

**Plamen Oreshraski, Minister of Finance:  
EQUAL ACCESS TO EU FUNDING**

There is widespread realization that full membership of the European Union creates an opportunity for Bulgaria to use subsidies from the common budget of the European Union. The Bulgarian government has negotiated approximately 7 billion EUR in terms of funding available under the Structural Funds and the Cohesion Fund to be utilized through project implementation during the period 2007-2013. In addition, separate funding of nearly 5 billion EUR will be disbursed as direct subsidies to agricultural producers and fund development under the Rural Areas and Aqua Culture Development Programme. Bulgarian economy will absorb nearly 12 billion EUR in a decisive step to boost the transformation of the country to ensure high quality of life, income and social protection for all citizens.

The successful and full utilization of this considerable resource is of key importance in the process of ensuring that a functioning mechanism is in place for the management and building of sufficient national capacity, the presence of good coordination between stakeholders, and last but not least, one informed by the proactive position and beneficiaries and their commitment to meet the stated funding eligibility requirements.

Led by willingness to promote awareness of the full package of relevant information, in March earlier this year the Ministry of Finance launched the *Be Active* campaign. It aimed to create a clear public awareness of the principles of the policy of transparency and openness towards all issues relating to EU funding as well as the core nature, application, action mechanism and way of utilization of EU funds in Bulgaria.

In a number of cases the government achieved success in simplifying the EU funds utilization regime. An example of this is the so-called N+3 rule, which means that the project implementation term is four years. The normal three-year implementation term, or the so-called N+2 rule, which applies across all other member states will enter into force in 2010. The N+2 rule further means that if the programming period end in 2013 payments will be made until the end of 2015.

The government has taken on another significant commitment that represents an advantage to beneficiaries - payments in Bulgaria will be made in national currency only where any FX differences, arising from the requirement for the Certifying Body to account expenditure to the European Commission in EUR, will be covered by the state. Under pre-accession arrangements these costs were covered by the beneficiaries. This represents a reduction of the burden of responsibilities placed on the beneficiaries and will be fully covered by the state budget.

Yet another facility is the system of advance and interim payments developed. It represents a significant advantage and ensures a constant cash flow needed for the purpose of full project implementation.

The path of the funding made available to the beneficiary by the state largely mirrors the path the European Commission follows in order to make payments to Bulgaria. Funding is split into three categories, respectively, advance, interim and final payments.

**Advance payments** represent funding which the European Commission grants to Bulgaria during the first three-year period (2007-2009). This is funding aimed to ensure the availability of constant working capital and is independent of payments actually made from the Bulgarian budget. The amount of advance payments to beneficiaries may not exceed 20% of the total project value. The amount of advance payments in respect of large infrastructural projects may not exceed 10 percent.

**Interim payments** from the European Commission to Bulgaria are reimbursed on the basis of eligible costs actually incurred by the beneficiary. These payments to the beneficiaries are made by the Managing Authority from funding available through a National Fund, a special-purpose unit within the Ministry of Finance, after the actual date of incurring such eligible costs supported by the relevant supporting financial records of payment. These payments are designed to reduce the commitment to disburse own resources. The number of interim payments depends on the specific nature and duration of the project and is determined in the contract signed between the beneficiary and the Managing Authority.

The beneficiary receives the **final payment** after project completion. At government level final payments from the European Commission to Bulgaria are made following the submission of a number of required documents – an application for the reimbursement of funds submitted no later than 31<sup>st</sup> March 2017, submission of a final report and an audit certification.

It is also important to realize that where tender procedures take place the provisions of national legislation apply, and specifically the provisions laid down in the Public Procurement Act. Beneficiaries may commence the implementation of these procedures immediately after a contract with the Managing Authority has been signed. My recommendation to beneficiaries is to prepare and announce some of the intended tenders in advance in order to save time. The government has further adopted additional simplified rules in respect of the assignment procedures whereby the terms and conditions of selecting contractors by beneficiaries of grants under the EU Structural Funds and the PHARE Programme are determined. In order to simplify the process to the greatest possible degree a decision was adopted that all project application documentation will be drawn up and submitted in Bulgarian.

Due to concerns that a great majority of the beneficiaries may experience problems with own funding the Ministry of Finance has planned a target subsidy of 15% of project value, which will be available to beneficiary municipalities. In addition, a special-purpose FLAG Fund has been set up, which will assist municipalities in the preparation of projects and obtaining advance funding of expenditure on projects approved.

In terms of funding large infrastructure projects the government has signed a Memorandum and a Framework Loan Agreement with the European Investment Bank. Funding under this facility is expected to amount to 500-700 million EUR per annum.

The government has further adopted a strategy for the implementation of the *Development Bank* project by restructuring of Encouragement Bank PLC and setting up a National Guarantee Fund and a Capital Investment Fund. These structures will assume responsibility to assist local SMEs in the utilization of EU funds, simultaneously working towards increasing the export capacity of the country through funding or ensuring access to funding is available to export-oriented companies or projects.

I am most pleased to announce that as at 22<sup>nd</sup> June 2007 the EU Commissioner for Regional Policy, Mrs. Danuta Hubner, officially signed the National Strategic Reference Framework in Sofia, which will formally open up the way for Bulgaria to receive 6.853 billion EUR from the European Union and over 1.128 billion EUR in national co-financing.

As an institution implementing policies aimed to promote the interests of Bulgarian business and the general public, the Ministry of Finance would like to reiterate its appeal towards all citizens to make full use of the opportunities to receive funding from the EU Structural Funds as, essentially, these represent the real financial perspectives for development across all social and economic areas in the country.

Access to funding is equal to all members of society and the business community who meet the eligibility criteria and the Ministry of Finance will do the utmost in order to facilitate the beneficiaries and thus ensure the efficient utilization of EU accession funds.

