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DAPhNE

D 3.3.2 National state aid report Bulgaria

State-aid schemes for funding investments in ports (public funding)

Work Package 3

Activity 3.3 State-aid schemes for funding investments in ports

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1 Scope of the document

The objective of work package 3 of DAPhNE Project is to adopt a joint harmonized approach in regards to legal port issues in order to apply the Same River, Same Rules principle. In the long run, this will secure a balanced development of Danube ports as buzzing economic centers. To this end, the representatives from the private and public port sector all along the Danube (RO, HR & BG Ministries of Transport, port administrations and port associations) join forces to investigate the issues regarding port legislation & public funding.

The scope of the document is to identify the role of public funding in relation *to inland cargo port investments in the Danube region*. Thus, development of maritime ports, river ports other than Danube, as well as port developments financed solely by private entities are not the scope of the project. If a port is both maritime and inland cargo port, the activities shall be split between the inland and maritime port functions in this document.

1.1 General terms

1.1.1 State aid and non-state aid

In principle based on Article 107 (1) of the Treaty on the Functioning of the European Union (TFEU), any aid granted by a Member State or through state resources in any form is generally prohibited. The reason of the prohibition is that state aid distorts or threatens to distort competition in the internal market. Favouring certain undertakings or the production of certain goods through state funds that can be either direct i.e. grants provided or indirect, e.g. exemptions from any payment obligations to the state budget is deemed to have an adverse effect on the trade between Member States.

A measure shall be considered as state aid if involving all the following attributes:

- transfer of state resources;
- economic advantage: the aid reduces the costs normally borne in the budgets of the beneficiary undertakings;
- selectivity: the aid favors certain undertakings or the production of certain goods;
- distortion of competition, and
- affect on trade between the Member States.

Transfer of state resources means the use of funds belonging to, or being controlled by and imputed to public authorities. The form in which this transfer takes place is irrelevant from state aid perspective.

The private investor test is to assess whether there is an economic advantage involved for the beneficiary. This means that the economic advantage shall be established of the state did not act in the same way as a private investor would have acted.

Where aid benefits only products which are not subject to inter-state trade or where trade is affected only at a purely national level, the measure will not fall within the scope of prohibited state aid. This does not mean that only measures relating to exports or imports from a Member State to another are affected by Article 107 (1) TFEU. It may be that several

circumstances in which aid is granted will lead to affecting the trade between Member States. When for instance aid strengthens the position of an undertaking compared with others competing in intra-Union trade, the latter shall be affected by the aid even if the beneficiary itself is not involved directly in exporting or importing goods.[1]

Despite the general prohibition of State aid, in some circumstances government interventions are necessary for a well-functioning and equitable economy. Certainly, there are exemptions from the principle of state aid prohibition. First there are exemptions where the aid shall be considered to be compatible with the internal market and thus involving no competition distortions. Then there are aid measures that, under certain conditions, might be compatible with the approach of the internal market.

The measures qualified as compatible by the TFEU are of a social and reparative nature, i.e. (1) social aid, granted to individual consumers, provided that such aid is granted without discrimination related to the origin of the products concerned; (2) aid to restore damages caused by natural disasters or exceptional occurrences; (3) aid granted to the economy of certain areas of the Federal Republic of Germany affected by the division of Germany.

The following may be considered to be compatible with the internal market:

- aid to promote the economic development of the seriously underdeveloped areas;
- aid to promote the execution of an important project of common European interest or to remedy a serious disturbance in the economy of a Member State;
- aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest;
- aid to promote culture and heritage conservation where such aid does not affect trading conditions and competition.

Apart from the above, other categories of aid may be specified and deemed compatible by decision of the Council.

1.1.2 Port and port infrastructure[2]

Port
'Port' means an area of land and water made up of such infrastructure and equipment, so as to permit the reception of waterborne vessels, their loading and unloading, the storage of goods, the receipt and delivery of those goods and the embarkation and disembarkation of passengers, crew and other persons and any other infrastructure necessary for transport operators in the port.

[1] Case 730/79 Philip Morris v Commission [1980] ECR 2671
[2] Definitions are taken from the Commission Regulation (EU) 2017/1084 of 14 June 2017 amending Regulation (EU) No 651/2014 as regards aid for port and airport infrastructure, notification thresholds for aid for culture and heritage conservation and for aid for sport and multifunctional recreational infrastructures, and regional operating aid schemes for outermost regions and amending Regulation (EU) No 702/2014 as regards the calculation of eligible costs

The definition of "port" is contained in Article 92. from the Maritime spaces, Inland waterways and ports of the Republic of Bulgaria Act (MSIWPRBA). A port is an area, which includes aquatory, territory and infrastructure on the Black Sea and the Danube coast and the islands and channels therein, located on the territory of one or more municipalities and comprises natural, artificial and organizational conditions for safe berthing, stay and servicing of vessels.

Maritime port
'Maritime port' means a port for, principally, the reception of sea-going vessels.

Inland port
'Inland port' means a port other than a maritime port, for the reception of inland waterway vessels.

Inland ports in Bulgaria are located on the River Danube, between km 845,650 and km 374,100. The ports for public transport with national importance are located on the right bank, as follows:

- **Port of Vidin** is located on the right bank of Danube River (785 km) and has strategic geographic significance as it is "crossing point" of two trans-european transport corridors: the Rhine – Main - Danube Corridor and the Orient/East-Med Corridor. Additionally, the shortest route to Greece, FYROM and Serbia passes through the port area. The newly built connecting road infrastructure in the port allows direct link to the national road and rail network of Bulgaria. The port is specialized in bulk cargo handling and Ro-Ro.

- Port of Lom is located on the right bank of Danube River (742 km) at 160 km distance from the capital of Bulgaria – Sofia. The transit traffic to FYROM and Greece passes through the port and thus it is connected with the largest transport hub of the Mediterranean - the port of Thessaloniki. The port is scpecialized in bulk and general cargo handling.

- Port of Ruse is located on the right bank of Danube River (491 km) and is a multimodal center. It is the most important Bulgarian port on the Danube as it is the crossing point of the Rhine – Main- Danube Corridor, TRACECA and the "Silk Road". The port is essential for the transport system of the country because it is connected directly with the Black Sea port of Varna via Ruse-Varna railway line. This link allows servicing the transit flows between Europe and the Middle East. The port is specialized in bulk and general cargo handling.

Port infrastructure
'Port infrastructure' means infrastructure and facilities for the provision of transport related port services, for example berths used for the mooring of ships, quay walls, jetties and floating pontoon ramps in tidal areas, internal basins, backfills and land reclamation, alternative fuel infrastructure and infrastructure for the collection of ship-generated waste and cargo residues.

The MSIWPRBA regulates the definition of the term in Bulgaria: "Port infrastructure" is technical infrastructure of the port within the meaning of § 5, point 31 from the additional provisions of the Spatial planning Act (SPA) , as well as the other buildings and facilities within the port, related to the activities and services performed on its territory.

Management of the port infrastructure and the other fixed assets of the Bulgarian ports for public transport of national importance is granted to the Bulgarian Port Infrastructure Company (BPICo.) - a legal person within the meaning of Art. 62, para. 3 of the Commerce Act. The State grants to BPICo. the public and private state property, determined by a decision of the Council of Ministers, for implementation of its subject of activity.

1.1.3 Specific terms and types of public funding

The importance of public funding in port development varies from country to country and as well as the relevant public aid scheme.

In order to analyze the public funding practice of the Danube Region countries, it is necessary to clarify the key concepts and definitions of public funding. The common understanding of the following terms is very important to fill in the attached Excel-sheet with information on public granted port developments.

"State aid" means any aid granted by the State or the municipality, or at the expense of government or municipal resources, directly or through other persons in any form, which distorts or threatens to distort free competition by making it more favorable to certain undertakings, the production or marketing of certain goods or the provision of certain services, so far as it affects trade between Member States of the European Union.

Individual aid

'Individual aid' means:
(i) ad hoc aid; and
(ii) awards of aid to individual beneficiaries on the basis of an aid scheme.[3]

According to the State Aid Act applied to the territory of the Republic of Bulgaria, "Individual State Aid" is any aid not granted on the basis of a scheme or aid granted on the basis of a scheme but subject to individual notification.

Aid scheme
"Aid scheme" means any act on the basis of which, without further implementing measures being required, individual aid awards may be made to undertakings defined within the act in a general and abstract manner and any act on the basis of which aid which is not linked to a specific project may be granted to one or several undertakings for an indefinite period of time and/or for an indefinite amount[4].

According to the Bulgarian legislation, "State Aid Scheme" is any act on the basis of which, without requiring additional implementing measures, individual State aid may be granted to one or more undertakings defined in the act in a general and abstract manner, and any act whereby non-project-related aid may be granted to one or more undertakings for an indefinite period and / or in an undefined amount.

Aid intensity

[3] Definition of the article 2 (14) of Commission regulation (EU) No 651/2014 (GBER regulation)
[4] Definition of the article 2 (15) of Commission regulation (EU) No 651/2014 (GBER regulation)

"Aid intensity" means the aid amount expressed as a percentage of the eligible costs.

Aid category
'State aid' and 'non-state aid' categories according to Article 107 (1) TFEU, (e.g. de minimis or aid for local infrastructures[5])

In the Republic of Bulgaria, most rules for general State aid (SA) apply to the transport sector to a lesser extent and some of them are not applicable at all.

Specific sectoral rules for SA have been developed to be applied in the field of rail, road, air, sea and inland waterway transport.

It should be noted that only the European Commission assesses the possibilities for support in the sector in the light of certain specific characteristics of the sector, such as the common transport policy, trans-European networks, public interest, safety, congestion on certain transport corridors, harmful effects on the environment, etc. Competent authorities relevant to the regulation of state aid rules on the territory of the Republic of Bulgaria are:

- Court of Justice of the European Union;

- European Commission – DG Competition having the exclusive power to authorize the granting of individual State aid or State aid schemes within the exceptions to the prohibition under art. 87, para. 1 of the Treaty establishing the European Community. Each Member State shall notify the Commission of the State aid measures it intends to implement. In Bulgaria, this is done through the Minister of Finance and the Minister of Agriculture, Food and Forestry, who examine and submit to the Commission the notifications prepared by the administrators of the aid. In the event of a Commission decision declaring that a measure is not State aid or is compatible State aid, this measure can not be applied (the so-called "stand-by clause"). Aid granted without a Commission decision is automatically classified as unlawful and, if subsequently assessed by the Commission as incompatible, is recoverable. The Commission may also conduct investigations on its own initiative or on the basis of a signal from a competing undertaking. Once the Commission issues positive decision, the Minister of Finance informs the Aid Administrator that the latter may be granted.;

- **Administrative Court;**

- **The Minister of Finance of the Republic of Bulgaria** is the national authority responsible for the monitoring, transparency and coordination of State aid at national, regional and municipal level, and the **Minister of Agriculture, Food and Forestry** has the power to define aid schemes and individual aids in the field of agriculture and fisheries. In the structure of the Ministry of Finance there is a specially created "State Aid" Department, which is to the "External Finance" Directorate. This department addresses state aid notifications prepared by aid administrators on compliance with state aid legislation; draws up opinions on State aid falling within the scope of the block exemption and on minimum aid; drafts an annual state aid report for the European Commission; draws up notifications of subsidies granted under the WTO Agreement on Subsidies and Countervailing Measures; prepares drafts and delivers opinions on proposals for new or amending current Bulgarian legislation in compliance with the EU legislation in the field of state aid; participates in the

[5] Aid categories are detailed in Commission Regulation No 651/2014

activity of the European Commission's working committees on state aid issues; ex-post control over the appropriateness and effectiveness of the state aid granted in compliance with the state aid policy in Bulgaria and Ordinance No. N-16 of 23.11.2006 on the procedure for ensuring the transparency of the financial relations between the state authorities and the municipal authorities and state and municipal enterprises and financial transparency within the designated undertakings.

On the territory of the Republic of Bulgaria, special attention is paid to State aid under Art. 107 (ex Article 87 TEC):

Any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favoring certain undertakings or the production of certain goods in so far as it affects trade between Member States is incompatible with the internal market, unless otherwise provided in the Treaties.

On the territory of the Republic of Bulgaria may apply for State / public resources *(including state-managed)***:**

- **Undertakings:** private or legal entities engaged in **economic activity** (which is being sold or rewarded) regardless of their legal status and how they are funded;
- Other **undertakings benefiting** from the aid.

The main elements of the concept of State aid *are contained in the EC Notice on the State Aid Concept referred to in Article 107 (1) TFEU (2016 / C 262/01)* ***(the Notice).*** *The document gives definitions of:*

- **Aid measure;**
- **Beneficiary of the aid;**
- **Undertaking;**
- **Economic activity.**

Every candidate must pass the so-called state aid test:

1. Providing **state** or **state-managed resources**;
2. Existence of conditions for **economic activity** and **economic advantage;**
3. Provided to **certain** enterprises or production;
4. It leads to **distortion** or **threatens to distort competition** and affects **trade between member states**.

In cases where the applicant does not meet the requirements set, **then there is no possibility of granting State aid**.

In the general situation, of course, there are always exceptions expressed in:

When the applicant meets the above four requirements, can apply for State aid in accordance with the Bulgarian legislation and the requirements of the EC on:

Art. 107 (2) - The following **shall be compatible** with the internal market**:**

a) aid having a social character;

b) aid to remove the damage caused by natural disasters or exceptional occurrences;

c) aid granted to the economy of certain areas of the FRG affected by the division of Germany.

Art. 107 (3) - The following **may be considered to be compatible** with the internal market**:**

a) aid to promote the economic development of areas where the standard of living is abnormally low or where there is serious underemployment, and of the regions referred to in Article 349, in view of their structural, economic and social situation;

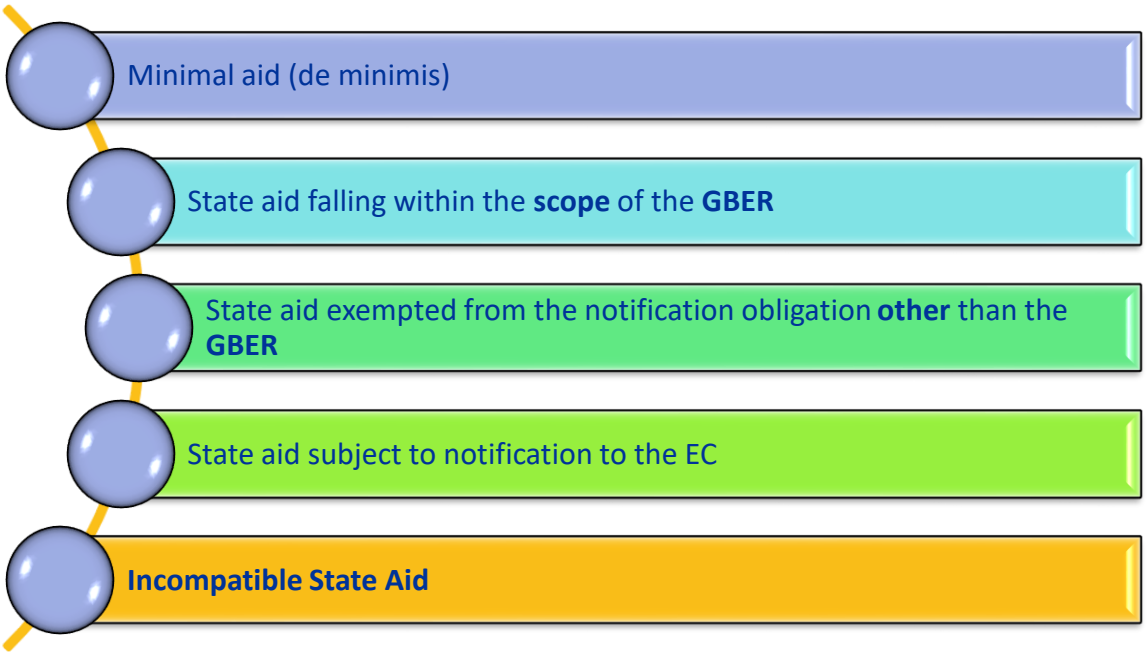
b) aid to promote the execution of an important project of common European interest or to overcome a serious disturbance in the economy of a Member State;

c) aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest;

d) aid to promote culture and heritage conservation where such aid does not affect trading conditions and competition in the Union to an extent that is contrary to the common interest;

e) other categories of aid as may be specified by decision of the Council on a proposal from the Commission.

Figure 1. General situation for compatibility determination



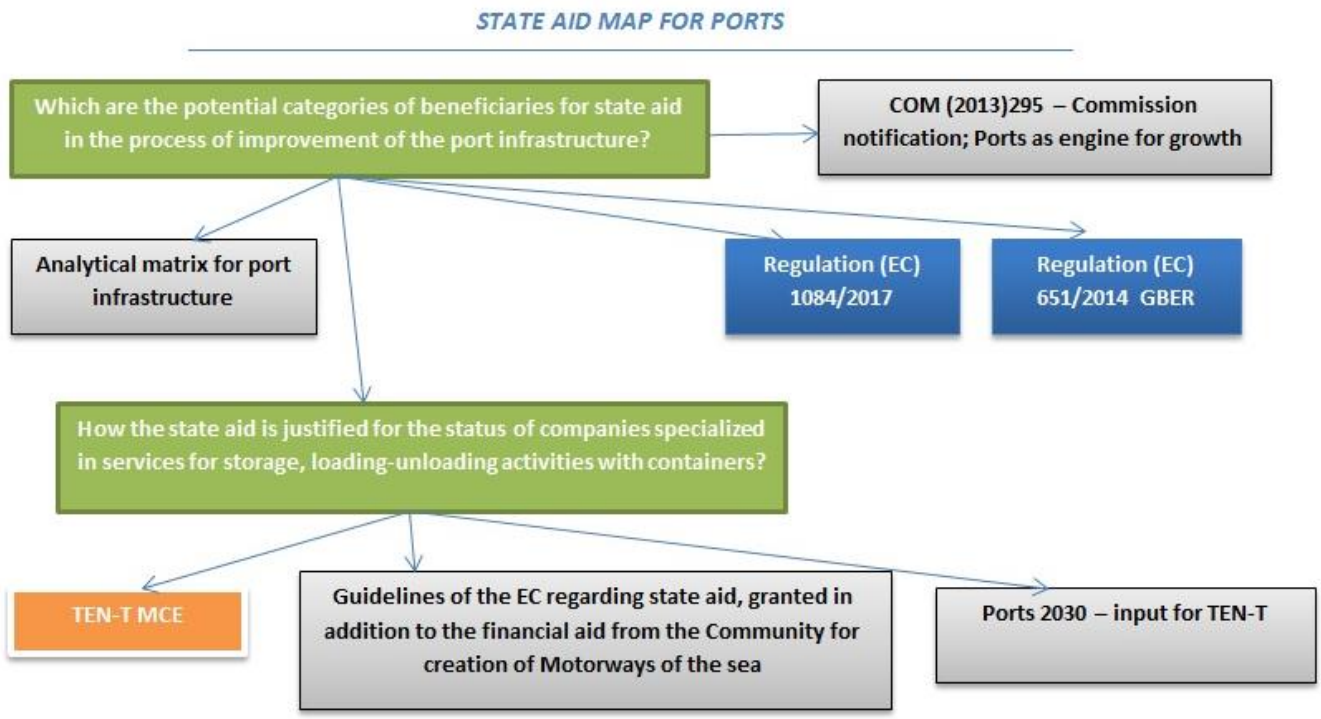
The steps of the notification are:

- Obligation under Art. 108 TFEU;

- Anyone who intends to provide state aid must notify the EC **in advance**;
- The notification is through the Minister of Finance;
- Preliminary coordination with MoF;
- Notification according to template;

EC - the competent authority for deciding on the compatibility of State aid

Figure 2. State aid regime applicable for the inland ports in Bulgaria



National legislation implemented in the Republic of Bulgaria in the field of State Aid:

- **State Aid Act (SAA);**
- **Rules for implementation of the SAA -** *in preparation;*
- **Ordinance No. N-16** *of 23.11.2006.;*
- **Law on Management of ESIF - LMESIF;**
- **Ordinance No. N-4** *of 22.07.2016;*
- **The new SAA** *(in force since 24.10.2017)*
  - *The modernization of the state aid regime by the EC;*
  - *The fulfillment of a precondition 5 in connection with the management of the ESIS;*
  - *Improving enforcement and clarity of regulations;*
  - *Establishing good practices;*

Subject and scope of the SAA - defines the terms and procedure for the provision of:

- *the provision of State aid and minimum aid;*
- *the implementation of the notification procedures according to Art. 108 TFEU;*
- *State aid categories compatible with the internal market;*
- *The data reporting, collection, recording and storage obligations;*
- *State aid assessment of compliance with the block exemption rules;*
- *the recovery of unlawful and incompatible and misused aid, incl. illegally obtained minimum aid;*
- *Control and public claims;*
- *the legal claims of violations when granting state and minimum aid.*

Principles for granting state aid - defined in Art. 5, para. 1 of the SAA (New):

1. *necessity;*
2. *appropriateness;*
3. *proportionality and efficiency;*
4. *transparency;*
5. *balancing;*
6. *comparability;*
7. *stimulating effect.*

The administrator shall give **reasons in writing** for the application of the principles in accordance with the relevant EU act.

The beneficiary of aid (Article 20) is:

- to which state or minimum aid is granted;
- which directly or indirectly benefits from aid;
- which is an undertaking.

Concepts are introduced for:

- undertaking (Art. 20, para. 2);
- economic activity (§ 1, p. 13);
- division of activities (Art. 20, para. 3);
- distribution of benefits in partnership and along the chain (indirect recipients) (Art. 20, para. 4);

Types of State Aid and Procedures:

- State aid for which require a notification (art. 21)
- Notification and reconciliation (art. 22)

- Preconciliation (art. 27)
- Official procedure and procedure for consideration - MF

Table 1. Types of satate aid and procedures

Type of procedure	Reconcilement	Opinion
Aid subject to notification to the EC	mandatory	non binding
Aid exempted from notification under the GBER	mandatory	binding
Aid exempted from notification by other Act	optional	non binding
Minimis aid	optional	non binding

The Rules for implementation of the State Aid Act is under preparation - an informal review. It establishes the terms and conditions for application of the SAA. It contains 13 chapters – general guidelines, order, form, content and volume of information on evaluation reports, notifications, annual reports, etc .

Annexes to the Rules for implementation of the SAA:

- **Form and way** of submission to the EC of State aid **notifications** (Chapter Three, Art. 4);
- Preparation of state aid compliance **assessment** with **block exemption rules** (Chapter Four, Art. 5-7);
- **Amount** of information to be sent to the EC (Chapter Five, Art. 8);
- Granting of minimis aid and aid exempted from the EC notification obligation (excl. block exemption rules) (Chapter Seven, Art. 10-14);
- Archives and Records (Chapter Eleven, Art.24-25);
- Ensuring Transparency (Chapter Twelve, Art. 26-27) - State aid Transparency Award Module;
- **Minimum content in the development of measures (Art. 2):**

1. **the legal basis** of the measure;
2. the choice of **regime** to be in line with the **sector's** objectives and policy;
3. **the conditions** for submission, application and implementation;
4. **eligible** and **ineligible** activities, costs, recipients and partners;
5. **way** and sources of **control**;
6. **act** of granting;
7. amount of the aid;

8. source of **funding;**
9. Aid administrator.

According to the Bulgarian and European legislation in the field of state aid there is also the possibility of block exemption under the following conditions:

- Aid, which under certain conditions is considered to be exempt from the obligation to notify the EC under Art. 108/3/TFEU, covers:

- General Block Exemption Regulation - GBER - Regulation (EU) No 651/2014 (+ 1084/2017)*;*
- Two other Acts - Regulation (EC) No 1370/2007 and Commission Decision of 20.12.2011 on the application of Article 106/2 / TFEU on State aid in the form of compensation for SGEIs.

Block Exemption - Conditions for exemption from notification under the GBER

Aid schemes, individual aid granted under aid schemes and ad hoc aid are compatible with the internal market within the meaning of Article 107 (2) and (3) of TFEU and are exempt from the notification requirement of Article 108 (3) TFEU, subject to that they satisfy all the conditions laid down in Chapter I of the GBER and the special conditions for the aid category concerned set out in Chapter III of the GBER.

Grant of aid under the GBER

- The Ministry of Finance is responsible for the evaluation;
- Categories and conditions for compatibility have been pre-determined by the EC;
- Where aid falls within the scope of a block exemption, the administrator shall **coordinate it with the MF**;
- The MoF drafts **an opinion** on its compliance with the block exemption rules - Regulation 651/2014 (+ 1084/2017);
- In the event of non-compliance, the **MoF proposes appropriate measures** in its opinion;
- Administrator who **does not accept** the opinion of the Ministry of Finance may issue a notification to the EC under the general procedure - **the aid becomes notifiable**;
- The MoF only informs the EC about the **availability of the aid**;
- Grants under the GBER are subject to **enhanced monitoring** by the EC;

Grant of aid under the GBER for inland ports - Regulation (EU) 1084/2017

- In Article 1, para. 1 is added letter “n” - **aid for ports**;
- In Art. 2, points 154-165 - **definitions of aid to ports (p.156);**
- In Art. 4, para 1, the **notification thresholds** "ee" for seaports and **"ff" for inland waterway ports** are added - 40 million euro (50 million for TEN-T);
- Art. 56b for seaports and Art. 56c for inland ports are aded;

Grant of aid under the GBER for inland ports - Regulation (EU) 1084/2017, Art. 56c

- The eligible costs shall be the costs, including planning costs, of (p. 2):
  - investments for the construction, replacement or upgrade of port infrastructures (p. 157);
  - investments for the construction, replacement or upgrade of access infrastructure (p. 159);
  - dredging;
- Not eligible costs (p. 3) – *Costs relating to non-transport related activities, including industrial production facilities active in a port, offices or shops, as well as for port superstructures shall not be eligible costs (p. 158).*
- The aid amount shall **not exceed** the difference between the eligible costs and the operating profit of the investment or dredging (p. 4);
- The maximum aid intensity **shall not exceed 100 %** of the eligible costs up to the amount laid down in point (ff) of Article 4(1) (p. 5);
- Any concession or other entrustment to a third party to construct, upgrade, operate or rent aided port infrastructure shall be assigned on a competitive, transparent, non-discriminatory and unconditional basis (p. 6)**;**
- For aid not exceeding EUR 2 million, the maximum amount of aid may be set **at 80 % of eligible costs, as an alternative** to application of p. 4 and p. 5 (p. 8).

INFRASTRUCTURE ANALYTICAL GRID FOR PORT INFRASTRUCTURE

Disclaimer: this is a working document drafted by the services of the European Commission for information purposes and it does not express an official position of the Commission on this issue, nor does it anticipate such a position. It is not intended to constitute a statement of the law and is without prejudice to the interpretation of the Treaty provisions on State aid by the Union Courts. In any case the services of the Directorate-General for Competition (DG COMP) are available to provide further guidance on the need for a formal notification. Such guidance may be given in the course of a pre-notification procedure.

I. PRINCIPLES FOR PORTS

(1) This analytical grid covers the financing of the construction, replacement or upgrade, as well as the operation and use of infrastructure in inland ports and seaports, which for ease of reference, will be qualified throughout the text as "port infrastructure"[1].

(2) The construction, replacement or upgrade and maintenance of port infrastructure which is commercially exploited constitute an economic activity. Therefore public funding of such infrastructure is in principle subject to State aid rules.

Cases, where **there is no** State aid

1. Non-economic activity - *infrastructure will not be used for economic activity;*
2. Non-economic activity - *up to 20% complementary economic activities to main non-economic activity;*
3. Lack of potential effect on trade between member states;

4. Lack of Potential Effect on Competition for Service Providers (Operators) Operating on Publicly-Funded Infrastructure - Legal Monopoly;
5. Non-economic advantage at owner level - *The market economy operator (MEO) test;*
6. Non-economic advantage at operator level:

6.1 MEO test;

6.2 A service of general economic interest (SGEI) and Altmark;

Cases where there is **no need to notify** the EC for the SA, subject to certain conditions:

1. GBER;
2. EC decision on SGEI.

Cases in which notification to the EC for state aid **is required**:

1. State aid for port infrastructure directly under Art. 107 (3) (c) - *aid to facilitate the development of certain economic activities or economic regions*;
2. SGEI – State aid framework in the form of public service compensation – *for ports with over 300 000 passengers per year*;

Transparency requirements

- In accordance with the requirements of the Transparency Communication (OJ C 198, 27.6.2014) and other regulatory documents (guidelines / regulation / communication / framework) containing transparency provisions, with effect from 1 July 2016, all State aid exceeding 500 000 euro, whose act of granting is dated after 30.06.2016, should be publicly disclosed. The latter is an integral part of the conditions of the relevant normative document to ensure the compatibility of a state aid with the rules in the field of state aid legislation.
- Art. 52, para. 3 of the SA Act;
- Art. 26 and 27 of the for implementation of the SA Act;

When applying for funding on the territory of the Republic of Bulgaria, applicants must determine in advance whether or not there is a state aid. *When a wrong decision is made, the beneficiaries have no opportunity and authority to solve the problem.* In this case, the Authorized Authorities (MoF, MA) are seeked for help in order to make a proper decision on the regime, notification, etc.

The general rule is that it is better to get a rejection at an early stage than later. The notification should be as complete as possible at the beginning, and the complete breakdown of project costs should be provided. The notification must contain full justification of the project and to show in detail the environmental and transport policy benefits, including reducing congestion and removing bottlenecks.

The Member State must confirm in writing form that no project aid has been received that would be accumulated with other grants received from local, national or EU funds for the same eligible project costs. The notification must contain the full project implementation timeline.

The possibility of prior notification to the EC of the intention to grant aid should be used in order to speed up the evaluation process at later stage. At the same time, it would be useful to highlight safety improvements where possible. It is important that the values and performance estimates are made before the investment is made, rather than retrospectively. When choosing an infrastructure manager, it is best to be done through an open, non-discriminatory competitive procedure. Generally, this eliminates the availability of SA at operator level, but it should be taken care with subsequent changes to the contract of the selected.

The recent amendments to the State Aid and Market Access Regulation in 2017 will contribute to stimulating investment by reducing administrative burdens for public authorities and businesses, while at the same time increasing legal certainty for aid recipients and their competitors. They also enable Member States to take responsibility for their choice of policies on local State aid measures and the Commission to focus its resources on the investigation of State aid measures that are likely to have the greatest impact on competition on the single market.

In the regulation, the Commission also specified which public support measures could fall outside the EU's state aid control, including public investment in roads, inland waterways, railways and water distribution networks.

One of the innovations is that if, until last year, each EU country applied for EU funds to build transport infrastructure, as it thinks to be worthwhile for the country itself, now the EC will determine where to invest. Following an analysis of the existing infrastructure of the member states, the EC found that countries have built up an infrastructure that is not yet as urgent, but the most important for Europe's connectivity is not yet completed. Thus, the new European policy provides for funding for the core TEN-T network. From the port infrastructure of the Republic of Bulgaria, only the Burgas, Ruse and Vidin ports are located on the core TEN-T network of ports, and on the comprehensive are Varna, Lom, Oryahovo, Svishtov and Silistra.

The main model of port infrastructure management in the country is through concessions. **The concession is in contradiction with the granting of free European funds.** The principle of SA is to allocate European funds for infrastructure that does not generate revenue. There is an option to allow such construction, but the beneficiary must return the money received under predefined scheme. Moreover, once the site built with European funds is completed, 7 years afterwards it can not be concessioned. **The policy for State aid in the field of transport in Bulgaria is determined by the MTITC and it is still under**

development. At the same time, the ports of the country have developed on the principle of concession, which is why the competent authorities (MTITC) did not prepare infrastructure projects for application under the Transport OP - neither for the core nor for the comprehensive TEN-T network.

The only thing that can be funded now are the territories of a common technical infrastructure. On the Danube River, all port terminals located in the Bulgarian section are independent and do not have a common technical infrastructure, thus they can not apply for funding under the State aid scheme at this stage.

However, the EC should help ports modernize the services they offer, improve their links with other ports and to help them increase the quality of their services. Accordingly, this will lead to a radical change in the management models of a large number of inland ports and the introduction of best management practices in all of them.

According to preliminary estimates by the EC, the implementation of this initiative could save the EU economy up to € 10 billion by 2030 and reduce port costs by almost 7%.

The future development of the ports in the IWW will be directed towards greater autonomy in port management, which will be balanced with the supervision of an independent body that will monitor fair competition and the coordination of port development at national and European level.

The proposal reinforces the need for transparency in the use of public funding. This will clearly show where public money goes and will help to avoid distortions of competition. More specific transparency rules will allow more rigorous control of some existing practices. This will encourage private investors who need legal certainty and long-term stability. At times when public resources are becoming scarcer, additional private investment must be provided.

2 Overall presentation of Danube Ports in Bulgaria

2.1 General information of Danube ports

Danube cargo ports in Bulgaria can be presented by the following information:

- **number of ports**

There are 38 port terminals of national and regional importance in the Bulgarian section of the Danube River between 845,650 km and 374,100 km. 15 of them are public transport ports of national importance, 20 are ports of regional importance and 3 are ports of special purpose.

In the area of **Lom and Vidin** there are 6 port teminals of **national importance**:

- Lom;
- Oryahovo;
- Vidin – North;
- Vidin – South;
- Vidin – Center;
- Ferry Complex – Vidin.

In the area of **Ruse** there are 9 port terminals of **national importance**:

- Ruse – East;
- Ruse – West;
- Ruse – Center;
- Svishtov;
- Somovit;
- Tutrakan;
- Ferry terminal Nikopol;
- Ferry terminal Silistra;
- Silistra (passenger terminal).

In the area of **Lom and Vidin** there are 6 port teminals of **regional importance**:

- Ro-Ro Somat – Vidin;
- Ferry complex Oryahovo;
- Eko Petroleum Vidin Taifun;
- DDF "Dunim – Kozloduy";
- DDF "Badin – Vidin";
- Free zone – Vidin.

In the area of **Ruse** there are 9 port terminals of **regional importance**:

- Silistra – Polaris 8;
- Silistra – Lesil;
- Ruse – oil terminal Arbis;
- Port Bulmarket Ruse;
- DDF – Ruse;
- TPP Sviloza;
- Petrol – Somovit;
- Ruse – Free zone;
- Belene;
- Nikopol;
- WQ – Ruse;
- East Point Silistra;
- Pristis;
- ADM Silistra.

<u>Ports of special purpose:</u>

- Winter shelter of the Executive Agency for Exploration and Maintenance of the Danube River – Ruse;
- Ruse Shipyard;

- River Service – Ruse.

- **capacity and capacity usage of ports**

The Danube cargo ports in Bulgaria have the following capacity:

- Port terminal Ruse - East - 2 500 000 t/y;
- Port terminal Ruse – West – 2 000 000 t/y;
- Port terminal Tutrakan - 100 000 t/y;
- Port terminal Svishtov - 1 000 000 t/y;
- Port terminal Somovit - 500 000 t/y;
- Port terminal Lom - 2 500 000 t/y;
- Port terminal Oryahovo - 500 000 t/y;
- Port terminal Vidin - North - 300 000 t/y;
- Port terminal Vidin - South – 100 000 t/y.

Currently all of the terminals are working under their cappacity. According to the above data and overall estimation ϕop the capacity of all cargo terminals is within 8-10 million tons. The cargo handled per year is abaout 3 - 4 million tons (with the exception of ro-ro cargo which report a large volume and have, in fact, passed on cargo vehicles).

- **modal split of waterborne transport in your country**

In Bulgaria, there are no official statistics to track the distribution by type of transport for goods transported by inland waterways.

- **ownership – port management - operation structure of ports; public and private ports**

Port management model in Bulgaria is based on the ownership of the port infrastructure from the one side and the ownership of the capital of the port operator on the other side.

The management model for port terminals of **national importance** may be split in two types, according to the current situation:

1. Management model with private operators (concessionaires)
2. Management models with state owned operators.

The activity of private and state-owned ports is not significantly different in terms of the services provided and the conditions for the customers. Ports of national and regional importance are ports for public transport and are open to all ships and cargo. The ownership matters in decision-making and financing of investment initiatives.

- **ports as bimodal or trimodal hubs**

All Bulgarian ports of national importance along the Danube have rail and road links with the hinterland, which makes it appropriate to define them as two- and three-modal hubs in the area.

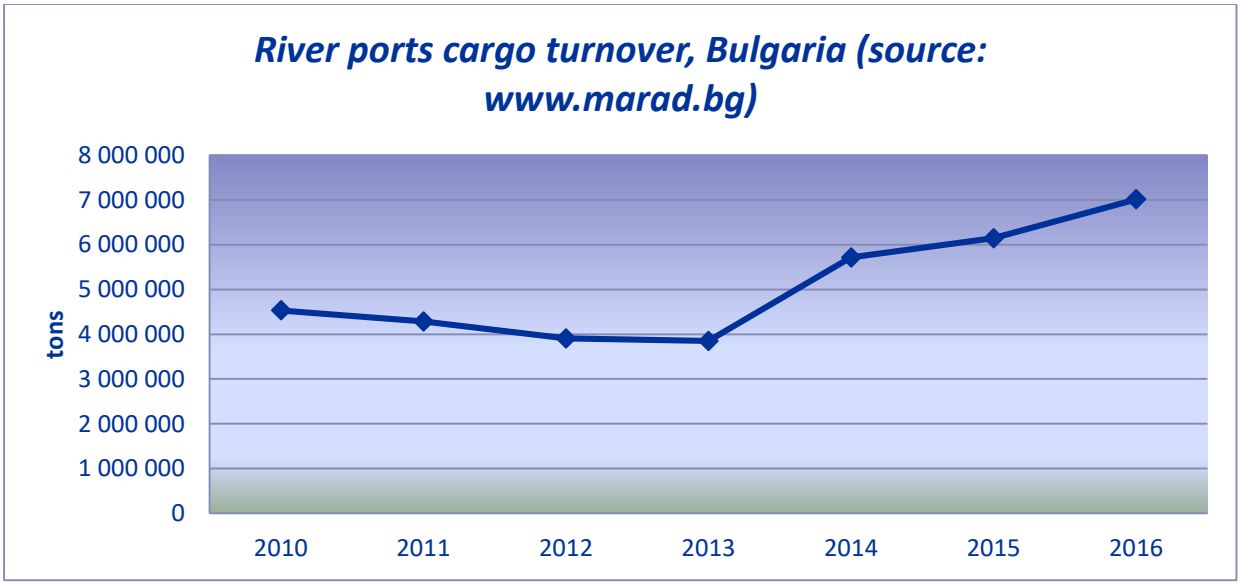
- **tendencies of the past 7 years**

Over the last seven years, port terminal management has evolved continuously, with the main driver of change being the consistent concession. With this in mind, terminals operate in a highly competitive environment and must conduct a flexible commercial policy to keep their market positions. The financial and economic crisis triggered turbulence in the activity of the terminals in the period 2008-2011. After this period, the Bulgarian Danube port terminals operate in a more limited market with regard to cargo traffic volumes.

2.2 Waterborne freight statistics 2010-2017

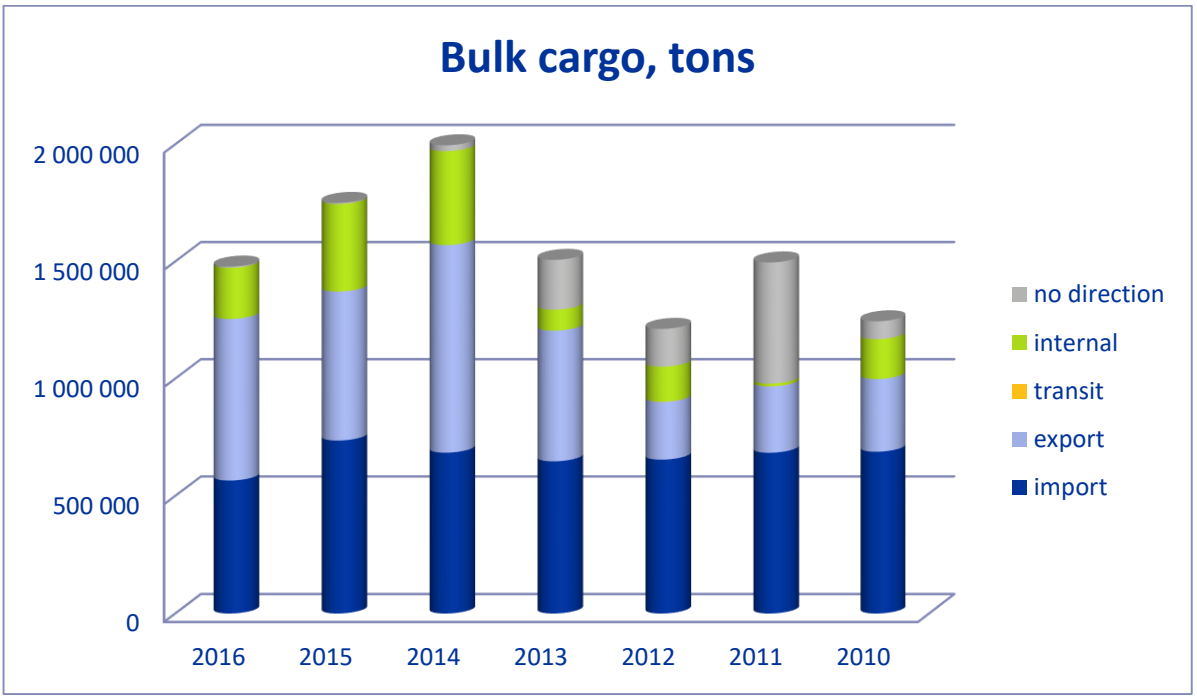
For the period 2010-2016, the total cargo turnover of the Bulgarian river ports varies between 3.8 million and 7 million tonnes per year. For the year 2017, official data is not yet available.

Figure 2. River ports cargo turnover



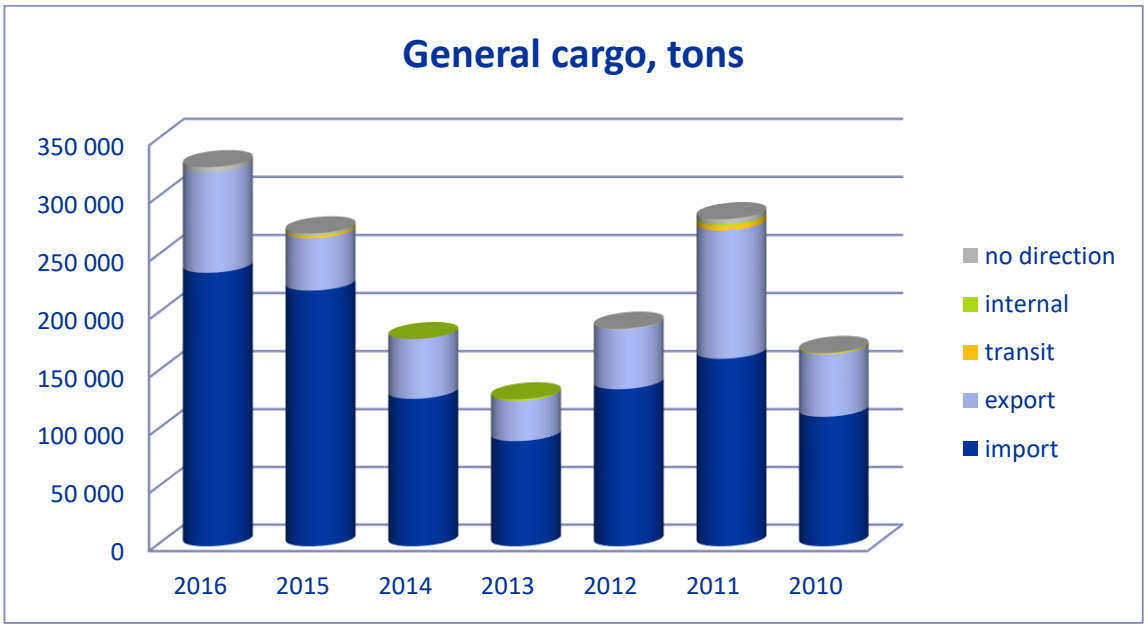
According to the official statistics provided by port operators of terminals of national importance to Executive Agency "Maritime Administration", the amount of goods loaded and unloaded in the river ports is depicted as follows:

Figure 3. Bulk cargo



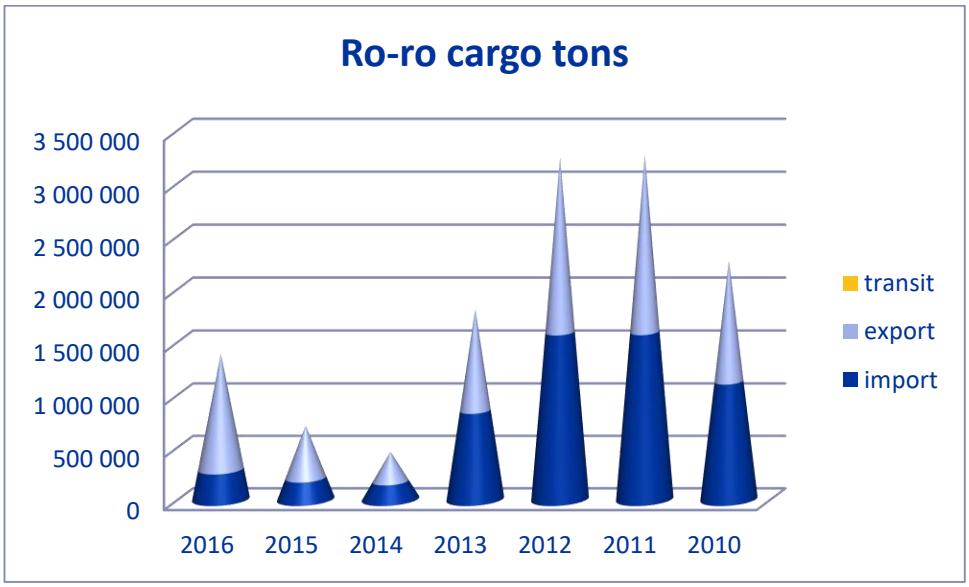
It is obvious that Bulgarian ports handle **bulk cargo** mainly for import and export. The total volume of bulk cargoes varies over the years, fluctuating basically between 1.5 million - 2 million tons/year.

Figure 4. General cargo



General cargo comes second in terms of total processed quantities. Shipments of this type of cargo are, however, several times smaller and the respective reported annual tonnages amount to a maximum of 327,000 tons (2016).

Figure 5. Ro-ro cargo



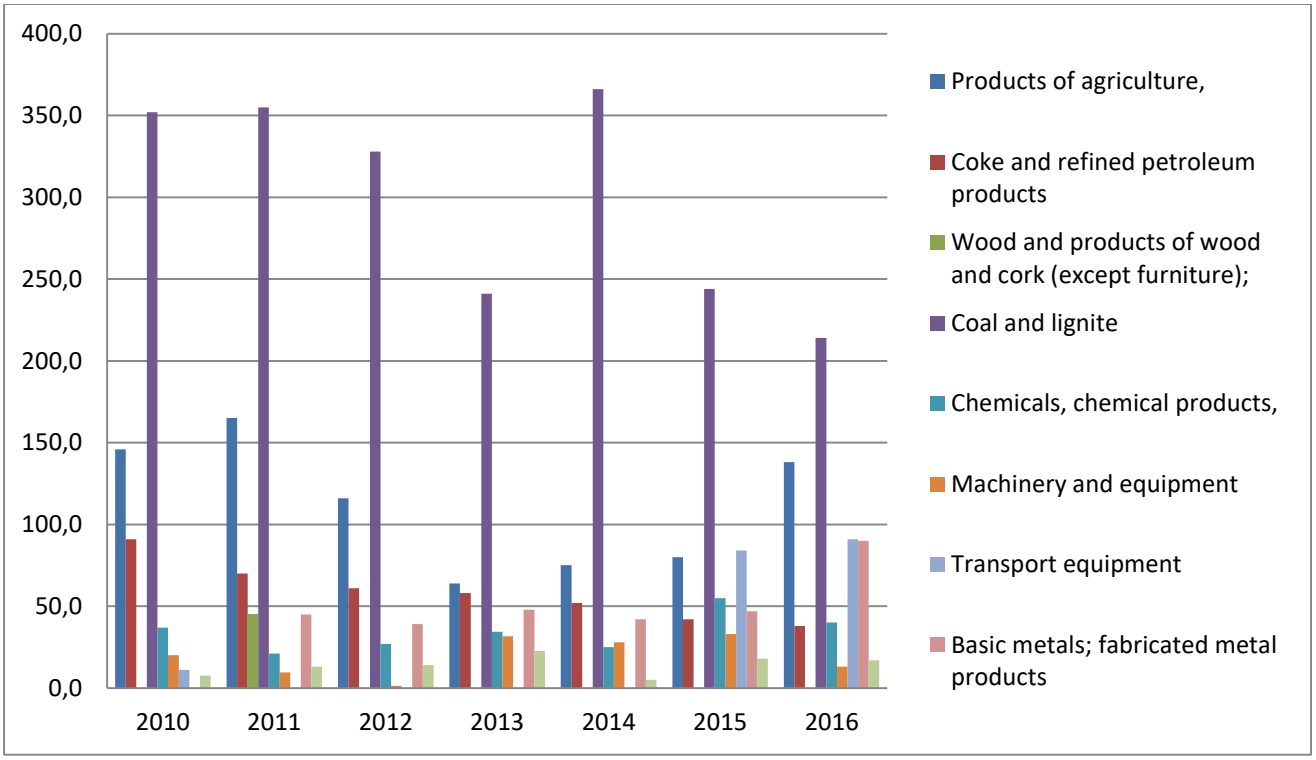
Ro-ro cargo reported a significant decline over the observed period. The reason for this is the development of road transport at the expense of ferry and ro-ro services, the construction of a second bridge over the Danube River near Vidin, etc.

No significant volumes of **containers** have been reported throughout the reporting period. There is no container cargo flow in Bulgarian inland ports. Processed containers are single deliveries to customers in the country. It is worth noting that the statistic presented relates only to shipping traffic. There are some quantities of containers that pass through the port terminals, but they involve only road and / or rail transport. There is no official data on the volumes of these containers.

The **liquid cargo** handled at the terminals of national importance in the period 2010 - 2016 amounted to 2 - 12 thousand tons and did not have a structurally significant influence on the freight flows.

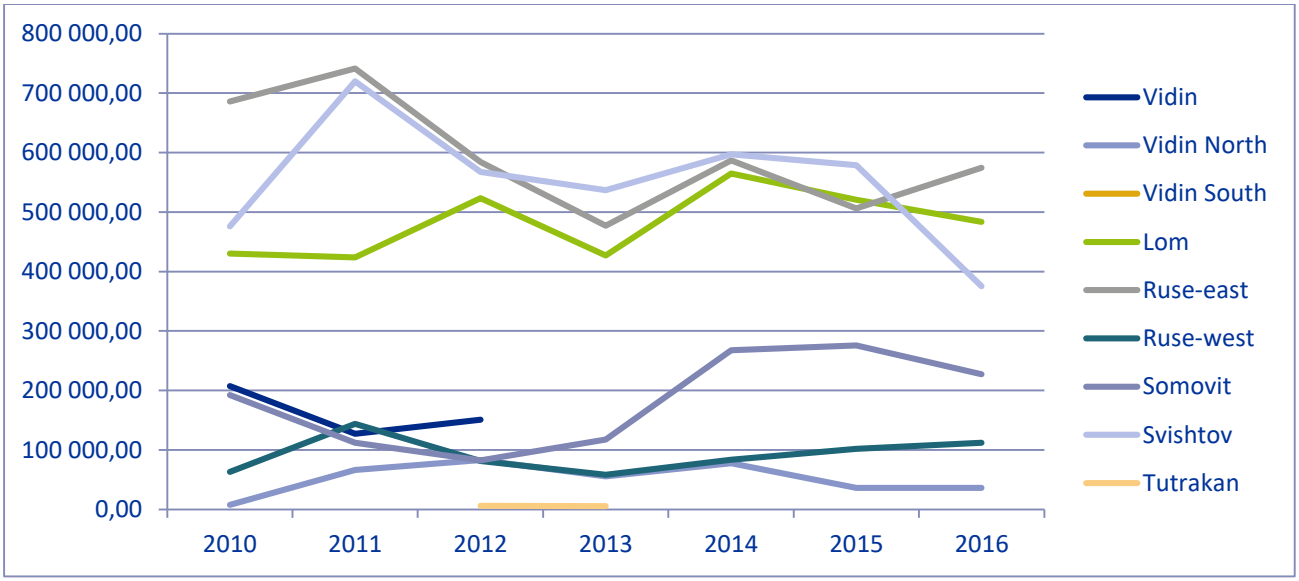
The following figure presents the quantity of cargo flow in Bulgarian ports by type of cargo in thousands of tons.

Figure 6. Cargo flow in Bulgarian ports by type of cargo in thousands of tons



From the detailed data on the turnover of the ports of national importance and on the basis of the diagram presented for the main types of cargo, it can be concluded that the basic type of cargo which is handled in the Bulgarian Danube ports is coal. Coal's relative share of total cargo turnover is 53%. Coal is mainly processed in the form of imports from Ukraine. The quantity of coal processed is the highest in 2014 - 366 thousand tons. Chemical products are the second type of goods handled in the form of imports in the Bulgarian inland ports, accounting for 5.6% of the total freight volume. The agricultural products are mainly processed for export, with a relative share of 45% of the total turnover in this direction. There is a tendency of a general decrease in the quantity of processed cargo in the Bulgarian inland ports. Cargo handled in the form of imports is mainly supplied by Austria, Germany, Serbia, Hungary, Slovakia, Ukraine and Romania.

Figure 7. Processed quantity of cargo at port terminals in 2010-2016



Source: Executive Agency "Maritime Administration", www.marad.bg

For the period 2010-2016 detailed statistical information on the processed quantities of cargo in the Bulgarian inland ports of national importance for import, export and destination can be presented as follows:

Dominant influence on the structure and volumes of freight in the Bulgarian section of the Danube have the terminals Ruse-East, Lom and Svishtov (with indicators at the top of the chart). Their leading positions are determined by better infrastructure than other terminals and long-standing stable market positions. The highest amount of cargo handled for the period is 741 thousand tons for the Ruse-East terminal in 2011. The cargo loaded on and unloaded off ships over the years does not exceed this figure in any of the terminals. Next is Somovit terminal, which increases its turnover after 2012. Ruse-West and Vidin-North report less turnover. Tutrakan works periodically – there is data for 2012 and 2013 and during the rest of the time the terminal does not handle cargo.

Port terminal Vidin-South is specialized in bulk cargo handling. It is the starting point for export of grain to Germany and wood for Austria. Imports are to a much greater extent, with the terminal reporting imports of coal from Ukraine and Romania.

Ferry Complex Vidin is specilaized in passenger and ro-ro services. It has 30-50 m wide ro-ro ramp, which allows handling of one vessel at a time. With three service vessels per day and two shifts per day, the maximum throughput is 72-75 thousand conventional TIR units per year, and for four ships and extended working hours - up to about 100 thousand conventional TIR units per year (*http://www.brp.bg/vidin/).* In 2016 the Ferry terminal did not report cargo.

Port terminal Vidin-north works mainly with ports located on the territory of Romania, Serbia and Ukraine. The terminal is used for exporting cargo to Austria and Germany. It mainly handles bulk cargo to the following directions:

- Austria – export of wood;

- Romania – export of grain, import of coal;
- Serbia and Germany – export of gypsum;
- Ukraine – import of coal.

Port terminal Lom - loading and unloading is the main activity of the port. The port has portal cranes and other lifting equipment for loading and unloading of bulk, general and any other cargo from and to vessels and land vehicles. The port has open and closed storage areas. According to the Bulgarian legislation, the entire port territory is established and operates as a warehouse under the customs regime. The port's fleet includes 1 tugboat that serves the port area (*http://www.portinvest.bg/services.php*). The main cargo flow of the port terminal is from and to Austria, Bulgaria, Germany, Croatia, Romania (grain exports), Slovenia, Hungary (iron ore exports) and Ukraine – here comes the largest import for the terminal mainly of coal and chemical fertilizers. Imports also include more metals and metal products, cooking salt, ores, and timber, metal pipes, chemicals, and grain.

Port terminal Oryahovo is specialized in bulk cargo handling, mainly grain and fertilizers.

Port terminal Ruse-East handles general, liquid, bulk cargo and containers. The structure of the processed goods is shaped by the import of coal, fertilizers, gravel, metals. The commercial partners have main destinations in:

- Austria – export of chemical fertilizers and grain; import of kaolin and other gypsum products;
- Germany – import of fertilizers; export of grain;
- Croatia – import of fertilizers;
- Romania – import of fertilizers, coal and metals; export of grain crushed stone and gravel, wire and steel, scrap (Constanza serves as a logistics center for cargo not originating in Romania);
- Hungary – import of corn, coal, non-electric machine parts;
- Serbia – import of grain, molasses, hot-rolled steel, kaolin and wire; export of kaolin and clay, fertilizers and chemicals;
- Ukraine – import of coal hot-rolled steel, wire, pipes and steel castings, cast iron and others.

Port terminal Ruse-West is specialized in general, bulk and liquid cargo handling:

- Austria – import and export of wood and chemical fertilizers; natural phosphates are also imported;
- Romania – import of steel; export of grain;
- Serbia – import of steel and wire; export of chemical fertilizers;
- Ukraine – import of steel, wire and coal; expoprt of chemical fertilizers;
- Croatia – import of metals; export of fertilizers and paper;
- Holland, Germany – import of fertilizers;
- Hungary – export of fertilizers.

Port terminal Somovit is specialized in bulk and general cargo handling. The terminal imports fertilizers and coal from Romania and exports grain. From Hungary and Ukraine mainly imports coal; from Germany, Slovenia and Croatia imports mineral products. In 2016 the terminal only exports grain to Romania.

Port terminal Svishtov handles liquid, bulk and general cargo, containers and ro-ro. In 2010 - 2016, imports from Austria of chemical and mineral fertilizers, bricks and tiles, timber from Romania, scrap for melting from Serbia, pipes and bricks were recorded; export of kaolin and grain to Germany and Hungary, from where the port registered fertilizer imports. Grain exports have also been registered for Romania. Exports are mainly concentrated in barley, maize, wheat, as well as gravel, sand and construction products. From Ukraine, the port terminal imports coal and briquettes, as well as chemical fertilizers. The terminal exports timber, bricks and roof tiles to Ukraine, vehicles to Romania.

Port terminal Tutrakan is specialized in bulk cargo handling. During the 2010-206 period the terminal has a negligible amount of cargo.

Analysis of potential types of cargo that can be transported along the Danube

According to the official statistics published on the Eurostat website, the freight transported along the Danube in the period 2005-2016 is the following:

Table 2. Inland waterway transport by country in 2005-2016

Thousand tonnes												
geo\time	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Bulgaria	5270	5950	6622	10956	17104	18372	14448	16378	16726	16922	17201	:
Germany	236765	243495	248966	245674	203868	229607	221966	223170	226864	228489	221369	:
Croatia	:	:	:	6416	5381	6928	5184	5934	5823	5377	6642	:
Hungary	8413	7327	8410	8829	7745	9952	7175	8135	7857	7825	8163	:
Austria	9336	9183	12107	11209	9322	11052	9943	10714	10710	10122	8599	9071
Romania	32827	29305	29425	30295	24743	32088	29396	27946	26858	27834	30020	:
Slovakia	2351	2252	8013	8371	7823	10103	8211	8242	8107	7010	5721	:

http://ec.europa.eu/eurostat/web/transport/data/database

As can be seen from the above table, goods carried in the IWW vary for the reporting period of 10 years. From 2010 to 2015, there was no significant change in the average volume of goods transported in all countries with some increase or decrease in freight flows over the years.

Table 3. Containers transported by country 20-foot unit container

GEO/TIME	2010	2011	2012	2013	2014	2015	2016
Bulgaria	106	:	:	:	58	414	:
Germany (until 1990 former territory of the FRG)	1 688 052	1 696 762	1 701 232	1 737 101	1 872 363	1 903 820	:
Croatia	:	:	:	:	:	:	:
Hungary	1 912	5 498	1 930	750	2 477	1 949	:

Austria	2 560	1 756	2 398	3 065	678	2 703	4 617
Romania	2 745	8 237	4 156	1 155	3 056	1 380	:
Slovakia	1 440	714	0	1 120	1 500	240	:

http://ec.europa.eu/eurostat/web/transport/data/database

As can be seen from the above table, the volume of containers transported is insignificant (and in some cases missing). The only exeption is Germany. Considering that Germany's container traffic is mainly related to shipments to and from the Netherlands and Belgium, Germany's data (as statistics for the whole country) is not appropriate to be used for conclusions on container traffic on the Danube.

The potential types of cargo that can be transported between Danube ports are mainly bulk cargoes (metal ores, coal, coke, refined petroleum products and agricultural, hunting and fishery products). This is mainly due to the fact that many of the Danube countries surveyed have comparative advantages in the production of agricultural, hunting and fishery products as well as products from the chemical and heavy industries (eg Hungary, Serbia, Bulgaria, Slovakia, Romania, etc.):

- Port of Bratislava handles mainly bulk cargo (metal ore – 48.7 %, coke and refined petroleum products – 33.9%). Most of the processed cargos in Port Komarno are also bulk - 49.2% coke and refined petroleum products, 29.2% agricultural, hunting and fishery products, 19.3% - chemical fertilizers.
- Handled bulk cargos in Hungarian ports also occupy the highest relative share of total freight traffic - agricultural, hunting and fishery products (32.1%), coke and refined petroleum products (18.5%), metal ores (20%).
- Serbian ports of the Danube River handle mainly bulk cargos (in port Apatine - the cargo is composed only of agricultural, hunting and fishery products; in the Smederevo port - the metal ores occupy a relative share of 67.5% of the total quantity of the cargo turnover; in Pancevo port - agricultural, hunting and fishery products occupy a relative share of 54.8%; in the port of Novi Sad - agricultural, hunting and fishery products account for 76.4% of total freight traffic; in the port of Bogoevo - agricultural, hunting and fishery products occupy a relative share of 97.9% of the cargo turnover and in the port of Baca Palanka - agricultural, hunting and fishery products account for 76% of the total cargo turnover).
- The main types of cargo processed in the Romanian Danube ports are also bulk - agricultural, hunting and fish products (58%), secondary raw materials (26.1%), metal ores (9.7%). The bulk of the cargoes processed at the Constanta seaport are also bulk cargoes - coal (21.6%), coke (13%).
- Regarding the Bulgarian ports on the Danube River, the port of Ruse - East occupies the largest share in the processing of bulk cargos (46.8%).

2.3 Development of ports 2010-2017

2.3.1 Objective of port developments

The main objectives set when implementing projects for development of the ports of national importance in Bulgaria along the Danube River can be presented in general:

Tracking the processes of fully harmonizing local regulations with EU laws (developing the Landlord's system). Port facilities on the territory of the country are provided to private operators to operate them and for that purpose they need to be given full freedom of establishment and development of their activities in the port area. These actions is planned to lead to a significant improvement of the quality of the services provided, while allowing for the development of competition between operators in the same port.

Increase of storage facilities in ports. A number of ports in the country have relatively small covered warehouse areas compared to outdoor storage areas, especially in the lower Danube. Sufficient number and capacity of such warehouses would allow further development of port activities. These additional service capabilities can be characterized by high added value (including packaging or final assembly of certain products). For loading and unloading of sensitive goods, cranes with sufficient reach over the shore must be fitted in the warehouses themselves, so that they can reach the ships.

Enhancing organizational activities in the port. Attention should be paid, on the one hand, to the organization of efficient internal logistics with forklift trucks, container lifters (richstakers) and mobile cranes, etc., and on the other - improving road and rail access to the port area (links to external networks). Ports with better connections have a greater chance of integrating their services into the requirements of the transport market. The quality standards of the modern freight warehouse, information management and communication must be introduced.

Conducting a policy at port terminals to provide intermodal and ro-ro services. The current European transport system with its advantages and problems has been developed in line with the growing demands that need to be taken into account in terms of the organization of industrial production and the globalization of the economy. The importance of intermodal transport is constantly emerging in the context of EU transport policies, especially in view of the current and future problems of other modes of transport (eg environmental pollution, congestion, use of infrastructure, etc.). The use of intermodal transport solutions remains below their actual potential. Solutions to the real problems can not be found only within the EU's transport policy. Consideration must be given to the interaction between different policy areas. Therefore, efforts must be made to offer such logistical solutions that optimally take advantage of the specific advantages of different modes of transport. In the long run, however, Ro-Ro's cargo and services are expected to be replaced by container flows and container handling services.

The National Policies of the Republic of Bulgaria over the past few years have been focused on transforming ports from reloading areas into logistics and distribution centers.

Distribution activities are concentrated in the western part of Europe, but as the center of the EU's weighting to the east, the logistics sector intends to follow this trend (blue banana phenomenon). Bulgaria has a relatively low density of distribution and logistics centers and their network is designed to operate mainly in road and rail transport. Inland waterways should be taken into account when choosing the locations for logistics and distribution centers. The proximity of these centers to the traditional locations of Western European countries is attractive to industrial investment due to their market coverage. This will also contribute to raising the standard of living in cities, and will have a positive impact on employment through the construction of logistics and distribution centers. BPICo has made great efforts to reduce administrative barriers by establishing and operating a RIS system.

Transformation of IWW ports into logistics centers should be supported by ensuring appropriate economic conditions for such investments.

There are various regulations and administrative procedures for inland waterway traffic and congestion operations as well as procedures for customs and border crossings in almost every riparian part of the Danube River today. This situation results in a delay in transport time and inappropriate inland waterway port operations, which reflects on the competitiveness of inland waterways.

For this reason, the initiatives of the individual European transport development programs "Same River - Same Rules" should be backed up by EU regulations or at least in the form of EU directives in all riparian Danube countries.

At the same time, policies and projects are being implemented in the country focusing on the development of links with the hinterland, such as: proximity to consumer markets, easy access, lower labor costs, lower prices, large supply of suitable areas. As major recommendations for follow-up on the development of hinterland connections by 2020 and 2030 for our individual port terminals can be reduced to:

- Danube ports must be connected via an efficient rail network (dual electrified rail) or a road (at least a speedway) to at least one major corridor of the trans-European transport network;
- The Danube Funding Program should provide greater support to the actions that allow the integration of small and medium-sized Danube ports into logistics chains, mainly for the preparation of projects other than those included in the selected priority projects on the TEN-T network;
- Integration of inland waterways into multimodal logistics chains.

In addition to the above-mentioned approaches, it is necessary to emphasize the possibility of integrating ports of small and medium-sized towns in the development of containers and RoRo transports along the Danube, mainly through:

- There is a significant imbalance in the import and export of containers in Europe. In Lower Danube countries, imports of containerized goods predominate, while in the Western European countries the export of containers is not balanced. Import regions are therefore "overfilled" with empty containers, while export-oriented regions urgently need them. For demand and supply balancing, 260 000 TEU (equivalent to a

20-foot container) are transported by trucks, 140 000 TEU by rail and 96 000 TEU by inland waterways;

- On the Rhine, the empty containers transport is successful, but on the Danube River, the HELOGISTCS container transport line was unsuccessful and was suspended in March 2012 due to economic reasons. Inland waterways with regard to the container transport market are not competitive and have no great potential because of the long transport times and low yields;
- Heavy and oversized loads are unusual cargo that are not transported regularly. For this reason, they can only be an additional market for linear services. This includes the transport of: wind generators, construction machines, power transformers, generators and RoRo goods such as harvesters, tractors, mobile cranes.

Based on the above, as well as the country's experience in various projects, the following recommendations can be made for the further development of inland waterway transport on the Danube and surrounding waterways and for stimulating intermodality and multimodality in transport:

- Implementation of action plans for rehabilitation and maintenance of the Danube as a waterway. These actions require less investment and provide much more benefits than investments in road and rail transport;
- EU regulations to further promote and support inland waterway transport as environmentally friendly transport;
- Promoting the development of logistics infrastructure and know-how in the less developed countries of the Danube Region;
- Provide support for the conversion of Danube ports into logistics centers that will offer more comprehensive logistics services;
- Harmonize legislation and promote the uniform application of EU legislation in the area in order to avoid the maintenance of cargo flows in state borders;
- Increasing the safety of freight transport;
- Accelerating the deployment of liner services, in particular for container transport, through EU research and development projects;
- Investments in the Danube's infrastructure to ensure a longer voyage period (ensuring sufficient water levels);
- Developing the right ITC and systems to have a good flow of information and easily locate and track cargo;
- Improving communication between stakeholders to have a common voice in the debate on the development of European transport;
- Determination of appropriate incentives to encourage transport operators to participate in container transport on the Danube River;
- Development of container terminals in the ports of the Danube River;
- Improvement of internal links of river ports;
- Changes in administrative procedures (ie. customs procedures) and legal framework to make internal transport more attractive;

- The main challenge for Danube ports is insufficient use. The capacity of the ports is far greater than what statistics show of their use. The modernization of ports - including the modernization of the services provided to port users - could lead to better use of their capacity;
- The good conditions for rail and road transport and the connectivity options as well as the average distances from the European mainland territory hinder the development of water transport in many cases, even if it would be cheaper to transfer products and raw materials along waterways. Therefore, it is preferable to provide flexible and fast services and to put more emphasis on marketing. In some cases, the only transport option is waterways, especially for heavy goods and bulk cargo. These types of cargo provide future requirements for port services;
- The availability of adequate cargo handling and storage equipment at a particular port site in combination with the overall quality of service provided in ports (working time, flexibility, etc.) is a decisive factor in whether to use inland waterway transport or not.

2.3.2 Port development expenditures

Expenditures are listed below, but are not comprehensive as there is no systematic reporting on all investment expenditures in all ports.

1. **BPICo's programs for investments, maintenance, repair and rehabilitation of port infrastructure between 2015 and 2017 with capital transfer and own funds:**

According to its activity, Bulgarian Ports Infrastructure Company develops on an annual basis an investment program including initiatives for the repair, rehabilitation and reconstruction of the port infrastructure on the territory of the public transport ports of national importance. The program includes all sites on whose territory urgent work is planned, taking into account the amount of the expected financing and the free own funds. Investment activities are developed in two sections. The data below contains information on executed, ongoing and planned investments.

Investment in port terminals located in the territorial range within the scope of Port Ruse:

- Rehabilitation of the sewerage and the pavements of the open warehouses and the internal road in the area of the 6th berth in the port terminal Ruse - East – 360 000 BGN;
- Rehabilitation of the open storage areas in the rear area of the western quay in the port terminal Ruse - East - 250 000 BGN;
- Vertical planning of an open warehouse area for the development of a container depot in the port terminal Ruse – East - 250 000 BGN;
- Vertical planning and restoration of the fence of the port terminal Ruse - Center - 130 000 BGN;
- Recovery of rail infrastructure at the Ruse - East Port Terminal - 45 000 BGN;
- Repair of a railway track - bypass and rehabilitation of reinforced concrete overpasses in the port terminal Ruse – East - 47 000 BGN;

- Repair of the area between East quay railway tracks and railway tracks at the rear area at Port Terminal Ruse - East - 168 000 BGN;
- Rehabilitation of stone facing on a quay wall at the port terminal of Silistra - 43 000 BGN.
- Ensuring independent water supply of the second section at the Ruse - West port terminal - 357 000 BGN;

For all ports

- Elaboration of updated master plans of the public transport ports of national importance Ruse, Lom and Vidin in order to bring them in line with the requirements of Ordinance No. 10/31.03.2014 on the scope and content, the drafting, approval and amendment of the master plans for public transport ports – 10 000 BGN;

Investments for implementation with own resources of BPICo.:

- Rehabilitation of the Ro-Ro ramp and fortification facilities at the Ferry Terminal Silistra - 47 000 BGN;
- Restoration of pavements in open storage areas and approaches in Port Terminal Ruse - West - 165 000 BGN;
- Supply and installation of facilities for restriction of the access of external persons in the territory of the second section of the Ruse - West Port Terminal - 20 000 BGN;
- Repair of waterproofing of Warehouse № 1, complex repair of the roof of Warehouse № 3 and restoration of the lightning protection systems of both warehouses, located in the port terminal Ruse – West - 230 000 BGN;
- Design and rehabilitation of weaving facilities on the western vertical working quay of the First Section at the Port Terminal Ruse – West - 20 000 BGN.

Port terminals located in the region of Lom:

- Cleaning of the adjacent water basin at the Vidin - Center Port Terminal - part of a public transport port of national importance Vidin – 20 000 BGN;
- Restoration of the project parameters of the bottom of the access channels to the water basin at the Port terminal Lom - 250 000 BGN;
- Dredging of the water basin in front of the White quay at Port terminal Lom - 200 000 BGN;
- Construction of a freight truck access and an adjacent infrastructure of the Port terminal Lom - 2 100 000 BGN;
- Rehabilitation of the East quay in the Port terminal Lom - 9 705 000 BGN;
- Construction of a road link at Vidin - South Port Terminal - 1 130 000 BGN;
- Vertical planning and permanent pavements at Oryahovo Port Terminal - Stage II, construction of a fence and restoration of a 50 m steep fortification facility - 270 000 BGN;
- Design and construction of a second independent power supply of Vidin - South Port Terminal.
- Design for the construction of a road link at Vidin – South port terminal – 29 000 BGN;
- Rehabilitation of the port infrastructure serving the berths in the section from "River Station" to "Kolodruma" - Port Terminal Vidin – Center - 270 000 BGN.

2. BPICo is beneficiary under Operational programme on Transport 2007 – 2013 and Operational programme on Transport and Transport Infrastructure 2014-2020 with the following projects:

1.1. BG16M1OP001-5.001-0006 Design and Implementation of Integrated Information System (IIS) for Planning and Management of Resources in Bulgarian Ports Infrastructure Company. Budget: 5 367 000 BGN;

1.2. BG16M1OP001-5.001-0004 Quantitative Risk Assessment and Improvement the Efficiency of the Bulgarian Public Transport Ports with National Importance. Budget: 830 000 BGN;

1.3. BG16M1OP001-5.001-0017 Feasibility Study for Development of Port Community System (PCS) in Bulgarian Ports. Budget: 280 000 BGN

2. Projects, implemented during the 2007 – 2013 programming period:

2.1. BG161PO004-4.0.01-0003 Implementation of River Information System in the Bulgarian Stretch of the Danube River – BULRIS. Budget: 30 600 000 BGN;

2.2. BG161PO004-5.0.01-0059 Designing and implementation of Geographical Information System (GIS) for Port Infrastructure Management. Budget: 3 810 000 BGN;

2.3. BG161PO004-5.0.01-0086 Technical Assistance for Development of Bulgarian ports. Budget: 900 000 BGN;

2.4. BG161PO004-5.0.01-0069 Improvement thematerial-technical conditions of Bulgarian Ports Infrastructure Company in the capacity of concrete beneficiary under Operational Programme on Transport 2007-2013. Budget: 850 000 BGN;

2.5. BG161PO004-5.0.01-0087 Technical Assistance for Waste Management in Bulgarian ports of national importance. Budget: 900 000 BGN;

2.6. BG 161PO004-5.0.01-0054 Strengthening the Administrative Capacity of the Bulgarian Ports Infrastructure Company to implement projects under Operational Programme on Transport 2007-2013. Budget: 230 000 BGN.

3 Public funded investments in inland cargo ports of the Danube Region

3.1 Introduction of public funded investments

Table 4. Aid schemes and individual aids on port developments

Name of the Aid scheme/ Individual Aid	Individual Aid or Aid scheme	Beneficiary	Selection procedure	Total investment (EUR)
Implementation of River Information Services system in the Bulgarian stretch of Danube River – BULRIS	individual aid	Bulgarian Ports Infrastructure Company	Direct awarding	18 milion EUR

During the period 2012 - 2017, only one project, financed with public funds related to inland waterways in Bulgaria, was implemented. The beneficiary Bulgarian Ports Infrastructure Company successfully implemented the project BG161PO004-4.0.01-0003 "Implementation of River Information Services system in the Bulgarian stretch of Danube River – BULRIS" with total budget about 18 million euro. The project contributes to the realization of the common European policy for improving the conditions for the navigation along the Danube River - Pan-European Transport Corridor VII, which is one of the most important axes for the development of the Trans-European Transport Network.

Ensuring safe passage of vessels is a direct commitment of Bulgarian Ports Infrastructure Company, pursuant to Art. 115 m of the Maritime Space, Inland Waterways and Ports of the Republic of Bulgaria Act. In this respect, the financing for the project is not considered to be state aid, as the Bulgarian Ports Infrastructure Company owns the so-called "legal monopoly" on the provision of river information services.

The implementation of the project includes:

- The construction of the necessary infrastructure in 16 communication points along the Danube River and 1 backup center, located in Varna.
- Construction of River Information Center in Ruse.

Although not directly targeted to investments in improving port infrastructure, the implementation of the project leads to:

- Improved safety of inland waterway navigation;
- Improved effectiveness of Danube navigation. Better use of inland waterways by providing accurate fairway information.
- Environmentally friendly transport. Protecting the environment by providing information and assistance in disaster situations.

All this indirectly leads to an increase in the efficiency of inland waterway operations in Bulgaria.

3.2 Selection procedure

Since selection procedures vary from country to country, the understanding of differences between the countries' practice is one of the main objectives of the country reports.

Please describe all the selection procedures presented in the Excel table. (e.g: procedure and legal background of 'Priority project' in the Hungarian funding practice).

3.2.1 Selection procedure 1

The main sources of public funding for projects in the transport sector in Bulgaria are Operational programme on Transport 2007 – 2013 and Operational programme on Transport and Transport Infrastructure 2014-2020. Both programs are designed to support specific beneficiaries through direct awarding of grants. For this purpose, the specific beneficiaries in each sector are defined in advance, as well as the priorities, which can be applied for funding projects. In the water transport sector and in particular for ports and port infrastructure, a specific beneficiary is Bulgarian Ports Infrastructure Company.

The main priorities funded during the 2007-2013 programming period are:

- Removal of shallow sections along the Danube River and improvement of the safety and conditions for navigation in the area and the aquatory of Bulgarian Danube ports;
- Construction and development of navigation systems;
- Improvement of the safety of navigation and the port infrastructure in the area of the seaports in Bulgaria.

In the current programming period 2014-2020, funding is awarded for:

- development of information systems, upgrading existing systems and systems under construction;
- delivery of multifunctional vessels;
- modernization and construction of facilities for acceptance and treatment of waste in Bulgarian ports of national importance.

3.2.2 Selection procedure 2 – N/A

4 Conclusions

Ports can make a significant contribution to the economic recovery and long-term competitiveness of European industry on world markets while creating added value and jobs in all EU coastal areas. Ports will play a key role in the development of an efficient and sustainable trans-European network by increasing the choice of modes of transport and contributing to multimodal transport.

Today, European ports policy is at a crossroads. While some European ports function well, many other ports suffer from structural problems linked to inadequate links to the

hinterland, lack of transparency in the use of public funds, barriers to entry, outdated management models and excessive bureaucracy. Urgent action is needed to tackle these pressing problems in recent years.

With the newly adopted Regulation of the European Parliament and the Council, all Member States express hope that the key issues relating to access to the port services market, financial transparency and port self-sufficiency will finally be addressed.

At the same time, it is necessary to emphasize on:

- making full use of the new TEN-T funding guidelines and EU financial instruments to improve port connections with their hinterland and support for European ports policy;
- traceability whether the current EU legislation applicable to concessions and ports is properly implemented;
- the need to provide administrative and technical support for social dialogue at EU level;
- new initiatives to further simplify administrative procedures in ports and in particular customs procedures.