

Document provided by Bulgaria

**NEGOTIATING POSITION
ON CHAPTER 21**

“REGIONAL POLICY AND CO-ORDINATION OF STRUCTURAL INSTRUMENTS”

OVERALL POSITION

The Republic of Bulgaria accepts and will fully implement the Acquis Communautaire in the field of Regional Policy and Co-ordination of Structural Instruments.

The working programme of the Bulgarian Government envisages, that Bulgaria will become member of the European Union with all rights and responsibilities as of 01.01.2007.

Bulgaria shall not request transition periods or derogations in the area of Regional Policy and Co-ordination of Structural Instruments. Bulgaria expects to participate in the Community's Economic and Social Cohesion policy and to fully benefit from the Structural Funds and the Cohesion Fund from this date onwards. The Republic of Bulgaria shall follow the rules, set for the other Member States. Bulgaria expects that its whole territory will be eligible for funding under Objective 1 after the EU accession.

By the end of 2004 Bulgaria will harmonize its own legislation with the Acquis Communautaire in the field of Regional Policy and Coordination of Structural Funds, in order to be able to prepare the institutions before its full membership.

The Republic of Bulgaria is implementing the principles of the Structural Funds for regions, whose development is lagging behind and will convert them till 2004 in line with the requirements of the EUROSTAT and statistic classification NUTS criteria. The process of territorial organization in statistical territorial units is under implementation – for the purposes of planning of regional development, the so-called “Planning regions” have been created, with a CM Decree (CM Decree No 145 from 27.07.2000 State Gazette No 64 from 04.08.2000). Bulgaria fully recognizes the objectives defined in Art. 158 of the Amsterdam Treaty, amending the Treaty of Maastricht and the Treaties establishing the European Communities. These objectives are based on the Acquis Communautaire in the area of Regional Policy and Coordination of Structural Instruments.

The Acquis Communautaire does not imply any direct changes in the Bulgarian legislation in the field of Economic and Social Cohesion. The adopted EU regulations arrange the overall Community Structural policy without indicating the way these changes should be implemented in each of the Member States (with the exception of Council Regulation (EC) 1257/99). The Member States implement the programmes according to their institutional, legislative and financial systems.

Bulgaria considers that an increase of the upper limit of the support from 4% to 8% of the GDP would be necessary for the successful reducing of the disparities between the Bulgaria's economic and social development indicators and the Community's average ones. This will lead to increase of the Structural Funds resources for Bulgaria, which will be supported by additional national public and private resources. Rapid economic growth can be achieved only with adequate level of investments, necessary for overcoming the lag behind from the EU.

ADOPTION AND IMPLEMENTATION OF *ACQUIS*

Basic Principles

This position is based on:

The *Acquis Communautaire* in the field of economic and social cohesion policy is governed by Art. 158-162 (Title XVII: economic and social cohesion), Art. 146-148 (European Social Fund) and Art. 33 (objectives of common agricultural policy) of the Amsterdam Treaty amending the Treaty of Maastricht and Treaties Establishing the European Communities. Article 158 states that “In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of the economic and social cohesion. In particular, the Community shall aim at reducing disparities between the levels of development of the various regions and backwardness of the least favoured regions of islands, including rural areas”. The main financial instruments for the Community to implement those objectives are the Structural Funds (Council Regulation (EC No 1260/1999):

- European Regional Development Fund (Regulation of the European Parliament and of the Council (EC) 1261/1999), co-financing measures aiming at decreasing regional disparities in the Community.
- European Social Fund (Regulation of the European Parliament and of the Council (EC) No 1261/1999), co-financing measures relating to employment policy and human resources development;
- Guidance Section of the European Agricultural Guidance and Guarantee Fund (Council Regulation No 1257), co-financing, measures supporting aid schemes for agriculture and rural development;
- Financial Instrument for Fisheries Guidance (Council Regulation No 1263), supporting implementation of the common fisheries policy;
- The Cohesion Fund (Council Regulation (EC) No 1264/1999 and No 1265/1999 introducing amendments to the Regulation No 1164/94), co-financing transport investments in trans-European corridors and the area of environment protection – of national relevance.
- Council Regulation No 1268/1999 for the support which the Community will provide for the implementation of the measures for the Development of aid schemes for agriculture and rural development in the Candidate countries from Central and East Europe during the accession period and Council Regulation No 2222/2000 laying down the financial rules for the implementation of Council Regulation No 1268/1999

There are several legal acts in existence in Bulgarian, which directly or indirectly regulate operations of each element of the cohesion policy. These acts reflect regulations relating to the functioning of the Structural Funds and the Cohesion Fund.

REGULATORY FRAMEWORK

Laws

The Law of Local Self-Governance and Local Administration

The Law of Municipal Budget

The Law of Local Taxes

The Law of National Audit Office

The Law of Arrangement of State Budget

The Law of Annual State Budget for 2001

The Law of Administrative and Territorial Organization

The Law of Regional Development

The Law of Organization of the Territory

The Law of Environment Protection

The Law of State Internal Financial Control

The Law of Social Investment Fund

The Law of Fisheries and Aquaculture

The Law of Economic and Social Council
The Law of Small and Medium sized Enterprises
The Law of Ratification of the Multi-annual Financing Agreement between the European Commission on behalf of the European Community and the Republic of Bulgaria (SAPARD)
The Law of Ratification of the Memorandum of Understanding for Establishment of the National Fund between the Bulgarian Government and the European Commission

Secondary Legislation

CM Decree 105/02.06.1999 Regulation for establishing the criteria for determining regions subject to action and their territorial scope

Regulation No14/18.05.2001 for the conditions and order for grants provision for agricultural investments according to the Special Pre- Accession Programme of the EU for development of the agriculture and the rural regions in the Republic of Bulgaria (SAPARD)

Regulation No15/18.05.2001 for the conditions and order for grants provision for the development and the diversification of the economic activities, providing with opportunities for multilateral activities and alternative incomes under the Special Pre-accession Programme of the EU for development of the agriculture and the rural regions in the Republic of Bulgaria (SAPARD)

Regulation No 16/18.05.2001 for the conditions and order for grants provision for improvement of the processing and marketing of agricultural and fish products under the Special Pre-accession Programme of the EU for development of the agriculture and the rural regions in the Republic of Bulgaria (SAPARD)

CM Decision 374/02.06.1999 for the Implementation of an ordinance for the criteria to be applied for determining the regions subject to action under the Law and their territorial scope

CM Decision 670/27.10.1999 for adoption of National Economic Development Plan

CM Decision 789/30.11.2000 for ISPA

CM Decree 208/22.11.1999 for adoption of National Regional Development Plan

CM Decision 726/22.01.1999 for the adoption of the National Plan for the development of the agriculture and the rural regions (2000-2006)

CM Decree 220/November 1999 for the adoption of the Internal Regulations of the Ministry of Regional Development and Public Works

CM Decree 145/27.07.2000 for Determination of the conditions and order of implementation of strategies and programmes co-financed from the EU in the field of Regional Development and social and economic cohesion

CM Decree 186/19.09.2000 for the adoption of amendments and supplements to the Internal Regulations of the Ministry of Finance

CM Decision 802/06.12.2000 for Creation of Joint Monitoring Committee and Sectoral Monitoring Sub-committees

CM Decree 132/14.07.2000 on Assigning of functions for implementation of SAPARD (2000-2006)

CM Decision 455/20.06.2001 for the adoption of the National Strategy of Environment

Council for Regional Development Decision from June 2000 for the adoption of the strategies of environment and transport under the objectives of the financial instrument ISPA

CM Decree 104/02.06.1999 for the adoption of Regulation establishing the organization and activities Council for Regional Development within the Council of Ministries and the District Development Councils

CM Decree 214/29.11.1999 for the adoption of the Internal Regulations of the Ministry of Environment and Water

INSTITUTIONAL FRAMEWORK FOR IMPLEMENTATION OF THE ACQUIS

In order to coordinate the regional policy at national level, there has been created Council for Regional Development within the Council of Ministers, which consists of ministers, regional governors and a representative of the National Association of municipalities.

The Ministry of Regional Development and Public Works (MRDPW) is responsible for coordination and preparation of the National Economic Development Plan, of the National Regional Development Plan and of the Operational programmes (CMR 670/99; CMD 208/99). The Ministry of Finance is responsible for the management of national and external financial resources.

Territorial Units of the MRDPW and the Economic and Social Cohesion Commissions are involved in the process of planning and programming, coordination at regional level, preliminary project selection, programmes monitoring and implementation of the partnership principle. Ministry of Regional Development and Public Works has territorial units in each of the 28 Districts (NUTS II) and in each “planning region” (NUTS II). Territorial units within the “planning regions” act as secretariats of the Economic and Social Cohesion Commissions, and are primarily involved in the development of strategies for economic and social cohesion (at “Planning region” level), respectively – in the operational programmes for the implementation of the regional strategies. After discussions and final approval, these strategies and operational programmes become a starting point for the following phases, stages in the process of regional development planning (NRDP-NEDP). The territorial units and the ESCCs were established in the year 2000 (CM Decree 145) and at the present stage are in a process of initial institutional building and strengthening

National Aid Coordinator is the Minister of foreign affairs, who is responsible for programming process of all EU Financing programmes, and he also ensures political co-ordination between EC and Bulgarian beneficiaries.

National Authorizing Officer (NAO) of the National Fund is the Minister of finance who is responsible for the overall financial management of PHARE, ISPA and SAPARD funds, and for the determination and introduction of rules, regulating the interrelations among the National Fund, EC and the Bulgarian beneficiaries. The NAO is responsible for the provision and management of the national co-financing for the projects, which are co-financed by PHARE and ISPA.

Two new directorates within the Ministry of Finance have been established with the CM Decree №186/19.09.2000. The Directorate “National Fund” acts a central treasury body for financial management of the EU Aid, while the Directorate “Central Financing and Contracting Unit” manages PHARE Institution Building programmes and projects.

There has been created a Joint Monitoring Committee to monitor the implementation of the EU programmes -PHARE, ISPA and SAPARD (CMR 802/2000). The Joint Committee members are the Minister of foreign affairs, the Minister of Finance, Implementing Agencies representatives and EC representatives.

The Joint Monitoring Committee proposes corrective measures to guarantee achievement of the project objectives and to increase the efficiency in absorption of the different types of aid programmes including:

- (a) Activities, management, technical and financial aspects of the programmes;
- (b) Re-allocation of financial resources within framework of the programme.

ISPA

According to the CM Decree No789/30.11 2000 the Minister of the Regional Development and Public Works has been appointed a National Ispa Co-ordinator (NIC). The NIC is the main counterpart of the EC in Brussels, regarding the programming, implementation and evaluation. In the programming process he presents ISPA strategies and the application forms in front of the Commission and ensures the balance between the environment and the transport sectors. With regard to the implementation, he is responsible for the monitoring of the implementation of each ISPA project, using natural and financial indicators relevant to the project and project objectives. The NIC ensures the achievement of the objectives of each project in compliance with the Financing Memorandum. He also chairs the ISPA Monitoring Committee, proposes and executes the re-allocation of funds and undertakes corrective measures, when necessary, to ensure the achievement of the project objectives and regularly reports to EC for the stages of development.

The NAO is the head of the National Fund is responsible for the overall financial management of ISPA funds. The Minister of Finance has been appointed a NAO with the Financing Memorandum for the establishment of the National Fund signed on 07.12.1998. He is also responsible for the adoption and implementation of the interrelating rules between the National Fund and the Implementing Agencies. He signs request for payments and presents them in front of the Commission. All ISPA funds are distributed through the National Fund. In compliance with the Memorandum of Understanding for the utilization of the National Fund for ISPA objectives, signed on 22.11.2000, and CM Decision No 789/30.11.2000 the NAO appointed Sectoral Authorizing Officers, heading the four Implementing Agencies for ISPA projects implementation. In July 2001, were signed Financing Agreements for the implementation of ISPA projects - between the National Fund and the four ISPA Implementing Agencies. According to the Commission requirements pointed out in the working document No 0070129/14.07.2000 and the Council of Ministries Decision No 789/30.11.2000, the ISPA Monitoring and Control Committee for the implementation of ISPA programme includes the representatives of the following institutions:

- National ISPA Co-ordinator
- Co-ordination ISPA Unit
- National Fund within the Ministry of Finance
- ISPA Implementing Agencies:
 - Ministry of Environment and Water- Department “Strategy and pre-accession programmes and projects”;
 - Ministry of Transport and Communications-Directorate “Transport policy”;
 - Roads Implementing Agency- Directorate “Foreign investments and concession”;
 - Joint Department between MRDPW and MEW within the MRDPW;
- The beneficiaries under the projects (Sofia Airport, Bulgarian State Railways, Capital Municipality) and other beneficiaries under projects approved for financing

The ISPA Monitoring and Control Committee is responsible for:

- Monitoring of the implementation of each project, financed under ISPA, including all financial and natural indicators;
- Monitoring of the overall implementation of the projects in the country;
- Revision of reports for implementation of the relevant activities;
- Proposals to the Commission for amendments in the sums and conditions, based on the monitoring and the control;
- Decisions, co-ordinated with the Commission for granting complimentary responsibilities to the Committee;

The ISPA Implementing Agencies are units of the Bulgarian administration, responsible for the preparation and conducting of tenders, contracting, payments and technical implementation of ISPA projects.

Project proposals are prepared in compliance with the priorities of the National Economic Development Plan 2000-2006, on the basis of the strategies for development of the “transport” and “environment” sectors for the same period. The strategies have been reviewed and accepted by the Central Co-ordination Unit under the Special Preparatory Programme for Structural Funds and the Council for Regional Development within the Council of Ministers. There have been reflected the recommendations, made during seminars and discussions with the representatives of economic and social partners, experts and representatives of the local and region authorities. After co-ordination with the relevant directorates of the European Commission, the strategies “transport” and “environment” were presented and approved by the ISPA Steering Committee in Brussels, in June 2000.

SAPARD

The Minister of agriculture and forestry is responsible for the preparation of the National Development Plan for agriculture and rural areas under SAPARD programme.

The National competent authorities are the Minister of Finance and the Minister of agriculture and forestry.

With order of the Minister of agriculture and forestry has been established SAPARD Monitoring Committee, which first session took place on 22 May 2001.

The State Fund "Agriculture" is both Implementing and Paying Agency under SAPARD programme. SAPARD Agency is responsible for the overall implementation and payments for all projects, financed under the programme. The Agency is established in full line with the requirements of the multi-annual financing agreement between the Republic of Bulgaria and the European Commission for support under SAPARD programme and the EU regulation for financing of the programme. The Managing Authority of the programme is the Management Board "Agriculture", whose chairman is the Minister of the agriculture and forestry.

Short-term and Midium-term Measures for Harmonization of the Bulgarian Legislation, Chapter 21 "Regional Policy and Co-ordination of Structural Instruments"

With regard to the targeted accession date by the Bulgarian government date for the accession of the country to the European Union, the harmonization process will go on. In short-term and mid-term plans are to be accepted amendments in the following legislative acts:

Law of Regional Development (2002)

Law of Mountain regions, project of which has already been elaborated (2002)

Law of the Black Sea Coast (2002)

Adoption of the amendments and supplements to the CM Decree 145 (2002)

Law of Nation Fund "Regional Development" (2002)

CM Decree for planning, programming and absorption of funds under ISPA programme (2001)

After the accession to the EU the Minister of Regional Development and Public Works will be responsible for the European Cohesion Fund and for the European Fund for Regional Development. The Minister of Regional Development and Public Works will ensure balanced allocation of the resources of the European Cohesion Fund and will co-ordinate the implementation activities. The Minister of the Environment and Waters and the Minister of transport and communications will be engaged in the process of programming and operational management of project implementation for projects financed by this fund.

National fund for Regional Development will be established in the pre-accession period. The Minister of Labour and Social Policy is responsible for management of the future measures, concerning the implementation of the European Social Fund. Within the Ministry of Labour and Social Policy will be established a Social investment Fund till the end of 2001.

The Minister of agriculture and forestry will be responsible for the financing by the European Agricultural Guidance and Guarantee Fund (EAGGF) and Financial Instrument for Fisheries Guidance (FIFG).

Management, Co-ordination and Programming

Regional policy in Bulgaria is carried out at different levels. Each of these levels is characterized by a specific institutional organization, competence of the relevant bodies and financial resources, respectively by different possibilities for influence on the regional development.

At the national level the Council of Ministers carries out the main responsibility for formulation and implementation of the regional policy. It accepts the "National Regional Development Plan " /NRDP/ and "National Economic Development Plan"/NEDP/, the "Annual report for implementation of NRDP and it's actualisation, determines the regions, eligible for targeted actions, performs the coordination between the central and territorial bodies of the executive authorities and their administrations.

The Council for Regional Development agrees the NRDP before its introduction to the Council of Ministers, coordinates the activities of the ministries and the agencies of regional importance, agrees the annual plan-accounts of the non-budgetary funds with an considerable impact on the regional development, reviews infrastructure projects of high importance, approves the distribution of the financial resources for construction of the 3rd class and the municipal road network and so on.

Bulgaria is divided into 262 municipalities (with administration elected at local level) and 28 districts (with administration appointed by the state). With the Council of Ministers Decree No 145/27.07.2001 six planning regions are determined (comparable to the type of the NUTS II level of the EU), as a basis for planning, implementation and monitoring of the regional interventions under the decentralized system, relevant to the practice of the EU regional policy.

Concentration

The goals of the regional development policy, determined in the Regional development act are:

- creation of pre-conditions for sustainable and balanced endogenous development of each region;
- decreasing the trans - and inter regional disparities in the spheres of employment and incomes;
- opening the national economy and creating conditions for economic growth.

Due to the existing status of the trans-regional disparities and having in mind the function of the pre-accession instruments to form the capacity for future utilization of the Structural funds, and that all regions in Bulgaria will be probably eligible under the Objective 1, the concentration at "Planning regions" level is not advisable, respectively the elimination of some of them.

There are limited numbers of priority objectives, determined at national level. Similar approach will be applied for the determination of the priorities, respectively of the subprograms and actions within the regional plans and operational programs. The choice of the priorities will emphasize factors, which determine the competitiveness of each region, and take into account that the public investments play only facilitating function.

Partnership

The co-ordination and the partnership will provide integration of the sectoral and local policies via Regional plans and programs and balance between the different interests.

Institutions, creating conditions for co-ordination and partnership are established at central, regional and district levels. In the following two years Bulgaria will intensively train its administrative staff in order to increase the qualification of the administrative capacity for the efficient interrelations with the economic and social partners.

Bulgaria will integrate both the NRDP and NEDP, so that the NRDP will become regional component of the NEDP with respect to simplify planning, monitoring and evaluation procedures. The integration of the two planning documents will create the opportunity to combine both the up-down and down-up approaches. This integration will be based on the amendments in the Regional Development Act.

A special unit is established in the National Statistic Institute. It collects of all the necessary information by sectors and by planning regions for the annual NPED reports.

The experts from the Permanent Secretariat monitor the different programmes and deliver information for the actualisation of the NEDP either to the Management Authority or the Monitoring Committee.

Bulgaria will also update its management and monitoring system according to the EU regulations. Under the requirements of the Regulation 1260/99 (for Structural Funds overall conditions) for the management of the EU Structural Funds, it is necessary to determine Management Authority and Monitoring Committees for every Operational Programme within the Community Support Framework.

The main objective of the informative campaigns is to inform the society for the European Union activities and finding. According to Art. 46 of the Regulation 1260/99, which determines the overall conditions of the Structural Funds, the measures under the NEDP will be published, to inform the potential beneficiaries and business-related organizations for the financial support, provided by the separate programs.

Financial Management and Control

With the adoption of the State Internal Financial Control Act and the Regulation for its implementation the procedures for control over the funds have been improved through the introduction of a system for preliminary financial control and double signature system permitting payments. These measures fully account for and cover the EU regulations in the field of the internal financial control.

Bulgaria is improving the mechanisms for the application of the Court of Auditors Act according to the EU independent audit control regulations for all financial operations of the Implementing structures.

CONCLUSION

The Bulgarian Government suggests that the negotiations under Chapter 21 “Regional Policy and Co-ordination of Structural Instruments” be temporarily closed on the basis of the existing EU legislation.

If any necessity after the adoption of new legislation arises, the Republic of Bulgaria is ready to open further negotiations before the end of the inter – governmental conference.