

Brussels, 18 December 2000

## Commissioner Fischler signs agreement with Bulgarian ministers on SAPARD Financing Agreement

*The first Multi-annual Financing Agreement which sets out the Community rules for implementing SAPARD has been signed today between Commissioner for Agriculture, Rural Development and Fisheries Franz Fischler and the Bulgarian Minister of Agriculture and Forestry Ventsislav Varbanov and Minister of Finance Murayev Radev. This is an important step in the process of providing Bulgaria the € 52 million worth of pre-accession aid for agriculture and rural development envisaged yearly under SAPARD(1). The Multi-annual Financing Agreements lay down the detailed provisions for delegating the management of the rural development programmes to the candidate countries, covering the necessary financial control rules. This is the first time in the history of the EU that external aid will be managed on a fully decentralised basis, requiring an enormous legislative and administrative effort on both sides. Following the event, Commissioner Fischler said: "Implementing such a radical, innovative and unprecedented initiative inevitably takes time and effort. Both sides have worked hard to get us here today but the time invested now will bear fruit over the coming years. SAPARD is an important catalyst for change. Today we have taken a further step towards committing the EU-funds earmarked for Bulgaria."*

### What is SAPARD?

SAPARD aims to support the efforts being made by the Central and Eastern European applicant countries in the pre-accession period as they prepare for their participation in the common agricultural policy and the single market. It involves two major objectives. Firstly, it aims to contribute to the implementation of the *acquis*; secondly, it aims to solve priority and specific problems in the area of agriculture and rural development.

The overall budget in each year of the programme's seven-year run (2000-06) amounts to 520 million Euro, with the following indicative allocations:

### **SAPARD: annual indicative budget allocations (in million euro, at constant 1999 prices)**

Bulgaria	Czech	Estonia	Hungary	Lithuania	Latvia	Poland	Romania	Slovenia	Slovakia	Total
52,124	22,063	12,137	38,054	29,829	21,848	168,683	150,636	6,337	18,289	520,000

## **What is the role of the Multi-annual Financing Agreement?**

The Multi-annual Financing Agreement lays down the Community management and control rules for SAPARD for the whole period of the programme, namely 2000-2006. It is based on the Commission's communication of January 2000<sup>1</sup> and enshrines the three principles outlined there, namely:

- full decentralisation of programme management to an agency established under the responsibility of each country;
- financing arrangements based on differentiated appropriations;
- the application of the EAGGF Guarantee Section Clearance of Accounts procedure.

**For details of the Agreement, see Annex I.**

## **What remains to be done for Bulgaria?**

The Commission decision accrediting Bulgaria's SAPARD agency must be taken. It is also necessary to have the Multi-annual Agreement concluded as well as the signature and conclusion of the Annual Financing Agreement.

## **Setting up the framework for an unprecedented initiative**

To ensure that SAPARD will work correctly in this radically new situation, it is necessary to establish an adequate legal framework, binding each applicant country and the Community. Support under SAPARD must comply with the principles applied to the common agricultural policy and be implemented in accordance with the Financial Regulation applicable to the Community budget. In addition, the Multi-annual Financing Agreement must address all relevant Community provisions due to the fact that prior to accession, no Community legislation is directly applicable in any of the candidate countries. As a result, the Multi-annual Financing Agreement has required immense legislative and administrative effort on both sides. While the process has been complicated, involving detailed procedures to ensure adequate control of public funds, the investment is worth the effort. By decentralising management, SAPARD will give the future members an opportunity to gain valuable experience in applying the mechanisms for management of rural development programmes. On a broader front, the investment made now will build skills that will be readily transferable to other structural fund activities and to other areas of Community policy. In addition, delegating responsibility will ease the management of the large number of small projects envisaged under SAPARD.

## **How have the EU and candidate countries collaborated in the process?**

The SAPARD process has been characterised by open dialogue, frequent bilateral contacts and extensive consultation from the outset. These consultations have occurred in some instances in an unprecedented way. Prior to the Commission deciding on the provisions to be included in its regulation setting out financial rules for implementing SAPARD (Regulation 2222/2000), the draft was communicated to the applicant countries.

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<sup>1</sup> The Financial implementing regulation - Commission Regulation (EC) No 2222/2000 of 7 June 2000 - implemented this communication. (Official Journal L 253 , 07/10/2000 p. 0005 – 0014)

Prior to the Commission deciding on the provisions to be included in its financing regulation, the draft was communicated to the applicant countries. This consultation was repeated in an enhanced form for the Multi-annual Financing Agreement, where numerous drafts were circulated to candidate countries to allow for their observations to be included in the text. While criticism may suggest that this slows down the process, such criticism can only be interpreted as a short-term view of the process. Consultation and negotiation on the various issues helps to ensure that no decisions are taken that are later found to be unsuitable or inapplicable. This is beneficial for the parties on both sides. However, as the implementation of SAPARD involves an innovative process both for the Commission and the applicant countries, it is clear that there may be issues arising in the execution of the Programme that may require changes to the Multi-annual Financing Agreement. A mechanism is in place which allows the Annual Financing Agreement to make such changes which will of course be negotiated in advance with the applicant countries.

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### **Has the procedure taken longer than expected?**

It is difficult to determine how long a process should take, when that process has never been attempted before. It is true that due to the unorthodox nature of the process, there are quite a number of tasks to be accomplished. However, the intervals between the various stages have been very short, despite the fact that the work involves negotiations with ten third countries and inter-service consultation with many DGs. Given the scale of the task, the lack of precedent, the necessary sequencing - in other words, certain stages had to be completed before others could be started - the achievements to date are remarkable. If we compare one component of the SAPARD process where there is an equivalent within the Community - namely the time taken for Commission approval of Member State Rural Development Programmes - then the result is impressive. Candidate countries managed to have their programmes approved within the same time frame as the Member States. This is all the more noteworthy when we recall that this is uncharted territory for them.

**What remains to be done?**

Following the signature of the Multi-annual Financing Agreements by the Commission and the candidate countries, the candidate countries must have their SAPARD agency accredited. As such, the speed of the process in the coming months depends very much on the time taken to set up the SAPARD agency.

**See Annex II for a detailed calendar of events**

## Annex I: Content of the Multi-annual Financing Agreement

*The Agreement consists of seven sections, as follows:*

- Section A: **Financial Management:** This section lays down the detailed provisions for the execution of SAPARD on a decentralised basis in each applicant country, reflecting to a large extent the financial implementing regulation adopted by the Commission in early June following a unanimous vote in the EAGGF committee<sup>2</sup>.
- Section B: **Management, Monitoring and Evaluation of the Programme:** This section details the monitoring and evaluation requirements necessary to determine the effectiveness and efficiency of the component parts of the rural development programmes. The requirements are at least as strict as for Member States.
- Section C: **General Provisions:** on issues such as co-ordination with other instruments (for example, Phare and ISPA), taxation and customs, import and export rules.
- Section D: **Quarterly and Annual Declarations of expenditure:** this section details the forms to be completed and the rules to be respected in the declaration of expenditure on a quarterly and annual basis.
- Section E: **Guidelines for Certifying Body:** this section sets out the form, scope and contents of the certificate and report of the body performing the certification of the SAPARD Agency.
- Section F: **Text of Community legislation referred to in Regulation (EC) No. 2222/2000 on financial rules for SAPARD adapted for this Agreement:** This is a technical section that spells out in full the wording of all relevant Community legislation, referred to in Regulation 2222/2000 which has not already been incorporated into the Agreement, adapted to fit the circumstances of SAPARD.
- Section G: **Dispute settlement:** this section details the procedure to be followed for recourse to an arbitration tribunal, in the event of a dispute.

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<sup>2</sup> OJ L 253 , 07/10/2000 p. 0005 – 0014

## **Annex II: Calendar of events**

**June 1999:** Adoption of Council Regulation (EC) No 1268/1999 of 21 June 1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period<sup>3</sup>

**July 1999:** Adoption of Commission Decision 1999/595/EC of 20 July 1999 on the indicative allocation of the annual Community financial contribution to pre-accession measures for agriculture and rural development<sup>4</sup>

**December 1999:** Adoption of Commission Regulation (EC) No 2759/1999 of 22 December 1999 laying down rules for the application of Council Regulation (EC) No 1268/1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period<sup>5</sup>

**January 2000:** Commission communication outlining the three principles for the financial management of SAPARD.

**June 2000:** Adoption of Commission Regulation (EC) No 2222/2000 of 7 June 2000 laying down financial rules for the application of Council Regulation (EC) No 1268/1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period (the Financial Implementing Regulation)<sup>6</sup>.

**July 2000:** Draft of Multi-annual Financial Agreement circulated to candidate countries for the first time

**September 2000:** Rural Development Programmes for Bulgaria, Poland, Hungary, Czech Republic, Slovenia and Latvia unanimously endorsed in STAR committee; these Programmes were adopted by Commission Decision on 20/10, 18/10, 18/10, 26/10, 27/10 and 25/10 respectively.

**October 2000:** Rural Development Programmes for Estonia, Lithuania and Slovakia unanimously approved in STAR committee; the Programmes for Estonia and Slovakia were both adopted by Commission Decision on 17/11.

**November 2000:** Rural Development Programme for Romania unanimously approved in STAR committee; the Programme was adopted by Commission decision on 12/12.

**November 2000:** Commission decision authorising Commissioner Fischler to sign the Multi-annual Financing Agreements and Annual Financing Agreements for 2000 laying down the detailed provisions for delegating management of the programme to the SAPARD agencies in the CEECs.

**December 2000:** Global commitment of the year 2000 allocation in the Community Budget.

Steps necessary to make SAPARD operational now that Programmes have been approved.

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<sup>3</sup> Official Journal L 161 , 26/06/1999 p. 0087 - 0093

<sup>4</sup> Official Journal L 226 , 27/08/1999 p. 0023 - 0025

<sup>5</sup> Official Journal L 331 , 23/12/1999 p. 0051 - 0054

<sup>6</sup> Official Journal L 253 , 07/10/2000 p. 0005 – 0014

Signature and conclusion of Multi-annual Financing Agreements which sets out the rules for implementing SAPARD over the period of the Programme

Commission decision conferring management of aid on SAPARD agencies (responsible for paying and implementing the Programmes).

Conclusion of the annual Financing Agreement.