



NATIONAL STRATEGY

**FOR PREVENTION AND FIGHT AGAINST
IRREGULARITIES AND FRAUD,
AFFECTING THE FINANCIAL INTERESTS
OF THE EUROPEAN UNION**

FOR THE PERIOD 2014 – 2020



CONTENTS

1. INTRODUCTION	3
1.1. DEFINITIONS.....	3
2. VISION FOR THE PROTECTION OF THE FINANCIAL INTERESTS OF THE EUROPEAN UNION IN BULGARIA FOR THE PERIOD UNTIL 2020	5
3. PROTECTION OF THE FINANCIAL INTERESTS OF THE EUROPEAN UNION	6
3.1. MECHANISM AND INSTITUTIONAL FRAMEWORK AT EUROPEAN UNION LEVEL	6
3.1.1. SHARED RESPONSIBILITY	6
3.1.2. EUROPEAN ANTI-FRAUD OFFICE	6
3.2. MECHANISM AND INSTITUTIONAL FRAMEWORK IN THE REPUBLIC OF BULGARIA.....	7
3.2.1. COUNCIL FOR COORDINATION OF FIGHT AGAINST INFRINGEMENTS AFFECTING THE FINANCIAL INTERESTS OF THE EUROPEAN UNION	8
3.2.2. AFCOS DIRECTORATE – MINISTRY OF INTERIOR	8
4. IDENTIFIED PROBLEMATIC AREAS AND CHALLENGES	9
4.1. INITIATIVES AT EUROPEAN LEVEL AND RECOMMENDATIONS OF THE EUROPEAN COMMISSION.....	9
4.2. ANALYSIS OF IRREGULARITIES REPORTED BY THE BULGARIAN AUTHORITIES FOR THE PERIOD 2007 – 2013	11
4.3. PROBLEMS AND CHALLENGES IN THE FIELD OF PREVENTION	14
4.4. PROBLEMS AND CHALLENGES IN DETECTING AND COMBATING IRREGULARITIES AND FRAUD	16
4.5. ISSUES AND CHALLENGES IN THE FIELD OF COOPERATION AT EUROPEAN LEVEL	18
4.6. PROBLEMS AND CHALLENGES IN THE FIELD OF INVESTIGATION, RECOVERY AND PENALTIES	19
5. STRATEGIC OBJECTIVES	20
5.1. STRATEGIC OBJECTIVE 1: IMPROVEMENT OF THE PREVENTION.....	21
5.2. STRATEGIC OBJECTIVE 2: INCREASING THE EFFICIENCY IN THE DETECTION AND COUNTERACTION AGAINST THE IRREGULARITIES AND FRAUD.	25
5.3. STRATEGIC OBJECTIVE 3: STRENGTHENING THE COOPERATION WITH OLAF AS WELL AS WITH THE COMPETENT EU INSTITUTIONS, EU MEMBER STATES AND OTHER COUNTRIES.....	29
5.4. STRATEGIC OBJECTIVE 4: IMPROVING THE EFFECTIVENESS OF THE ACTIVITIES RELATED TO THE INVESTIGATION, RECOVERY AND PENALTIES	32
6. COORDINATION, MONITORING AND REPORTING ON THE STRATEGY IMPLEMENTATION	36



1. INTRODUCTION

The present document outlines the strategy for the actions of the competent national authorities in the Republic of Bulgaria in the field of prevention and fight against fraud and irregularities affecting the financial interests of the European Union for the period 2014 – 2020.

The preparation and adoption of this strategy is a follow-up to the actions undertaken by the Bulgarian authorities for the protection of the financial interests of the European Union, as reflected in the previous national strategic documents. Furthermore, this document is prepared in accordance with the commitments made by the Republic of Bulgaria with regards to Art. 325 of the Treaty on the Functioning of the European Union as well as the Partnership Agreement of the Republic of Bulgaria, outlining the assistance from the European Structural and Investment Funds for the period 2014 – 2020.

The main objective of the National Strategy is to improve the prevention, detection and fight against irregularities and fraud in the programming period 2014 – 2020. The focus will be put on increasing the effectiveness of the investigation, achieving a higher degree of recovery of unduly spent funds from the general budget of the European Union and imposing proportionate and dissuasive penalties in accordance with the applicable law. The present strategy determines also the responsibilities of the institutions involved in the aforementioned processes.

The National Strategy has been prepared in accordance with the new initiatives undertaken in order to protect the EU financial interests at European level and reflects the Recommendations¹ given by the European Commission. Based on the analysis of the mechanism for protection of the financial interests of the European Union for the period until 2013 as well as based on the identified problematic areas, the strategic objectives have been set. Within those strategic objectives the actions of the authorities involved in the processes of management and control of EU funds, customs and tax authorities, as well as the law enforcement authorities, in the fight against irregularities and fraud, affecting the revenue and expenditure side of the EU budget, have been outlined.

1.1. Definitions

“**Financial interests of the European Union**”, as defined in Art. 2, paragraph 1 of Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999, include revenues, expenditures and assets covered by the budget of the European Union and those covered by the budgets of the institutions, bodies, offices and agencies and the budgets managed and monitored by them.

¹ See item 4.1 of the National Strategy and also http://ec.europa.eu/anti_fraud/documents/reports-commission/2013/3_follow-up_of_recommendations_to_the_commission_report_part1_en.pdf



“**Irregularity**” in accordance with Art. 2, par. 36 of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006, 'irregularity' means any breach of Union law, or of national law relating to its application, resulting from an act or omission by an economic operator involved in the implementation of the ESI Funds, which has, or would have, the effect of prejudicing the budget of the Union by charging an unjustified item of expenditure to the budget of the Union.

“**Fraud**” within the meaning of Art. 1 of the Convention of 26 July 1995 on the Protection of the European Communities' Financial Interests, drawn up on the basis of Art. K.3 of the Treaty on the European Union, means:

- in respect of expenditure, any intentional act or omission relating to:
 - the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of, the European Communities;
 - non-disclosure of information in violation of a specific obligation, with the same effect;
 - the misapplication of such funds for purposes other than those for which they were originally granted”.
- in terms of revenue, any intentional act or omission relating to:
 - the use or presentation of false, incorrect or incomplete statements or documents, which leads to improper reduction of funds from the general budget of the European Communities or budgets managed by, or on behalf of the European Communities,
 - non-disclosure of information in violation of a specific obligation, with the same effect
 - misuse of a legally obtained benefit with the same effect.

“**Suspected fraud**” according to Art. 27 of Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund, means an irregularity giving rise to the initiation of administrative or judicial proceedings at national level in order to establish the presence of intentional behaviour, in particular fraud, as referred to in Article 1(1)(a) of the Convention drawn up on the basis of Article K.3 of the Treaty on European Union, on the protection of the European Communities' financial interests.



2. VISION FOR THE PROTECTION OF THE FINANCIAL INTERESTS OF THE EUROPEAN UNION IN BULGARIA FOR THE PERIOD UNTIL 2020

The Republic of Bulgaria needs to have a strong position for negotiating additional funding from the EU budget in the future. For this purpose, the country should have consistently achieved good results in the effective and efficient protection of the financial interests of the Union. The present National Strategy for prevention and fight against fraud and irregularities affecting the financial interests of the European Union is a logical step with regard to the actions aimed at protecting the funds provided by the EU budget in the programming period 2014 – 2020.

In 2020 Bulgaria should be a country with a high level of protection of the EU financial interests, if the following guideline principles and standards of the policy in this area are implemented:

Ethics. All national institutions responsible for the management and protection of the EU funds must observe the highest standards of ethical behaviour and integrity. All the employees must adhere to these standards and receive appropriate training on the risks of irregularities and fraud and the need to fight against them.

Transparency. The information concerning the use of EU funds should be presented in a format that allows audit, comparison and analysis for fighting fraud, while the relevant rules on data protection are respected.

Preventing irregularities and fraud. With regard to the effective prevention of irregularities and fraud, special attention should be paid to the potential threats in the process of planning and preparation of the programs. At the stage of the programs implementation cost-effective and based on the risk analysis mechanisms for monitoring and control should lead to a reduction in the risk of irregularities and fraud.

Effective investigation. Where there is suspicion of fraud, the competent law enforcement authorities in the Republic of Bulgaria should have, subject to national legislation, easier access to relevant information and documents, and receive the necessary support from the respective institutions and bodies. Furthermore, the institutions and bodies involved in the case must have appropriate and timely information supplied by the investigating bodies in order to be able to take precautionary measures and prevent future irregularities and fraud affecting the EU budget.

Sanctions. Justice must be achieved after due process in reasonable time frame. The procedures should ensure good quality of the process using mechanisms, which allow swift and independent action. Apart from the imposition of adequate sanctions, the convicted persons as well as the persons with imposed administrative sanctions should be practically deprived of the benefits of their unlawful behaviour and the resources – subject to fraud – must be restored.

Effective cooperation. The good cooperation between all the competent authorities at national level as well as the good cooperation with the institutions, bodies and services of the European Union and the Member States and other countries is prerequisites for the effective fight against irregularities and fraud.



3. PROTECTION OF THE FINANCIAL INTERESTS OF THE EUROPEAN UNION

3.1. Mechanism and institutional framework at European Union level

3.1.1. Shared responsibility

Art. 325 (1) of the Treaty on the Functioning of the European Union (TFEU) requires the European Union and the Member States to counter fraud and any other illegal activities affecting the financial interests of the Union. The European Commission, in cooperation with the Member States, each year submits to the European Parliament and to the Council a report on the measures taken for the implementation of Art. 325 (5) of TFEU.

European Commission implements the EU budget in accordance with the principles of sound financial management (Art. 317 of TFEU). The Commission undertakes action targeted at facilitating the effective prevention and detection of fraud through the framework, policies, rules and procedures in force. The Commission Services are responsible for undertaking the necessary measures in order to ensure the prevention and detection of fraud and irregularities at reasonable extent.

The Member States manage almost all the revenues in the EU budget. They also participate, in a manner of shared management with the Commission, in about 80% of the budget expenditure. The remaining 20% of the budget are managed directly by the Commission, partially together with the administrations of non-EU countries and international organizations. The Member States, while implementing the budget under shared management with the Commission take all the appropriate measures, including legislative, regulatory and administrative to protect the financial interests of the Union.

3.1.2. European Anti-Fraud Office

The prevention and detection of fraud is a primary responsibility of each Head of Service of the Commission. In order to increase the effectiveness of the actions aimed at fighting fraud and other illegal activities, detrimental to the interests of the Community, on 28 April 1999 by Commission Decision 1999/352/EC the European Anti-Fraud Office (OLAF) was established and Regulation (EC) № 1073/1999 of the European Parliament and of the Council of 25 May 1999 concerning investigations conducted by the European Anti-Fraud Office (OLAF) was adopted. The Office is entitled to conduct administrative investigations for strengthening the fight against fraud and has special status of an independent investigative body within the European Commission. The Office exercises its powers for investigation in accordance with the EU legislation in force as well as with the enacted agreements with third countries.

OLAF contributes for the coordination of cooperation between the Member States in fighting fraud in accordance with Art. 325 (3) TFEU as well as the applicable regulatory framework. The actions of the Commission and the Member States are supported through regular consultations, in particular within the Committee for Coordination of Fraud Prevention (COCOLAF). The Office contributes to the creation and development of methods for prevention and combating fraud, corruption and any other illegal activities affecting the financial interests of the Union. The Office



promotes and coordinates, together with the Member States and between them, the exchange of operational experience as well as best practices in the field of protection of the financial interests of the Union. In addition, the Office supports the measures, undertaken on a voluntary basis by the Member States, for mutual actions aimed at fighting fraud and irregularities.

The European Anti-Fraud Office carries out its activities in close cooperation with the Anti-Fraud Coordination Services (AFCOS) in the Member States (Anti-Fraud Co-ordination Service - AFCOS), with which it carries out effective cooperation and exchange of information, including information of operational nature, thus providing within the Union synergy and coordination of the fight against fraud and irregularities.

3.2. Mechanism and institutional framework in the Republic of Bulgaria

Along with the obligations stipulated in the Art. 325 (1) of TFEU, Art. 325 (2) provides that Member States shall take the same measures to counter fraud affecting the financial interests of the Union as they take to counter fraud affecting their own financial interests.

The Commission's Anti-Fraud Strategy, adopted in 2000 as well as the subsequent action plans for the periods 2001-2003 and 2004-2005, lay the foundations for the overall EU policy for combating fraud. With regard to the adopted strategy, the Commission encouraged any country, candidate for accession to the European Union, to set up its operationally independent Anti-Fraud Coordination Service (AFCOS), which should have the leading role in coordinating and implementing a national anti-fraud strategy in order better to protect the financial interests of the EU. The establishment of AFCOS and the adoption of a national anti-fraud strategy are among the important conditions in the negotiation process, set before the countries, which joined the EU in 2004, 2007 and 2013. These conditions are also placed before the countries, which are now candidates for membership.

In follow-up of the recommendations given by the European Commission, in 2003 Bulgaria set up a Council for coordination of the fight against infringements affecting the financial interests of the European Communities. The Council prepared and submitted a proposal to the Council of Ministers for the adoption of a strategy for fighting fraud affecting the financial interests of the European Communities. The strategy was adopted by the Council of Ministers with a decision, recorded in Minutes № 41 of 13 October 2005 and was further updated in 2006 and 2009. For the period 2011 – 2013, based on proposals by members of the Council, a National Strategy for prevention and fight against fraud and irregularities affecting the financial interests of the EU was prepared and adopted by the Council of Ministers.

Taking into account the specific features of the national legislation as well as the system of the state bodies involved in the fight against fraud and irregularities in the Republic of Bulgaria, a model has been chosen, where no duplication, but coordination and bringing together the efforts of the competent institutions, including bodies the independent judiciary, has been targeted.



3.2.1. Council for coordination of fight against infringements affecting the financial interests of the European Union

Established by the Council of Ministers' Decree № 18 of 4 February 2003 the Council for coordination of the fight against infringements affecting the financial interests of the European Union (Council) provides a high political level coherence and complementarity of the measures undertaken by the national authorities for the fight against irregularities and fraud involving EU funds.

The Chairman of the Council is the Minister of Interior, who implements the state policy on the protection of the financial interests of the EU. The Council Members are ministers, deputy ministers and heads of administrations, responsible for the management of the EU funds and programs, directors of revenue agencies, heads of control, certification, auditing and law-enforcement bodies.

With Instruction I-103/22.04.2003 on the interaction and cooperation between the Council for the coordination of the fight against infringements affecting the financial interests of the European Communities and the Prosecutor's Office of the Republic of Bulgaria the conditions, procedures, competent authorities as well as the forms of interaction and cooperation between the Council and the Prosecution Office have been regulated. The Prosecutor General or authorized by him official attend the Council sessions, having the rights of a Council member.

The Council performs the following functions: proposes to the Council of Ministers draft legal acts, strategies for combating offenses affecting the financial interests of the European Union and action plans for their implementation; annually report its activities to the Council of Ministers; on a proposal by a members or the Chairman, the Council discusses matters related to the fight against fraud and irregularities affecting the financial interests of the European Union, and decides to take measures to optimize it, which measures are obligatory for all the Council members.

The Council members organize, in their administrations, the activities in the field of prevention and fight against irregularities and fraud affecting the financial interests of the European Union. Each administration nominates officers responsible for fighting irregularities and fraud, which officer carries out the operational cooperation with the AFCOS Directorate and the irregularity officers responsible for the administration of signals and irregularities. If necessary, working groups with the participation of these experts are established within the Council.

In performing its functions, the Council cooperates with the Council for coordination in the management of the EU funds.

The Council, in carrying out its activities, is assisted by the AFCOS Directorate with the Ministry of Interior.

3.2.2. AFCOS Directorate – Ministry of Interior

The AFCOS Directorate is a specialized structure within the Ministry of Interior, which carries out control, information and coordination activities oriented to the protection of the financial interests of the European Union. The AFCOS Directorate: is a national contact point with the European Anti-Fraud Office and the competent authorities in the field of protection of the EU financial interests within Member States and in other countries; ensures and coordinates at national



level the reporting of irregularities between the national institutions and the European Commission; carries out administrative checks to identify irregularities and fraud affecting the financial interests of the European Union (administrative investigations) on its own initiative or at the request of OLAF; carries out the operational cooperation between OLAF and the Council members in conducting on-the-spot checks on the territory of the Republic of Bulgaria; takes the necessary arrangements for the preparation of the Bulgarian part of the European Commission annual report under Art. 325 of TFEU.

4. IDENTIFIED PROBLEMATIC AREAS AND CHALLENGES

4.1. Initiatives at European level and recommendations of the European Commission

Initiatives. In the last five years, the Commission put the fight against fraud to a new level. The rigorous and ambitious new rules, initiatives and frameworks, presented by the Commission, clearly show the determination for the protection of taxpayers' money. The European Commission continued to develop measures for fighting fraud and put into implementation a Common Strategy for the prevention of fraud in the field of structural measures for 2008 – 2009 and 2010 – 2011, which aims to increase the capacity for fighting fraud as well as to raise the awareness in the Member States and the Commission services with regard to the importance of fraud prevention and also to strengthen the cooperation with OLAF. With regard to the identified problematic areas, the Commission has undertaken several initiatives to strengthen the fight against fraud and corruption affecting the EU public funds and urged Member States to intensify their activities and efforts oriented to prevention, detection and prosecution of those who make attempts to harm the EU budget.

- On 24 June 2011, the Commission presented a new Anti-Fraud Strategy, through which it made improvements and updated the strategy of 2000 thus showing commitment for more stringent steps in this area. The strategy proposes a set of measures to ensure that the Commission will manage or supervise EU funds at all levels and in all sectors, using the best possible tools for the prevention and detection of fraud detrimental to the EU budget. This new strategy covers the whole cycle of the fight against fraud – prevention and early detection, investigation, imposing penalties and recovery of unduly used funds. The strategy applies to both the revenue and the expenditure side of the EU budget, including the budget, partially managed by the Member States. The new Commission Strategy was accompanied by an action plan at EU level aimed at combating cigarettes and alcohol smuggling along the eastern border of the Union, supplemented and developed in Commission Communication for strengthening the fight against smuggling and illegal trade of cigarettes in 2013.

When presenting the Commission Anti-Fraud Strategy in 2012 and 2013 COCOLAF meetings and in 2013 AFCOS Conference, the European Commission made recommendations to the Member States to adopt national strategies for prevention and fight against irregularities for the new programming period 2014 – 2020, following the Commission's strategy.

- In 2011, Communication from the Commission on the protection of the financial interests of the European Union by criminal law and by administrative investigations was published. This Communication reveals the possible areas for improvement in the criminal law framework as well as of the procedural tools used by investigators and prosecutors, as well as possible institutional changes such as the establishment of a European Public Prosecutor Office (EPPO). In 2012, the Commission



presented a Proposal for a Directive of the European Parliament and of the Council on the fight against fraud to the Union's financial interests by means of criminal law. The draft Directive requires Member States to provide for effective, proportionate and dissuasive sanctions and depending on the severity of the act to define a minimum set of criminal sanctions for individuals. The liability of the legal persons is also dealt with and the minimum penalties for the legal persons have been pointed out. In 2013, the European Commission took action to improve the prosecution at European level of offenders of fraud affecting the EU taxpayers and proposed the establishment of a European Public Prosecutor Office (EPPO).

- The Commission introduced electronic reporting of irregularities by the Member States through Irregularity Management System (IMS).
- Regulation (EU, EURATOM) No 883/2013 of 11 September 2013 of the European Parliament and of the Council concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 was adopted. By virtue of this Regulation, the investigative function of OLAF has been enhanced and recommendations for improving the cooperation with the competent authorities of the Member States were given.

Recommendations. Following the provisions stipulated of Art. 325 of TFEU the Commission, in cooperation with Member States, each year has the obligation to submit to the European Parliament and to the Council a report on the measures taken for the protection of EU financial interests, with applications: Statistical evaluation of the irregularities reported by the Member States and Art. 325 Questionnaire on the concrete measures undertaken by them in the fight against fraud. The detailed description of the level of fraud in the entire EU budget (that is both in the revenue and expenditure side), helps for the identification of the most risky areas, which in turn allows to determine the appropriate action at EU and national level.

The published on 29 September 2011 Report from the Commission to the European Parliament and the Council “Protection of the European Union’s financial interests — Fight against fraud – 2010 Annual Report,” reveals an upward trend of reported irregularities and irregular amounts in 2009 and 2010. The analysis of the categories with the highest number of reported irregularities shows that irregularities are most often established at the stage of implementation of the projects and the greatest financial impact occurs at the stage of selection or public procurement. This report makes a remark that specifically in Bulgaria an increase in the number of irregularities reported in 2009 and 2010, related to the SAPARD program, has been observed, but also emphasizes that there is a major change in Bulgaria, where irregularities and suspected fraud have been discovered mainly by national authorities.

With regard to the identified problematic areas in the Report from the Commission to the European Parliament and the Council “Protection of the European Union’s financial interests — Fight against fraud – 2012 Annual Report”, at the end of 2013, the Commission made recommendations to the Member States in order to achieve maximum effectiveness in fighting fraud affecting the financial interests of the EU in the period 2014 – 2020 as follows:



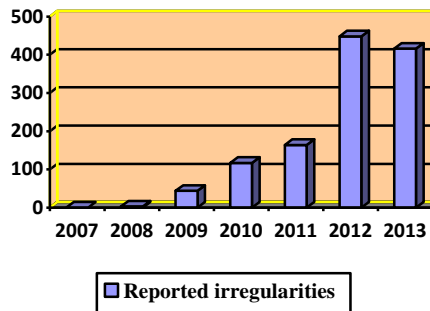
- all the Member States have to designate a service ('the anti-fraud coordination service') to facilitate effective cooperation and exchange of information, including information of an operational nature, with the European Anti-Fraud Office in compliance with Regulation № 883/2013;
- Member States should ensure that sanctions for fraud have a deterrent effect and investigations and prosecutions can be pursued for a sufficient period of time. Member States should quickly adopt and implement the Directive on the protection of the EU financial interests by means of criminal law.
- In relation with the main problem ascertained in previous years – infringements of public procurement rules, the Commission recommends the package on the reform of public procurement directives to be approved by the legislator and rapidly implemented by Member States in order to react to the heightened risk identified in this area.
- Authorities' attention should be focused on the European Agriculture Guarantee Fund (EAGF) in relation to the lower rate of fraud detection to rural development compared to the pre-accession and structural funds. Member States should step up their efforts on rural development investment projects in relation to the elements of risk highlighted by similar findings in the previous programming period.
- When developing customs control strategies, in parallel with the their post-clearance customs control activities, Member States should ensure that they have effective systems of risk assessment allowing them also to carry out checks targeted at high-risk imports at the time of clearance.
- The Commission recommends that all Member States adopt and develop checks and controls, in particular, structuring and improving cooperation between managing authorities and anti-fraud bodies as well as improving risk analyses and IT tools.
- The Commission recommends that the legislator adopt the Multi-Annual Financial Framework provisions on fraud prevention in their current formulation and that they be quickly and correctly implemented at national level.

4.2. Analysis of irregularities reported by the Bulgarian authorities for the period 2007 – 2013

In order to determine the problematic areas in connection with the drafting of the National Strategy for prevention and fight against irregularities and fraud affecting the financial interests of the EU for the period 2014 – 2020, an analysis and evaluation of irregularities in the absorption of the EU funds, reported by the Bulgarian authorities in the last programming period 2007 – 2013 was carried out. The analysis revealed the following state of play for Bulgaria in this area:

- Irregularities under the Structural and Cohesion Funds

In the period 2007 – 2013 a total number of 1190 SCF irregularities have been reported to OLAF and at national level. Out of them 257 irregularities were sent to OLAF, which represents 22% of the total number. Up to 2012, there was a rise in the number of irregularities and in 2013 a slight decline.



Out of the total number of the reported irregularities 46 irregularities were classified as suspected fraud, which is almost 4% of all irregularities. Fewer than three of the irregularities fraud established, which is less than 1% of the total number of irregularities. At present, 376 of the reported irregularities (32%) are active and they are subject to administrative or judicial follow-up action. The remaining 814 irregularities (68%) resulted in completed administrative or judicial actions. There were 71 cases, which were terminated due to a perceived lack of irregularity.

Out of all the reported irregularities the following types of irregularities emerge based on the practices employed in committing the irregularity:

- 62% of the reported irregularities are related to violations of a public procurement procedure (application of discriminatory criteria for the selection of a contractor; unjustified removal of a bidder; restrictive conditions with regard to the economic and financial capacity of the bidders; the successful bidder does not meet the pre-announced terms of conditions of the contracting authority; insufficient measures for publicity and transparency; split of activities of identical nature);

- 21% of the reported irregularities related to ineligible, unlawful or unjustified expenditure (paid costs, which are not included in the scope of the project proposal; non-recovery of unduly paid sums; the advance is not spent for payments under the grant contract; ineligible expenditure outside the budget of the activity; disregard of the approved plan for instalments payments);

- 6% of the reported irregularities related to breach of contractual obligations (systematic non-execution of the activities; out of standard or incomplete performance; failure to rectify defects in the implementation; difference between the pre-defined project activities and the implemented ones);

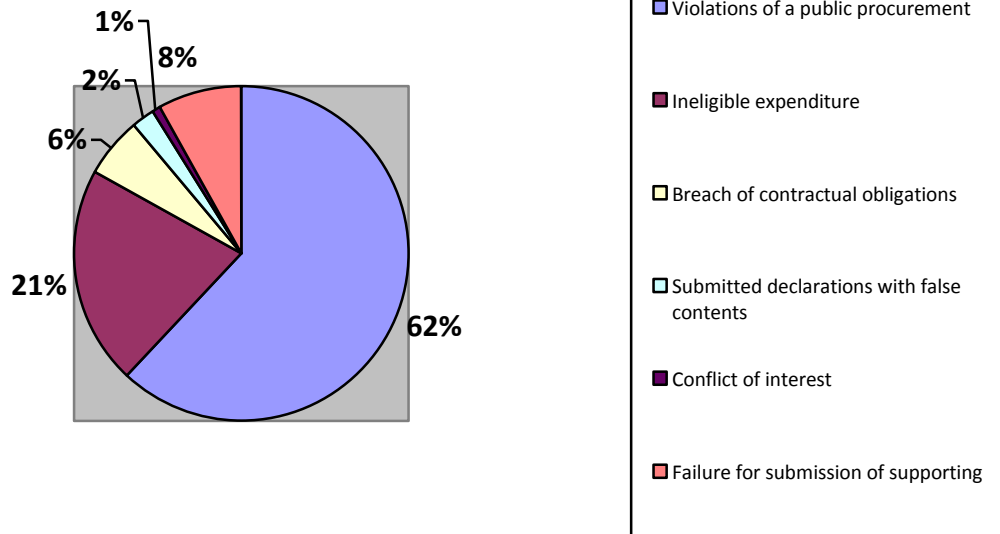
- 2% of the reported irregularities related to submitted declarations with false contents, inauthentic expenditure supporting documents, presented different original and certified copies of documents;

- 1% of the reported irregularities related to conflict of interest, while the number of cases with this irregularity is greater, as the suspected conflict of interest exists in a large number of reported irregularities of another nature;

- 8% of the reported irregularities are associated with a failure for submission of supporting documents, lack of required documents, lack of audit trail, double funding of the same expenditure.

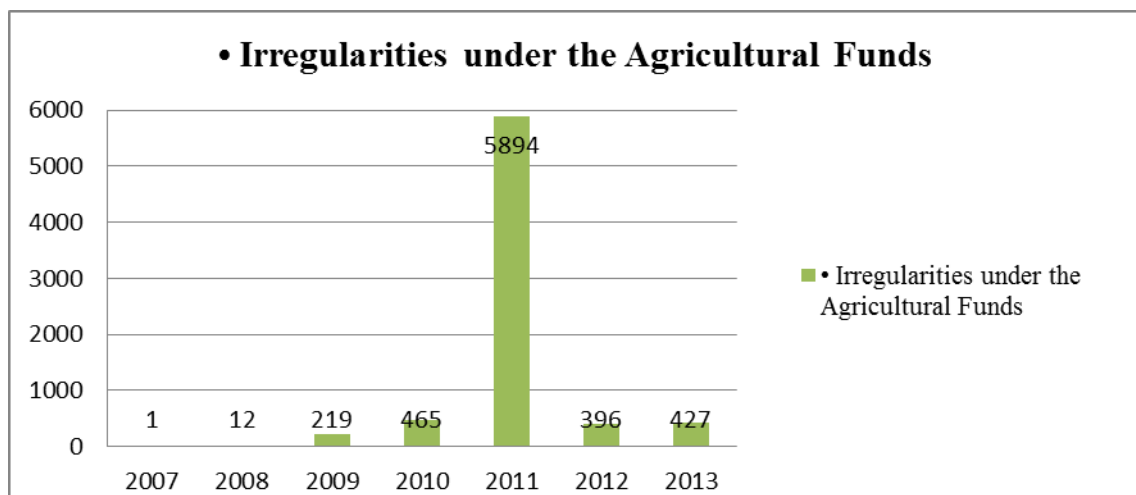


National strategy for prevention and fight against irregularities and fraud, affecting the financial interest of the European Union for the period 2014 – 2020



- Irregularities under the Agricultural Funds (EAGF and EAFRD)

In the period 2007 – 2013, a total number of 7414 irregularities under the EAGF and EAFRD have been reported to OLAF and at national level. Out of them the number of the irregularities sent to OLAF is 314, which represents 4% of the total amount. In 2011 there was a sharp increase in the number of the irregularities, detected by auditors and related to the established administrative errors caused by the change in the national land registration system.

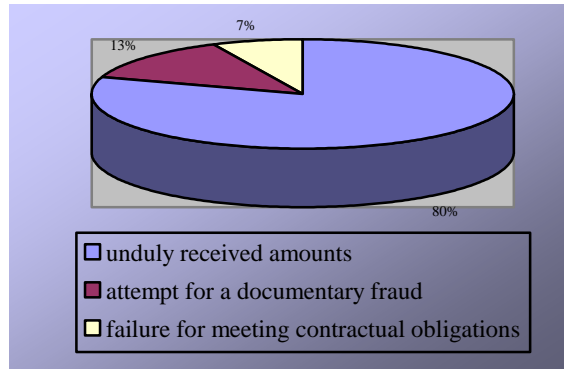


The analysis of the reported irregularities reveals the most common infringements:

- 80% of reported irregularities are caused by unduly received amounts or non-recovery of unduly received sums as a result of an administrative error;
- 13% of the irregularities are related to an attempt for a documentary fraud – in those cases the Prosecution Office has been informed in order to ascertain whether crimewas committed;
- 7% of the irregularities have accrued with regard to failure for meeting contractual obligations (arrears, failure for submission of a request for second payment, non-correspondence with



all the mandatory standards, artificially created conditions, non-satisfaction by the user of the requirement to be in no employment or contractual arrangements for the prescribed period after the conclusion of the contract; failure to meet the obligation for a permanent and present address in the municipality where the subsidised activity was carried out).



4.3. Problems and challenges in the field of prevention

4.3.1. Frequent changes in the legal framework

In the pre-accession process almost all the laws in Bulgaria have been harmonized with the EU *acquis communautaire*. The dynamics in the changes of the regulatory framework at European level in the recent years requires frequent changes in the Bulgarian laws as well. This is also related with the adoption of a number of new regulations at the second level – rules, regulations, instructions.

The significant number of regulations as well as the frequent changes and their different interpretation creates an unstable regulatory environment, which hampers the actions of the government competent authorities in the field of prevention. The changes have a negative impact on the establishment of a stable court practice, which creates serious difficulties in the judiciary as well.

This dynamic is adversely reflected on the control of the compliance with the regulations. A typical example is the Law on Public Procurement, which, despite its frequent amendments, does not meet key necessities. As it could be seen from the above analysis, nearly two thirds of reported irregularities for the programming period 2007 – 2013 concerned violations of the public procurement rules. The offenses are related to corruption, conflict of interest, falsification of documents, secret bidding, leaks of information for the tenders, manipulation of tenders, split public procurement procedures, mispricing, breach of contractual and specific requirements, fictitious suppliers, replacement of products and others.

It is necessary measure to be undertaken for overcoming the main problems related to: frequent changes of the regulatory framework; different interpretations of the legal acts; insufficient control on the implementation of the EU funded projects; imposing corresponding sanctions on the persons responsible for committing the irregularities.



4.3.2. Insufficient administrative capacity

For the establishment of an effective system for combating the irregularities and fraud the first necessary condition is the good staffing as well as the building of the administrative capacity, capable of performing the corresponding preventive measures. In implementation of Decree № 18/2003 the members of the Council for coordination of the fight against infringements affecting the financial interests of the EU are obliged to designate, within their respective institutions, officials responsible for combating irregularities and fraud. For the period up to 2013 the legal conditions for good administrative staffing were created by amendments in the regulations on the structure and operations of the competent government institutions and the judiciary. Investigative teams have been established and the administrative capacity was increased through theoretical and practical trainings, exchange of experience, study visits to the EU institutions and Member States.

Despite the positive experience gained, serious problems and challenges still exist in this area. In many institutions, the designated officials responsible for combating irregularities and fraud, carry out this activity as an additional one, but not basic and many of them are newcomers and do not have the necessary experience. For these reasons the administrative capacity is insufficient and does not ensure the necessary effectiveness in the implementation of the prevention measures. The interaction between the administration and the political leadership is not at the required level. The high turnover, the insufficient incentives in some institutions as well as the frequent changes of the responsible high level officials in these institutions remain a challenge to each successive new government. The need for improving the capacity and skills in the following areas has been identified: professional competence, foreign languages, exchange of best practices, knowledge of the functioning of the EU and the EU law and in particular the skills and capacity necessary for the absorption of EU funds.

4.3.3. Necessity for increase in the transparency and the access to information

In recent years considerable funds have been invested for the presentation of the initiatives and the implemented policies in relation to the absorption of EU funds as well as to the revenue field. Websites of the competent institutions presented in the Council have been created, information campaigns as well as press conferences have been organized, the activities and results achieved have been presented. Considerable funds from the state budget and the operational programs have been spent, but the result is still unsatisfactory. Despite the significant progress and efforts in the field of transparency and openness in the institutions' activities, the required level of publicity has not yet been reached. It is necessary to improve the work related to the alerts and complaints, as very often the senders, lacking confidence in the actions of the Bulgarian authorities, turn to the European institutions. A better way for interaction with the media and civil society should be found.

4.3.4. Need for improving the system for exchange of information on irregularities and fraud

In connection with the protection of the EU financial interests, the European legislation requires the Member States to report regularly to the Commission on the detected irregularities, the amounts concerned and the follow-up actions. The received as a result from the reporting information is used by the Commission to provide efficient analysis, comprehensive monitoring of the system for



the management of irregularities as well as for the development of policies aimed at preventing and combating fraud. The statistical information on the reported irregularities in the field of traditional own resources, the Structural and Cohesion Funds, agricultural funds and the pre-accession funds is an important part of the annual report on the protection of EU financial interests.

The challenges in this regard are related to: building the reporting system at national level; setting national institutions responsible for reporting to the European Commission; establishment of registers of irregularities and fraud affecting the financial interests of the EU, ascertained in the course of action of the administration. In Bulgaria by the virtue of an Ordinance laying down the procedures for the administration of irregularities under funds, instruments and programs financed by the EU the reporting of irregularities in the expenditure part of the EU budget has been stipulated.

In connection with the Commission's initiative to introduce electronic reporting of irregularities, a major challenge for the national authorities is the introduction of the Irregularities Management System (IMS) in the reporting of irregularities to OLAF in the expenditure part of the EU budget. The electronic reporting on the revenue side of the EU budget is settled by the introduction of OWNRES (own resources) through which the customs authorities report irregularities and fraud to DG “Budget” of the European Commission. It is imperative condition for the national information systems to be reconciled with those of the Commission. In Bulgaria the use of IMS is coordinated at national level by the AFCOS Directorate in accordance with the OLAF instructions.

When OLAF provides modules for electronic reporting, the Bulgarian structures administering European funds, instruments and programs report electronically to the AFCOS Directorate all the new cases of irregularities, the follow-up actions as well as the changes in previously reported cases of irregularities in accordance with the applicable EU legislation. When such modules are not provided, the reporting is still done on paper. The AFCOS Directorate sends to OLAF all the checked and corrected notifications of irregularities, and for the pre-accession program as well as for the Transition Facility the information is sent to the relevant DGs of the European Commission.

A serious challenge for the Republic of Bulgaria in the period 2007 – 2013 was the establishment of the Unified Management Information System (UMIS) for the Structural and Cohesion Funds, the Integrated Administration and Control System (IACS) for performing the functions of the Paying Agency dealing with the agricultural funds as well as the System for monitoring of the projects funded under the “Fisheries” Operational Programme (Acstre-Popeye) and also the electronic exchange of data between these systems. In the period 2014 - 2020 the mentioned information systems need to be further developed and reconciled with each other.

4.4. Problems and challenges in detecting and combating irregularities and fraud

4.4.1. Necessity for updates of the cooperation agreements

The activities in the field of prevention and fight against fraud and irregularities affecting the financial interests of the EU require a complex and integrated approach. Those could not be actions of a single institution, but require taking measures and interacting in a specific field between two or more institutions. This concerns in a large extent the field of detecting and combating irregularities and fraud. For this purpose, in the recent years, a number of bilateral and multilateral cooperation



agreements, instructions for interaction and work programs have been developed. Because of the frequent changes in the institutional structures and competencies, in order to be really effective, these agreements should be reviewed and updated. It is also necessary to analyze the necessity of signing new bilateral and multilateral agreements aimed at achieving the objectives set out in this strategy.

4.4.2. Challenges to the revenue administrations

The protection of EU financial interests is a serious challenge to the revenue agencies. In the circumstance of economic crisis the attempts for defrauding the EU budget increase in number, and as a result each year huge losses in the revenues are reported. In Bulgaria, despite the serious measures undertaken to improve the tax collection and to increase the income generated by the customs administration, the share of the shadow economy is significant. A challenge in this area remains the lack of close cooperation and coordination as well as the need for implementation of joint inspection and control activities by the competent authorities. For recognizing and countering tax evasion and cigarette smuggling more extensive use of information systems for exchange of risky information is needed as well as improvement of the coordination between the law enforcement authorities and the judiciary in Bulgaria.

4.4.3. Need for joint action between the public authorities, private sector, NGOs and the civil society

The problems and challenges in detecting and combating irregularities and fraud are primarily related to the need for strengthening the control and joint action between the government institutions, the private sector and the NGOs. Because of the weaknesses in the internal control systems of the managing authorities, systematic errors and double funding, the preliminary and follow-up controls need to be strengthened, also an annual analysis of common irregularities to be made and experience and best practices of fraud disclosure to be exchanged between the representatives of the mentioned groups of the society. It is necessary the awareness of citizens in matters of irregularities, suspected fraud and ways of signaling to be raised through increasing the activity of the citizens in order to effectively detect and counter fraud and irregularities.

4.4.4. Development of IT systems and e-governance in the administration of irregularities

The issue of introduction and development of e-government in the administration of irregularities is connected with a challenge for the use of modern information technologies. The problems from the previous years related to the reporting of irregularities on paper, characterized with a real burden when filling, handling, processing and analysis, could be solved through the introduction and use of IT systems in the administration of irregularities, which has its reflection on the analysis and hence on the disclosure and fight against fraud and irregularities.

4.4.5. Targeted training for the specialized bodies

In the recent years exceptional efforts have been made by the Commission to carry out targeted training for the specialized bodies in Bulgaria aimed at combating fraud. In the period before Bulgaria's accession to the EU, three projects for training of more than 800 officials, financed by the PHARE component "Fight against fraud", have been implemented. In the following years, significant resources have been used in a variety of programs for exchange of experience and good practices, internships and seminars, aimed at acquiring and developing the specialized skills for detecting and



combating fraud by the representatives of control and law enforcement authorities. At national level, at the Police Academy, the Institute of Public Administration, the National Institute of Justice, the training centers of the Customs Agency and the National Revenue Agency, special programs for police officers, prosecutors, customs and tax inspectors have been carried out.

The frequent changes in the regulatory environment, the staff turnover as well as the dynamically changing economic environment require continuation of the specialized trainings. Fraudsters and particularly the organized crime quickly adapt to the new circumstances. The changing ways and forms of fraud require responding to these challenges by taking measures at all levels and at every stage of the income and expenses cycle.

4.5. Issues and challenges in the field of cooperation at European level

4.5.1. Legislation and policies

On the background of the initiatives and reports in the field of combating fraud presented at European level, in the recent years a recommendation for deepening the cooperation between OLAF and the national competent authorities has been highlighted. This is reflected in the Special Report № 2/2011 of the European Court of Auditors. This is also presented as an objective in amendment of the OLAF legal framework, and also is enshrined in the Commission's Anti-Fraud Strategy of 2011. In this context, it is necessary the Bulgarian authorities to take action in this direction. A major challenge to the Bulgarian competent institutions is the more effective participation in the development of strategic documents, discussion of policies and joint action in the field of protection of EU financial interests. More active involvement of the Bulgarian institutions in the EU decision-making processes, while defending the Bulgarian position, is necessary. It is also necessary the cooperation with the competent authorities of the Member States and other countries to be deepened and focused on joint initiatives, coordinated positions and developing common policies.

4.5.2. Operational cooperation

Along with the need to strengthen the cooperation in the legal and political field at European level, in the field of fight against fraud it is very important to strengthen the operational cooperation and interaction. The experience gained in the fight against fraud should be applied and further developed when participating in joint operations with OLAF and the competent authorities of the Member States. It is necessary the contacts and the interaction in on-the-spot checks as well as the exchange of information to be deepened at operational level and also it is necessary the activity in requests for assistance from the national competent authorities to OLAF and the other Member States authorities to be increased.

4.5.3. Training and exchange of experience

The challenges and problems in this area are related to the need for training, organized by OLAF. This is caused by the changes in the regulatory framework at European level as well as by the transition to electronic reporting and also by the development of new methods and tools for combating fraud. The opportunities for improvement in this area include participation in OLAF training sessions



on issues related to reporting of irregularities and conducting administrative investigations, as well as exchange of experience and best practice with the Member States in this area.

4.6. Problems and challenges in the field of investigation, recovery and penalties

4.6.1. Investigations

In the pre-accession process Bulgaria fulfilled the commitment made with regard to the harmonization of its legislation with the Convention for protection of the financial interests of the European Communities of 1995. Through the amendments to the Penal Code, those elements of the concept for fraud, stipulated under Art. 1, para. 1 of the Convention, which at that time were not covered by the existing criminal legislation, have been introduced in the Special Part of the Penal Code. In the years after the accession, the Criminal Code and Criminal Procedure Code have been amended, including on the basis of the reports of European Anti-Fraud Office, and attached documents thereto, as written evidence. The Customs Law and Tax Procedure Code have been amended in order to allow effective investigation and combating fraud on the revenue side. Specialized units and structures for administrative investigations within the authorities managing EU funds and in the revenue agencies have been established as well as specialized units and structures to conduct criminal investigations in the Customs Agency, the Ministry of Interior, State Agency National Security and the Prosecution Office

In fulfilling the questionnaire under Art. 325 TFEU for 2011 and 2012, the Ministry of Interior and Prosecution Office of the Republic of Bulgaria have submitted data about 2420 initiated police checks and 1709 criminal proceedings under all the EU instruments and funds for the period 2007 – 2010. 213 out of all the initiated criminal proceeding have been closed by a court decision. Only with regard to the fight against fraud under the Agricultural Funds for the period 2011 – 2012 565 police checks have been carried out and 1033 criminal proceedings have been initiated. Out of them 355 were closed by a court decision. Despite these figures, the society still has the conviction for impunity for acts involving fraud with EU funds and dissatisfaction with the actions of the Bulgarian authorities.

The basic problems in the investigation arise from the factual and legal complexity of the tax and financial crime as well as from the significant volume of documents and number of persons for which evidence should be collected. This requires prolonged investigation of the facts in order to ensure its completeness and objectivity.

The challenges in this area are related to both increasing the investigations' efficiency and the preparation and adoption of the national regulations for the programming period 2014 – 2020, which should be in accordance with the EU law.

4.6.2. Sanctions

The Anti-Fraud Strategy of 2011 states that the Commission will streamline and reinforce the use of financial and/or administrative sanctions, including the withdrawal of the possibility for EU funding in the event of serious irregularities, fraud and corruption. In order to harmonize the situation in the individual Member States the Commission will make an assessment whether the penalties



applied by Member States under the national rules are sufficiently effective, proportionate and dissuasive in nature.

The main problem in this field for Bulgaria in the 2007 – 2013 programming period is connected with insufficient penalties, which have a deterrent effect. In the programming period 2014 – 2020 the national institutions need to optimize and enhance the use of financial and / or administrative sanctions. In this regard an assessment of the overall implementation of the existing national rules on penalties should be made. An analysis of the infringements and the penalties imposed for these infringements should be done and also the effects of imposition of sanctions should be tracked.

A serious challenge in this field was enshrined in the Commission Recommendation addressed to the Member States to ensure that the penalties for criminal proceedings in cases of fraud are in compliance with the Directive of the European Parliament and the Council on the protection of EU financial interests by the means of criminal law.

4.6.3. Recovery

In the case of shared management the Member States are primarily responsible for investigating irregularities and fraud as well as for recovering the unduly paid funds, including through follow-up activities following OLAF investigations. The problems and challenges in this area are related to the exact moment of ascertainment of the irregularity and the start of the recovery procedure, the interaction between the institutions, simplifying the procedures and improving the mechanisms for the recovery of the irregular amounts. It is important that information gathered by the Bulgarian authorities on those refunds to be presented to the Commission, which includes it in the annual report on the protection of EU financial interests.

In the Republic of Bulgaria, as a result of the analysis made, it was found out that financial corrections imposed in the first seven years of management of the EU funds by the Bulgarian authorities, represent 1.9% of all the paid grants under the seven operational programs. The majority, or 74 percent of the imposed financial corrections are linked to public procurement. The reasons for the imposition of systematic financial corrections are violations occurring in public procurement procedures, inadequate audit trail, weaknesses in the controls performed and ineligible costs made within the framework of the projects.

In order to prevent the imposition of systematic financial corrections in the future it is necessary the controls for timely identification of violations to be strengthened and also the beneficiaries' administrative capacity for project management to be strengthened as well.

5. STRATEGIC OBJECTIVES

The National strategy for prevention and fight against irregularities and fraud, affecting the financial interests of the European Union applies with regard to both expenditure and revenue side of the budget. The budget of the EU is made up of taxpayers' money, which should be used for the implementation of policies approved by the legislative bodies of the EU. These policies aim at improving the living standards of the European Union citizens, ensuring growth and employment as set out in the Europe 2020 Strategy. With this regard, the National strategy should create conditions



for the utmost utilization of the EU funds as well as for the increase of the revenues in the Union budget.

The foregoing helps to define the objective of the Strategy:

The main objective of the National strategy for prevention and fight against irregularities and fraud, affecting the financial interests of the European Union for the period 2014 – 2020 is to ensure effective and efficient protection of the EU financial interests in the Republic of Bulgaria as stipulated in Art. 325 of TFEU.

In the course of the implementation of the National Strategy the achieved results in the field of regulatory and institutional environment should be considered, the identified problematic areas and challenges should be taken into account and also measures for future development should be identified in a way to ensure continuity and adequate use of the experience gained.

The achievement of the main objective requires the identification of specific objectives and for each one of those operational objectives should be defined and the appropriate measures and actions should be identified.

5.1. Strategic objective 1: Improvement of the prevention

5.1.1. Preparation and adoption of the legal framework for the period 2014 – 2020

The legal framework is the basis for the settlement of the public relations in the field of prevention and fight against fraud and irregularities affecting the financial interests of the EU. The presented initiatives and recommendations of the Commission 2011 – 2013 require from the Member States to take measures for the adoption and implementation of the newly adopted at European level documents. A serious challenge in the field of prevention is the adoption of the new package of regulations, stipulating the matters related to the European Structural and Investment Funds for the period 2014 – 2020 as well as the adopted public procurement directives. The accumulated knowledge and experience in the implementation of the *acquis communautaire* should be used in the best possible way, avoiding the shortcomings of the current legal framework and developing the relevant national rules. Improving the quality of the national legislation is feasible in most of the cases only through the preparation of completely new laws and the relevant regulations.

With the preparation of a completely new Law on Public Procurement in implementation of the National strategy for the development of the public procurement sector for the period 2014 – 2020, simplified and sustainable legislation will be achieved as well as prevention and fight against bad practices and also the publicity and transparency will be increased through the computerization of procedures and finally the effectiveness of the preliminary, current and subsequent control will be increased.

In the programming period 2014 – 2020, special attention we will be paid to the legislation for the agricultural funds, while the recommendations of the Commission and the problems identified in the analysis of the reported irregularities in this area for the period 2007 – 2013 will be taken into account.



For the achievement of this objective, the following activities will be implemented:

- Development and agreement on draft legal acts related to the implementation of the programs financed by the EU structural and investment funds in the period 2014 – 2020.
- Development of the management and control systems, internal rules, procedures, instructions, guidelines in accordance with the EU regulatory framework for the programming period 2014 – 2020 with the purpose to prevent offenses and ensure effective protection of EU financial interests.
- Preparation of opinions on the new draft Penal Code, including in the context of combating crimes against the financial interests of the EU.
- Establishment of expert working groups for the development of new or amendment and update of existing legal acts at national level in the field of fight against irregularities and fraud with EU funds.
- Update of Decree № 18/2003 on the establishment of a Council for coordination in the fight against infringements affecting the financial interests of the European Union.
- Update of the Ordinance laying down the procedures for the administration of irregularities in funds, instruments and programs financed by the EU aimed at harmonization with the EU legislation for the programming period 2014 - 2020 г.

5.1.2. Strengthening of the administrative capacity

For the implementation of the target set for the improvement of the prevention a major factor is the availability of the necessary administrative capacity in quantitative and qualitative terms. In the period 2014 – 2020 a number of measures aimed at the improvement of the capacity of the authorities having competence in the prevention field it will be implemented and increase in their effectiveness as a whole will be targeted. A number of measures aimed at upgrading the capacity built in the period 2007 – 2013 will be taken in order to strengthen the existing units in the institutions represented in the Council and also build new ones. In correspondence with the Strategy for the development of the state administration for the period 2014 – 2020 concerted efforts aimed at increasing the expertise of the employees through trainings for developing key competences will be made. In relation to the problems identified with regard to the turnover measure for the training of the new employees will be taken and also the motivation of the employees working in this area will be strengthened. Trainings for awareness raising will be carried out as well as for expertise formation and continuous improvement of the knowledge and skills of the employees in accordance with the fundamental measures in this area set in the Partnership Agreement between the Republic of Bulgaria and the Commission for the programming period 2014 – 2020.

For the achievement of this objective the following activities will be implemented:

- Introduction to the newly hired employees of the Ordinance laying down the procedures for the administration of irregularities under funds, instruments and programs financed by the EU
- Ensuring at least two interchangeable "irregularity officers" in the competent institutions.



- Training of the employees in the country and abroad with regard to the adopted EU regulations for the programming period 2014 – 2020 as well as with the national legislation adopted pursuant to the above objective 5.1.1., including the improvement of the language skills.
- Establishment of platforms and mechanisms for presentation and discussion of the most common mistakes and for promotion of the good practices in the administration of irregularities.
- Development of models for prevention against irregularities and fraud affecting the financial interests of the EU.
- Improving the organizational structure of the existing structures and optimization of their activities aimed at implement of the preventive measures.
- Building a capacity for analysis and assessment of the risk of abuse with EU funds and funds from the national budget.

5.1.3. Increasing the transparency and improving the access to information for the general public

The main mechanism for increasing the trust and satisfaction of the public with regard to the institutions' activities in the fight against irregularities and fraud is the achievement of transparency in their actions as well as the introduction of tools for monitoring and control, including the prevention of fraud and corruption practices.

Increasing the transparency and improving the access to information for the general public with regard to the availability and use of the EU funds as well as with regard to issues concerning the irregularities and fraud affecting the financial interests of the EU, is the main objective for the improvement of the prevention. An important tool will be the strengthening of the transparency in the administration's activity through publication on the Internet of the records mandatorily it maintained in an open format. This will enable different types of civilian control. The transparency will allow the easy verification of individual facts, specific acts, performed checks and other activities in this area. The opportunities for irregularity alerts from the civil society will be improved as well as the tracking actions on them. The measures, which will be undertaken for the fulfilment of the objective set are in accordance with the measures set out in the Integrated Strategy for the prevention and combating corruption and organized crime.

For the achievement of this objective the following activities will be implemented:

- Conduct of information campaigns, public forums, press conferences, seminars, etc., aimed at the general public on the issues related to the fight against fraud and irregularities affecting the financial interests of the EU.
- Timely update of the published on the Internet websites information related to the implementation of the programs financed by the EU funds.
- Publication of information on the concluded contracts, the paid amounts and the registered irregularities with EU funds.



- Development and implementation of a publicly accessible module "Irregularities" in the Unified Management and Information System (UMIS).
- Strengthening the capacity of the beneficiaries with regard to the preparation and implementation of projects aimed at preventing errors and irregularities.
- Maintenance of e-mail addresses, hot telephone lines and other forms for reporting irregularities and fraud affecting the financial interests of the EU.

5.1.4. Maintenance of integrated databases and systems for information exchange and reporting

For the purposes of prevention an essential condition is the achievement of a high level of awareness among the stakeholders in the process regarding the ascertained irregularities and fraud affecting the financial interests of the EU. After the implementation of the activities related to the adoption and approval of the new regulatory framework in the field of the irregularities reporting, very high importance for the period 2014 – 2020 have the practical actions with regard to the maintaining and developing of the already existing integrated databases and systems for information exchange.

In the period 2014 – 2020 Bulgaria will continue to use the present application of UMIS, while a number of changes will be made in it in order to meet the new regulatory requirements. This will minimize the costs of the development of the application, the delay, related to the development of a new information system, in the launch of the operational programs will be avoided, the need for conducting trainings for users in the administration will be minimized and more attention could be paid to the trainings for the applicants and the beneficiaries. The developed interface for electronic data exchange between UMIS, IACS and Acstre Popeye will be maintained and developed in the new programming period 2014 – 2020. The functionality of UMIS will be expanded with opportunities for extracting information, which will be used for the prevention and fight against fraud, including checks for double funding, monitoring, analysis and evaluation.

For the achievement of the set objective the following activities will be implemented:

- Maintaining of unified registers of the received alerts for irregularities and ascertained cases of irregularities affecting the financial interests of the EU, identified in the course of the performance of the functions of the respective administration.
- Sending information on registered irregularities and fraud by the obliged institutions to the AFCOS Directorate.
- Maintenance and update by the AFCOS Directorate of the database "Irregularities" with funds, instruments and programs co-financed by the EU.
- Control exercised by the Directorate AFCOS on the quality of the information entered into IMS.
- Reporting of irregularities to the European Commission by the Directorate AFCOS within the deadlines set in accordance with the applicable legislation.
- Administrative checks and controls with regard to the implementation of the procedures for the administration of the received signals and irregularities in the administrative structures



responsible for the management and / or control of the EU funds, including the implementation of the obligations of the respective responsible persons.

- Maintenance and update by the AFCOS Directorate of a database for initiated and terminated prosecutors checks and pre-trial proceedings.
- Development within the AFCOS Directorate of a database for accomplished financial inspections.
- Exchange of information on ascertained cases of irregularities and fraud.

Expected results under Strategic Objective 1:

- ❖ Adopted amended and accomplished/new legal acts of first and second level stipulating the issues concerning the management and control of the funds, instruments and programs financed by the EU, with special attention to the prevention with regard to the protection of the financial interests of the EU.
- ❖ Updated procedures for the administration of irregularities in accordance with the new regulations at European level.
- ❖ Improved administrative capacity by increasing the awareness of the employees and optimization of the functional structures within the institutions, which are members of the Council.
- ❖ Carried out initiatives for general public awareness raising.
- ❖ Development of forms for sending irregularity alerts and control, with established system for analysis of the received irregularity alerts.
- ❖ Quality performance of the obligations the reporting of irregularities to the Commission in accordance with applicable legislation.
- ❖ Decreased level of irregularities and fraud as a result of the implementation of the prevention activities (for 2013 the reported irregularities under the Structural and Cohesion Funds were 416 and the number of the irregularities under the agricultural funds was 427).

5.2. Strategic objective 2: Increasing the efficiency in the detection and counteraction against the irregularities and fraud.

5.2.1. Review and update of the cooperation agreements

In order to increase the efficiency in the detection and counteraction against the irregularities and fraud of important significance is the improved coordination as well as the strengthened cooperation between the institutions. For this purpose a review and update of the existing cooperation agreements between the institutions represented in the Council will be made as well as of the Instruction on the interaction and cooperation between the Council and the Prosecutor's Office of the Republic of Bulgaria. In connection with the changes in the regulatory framework and the institutional



environment, if necessary, new agreements, instructions for interaction, work programs, memoranda of understanding will be prepared and signed by the competent institutions involved in the national coordination mechanism and by other state bodies.

5.2.2. Strengthening the cooperation and interaction between the revenue authorities

As a follow-up to the Commission's recommendations in the period 2014 – 2020 a special attention will be paid to the improvement of the revenue authorities' activity and in particular with regard to strengthening the control in high-risk goods. These structures will support their capacity strengthening for carrying out controls based on risk analysis, backed by appropriate IT tools, where clear risk profiles will be identified and the efforts and resources will be targeted to the areas where there is highest likelihood for infringement. Actions for the detection and counteraction against irregularities and fraud will be undertaken in order to strengthen the cooperation and interaction between the revenue and the law enforcement authorities.

For the achievement of this objective the following activities will be implemented:

- Conduct of joint control actions by the NRA and the "Customs" Agency against risky for both institutions branches and entities registered under the special laws.
- Performance of inspections and audits of taxable persons, potential participants in organized schemes for committing fraud, causing damages to the state budget.
- Initiation of criminal proceedings for perpetrators of tax and insurance fraud by notifying the authorities of the Prosecutor's Office of the Republic of Bulgaria
- Performance of inspections and audits of taxable persons at the request of the Prosecutor's Office of the Republic of Bulgaria.
- Conduct of activities in cooperation with the "Customs" Agency and the structures of the Ministry of Interior in accordance with the Plan for joint activities between GDNP, GDBP, RDMI and the "Customs" Agency for countering smuggling offenses and VAT offenses as well as the offenses related to the intra-Community acquisition of goods.
- Introduction of a system for exchange of risky information (COPI) aimed at facilitating the data exchange and increasing the effectiveness of the inspections carried out by the customs authorities.
- Initiation of criminal proceedings with regard to the persons involved in concealment or unlawful recovery of indirect taxes.

5.2.3. Strengthening of the internal control and the interaction between the state authorities, private sector, NGOs and the civil society

Increasing the efficiency in the detection and fighting against irregularities and fraud will be achieved through strengthening the internal control applicable at all management levels as well as through the creation of conditions for the establishment of suspicious operations or operators through the introduction of specific indicators ('red flags'). Risk assessment will be improved and the available resources will be used in the most efficient way, introducing also new IT tools. The present anti-fraud



strategy should not lead to the creation of an additional level of control. But it is needed to be ensured that the control systems in place adequately cover the risk of fraud. This requires coordination and cooperation between the control authorities in the implementation of the preliminary, current and subsequent control.

Effective interaction and cooperation between the government authorities, private sector, NGOs and the civil society will be established with regard to the detection and fight against irregularities and fraud affecting the financial interests of the EU.

For the achievement of this objective the following activities will be implemented:

- Preparation of annual summary analysis of most frequent irregularities related to the procurement procedure identified in the audits of operations under the operational programs financed by the European Union.
- Sending to the National Authorising Officer of information on the completion of the audit engagements – under the pre-accession instruments and to the Certification Authority with regard to the Structural Funds, the Cohesion Fund and the European Maritime and Fisheries Fund.
- Notification of AFCOS Directorate on the results of the checks carried out by OLAF in the administration concerned as well as of the initiated as a result of those checks criminal proceedings.
- Exchange of information, experience and good practices between the public authorities, private sector and non-governmental organizations on issues related to the detection and fight against abuse with EU funds.
- Exchange of experience and good practices within the framework of the Permanent Working Group on the Irregularities to the Council with regard to the administration of irregularities in the Member States. Discussions within the group on specific issues and case studies.
- Performance of ex-ante control with regard to procurement procedures, fully or partially financed with EU funds.
- Together with the Managing Authorities auditors from the Audit authorities will participate as lecturers in training for the beneficiaries under the operational programs with regard to the implementation of the legal acts in the field of public procurement.
- Raising the awareness of citizens on the ways for sending alerts on the irregularities; clarifying and promoting the concepts of "irregularity" and "suspected fraud"; improving the environment for civil activity in order to detect and effectively counteract irregularities and fraud affecting the financial interests of the EU.

5.2.4. Transition to full electronic reporting

For the programming period 2014 – 2020 a new management and monitoring system at European level is expected to be introduced (nIMS-new Irregularity Management System). This system is developed by OLAF in accordance with the adopted policies and regulatory framework and it will require action by the competent national institutions with regard to its application. The



challenge will be the transition at national level to fully electronic reporting, which will facilitate the work, will shorten the time for preparation, checking and sending the reports to the Commission. In Bulgaria the development of the information systems UMIS, IACS and Acstre Popeye will continue. For the reduction of the administrative burden for the applicants and beneficiaries under the EU structural and investment funds the introduction of comprehensive electronic communication system through UMIS 2020 is foreseen. The system will be upgraded with applications that will allow its use by the general public. The use of an information system, which covers all the processes of the project cycle, will allow to all the beneficiaries to gain access to and to be covered by the delivered electronic services. At the same time the ability for extracting information for checks and analysis will be improved as well as for detecting and fighting against irregularities and fraud affecting the financial interests of the EU.

5.2.5. Conduct of targeted training for the specialized bodies

For increasing the efficiency in the detection and fighting against irregularities and fraud of crucial significance is the professionalism and expertise of specialized bodies. It is necessary to continue the efforts for improvement the career development and qualifications of the employees in the control, auditing and certification authorities. It is necessary also the capacity of the law enforcement authorities for financial investigation of the organized crime to be improved. Along with the continuation and development of the specialized training centers, established within the institutions represented in the Council it is necessary to closely link the practical problems in the fight against fraud with the curriculum of the Institute of Public Administration and the National Institute of Justice (NIJ). Special focus will be put on strengthening the capacity of the NIJ, expansion of the programs related to the fight against fraud with EU funds, the practices related to the investigation and justice in order to extend and improve the quality of training for the authorities carrying out investigation under the Penal Procedure Code as well as the persons supporting the trial.

For the achievement of this objective the following activities will be implemented:

- Conduct of targeted trainings, information and training campaigns for the specialized bodies responsible for detecting and fighting against irregularities and fraud, including prosecutors and police investigators.
- Exchange of experience and best practices for detecting and fighting against irregularities and fraud.
- Participation in trainings and seminars conducted by national and international experts on issues related to the prevention and fighting against irregularities and fraud affecting the financial interests of the EU, with particular emphasis on the detection and ascertainment of the irregularities.
- A significant increase in the number of trained prosecutors, police investigators, investigative agents of the State Agency “National Security” and investigating customs inspectors, specialized for working on cases of crimes against the financial interests of the EU.
- Establishment of specialized units, including at regional level, able to investigate major cases of fraud seriously affecting the EU budget.



- Establishment of working groups for analysis of the submitted to the Managing Authorities notification letters from the Prosecutor's Office, prosecutors' decrees and OLAF requests as well as requests of the Ministry of Interior and the State Agency "National Security" on a monthly basis in order to verify the correctness of the actions taken and if necessary, for taking adequate corrective ones.

Expected results under Strategic Objective 2:

- ❖ Improvement of the bilateral and multilateral cooperation between the institutions involved in the national coordination mechanism for fighting fraud.
- ❖ Increasing the revenue collection by the revenue authorities as a result of the joint actions undertaken by the competent authorities and reduction of the shadow economy (31.9% of GDP in 2012).
- ❖ The existence of an effective system for risk assessing and management in all control and regulatory authorities. Effective preliminary, current and subsequent control.
- ❖ Improved interaction and cooperation between the public authorities, private sector, NGOs and the civil society in the detection and fight against irregularities and fraud affecting the financial interests of the EU.
- ❖ Reduced administrative burden and improved analysis as a result of fully introduced electronic reporting.
- ❖ Increased professionalism and expertise of the specialized bodies.

5.3. Strategic objective 3: Strengthening the cooperation with OLAF as well as with the competent EU institutions, EU Member States and other countries

5.3.1. More active participation in the development of strategic documents and policies

The Commission and, in particular, OLAF will continue to share best practices, to render assistance and cooperate with the EU institutions, the national institutions and other international organizations and expert bodies in the development of policies for fighting fraud and corruption. The actions related to the development of the policies will be coordinated within the EU mechanism for reporting in the field of fight against corruption. A prerequisite for the effective fight against fraud is the expansion and deepening of the cooperation of the Bulgarian institutions with OLAF and the other EU structures as well as with the competent authorities in the EU Member States with regard to the development of strategic documents and discussion of policies in this area. The Bulgarian institutions should be an active participant in discussions at European level and should successfully defend the national interests at all stages of the policy planning, decision making and implementation of the EU legislation in this area.



For the achievement of this objective the following activities will be implemented:

- Strengthening the role of Bulgaria in meetings, conferences, seminars and forums for the development of strategic documents and discussion of policies aimed at protecting the financial interests of the EU.
- Presentation and defending of the national position when participating in the meetings of the Advisory Committee for the Coordination of Fraud Prevention (COCOLAF) and its subgroups.
- Establishment of organization for the preparation of the Bulgarian part of the annual reports under Art. 325 of TFEU concerning the protection of the EU financial interests:
 - Answering the questionnaire under Art. 325 TFEU;
 - Provision of information on the implementation of the Commission recommendations in the reports.
- Presentation of the Bulgarian experience while participating in the annual AFCOS seminars, improving the interaction and replication of good practices.
- Rendering assistance in the preparation and conduct of the organized by OLAF event “AFCOS Seminar 2014” in the city of Sofia aimed at presenting the experience of the AFCOS units of the EU Member States to the candidate countries with a special attention on the Bulgarian model.
- Establishment of organization, preparation of national situation report and participation in the annual conference of the Working Group "Cigarettes", organized by the European Anti-Fraud Office.

5.3.2. Broadening of the operational cooperation

The concrete practical application of the active position at European level of the competent Bulgarian institutions should result in broadening the operational cooperation with OLAF and the competent authorities in the Member States and in other countries. The objective must be an active exchange of information, performance of concrete actions and joint operations for detecting and fighting against irregularities and fraud affecting the financial interests of the EU.

For the achievement of this objective the following activities will be implemented:

- Participation of the competent national authorities in joint operations aimed at fighting fraud, organized by OLAF at European and regional level.
- Participation in bilateral and multilateral joint investigative teams, while working on cases affecting the financial interests of the EU.
- Rendering assistance to OLAF with regard to requests for information and materials on investigations related to the detection and fight against irregularities and fraud affecting the financial interests of the EU.
- Providing assistance and participation of AFCOS Directorate officials in on-the-spot checks carried out by OLAF in accordance with applicable the EU and national legislation.



- Timely assistance to the European Commission controllers for granting access to the premises or documentation for the execution of the controls and on-the-spot checks in accordance with Chapter Three "a" of the State Financial Inspection Law.
- Improved operational cooperation between the Council members in the conduct of investigations by OLAF on the territory of the Republic of Bulgaria.
- Establishment of active cooperation and operational interaction between the AFCOS services in the Member States and candidate countries.
- Expanding the operational cooperation with the EU institutions and competent authorities of the EU Member States aimed at effective detection and fight against irregularities and fraud.

5.3.3. Participation in trainings and exchange of experience

OLAF promotes among the Member States and shares with them its operational experience and best practices in the field of protection of the EU financial interests. The Office supports the measures undertaken by the Member States to fight fraud. At the same time, the EU Member States inform OLAF, while reporting irregularities on detected cases of fraud at an early stage and update this information when subsequent actions are taken in compliance with the applicable legal framework. This information is being analyzed and assessed with regard to the revealed new fraudulent practices. It is therefore important to develop a more proactive approach for participation in the trainings and exchange of experience at international level. It is necessary to expand the forms and methods for conducting on-the-spot trainings with participation in networks for cooperation and partnership, internships within the European institutions aimed at exchange of best practices and acquisition of specific expertise. The training of trainers should be strengthened, which should share their experience and the learnt good European practices should be disseminated and implemented at national level. It is necessary to conduct specific training in OLAF for the staff with competences for carrying out administrative checks to identify irregularities and fraud affecting the financial interests of the EU (administrative investigations). It is needed also the synergies between the competent national institutions and the similar institutions in the Member States to be strengthened.

For the achievement of this objective the following activities will be implemented:

- Participation in trainings for the reporting of irregularities with regard to the use of new tools and methods in the fight against irregularities and fraud affecting the financial interests of the EU and for exchange of experience and good practices.
- Conduct of trainings for the bodies at the pre-trial stage on the use of the tools of the international legal cooperation in criminal matters with regard to the detection and mutual recognition in the investigation of crimes affecting the financial interests of the EU.
- Participation in training sessions on the introduced new systems for irregularities reporting for the period 2014 – 2020, the organized by OLAF, transmission and putting into practice the lessons learned at the national level.
- Conduct of internships for officials from the AFCOS Directorate in OLAF aimed at exchange of experience in the opening, carrying out and closing of administrative investigations.



- Conduct of study visits of the AFCOS Directorate officials in the AFCOS units in the EU Member States aimed at exchange of experience in the fight against irregularities and fraud affecting the financial interests of the EU.
- Participation of the AFCOS Directorate as a partner of AFCOS Croatia for which the present programming period is the first one, in the organization and conduct of working visits aimed at exchange of experience and training of the competent authorities in Croatia.

Expected results under Strategic Objective 3:

- ❖ Improved cooperation between the institutions involved in the mechanism for fighting against irregularities and fraud at national and European level in policy development and decision making processes.
- ❖ Effective conducted joint operations in the fight against contraband and counterfeiting of cigarettes as well as in the detection of fraud in the expenditure pArt.
- ❖ Dissemination of the experience gained through trainings on reporting of irregularities and investigation of deceptive practices for the exchange of experiences with OLAF and the competent national authorities in the EU Member States.

5.4. Strategic objective 4: Improving the effectiveness of the activities related to the investigation, recovery and penalties

5.4.1. Effective coordination of the legislative, administrative and operational activities of the institutions

For the achievement of greater efficiency and effectiveness in the investigative activities, reimbursement of the funds and the imposition of penalties for irregularities and fraud, affecting the financial interests of the EU, an effective coordination of the legislative, administrative and operational activities of the competent national institutions is needed. For the achievement of good results it is necessary work to be done for the improvement of the coordination between the judiciary and the other law enforcement authorities as well as between the judiciary and the executive authorities. By the improvement of the capacity for more efficient pre-trial investigation a reduction in the duration of the criminal proceedings should be achieved, which is in line with the recommendations of the Commission to shorten the time for investigation and prosecution.

The violence against the financial interests of the European Union cause heavy losses to the general EU budget and this jeopardizes the implementation of the European policies. The Republic of Bulgaria supports the need for common action by the Union oriented to fighting fraud and related illegal activities, affecting the financial interests of the Union. In relation with the initiatives at European level and the Commission's recommendations in this area with special focus on the Draft directive on the fight against fraud affecting the financial interests of the Union by the means of the criminal law, it is an imperative an appropriate national legislative framework to be elaborated by amending the existing laws and regulations or by the adoption of new legal acts stipulating the rules



for conducting administrative and criminal proceedings aimed at the protection of EU financial interests.

For the achievement of this objective the following activities will be implemented:

- Discuss of identified problems in the implementation of the Penal Code, the Penal Procedure Code, the Tax and Insurance Procedure Code and other legal acts and drafting proposals for overcoming the identified problems through legislative changes.
- Development and adoption of texts of the Criminal Code in the context of combating crimes against the financial interests of the EU.
- Preparation of proposals for amending and accomplishing laws and regulations or for the adoption of new legal acts stipulating the rules for conducting administrative and criminal proceedings in the field of protection of the EU financial interests .

5.4.2. Optimization of the national rules on imposing penalties

The amendments to the legislation in the Republic of Bulgaria must put in place in cases of fraud and criminal protection of the EU financial interests with effective, proportionate and dissuasive penalties. Furthermore, it is necessary to optimize the national rules for imposing financial and / or administrative sanctions and for taking effective measures aimed at deterring the commission of irregularities and fraud affecting the financial interests of the EU, including withdrawal of the opportunity for funding. In order to increase the deterrent effect of the disciplinary sanctions, the outcomes of disciplinary proceedings should be announced more effectively, while respecting the fundamental rights of the persons concerned as well as the rules on data protection.

Taking into account the ascertained problematic areas and aimed at the implementation of the National strategy for the development of the public procurement sector in Bulgaria for the period 2014 - 2020 measures aimed at increasing the effectiveness of sanctions related to irregularities in the public procurement sector were laid down.

For the achievement of this objective the following activities will be implemented:

- Preparation of an analysis on the application of the national rules for imposition of administrative and / or financial penalties – ascertained offenses, imposed penalties, effect of sanctions' imposition.
- Preparation of proposals for amending and accomplishing the national rules for imposing financial and / or administrative sanctions and taking effective measures aimed at deterring the commission of irregularities and fraud affecting the EU financial interests, including withdrawal of funding.
- Development and maintenance of an effective database for early warning aimed at strengthening the monitoring and control over the risk bearing persons and entities participating in the procedures, funded by the EU funds and programmes.



- Raising the awareness of the competent authorities at national level on the use of the Central Exclusion Database, elaborated by the Commission for early detection and prevention of risks and publication of information about the wrongdoing and sanctioned economic operators.

5.4.3. Establishment of shortened and clear recovery procedures

The EU Member States in case of a danger or damage to the financial interests of the EU should endeavor to recover the unduly spent funds in a way the same as the way they protect their own financial interests. The recovery should be made within the framework of an administrative or criminal proceedings.

In accordance with the Commission's Anti-Fraud Strategy of 2011 and in implementation of the National strategy for the period 2014 – 2020 in Bulgaria measure for the optimization of the process and the establishment of shortened clear procedures for the recovery of the unduly paid funds will be undertaken including through undertaking follow-up actions after the investigations, carried out by the European Anti-Fraud Office.

For the achievement of this objective the following activities will be implemented:

- Alignment of the national rules for determining and imposing financial corrections with the Guidelines for determining financial corrections to be made by the Commission to expenditure financed by the Union under shared management, for non-compliance with the rules on public procurement adopted by Commission Decision № C 9527 of 19 December 2013.
- Updating the rules of procedure for imposing financial corrections.
- Setting up an organization for prioritized collection of the due under programs, co-financed by the European Union funds or associated with "traditional own resources" as part of the contribution of Bulgaria to the general budget of the European Union.
- Providing feedback on the collection of receivables to the respective contracting authority with a view to promoting and updating the reports on the irregularities.
- Monthly reporting on the actions undertaken in collection of the receivables by the executive agencies and Managing Authorities arising from wrongfully absorption of EU funds and unduly paid after ascertained irregularities and fraud affecting the financial interests of the EU.
- Timely detection of irregularities and start of the recovery procedure.
- Establishment of simplified procedures for interaction between the Managing Authorities and the National Revenue Agency with regard to the forced recovery of the funds in case of missed deadline for voluntary recovery.

5.4.4. Increasing the efficiency of the administrative and criminal proceedings

In case of fulfillment of the set above operational objectives within the larger strategic objective, as a final result, an increased efficiency and improved effectiveness of the ongoing administrative and criminal proceedings should be achieved. This is related to increasing the number of the completed by a judgment or verdict initiated lawsuits and to the amount of the recovered funds.



The report on the OLAF activities in 2013 presents summarized information on the investigations closed by the Office, where there is suspicion of committed fraud affecting the financial interests of the EU, the final case reports of which with recommendations for judicial follow-up have been sent to the national judicial authorities. The information given in the 2013 OLAF Annual Activity Report shows that for the period from 1 January 2006 to 31 December 2013 OLAF made 27 recommendations to the Bulgarian competent authorities to verifying the findings ascertained by the Office for suspicion of a crime committed on the territory of the country and to initiate pre-trial proceedings. With regard to 18 of these recommendations a prosecutor's decision has been made and 10 out of those 18 resulted in an indictment, while 8 of those cases ended in prosecutor's refusal for the initiation of pre-trial proceedings. According to the OLAF methodology for calculating the effectiveness of the investigations closed with recommendations for undertaking judicial follow-up actions against suspected fraud sent to the competent authorities in the Republic of Bulgaria for the mentioned period, a comparison between the number of cases brought to court and the number of case with a refusal for initiation of pre-trial proceedings results in an indicator 56%, which is 2% above the average rate for the European Union. This result of the actions undertaken by the competent national authorities in OLAF's opinion is an indicator for the effectiveness and efficiency of the Office's investigations as well as the level of protection of the EU financial interests in the Member States.

According to the data presented in the annual report on the activities of the Council for coordination in the fight against infringements affecting the financial interests of the EU, in 2013 the Prosecutor's Office received a total number of 479 notifications concerning potential offenses related to the abuse with EU funds. Out of these, 325 have been closed without the initiation of pre-trial proceedings and 172 resulted in the initiation of pre-trial proceedings and for this period 98 indictments have been brought to court, which is 1% above the aforementioned indicator.

It is necessary during the programming period 2014 – 2020 the activities of the competent institutions to be oriented to increasing the percentage of the brought to court indictments compared to the total number of pre-trial proceedings as well as to increasing the percentage of the closed in the court criminal proceedings with convictions compared to the total number of the brought to court acts.

For the achievement of this objective the following activities will be implemented:

- Implementation of control activities by the competent institutions represented in the Council with regard to the process of recovery of unlawfully spent by the beneficiaries funds after the ascertained of the irregularities.
- Preparation of internal rules for the programming period 2014 – 2020 by all the Managing Authorities in connection with the recovery of unduly paid funds by beneficiaries in the respective programs.
- Conduct of administrative investigations by the AFCOS Directorate aimed at identifying irregularities and fraud affecting the financial interests of the European Union, on its own initiative or at OLAF request.
- Initiation, conduct and closing with an act, judgment or verdict of the proceedings initiated by the competent law enforcement authorities.



Expected results under Strategic Objective 4:

- ❖ Adopted amendments and accomplishments/new legal acts stipulating the conduct of administrative / criminal proceedings in the protection of the financial interests of the EU.
- ❖ Prepared new Penal Code in its part concerning the fight against crimes affecting the financial interests of the EU.
- ❖ Established redundant recovery procedures.
- ❖ Updated rules of procedure for imposing financial corrections in accordance with European law.
- ❖ Increased efficiency of the administrative and criminal proceedings.

6. COORDINATION, MONITORING AND REPORTING ON THE STRATEGY IMPLEMENTATION

The implementation of the present National strategy for prevention and fight against irregularities and fraud for the period 2014 – 2020 should find its place in the current cycle of strategic planning and programming in Bulgaria, which foresees a full set of mechanisms for planning, monitoring and reporting.

For the effective implementation of the set in the National Strategy strategic and operational objectives the members of the Council for coordination in the fight against infringements affecting the financial interests of the EU will organize in the governed by them institutions, the implementation of specific activities for the protection of the financial interests of the EU. The indicators for monitoring the objectives and the activities will be further developed with a reference to specific deadlines and responsible institutions in the action plan.

The draft of the National strategy and the Action plan are prepared by the AFCOS Directorate on the bases of the proposals given by the members of the Council and the Prosecutor's Office of the Republic of Bulgaria, which after summarizing and coordination, are adopted at a regular session of the Council. The AFCOS Directorate coordinates, monitors and reports on the implementation of the approved by the Council of Ministers strategies and plans. The Directorate prepares a draft annual report on the activities of the Council for the last year on the basis of the information submitted by the Council members and the Prosecutor's Office of the Republic of Bulgaria with regard to the activities carried out for the achievement of the strategic objectives of the National strategy for prevention and fight against irregularities and fraud, affecting the financial interests of the EU.

The achievement of the objectives and activities set for the implementation of the National strategy for prevention and fight against irregularities and fraud for the period 2014 – 2020 will be financed with funds of the participating institutions in the national coordination mechanism for the protection of the financial interests of the EU, provided by the state budget and the operational programs of the European Union.