



Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

OPINION
on
„OPPORTUNITIES FOR REGIONAL DEVELOPMENT USING THE
INSTRUMENT 'COMMUNITY-LED LOCAL DEVELOPMENT'”
(own-initiative opinion)

Sofia, 2014

The 2014 Action Plan of the Economic and Social Council includes the elaboration of an own-initiative opinion on "Opportunities for Regional Development Using the Instrument 'Community-Led Local Development'".

The elaboration of the Opinion was assigned to the Commission for Regional Policy, Sustainability and Environment and the Commission for Budget, Finance, Insurance and Social Security. Luchozar Iskrov - ESC member from Group I - was appointed rapporteur.

An extended meeting of both Commissions was held on 17 October 2014 and the draft opinion was adopted. Representatives of the National Association of Municipalities in Bulgaria, the Council of Ministers, the Ministry of Agriculture and Food, the Ministry of Regional Development, the Ministry of Education and Science, the Ministry of Environment and Water, the Executive Agency "Fisheries and Aquaculture" were invited and attended the meeting.

At its meeting, held on 30 October 2014, the Plenary Session of the Economic and Social Council adopted this opinion.

ABBREVIATIONS USED

CLLD - Community-Led Local Development

EAFRD - European Agricultural Fund for Rural Development

EC - European Commission

EU - European Union

ESIF - European Structural and Investment Funds

ESF - European Social Fund

EMFF - European Fund for Maritime Affairs and Fisheries

ERDF - European Regional Development Fund

ESC - Economic and Social Council

ITI - Integrated Territorial Investment

ITA - Integrated Territorial Approach

LAG - Local Action Groups

FLAG - Fisheries Local Action Group

IWG - Interagency Working Group

OPSESG - Operational Programme "Science and Education for Smart Growth 2014-2020"

CSF - Common Strategic Framework

RDP - Rural Development Programme

LDS - Local Development Strategy

MA - Managing Authority

1. KEY FINDINGS AND PROPOSALS

- 1.1. The Economic and Social Council (ESC) welcomes the national decision to implement an integrated approach to territorial development for harmonious and balanced regional development and the reduction of social, economic and territorial disparities within Bulgaria as well as those of Bulgarian regions as compared to other European regions, acknowledging that for its successful strategic implementation is particularly important to evaluate existing policies for regional development.
- 1.2. ESC strongly supports the position that **the implementation of the instrument "Community-Led Local Development" (CLLD) during the programming period 2014-2020** is essential for Bulgaria in order to provide specific opportunities for overcoming the serious social and economic problems in territorial aspect. This is the mechanism through which EU Structural and Investment Funds (ESIF) may be utilized most adequately and realistically for¹:
- Promoting social inclusion and the reduction of poverty in affected areas of the country;
 - Sustainable development of the environment through conservation and preservation;
 - Promoting resource efficiency, the implementation of activities for the prevention and management of risk and the potential of the cultural heritage of individual territories based on their local specificities;
 - Focusing on innovation by promoting its practical implementation in particular places in accordance with local potential and in line with national policies;
 - Creating and promoting sustainable and quality employment as well as supporting labour mobility in high unemployment areas;
 - Enhancing the competitiveness of the local economy and developing opportunities to create local businesses;
 - Improving the quality of education and qualification of the population in highly disadvantaged areas of the country in accordance with the needs of the local economy.
- 1.3. The new approach to community-led local development introduced by the European institutions poses numerous challenges for all participants in the process of programming and implementation in the Republic of Bulgaria. In order to appropriately target measures, ESC strongly recommends **that institutions and structures** involved in the planning and management of ESIF as well as with the implementation of CLLD should continue their active work.

¹ According to Regulation 1303/2013, Art. 9 thematic objectives 1, 3, 5, 6, 8, 9 and 10

- 1.4. In order to complete and achieve results from this work, ESC believes that timely preparation for the realisation of the CLLD approach is necessary. The partnership agreement between the Republic of Bulgaria and the European Commission (EC), outlining the ESIF support for the period 2014-2020, was approved by the European Commission on 7 August 2014. **This defines a two-year** time period for a serious number of tasks which need to be performed by both the central authorities involved in the management of ESIF support and local communities that should develop proposals and obtain approval for funding of their local development strategies (LDSs).
- 1.5. ESC recognizes as an already accomplished positive step the establishment of an interdepartmental working group² (IWG) of representatives of all programme managing authorities that will apply CLLD and whose main task is to prepare a draft regulation for the implementation of the CLLD mechanism. In view of the limited time periods ESC calls for **accelerated preparation of this document** so as to ensure sufficient time for the implementation of subsequent major steps, such as selection of local action groups (LAGs), producing local development strategies and obtaining their approval.
- 1.6. Considering the need for timely preparation and ensuring adequate programming mechanism for the implementation of the CLLD approach, ESC recommends **that membership in the IWG should not be limited** only to representatives of all governing bodies of programmes that will apply CLLD, but to provide for the participation of other major participants in EU funds programming and management, such as certification bodies for the programmes, the audit authority for EU funds, the Central Coordination Unit at the Council of Ministers, and the Public Procurement Agency. Their timely inclusion will definitely contribute to better coordination and better interaction between the parties. ESC also believes that the key to the successful implementation of the CLLD approach is the active participation and place throughout the consultative process of the ESC and the National Association of Municipalities in Bulgaria.
- 1.7. ESC expresses its unanimous position that the enlargement of the IWG will provide the basis for **consensual understanding on CLLD** which will underpin the proposed regulation and its future implementation. This will help achieve the **faster information, clarification and structuring of the CLLD implementation process** as well as for the **accelerated adoption of decisions** concerning the mechanism of its implementation and coordination.
- 1.8. In view of providing support for CLLD programming, ESC organised a consultation meeting with representatives of the stakeholders in the implementation of CLLD, which addressed, clarified and coordinated key issues related to the planning and realisation of the approach.

² By order of the Minister of Agriculture and Food dated 23 September 2014.

1.9. ESC insists **that the process of preparation of the legislative act for the realization of the CLLD approach should be timely, fair, transparent and consultation should be carried out at every stage of the preparation of the document.** The legislative act should govern the application of mono-fund (following the approach of 'LEADER') and multi-fund CLLD financing, and must regulate the following areas:

- coordination between ESIF regarding the implementation of the CLLD instrument;
- identifying specific areas suitable for application of the approach in terms of both mono-fund (following the approach of 'LEADER') and multi-fund LDS financing;
- determining the composition, powers and duties of the authority responsible for the approval and supervision of the implementation of integrated local development strategies funded under CLLD. In this regard, and in order to ensure the successful coordination, organisation and functioning of such a body, which is supposed to be interdepartmental, ESC suggests that it should be an institution-independent body at the Council of Ministers;
- determining objective criteria to ensure the transparent selection and approval of integrated works and preparation of a methodology for their evaluation;
- determining the structure responsible for operational coordination and monitoring of the implementation of the instrument and the implementation of LDS. ESC recommends that this operational structure should be established by the Council of Ministers in order to ensure its effective functioning and quality as well as to provide the necessary administrative capacity;
- establishing and approving local action groups, defining their role, powers, responsibilities and obligations;
- requirements and criteria for the development of integrated local development strategies to ensure effective and efficient spending of funds, the realisation of added value for the development of the territories, which will contribute to achieving the objectives of the Europe 2020 Strategy;
- rules for management, implementation, monitoring, reporting and control of integrated LDSs by the LAGs;
- online publication of LDS, the composition of LAGs, submitted proposals, approved projects and reports on their implementation.

1.9.1. ESC believes that the process of preparation and realization of CLLD must include and ensure:

- **Informing and engaging the public** about the CLLD instrument as a real opportunity to finance local initiatives, ideas and projects tailored to local circumstances to achieve the targeted and sustainable investment for social, economic and territorial balanced development of the particular territorial unit. The opportunities for achieving the social cohesion of territories and social inclusion of citizens is a function of local specificities, which may very well be used for developing the local social economy, local social initiative and local social activities.
- **Providing adequate explanations and specific guidance to local communities**, including to existing local action groups, about the steps they should take if they wish to use the possibilities of CLLD, as well as about the differences between mono-fund (following the approach of 'LEADER') and multi-fund CLLD financing of LDS.
- **Continuing the active work and good coordination between the bodies** responsible for the preparation, management, monitoring, control and evaluation of the operational programmes of the Republic of Bulgaria for the period 2014-2020 **in order to launch the implementation of local development strategies on time.**

1.10. In order to achieve an integrated approach, the ESC **recommends that all operational programmes for which the instrument is eligible CLLD should provide the necessary resources and ensure adequate mechanisms to implement this model.** This will provide a further basis for the unification of efforts and targets for achieving a harmonious and balanced territorial development, complementarity in ESIF support, concentration and adequacy of resources, effectiveness and efficiency of resources. ESC notes that in the Partnership Agreement with the Republic of Bulgaria EC has provided for the implementation of the CLLD approach and has laid down specific financial parameters **for setting aside resources amounting to 5% of the budgets of individual programs for funding this approach.** If these resources **are not fully utilized within the CLLD approach, they will not be lost.**

1.11. In this regard, the ESC calls on the Managing Authority of Operational Programme "Science and Education for Smart Growth" 2014-2020 to take the necessary steps to reflect the CLLD approach in Section IV of the operational programme, describe the applicable programme areas in which it will apply and indicate in Section III funds provided by the instrument.³

1.12. ESC recommends to avoid any delays in the implementation of LDS measures, imbalances in the utilization of funds under the LDS, and to ensure better territorial

³ The most recent public version of the Programme for Rural Development of 11 September 2014, section 4.1., stated that the approach is not applicable.

coverage of CLLD in rural and fisher areas in Bulgaria, during the implementation of the approach throughout the 2014-2020 programming period. In view of the implementation of this recommendation, ESC believes it **necessary to continue the process of development and improvement of the administrative capacity to manage and implement the CLLD approach** in two main directions:

- At the central level - the bodies and structures responsible for the coordination, management, monitoring, control and evaluation of the implementation of the approach and timely verification of expenditure for the implemented strategies. Particular emphasis should be placed on the administrative capacity to manage multi-fund CLLD and to promote the preservation of already developed administrative capacity;
- At the local level - in terms of LAG responsible for the development of good-quality LDS and their lawful implementation; achieving the objectives and implementing the priorities set out therein, as well as ensuring the sustainability of the results from the applied approach in order to achieve added value for the development of the respective territories; reduction in qualified staff turnover in the LAG. ESC recommends that particular attention should be paid to the capacity of local groups for the management and implementation of strategies financed by more than one fund.

1.13. ESC believes that **in order to ensure the success of the CLLD instrument, to achieve the expected results from its application at the end of the programming period, to obtain real effect** in terms of the reduction of social, economic and territorial disparities at the regional level, it is necessary to stimulate local communities by actively engage them in the process of local development and give them **greater responsibility for the management and implementation of LDS**. ESC believes that the good experience of the Republic of Poland and other countries in terms of the management and execution of LDS, as well as in the deregulation of powers to governing bodies, can be studied.

1.14. Furthermore, ESC recommends that the programming the CLLD approach should be implemented with a view to its **future impact on potential territories** and the conditions under which the approach can **realize the greatest usefulness for potential of LAGs and the beneficiaries of LDSs** their integrated works.

1.15. In this connection, the ESC considers that the currently determined in the "Rural Development Programme of the Republic of Bulgaria 2014-2020" (in the description of Measure 19. Community-led local development) maximal budget for the implementation of projects under local development strategies funded under the EAFRD is insufficient for the implementation of strategies that are targeted on larger territorial scope and a larger population. Therefore, ESC recommends that the text - currently in use in the draft Rural Development Programme (RDP) - which limits the amount of financing from LDS (Measure 19. Community-led local development

(CLLD) / "LEADER" - point 8.2.16.2 Justification of the measure) - to be edited and brought in line with the allowed range of supported territories based on their population equivalent, respectively between 10 000 and 150 000. It would be logical for strategies covering areas with a greater number of residents to receive more funding to implement their projects.

1.16. ESC insists that the process of identifying specific solutions for developing the potential of a given territory should be carried out "bottom-up". For example, **the selection and approval of proposals in pursuance to LDS for a given territory can only take place at the local level in accordance with the applicable rules and procedures for the respective fund / program** which are to be financed. This recommendation is based on the fact that:

- the local community knows best the local challenges that must be addressed locally as well as the available resources, specifics and potential;
- the local community is able to mobilise local resources for growth and is interested for this to happen in the best way.

1.17. Studies of EU practices show that the imposition of solutions directly "top-down", i.e. by the central authorities responsible for the management of EU funds, without taking into account the local situation, makes the approach for local initiative easier to control solely in terms of compliance to spending regulations. On the other hand, this approach seriously limits the freedom to implement innovative local strategies, eliminates the direct involvement of local communities for achieving concrete results in reaching the objectives of local development, and discourages beneficiaries from the development and implementation of ideas with real added value for the particular territory. Thus, guidelines to simplify the procedures and reduce the administrative burden for beneficiaries are also not implemented. Only when the "bottom-up" principle for defining the priorities for the development of a territory is implemented, the managing authorities will have reason to monitor and require from the local community, represented by the LAGs, responsibility for achieving the objectives of LDSs as well as the lawful, effective and efficient spending of funds.

1.18. At this stage, ESC repeats its position that during the programming period 2007-2013 it became clearly visible that the central administration failed to build adequate capacity for effective management of EU funds.⁴ This slowed down the process of absorption, incl. the limited interest of potential beneficiaries to apply for such funding due to the following reasons:

- unacceptable delays in the processes of evaluation of project proposals;
- wrongful rejection of good-quality project proposals (based on purely technical flaws, not on the lack of good-quality project ideas);

⁴ Opinion on "Priorities and Policies for the Absorption of EU Funds in Bulgaria for the Period 2014-2020"

- considerable delay in the process of verification and refunding of costs;
- complex and ambiguous procedures for application and approval of projects requiring too many documents supplying the same information;
- subsequent imposition of financial corrections in a scarce and poorly structured regulatory environment, which does not protect effectively the rights and interests of the beneficiaries.

1.19. However, with regard to the implementation of the 'LEADER' approach, our country is ranked in the group of countries that have built administrative capacity for the implementation of the approach ranking above average for the European Union. The percentage of rejected proposals for measures within the 'LEADER' approach is very small because the local action groups are actively involved in supporting the candidate beneficiaries in developing their projects.

1.20. At the same time, ESC notes that the implementation of the 'LEADER' approach faces also certain obstacles. Special difficulty presents the delay and procrastination in the process of reviewing projects under local strategies which have already been duly approved by the local action groups. There is a high turnover of staff involved in the implementation of the approach, both at the central and the local level, combined with a lack of adequately trained employees to replace leavers. In this regard, ESC considers it necessary to pay special attention to the coordination and cooperation of the parties involved in the implementation of the approach.

1.21. According to ESC, the only reasonable solution to these problems is maximal simplification and standardization of the procedures for the preparation, submission, evaluation of projects and the reporting of their implementation, in order to **minimize the administrative burden on beneficiaries while continuing the process of development and improvement of the administrative capacity of employees involved in the management and implementation of the approach**. In this connection, ESC again calls for action in this direction, which should lead to the adoption of simple and clear procedures for detecting and solving technical problems at any stage of the process.

1.22. Generally speaking, ESC expresses its view that in order to achieve success in the implementation of the CLLD instrument during the programming period 2014-2020, it is necessary to:

- to prepare good-quality strategies developed with the participation of local communities and taking into account their needs and requirements;
- achieve simplification of the process of application as compared with the programming period 2007-2013, including by means of using simplified cost options for preparatory assistance and management costs for LDS.

2. GENERAL FRAMEWORK

2.1. Within the new, current programming period (2014-2020), the European Union plans to take a serious course towards its economic and social cohesion and smart, sustainable and inclusive growth, for the implementation of which **each Member State is expected to:**

- To plan and ensure its **harmonious and balanced development** and **reduce social, economic and territorial disparities** in regional terms both at the national and European territorial level, especially in rural areas, border areas, areas affected by industrial transition and regions which are most affected by serious and permanent natural or demographic challenges and processes;
- To plan and manage the available resources from the European Structural and Investment Funds in accordance with:
 - **the principle of complementarity** - EU funds do not replace, but should complement national and local sources for funding policies;
 - **the principle of coordination and complementarity of aid** - means form different funds are invested so that the effect of their integrated use should be greater than the sum of individual results achieved, i.e. which would be achieved if the funds were invested separately;
 - **the principle of concentration and expediency of funds** - funding should concentrate on a smaller number of priorities, measures and activities, but closely related to the implementation of the Europe 2020 Strategy;
 - **the principle of effectiveness and efficiency** - focusing on results, monitoring progress towards agreed objectives and simplifying implementation.
- **To involve all levels of government, social partners, academia, the private sector and all other stakeholders** for achieving the objectives and policies, i.e. the processes of planning, programming, implementation and management should be carried out simultaneously "bottom up" and "top down" until the intersection between the two approaches is achieved by which to ensure that the initiatives and achieve the objectives of cohesion policy and the Europe 2020 Strategy;
- Planning and programming is to be guided by the leading maxim that the financial capacity of the EU is limited - conversely, the needs are unlimited, thus making the territorial dimension of the cohesion policy and development a key element of prioritization. Therefore, only an integrated territorial approach that is tailored to the specific needs and opportunities for development of a given territory, can have a targeted impact and promote economic and social cohesion.

- 2.2. For the programming period 2014-2020 the "**integrated territorial approach**" has been selected by European institutions as a **key instrument in the process of targeted influence to overcome the social and economic differences** of the territories with specific characteristics, seriously slowed down or lagging behind in their balanced development, and promote their sustainable growth, taking into account their territorial specificities and potentials. Moreover, the European Commission **defines the territorial approach as inextricably linked to the implementation of the Union's strategy for smart, sustainable and inclusive growth (Europe 2020)**.
- 2.3. The varieties of instruments for implementing the "**Integrated Territorial Approach**", planned by the European Commission for the 2014-2020 programming period, include the following mechanisms:
- instrument "**Integrated Territorial Investments**" (ITI) - an instrument for the implementation of local territorial strategy, the uniform territorial coverage of which is not regulated, and its financing can be combined from different funds, from one or several priority axes of one or several operational programmes. The goal is in a single territorial unit to realize integrated projects tailored to its specific needs and characteristics, the outcomes of which would have an effect on the social and economic situation both of that territory and, in a wider context, at the regional and national level;
 - instrument "**Community-Led Local Development**";
 - instrument "**Integrated Urban Development**" - various challenges facing urban areas (economic, environmental, climatic, social and demographic) are intertwined and successful urban development can only be achieved through an integrated approach. This instrument is based on integrated strategies/plans to improve sustainable urban development, in which resources are concentrated in an integrated/complementary way, while these strategies/plans are integrated into the wider objectives of regional and national strategies/plans and the Europe 2020 Strategy;
 - **European territorial cooperation** - cross-border programmes, macro-regional and sea strategies and programmes.
- 2.4. According to the Partnership Agreement between Bulgaria and the European Commission outlining the help of ESIF for the period 2014-2020, approved by the Commission on 7 August 2014, Bulgaria will benefit from the opportunities provided by the "integrated approach to territorial development" to overcome serious imbalances between some parts of the country in terms of social and economic development and to encourage the maximum use of the available growth potential of these areas. The document stipulates that an integrated territorial approach (ITP) will be administered under several different but complementary forms:

- applying the new instrument "Community-Led Local Development", including multi-funding through the programming and implementation of integrated (multi-sectoral) local development strategies;
 - continuing to stimulate sustainable urban development based on integrated plans for urban regeneration and development of defined support growth centers;
 - continuation of the European territorial cooperation.
- 2.5. **CLLD is a new instrument of integrated territorial approach** developed and proposed by the EC to Member States so they can implement it during the new programming period 2014-2020. In this sense, it can be assumed that this instrument is rather less known, but not completely unknown, because it uses as a basis an approach applied for decades in the EU - "LEADER". The main element taken from the "LEADER" approach is the principle of planning "bottom-up" and therefore can safely be defined as a **mechanism for concentrating and targeted spending according to the specifics of the respective territory**. Another similarity to the "LEADER" approach is the physical coverage of the territory - it remains relatively limited in CLLD and covers areas with population equivalent between 10 000 and 150 000.
- 2.6. CLLD is the instrument which is expected to form the basis of the next programming period 2021-2027.
- 2.7. Even with its introduction in 1991 by the Commission, "LEADER" is recognized as **an approach for local initiative**. It encourages local development, determined by the local community in a given territory. The approach is based on the so-called local partnership between the various stakeholders responsible for the development of the respective territory. A fundamental principle underlying the "LEADER" approach is taking "bottom-up" concrete decisions for solving local problems specific to a given territory. Initially, the approach is applicable only to rural areas, but it is rapidly gaining popularity as a "good practice" and began to be recognised by the inhabitants of urban and coastal areas as well as areas outside the EU.
- 2.8. The approach uses as instruments for its implementation the so called Local Action Groups (LAGs) or Fisheries Local Action Groups (FLAGs) and the so called Local Development Strategy (LDS).
- 2.9. LAGs include representatives of the public and private sector, socio-economic partners, academia and local authorities responsible for local development. None of the groups representing a particular group of stakeholders can hold more than 49% right to vote in LAG³.

³ General Provisions Regulation for Implementing ESIF1303/2013 - Art. 32, para 2, letter b

- 2.10. Local development strategies contain a description of the territory and population, which includes analysis of the development needs and potential of the territory, a description of the mechanisms of inclusion, coordination and monitoring of the community in the development and implementation of the strategy, priorities, objectives and expected results for the development of the territory.
- 2.11. The "LEADER" approach reaches its maturity during the programming period 2007-2013. Although it receives full support from the EU institutions and all related stakeholders, it is acknowledged that the approach has not realised its full potential. Therefore, with regard to the programming period 2014-2020, aiming to enable local communities, in order to be able to meet the diverse needs of its sectoral areas, the EC provides local development strategies can be supported by the Cohesion Policy funds. This is why it has been decided that that in the future the approach will be called "Community-Led Local Development."
- 2.12. The most significant difference between 'LEADER' and the instrument CLLD is precisely the source of funding - for CLLD already applicable multi-ie funding from more than one fund in the presence of an integrated strategy for the development of the territory, which clearly displayed priorities and their financial frameworks. According to Art. 32, para. 1 of the General Provisions Regulation for Implementing ESIF 1303/2013, the instrument "Community-Led Local Development" is supported by the European Agricultural Fund for Rural Development (EAFRD) and is called "local development along the lines of the 'LEADER' approach, can also receive support from the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Fund for Maritime and Fisheries Fund (EMFF) - in short "funds".
- 2.13. Art. 18 of the General Provisions Regulation (EC) № 1303/2013 stipulates that besides thematic concentration on the basis of individual funds **Member States should concentrate support of ESIF on interventions that have the greatest added value in relation to the EU strategy for smart, sustainable and inclusive growth, taking into account the key territorial challenges** related to the different types of territories in accordance with the Common Strategic Framework (CSF)⁴.
- 2.14. CLLD is one of the instruments through which during the programming period 2014-2020 **the European Commission plans and expects Member States to implement an integrated territorial approach to harmonious and balanced development of specific areas and to reduce their social, economic and territorial disparities**. The purpose of this instrument is to mobilize and engage local communities and organisations, **to ensure their contribution to the objectives of the Europe 2020 Strategy** by promoting territorial cohesion and helping to achieve specific policy objectives.

⁴ General Provisions Regulation (EC) № 1303/2013

2.15. **The multiple-fund financing of CLLD** is the mechanism that provides the focal point of the needs and potential of a territory to the needs and capabilities of different sectors for its development. **The advantages of this mechanism** are not limited to the availability of funding through different funds. It allows:

- the development of a larger number of small projects, which take less time to be approved, are easier to implement and achieve better results;
- the implementation of pilot projects, integrated projects;
- a flexible approach to meet the identified territory-specific needs and problems;
- the mobilization of resources that are difficult to access.

2.16. CLLD encourages community thinking and relative autonomy as well as the responsibility of the local community for the development of its territory. Although it implies a greater capacity for management and implementation, as both the rules and procedures of the various applicable funds should be respected, this instrument allows specific observations of the results achieved in this specific territory.

2.17. The "**specific areas**" are identified on the basis of criteria which are to be examined along two lines and need to be simultaneously met:

- territorial aspect - depending on the type of territory, which can be: mountain; border; peripheral (i.e. physically remote and/or infrastructurally constrained by a larger social, economic and administrative centre); territory with specific natural conditions; territory most severely affected by poverty with population, a high percentage of which lives at risk of social exclusion;
- normative aspect - the provisions of Art. 32-35 of the General Provisions Regulation on the Implementation of ESIF 1303/2013 should be applicable to the territory, namely a "local action group" should be established on the territory composed of representatives of the local public, private and non-governmental socio-economic bodies; the territory should have an integrated local development strategy based on the relevant regional specifics which should be in line with the objectives, priorities and initiatives of the Europe 2020 Strategy. The implementation of the CLLD instrument should be carried out taking into consideration local needs and potential, to include innovative features in the local context and networks for cooperation.

2.18. As stated in the Bulgaria's Partnership Agreement 2014-2020, "CLLD should apply by the territorial principle - at the municipal level, a group of neighbouring municipalities or at the regional level, while the intended scope of the population should be between 10 000 and 150 000 citizens." The mechanism is implemented through local development strategy, which should constitute the framework for an integrated, multi-sectoral approach to the development of specific territories, in accordance with its specificities

and in line with the objectives, priorities and initiatives of the Europe 2020 Strategy. Local development strategies should contain a set of measures aimed at achieving local goals and meeting local needs, which will also contribute to the objectives of the EU Strategy for Smart, Sustainable and Inclusive Growth.

- 2.19. According to the principles for the implementation of the approach, Bulgaria accepted LAGs may decide whether their local development strategy should be financed by one or more ESIF, this assessment is determined by the needs, potential and specific features of the territory.⁷ In case of application of multi-fund financing of CLLD on a given territory, it is mandatory that the strategy for local development is carried out by only one LAG . This strategy is cross-sectoral depending on the specifics of each respective territory.
- 2.20. LAGs in a given territory can choose to implement a strategy, funded only by the EAFRD or only EMFF or several funds, but without input from the EMFF. On such a territory it is allowed to establish and approve both a LAG and a FLAG, as well as the development and implementation of two separate strategies, provided that the same activities may not be financed under them.
- 2.21. The CLLD approach is an instrument that can be used for the development of freshwater aquaculture in Bulgaria.

3. PRACTICE AT THE LEVEL OF THE EUROPEAN UNION

- 3.1. One of the major lessons that can be drawn from previous implementations of the "LEADER" approach is that its use makes sense in view of its many advantages and the reported specific achieved results in many EU countries.
- 3.2. A trend at the European level is the unification of LAGs and FLAGs, as almost 70% of FLAGs have already joined with local action groups in rural areas.
- 3.3. The European Commission has a long and impressive experience in the implementation of CLLD (along the lines of the "LEADER" approach) in Rural Development. In the over 20-year history of the approach in four programming periods EC has financed the implementation of "LEADER". The beginning was in 1991 as a small-scale initiative in the Community with 217 partnerships. Since then the number of partnerships has increased more than ten times to 2321 in the 2007-2013 period, with a total budget of 5500 million or 6% of the funds of the EAFRD. These funds have mobilized further 3072 million from national public funding, and each partnership was granted an average total budget of about 3800000 Euros for the entire period.⁸

⁷ Bulgaria's Partnership Agreement for the period 2014-2020.

⁸ According to data from http://enrd.ec.europa.eu/enrd-static/themes/clld/en/clld_en.html

- 3.4. Public funding further mobilized a significant amount of private investment. Funds were used to support thousands of Small Projects for: adding value to local food products diversification of activities, improving agricultural services environmental activities and activities for the conservation and restoration of the environment, investment in small-scale infrastructure, renovation of small settlements as well as training. These small projects contribute to local theme initiatives - for example, in the field of rural tourism or historical tourism and marketing local products which are capable of contributing to economic development and promoting the social environment in a given area.
- 3.5. In the most recent assessments of 'LEADER' initiatives throughout the EU significant improvements were found in services and the quality of life in rural areas through diversification of activities, environmental protection the inclusion of relevant public groups such as women, young people, single mothers and large families and those with low educational achievements in activities aimed at improving management and building capacity.⁹
- 3.6. A significant number of jobs were created and maintained under the "LEADER +" programme (implemented during the period 2007-2013), although this is not the main purpose of many of the local action groups, which often focus on broader goals such as improving the quality of life in rural areas, adding value to local products and the quality of information technology. In strategies where LAGs have mixed uses, such as in Valencia, Spain, 8 LAGs have invested 41.2 million Euros of public funds in their local strategies and created 1012 jobs. However, in strategies with strong economic focus, for example, in Northern Ireland, the ratio of public investment to create one job is very favourable. Eleven local action groups created 1445 sustainable full-time jobs with public investment of 21 million Euros - or about 14,500 Euros per job.¹⁰
- 3.7. In the Republic of Poland, the powers of LAGs include: preparation of local development strategy; developing the content of the call for proposals for funding (including the definition of criteria for selection of projects); supporting candidates in the preparation of projects; selection of projects to be financed; providing information on the rules for granting aid. Subsequently, projects approved by the LAGs are submitted to the management authority only for verification of costs.

⁹ Ex-Post Evaluation of the LEADER I Community Initiative:
http://ec.europa.eu/agriculture/rur/leader1/index_en.htm Ex-post evaluation of the Community Initiative
LEADER II: http://ec.europa.eu/agriculture/eval/reports/leader2/index_en.htm Ex-post evaluation of LEADER
+: <http://ec.europa.eu/agriculture/eval/reports/leaderplus-expost/>

¹⁰ According to data from the website of the European Rural Network: http://enrd.ec.europa.eu/enrd-static/themes/clld/en/clld_en.html

4. EXPERIENCE OF THE REPUBLIC OF BULGARIA IN THE IMPLEMENTATION OF THE "LEADER" APPROACH 2007-2013

- 4.1. The "LEADER" approach was initially applied in our country in 2007-2013 as a management instrument based on local initiative and integrated local development in rural areas (under the European Agricultural Fund) and fishing areas (under the European Fisheries Fund). In its application in Bulgaria mainly measures are aimed at creating local capacity and improving local management through the creation of LAGs and the development of LDSs as well as the implementation of financial instruments in place in rural and fishing areas.
- 4.2. Also for the first time during the 2007-2013 period Bulgaria provided targeted support for the sustainable development of fisheries areas. Six Fisheries Local Action Groups were created and operated within the implementation of Priority Axis 4 "Sustainable Development of Fisheries Areas" of the Operational Programme "Development of the Fisheries "2007-2013". They cover the territories of 17 municipalities with a total area of 7375 sq. km, population of 211.8 thousand people and 237 settlements. Four of the groups are located in the region of the Black Sea coast, one along the Danube and one group is intra-territorial.¹¹
- 4.3. Actions for acquiring skills and achieving greater public activity of local action groups were undertaken during the period 2009-2011. According to the Ministry of Agriculture, during the implementation of the 'LEADER' approach serious interest in these actions was reported - 126 applications were submitted, covering 141 municipalities, representing 61% of rural communities. Of these, 102 applications were approved (covering 158 rural municipalities and a population of 2,265,998 people) and contracts were made with potential LAGs. 90 contract have been successfully performed and reported, i.e. 60% of rural communities in the country have been supported by the actions for acquiring skills and achieving greater public activity animating through the "LEADER" approach. As a result, a special administrative and organisational capacity has been created to implement the approach, the awareness of the local population has been raised and expectations concerning funding opportunities have been formed. Local administrative capacity has been created for the preparation and implementation of local development strategies and local experts have been prepared to participate in the evaluation, selection, monitoring and control of projects at the local level.
- 4.4. On the basis of the approved local strategies, 35 LAGs are currently operating in Bulgaria, covering 57 rural municipalities, 1112 settlements and a population of 801,688 people assist local communities as trained experts in the implementation of LDSs and related activities.

¹¹ Information of the Ministry of Agriculture

- 4.5. The analysis of the implementation of the "LEADER" approach during the period 2007-2013, as regulated in the Partnership Agreement, shows that its initial application is accompanied by a number of difficulties due to its specificity and the fact that the approach is applied in Bulgaria for the first time. Gradually, the coordination and interaction between all parties involved in the implementation of the approach (MAs, Paying Agency, LAGs / FLAGs) improved significantly. As a result, a significant increase in the interest in the "LEADER" approach is reported as well as further creation of administrative capacity for its implementation and the development of quality local development strategies.
- 4.6. According to the Ministry of Agriculture, currently 98% of the EU funds under "LEADER" measures have been agreed through the approved strategies of local action groups. At the same time, ESC is of the opinion that the actual implementation of approved projects is greatly delayed or terminated at the initiative of the beneficiary due to the extremely cumbersome procedures and delays in the process of re-examination by the Paying Agency of projects approved by the LAGs. As a result, both LAGs and potential project beneficiaries in the implementation of local development strategies are strongly discouraged.
- 4.7. In regard to the "LEADER" approach in fishing areas, the main problems during the period 2007-2013 are related to the lack of sufficient administrative capacity of MAs (imperfect legislation, permanent changes that do not correspond to the strategies of groups, etc.) and undeveloped capacity of Fisheries Local Action Groups. In this context, ESC believes that, based on the lessons learned during the first programming period for our country (2007-2013), the new period should continue measures for improving existing capacity and raising awareness of fishing communities in fishing areas.

5. MAIN ARGUMENTS FOR THE NEED TO IMPLEMENT COMMUNITY-LED LOCAL DEVELOPMENT IN BULGARIA

- 5.1. **Bulgaria's need to timely start preparing for the implementation of the CLLD approach** is dictated by the provisions of Art. 33, para. 4 of the General Provisions Regulation 1303/2013, which stipulates the deadline for the first round of selection of LDSs financed through CLLD: it must be completed within two years as of the date of approval of the Partnership Agreement, namely **to 7 August 2016. ESC believes that any delay in the process would have a negative impact on the realization of the CLLD approach, the achievement of its objectives and the achievement of its intended effect.**
- 5.2. Alongside the many assessments and recommendations made in this direction, ESC also considers necessary and **recommends the implementation of a clear vision and**

framework aimed at promoting the development of specific areas in Bulgaria, in order to reduce the social, economic and territorial disparities between regions of the country.

- 5.3. The implementation of multi-fund financing of the integrated CLLD approach has the following **added value**:
- it provides expanded support for "bottom-up" local development by allowing its funding from all European structural and investment funds⁵;
 - it provides support to integrated territorial development through harmonized rules for the development and implementation of the approach;
 - it enables various EU policies to contribute to local development according to their specific objectives and instruments;
 - it improves coherence and coordination of support from EU funds to promote local development.
- 5.4. ESC believes that the most important resource of the country is its people. In the peripheral areas, affected by severe socio-economic problems, a tangible and lasting decrease is observed in the population, people emigrate in search of employment or better opportunities, driven by their desire to overcome limitations in social life, striving for better quality of life. In this connection, the ESC recommends CLLD as a means of implementing urgent, appropriate and specific measures to overcome the negative trends and delays in the development and improve the socio-economic conditions of life in these territories.
- 5.5. ESC supports the implementation of integrated territorial approach through the CLLD instrument, because the territory of the Republic of Bulgaria has remote areas that are entirely mountainous, where the conditions for doing business and living are difficult, with underdeveloped infrastructure for a modern lifestyle and untapped natural potential. There are obvious trends of higher than average share of unemployment and population living at risk of poverty and social exclusion.
- 5.6. Bulgaria still has areas accessible only by one type of transport, areas with a large proportion of uncultivated land, or with very limited opportunities for cultivating the land, where agriculture is not a possible opportunity for development. ESC believes that namely the CLLD approach provides opportunities for creating viable economic alternatives for development in such areas
- 5.7. In order to ensure continuity between the two programming periods in the implementation of local development approach and taking into account the desire and the willingness of local communities from different areas of the country to the balanced and sustainable development of these areas for the programming period 2014-2020, the

⁵The only exception is the Cohesion Fund Regulation (EC) №1300 / 2013 of the European Parliament and of the Council

Partnership Agreement envisages implementation of the territorial approach by means of the CLLD instrument. This option would allow local communities, in the presence of the respective programming capacity and preparation, based on a "bottom-up" principle, to realise ideas, consistent with the specifics of the territory and its challenges, to achieve the local growth potential, improving the quality of life and income of the local population.

(signed)

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