds for child welfare services.</li> <li>4. Close cooperation between the ministries concerned with children issues.</li> <li>5. Central and local authorities accept to work in close partnership with NGOs and community leaders.</li> </ol>

**2. De-institutionalization**  
Community-based services completed and operational in pilot municipalities.

1. Selection of sub-projects for community-based services completed:  
14 by 03/31/2001; 6 by 06/31/2001; and 10 by 07/31/2002.
2. Feasibility studies prepared:  
14 by 05/31/2001; 6 by 08/31/2001; and 10 by 09/28/2002.
3. Civil works completed:  
14 by 02/28/2002, 6 by 05/20/2002, and 10 by 06/31/2003.
4. Services contracted by CPDs in pilot municipalities with NGOs: 14 contracts by 02/28/2002; and 6 by 05/31/2002.
5. Community Support Centers (10) developed and functioning in the pilot municipalities (7 by 03/31/2002; and 3 by 06/30/2002).
6. Mother and Baby Units (10) developed and functioning in the pilot municipalities (7 by 03/31/2002; and 3 by 06/30/2002).
7. Child care institutions restructured (10) by 07/31/2003.
8. Number of children entering residential institutions is reduced by 20% in the pilot municipalities by 12/31/2003.
9. Number of children leaving institutions increases by 20% by 12/31/2003 in the pilot municipalities.

1. Expert assessment of the CPD (organizational diagram, internal regulations, action plan, system for staff training, personnel, etc.).
2. Activity reports and documentation of the CPD.
3. Social workers reports on the child's adaptation in a family environment.
4. Activity reports and documentation of the NGOs providing services for children.
5. Minutes of Planning meetings of specialists, social workers and families.
6. Reports from inspections of the CPA, CPDs.
7. Regular MIS reports.
8. Expert evaluations on the project implementation in the pilot municipalities.
9. Data from the District courts on the child protection measures undertaken.
10. Project progress reports.
11. Bank supervision reports.

1. Cooperation by various Ministries.
2. Cooperation on the side of the local authorities.
3. Coordinated activities of the institutions involved in childcare /school, health authorities, etc./ with the CPDs.
4. Amendments to the legislation in compliance with the CPA.
5. Clear functional mechanisms for activities funding.
6. Agreement for cooperation between the state/municipal structures, NGO and the CPD.
7. Understanding *and* participation on the side of the local community.
8. Support and understanding on the side of the staff in the specialized institutions.
9. Regulated statutory basis on the adoption and services for children provision issues.
10. SACP is entitled to impose sanctions in case of non-observation of the standards and norms for childcare quality and the procedures for child protection measure definition.
11. Favorable economic environment at local level.

<p><b>3. Abandonment Prevention &amp; Protection of Children's Rights</b>  Promote child development in disadvantaged communities to prevent abandonment; improve police interaction with children; and reduce the social exclusion of the Roma.</p>	<p>10. Domestic adoption increases by 20% in the pilot municipalities by 12/31/2003.</p> <p>11. Training programs for staff working in residential institutions and social work training for alternative services operational by 05/31/2002.</p> <p>12. 50% of the staff working in state residential care institutions in the pilot municipalities re-trained and 20% re-deployed to provision of alternative services by 07/31/2003.</p> <p>1. Selection of 10 JSDF sub-projects completed by 06/30/2001.</p> <p>2. 10 JSDF feasibility studies prepared by 09/30/2001.</p> <p>3. Civil works contracted by 12/31/2001 and completed by 11/30/2002.</p> <p>4. Social services and support for families-in- risk provided to 30% of the people in the high risk communities in the pilot municipalities by 12/31/2003.</p> <p>5. 10% of the staff, working in the Community Support Centers in the high risk communities of the pilot municipalities are people from the ethnic communities by 12/31/2003.</p> <p>6. Schools included in community police program (200 by 12/31/2003).</p>	<p>1. Reports by the CPD, SACP, and NPD.</p> <p>2. NGO documentation for the projects.</p> <p>3. Reports from the MIS.</p> <p>4. Expert evaluations of the projects.</p> <p>5. Beneficiary assessments.</p> <p>6. Project progress reports.</p> <p>7. Bank supervision reports.</p> <p>8. Development partner project reports.</p>	<p>1. Cooperation and support from MOH, MES, MOLSP, MOI and MOJ.</p> <p>2. Cooperation and support from municipalities.</p> <p>3. Programs for pre-school training approved by the MES.</p> <p>4. Support for the projects by ethnic communities.</p> <p>5. Police at local level prepared to work with the community and adopt a more child friendly attitude.</p>
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<p><b>4. Street Children Services</b> Provision of services for the street children and families at risk; introduction of mechanisms ensuring access for street children to training and healthcare, for their full social integration.</p>	<p>7. Police staff trained in children's issues (270 by 12/31/2003).</p> <p>8. Child crime rate drops by 20% in pilot municipalities by 12/31/2003.</p> <p>9. Child Pedagogic Units upgraded (230 by 12/31/2003).</p> <p>10. Juvenile 24-hour Holding Facilities upgraded (200 by 12/31/2003).</p> <p>11. Juvenile Temporary Placement Homes upgraded (5 by 12/31/2003).</p> <p>1. 20% of the registered street children returned to the families or placed in alternative forms of childcare in the pilot municipalities by 12/31/2003.</p> <p>2. Street children centers (6) operational in the pilot municipalities by 12/31/2003.</p> <p>3. 30% of the registered street children involved in alternative educational or vocational training programs in the pilot municipalities by 12/31/2003.</p> <p>4. Trained and operating social workers (65) for working with street children by 12/31/2002.</p> <p>5. 80% of the total number of street children in the pilot municipalities provided with health care services by 12/31/2003.</p>	<p>1. Activity reports of the CPD at the MSAS.</p> <p>2. Reports on the activities of the street children shelters.</p> <p>3. Expert evaluations of the shelters and CPD by SACP and independent organizations.</p> <p>4. Data from the NPD; data for the children placed in institutions and from NGO.</p> <p>5. Beneficiary assessments.</p> <p>6. Regular MIS reports.</p> <p>7. Project progress reports.</p> <p>8. Bank supervision reports.</p>	<p>1. Amendments in the legislation ensuring access to alternative forms of education and training, health care, and protection for street children.</p> <p>2. Positive public attitude and community support.</p> <p>3. Acceptance of the services by the street children.</p>
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Hierarchy of Objectives	Key Performance Indicators	Monitoring & Evaluation	Critical Assumptions
<b>Project Components / Sub-components:</b> 1. Capacity Building  2. De-institutionalization  3. Abandonment Prevention & Protection of Children's Rights  4. Street Children Services	<b>Inputs: (budget for each component)</b> Euro 9.10 million  Euro 7.71 million  Euro 3.73 million  Euro 0.96 million	<b>Project reports:</b> Project Progress Reports  Project Progress Reports  Project Progress Reports  Project Progress Reports	<b>(from Components to Outputs)</b> All agencies implement the project efficiently.  Adequate budget provided for alternative services.  Disadvantaged communities (e.g. Roma) have ownership of project.  Street children respond positively to services provided.

## **Annex 2: Detailed Project Description**

### **BULGARIA: Child Welfare Reform Project**

The project will support the Bulgarian Government in reforming the child protection system, through developing services at the municipal level, reducing the flow of children into institutions, improving the quality of care for institutionalized children, developing alternative care systems and providing support to institutionalized children and young people to prepare them for independent living so that they can be fully integrated into society and take their place in the community as productive citizens. It will also focus on street children and Roma who are population groups particularly at-risk of poverty and social deprivation. The project will build upon existing small-scale initiatives of other development partners and NGOs.

#### **By Component:**

##### **Project Component 1 - US\$8.27 million** **Capacity Building (Euro 9.10 million)**

This project component will provide for technical assistance (TA) and training for capacity building, management and standard setting for the SACP and for the provision of social services at the local CPD level. The component will support M&E of all project activities, development and implementation of a MIS (including Financial Management Information) and of public awareness campaign to support effective and efficient reform implementation. Total recurrent costs of this component over the project life are **Euro 2.90 million**, financed by the Government.

**a. Policy Development (Euro 2.61 million).** TA and training will be provided for the institutional building and development of the SACP and the CPD for the implementation of a coordinated and coherent national policy for child protection. Setting up partnerships with NGOs and other service providers will be encouraged both through building upon previous NGO experience and contracting out services by both central and municipal structures. Most of this component will be funded by the EU, including a twinning relationship to provide support to the SACP from a similar Western European institution. The UK DFID will also provide policy advice to support the establishment of the SACP.

Of the Euro 3.50 million available from the EU, Euro 1.80 million is for a twinning arrangement between Bulgaria and Austria. This provides TA and training for: (i) establishing and building the operating capacity of the SACP; (ii) developing national minimum standards for child welfare services; (iii) establishing the National Training Center for Social Work (as a focal point for practical social work training and to ensure that future training is developed in line with European standards); and (iv) strengthening the implementation capacity in ten pilot municipal CPDs. The following municipalities have been selected for the EU-PHARE pilot interventions (Region in parentheses): Dimitrovgrad (Haskovo); Vetovo, Tve Mogili (Russe); Berkovitsa, Lom, Boichinovtsi (Montana); and Pomorie, Nessebur, Karnobat and Sredetz (Burgas).

UK-DFID will also contribute to this project sub-component by providing for special training programs for judges on dealing with juvenile offenders, TA for the development of secondary legislation for the SACP and a child welfare policy adviser.

**Inputs:** TA (including twinning), equipment, training.

**Finance:** EU Euro 2.20 million; UK Euro 0.30 million; Government Euro 0.09 million.

**Outcome:** SACP and NCPP established, sound legislative framework, judges trained.

**Responsible Unit:** SACP, MOJ.

**b. M&E (Euro 2.79 million).** Monitoring and evaluation of all project activities would be supported under this component. Impact indicators and other performance measures have been developed and are outlined in the PIM and Annex 1. This component would support the development and implementation of three inter-related MIS systems for the: (i) **Municipal Social Assistance Services (MSAS)** based upon the MIS developed under the IDF grant on Social Assistance Policy, to cover the Sofia headquarters, the 28 regions and 270 municipalities in order to reduce fraud and establish the foundation for the improved targeting of social assistance, which is an important element in preventing low-income families from abandoning children; (ii) **CPDs**, a child monitoring and tracking system at the national, regional and municipal level to monitor the flow of children into and out of institutions and to improve case management; and (iii) **CWR project**, a project-specific MIS to be used as the major tool for monitoring impacts and performance. Computers, office furniture and staff training will be provided to the MSAS and CPD to operate the MIS.

A project-specific MIS which will be the major tool for monitoring impacts and performance. Impact indicators and other performance measures will be developed and outlined in the PIM. The MIS for the MSAS, recently designed and developed under the IDF Grant, will be extended through the procurement of the computer equipment needed to enhance the communication capacity at all levels. A tracking system for children, clients of the child welfare/protection system will be designed and linked to the existing MSAS MIS.

M&E feed-back mechanisms will be designed and implemented under this project sub-component. More specifically, a specialized survey agency will be contracted by the PMU to carry out two Project Impact Surveys (one at mid-term and the other one on project completion) using both qualitative and quantitative measures, and at six monthly intervals a series of beneficiary assessments targeted to the pilot municipalities. Other elements of the M&E program will include annual technical audits, financial audits, beneficiary assessments and Bank supervision of both the CWR loan and the JSDF Grant.

**Inputs:** Computer hardware & software, TA, furniture, training.

**Finance:** IBRD Euro 2.37 million; JSDF Euro 0.20 million; Government Euro 0.41 million.

**Outcome:** Computerized MIS established for MSAS, CPDs and project; fraud reduction and improved targeting of social assistance, improved tracking and management of children and their needs, M&E studies.

**Responsible Unit:** MOLSP - MSAS, CPDs.

**c. Public Awareness & Training (Euro 0.36 million).** Effective public awareness campaigns will be implemented with Bank finance with the following objectives, to: (i) make families aware of alternative services to institutionalization; (ii) change public attitudes towards institutionalized children and to accept the re-integration of institutionalized children into society, including domestic adoption and foster care; and (iii) change the attitudes of professionals working in the child welfare/protection sector, providing informational support to staff working in institutions which will be closed down about the closure process, about their statutory rights, alternative employment particularly that within the child care services being established, including as potential foster carers.

The PMU will contract on a competitive basis a specialized agency for the design and implementation of a Public Awareness Campaign, based on the results provided by the Public Awareness Survey (funded under the PHRD). Bank loan funds of Euro 0.23 million would contribute to the design and the implementation process. Additional funds would be sought by the PMU, SACP, and CPDs from various sponsors to support further implementation.

The Bank loan funds of up to Euro 0.13 million, targeted mainly at training for social work supervision and the management of social services for the CPDs in the following selected pilot municipalities (see **Annex 15** for detailed selection process and criteria): **Plovdiv, Varna, Shumen, Russe, Stara Zagora, Sliven and Sofia**. Three more municipalities, selected on the same criteria after the first ten months of project implementation, will also benefit from training financed under the Bank loan contribution. Training delivery would be contracted, according to needs, by the PMU on a competitive basis with qualified training agencies (including universities), capable of providing training having the appropriate accreditation. Specific linked-to-the-project training requirements of MOLSP, MOH, MES, MOI, MOJ agreed by the SACP at the NCCP would also be implemented under this project component, in a similar manner.

**Inputs:** TA, training.

**Finance:** IBRD Euro 0.36 million.

**Outcome:** Changed public attitudes and behavior; improved social service delivery.

**Responsible Unit:** MOLSP - CPDs; SACP.

**d. Project Management (Euro 0.21 million).** The PMU, financed under the loan, will be responsible for project implementation and management in the areas of: (i) procurement; (ii) financial management; (iii) project M&E; (iv) communications and public awareness; (v) management training to the MSAS responsible for carrying out different project-related activities; and (vi) development partner coordination.

DFID and JSDF Grant funds would contribute to employing the following 8 PMU consultants over the life of the project: (i) Project Manager; (ii) Procurement Specialist; (iii) Financial Manager and Accountant; (iv) two Child Welfare Specialists; (vii) an Ethnic Relations Specialist; and (viii) Translator/Administrative Assistant. All the PMU consultants have already been appointed under TOR satisfactory to the Bank.

**Inputs:** Local TA .

**Finance:** JSDF Euro 0.09 million; UK Euro 0.12 million.

**Outcome:** Effective project management.

**Responsible Unit:** MOLSP - PMU.

**Project Component 2 - US\$7.01 million**

**De-institutionalization (Euro 7.71 million)**

This component will support the Bulgarian Government in improving the welfare of children through identifying, financing, monitoring and evaluating sub-projects targeted at the prevention of abandonment and institutionalization of children, leading to the de-institutionalization of children in residential care and an improved quality of residential care through the establishment of alternative community-based services such as:

- **Community Support Centers** - Such centers would integrate a **Day Care Center** (both for children with or without special needs) with a continuum of satellite services for children, parents and professionals such as (but not limited to);
  1. **Family counseling and support** -- providing advice and support to families at risk in order to keep them together and this way to prevent abandonment and institutionalization of children;
  2. **Parental education** -- teaching young parents how to cope with their children, helping them to become reliable and good parents, encouraging parent/child bonding as a prevention to child abandonment and institutionalization;
  3. **Foster care services** -- to recruit, assess and train future foster parents; to place children in foster care and supervise and monitor the foster placements;
  4. **Training and development** --to provide training to staff attached both directly and indirectly to the service with particular reference to staff working in local institutions and NGOs;
  5. **Counseling services for young offenders** --to provide an improved environment for the police "pedagogical rooms" in order to give advice and support to children who have committed offenses and prevent reclusion;
  6. **Community development** -- to undertake community development activities, such as business development and volunteer activities;
- **Mother and baby units** -- providing temporary shelter for young single mothers and their babies in order to promote attachment and support the young mothers by providing counseling (including legal advice) and parental education; and
- **Small group homes** -- as community-integrated alternative residential care facilities providing short/medium term care for children when other solutions are not available, until a family solution is found.
- **Restructuring and rehabilitation of existing institutions.**

Six pilot municipalities have been selected based on rigorous criteria (see Annex 15). Three more pilot municipalities may be selected, based on similar criteria, for implementation of community-based services, after the first ten months of project implementation, if funds permit.

The Bank loan financed interventions would focus on the development of Mother and Baby Units and Community Support Centers in each pilot municipality. Models for such services have been developed with NGO support, based on previous NGO experience and involving large consultation of both professionals and potential beneficiaries. This project component would provide for the development of at least one of each such interventions in every pilot municipality. The municipalities would contribute to this project component by providing buildings and/or terrain for construction, according to the situation in each municipality.

Bank loan funds of up to Euro 3.74 million would provide for financing civil works for building small facilities, redesign and refurbishment of existing facilities up to the amount of Euro 0.17 million for each Mother and Baby Unit and Euro 0.26 million for each Community Support Center. Funds up to the total amount of Euro 1.00 million would provide for the procurement goods (furniture, equipment, supplies), up to the amount of Euro 0.03 million for each Mother and Baby Unit and Euro 0.07 million for each Community Support Center respectively. Funds up to the total amount of Euro 0.20 million would provide for financing feasibility studies for both Mother and Baby Units and Community Support Centers.

Existing institutions for children aged 0-3 years in the pilot municipalities would be targeted for developing pilot Mother and Baby Units. This approach would directly contribute to diverting parts of such institutions to provision of alternative services and to reducing the number of places for children in the traditional state institutions for children 0-3 years old. The list of institutions to be targeted for provision of Mother and Baby Units would be provided by the MOH. Feasibility studies for each sub-project intervention would be prepared in advance with PMU support.

Service provision for both Mother and Baby Units and Community Support Centers would be contracted by the CPDs, with PMU technical support, from NGOs and private service providers on a competitive basis. TORs would be prepared based on the existing models and also by taking into consideration each particular situation. TOR models are included in the PIM and specify targets for each beneficiary group and minimum standard requirements for service provision. ***NGOs and private service providers would be required to select, train and employ staff currently working in state residential care institutions wherever possible and appropriate (condition in NGO service contract).*** This approach would: (i) stimulate the local NGO environment; (ii) encourage the development of partnerships and collaboration between municipal authorities and NGOs; (iii) re-deploy staff through selection and re-training from institutionalized care to provision of alternative services (Mother and Baby Units, social work, fostering); (iv) contribute to the reduction of the numbers of staff and children in institutions - an important incentive for downsizing, restructuring or even closing down institutions; and (v) contribute to the provision of quality and cost-effective community-based services.

The Government would finance Euro 0.3 million under this project component for service provision contracting related to the operational costs of the first year of functioning of such

community-based services in the amount of up to Euro 0.027 million for each Mother and Baby Unit and Euro 0.083 million for each Community Support Center respectively.

Service provision would be supervised and monitored by the CPDs. CPDs would also play a key gate-keeping role by diverting child care/protection decisions from institutionalization to provision of alternative services. This approach should have a direct effect on new admissions to residential care of very young children, especially those aged 0-7 years. The combined effect of gate-keeping/prevention, alternative and de-institutionalization services should be already visible in the pilot municipalities after the first year of project implementation. This would enable the identification of further interventions in the same pilot areas which would transform already downsized institutions into accommodation for the provision of services such as those previously mentioned, or for alternatives such as Small Group Homes for children or Social Homes for teenagers leaving state institutions and preparing for independent living.

Decisions would be taken by the PSC on each sub-project intervention on a case-by-case analysis. Once approved, new sub-project interventions would be implemented by the PMU and CPDs. Bank loan funds up to the total amount of Euro 2.2 million for civil works (up to Euro 0.2 million for each intervention) and Euro 0.6 million for goods (up to Euro 0.06 million per facility) would be provided for this purpose under this project component. Funds up to the total amount of Euro 0.1 million will provide for the preparation of feasibility studies for restructuring institutions. Ten such interventions would be initially considered for implementation. More such sub-projects could be further considered for implementation, based on the availability of funds.

Similar interventions to support local reform management, development of alternatives and community-based services are also included under the EU-PHARE project (Euro 0.35 million for TA and Euro 0.5 for equipment), under the UK-DFID/SCF project in Shumen and Russe (GBP 0.43 million) and under the ECT projects in Plovdiv and Haskovo. Total recurrent costs of this component over the project life are **Euro 0.3 million**, financed by the Government.

**Inputs:** Works, equipment & furniture; TA.

**Finance:** IBRD Euro 4.66 million; EU Euro 1.16 million; UK Euro 0.13 million; Government Euro 1.09 million.

**Outcome:** Alternative community-based services developed; large institutions transformed.

**Responsible Unit:** SACP; CPDs and municipalities.

### **Project Component 3 - US\$ 3.39 million**

#### **Abandonment Prevention & Protection of Children's Rights (Euro 3.73 million)**

This component focuses on the implementation of two key types of interventions aimed at the prevention of abandonment of children amongst high-risk and disadvantaged communities, most notably the Roma, specifically community-based interventions focused on: (i) on early child development and pre-school education and (ii) improving the interaction of the police with children in general and high-risk communities in particular to work towards the prevention of abandonment, institutionalization and the resolution of social problems involving children. The component thus requires the maximum involvement of the community representatives in the

design and implementation of the activities – and will be supported directly under the proposed Japan Social Development Fund (JSDF) Grant. Total recurrent costs of this component over the project life are **Euro 0.2 million**, financed by the Government.

**A. Child Development in Disadvantaged Communities (Euro 1.16 million):** Utilizing the JSDF, Euro 1 million may be accessed competitively by disadvantaged communities for grants up to Euro 82,500 per community. The fund would be used to establish and or expand pre-school and kindergarten programs for children from the poorest communities in Bulgaria (the Roma) to prepare them for school, enhance their Bulgarian language skills, provide basic health care, a nutritional meal and defray the costs of primary school (simple food, school uniform etc.) for the poorest parents. Limited civil works would be included as necessary to adapt or refurbish kindergarten facilities and would be included within the sub-project costs. Thus the grants for sub-projects would include civil works, equipment, consumables, and facilitators fees.

Sub-project selection would proceed in the following manner: (i) **Information/Facilitation Phase** – Facilitators, recruited wherever possible from amongst the Roma, would inform Roma communities of more than 500 inhabitants about the options, selection procedures and responsibilities. (ii) **Preparation Phase** – With the support of the facilitators, Roma communities would prepare proposals for pre-school and kindergarten services. (iii) **Selection Phase** – The Steering Committee would make the final selection of sub-projects based upon the agreed selection criteria. (iv) **Implementation Phase** – The Roma communities, with the endorsement of the municipalities and the support of the facilitators would implement the selected sub-projects. (v) **M&E Phase** - The facilitators would monitor progress. Evaluation would be undertaken through hiring independent local consultants to undertake simple baseline and follow-up surveys and beneficiary assessments in each of the 18 or so project sites. This component would start in the 7 pilot municipalities, but could be extended as financing and satisfactory M&E results permit.

**Inputs:** Works, supplies, equipment, local TA.

**Finance:** JSDF Euro 1 million; Government Euro 0.17 million.

**Outcome:** Kindergartens and child-based services developed in poor ethnic communities.

**Responsible Unit:** PMU - municipalities, communities.

**B. Child Protection (Euro 1.28 million):** Training will provided to police officers working with children, focusing initially on the 270 inspectors currently dedicated to children and youth issues, and extending over time to improve the interaction of all police with children and youth. Minor refurbishments and training equipment will be provided to a National Training Center to be established in Sofia. The Bank loan will also finance the development of teaching materials and core curriculum drawing upon materials provided by UK DFID, and best practices from Western and Eastern Europe.

The UK DFID has been financing a community police project commencing in Plovdiv and currently being extended to Sliven, with a key focus of outreach to the schools on crime prevention, life skills and promoting understanding of the police and their role. Evaluations in Plovdiv have demonstrated reduced rates of juvenile crime and an improved interaction between police and the community, especially youth. The Bank loan will support this extension to other



areas of the country, with special emphasis on the remaining pilot municipalities, whilst the UK DFID will continue funding TA and technical support. One vehicle, to be dedicated to the project, as well as outreach materials and allowances will be financed under the loan. Child pedagogic units will undergo simple refurbishment, with the upgrading of furniture and a computer provided on a selected basis to manage case loads. ***Municipalities will provide a guarantee that such rooms will remain in use as child pedagogic units for 5 years following refurbishment (Condition of Contract).*** Wherever Community Support Centers are created under Component II, child pedagogic units will be integrated into these new facilities.

To handle children in distress, including juvenile offenders, lost children, and victims of violence and/or crime, the simply appalling conditions in the 5 Juvenile Temporary Placement Homes and the 24 hour detention rooms in district police stations will be refurbished and brought up to the Bulgarian and EU norms for child safety, comfort and security, in order to protect children's rights.

***Inputs:*** Works, equipment, vehicles, supplies, training.

***Finance:*** IBRD Euro 0.74 million; UK Euro 0.28 million; Government Euro 0.26 million.

***Outcome:*** Children protected, improved facilities, better handling by the police, reduced juvenile crime.

***Responsible Unit:*** NPD.

**C. Reduction of Social Exclusion (Euro 1.11 million):** Supported by the UK DFID, a social exclusion policy adviser will help in the development of local plans and sub-projects to reduce the exclusion of Roma starting in **Sliven, Nova Zagora** and **Yambol**. Activities include training Roma community facilitators in social work, children's issues and economic development and employment. Social and employment generation sub-projects will be undertaken by the Roma communities themselves. Strong linkages will be made with the MSAS, CPDs and the municipalities. Building upon the earlier UK DFID pilots, Bank loan funds will support this component through the expansion of training of police to deal with the Roma, especially Roma recruits. The recurrent costs of police salaries and service bonuses will be covered by the NPD.

***Inputs:*** TA , equipment, supplies, works, training.

***Finance:*** UK Euro 0.98 million; Government Euro 0.13 million.

***Outcome:*** Community development amongst disadvantaged groups.

***Responsible Unit:*** Municipalities.

#### **Project Component 4 - US\$0.87 million**

##### **Street Children Services (Euro 0.96 million)**

This project component will support the SACP and the selected municipalities, working in partnership with local organizations, to identify, finance, implement and monitor a number of sub-projects, targeting service provision for street children, in order to reduce their number through family and social reintegration, and to provide secure shelter and access to basic services such as health and education. Total recurrent costs of this component over the project life are **Euro 0.35 million**, financed by the Government.

The term “street children”: covers children aging from 0 to 18 years who have not been looked after by an adult and whose temporary or permanent home is the street. Depending to which extent the children maintain relations to their families and how long they live in the street, several categories of street children exist:

- Children who **live and work** in the street. These are the children who have broken down their relations with the family environment and live and earn their living in the street;
- Children who **work** in the street. These children spend a lot of time in the street, earn some money but at the evenings they go back home to their families, many are school drop-outs or Roma children sent out by their families to earn money through petty trade, begging or crime; and
- **Newcomers** who have escaped from their homes or from the specialized institutions for children where they have been placed.

There are no reliable data available on the number of the street children in Bulgaria. The police collect data on the street children who have committed offenses. In 1999 their number was 669. According to the data from the NGOs, about 300 children per month pass through the different centers (a total of 13 in the country) for working with street children. The actual number is far above the number of the registered with the police and benefiting from the services of the few existing centers. Taking into account that 1,069 children were registered with the police for begging in 1999, it may be suggested that the actual number of children living temporarily or permanently in the street is more than 3,000. During the winter, their number decreases; during the summer, their number increases. The largest number of the street children live in Sofia, followed by Varna and Bourgas.

This component will provide the following through the creation of about 6 Street Children shelters providing services and acting as the base for:

- Provision of local level services for street children and their families;
- Development of local strategies for overcoming the problems of the street children;
- Training of teams for outreach work with street children; and
- Exchange of experience with organizations that work on the same problem in Bulgaria.

The project envisages 3 organizational forms of services for the street children: (i) outreach, (ii) day centers and (iii) round-the-clock shelters. They may offer the following services:

- Shelter, food, clothing;
- Medical assistance;
- Psychological support;
- Legal advice and assistance;
- General education and vocational training programs;
- Family counseling together with the parents; and
- Counseling and support in contacts with institutions.

This component requires the active cooperation of municipalities, NGOs and the police to be effective. *A cooperation agreement between these parties and action-plan outlining this collaboration, and the respective roles and responsibilities will be required before the Bank gives approval to any sub-project.*

***Inputs:*** Works, furniture & equipment, TA, training.

***Finance:*** IBRD Euro 0.53 million; Government Euro 0.08 million.

***Outcome:*** Street children shelters developed; street children services strengthened.

***Responsible Unit:*** SACP, CPDs, municipalities, NPD.

**Annex 3: Estimated Project Costs**  
**BULGARIA: Child Welfare Reform Project**

Project Cost By Component	Local US \$million	Foreign US \$million	Total US \$million
I. Capacity Building	3.76	4.51	8.27
II. De-institutionalization	5.58	1.43	7.00
III. Abandonment Prevention and Protection of Children's Rights	2.31	1.08	3.39
IV. Street Children Services	0.75	0.11	0.86
<b>Total Baseline Cost</b>	12.41	7.13	19.53
<b>Physical Contingencies</b>	0.00	0.00	0.00
<b>Price Contingencies</b>	0.00	0.00	0.00
<b>Total Project Costs</b>	12.41	7.13	19.53
Front-end fee		0.08	0.08
<b>Total Financing Required</b>	12.41	7.21	19.62

Project Cost By Category	Local US \$million	Foreign US \$million	Total US \$million
<b>Civil Works</b>	5.33	0.62	5.95
<b>Goods</b>	2.10	3.07	5.17
<b>Technical Assistance</b>	1.40	3.16	4.56
<b>Training</b>	0.39	0.04	0.43
<b>Operating Costs</b>	3.18	0.25	3.43
<b>Total Project Costs</b>	12.41	7.13	19.54
Front-end fee		0.08	0.08
<b>Total Financing Required</b>	12.41	7.22	19.62

<sup>1</sup> Identifiable taxes and duties are 2.43 (US\$m) and the total project cost, net of taxes, is 17.19 (US\$m). Therefore, the project cost sharing ratio is 46.53% of total project cost net of taxes.

**Annex 4**  
**BULGARIA: Child Welfare Reform Project**  
**Economic Analysis Summary**

**Summary of benefits and costs:**

Through the implementation of the project, the following types of economic benefits will be obtained:

- **Component I (Capacity Building)** - a sound MIS for both child welfare and social assistance, thereby improving the management, policy and effectiveness in both systems;
- **Component II (De-institutionalization)** - the substitution of expensive residential care by lower cost alternative community based care; improved social integration and higher economic productivity of children who would otherwise be handicapped and fail to develop employable skills as a result of institutionalization;
- **Component III (Abandonment Prevention & Protection of Children's Rights)** - prevention of high-cost residential care; promotion of human capital in disadvantaged groups; prevention and reduction of crime; and
- **Component IV (Street Children Services)** - improved human capital and reduction of crime.

**Component I (Capacity Building):** In social assistance, a sound MIS combined with the necessary staff training included under the project will reduce fraud and improve targeting of benefits. Under full implementation, fraud reduction could amount to as much as 5-10 percent of the current expenditures of BGN 220 million under the Basic Minimum Income system; and perhaps improve targeting by a similar amount.

**Component II (De-institutionalization):** The development of services alternative to institutionalization will in the long run result in considerable savings for the state budget. In 1999 the average monthly cost per child placed in an institution was as follows: BGN 111 in the institutions under the MES; BGN 232 under the MOLSP; BGN 288 under the MOH; and 598 BGN under the MOJ and cover food, clothes, medicines, training aids, staff wages and remuneration, health insurance contributions, etc. In 1999, the average monthly cost per child in the system for institutional child-care therefore is BGN 153, against an average monthly income of BGN 33 per household member in socially disadvantaged families for the same year. The estimated range of costs for alternative family or community-based care would be as follows (all including Child Benefit which currently is only BGN 11 per month); (i) adoption BGN 11 per child/month plus administrative/supervision costs (circa BGN 5); (ii) foster care, a function of the allowance paid (which might range from BGN 40-80 per child/month); (iii) family re-integration, BGN 11 per child/month plus administrative/supervision costs (circa BGN 5) plus the costs of specialized services which could range from BGN 0-100 per child/month); and (iv) small group homes, which might cost BGN 120 per child/month. If through prevention of institutionalization and reduced outflows to community-based alternatives, the number of institutionalized children could be reduced by 20 percent (or 7,000) over three years the net recurrent savings would be about BGN 8.4 million a year.

The decrease of the number of the children in the institutions will lead to staff dismissal and to re-deployment of the work force. The increase of the unemployment rate as a result of the closure of institutions, especially in the smaller municipalities will have a negative social and economic effect. In 1999 the estimated staff/child ratio is 1.7 in the institutions of the MOLSP, 1.2 in the MOH institutions and 2.8 for the MES institutions. The development of the alternative forms of care and services for children will create new jobs and will enable the people, who were employed within the child care system, to obtain additional qualifications and career opportunities.

Through improving the conditions in the homes for children and bringing them closer to the family homes, the reform will achieve better quality of the care and more valuable growth and development of the children. Young adults who leave the system, will have better opportunities for career development, which in turn will contribute to the economic development of the municipalities.

**Component III (Abandonment Prevention & Protection of Children's Rights):** For each child who avoids going into institutions through prevention activities, the budgetary savings could be as high as BGN 1,800 per annum in 1999 prices - or up to BGN 32,400 up to the age of 18 (in 1999 prices). Moreover, if as a result of the prevention of institutionalization, a child will have a 25 percent higher earning capacity (and thus lower propensity to draw upon social assistance,) significant additional budgetary and economic gains would accrue over the lifetime of the person concerned.

Longitudinal studies undertaken in Mississippi of early childhood interventions demonstrated that the most powerful effect was not so much on the educational results of children, nor even on the life-time earnings of adults, but rather in the improved social integration and the avoidance of social problems including imprisonment. Crime, and imprisonment in particular, are very costly for society involving not only high costs of direct damages, prosecution, incarceration but also the opportunity cost of the imprisoned not contributing to society. Although difficult to estimate accurately, crime prevention, and its powerful counterpart social inclusion, are likely to have extremely high social and economic rates of return.

**Component IV (Street Children Services):** Many street children resort to substance abuse, prostitution and other very damaging behaviors, leading to dramatically reduced life-expectancy and at the very least a very uncertain economic future with minimal earning capacity. The key-issue is to seek to reintegrate these children in mainstream society, address their health problems and provide them with some income-earning potential through the completion of basic education and vocational skills.

### **Financial Flows, Incentives and Personnel Issues.**

The closure of institutions should be carried out in a way which ensures that:

- the costs do not increase unreasonably because large institutions remain open with a small number of children in them;

- the quality of care of the children remaining in the institutions should continue to meet the necessary standards; and
- measures are taken to help with the redeployment of displaced staff when institutions are downsized or closed down.

### **Financial Incentives**

At the level of the institutions it is impossible to provide any real incentive (financial or otherwise) which will encourage a reluctant director and staff to reduce the size of their institution or close it down with the only exception might be huge payoffs for most or all of the staff. At the level of the Ministries there is the difficulty that each of them will lose money from their overall budgets. They have no financial incentive to reduce the size of their institutions.

It is at the level of the Council of Ministers and the MOF that there is a financial incentive to change the system as there should be an overall saving to the state budget if more children can stay at home with their birth families or be placed in foster care adoption. The savings for the latter depend on how much is paid to a foster family to take care of a child but normally these costs would be less than keeping a child in a large institution. This saving will not show immediately as the costs of the institutions will remain at much the same level until they are closed, whilst there will be extra costs to support the new services and also the costs of the foster families as these services are built up.

### **Labor Redeployment Measures**

It is very important for the staff in every institution to understand the reasons for the CWR and to be involved in what is likely to happen to their institution and their jobs as soon as possible. Senior officials should visit each of the institutions and, together with the Director, explain to all the staff what the plan is and how it affects their institution and them. The staff should be encouraged to ask questions and there should be an inquiry point where they can telephone for advice or information in the future as the reform gets underway. In each institutions one or two persons should be nominated as contact points for information and support for staff.

At the level of each institution, contact should be made as early as possible with the unions representing the staff. Contacts also need to be established as early as possible with the local Labor Office, the municipality and with all the employers in the area to explain to them what is happening. Their cooperation should be enlisted in helping to find suitable work for those staff who will be displaced.

Written information should be readily available about all the statutory rights that the workers might be entitled to, under what conditions and how and where it is to be claimed - redundancy packages, early retirement, unemployment benefit. The director of the institution should ensure that staff are supported throughout these processes as necessary.

Based on what the plan is for that institution, at the appropriate time, the staff should be offered the opportunity to take the statutory redundancy package if they wish. All staff should be given

the opportunity to be considered as foster parents. Staff should be transferred to any proposed family type units or family type homes in the area, unless, for any reason, they are unsuited to working with children. In the case where an institution loses staff more quickly than anticipated and need to take on new staff they should take staff displaced from other institutions if this is feasible.



**Annex 5: Financial Summary**  
**BULGARIA: Child Welfare Reform Project**

**Bulgaria**  
**Child Welfare Reform**

Project Components by Year -- Totals Including Contingencies in Euro

	2001	2002	2003	Total
1. Capacity Building	2,453.5	3,701.0	2,943.0	9,097.4
2. De-institutionalization	1,185.5	2,915.6	3,605.0	7,706.1
3. Abandonment Prevention and Protection of Children's Rights	1,279.7	1,435.4	1,018.5	3,733.6
4. Street Children Services	137.4	320.3	504.0	961.8
5. Front end Fee	88.0	-	-	88.0
<b>Total PROJECT COSTS</b>	<b>5,144.2</b>	<b>8,372.2</b>	<b>8,070.5</b>	<b>21,586.8</b>
<b>IBRD Costs</b>				
1. Capacity Building	694.0	1,070.5	1,015.5	2,780.0
2. De-institutionalization	817.1	1,656.4	2,186.2	4,659.8
3. Abandonment Prevention and Protection of Children's Rights	238.0	363.1	139.5	740.6
4. Street Children Services	121.8	201.0	208.7	531.6
5. Front end Fee	88.0	-	0	88
<b>Total PROJECT COSTS</b>	<b>1,959.0</b>	<b>3,291.0</b>	<b>3,550.0</b>	<b>8,800.0</b>
<b>Project Costs</b>				
Investment Costs	4,160.1	7,128.5	6,518.8	17,807.4
Recurrent Costs	984.1	1,243.7	1,551.7	3,779.4
<b>Total PROJECT COSTS</b>	<b>5,144.2</b>	<b>8,372.2</b>	<b>8,070.5</b>	<b>21,586.8</b>

## **Annex 6: Procurement and Disbursement Arrangements**

### **BULGARIA: Child Welfare Reform Project**

#### **Procurement**

1. This section describes the procurement arrangements under the Child Welfare Reform Project proposed for a Bank Loan of Euro 8.8 million equivalent. Bank-financed Goods and Works contracts under the project will be procured in accordance with the World Bank Guidelines: *Procurement under IBRD Loans and IDA Credits, published January 1995, and revised in January and August 1996, September 1997 and January 1999* (henceforth referred to as *Procurement Guidelines*), Bank-financed contracts for Consulting Services required for the Project will be awarded following the World Bank Guidelines: *Selection and Employment of Consultants by World Bank Borrowers, dated January 1997, revised in January 1999* (henceforth referred to as *Consultant Guidelines*). Project activities and procurement contracts not financed by the Bank will be procured in accordance with the national regulations of the borrower and/or the procurement regulations of the co-financing institutions. The project inputs, estimated costs and procurement methods are summarized in Table A. The Procurement Plan is shown in Table A1. Other procurement information, including prior review thresholds for Bank-financed procurement contracts, and a summary assessment of the procurement capacity of the coordinating and implementing agencies and the Bank's review processes is presented in Tables B1 and B2. For procurement under the Loan, the Borrower would use the Bank's latest Standard Bidding Documents (SBD), Standard Form of Consulting Contracts and Requests for Proposals (RFP), and Standard Bid Evaluation Report Forms.

2. **Notification of Business Opportunities:** A General Procurement Notice (GPN) was published in the Internet and in the February 2001 issue of *Development Business* announcing works, goods and consultant services to be procured, and inviting interested eligible suppliers, contractors and consultants to express interest and to request any complementary information from the Borrower. The GPN will be updated annually thereafter for all outstanding procurement under International Competitive Bidding (ICB) procedures, and consulting assignments by Shortlist. Specific Procurement Notices will be published at a later date. For goods to be procured through ICB, individual bidding opportunities would also be advertised in a major local newspaper thirty (30) days prior to availability of bidding documents and transmitted to potential bidders who expressed interest in bidding in response to the published GPN. The local advertisement procedure would be repeated for all bidding packages utilizing ICB (at least 30 days in advance of availability of the bidding documents). The local advertisements would be in the English language and at the option of the Borrower, also in the Bulgarian language. For consultant services contracts above Euro 200,000, Specific Procurement Notices/Requests for Expressions of Interest will be advertised in the *Development Business* and in a major national newspaper (in the national and English languages). Contracts procured under National Competitive Bidding (NCB) procedures will be advertised in the national paper and/or official gazette at least fifteen (15) days prior to the availability of the bidding documents.

3. **Procurement Arrangements:** Procurement under the Project includes the contracting of civil works, goods, consultant services and training during the three-year implementation period. The project (total cost of Euro 21.59 million including taxes) is financed by a Bank Loan of Euro 8.8 million, the Bulgarian Government, and cofinanced on parallel financing arrangements by the EU, UK DFID, and the JSDF. The Government has requested that the Front-end Fee on the Bank Loan be included in the Loan amount. Procurement procedures are described in the succeeding paragraphs.

4. The procurement arrangements under the project are primarily based on the Bank appraisal of the existing procurement management capability of the MOLSP, and its implementing institutions including the PMU. Experience and lessons learned from ongoing Bank operations in the HD sector, namely, Health Sector Restructuring Project, and the Social Insurance Administration Project, have been factored into the design of the implementation and procurement management arrangements. A draft Procurement Action Plan has been drawn, which provides a menu of actions and recommendations to build procurement capacity in the PMU as well as other organizations which have responsibility for the execution of the project components, and therefore will be involved in the procurement process. Procurement and disbursements under the project are synchronized in a manner allowing for a six-month disbursement lag from the time of completion of a Loan-funded activity to the release of the Loan funds to the supplier/contractor. Government entities are not eligible to participate in IDA financed contracts unless they meet the criteria under World Bank Guidelines that they are legally, managerially and financially autonomous, and operate under commercial Law.

## 5. Works

The project includes a significant volume of civil works funded by the Bank Loan (Euro 5.02 million aggregate), and, on parallel financing arrangements, by the development partners (Euro 1.52 million aggregate). These works consist primarily of the refurbishment of existing facilities, including Mother & Baby Homes, Community Support Centers, simple Street Children Shelters, Juvenile Holding Facilities, Child Pedagogic Units, and Temporary Placement Homes. The architectural, engineering and construction documents and technical specifications for these works will be prepared by qualified architectural-engineering consultants financed respectively by the Bank or the development partners. Bank financed architectural engineering services will be contracted in accordance with the procurement procedures for services described under the Services Section further below. Government regulations require that works supervision be carried out by licensed supervision firms. These supervision firms will be contracted also in accordance with the procurement procedures for services as described below.

(a) **National Competitive Bidding (NCB)** procedures will be used for the procurement of works contracts for the refurbishment of Mother & Baby Homes and Community Support Centers. The maximum value of any refurbishment/works contract under this section, is not expected to exceed Euro 200,000 per contract. The geographic spread of the facilities do not make it practical to aggregate these contracts in large

packages suitable for procurement through International Competitive Bidding. Thus NCB procedures and documentation agreed with the Bank, will be used to procure works/refurbishment contracts estimated at more than Euro 200,000 per package, up to an aggregate value of contract equivalent to **Euro 4.64 million**. NCB works bids will be advertised in the national press and/or official gazette, opened publicly, and awarded to the lowest evaluated and responsive bidder. The Bank's Regional (Europe and Central Asia) Standard Bidding Document (SBD) for the procurement of works under NCB will be used. Government construction entities will be ineligible to participate in Bank financed contracts unless they meet the criteria under the Bank Procurement Guidelines that they are legally and financially autonomous, and operate under commercial law.

(b) **Minor Works (MW)** procedures will be used to procure contracts for the refurbishment of Street Children Shelters, Juvenile Holding Facilities, Child Pedagogic Units, and Temporary Placement Homes. These MW contracts are not expected to exceed Euro 50,000 per facility, aggregating to about **Euro 338,000** equivalent. The geographic spread and timing of these works contracts make aggregation into larger NCB packages impractical. Thus, MW contracts will be awarded on the basis on quotations obtained from at least three qualified local contractors in response to a written invitation. The Invitation to Quote shall include a detailed description of the works, the relevant drawings, basic technical specifications, the required completion date, and a form of agreement acceptable to the Bank. The MW contracts shall be awarded to the lowest evaluated and responsive bidder.

(c) **Non-Bank Financed (NBF) Works**. Refurbishing/works contracts similar to the above will also be financed (under parallel financing arrangements) by other development partners, including DFID, EU and JSDF. These NBF works contracts (aggregate Euro 1.6 million equivalent) will be procured in accordance with procedures agreed between the development partners and the Borrower. Procurement will be undertaken and administered by the development partners, except for the JSDF financed procurement which will be administered by the PMU.

## 6. Goods

(a) **International Competitive Bidding (ICB)**. Goods consisting of computer hardware and software and related office furniture/equipment which are estimated to cost more than Euro 100,000 equivalent per package, will be procured using International Competitive Bidding (ICB) procedures in accordance with the Bank's Procurement Guidelines. Bid documentation for ICB will be prepared in accordance with the Bank SBD for the Procurement of Goods revised in March 2000.

(b) **National Competitive Bidding (NCB)**. The furniture requirements (dormitory type beds, tables, chairs, closets, etc.) for the Mother & Baby Homes and Community Support Centers are of a simple but bulky nature, that would make its supply and delivery to geographically dispersed locations unattractive to foreign furniture suppliers, and unsuitable for ICB. Furthermore, Bulgaria has a sufficient number of domestic furniture

manufacturers able to produce such furniture of suitable quality and at competitive prices. Thus furniture contracts that are estimated at more than Euro 25,000 per package, up to an aggregate value equivalent to **Euro 727,000**, would be procured through NCB in accordance with procedures and bidding documentation agreed with the Bank.

(c) **International Shopping (IS)**. Procedures for IS will be used for procure off-the-shelf items, such as basic office equipment, vehicles, and dormitory/residential type equipment and supplies (including bedding, kitchen utensils, etc.). IS would be used for goods contracts that are estimated to cost less than Euro 100,000 per package, up to an aggregate value estimated at **Euro 185,000** equivalent. International shopping procedures will be based on comparing price quotations obtained from at least three suppliers from two different source countries, in accordance with Bank Procurement Guidelines.

(d) **National Shopping (NS)**. Small quantities of furniture and equipment for the dispersed project institutions, including minor sundry items, materials and supplies, which are impractical to aggregate into large packages, and which do not exceed Euro 25,000 per contract, may be purchased on the basis of prudent NS. NS procedures will be based on a comparison of written price quotations obtained from at least three local suppliers, in accordance with Bank Procurement Guidelines. The aggregate value of NS contracts is estimated at **Euro 839,000** equivalent.

(e) **Non-Bank Financed (NBF) Goods**. Miscellaneous equipment and furniture of a value aggregating to Euro 1.79 million equivalent will be financed by other development partners under a parallel financing arrangement. These NBF Goods contracts will be procured in accordance with procedures agreed between the development partners and the Borrower. Procurement will be undertaken and administered by the development partners, except for the JSDF financed procurement which will be administered by the PMU.

## 7. Consulting Services and Training

(a) **Quality and Cost-based Selection (QCBS)**. Most of the large consultant services packages, such as the design and implementation of the Public Awareness sub-component, and the development of the CPD MIS, will be procured under QCBS procedures. The total aggregate value of QCBS procurement is estimated at about **Euro 638,000** equivalent.

(b) **Consultants' Qualifications (CQ)**. Selection procedures based on CQ will be used for the selection of institutions and/or consultant firms that will carry out training programs under the project (i.e. the training of social workers and police working on children issues). The contracts are small (maximum Euro 70,000) and the aggregate value of CQ is estimated at **Euro 220,000** equivalent.

(c) **Individual Consultants (IC)**. Contracts for the preparation of plans/documents for the construction and refurbishment of community and institutional facilities are small

and not practical to aggregate into larger design contracts. The preparation of such plans/documents would be awarded to Individual Consultant engineers/architects. Individual consultants would be recruited for specialist services such as those rendered by child crime prevention consultants, community facilitators, and social workers, which would be fixed-term positions of up to 3 years duration. Individuals would also be recruited for specific skill areas/expertise which would be needed for short periods of time at scattered intervals, and which would be impractical to package with the assignments for consulting firms described above. The aggregate value of IC contracts is estimated at about **Euro 370,400** equivalent.

(d) ***Least Cost Selection (LCS)***. The consultant services for the annual financial audit of the project financial statements and Accounts will be procured in accordance with the LCS procedures as described in the Bank Consultant Guidelines. The aggregate amount of the assignment is estimated at **Euro 66,000**, and would cover the financial audit over the three year project implementation period. This expenditure is technically defined as an operating cost, and would be included in the amount reported as part of the annual operating budget of the PMU.

(e) ***Non-Bank Financed Services***. Miscellaneous consultant services and training packages of a value aggregating to Euro 3.96 million equivalent will be financed by other development partners on a parallel financing arrangement. These services contracts will be procured in accordance with procedures agreed between the development partners and the Government. Procurement will be undertaken and administered by the development partners, except for the JSDF financed services which will be administered by the PMU.

## **7. Incremental Recurrent Costs**

Incremental recurrent costs generated by the project include the day-to-day operational costs for project implementation including: consumables and supplies, utilities, communications, internal travel costs, and salaries of additional national personnel needed for carrying out the project, among others. These recurrent cost items and operating requirements are estimated at Euro 3.78 million equivalent and will be planned for and executed on the basis of annual budgets agreed with the Bank prior to the start of the financial year. Financing of incremental recurrent costs will be borne fully by the Government and will not be financed by the Bank Loan. Procurement of the related expenditure items and services would be in accordance with normal Government practice.

## Procurement methods (Table A)

### Costs in US\$ thousands

	Procurement Method (Euro '000)					Total
	International Competitive Bidding	National Competitive Bidding	Other	Consulting Services	N.B.F.	
A. Civil Works/Refurbishment	-	4,680.5 (3,884.8)	341.0 (283.4)	-	1,519.1	6,540.6 (4,168.2)
B. Goods/Equipment/Supplies	2,131.7 (1,775.7)	733.2 (610.7)	1,035.1 (862.2)	-	1,789.3	5,689.2 (3,248.7)
<b>C. Consultant Services</b>						
1. Consultant Firms /a	-	-	-	638.0 (638.0)	3,042.4	3,680.4 (638.0)
2. Individual Consultants /b	-	-	-	370.4 (370.4)	915.6	1,286.1 (370.4)
3. Financial Audit /c	-	-	-	66.0 (66.0)	-	66.0 (66.0)
4. Local and Foreign Training /d	-	-	-	220.7 (220.7)	236.5	457.2 (220.7)
D. Incremental Operating Costs	-	-	-	-	3,779.4	3,779.4
E. Front End Fee on Bank Loan	-	-	88.0 (88.0)	-	-	88.0 (88.0)
<b>Total</b>	<b>2,131.7 (1,775.7)</b>	<b>5,413.7 (4,495.5)</b>	<b>1,464.1 (1,233.6)</b>	<b>1,295.1 (1,295.1)</b>	<b>11,282.3 -</b>	<b>21,586.8 (8,800.0)</b>

Note: Figures in parenthesis are the respective amounts financed by IBRD

\a Quality and Cost Based Selection (QCBS)

\b Individual Consultant Selection (IC)

\c Least-Cost Selection Method (LCS)

\d Selection based on Consultants' Qualifications (CQ)

Procurement Plan									
Description	Type	Proc. Method	Proposed Number of Packages	Est. Total Cost (Euro million)	Invitation GPN/SPN Local Advertisement	Bid Docs/RFP 1. Drafts cleared 2. Documents Issue	Bid/RFP 1. Bid Opening 2. Bid Evaluation 3. Award Recommendation	Contract Signed	Contract Complete
<b>WORKS</b>									
Construction and Refurbishment of Mother/Baby Homes, and Community Support Centers.	CW	NCB	21	4.64	First batch: Local 09/01 Second batch: Local 12/2001 Third 5 batch: Local 08/2002	First batch: 1. 10/2001 2. 10/2001 Second batch: 1. 01/2002 2. 02/2002 Third batch: 1. 09/2002 2. 12/2002	First batch: 1. 11/2001 2. 12/2001 3. 12/2001 Second batch: 1. 02/2002 2. 04/2002 3. 05/2002 Third batch: 1. 12/2002 2. 01/2003 3. 02/2003	First batch: 01/2002 Second batch: 06/2002 Third batch: 03/2003	First batch: 12/2002 Second batch: 03/2002 Third batch: 12/2003
Refurbishment of Juvenile Holding Facilities, Child Pedagogic Units, Temporary Placement Homes,	CW	MW	7	0.38	Local First batch 09/2001	First batch: 1. 09/2001 2. 10/2001	First batch: 1. 11/2001 2. 11/2001 3. 12/2001	First batch: 01/2002	First batch: 05/2002
Non-Bank Financed Works		NBF	TBD	1.52	Throughout the life of the project	TBD	TBD	TBD	TBD
<b>GOODS</b>									
Computer hardware, software and peripherals	G	ICB	2	2.14	SPN 05/2001	1. 04/2001 2. 05/2001	1. 07/2001 2. 09/2001 3. 10/2001	11/2001	06/2002
Furniture for Institutional facilities	G	NCB		0.73	First batch Local 06/2001	First batch 1. 04/2001 2. 05/2001	First batch 1. 05/2001 2. 06/2001 3. 07/2001	First batch 08/2001	First batch 03/2002



CONSULTING SERVICES AND TRAINING									
Public Awareness: Design and Implementation; MIS software Development and Training	CS	QCBS	2	0.64	SPN 04/2001	1. 04/2001 2. 06/2001	1. 08/2001 2. 10/2001 3. 10/2001	11/2001	06/2003
Preparation of plans/documents for refurbishment of physical facilities; Consultants on Child Crime Prevention; Community Facilitors; Social Workers	CS	IC	10	0.37	Local First batch 04/2001	First batch 1. 04/2001 2. 05/2001	First batch 1. 06/2001 2. 07/2001 3. 07/2001	First batch 08/2001	First batch 10/2001
Financial Audit	CS	LCS	1	0.07	Local 10/2001	1. 10/2001 2. 11/2001	1. 12/2001 2. 12/2001 3. 12/2001	01/2002	04/2002
Local Training /seminars	CS	CQ	8	0.22		Through-out the life of the project.			
Non-Bank financed Services	CS	NBF		4.19		Through-out the life of the project.			
Incremental Operational Expenditure Items	Other	Government Procedures		3.78	TBD	Through-out the life of the project.	TBD	TBD	TBD
Front-end Fee on Bank Loan	Other	NA	NA	0.09	NA	NA	NA	NA	NA
<b>Total Project Cost in Euro million</b>				<b>21.59</b>					
	<b>TBD</b>	To be determined.							
	<b>NBF</b>	Non-Bank financed procurement. Procedures to be agreed between Donors and Borrower.							
	<b>NA</b>	Not Applicable							

## Review by the Bank of Procurement Decisions

8. **Scheduling of Procurement.** Procurement of civil works, goods and services for the project will be carried out in accordance with the agreed procurement plan (Table A1), which will be updated as necessary and included in the progress reports for Bank review and approval. The Bank will review the procurement arrangements proposed by the Borrower,

including contract packaging, applicable procedures, and the scheduling of the procurement processes, for its conformity with Bank Procurement and Consultant Guidelines, the proposed implementation program and disbursement schedule. The following procurement action and documentation would be subject to Prior Review by the Bank.

(a) **Works:** Prior review of bidding document package (including, *inter alia*, Invitation to Bid, Instructions to Bidders and Bid Data Sheet, General and Special Conditions of Contract, Bid Forms, Schedule of Requirements, Technical Specifications), Bid Evaluation Reports; and Recommendations of Contract award will be conducted for: (i) all the first three NCB contracts and all NCB contracts above Euro 100,000); and (ii) the first two MW contracts procured each year.

(b) **Goods: Equipment, Furniture and Materials:** Prior review of bidding document package (including, *inter alia*, Invitation to Bid, Instructions to Bidders and Bid Data Sheet, General and Special Conditions of Contract, Bid Forms, Schedule of Requirements, Technical Specifications), Bid Evaluation Reports; Recommendations of Contract award and draft Contract will be conducted for: (i) all ICB tenders (contracts above Euro 100,000); (ii) the first furniture contract awarded through NCB and all NCB contracts of Euro 100,000 and above; (iii) the first two contracts awarded through International Shopping; and (iv) first two contracts awarded through National Shopping procedures.

(c) **Consultant Services and Training:** Prior review of procurement documents and actions will be conducted for:

(i) **QCBS.** Prior review of (1) short listing criteria for consulting assignments, (2) Consultants Short Lists (three to six consultants per assignment); (3) complete Request for Proposal (RFP) package (including Invitation, Information to Consultants and Data Sheet, General and Special Conditions of Contract, Technical Proposal standard forms, Financial Proposal standard forms, and draft Contract Agreement); (4) Terms of Reference, including description of services, consultants' reporting requirements, and required qualifications of consultants' key personnel; (5) Technical and Financial Evaluation Reports (including official minutes) and Recommendations for contract award; and (6) agreed Contract and Terms of Reference

(ii) **IC** contracts of Euro 200,000 and above and for contracts with firms valued at Euro 50,000 and above: (1) short listing criteria for consulting assignments, (2) Consultants Short Lists (three to six consultants per assignment); (3) complete Request for Proposal (RFP) package (including Invitation, Information to Consultants and Data Sheet, General and Special Conditions of Contract, Technical Proposal standard forms, Financial Proposal standard forms, and draft Contract Agreement); (4) Terms of Reference, including description of services, consultants' reporting requirements, and required qualifications of consultants' key personnel; (5) Technical and Financial Evaluation Reports (including official minutes) and Recommendations for contract award; and (6) agreed Contract and Terms of Reference

(iii) **IC** contracts below Euro 20,000 and for contracts with Firms below Euro 50,000: (1) criteria for short listing consultants; and (2) Terms of Reference;

(iv) **Training.** Expenditures related to the provision of Training – Terms of Reference and training plan, including budget; and

(v) **LCS.** – Prior review of (1) complete Request for Proposal (RFP) package (including Invitation, Information to Consultants and Data Sheet, General and Special Conditions of Contract, Technical Proposal standard forms, Financial Proposal standard forms, and draft Contract Agreement); (2) Terms of Reference, including description of services, consultants' reporting requirements, and required qualifications of consultants' key personnel; (3) Technical and Financial Evaluation Reports (including official minutes) and Recommendations for contract award; and (6) agreed Contract and Terms of Reference

9. Following the award of procurement contracts, the Bank reserves the right to conduct Prior Review of any material modifications or waiver of terms and conditions of a contract which would result in a significant change in the scope of the contract (Terms of Reference in the case of consultant services) and/or an increase or decrease of more than fifteen percent of the original contract amount.

10. **Post-Review.** Those contracts below the Bank's prior review threshold, are subject to the Bank's ex-post review. Periodic ex-post review by the Bank of not less than 1 in 5 procurement contracts will be undertaken during regular supervision missions.

### **Custom Duties and Taxes**

11. All goods specifically imported for the project will be subject to the payment of customs duties and local value-added taxes (VAT) normally equivalent to 20 percent of the CIP costs. Works contracts are likewise subject to VAT (20 percent built into the contract price) . Consultant firms (including foreign consultants) providing services under the project are exempt from the payment of local taxes on their earnings. Individual consultants (regardless of residency) are subject to income tax, including employer-paid social taxes, and VAT. All duties and taxes are paid from the Government contribution. Social taxes are actually a benefit of the employee and a contribution to the social funds for pension, unemployment, and medical insurance. The payment of these contributions are included in the amount eligible for Bank financing.

### **Action Plan for strengthening Agency's Capacity to Implement Project Procurement**

12. Based on an appraisal of the capacity of the PMU to manage and conduct procurement, and the information gathered, the following actions were identified and recommendations are made for improving the PMU's institutional capacity in procurement:

(a) Establish a procurement team within PCU consisting of the Procurement Officer and the Accountant who will be trained in procurement. As needed, this procurement team will be assisted by support staff to handle the processing of procurement documentation and the organization of procurement files consistent with the financial management requirements of the project. Project funds have been allocated for the participation of PMU staff in an intensive procurement training abroad (e.g. ILO procurement courses in Turin).

(b) Involve the technical experts of the RIF PMU, which is also under MOLSP, in the procurement, and evaluation of works contracts, as well as in quality control checks on works contracts under implementation:

(c) Finalize the Project Implementation Plan (PIP) and ensure that the procurement procedures described therein for the acquisition and contracting of works, goods and services related to the project inputs supported by the Loan are consistent with Bank Procurement Guidelines. The Bank's comments and clearance will be obtained in the process of updating the PIP to reflect experience from the training received, and incorporate suggested processes that would improve implementation.

It is expected that Bank supervision missions will be scheduled twice a year. The supervision team will include a Procurement Accredited Staff (PAS).

**Prior review thresholds (Table B)**

**Table B1: Summary of Procurement Activities**

<b>Section 1. Procurement Review</b>					
<b>Goods/Works<sup>1</sup></b>	<b>ICB</b>	<b>IS/NS</b>	<b>NCB</b>	<b>Minor Works</b>	<b>% of Loan Amount subject to prior review</b>
Procurement thresholds	Above Euro 100,000	IS: Less than Euro 100,000; NS: Less than Euro 25,000	Works contracts above Euro 100,000	Works contracts below Euro 50,000	
Aggregates	Euro 2,131,700	IS: Euro 185,000 NS: Euro 839,000	Works: Euro 4,640,000 Furniture: Euro 727,000	Euro 338,000	
Prior Review	All contracts	First 2 packages for IS and NS	First 3 works contracts and all works contracts above \$100,000 First furniture NCB contract and all furniture contracts above \$100,000	First 2 MW contracts each year	
<b>Consultants</b>	<b>QCBS</b>	<b>Individual</b>	<b>LCS</b>	<b>CQ/Traing</b>	
Aggregates	QCBS: Euro 638,000	Euro 370,400	Euro 66,000	Euro 220,700	60%
Prior Review	All contracts above Euro 50,000 with firms.	All contracts above Euro 20,000 with individuals	All TORs, RFPs, evaluation reports and contracts for consultants; Training Plan and budget for fellowships, study tours and local training;		
Ex post Review		One in five contracts for works. Minimal for goods, as practically all Bank-financed contracts are subject to prior review. One in five contracts for consultant services. In-depth review of procurement activities during supervision missions.			
Co-financing:					
UK Department for International Development (DFID), European Union (EU-Phare), Japanese Social Development Fund (JSDF) on parallel financing arrangements					

**Table B2: Procurement Capacity Assessment**

<b>Section 2: Capacity of the Implementing Agency in Procurement and Technical Assistance requirements</b>				
<p>The MOLSP has established a PMU which will be the institution responsible for managing the implementation of the Child Welfare Reform Project, including procurement. The PMU is a new entity and thereby has had no prior experience implementing a Bank-financed operation. At the time of appraisal, the PMU was not yet organized, and the Procurement Capacity Assessment focused on the procurement capabilities of the MOLSP as a whole. Consequently, a High risk rating for procurement is given as the procurement management capability of the PMU will not be tested until the start of project implementation.</p> <p>The PMU has a complement of eight Bulgarian operational staff hired as consultants to administer the project. The PMU comprises a Project Manager, Procurement Officer, Financial Manager, Accountant, two Child Welfare Specialists, Ethnicity Specialist, and a Staff Assistant/Translator. The remuneration of PMU staff will be financed from donor contributions. The Procurement Officer acquired some procurement experience under the related IDF project, but this was limited to small contracts (shopping) and none in ICB for goods and works procurement. It is expected that the Procurement and Financial Officers will both acquire trained in Bank-financed procurement and contract management. Bank funds have been allocated for procurement and financial management training (ILO/Turin) during the first year of project implementation. Procurement will be centrally managed/implemented by PMU with the assistance of staff from component implementing units, brought in on a needs basis, for the preparation of technical specifications, consultant terms of reference (TOR), as well as evaluation of proposals. The PMU will be assisted in quality assurance and oversight of works procurement and implementation (including environmental assessment and oversight) through hiring experienced technical specialists in this field. The PMU will also be responsible for coordinating the implementation and administration of project-related investments financed by JSDF. A Project Launch Workshop scheduled for March 2001, will be the vehicle for familiarizing implementation staff on Bank procurement procedures and documentation, including the drafting complete bidding documents and Requests for Proposals.</p>				
<p>Country Procurement Assessment Report or Country Procurement Strategy Paper status: A Country Procurement Assessment Report for Bulgaria was completed in June 2000. A copy of the report is available in the OCS website.</p>		<p>Are the bidding documents for the procurement actions of the first year ready by negotiations Yes ? No <b>X</b></p>		
<b>Section 3: Training, Information and Development on Procurement</b>				
<p>Estimated date of Project Launch Workshop <b>March 2001</b></p>	<p>Estimated date of publication of General Procurement Notice <b>February 2001</b></p>	<p>Indicate if there is procurement subject to mandatory SPN in Development Business Yes <b>X</b> No ?</p>	<p>Domestic Preference for Goods Yes ? No <b>X</b></p>	<p>Domestic Preference for Works, if applicable Yes ? <b>No X</b></p>

<p>Retroactive financing  Yes ? No <b>X</b> Explain:</p> <p>Explain briefly the Procurement Monitoring System: The PMU will oversee all procurement under the project. The PMU will maintain a complete procurement file for all components, and shall manage its Special Account. Evaluation committees will be established upon commencement of procurement activities. Periodic supervision missions will review PMU financial records.</p> <p>Co-financing: EU Phare; UK DFID and JSDF</p>	<p>Advance procurement  Yes ?  No <b>X</b> Explain:</p>
<b>Section 4: Procurement Staffing</b>	
<p>Indicate name of Procurement Staff or Bank's staff part of Task Team responsible for the procurement in the  Project: Child Welfare Reform                      Name: Leonardo M. Concepcion    Ext: 32859</p>	
<p>Explain briefly the expected role of the Field Office in procurement:  The lack of experience by the PMU as a unit will require more frequent supervision by Bank, both from headquarters as well as the Bank office in Sofia. Procurement staff in the Sofia will conduct initial technical review of procurement documentation and follow up on procurement issues with the Borrower.</p>	

## Disbursement

### **Allocation of loan proceeds (Table C)**

13. The proceeds of the Loan would be disbursed in accordance with the guidelines provided in the IDA "Disbursement Handbook". The procurement and disbursement arrangements are based on the Bank's appraisal of the procurement and financial management capability of the implementing ministry and its institutions, as well as the experience and lessons learned from ongoing Bank operations in the HD sector: Bulgaria Health Restructuring Project, Bulgaria Social Insurance Project. Project procurement and disbursements are synchronized in a manner that allows for a six-month disbursement lag from the time of completion of a Loan-funded activity to the release of the Loan funds to the supplier/contractor. Loan funds are expected to be fully disbursed within fourteen (14) quarters after the expected effectiveness date of May 15, 2001. The Project Completion Date is December 31, 2003 with a Loan Closing Date of June 30, 2004. The disbursement categories and amounts and percentages to be financed under each category are presented in Table C, as follows:

**Table C: Allocation of Loan Proceeds**

<b>Expenditure Category</b>	<b>Amount in Euro</b>	<b>Financing Percentage</b>
1. Works	3,920,000	83%
2. Goods	3,060,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 83% of local expenditures for other items procured locally
3. Services and Training	1,220,000	100%
4. Unallocated	512,000	
<b>Total Project Costs</b>	<b>8,712,000</b>	
<b>Front-end fee</b>	<b>88,000</b>	
<b>Total</b>	<b>8,800,000</b>	

### **Use of statements of expenditures (SOEs):**

Disbursements will be made against Statements of Expenditures (SOEs). Supporting documents for expenditures financed on basis of SOEs will be retained by PMU for at least one year after disbursements and made available for review by Bank representatives and external auditors.

The proposed allocation of Loan proceeds is shown in the Table C above. Disbursements would not be made for works, goods and services which have been procured from ineligible sources or which have not been procured according to Bank's procurement and consultants' guidelines.

The Bank Loan is expected to be fully disbursed over a three year period. All applications to withdraw from the loan will be made in accordance with guidelines set out in the bank's disbursement handbook. All applications to withdraw will be fully documented, except those for training and contracts not subject to prior review, as shown above, for which reimbursement may



be made against certified statements of expenditures SOEs.

**Thresholds:**

- Works: contracts costing less than Euro 100,000 equivalent;
- Goods: contracts costing less than Euro 100,000 equivalent;
- Consulting services - firms: contracts costing less than Euro 50,000 equivalent;
- Consulting services - individuals: contracts costing less than Euro 20,000 equivalent;
- Training: all contracts.

Project accounts will be subject to an independent audit for each fiscal year, in accordance with auditing standards acceptable to the Bank.

**Administration of Disbursement:**

The MOLSP, through the PMU, will co-ordinate and monitor the overall implementation of different components of the Project. The PMU will be responsible for the maintenance of a centrally managed financial management system, including records and accounts, for the preparation of financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures of all withdrawal applications in accordance with Bank's guidelines.

**Special account:**

In order to facilitate Loan disbursement, the Government of Bulgaria will establish a Special Account in the National Bank or a major commercial bank on terms and conditions satisfactory to Bank to cover the Bank's share of expenditures. The Authorized Allocation for the Special Account would be **Euro 700,000** but limited to **Euro 350,000** until aggregate withdrawals exceed **Euro 2.5 million**. Applications for replenishment of the Special Account would be submitted monthly, or whenever one-third of the amount has been withdrawn, whichever occurs earlier.

**Traditional Disbursement Procedures.** Applications for Withdrawal from the Loan will be used to request: (i) direct payment to third party for amount due; (ii) replenishment to the Special Account; (iii) reimbursement of payments already made by the Borrower for eligible expenditures; and (iv) application for Special Commitment.

**Financial Management**

***Project Accounting***

The PMU will be fully in charge of all financial management aspects of the Project. A financial management system (FMS), including accounting, reporting, planning, budgeting, auditing and proper internal control systems has been established prior to Board presentation.

By the time of the certification process, the FMS met the minimum Bank financial management requirements and the Annex 4-B LACI Certification was issued by the Bank's financial management specialist. The Bank has reviewed the FMS and prepared a report identifying

weaknesses and proposing remedial actions to enhance the system and enable the development of appropriate project management reports (PMRs) in view of the transition to PMR-based disbursements (see Annex 16). The bank has defined a time-bound action plan to specify the steps necessary for further strengthening of procedures and staff development during implementation. The FMS is compatible with the Bank's OP/BP 10.02, with the Project Financial Management Manual and the Loan Administrative Change Initiative (LACI) Implementation Handbook.

The development of the FMS will be monitored by the Bank before effectiveness, during the first supervision missions and throughout project implementation.

The PMU includes the director, finance manager, accountant, procurement specialist, a number of technical experts and an assistant. The PMU will maintain all documentation related to project expenditures and keep financial records in accordance with sound accounting practices. The PMU will be mainly responsible for keeping the accounting records of the Project, in charge of all payments, operating the accounting software, handling the Special Account (SA) and the Project Account (PA - Government contribution), prepare all bidding documents, reporting both to the bank and the Government, disbursement and auditing.

The accountant will handle all financial accounting records, ensure that accounting records are kept up to date within the accounting software and be in charge of the petty cash arrangements. The finance manager will supervise the accountant and will be responsible for the planning, budgeting, consolidation and reporting aspects of the project, reporting to the PMU manager. She will also establish permanent contacts with the beneficiaries, the accounting department of the MOLSP, auditors and the Ministry of Finance.

The PMU staff will be responsible for: preparing the bidding documents; receive the offers and evaluate them in accordance with the WB regulations; submit the evaluations to the WB for no objection; sign contracts in an acceptable format; supervise the works performed by the contractors; certify (jointly with the beneficiaries' representatives) the acceptance of the goods, works and services provided in accordance with the terms of reference and the relevant technical specifications. The payment documents will be prepared by the PMU only after the fulfillment of the above steps. No project funds may be passed over to beneficiaries or any other parties. The PMU is the only entity authorized to make payments to suppliers.

### ***Flow of Funds***

The PMU will be in charge of operating the SA. The PMU will use an additional, separate Project Account for the Government contribution. This will be a sub-account of the main budgetary account of the MOLSP and it will be used only for the Government financing to the CWR Project.

### ***Internal Controls***

The PMU will have to adhere to sound internal control procedures and practices, to ensure that the Project funds are used with economy and efficiency and only for the purposes intended. The PMU will report to the Chairman of the PSC and will inform in a timely manner about project implementation and progress.

All PMU staff must become familiar with the WB regulations (legal, disbursement, procurement, financial management, etc) applicable to their relevant area. A draft Financial Management manual has been developed by the financial management consultant appointed, documenting various types of financial transactions, approval and authorization steps, the flow of documents within the PMU and between the PMU and the beneficiaries, the accounting departments of the MOLSP, PMU's staff responsibilities and measures to ensure a complete segregation of duties, as well as other internal control procedures.

In addition to the above manual, the PMU will have to follow the procedures set up in the Project Implementation manual. The PMU staff are requested to document the internal norms that will be used throughout the life of the Project. These norms will document the day-to-day internal procedures for each type of activity (such as correspondence handling, contracting and payment procedures, operation of all bank accounts, petty cash procedures, authorization mechanism, reporting, filing, etc.)

During the recent past some concerns have been raised concerning fraud, waste and abuse of donor funds in the region. Perceived corruption as reported in the press is principally in the area of procurement. The risk that the Bank's funds will not be used as intended for financing the defined investment program is judged as acceptable by introducing several measures, in principal the 'ring-fencing' of the Project through the establishment of the PMU, segregation of duties within the PMU, requiring beneficiaries' representatives to certify the works done before payments are made by the PMU and an independent yearly audit of project funds by a reputable audit firm, acceptable to the Bank.

### ***Auditing***

Annual financial statements of Bank-financed activities will be prepared in accordance with International Accounting Standards (IAS) and audited in accordance with International Standards on Auditing (ISA) and the Bank guidelines on auditing and financial reporting such as ***The Worldbank Financial Accounting Reporting and Auditing Handbook and Project Financial Management Manual.***

### Financial Management Action Plan

<b>Certification of financial management arrangements</b>	<b>Responsibility</b>	<b>Due Date</b>
· Bank Financial Management Specialist to visit project prior to project board presentation to confirm adequacy of project's financial management arrangements and the issuance the FM LACI certificate 'Annex 4-B'	Bank FMS	Completed
· Bank Financial Management Specialist to visit project prior to project effectiveness to follow up and confirm adequacy of project's financial management aspects	Bank FMS	04/10/2001
<b>Financial management system</b>		
● Customization, installation and test run of the accounting software, draft manual and provision of initial training	FM consultant / PMU	Completed
● Final manual and training provided	FM consultant / PMU	02/15/2001
<b>Auditing</b>		
● Receive offers from the shortlisted audit firms	PMU	02/09/2001
● Evaluate offers and send to the WB for no objection	PMU	02/16/2001
● Sign contract in a format acceptable to the WB with the selected audit firm	PMU / Bank	03/15/2001
<b>Project Management Reporting</b>		
· Agree upon the final formats of the quarterly Project Management Reports (PMRs)	PMU / Bank / FM consultant	Completed
· Final customization of the PMRs, full linkage with the accounting system, PMR training provided and test run	FM consultant	02/15/2001
· Produce PMRs as at June 30, 2001 and quarterly thereafter	PMU	08/15/2001
· Consider disbursing on the basis of submitted PMRs	Borrower / Bank	12/31/2001

**Annex 7: Project Processing Schedule**  
**BULGARIA: Child Welfare Reform Project**

<b>Project Schedule</b>	<b>Planned</b>	<b>Actual</b>
<b>Time taken to prepare the project (months)</b>		
<b>First Bank mission (identification)</b>	07/18/2000	07/21/2000
<b>Appraisal mission departure</b>	09/18/2000	10/18/2000
<b>Negotiations</b>	02/04/2001	02/01/2001
<b>Planned Date of Effectiveness</b>	05/15/2001	

**Prepared by:**

MOLSP and MOI with Bank assistance under the oversight of the PSC.

**Preparation assistance:**

PHRD, UNDP, UNICEF

**Bank staff who worked on the project included:**

<b>Name</b>	<b>Speciality</b>
John Innes	Program Team Leader and Task Leader
Adrian Guth	Child Welfare Specialist
Leonardo Concepcion	Procurement Specialist
Bogdan Constantinescu	Financial Management Specialist
Antonia Viyachka	Implementation Specialist
Boryana Gotcheva	Project Officer
Rohit Mehta	Senior Disbursement Officer
Daria Goldstein	Lawyer
Nadejda Mochinova	Program Assistant

**PHRD Consultants**

Ivelina Cholakova	Project Coordinator
Zoya Kaukova	Child Welfare Specialist
Milena Harizanova	Street Children Specialist
Anne Arthur	Social Policy Adviser
Georgi Bogdanov	Child Welfare Specialist
Mitko Marinov	Training Expert-Management Techniques
Nelly Petrova	Training Expert-Social Work
Rumyan Sechkov	Child Abandonment Prevention Expert
Antonina Zhelyazkova	Ethnic Issues Specialist

**Annex 8: Documents in the Project File\***  
**BULGARIA: Child Welfare Reform Project**

**A. Project Implementation Plan**

1. *PIM*, January 2001

**B. Bank Staff Assessments**

1. *Child Welfare Reform Report*, February 2000

**C. Other**

1. *Social Assessment of Child Care in Bulgaria*, July 2000 (WB/UNDP joint report)
2. *Evaluation of the Capacity of the Ministries Responsible for Child Welfare Reform to Develop and Implement Relevant Policies*, September 15, 2000
3. *CWR Ethnicity Issues Report*, September 2000
4. *Prevention of Abandonment of Children in Needy Communities Report*, July, 2000
5. *Management Training Needs Assessment*, July 2000
6. *Training Needs Assessment in the Social Care System*, July 2000
7. *Financial Flows, Incentives and Personnel Issues*, August 2000
8. *Legal Framework Regulating the Position of the Child in the Bulgarian Legislation*, September 2000
9. *Development of Community Support Centers and Mother and Baby Homes*, September 2000
10. *Model of a Center Working with Street Children*, September 2000
11. *Juvenile Delinquency and Justice in Bulgaria*, 2000
12. *MOI CWR Project Proposal Letter*, July 20, 2000

\*Including electronic files

## Annex 9: Statement of Loans and Credits

### BULGARIA: Child Welfare Reform Project

Feb-2001

Project ID	FY	Purpose	Original Amount in US\$ Millions		Cancel.	Undisb.	Difference between expected and actual disbursements <sup>a</sup>	
			IBRD	IDA			Orig	Frm Rev'd
P055158	2001	EDUC MOD (APL #1)	14.39	0.00	0.00	14.44	-0.15	0.00
P057927	2000	ENV/PRIV SUPT SAL	50.00	0.00	0.00	31.33	1.55	0.00
P070086	2000	TRADE & TRANS FACIL IN SE EUR	7.40	0.00	0.00	6.61	-0.06	0.00
P055157	2000	HEALTH SECT REF	63.30	0.00	0.00	58.44	-1.02	0.00
P055156	1999	REG INITS FUND (RIF)	5.00	0.00	0.00	0.29	0.66	0.00
P033965	1998	ENV REM PILOT	16.00	0.00	0.00	6.40	6.36	-0.15
P008323	1997	SOC INS ADM	24.30	0.00	0.00	6.84	8.08	0.00
P008315	1996	RAILWAY REHAB	95.00	0.00	0.00	12.04	15.95	0.00
P008318	1996	HEALTH SECT RESTRUCT	26.00	0.00	0.00	5.43	8.42	0.00
P008319	1994	WATER COMPANIES REST	57.00	0.00	41.00	21.26	63.25	22.25
<b>Total:</b>			<b>358.39</b>	<b>0.00</b>	<b>41.00</b>	<b>163.08</b>	<b>103.04</b>	<b>22.10</b>

BULGARIA  
STATEMENT OF IFC's  
Held and Disbursed Portfolio  
Feb-2001  
In Millions US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1999	BAC Bank	0.00	0.00	5.00	0.00	0.00	0.00	5.00	0.00
1999	Celhart	13.90	1.50	0.00	0.00	13.90	1.50	0.00	0.00
1998	Devnya Cement	25.27	0.00	0.00	0.00	25.27	0.00	0.00	0.00
1994	Euromerchant FND	0.00	5.00	0.00	0.00	0.00	5.00	0.00	0.00
2000	Florina	3.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1996	Interlease Inc.	2.93	0.30	0.00	0.00	1.43	0.30	0.00	0.00
2000	Kronospan Group	10.64	0.00	0.00	7.66	10.64	0.00	0.00	7.66
1997	Sofia Hilton	10.80	0.00	2.00	9.50	9.87	0.00	2.00	8.68
	<b>Total Portfolio:</b>	<b>67.11</b>	<b>6.80</b>	<b>7.00</b>	<b>17.16</b>	<b>61.11</b>	<b>6.80</b>	<b>7.00</b>	<b>16.34</b>

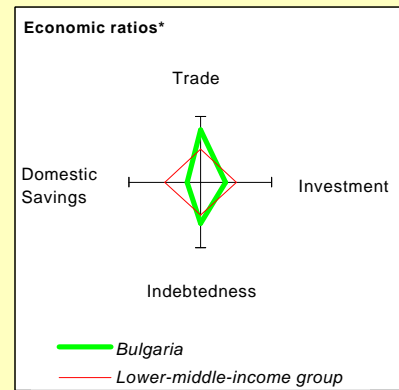
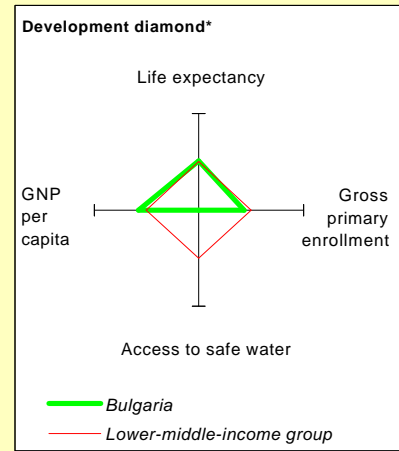
FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic
1999	BPBank	10000.00	0.00	12400.00	0.00
2001	Doverie	3000.00	1800.00	0.00	0.00
2000	Podem	3100.00	2000.00	0.00	0.00
2001	PriceSmart	32000.00	0.00	0.00	0.00
	<b>Total Pending Commitment:</b>	<b>48100.00</b>	<b>3800.00</b>	<b>12400.00</b>	<b>0.00</b>



## Annex 10: Country at a Glance

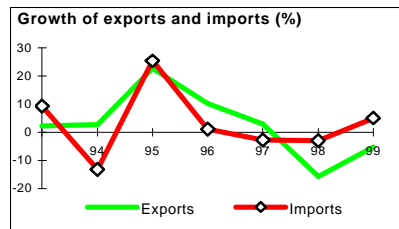
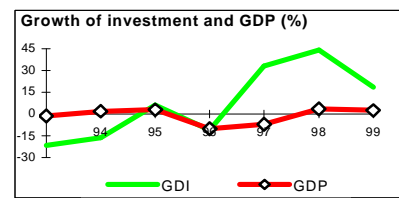
### BULGARIA: Child Welfare Reform Project

POVERTY and SOCIAL	Bulgaria	Europe & Central Asia	Lower-middle-income		
<b>1999</b>					
Population, mid-year ( <i>millions</i> )	8.2	475	2,094		
GNP per capita ( <i>Atlas method, US\$</i> )	1,390	2,150	1,200		
GNP ( <i>Atlas method, US\$ billions</i> )	11.4	1,022	2,513		
<b>Average annual growth, 1993-99</b>					
Population (%)	-0.5	0.1	1.1		
Labor force (%)	-0.5	0.6	1.2		
<b>Most recent estimate (latest year available, 1993-99)</b>					
Poverty (% of population below national poverty line)	..	..	..		
Urban population (% of total population)	68	67	43		
Life expectancy at birth ( <i>years</i> )	71	69	69		
Infant mortality ( <i>per 1,000 live births</i> )	15	22	33		
Child malnutrition (% of children under 5)	..	8	15		
Access to improved water source (% of population)	..	..	86		
Illiteracy (% of population age 15+)	2	3	16		
Gross primary enrollment (% of school-age population)	99	100	114		
Male	100	101	114		
Female	98	99	116		
<b>KEY ECONOMIC RATIOS and LONG-TERM TRENDS</b>					
	<b>1979</b>	<b>1989</b>	<b>1998</b>	<b>1999</b>	
GDP ( <i>US\$ billions</i> )	..	21.7	12.3	12.4	
Gross domestic investment/GDP	..	33.1	14.7	19.0	
Exports of goods and services/GDP	..	46.4	45.2	44.1	
Gross domestic savings/GDP	..	31.4	13.7	11.3	
Gross national savings/GDP	..	28.9	13.3	12.0	
Current account balance/GDP	..	-3.7	-0.5	-5.4	
Interest payments/GDP	..	2.9	3.7	3.3	
Total debt/GDP	..	46.6	80.8	81.5	
Total debt service/exports	..	29.1	20.6	15.3	
Present value of debt/GDP	..	..	76.6	..	
Present value of debt/exports	..	..	149.4	..	
	<b>1979-89</b>	<b>1989-99</b>	<b>1998</b>	<b>1999</b>	<b>1999-03</b>
<i>(average annual growth)</i>					
GDP	4.1	-3.3	3.5	2.4	4.9
GNP per capita	3.8	-2.1	5.3	3.5	6.1
Exports of goods and services	3.2	-6.4	-15.6	-5.2	9.2



#### STRUCTURE of the ECONOMY

	<b>1979</b>	<b>1989</b>	<b>1998</b>	<b>1999</b>
<i>(% of GDP)</i>				
Agriculture	..	10.9	18.7	15.1
Industry	..	59.4	25.5	23.4
Manufacturing	..	..	17.0	14.5
Services	..	29.7	55.7	61.5
Private consumption	..	61.5	71.2	72.8
General government consumption	..	7.1	15.1	15.9
Imports of goods and services	..	48.2	46.3	51.9
	<b>1979-89</b>	<b>1989-99</b>	<b>1998</b>	<b>1999</b>
<i>(average annual growth)</i>				
Agriculture	-2.0	-0.5	1.4	0.6
Industry	6.3	-5.6	4.3	-4.4
Manufacturing	..	..	6.5	-5.9
Services	5.1	-1.6	4.0	11.8
Private consumption	3.3	-4.9	-4.7	-2.9
General government consumption	5.7	-7.1	4.0	2.0
Gross domestic investment	4.6	-3.0	44.3	18.7
Imports of goods and services	3.1	-9.6	-2.8	5.1
Gross national product	3.9	-2.8	4.6	3.0

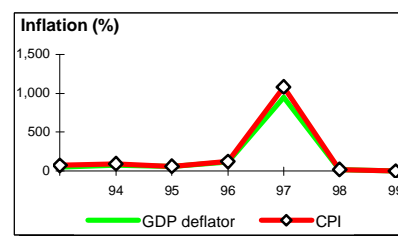


Note: 1999 data are preliminary estimates.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

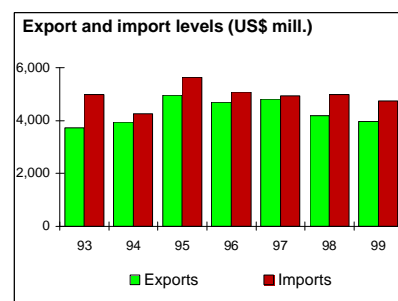
## PRICES and GOVERNMENT FINANCE

	1979	1989	1998	1999
<b>Domestic prices</b>				
(% change)				
Consumer prices	..	..	22.3	0.5
Implicit GDP deflator	..	6.7	22.2	3.1
<b>Government finance</b>				
(% of GDP, includes current grants)				
Current revenue	..	54.2	34.6	35.5
Current budget balance	..	4.8	4.1	3.7
Overall surplus/deficit	..	-1.1	2.8	1.5



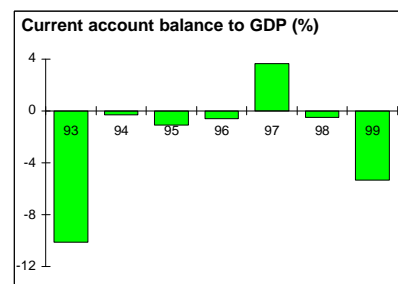
## TRADE

	1979	1989	1998	1999
(US\$ millions)				
Total exports (fob)	..	7,584	4,193	3,967
Consumer goods	..	1,960	1,303	1,338
Capital goods	..	1,150	673	605
Manufactures	..	..	721	651
Total imports (cif)	..	8,343	4,995	4,735
Food	..	536	192	190
Fuel and energy	..	2,585	1,151	1,181
Capital goods	..	3,164	1,070	1,061
Export price index (1995=100)	..	69	84	74
Import price index (1995=100)	..	48	85	83
Terms of trade (1995=100)	..	144	99	89



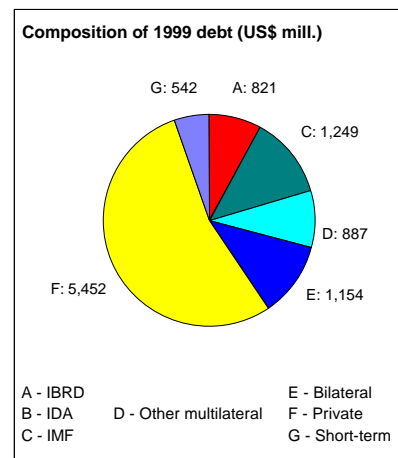
## BALANCE of PAYMENTS

	1979	1989	1998	1999
(US\$ millions)				
Exports of goods and services	..	8,749	5,981	5,752
Imports of goods and services	..	9,077	5,989	6,498
Resource balance	..	-328	-8	-746
Net income	..	-546	-283	-218
Net current transfers	..	76	230	300
Current account balance	..	-798	-61	-664
Financing items (net)	..	368	393	1,030
Changes in net reserves	..	430	-332	-366
<b>Memo:</b>				
Reserves including gold (US\$ millions)	..	..	3,057	3,222
Conversion rate (DEC, local/US\$)	0.00130	0.00182	1.76	1.84



## EXTERNAL DEBT and RESOURCE FLOWS

	1979	1989	1998	1999
(US\$ millions)				
Total debt outstanding and disbursed	71	10,137	9,907	10,105
IBRD	0	0	697	821
IDA	0	0	0	0
Total debt service	7	2,580	1,296	922
IBRD	0	0	57	64
IDA	0	0	0	0
Composition of net resource flows				
Official grants	0	0	71	80
Official creditors	0	61	73	212
Private creditors	14	808	31	171
Foreign direct investment	..	..	537	783
Portfolio equity	..	..	19	2
World Bank program				
Commitments	0	0	101	176
Disbursements	0	0	197	213
Principal repayments	0	0	20	22
Net flows	0	0	176	191
Interest payments	0	0	37	42
Net transfers	0	0	140	149



**Additional  
Annex 11**

**REPUBLIC OF BULGARIA**

**GOVERNMENT DE-INSTITUTIONALIZATION STRATEGY AND ACTION PLAN**  
(Approved by the Council of Ministers of the Republic of Bulgaria on December 7, 2000)

**I. BACKGROUND**

Over the last few years social and economic hardship, caused by the transition from a centrally planned to a market economy, has led to a sharp drop in the quality of care provided to children in residential care institutions. In addition, these past ten years have seen the emergence of the phenomenon of street children. At present, some 3,000 to 5,000 are estimated to be living or working in the streets. A further 45,000 children are dropping out of school each year and the approximate number of children at risk of severe social and family marginalisation is twice higher. In 1992, 87,000 babies were born, of which only 63,000 enrolled in first grade in 1999, i.e. 27,000 less than 1998. School drop-out rate is on the rise. Total drop-out rate grew from 3 percent in 1989 to 3.3 percent in 1997.

The system of state-supported (institutional) childcare, functioning in Bulgaria bears the following aspects:

1. State-supported childcare is only provided through public care institutions - of a boarding school type.
2. Public care institutions are located in remote settlements, primarily villages.
3. The total number of children in these institutions is 35,123. Their relative share ranks among the highest in Europe (2.15 percent of the child population).
4. Childcare institutions are subordinated to five ministries, respectively:
  - Ministry of Health (MOH) - 4,265;
  - Ministry of Education and Science (MES) - 27,148;
  - Ministry of Labour and Social Policy (MOLSP) - 3,405;
  - Ministry of Justice (MOJ) - 145; and
  - Ministry of the Interior (MOI) - shelters and centers for temporary stay of children - 160.
5. The system lacks a consistent state policy on children.
6. The existing childcare system is outdated, costly, inefficient and does not comply with the UN Convention on the Rights of the Child.

## **II. LEGISLATIVE INITIATIVES TO ADDRESS THE EXISTING SITUATION**

In 1991 the Republic of Bulgaria ratified the UN Convention on the Rights of the Child. On May 31, 2000 the National Parliament of the Republic of Bulgaria passed the Child Protection Act. Amendments to the Family Code are awaiting their second reading in Parliament. **THE GOVERNMENT HAS SET CHILD WELFARE IN BULGARIA AS A TOP POLITICAL PRIORITY.**

## **III. ISSUES FOR CONSIDERATION REGARDING THE REDUCTION OF THE NUMBER OF INSTITUTIONALIZED CHILDREN.**

1. Stepping up prevention activities and immediate support for parents.
2. Creation of alternatives to institutionalization.
3. Development of child welfare services standards and supervision of compliance.
4. Establishment of a National Child Protection Register and a unified Management Information System (MIS).
5. Optimization of the existing system of financing of childcare institutions.
6. Upgrading the skills and training of personnel employed in the child protection system.
7. Make decisive efforts to sharply reduce the number of street children.
8. Adoption of special programmes for work with minorities, aiming at their social integration.
9. Increase public awareness and draw local authorities and NGOs towards the implementation of child protection state policy.

**In addressing the above mentioned issues the Government will adhere to the principle of "the best interest of the child". It will aim at creation of conditions for every child to be raised in a family environment. These will be realized through:**

1. Prevention of abandonment, i.e. where possible, keeping the child in his/her biological family.
2. Restoration - elimination of the reasons for child abandonment and returning the child back to the family.
3. Foster care - placement of the child with foster parents to secure him/her a family environment.

4. Protection - conditions created by the state, where every child feels safe, including police protection.

#### **IV. AIMS**

In its child protection activities the Government will pursue the following aims:

1. Improvement of the living conditions of children in Bulgaria, irrespective of their ethnic origin, and provision of protection of their rights.
2. Compliance of national child protection regulatory framework with the EU requirements.
3. Development of a consistent state policy in the field of child welfare.

#### **V. ACTION PLAN TO IMPLEMENT THE GOVERNMENT POLICY OF CHILD PROTECTION AND ACHIEVE THE SET AIMS**

1. Establishment of structures responsible for the implementation of the state policy on child protection: State Agency for Child Protection (SACP) at the Council of Ministers; and Child Protection Departments (CPD) at the Municipal social assistance services.
2. Adoption of Regulations on the SACP operation.
3. Adoption of Regulations on police protection of children.
4. Preparation of a frame legal agreement, governing relations between foster families and the municipal social assistance services, covering their responsibilities.
5. Compliance between all acts of legislation concerning child protection.
6. Adoption of state standards on child care.
7. Establishment of foster care criteria.
8. Establishment of community support centers for children and their families, including:
  - Mother and Baby Units, providing temporary shelter and support to young mothers, aiming at prevention of child abandonment;
  - Family homes, providing living conditions of a family type to children and young people until a permanent solution is found;
  - Street Children Centers;
  - Family counseling and support centers;
  - Centers for selection and training of foster parents;

- Centers for rehabilitation and social integration of disabled children.

**VI. LONG-TERM SPECIFIC INTERVENTIONS TO BE MADE BY MOH, MES, MOLSP MOJ AND MOI REGARDING THE IMPLEMENTATION OF THE GOVERNMENT STRATEGY OVER THE FOLLOWING THREE-YEAR PERIOD:**

1. Gradual reduction of the number of children entering the institutions (by no less than 20 percent at 3rd year end).
2. Provision of alternative forms of child care for institutionalized children aged 0-7 ( for no less than 25 percent of children by 3rd year end).
3. Reduction of the capacity of residential care institutions, and where possible, closure of these.
4. Reintegration of street children into a family environment (not less than 20 percent 3rd year end).
5. Development of special school programmes and services for children in areas of compact ethnic minorities, aiming at abandonment prevention and reducing the illiteracy rate among these.
6. Development of joint programmes (between state, municipality and NGOs) to provide for living conditions and jobs for the young people, who have come of age 18 and are leaving the institutions.
7. Improvement of living conditions of children in institutions not designated for closure.
8. Preparation of qualification programmes to train social workers in child protection skills.
9. Training of police officers dealing with child protection.
10. Close cooperation and interaction with non-governmental organizations, which specialize in child care.
11. Optimization of the financing system of child protection activities, by rechanneling of funds from residential care institutions to alternative care models, including foster families.

**VII. IMMEDIATE TASKS TO FULFILL**

1. Development of the structure of the SACP and inclusion of its budget plan into the 2001 Republic of Bulgaria Budget Bill.

2. Restructuring of Municipal social assistance services with a view to establish CPD within them. Allocate funds for that through the Budget Bill.
3. Plan for the 2001 Budget Bill and the following years, so as to ensure the necessary funds for the Bulgarian contribution to the international financing of the reform - the BGN amount of US\$ 1,000,000 (one million) per year over the following three years.
4. In the 2001 Budget Bill and the following years allocate the necessary funds for the selection, training and support of foster families.
5. Organization of training for the SACP and CPDs' personnel, with a view to acquire necessary professional knowledge in the area of work with children.
6. The Minister of Labour and Social Policy shall be issued authorization to negotiate and sign a Loan Agreement with the World Bank and other development partner agreements.
7. **A Master Plan for Deinstitutionalization**, to be prepared jointly by the MOLSP, the MOH, the MES, the MOJ and the MOI, and including:
  - Evaluation criteria for the closure and restructuring of institutions (number of institutions by municipalities, quality of child care, physical and human resources, psychological climate, location of institutions (town, village), staff/children ratio, social status of children, profile of the institution's personnel - number of commuting staff, financial situation, staff turnover, qualifications, attitude of local authorities to the institution, result from previous attempts at closure, good practices development, etc.);
  - Prospects for children from the institutions about to be closed (possible alternative services);
  - Prospects for the personnel of institutions, designated for closure (retraining and redeployment, including opportunities for foster care and provision of other welfare services);
  - Interventions to increase public awareness;
  - A schedule of the closures (reduction of the capacity) of existing residential care institutions.
8. Development and implementation of a national Management Information System and a national Child Protection Register, based on the information system of the National Social Assistance Service.

**Additional  
Annex 12**

**BULGARIA: CHILD WELFARE REFORM**

**INSTITUTIONAL ASSESSMENT**

**Summary**

**Background**

At the moment the responsibilities for child welfare are separated among five ministries (MOLSP, MES, MOH, MOI and MOJ) and the municipalities. The non-governmental sector exists but is hindered by a lack of experience and institutional capacity, as well as by the limited possibilities of the state institutions to effectively support and partner the third sector.

A major objective of the present study is the analysis of the role of the new CPA and the evaluation of the capacity of the administrative structures responsible for the child welfare reform to undertake the necessary development of policies for the reform and the associated implementation of those policies. The evaluation includes the organizational structures, job descriptions of the staff, their qualifications, the information and financial flows in the system, as well as the respective mechanisms for coordination and communication between the different institutions.

**Methodology**

The methodology of the study included:

- analysis of the legal documents (laws, regulations, orders);
- interviews with experts from the central ministries in the MOLSP, MOH, and MES;
- structured interviews in ten municipalities (Dobrich, Razgrad, Gabrovo, Teteven, Belogradchik, Bobovdol, Nevestino, Rakitovo, Laki and Haskovo) with: representatives of the municipal administration, directors of the MSAS, directors of social institutions for children located on the territory of the respective municipality; and
- secondary analysis of data and results from other studies of Club Economika 2000 and the Foundation Care International Bulgaria in this area.

The conclusions and recommendations from the survey are summarized under the following headings:

- Making policy decisions for social services provisions;
- Possibility of MSAS to provide services projected in the CPA and to coordinate the activity of all interested institutions in this sphere;
- Possibilities for human resource management;
- Mechanisms for funding the provision of services;
- Coordination among the ministries responsible for the implementation of the CPA; and



- Functions of the SACP.

### **Making policy decisions for provision of social services**

According to the legislation, policy decisions in the sphere of education, health care and social assistance are the responsibility of the central state bodies.

The decentralized bodies of the central administration – Regional Administrations, Regional Educational and Healthcare Inspectorates, MSAS are responsible for implementing the state policy within the respective regions in the country. Their functions are, however, over regulated by methodical instruction to the institutions and control over the legality of the municipal decisions

The institutions providing social services – educational, health and social services, have limited authorities for decision making – for example, for opening of special classes related to the specific needs in the territory of the municipality. The implementation of the legislation, depends to a large extent on the interaction (personal, party, etc.) between the decentralized bodies, municipalities and social institutions at the local level. The general conclusion is that in the sphere of social services the authority for deciding policy is strongly centralized.

### **MSAS possibilities to provide services projected in the CPA and to coordinate the activity of all interested institutions in this sphere**

The necessary prerequisites for provision of the full set of services for children at risk projected in the CPA are not yet in place. The subsidiary legislation and the necessary structures still have to be established.

For the time being the MSAS perform some activities for child protection and provide financial assistance for poor families. The CPA, but were not very well acquainted with the details and all the changes in their work that will come about. The management staff of the MSAS are, however, familiar with some forthcoming tasks in relation to the implementation of the Act, e.g. setting up a register of children at risk in the territory of the municipality. Details of some of the provisions and responsibilities still have to be set out. There is a need for active technical support and consulting about types of services, by using the experience of West-European consultants or such from other countries in transition that have already implemented similar reforms.

It will be important to ensure that the necessary funding for the child welfare reform is included in the proposals for budget allocations for 2001. The relationship between the central and municipal budgets also needs to be considered. The question of remuneration for foster families needs to be settled together with the associated budget allocation. There should be clear guidance for the new administration which ensures the correct application of all the related legislation in the social field. There is need for technical assistance for building a uniform information system, creating registers of the children at risk and a database of the non-governmental organizations in the territory of each municipality.

### **Potential of the MSAS to co-operate with the NGOs and contract out services**

The NGO sector in Bulgaria has a significant positive potential for providing different types of social assistance. The weakness of the NGOs in Bulgaria is linked to their lack of status, the way

the funding mechanisms work and the general lack of information support and the weaknesses of the social assistance system.

Also, there is a certain lack of professionalism in the work of many organizations. This is shown in the lack of a clear policy direction and strategy for the development of services, lack of professional skills and methodology in the areas in which they work, insufficient communications with others, lack of organization and insufficient importance paid to the need for a reliable information service and human resource management in the organization.

The responsibility of the state should be mainly to create conditions for competition, to develop standards for the provided services, financing on a competitive basis and the termination of state monopoly. The CPA contains provisions that make the state more active and powerful. The legal entities, particularly the non-for-profit ones should be more energetic in exercising their rights. All institutions (state and private) should be legal entities. Only in this way, they can directly undertake rights and obligations, to compete for donor funds and improve their quality of work.

### **Possibilities for human resource management**

In the institutions studied there are no working modern systems for human resource management, based on the principle of the quality of work. Such systems as there are, so not meet modern requirements for recruitment and motivation of the staff. There is no effective system for enhancing or ensuring appropriate qualifications particularly in the units subordinated to the municipalities.

The requirements for staff working in the child protection field are very low. The social workers, the supervisors and the other people, working with children at risk are not enough aware of the legislation. The staff have experience, but lack modern qualification and skills for social work with individual cases. In the studied units at the municipal level there was a positive attitude towards the non-material incentives for work. There is a lack of the necessary professional skills and specialists to create and maintain an information system and register of children at risk.

Human resource management should be improved and directed mainly to the development of a modern system for human resource management with the essential elements, related to the recruitment, selection and appointment of staff, the development of a system to ensure that staff have the opportunity to acquire appropriate qualifications and for development. An important consideration in relation to the priority need for individual work with children is the effect of that on the number of staff in the MSAS and the associated salary costs.

### **Mechanisms for financing the service provision**

The main problem is related to the need to modernize these mechanisms. The possible solution is seen in two directions.

First, in changing the system from one of financing activities to one of financing of services. For this purpose, it is necessary to develop standards for financing a unit of service e.g. costs per child

placed in social care institutions, costs for the allowance of one child raised in foster family, etc. The drafting and accepting of these standards should be within the powers of the public institution, which manages and finances the respective activity. The standards should be differentiated by types of services and by regions of the country. They should ensure that the minimum quality standards set by the state are met. The director of the respective social institution or activity should have full powers to organize the provision of social services within the available financial resources.

Second, implementation of the principle of financing based on competition. The idea is that social services are provided under contract after offers for the required service are evaluated against pre-determined criteria by competent state authority (e.g. line ministry). The project is assigned to the organization, giving the best offer, which will use the respective financial resources, provided by the entity, which has conducted the contest. The needed pre-requisite for this modernization is the adoption of national minimum standards for the quality of all social services.

### **Co-ordination among the ministries responsible for implementing the CPA**

Despite the preparation work, more needs to be done to ensure that the systems of MOLSP, MES and MOH are ready enough to implement the CPA. The relations between the institutions are still based more on goodwill and are not well regulated. The availability of many institutions subordinated to different ministries might impede co-ordination. This problem might be difficult to overcome even after the establishment of the SACP, because the different institutional subordination could continue to create difficulties at the service users' level.

It is necessary to consider creating a network of service support centers, where the clients would be able to receive easy access and information about benefits and services. The most suitable places for the establishment of such centers seem the departments within the MSAS. The education, health care, rehabilitation and integration of children should be equally included as types of activities in all institutions. The division of the institutions in social-health and educational ones is out of date and should be abolished.

### **Functions of the GACP**

There is needed active public debate and exchange of professional ideas for the drafting of subsidiary legislation for the CPA, to make the functions of the SACP, as specified in article 19 of the CPA, more concrete. The SACP should be given effective control powers in order to guarantee priority of the children's interests in the methodological guidance and control over the MSAS. It is necessary to establish the links between the SACP and the NCCP with consultative functions clearly. Measures should be taken to ensure that information is available to all professional groups working in the child protection field and that they can make representations to the NCCP.

**Additional  
Annex 13**

**BULGARIA: CHILD WELFARE REFORM**

**SOCIAL ASSESSMENT OF CHILD CARE**

**SUMMARY**

**Introduction and Methodology**

A social assessment was carried out to obtain information about the attitudes of socially disadvantaged families, about the present situation in child care institutions, about the perceptions of their staff and the children placed there, about the practices and attitudes of the other players of the central and local level regarding child care.

The study covers children of three age groups: 10-14, 15-18 and young people aged 19-24. 1,030 children were interviewed in 89 institutions belonging to the MES, MOJ, and MOLSP (for those MOLSP institutions which house children with disabilities, only children with physical disabilities were interviewed). A total of 1,004 interviews were conducted with the mothers or carer in socially disadvantaged families, 1,030 interviews were conducted with children and young persons in institutions and 554 interviews with staff working in institutions.

**Background**

Over the last 10 years the relative share of children in the population as a whole has declined (from 25 percent in 1989 to 20 percent in 1999), while the number of children in residential institutions and the number of school drop-outs has grown. During the same period the population has decreased from 9.0 million in 1989 to 8.2 million in 1999. Birth rates (per 1,000 population) have fallen from 12.7 in 1989 to 7.9 in 1998 and death rates (per 1,000 population) have risen from 12.0 in 1989 to 14.3 in 1998. School attendance has fallen. School enrollment in 1989 stood at 98.4 percent dropping to 94.3 percent in 1998. After 1991 the percentage of children dropping out from school has risen from 3.0 percent in 1989 to 3.3 percent in 1997.

The number of children in institutions has increased. The relative share of children, aged 0-3, placed in specialized institutions under the MOH has grown from 874 (per 100,000) in 1989 to 1,300 (per 100,000) in 1998. The relative share of children with disabilities in institutions, aged 0-17, has increased from 108 (per 100,000) in 1989 to 121 (per 100,000) in 1997. At the end of 1999 there were a total of 34,122 children, or 1.8 percent of Bulgaria's child population in specialized institutions under the MOH, the MES, the MOLSP, and the MOJ.

## Reasons for the Institutionalization of Children

*Poverty and lack of alternative social services, ensuring support to the families of socially disadvantaged children, are the main reasons determining the risk of institutionalizing children*

- The primary reasons for institutionalizing children from *socially disadvantaged families* (for the purpose of this study defined as those receiving benefits under the Birth Promotion Decree and the Social Assistance Act) is related to the hardships these families have to cope with in bringing up their children (economic, psychological and social). This is exacerbated by the absence of real alternatives to institutionalization.
- The major problems faced by these families is a poor quality of life their environment and access to education. Financial incomes have a major influence on the quality of life of socially disadvantaged families. In only 2 percent of the interviewed families, both parents have a permanent job. Unemployment benefit only minimally alleviates the economic situation in the families. The average monthly income per household member is BGN 33 , but it is greatly influenced by the ethnic and cultural origin of the mother and by the number of the children in the family. It is lowest in Roma families, and in families with more than 3 children (BGN 23). Compared with this, in 1999 the average monthly cost per child placed in an institution was as follows: BGN 111 in the institutions under the MES; BGN 232 under the MOLSP; BGN 288 under the MOH; and BGN 598 under the MOJ. The costs cover food, clothing, medicine, training aids, staff wages and remuneration, health insurance contributions, and overheads.
- The largest spending of families is for food (96 percent), followed by utilities (73 percent), clothes (30 percent) and small treats for the children (26 percent). The distribution of their expenses shows that the families can afford only essentials. Given this compressed spending profile, children nevertheless continue to have priority compared to what is spent on the needs of the adults.
- Roma children are the most undernourished, both in terms of the number of meals per day (less than 3) and of food quality. The children in families with more than 3 children also do not eat enough or well.
- A total of 62 percent of the children of interviewed families had been ill several times in the winter. 67 percent of the families are not used to taking their children for medical check-ups. (This compares with 49 percent of the children in institutions falling sick, and only 7 percent who were not taken for medial check-ups.) This information points to the higher standard of health care in institutions compared to that in families that are social disadvantaged. The large percentage of children in social disadvantaged families who have not had medical check ups is determined by the availability and access to health care and also by the health education and understanding of the parents.

- The families' living conditions are such that they do not meet the criteria for acceptable conditions and in a total of 35 percent of them children do not each have their own bed. In Roma families this figure reaches 56 percent.

***From the point of view of the quality of life, the most vulnerable are children in ethnic Roma families, in families with more than 3 children and with children over 6 years of age, in the families of single mothers, and in families, where the mother is over 30.***

- The parents with more than three children and with children who are above 6 years old, Roma, and single mothers devote substantially less time to their children.
- When the number of children in the family grows to more than three, parents and children play together less, as there is more housework for them to do.
- The quality of life has an important influence on repressive inclinations. Incomes, as well as the number of children in the family (more than 3) have an influence on the parents' choice of punishment as well as the ethnic and cultural origin of the mother. In case of a child's wrongdoing, physical punishment is most often the choice of Roma families (27 percent) and families with more than three children (32 percent), compared to 15 percent of all parents, who resort to this type of punishment.

***One of the major risks for children from socially disadvantaged families is of dropping out of school.***

- 18 percent of the interviewed families have children at school age who have dropped out of school, meaning that in correlation to the aggregate number of children at school age, there are 66,000 drop-outs. The percentage of school dropouts is highest for Roma children (32 percent), followed by the Bulgarian (8 percent), and the Turkish (6 percent).
- The primary reason for dropping out of school is because the families cannot afford the cost of education (91 percent). This is the reason given by all Bulgarian Muslims (100 percent). Among the interviewed Turks, the prevailing explanation is insufficient knowledge of the Bulgarian language (22 percent).

***For both the interviewed socially disadvantaged families and the staff of the childcare institutions, the advantages of institutionalization are that it can satisfy the children's vital needs for food, health and education.***

- Those who accept institutionalization as a possibility for temporary or permanent upbringing are, mainly, the Roma families (30 percent), followed by Bulgarian families (16 percent), and the Turks (11 percent). Bulgarian Muslim and Turkish mothers do not make this choice at all.
- All ethnic and culture groups give preference to placing a child in the care of relatives. The foster family alternative is not very popular. Bulgarian Muslim and Turkish mothers do not make this choice at all. The disposition of Bulgarian and Roma mothers is a prerequisite for the promotion of the foster family as an alternative to institutional

childcare: when asked to consider the permanent placement of the child outside its family, they more frequently choose a foster family, and more infrequently a childcare home.

- The option of placing a child temporarily in a childcare home was selected by families with more than 3 children and single mothers interviewed much more frequently compared to the total percentage of parents, who have chosen this answer.

***Placement in a childcare institution is the last resort for 1.9 percent of the surveyed socially disadvantaged families, who have children placed in a specialized institution, and would be considered as a possible permanent childcare solution by 0.5 percent, and as a temporary solution by 7.6 percent of the families.***

- About 1.5 percent of the interviewed parents are considering putting up their children for adoption. Therefore, according to the data from the quantitative analysis, 6,804 socially disadvantaged families in this country have placed their children in specialized institutions. Using the data from the survey of the staff in 114 childcare institutions and applying this to the total number of homes, it is estimated that 7,180 children from families were placed in institutions in 1999. The conclusion is that approximately 95 percent of the children in institutions are from social disadvantaged families.
- It is estimated that the number of children who are at risk of being placed in childcare institutions, either temporarily or permanently, is approximately 29,500.

***5,400 children with disabilities are placed in childcare institutions.***

- Children with disabilities are at risk of being institutionalized, because of the absence of psychological and social support for their parents, particularly in the maternity hospitals.
- Institutionalization is the most widespread social service related to the rearing of such children. However, these institutions do not offer specialized and adequate care for the autistic and mentally handicapped children.
- So far, the only alternative social service to institutionalization is the Day Care Centers for children with disabilities. The direct consumers of the services they offer are the children with disabilities who are reared in a family environment. The social effect for the parents is in the free time they can have, and the adequate information they get about their child's problem. The psychological effect is in the general progress of the child, and the opportunity for the child to socialize with people outside the family.

***Institutionalization is the only real social service that children, neglected by their parents/guardians, can get.***

- There is no system for the identification of child abuse or neglect in the family nor is there a mechanism to set the judicial system in motion in the cases of abused children. Where the courts are involved there are no mediation services or representation services for the children. For those cases that come to light institutionalization is usually the only service offered to these children. They often are placed in the institutions for children with deviant behavior.

- ***There are no modern services, assistance and support provided to children with proven deviant behavior, nor for those who are potential cases of antisocial behavior.***
- There are a number of measures and sanctions for children (and their parents) who show antisocial behavior. The common practice is to apply these sanctions to children who are at risk of committing antisocial acts. This increases the risk of institutionalizing children who have not committed any antisocial offense.
- The system punishes the children for misdeeds rather than providing for preventive work with them and care and support for the children and their families. Antisocial behavior is often an expression of unsatisfied needs and other problems (victims of violence, begging, runaways from specialized institutions).
- Notwithstanding the ban on physical punishment, violence is used in some of the reformatory institutions.

***Street children have a restricted access to education, health and protection from violence, which are their guaranteed rights under both the UN CRC and Bulgaria's Constitution.***

- The services which are offered are only those that meet street children's pressing needs, and nothing is done to address the causes of their living in the street.
- The services that are provided for the social reintegration of street children are unsatisfactory.
- The most serious risks facing street children are violence and limited access to education. The agency responsible for their welfare is the same agency that works with children with antisocial behavior. Prevention work with parents and children is insufficient.

### **Institutionalization – diagnosis, counseling and placement of disadvantaged children into specialized institutions**

***Two basic procedures are involved for a child to be referred to and placed in an institution: diagnostic examination and placement of the child in a specialized institution, and the decision on where the child should be placed.***

- The boards deciding whether a disadvantaged child is to be referred to and placed in a specialized institution have members who are experts in only the nature and degree of the deficiency, disease, or disorder of the child. Their evaluation is based on the existing system normally concentrates on what institution is appropriate for the child. The procedures do not ensure a comprehensive opinion in the best interest of the child and the practice and regulation of the system is conducive to the institutionalization of children.
- There are cases of children being institutionalized where the judgment and a decision about



the placement being taken by an interested party (e.g., the director of an institution, or a member of the board of experts making the decision work in the institution in which the child is to be placed).

- Similarly, the specialized expert boards (Diagnosis Committee, Medical Advisory Committee, Labor Expert Medical Committee) are not required to make a comprehensive analysis of the specific case or to propose a decision base on the best interest of the child. The judgment focuses on the degree of disability, or the severity of the disease.
- The Diagnostic Board determines a child's "eligibility" and to which specific specialized institution under MES the child should be referred. The boards are governed by the regional inspectorates of MES, and include experts, who have a vested interest in the child's institutionalization, since they work in this same institution. The budget for the institutions depends on the number of children placed in it.
- The Local Committee for Combat against Minors' and Juveniles' Anti-Social Behavior (LCCMJASB) has administrative and punitive functions in relation to children with deviant behavior. The members of those committees are insufficiently trained to perform their functions. The members who work on the Committee are drawn from volunteers some of whom work in the local authority. None of the members are required to have specific knowledge on the problems of children with behavioral problems. Because they have other jobs and do not always attach sufficient importance to their duties in relation to these Committees, the quality of the service provided by these Committees suffers.

***The legislation does not provide sufficient guarantees for the protection of the rights of the child to be heard and to have a defender in the Local Committee's proceedings.***

- There are insufficient guarantees in the procedures when the case comes before the Committee and for the court review of any LCCMJASB ruling for placement in Instructive Boarding Schools under the MES. The district courts act unilaterally and the judges have no specialized training. It is a common practice to approve the suggestions or the decisions of LCCMJASB.
- Attempts are being made to restrict the access to specialized institutions with new MES and MOH Rules, which refuse access to certain social groups, namely children from large families, children of single mothers and of socially disadvantaged families. These are the most vulnerable groups in terms of quality of life and social and psychological family environment.

### **Institutional care**

***The quality of life and care in the specialized institutions including perceptions of children and staff in the institutions:***

***From the children's point of view:***

- 24 percent of the children in institutions have families and relatives and have been placed

there due to poverty.

- The institutions satisfy the children's needs for education, health, shelter and food. As far as these indicators are concerned, the institutions provide better care than the socially disadvantaged families.
- In 1999, the average monthly cost per child in the institutions was BGN 153, against an average monthly income of BGN 33 per household member in socially disadvantaged families.
- Normally, children in institutions have 3 or more meals a day: 32 percent have more than three meals a day; 61 percent have three meals; 6 percent -- two, and only 1 percent -- one meal a day. In socially disadvantaged families, the proportion of those who have three meals a day is lower (42 percent).
- The percentage of children, who were not sick even once in winter, is higher for the children in the institutions (49 percent) than for those living in socially disadvantaged families (23 percent).
- The children in the institutions, who have families (40 percent), come mainly from families of single mothers, families with poor living conditions, and large families. Of them,
- 67 percent of the children interviewed said they keep in touch with their parents, 15 percent said they do not and 18 percent said they do not have parents.
- For the 67 percent, the usual way of keeping in touch is by visiting the parents (73 percent). Much more rarely parents visit their institutionalized children (18 percent of interviewed children).
- Activities to maintain the links between children and their families are missing.

***Children in institutions do not manage to establish a lasting relationship with an adult who matters, which leads to the development of an unstable personality. The only lasting relationships built in the special institutions are those between children. Leaving the institution, they feel insecure and unstable.***

- During the time spent in institutions, especially in the first years of their life, children from Roma families become estranged from the cultural traditions of their parents, they change their ethnic and cultural affiliation, and when they leave the institution they can hardly find an adequate ethnic and cultural environment to integrate into. 28 percent of the interviewed children identify themselves as Roma, while it should be in the range of 41 -55 percent, according to the documentation of the specialized institutions.
- Most often, the child's closest person within the institution is the instructor (56 percent), followed by a teacher (41 percent), the director (27 percent), and a member of the service staff (27 percent). It is only natural for the child's closest friend to be from within the

institution, rather than from outside and that it should be the instructor, who spends a lot of time with the children.

- 67 percent of the children point that their best friends are, either, from within the institution they live in, or from their school. 12 percent of the children say that their best friends live in the same area, and 14 percent that their best friends live in the area where their parents do.
- The large percentage of those with friends from within the institution is due to the confinement of the institutions. In many cases the children simply have no choice.
- The research shows that the children's self-sufficiency and independence are not what the specialized institutions are seeking to achieve. The life of the children there is regulated, and is reduced to only limited contacts with the community. This does not allow them to develop any social skills for an independent living.
- For 66 percent of the children the most important thing for them after leaving the institution is to find a job. Thirty-six percent of the children are planning to continue their education. Seventeen percent believe that it will be very important to create a family, but only 5 percent want to have children.
- Fifty-six percent of the children think that their future job depends on their own efforts. 21 percent believe that their future job depends on the government, and 15 percent think that their job will be depend on the institution where they grew up.
- Most of the children would prefer to devote their spare time to sports (43 percent), to playing computer games (29 percent) and to listening to music (29 percent), but in practice, they spend their spare time watching TV (87 percent).
- Twenty-six percent of the children would like to work in their spare time to earn some money. Those who do have a job, work in the area where the institution is located. Only 18 percent work in the institution itself. 22 percent of the children say that they find alternative ways of earning money. The qualitative research makes the assumption that these alternative jobs might include prostitution and theft. 22 percent of the children under 14 years of age work “sometimes or often”.

***The children do not give a firm answer to a direct question about their choice between an institution and a family. Each of the options receives an almost equal amount of support. Perhaps, this is because the children who have parents are placed in special institutions because of extreme poverty or an unfavorable family environment, often involving domestic violence.***

- This issue requires an individual approach to each institution, irrespective of its type, nature, status and subordination. When developing alternatives to institutional care and services to prevent abandonment, it is important to take account of the human factors, namely the relationships between the children, their families and the staff.

- The major advantages of the institutional life for a child are the material conditions whilst in the family it is security.

*From the point of view of the staff:*

- According to the staff of the specialized institutions, the children there seem much more dependent (66 percent), less decisive (33 percent), and less responsible (34 percent), less selfish (50 percent) than children living in a family (where the percentages are, respectively, 44 percent, 53 percent, 60 percent, 13 percent). Overall, the staff (78 percent) do not believe the institutionalized children have good opportunities for career development, social integration and personal life.
- At first glance, a child's lack of selfishness could be considered a positive trait but, in the context of a long institutional record, it could be interpreted as lack of confidence.
- The individual approach is the prevailing form of working with the children: 47 percent of the staff interviewed say they work with each child individually; 18 percent work with a group of children; 11 percent say that they work with a specific group of problematic children; and 15 percent state that they work with all children together.
- The individual approach predominates among psychologists (77 percent). Social workers and instructors prefer to work with groups of different children (respectively, 20 percent and 27 percent).
- The majority of the interviewed (71 percent) think that their best expertise is in the psychological and physical development of the children. Among them, MOH staff constitute a majority – 86 percent. The second area in which staff think they have good expertise is pedagogical methods for child upbringing, counseling and support (66 percent). Educational methods rank third (52 percent).
- The majority of interviewed psychologists (44 percent) say they understand counseling and family support techniques. The directors (65 percent) and social workers (42 percent) indicated as their best knowledge-management and work planning in a social institution.
- One of the major problems of institutional care is the lack of effective work with parents.
- Some 71 percent of the staff interviewed think that a visit to the parents makes children want to visit them again the following week, which suggests the need for working with parents. Mostly the doctors (80 percent) and the psychologists (85 percent), and then the social workers (50 percent) support this statement.
- The opinion of the staff on the best environment for the child is split between an institution with excellent conditions and the family. When giving priority to the family environment, they don't have the natural family in mind. There is a prevailing negative attitude to the

natural parents.

- Employees from different jobs and professions adopt different points of view on childcare. This proves how important teamwork is to provide a network of emotional support with a common objective. The researched “best practices” in the specialized institutions confirms the motivating role of teamwork and its contribution of overcoming the limits of anonymous routine childcare. Teamwork is hardly practiced at all in the specialized institutions being reduced to hand over of shifts or discussion of operational problems.
- For the staff, the main advantage of their work is in the satisfaction from working with children (65 percent). Nevertheless, the combination of stress (61 percent) and low wages (77 percent) leads to emotional breakdown, so that, to “protect” themselves from this, staff shut themselves up in routine and impersonal childcare tasks.
- The main reasons for the stress in the work of the staff of childcare institutions are the lack of parents and the resulting emotional and behavioral problems of the children; the unfavorable children-to-staff ratio; the prevailing lack of teamwork as a network for emotional support in reaching for a common goal; the low public esteem for the efforts of those working in homes, combined with the low salaries.
- The staff of the surveyed childcare institutions have predominantly pedagogical (34 percent) and teacher (20 percent) qualifications. This is mainly because the institutions under MES are obliged to hire as “instructors” qualified teachers. The officially declared goals of these institutions are childcare, upbringing and nurturing.
- The specialists best fit for these positions are graduates in social work and social pedagogues but in the typical case, they do not have a pedagogical qualification, so they can not join any of the special schools under the MES.
- Noticeably, the percentage of psychologists is highest at the Medical-Social Care Homes (MSCH) for children under the MOH (6 percent). In the specialized institutions under the MES, the psychologists are 4 percent, in the MOLSP institutions, they constitute 1 percent, and in the MOJ, there is not even one. (This is mainly due to the tendency to build multidisciplinary teams, which is characteristic trend in the restructuring of the MOH institutions in the last three years.)
- None of the interviewed MOJ employees is a social worker. The low percentage (9 percent) of social workers in the specialized institutions under the MOLSP comes to show that their working pattern also focuses more on the pedagogical (22 percent) and medical (22 percent) aspects, rather than on social child and family support work.
- A total of 38 percent of the staff members have received training on working with children. A total of 48 percent say they have not been to such courses. Sixty-three percent of the staff under the MOLSP has not attended any training courses on working with children.

***Most of the available professional training focuses on very specific professional issues and skills. There is no training in skills for working in a team, for working with parents, and understanding the problems of children, outside the simple cause-and-effect thinking pattern.***

- 49 percent of the staff interviewed state their need for upgrading their professional qualification. A need for professional qualifications is declared mostly by social workers (75 percent), psychologists (78 percent) and educators (69 percent).
- The qualitative analysis shows that the need for training is clearly recognized and adequately addressed in those institutions, where there is change, a reform process is underway, and experience in a different practice has been gained, which has helped them pull childcare out of routine and anonymity. These institutions include: all those under the MOH, and some under the MES and the MOLSP.

### **Leaving specialized institutions**

***In 1999, for 9 percent of the children in the surveyed specialized institutions, the exit from one proved just an entry into the next institution.***

- This is normally the fate of children with disabilities, whose parents have abandoned them, and for whom adopters are very difficult to find. Of all institutionalized children with disabilities, those with mental and autistic disorders have the gloomiest prospects. After leaving the MSCHC, they are usually placed in one of the institutions for mentally retarded children under the MOLSP. There are insufficient structures and establishments providing specialized care to children with such problems.
- A large number of children from socially disadvantaged families who have been placed in institutions without the withdrawal of their parents' rights, face a life moving from one institution to another.
- Currently, adoption is the only alternative to institutionalized care for many children. However, there is little recognition for the rights of the children in the process. The motives of the prospective adopters are not studied thoroughly, there is lack of parental skills training, and the adaptation of the child to the new family environment is not monitored.
- The usual barriers to a child's adoption include: the child's disabilities (79 percent), missing disclaimer (49 percent), or the whereabouts of the natural parents are unknown (26 percent). For these children the risk, that the exit from one institution opens the doors to the next, runs highest.
- In the context of the reform in the MES Homes for children aged 3-14, a child may end up living in the street, if his/her return to the natural family is not properly managed.

- Some of the children end up in the street, because of their discontent with life in the specialized institutions. In 1999, the Institutions for Temporary Stay of Minors and Juveniles registered 1,386 cases of runaways from different institutions.

### **Prerequisites for Child Policy Reform**

*An analysis on the compliance of the current care and support system available to disadvantaged children and families, and its adequacy, found not only a need for the system to be reformed, but that there are also a number of prerequisites for a successful start of such a reform.*

- The amendments to the legislation are considered both a major prerequisite, and a declared Government commitment, for the implementation of the reform. The adoption on May 31, 2000 of the CPA was the most significant signal for change. The CPA is an expression of the new philosophy in the government child policy, based on the principles of the Convention and the need to protect the rights of the child.
- The different ministries involved in childcare are taking various steps for reforming the policies and practices in this area, and within the scope of their own expertise and activities.
- In the year 2000, new Rules on the structure and operation of these institutions was adopted. The new status they are given changes them – from oppressive infirmaries into amenable homes.
- The MES is implementing a reform in the homes for children deprived of parental care. New Rules on these homes were adopted in the year 2000. The ambition was to limit the grounds for institutionalization of children, which has led to a 10 percent reduction of specialized institutions.
- One of the objectives of the structural reform that the MOLSP is implementing is to take on the responsibility for child protection through the establishment of CPDs under all MSAS, and provision at the municipal level of a range of family and child support services. Some experience has been gained from the establishment of 13 day care centers for disabled children living with their families.
- The MOJ started a reform in its policy on minors at Reformatory Homes, which finds expression in the efforts for bringing the policy in compliance with the international standards on living: improvement in the physical conditions of life; humanization in the manner staff treat detainees; creation of conditions allowing minors to benefit from their stay at the Reform School in respect to education, vocational training, and preparation for leaving the institution.
- By providing training and methodological support to staff, working directly with children, the NPD under the MOI, which incorporates the Juvenile Crime sector, is making efforts

to perform its police functions with due respect for the rights of the children. The inspectors from the Child Pedagogical Units and the officers at the Institutions Temporary Stay of Minors and Juveniles undergo a compulsory initial training, which differs from that provided to other officers.



**Additional  
Annex 14**

**BULGARIA: CHILD WELFARE REFORM**

**ISSUES OF ETHNICITY**

**Summary**

**1. Demographic characteristics**

According to the last census in Bulgaria (December 1992), Tables 1 and 2 below give the ethnic and religious composition of Bulgaria:

**Table 1: Bulgaria Ethnic Composition.**

Bulgarians	7,271,185
Turks	800,052
Roma	313,396
Armenians	13,396
Russians	17,139
Karakachans	5,144
Lochs	5,159
Greeks	4,930
Tartars	4,515
20 other ethnic groups not exceeding 0.02 - 0.01% of the population.	
<b>Total</b>	<b>8,487,317</b>

**Table 2: Bulgaria Religious affiliation.**

Eastern Orthodox Christians	7,247,592
Catholics	53,074
Protestants	21,878
Sunni Muslims	1,026,758
Shiite Muslims	83,537
Others	6,430

*Source: Results of the census. Vol.1. Demographic characteristics. Sofia, NSI (National Statistical Institute), 1994.*

Self-identification of ethnicity seriously distorted the real data on the numerical strength of the ethnic groups in Bulgaria during the 1992 Census. According to estimates made by Bulgarian academics, the true numbers of the larger minority groups in 2000 were: Roma approximately

725,000; and Turks approximately 650,000.

**Poverty:** Studies show that **Roma** families and their children are over-represented amongst the poorest families in Bulgaria, the largest families in Bulgaria, having a high mortality rate among women of child bearing age, a higher than average child mortality rate, a high birth rate. Generally they have very poor housing. The **Turkish** and **Pomak** families have a higher rate of unemployment and poor access to health care and education. They sacrifice a great deal to improve their housing conditions, but many live in poor residential conditions.

The differences in educational and professional qualifications of the different ethnic groups is an important determinant of poverty. The average unemployment rate for the country varies between 18 percent and 22 percent. Amongst the Roma the unemployment level can reach 80 or even 95 percent. For the Turkish and Pomak population in the Eastern and Western Rhodopes (the more isolated and mountainous regions) unemployment reaches levels above 55 percent. The poorest families in Bulgaria and thus the most socially and economically disadvantaged are those families with three or more children. Roma families and Pomak families are over-represented in this group and, to a lesser extent Turkish families.

**Social Assistance:** According to the Club Economica 2000 survey, conducted in 1998, on the monitoring of the EU Emergency Social Assistance Program for Bulgaria, the relative percentage of Bulgarians who receive social assistance is lower than the percentage for the population as a whole.

**Table 3: Recipients of Social Assistance by Ethnic Origin.**

<b>Ethnic group</b>	<b>Population %</b>	<b>Beneficiaries %</b>
Bulgarians	84.7	71.3
Turks	11.2	10.8
Roma	3.0	16.2
Pomaks	0.2	0.5
Others	0.5	0.5

*Source: EU Social Aid Program - 2 Monitoring, 1998.*

**Education:** There is a clear correlation between the number of children and the education of their parents, with illiterate parents having 2.5 times as many children as those with secondary education or more.

**Table 4: Number of Children by Parental Education Level.**

<b>Education of parents</b>	<b>Number of children</b>
Secondary education (Grades 8-12) and above	1.8
Elementary education (Grades 4-8)	2.6
Primary education (Grades 1-3)	3.3
Illiterate	4.4

One of the biggest problems ethnic groups face is access to education due to the issues of costs and language. For some children Bulgarian is not their mother tongue and sometimes is not spoken at home at all. The children from the ethnic minority groups do not usually go to nursery schools where they would learn Bulgarian. When they attend primary schools, these young children sometimes cannot take advantage of the education because they cannot communicate with the teachers and many of their classmates. They often face hostility from the teachers and other children. The quality of education in schools in predominantly Roma areas is even worse than in the rest of the system. Many Roma children drop out from school because of the overwhelming problems they face. Their parents do not provide support and their home conditions make it extremely difficult for them to study.

The Roma children are more likely to be sent to the Special Needs Schools for mentally retarded children or children with impaired hearing, vision or speech, or the Labor Educational Schools and schools for children with behavioral problems. In general education Roma children constitute 9.7 percent of the school age population in the special schools they make up 32.1 percent of the total, in the labor education schools 21.6 percent and schools for children with behavioral problems 29.0 percent. For the Turkish and Pomak children, their families make every effort possible to support their children at school and help them to cope with language or other difficulties. For those children living in remoter areas, however, schooling above the eighth grade is available only in the cities and the journey is very difficult.

**Table 5: Level of Education by Ethnicity (percentage share of the group).**

<b>Education</b>	<b>Bulgarians</b>	<b>Pomaks</b>	<b>Turks</b>	<b>Roma</b>	<b>Others</b>
No education	0.5	-	3.5	5.6	7.7
Primary	5.0	14.3	11.0	37.0	15.9
Elementary	18.3	23.8	37.6	50.0	7.2
Secondary	43.9	52.3	43.9	7.4	30.7
College	10.4	4.8	2.3	-	23.1
Higher	21.9	4.8	1.7	-	15.4
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

*Source: NSI . Bulgarian Academy of Science, Institute of Sociology, 2 000*

**Juvenile Delinquency:** In 1999, the Children's Pedagogic Office reported registered offenders; 5 ,000 of them were minors - younger than 14 years (and therefore not criminally liable under Bulgarian Law), the rest were adolescents aged 14 through 17. By ethnic origin, the number of delinquents is given in Table 6.

**Table 6: Juvenile Delinquency (1999).**

<b>Ethnic Group</b>	<b>Number of Juvenile Delinquents</b>	<b>Rate of Juvenile Delinquency (per 100,000 youths)</b>
Bulgarians	16,106	222
Roma	8,222	2,624
Turks	1,471	184
Others	150	146
<b>Total</b>	<b>25,949</b>	<b>n/a</b>

*Source: NPD and NSI*

The level of crime has increased in Bulgaria between 1993 and 1997. For juvenile crime (age group between 14 and 17) the increase is 34.7 percent. For juveniles the crimes include a large proportion of crimes against persons - murder, rape, assault and battery and, also theft. Roma young people are over represented in this group, whilst Turkish and Pomak young people are under-represented.

**Street Children:** In relation to street children, a more recent phenomenon in Bulgaria, the number of Roma children is by far the highest. In 1997, 90 percent of the street children were estimated to be Roma. Of these children 73 percent are said to have two parents. The reasons for these Roma children to be on the streets were related to poverty because of unemployment and parental violence. Street children of the other ethnic groups normally are orphans or have only one parent.

## **2. NGO Programs**

In relation to the Turkish and Pomak minorities, the specific benefits from projects are:

- during the last two years a priority need of the children from the minority groups was to feed them once a day, using a school network and the functioning kindergartens;
- the program to equip some schools with computers provides the possibility for children to see what a computer is and to learn “informatics” under real conditions.
- the stipend programs are quite frequently the only chance for gifted children from extremely poor families to continue their secondary, and later higher education;
- the setting up of own regional NGOs of the minority groups provides a possibility for the people on site to organize extra-curriculum activities for their children, to offer them access to information, so that they can learn the necessary skills and be useful to their community;
- economic and infra-structural projects, though sporadic, help the families get self-organized and cooperate, in order to ensure the support of their children;
- folklore and cultural events, which are organized on municipal or regional levels, and often on a national level with the assistance of NGOs, provide a possibility to the different ethnic and religious communities to get to know each other, to compete among themselves, to break away from their encapsulation and conservatism;

- the projects targeted at street children aid their physical survival; they prevent them, to some extent, from becoming delinquents and from street violence; these projects help their socialization.

A variety of NGO programs have been targeted to ethnic minorities. The successes and failures are summarized below:

**Successes:** Successes are relatively limited.

- the organization and work ethics of NGOs - staff are flexible not bound by rigid job descriptions which leads to creativity;
- the ability to pay more buys NGOs the best experts;
- one of the more successful projects is the IMIR project “Let’s bring the children back to school” which needs to cover an eight year period to track children from the first to the eighth grade;
- NGO officials work without prejudice and build up trust between them and the members of the minority groups;
- NGOs have simplified administrative systems and a low level of bureaucracy. They are more flexible and able to respond more quickly to problems;
- corruption in NGOs is relatively lower; and
- NGOs maintain informal and good communications with international organizations and private donors which makes their activities more effective.

**Failures:** The most serious failure in those programs for the Turkish and Pomak communities in that they are fragmented, failing to address problems systematically

- short-term donors are usually prepared to fund only pilot projects and are rarely willing to fund longer-term projects which would provide a comprehensive approach;
- lack of funds - the project of the Minorities Health Problems Foundation could have a much larger impact if funding was available to provide other modules and over a wider area. This project has suffered from lack of funds;
- the lack of a comprehensive database of children's problems and needs which would be available to both governmental and NGO sources;
- difficulties with communications between NGOs and state institutions;
- insufficiently developed financial control systems within the NGO sector (smaller NGOs often do not have staff employed to carry out the financial aspects of their work.); and
- competition between NGOs for funding which leads to further fragmentation of activities.

### **3. Prevention of child abandonment in the Roma community**

The different problem dimensions require different solutions, flexible program, with possibilities for adaptation to the specifics of the community and to environment modifications. Intervention should be directed at the social sphere and education, where the major reasons for negative events are generated e.g. marginalization of families, children abandonment, underestimation or

negligence of the contemporary needs of their growth and development. The analysis of the specifics of the Roma community indicate that variant subgroups with specific problems and possible solutions are differentiated in the community, i.e. differentiation of various target subgroups in the common target group – the children from the community. Hence the requirement of clear differentiation of approaches and planned intervention towards each of them.

The target programs for Roma community children should be adapted to respective age and group characteristics – they should definitely consider the circumstance that due to immature, early marriages the age standards for children age belonging are different from the standards of the majority and more to it they differ even from group to group in the community.

The confinement and isolation of the community predetermines the difficult access of institutions and the state to the Roma community and makes the centralized problem solutions “from top – to bottom”, without the target group involvement, practically impossible or ineffective, and it also requires the incorporation of representatives of the community itself to the development and running of the respective programs. In the first place these are Roma civil organizations.

An evaluation of the existing programs of NGO, related to ensuring of opportunities for development and prevention of children abandonment by Roma community, has been made in this report. In most of the cases these programs follow different directions – social policy, education employment.

***Extensive centralized programs***, worked out and imposed from the “top” for local execution, following a uniform standardized model and schedule. Such are the programs “School for Everybody”, run by the MES, in which new structures are created centrally “at the top” – centers for work with children; the mass Humanitarian program for school catering of “Open Society”, utilizing existing institutions – schools, civil organizations etc. for local operation.

***Extensive global coordinated programs***, worked out under a common model but with local coordination of activities. They are run by local institutions – schools, school boards, which take part in the particularization of the activities. This flexibility calls for good results dependent on the level of involvement of local partners and the target group in the preliminary planning process. The outcome of the 6 year project “Let’s Take Children Back to School” of the international center on the problems of minorities and multi-cultural interrelations; the project “Involvement of Roma assistant-teachers in the Bulgarian education system” of the Inter-ethnic Initiative for Human Rights; the project “Partnership between Parents and School” of CRS – Catholic Relief Services; project “Schools for mentally disabled children (supplementary schools). Of the foundation “Step by Step”.

***Local programs*** worked out and run by local civil organizations, adjusted to local conditions, flexible and adaptable planned intervention to the environment modifications. Intermediate type of programs are the partnership ones, developed in collaboration with local and central organizations, inclusive or parallel action lines (as the project for local change of the foundation SECA). The programs of Roma Bureau Sofia, Foundation for Regional Development Roma – Plovdiv, foundation Roma – Lom, project “Assistant teachers in the

Preparatory Classes” of Coalition Stolepinovo and other projects of local organizations.

The analysis of objectives, strategy and major activities results, achievements and failures, strengths and weaknesses, of the implemented programs by civil organizations proved that positive results and effect of intervention program addressed at the Roma children, could be attained under the following conditions :

- The intervention program should involve not only children but also the Roma community. Hence part of the target group are parents of Roma children.
- It is essential to incorporate local civil organizations , initiative groups and leaders in the operation in living quarters, schools and kindergartens.
- Differentiated approach to different groups and subgroups of the Roma community, consistent with the specifics of their problems, needs and potentials.
- A significant prerequisite for the consistency of the intervention program is training of people from the respective quarters, to work with the children and their families. The training should be in compliance with the specifics of the community. The selection of such people is of vital importance. It is necessary to observe the inner rules of the community i.e. such people should come from respected families of excellent reputation.
- Food supply to schools with a high percentage of children vulnerable to risks is effective only when accompanied by education programs and intervention in community.
- Effective program monitoring could be done only if community representatives are involved.

On the grounds of this evaluation, a detailed proposal for a pilot intervention program has been suggested :

- Establishment of local community centers for development of children through target programs combined with integrated influence on the community environment, to work under the above-mentioned integrated model.
- Recruiting a maximum number of children in the kindergartens through payment of fees under the condition that children will be to educated in Bulgarian language as preparation for schooling.
- Compulsory preparatory classes for children whose mother tongue is not Bulgarian, with assistant teachers to be introduced in these classes to enhance the learning process. This requires an amendment to the Law on Public Education so that the municipalities will be bound to open preparatory classes and parents will also be obliged to send their children to school.
- Application of sanctions to parents who do not let their children attend school.
- Integrated programs - focused on education, but also involving employment, social assistance and self-help home upgrading.
- Training of social workers and police from the community to work with children and parents aiming at keeping children in school and motivation for better education and reducing crime.

#### **4. Conclusions**

The following are the main needs of children from ethnic minority groups:

- a solution to the problems of children whose mother tongue is not Bulgarian - preschool language and cultural preparation for admission and adaptation to primary education in the Bulgarian system;
- access to equal education by improving the material and technical basis of schools in which children from the minorities are predominantly admitted, and by specific qualification of the teachers (for all groups);
- access to information which will help the children continue their education and acquire computer literacy, participate in extra-curriculum activities and apply for a job and have better prospects for career development (for all groups);
- access to information and specialized consultations for health and sex education (for all groups);
- access to the Internet and to modern communications means for contact within the country and the world (particularly for children from the mountain and remote villages);
- special care for street children;
- programs for re-adaptation and re-socialization of juvenile delinquents, and particularly of those released from jail (mainly Roma); and
- restricting the admission of normal and healthy children to “auxiliary schools” and advising them how to apply for general education schools (mainly Roma).



**Additional  
Annex 15**

**BULGARIA: CHILD WELFARE REFORM  
MUNICIPALITY SELECTION**

A rigorous selection process was applied for identifying the municipalities where the CWR project will start in the year 2001. The process included two stages: (i) initial ranking by objective criteria and (ii) needs assessment field visits.

**Objective Criteria Ranking:** The municipalities were first ranked according to developed objective criteria, to which a weighting factor (K) was attributed:

- number of children in the municipality;
- percentage of children in the municipality;
- number of institutionalized children in the municipality;
- percentage of Roma population;
- population;
- level of unemployment (percentage); and
- percentage of Turkish population.

The weighting factor K is used to rank the municipalities, taking into consideration the relative importance of the criteria. The weight for each criteria was divided by the number of the place the municipality occupies, according to this criteria, to receive the weighting factor. The final ranking of the municipalities is based on the sum of all K factor numbers for each municipality. The sum of all weighting numbers is 100. Special consideration was given to the criteria, related to children (a total of 35), percentage of Roma population (28) and municipality size (25).

**Field Visits:** Field visits were carried in the ten short-listed municipalities - Plovdiv, Varna, Sliven, Stara Zagora, Targovishte, Pazardjik, Burgas, Russe, Shumen and Vratsa, by two CWR project teams.

Structured interviews were held in each municipality with representatives of municipal administration (mayor, deputy mayor, municipal council chair person), heads of the MSAS, Regional Social Assistance Services, NGO representatives.

The following additional indicators were applied to specify and assess the needs in each municipality:

- Municipality's commitment to develop alternative services for children and families and readiness to support the CWR (funding activities, provision of premises, etc.).
- Available good practices and experience in developing alternative services for children and families. Existence of working NGOs.
- Interaction and cooperation between the various units of local administration and local governance. Cooperation between the local authorities and the NGOs.

- Assessment of local needs in respect to CWR.
- Views and expectations from the CWR reform in the municipality.
- Budget and economic prospects of the municipality.

**CRITERIA FOR PILOT MUNICIPALITIES**

	Municipality	Population (25)	K	Children (10)	K	Children % (5)	K	Institut. Children (20)	K	Ethnica l Turks % (2)	K	Roma % (28)	K	Unemployment % (10)	K	Total K	Rank
1	Blagoevgrad	80094	1.5	17087	0.6	21.33	0.6	390	1.1	0.12	0.1	1.62	1.3	17.51	0.6	5.75	23
2	Burgas	212067	8.3	42902	3.3	20.23	0.3	115	0.8	3.53	0.1	1.24	1.9	16.28	0.5	15.25	7
3	Varna	302118	12.5	58935	5.0	19.51	0.3	1676	20.0	2.93	0.1	1.28	3.5	17.77	0.6	41.97	2
4	V. Tarnovo	90106	1.8	16379	0.6	18.18	0.2	634	2.5	5.75	0.2	7.71	7.0	20.76	0.6	12.90	11
5	Vidin	81669	1.6	16264	0.6	19.91	0.3	333	1.0	0.26	0.1	5.88	4.7	27.16	2.0	10.16	16
6	Vratsa	90381	1.9	19134	0.7	21.17	0.6	933	6.7	0.15	0.1	2.38	1.6	26.41	1.7	13.26	10
7	Gabrovo	79420	1.4	12746	0.4	16.05	0.2	302	0.9	1.78	0.1	0.31	1.1	11.23	0.4	4.52	26
8	Dobrich	100136	2.3	22728	1.1	22.70	1.7	622	2.2	9.01	0.3	3.37	2.3	22.61	0.9	10.80	15
9	Kardjali	76701	1.3	18303	0.7	23.86	5.0	277	0.8	54.34	2.0	1.53	1.3	15.31	0.4	11.51	12
10	Kjustendil	72465	1.3	13865	0.5	19.13	0.2	494	1.5	0.10	0.1	5.17	4.0	16.03	0.5	8.06	20
11	Lovech	63257	1.1	11674	0.4	18.45	0.2	312	1.0	6.66	0.2	1.46	1.2	20.89	0.7	4.80	25
12	Montana	62910	1.1	12894	0.4	20.50	0.4	193	0.8	0.09	0.1	5.92	3.1	27.56	2.5	8.43	19
13	Pazardjik	127774	3.1	28660	1.3	22.43	0.8	408	1.1	3.73	0.1	6.93	9.3	25.85	1.4	17.22	6
14	Pernik	104949	2.5	19423	0.8	18.51	0.2	285	0.9	0.08	0.1	1.93	1.6	13.95	0.4	6.40	22
15	Pleven	149005	4.2	30188	1.4	20.26	0.4	539	1.8	3.37	0.1	2.16	2.2	21.76	0.8	10.82	14
16	Plovdiv	344976	25.0	66043	10.0	19.14	0.3	1300	10.0	5.00	0.2	1.07	2.5	15.68	0.4	48.41	1
17	Razgrad	62827	1.0	13554	0.5	21.57	0.7	469	1.4	27.47	1.0	2.77	1.4	29.95	5.0	11.06	13
18	Ruse	183608	6.3	33929	2.0	18.48	0.2	790	4.0	7.19	0.3	1.24	1.8	20.93	0.7	15.18	8
19	Silistra	67069	1.2	13504	0.5	20.13	0.3	432	1.2	14.00	0.4	0.83	1.2	23.87	1.0	5.68	24
20	Sliven	141867	3.6	33238	1.7	23.43	2.5	453	1.3	4.12	0.2	8.19	28.0	22.21	0.8	37.98	3
21	Smolyan	47905	1.0	9782	0.4	20.42	0.4	678	2.9	0.76	0.1	0.38	1.1	28.43	3.3	9.10	17
22	St. Zagora	173837	5.0	35729	2.5	20.55	0.5	803	5.0	1.88	0.1	5.29	14.0	17.27	0.5	27.59	4
23	Targovishte	61794	1.0	14014	0.5	22.68	1.3	496	1.7	24.09	0.7	5.58	2.8	33.33	10.0	17.91	5
24	Haskovo	100124	2.1	21096	0.9	21.07	0.5	556	2.0	17.41	0.5	3.13	2.0	16.91	0.5	8.49	18
25	Shumen	109170	2.8	21985	1.0	20.14	0.3	716	3.3	12.77	0.3	4.83	5.6	25.44	1.3	14.61	9
26	Yambol	87771	1.7	19777	0.8	22.53	1.0	467	1.3	4.43	0.2	2.19	1.5	23.93	1.1	7.58	21

**Additional  
Annex 16**

**BULGARIA: CHILD WELFARE REFORM**

**FINANCIAL MANAGEMENT CAPABILITY ASSESSMENT**

**Initial project management and administrative arrangements**

The project's overall financial management system (FMS) will be centralized within the PMU established within the MOLSP. All PMU consultants positions agreed are now filled. Renewed assurance was obtained that PMU consultants will dedicate all their working time to the Project.

The PMU consultants relevant to the financial management functions (director, finance manager, accountant and procurement specialist) will have to increase their experience by becoming familiar with the Bank's financial management, disbursement and procurement requirements.

The PMU will operate under the supervision of the Bulgarian Deputy Minister in MOLSP and the PSC. The PMU will be responsible for keeping the accounting records of the project, in charge of all payments, operating both the Special Account and the Project Account (Bulgarian Government contribution), preparing bidding documents, verifying and authorizing contracts, monitoring and evaluation, reporting both to the Bank and to the Bulgarian Government, planning and budgeting, disbursement and auditing.

***Issues and recommendations***

At the moment, the PMU is located in a fully equipped room, but relatively small in size. As the PMU activity will increase, there is the need for additional rooms (which are now being made available within MOLSP) and additional filing space (including cabinets, etc).

**Financial and accounting initial arrangements**

The PMU will be in charge of all payments, operating the financial management software of the Project, handling both the Special Account and the Project Account, preparing the project's financial statements, reporting to the Bank and the Bulgarian Government, etc.

A financial manager employed by the PMU will be responsible for the overall financial, consolidation, reporting, auditing and all other financial management aspects of the project. The financial manager will report to the PMU manager. The accountant in the PMU will be responsible for all accounting matters of the project. The accountant will handle all financial accounting documents, ensure that accounting records are kept up to date within the financial management software system to be installed, liaise with the accounting department of the MOLSP and with the beneficiaries, to ensure that all project transactions are recorded in the consolidated project's financial statements for both Bank requirements and Bulgarian statutory reporting purposes.

### ***Issues and recommendations***

A procedures manual has to be developed by the financial management consultant to be appointed, documenting various types of financial transactions, the flow of documents between the PMU and the beneficiaries, responsibilities.

### **Flow of Funds**

As the PMU is the unit overall responsible with the financial management aspects of the Project, all the accounting, payments, disbursement and reporting functions will be centralized. The Loan funds will be channeled from the Bank to the Special Account, while the Bulgarian Government co-financing will be received in a separate Project Account (sub-account existing within the MOLSP accounting framework), as described later in the report. The PMU will also be responsible for handling additional sources of financing whenever possible (to be agreed on a case-by-case basis when all the Grant agreements with other development partners will be signed).

### ***Issues and recommendations***

The signing procedures are now being finalized. It was agreed that at least for the operation of the Special Account (SA), some PMU staff (finance manager and project manager, together) should have full signature rights, in order to ensure an uninterrupted flow of the Loan funds. However, in respect of operating the Project Account, local budgetary requirements may impose the need of an additional signature by a high official of MOLSP (Deputy Minister) or someone else designated.

In addition, to ensure that the local co-financing for the Project is available, the PMU will have to prepare and deliver in time the required financial statements and budgets for the Bulgarian Government contribution. These documents will have to be submitted by a certain date, before the beginning of the fiscal year to the accounting department of MOLSP, in order to be as a separate 'line' in the consolidated annual budget of MOLSP.

### **Accounting and the FMS**

The accounting software system for the project has been designed, customized, documented and implemented, by a suitable accounting software and financial management firm. The FMS established for the CWR Project is a stand alone system (completely separated) and able to use IAS, to consolidate all beneficiaries at the PMU level and to respond to the Bulgarian Government statutory requirements.

The FMS has a customized chart of accounts (to respond to the project components and specifics) and is able to produce usual reports such as: trial balance, general ledger, balance sheet, income and expenditure statement by sources of funds, cash flow, general journal, suppliers' ledger, various budgets, etc. All PMRs will be produced by the system. The accounting system will account separately for each financing source (Bank, Bulgarian Government contribution and

other development partners as applicable) and by project sub-components.

A detailed manual of accounting procedures relevant to the project will be prepared by the FMS consultants with the support of the PMU staff. All accounting entries will be kept in the loan currency as well as in the Bulgarian currency, leva and in both English and Bulgarian language.

### **External audit**

The project must be audited by a reputable audit firm acceptable to the Bank. As the project will most likely not have any disbursements until the middle of year 2001, the auditors will be appointed from year 2001 onwards and the first audit will cover the period ended December 31, 2001.

### ***Issues and recommendations***

The selection of independent auditors acceptable to the Bank is to be completed by March 31, 2001, prior to loan effectiveness.

### **Cash handling procedures**

The PMU manager noted that the project will have to deal with some payments in cash (mainly for items such as materials, office supplies, fuel, travel advances, some local consultant fees, etc).

### ***Issues and recommendations***

Assurance was given that the cash payments will be limited as much as possible (by asking all PMU staff and consultants to open bank accounts, make as many payments as possible by bank transfers rather than cash) and that the PMU will have its own safe.

A limit of BGN2,000 will be imposed as the maximum cash amount to be handled at once and a lower limit imposed for any single cash payment. The petty cash balance at the end of the day should be at low as possible (not above BGN 100), with the surplus deposited at the bank. Cash handling procedures will be detailed in the above mentioned manual of financial, accounting, control and administrative procedures.

### **Special and project accounts**

During discussions it was agreed that the special account is to be opened by the PMU with the Bulgarian National Bank prior to loan effectiveness. The PMU will use an additional, separate project account for the Bulgarian Government contribution. This project account will be used only for the amounts allocated by the Bulgarian Government to the project and will be separated from the main (general) budgetary account of the MOLSP.

Signing procedures are to be put in place allowing two persons from the PMU, the PMU manager and financial manager to jointly sign when operating the above accounts. A third person, such as

the MOLSP Deputy Minister, may be also given signature rights.

### **Conclusions**

The financial management arrangements of the project are adequate and satisfy the Bank financial management requirement and the certificate FM LACI Annex 4-B has been issued. It was agreed that initially the project will use the traditional disbursement procedures. Subject to achieving a complete and fully satisfactory financial management system (and issuance of the LACI Annex 4-A FM certification), the Borrower will have the possibility to request the transition to PMR-based disbursements after the year 2001.

**Additional  
Annex 17**

