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**Thesis**

**The EU Regional Policy Effectiveness in the  
Development of the Bulgarian Regions**

**Impact Assessment of the EU Regional Policy Role and  
Implementation in Bulgaria**

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## Abbreviations

CF Cohesion Fund

EC European Commission

ERDF European Regional Development Fund

EU European Union

FDI Foreign Direct Investment

FLAG Fund for local authorities and governments

GDP Gross Domestic Product

ISPA Instrument for Structural Policies for Pre-accession

JESICCA Joint European Support for Sustainable Investment in City Areas

JASPERS Joint Assistance to Support Projects in European Regions

MA Managing Authority

MS Member States

MRDPW Ministry of Regional Development and Public Works

NGO Non-Governmental Organization

NSRF National Strategic Reference Framework

NUTS Nomenclature of Territorial Units for Statistics

OP Operational Programme

OPRD Operational Programme for Regional Development

PHARE Poland and Hungary Assistance for the Reconstruction of the Economy

RDP Regional Development Policy

SAPARD Special Accession Program for Agriculture and Rural Development

SF Structural Funds

## Executive Summary

The European Union (EU), although a prosperous and economically developed area, has been marked by substantial regional imbalances and great economic inequalities. The continuing existence of economic and social disparities between “central” and “peripheral” regions within the Union MS’s will eventually hinder the overall economic growth and prosperity of the Community. In this respect, the functioning of an effective common Regional Development Policy, aimed at redressing the imbalances in the resources and capital allocation becomes vital.

The present research aims to provide an overview of the development of regional policy framework in Bulgaria, consistent with the EU strategic objectives and priorities for an integrated development. The particular emphasis will be put on the progress towards adaptation to the Community guidelines in the policy realization at the national level.

Although, it is too early to discuss the direct impact of the EU Regional Policy in Bulgaria, the assessment of the implementation and the indirect results in the mid-term stage of the programming period 2007-2013 is crucial, considering both the option for corrective measures and the overall need for improvements in the policy performance in Bulgaria. The impact assessment of the progress of the EU Regional Development Policy and its implementation on a national level would clarify whether this approach has the potential to foster the cohesion process and would moreover serve as an indicator for the progress of Bulgaria towards economic and political reform.

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## INTRODUCTION

The EU Community currently comprises 27 Member States and a single market of almost half a billion citizens. Nevertheless, substantial social and economic disparities remain on the internal community level - between the countries themselves as well as between their 271 regions. The continuance of these internal disparities hampers the overall balanced growth and prosperity of the European Community. In this respect, the EU Regional Development Policy and the Structural Funds are the focus of special attention in the EU, as they are in the center of the efforts for improving the competitiveness of the Union as a whole and its least favored regions in particular. The EU Regional Policy is aimed at limiting the disparities on the internal Community level, by fostering what is referred to in the EC Treaty as “economic and social cohesion” (EU, 2006, C 321 E/118). According to Article 158 EC, all Union policies are to contribute to such cohesion, which in practice requires the reduction of the disparities in the level of affluence and economic development of the various EU regions. Regional Policy plays a major role in this respect as it ensures a synergy approach towards the major Cohesion Policy priorities promoted by the EU.

Considering the purpose of the EU Regional Policy, it became an important instrument for supporting the integration of Bulgaria after its accession in 2007, considering the intensified negative tendencies of the regional development process in the country, fueled by the economic and social transition process that it underwent in the advent of the 90's. In order to increase its potential for growth and consequently to contribute to the Community objectives of cohesion, Bulgaria has developed a hierarchical administrative system aimed at transforming the EU Regional Policy mechanisms at the national, regional and local level of governance. The effectiveness in the implementation of the EU Regional Policy is to a great extent dependant on the performance and functionality of the national institutions. Although, it is generally compliant with the EU principles of assistance, it has been marked by several inherent deficiencies. Irrespective of the EU requirements, it remains rather centralized and has no regional dimension, which predetermines the unsatisfactory absorption rates that have characterized the initial period of the EU funding allocation.

These aspects of the policy implementation in Bulgaria have influence over the public investments effectiveness. Although, it is too early to draw profound conclusions in this regard, an evaluation of the policy performance so far would reveal the weaknesses in the policy design and allow corrective measures to be taken at the early stages of the policy cycle.

## JUSTIFICATION OF THE RESEARCH METHODS

In order to follow a comprehensive approach to the topic of the policy effectiveness in Bulgaria, a significant amount of desk research was conducted. The focus was primarily on relevant studies, reports, evaluations and official documentation both at the national and the EU level, concerning the Regional Policy in general (its scope of assistance, objectives and main priorities for the current programming period) as well the process of its implementation in Bulgaria in particular. Relevant examples of the prior experience of the other CEEC's in the structural funding management have been also considered. On the basis of the information collected, conclusions with regard to the national approach to the EU Regional Development Policy implementation were finally drawn up. Hereafter, the importance of obtaining the insights of experts representing different sides in this process (the central authority, the managing administration, a direct beneficiary and an NGO, dealing with the monitoring of the Structural Funds utilization) was the focus in the later stages of the research.

The first chapter of the report will focus on the concept, context and objectives of the EU Regional Policy within the context of the present socio-economic tendencies of the regional development process in Bulgaria. The second chapter will discuss the process of forming the national approach to the regional development policy and the substantial role that the initial EU strategic priorities and objectives have played in that process. The objectives, procedures, parties involved, the absorption capacity rates as well as the factors predetermining them, will be the subject of the third chapter. On the basis of the indicators reflecting the progress towards convergence, namely *GDP per capita* and *employment rates*, conclusions with regard to the policy implementation in Bulgaria will be finally drawn in the fourth chapter.

## DEFINITION OF THE KEY TERMS

*Regions* –territorial constituencies “with more or less definitely marked boundaries, which often serve as administrative units below the level of the nation state” (Eurostat, 2010, p.3). For the purposes of the present report referring to regions would mean those corresponding to level 2 of the common classification of territorial units (NUTS).

*Regional Development* - regional development will be considered as the process of transferring resources from richer to poorer regions within the Community, along with the principle of solidarity.

*Regional disparities* – referring to regional disparities will relate to the differences in the level of economic and social development of the Community regions corresponding to level 2 of the common classification of territorial units (NUTS).

*Public expenditure* – any expenditure made to complement the financing of operations “whose origin is the budget of the State, of regional and local authorities, of the European Communities related to the Structural Funds and the Cohesion Fund and any similar expenditures” (Council of the European Union, 2006, July 11, L 210/36, Art. 2)

*The principles of the EU assistance* – complementarity, additionality, multiannual programming, partnership<sup>1</sup> (Council of the European Union, 2006, July 11, L 210/39, Arts. 9, 10, 11).

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<sup>1</sup> For more information about the principles of the EU assistance, please turn to Annex 2

## CHAPTER 1

### **Concept, context and objectives of the EU Regional Development Policy. The Bulgarian regional development background in the context of the European integration**

The gradual process of European integration has resulted in the establishment of an integrated Community of 27 Member States. The economic and social cohesion of these states is pointed out as a main objective of the EU following Article 158 of the EC Treaty: *“In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion”* (EU, 2006, C 321 E/118). The EU Regional Development Policy constitutes the main instrument for the realization of the set cohesion objectives as it contributes to more efficient interregional distribution of “economic activity and welfare” (Vanhove, 1999, p.292). In the present chapter the specific concept, context and objectives of the EU Regional Development Policy will be outlined within the context of the ongoing processes of European integration in the Bulgarian regions.

#### **1. Concept**

Regional Development constitutes a process of relocating existing resources between regions of a state, defined on the basis of partnership between the national institutions on various levels of government, implementing different structural policies in order to attain an overall balanced socio-economic prosperity of that state (Kamenova, n.d., p. 3). In this respect, the EU Regional Development Policy is part of the overall Cohesion Policy designed at the Community level. It is aimed at reducing regional imbalances and promoting convergence and integration of the Member States (MS's), by transferring resources from richer to poorer areas within the Union, employing the Union's financial instruments – the Structural Funds. The responsibility to design and implement a national strategy for regional development remains on a national level, respectively the main purpose of the common European Regional Development Policy is to coordinate the formulated national policies, ensuring they comply with and complement the major cohesion objectives and priorities of the Union.

The need for a common Regional Development Policy derives from the fact that the 27 EU regions differ vastly in terms of characteristics, opportunities and growth potential (Eurostat, 2010, p.9). In fact, the advent of the Single Market and the European Monetary Union brought fears that such developments would increase the disparities on the internal Community level (World Bank,

2003, p.5). It was considered that the higher competition following the completion of the Internal Market, would favor predominantly more economically developed regions (Evans, A, 1999, p.21), consequently hampering the development of the poorer and less-equipped, peripheral regions. The transfer mechanisms of the common Regional Policy were developed as it was proven that the disadvantaged and declining regions require assistance in order to *catch up* with the average level of development of the Union (Berg, R.,2011, p. 10). The management of an effective Community Regional Policy becomes of a particular importance, considering the fact that the continuous regional disparities across the Community could potentially hamper the proper functioning of the overall European Monetary Union, weakening the EU economy as a whole (Evans, A., 1999, p.36).

## 2. Policy Context

Regional disparities in the EU are expressed in many ways, e.g. income levels, unemployment rates, population density, etc. As pointed out in the EC Treaty “the overall harmonious development of the Community” (EU, 2006, C 321 E/118, Art.158) depends on the further cohesion of the MS’s. Therefore, the question of fostering cohesion became central for the EU, leading to the formulation of the Union Cohesion Policy, first introduced in 1986 and aimed at distributing growth and prosperity to the least developed regions of the Community. When translated into actual policy measures, it provides investments<sup>2</sup> for modernization of infrastructure, contributes to real economic growth, tackles issues like social exclusion and environmental protection, promotes the creation of jobs and the shift towards knowledge economy, increases markets and supports the development of business opportunities within the Union (European Commission, 2010, October 19, p. 12). As the problems of securing cohesion may be viewed as relating to the establishment of a “positive Union Regional Policy” (Evans A., 1999, p.27), the EU Regional Development Policy became one of the main instruments for the realization of the cohesion objectives for further development and integration. In addition, the EU Regional Policy complements the main strategies set to emphasize on aspects of the EU territorial, social and economic cohesion - the Lisbon and the Göteborg Agendas<sup>3</sup>.

## 3. Objectives

The major objective of the EU Regional Development Policy is to reduce the existing regional disparities and to develop the potential of regions by fostering economic growth through strategic

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<sup>2</sup> For information about the financial allocation of the Cohesion Policy for the programming period 2007-2013, please turn to Annex 8

<sup>3</sup> For more information about the Lisbon and Göteborg agendas, please turn to Annex 3

investments. It is directed towards delivering three main objectives: *convergence, competitiveness and territorial cooperation* (Council of the European Union, 2006, July 11, L 210/37, Arts 5, 6, 7), financed by the EU Structural Funds - European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF). The interventions planned under the three objectives are in line with the priorities set in the revised Lisbon Agenda. The amount as well as the type of assistance granted is determined on the basis of the classification of a MS under *Objective 1 - Convergence, 2 - Competitiveness* or *3 – Territorial cooperation*, depending on a set of specific criteria for eligibility, including the level of economic development and affluence of the particular Member State<sup>4</sup> (The World Bank, 2003, p. 15).

For the purposes of the present research, only the first Objective will be more specifically discussed, as it is the one applied in the case of Bulgaria, the entire territory of which has been classified as eligible for financing under the Convergence Objective<sup>5</sup> (European Union, 2007, p.14) and also the one particularly relevant for the regional development process within the context of its present socio-economic situation.

The rationale behind *Objective 1* is “speeding up the convergence of the least developed MS’s and regions by improving conditions for growth and employment through the increasing and improving the quality of investment” (Council of the European Union, 2006, July 11, L 210/37, Art.3). In other words, it stipulates “structural adjustment” (Milis, J., Haegeman, H., 2009, p.81), through the financial support by the Funds, for fostering progress in areas where the economic development and integration has not been considered satisfactory. The eligibility of regions with regard to Objective 1, is evaluated in terms of *GDP per capita*, which has to be “less than 75% of the average GDP” (Council of the European Union, 2006, July 11, L 210/37, Art. 5) for the Community. The eligible regions have to correspond to level 2 regions as classified in the “Nomenclature of Statistical Territorial Units” (NUTS). The EU has allocated more than 347 Billion Euros for the current programming period in order to reach the priorities set under the Convergence objective<sup>6</sup>.

## 4. Regional Development Background and Reform Process in Bulgaria

### 4.1 Background of the Regional Development Policy

Within the context of convergence and integration, along with the positive aspects for the Community resulting from Bulgaria’s accession in 2007, in terms of potential widening of the

<sup>4</sup> For a map indicating the eligible EU regions under the Objective 1 and 2, please turn to Annex 4

<sup>5</sup> For a map indicating the eligible regions under the Convergence objective, please turn to Annex 5

<sup>6</sup> For more information, please turn to Annex 8

Internal Market, the last EU enlargement led also to a significant increase in the regional disparities on the internal Community level.

The reasons for the present unsatisfactory level of regional economic development of Bulgaria are to be found in the process of economic and political transition, which led to the reshuffling of its economic system<sup>7</sup>. The transition process was particularly difficult for Bulgaria, considering the specifics of the socialist state model present in the country - highly centralized state economy, lacking any form of private ownership and intentional isolation from any relations with the *capitalist* West (Brusis, n.d., p23). The state model appeared to be ultimately dysfunctional as far as the socialist system of economic subsidies and guaranteed markets collapsed in the late 80's (Kapitanova, G., Minis, H., 2003, p. 5).

The establishment of democratic local governance in the early 90's in Bulgaria meant that unprecedented economic restructuring and major political reform at all levels of government had to take place (Monastrieties, 2008, p.1). In the context of the present research, it is vital to point out the significant impact this reform process had for the widening of the regional disparities as a result of unbalanced allocation of the minimal available resources at that stage, further affected by the sectoral shift, decomposition and intensified internal migration towards the central areas. The direct effects were related to the emergence of clear opposition tendencies between central and peripheral areas leading to the establishment of substantial regional socio-economic disproportions (Kamenova, 2006, p.1).

#### 4.2 Administrative Structure and Reforms

Due to the overall economic underperformance and the wide regional imbalances in terms of level of development, after its accession to the EU, Bulgaria was classified as part of the so-called "cohesion group" and it became a *net beneficiary* from the EU budget. To put it differently, as one of the developing MS's, since 2007, Bulgaria has been allocated public investments in the form of Funds inflow higher than the outflow of resources from Bulgaria to the EU (Vincelette, Vassileva, 2006, p. 5). These investments facilitate the process of economic and social cohesion of Bulgaria and are moreover vital considering the level of pre-accession regional disparities and the overall economic instability in the country following the process of transition.

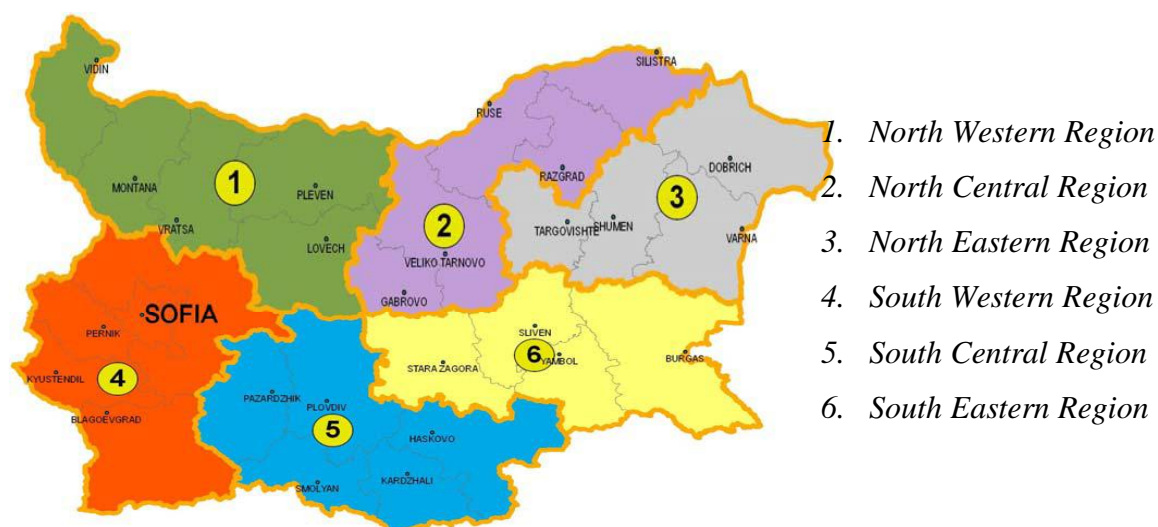
The proper implementation of the EU Regional Development instruments required a functioning institutional and administrative system compatible with the EU requirements pursuant to *EC*

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<sup>7</sup> All post-socialist Central and Eastern Europe Countries (CEEC) went through similar transitions as argued by Hallet, M. (n.d)

*Regulation 10/59/2003 on the European Nomenclature of territorial Units for Statistics*<sup>8</sup> - NUTS (Council of the EU, 2003, May 26, L 154/1). Due to the influence of the EU accession process, the national administrative system has been divided into 4 levels accordingly. The smallest administrative units are the municipalities – NUTS 4 level regions, which are 264 in total and are self-governing constituencies (UNDP, 2006, p.21). Several municipalities form the NUTS 3 - district level, governed by the central administration. The 6 administrative planning regions are based on the districts and correspond to NUTS 2 level (Eurostat, 2010, p.9), established for the purposes of regional statistics and planning as well as for the structural funding allocation<sup>9</sup>.

The GDP of all the six NUTS 2 regions has been lower than 75% of the EU average, following that all of them were eligible for financing from the Structural Funds under the Convergence Objective (Republic of Bulgaria, OPRD, p.12). The six planning regions are being defined as follows:



*Map 1 Statistical Regions NUTS 2 level in Bulgaria (Republic of Bulgaria, 2007, Operational Programme for Regional Development, p.8)*

#### 4.3 Tendencies for development

The six administrative regions in Bulgaria demonstrate considerable disparities in terms of economic development (Center for Study of Democracy, 2010, p3). The South Western region, in which the capital Sofia is situated, is the most advanced region in the country with about 1/3 of the total population, highest levels of GDP and GDP *per capita* as well as with the lowest unemployment index. The GDP per capita indicator suggests that the income level in the capital is up to two times higher than that of the poorest region in the country (Republic of Bulgaria, OPRD,

<sup>8</sup> The NUTS is a “single, coherent system for dividing up of the European Union’s territory in order to produce regional statistics for the Community” (Eurostat, 2010, , p.5)

<sup>9</sup> The National legislation regulating the new territorial division is the Regional Development Act of February 2004

2007, p.19). These tendencies predetermine the clear pattern of *over-concentration* in Sofia and the intensified internal migration towards the South Western region as a whole. Still, being the most economically developed region in Bulgaria, the South Western considerably lags behind compared to the EU average.

Outside the South Western region, sub-national disparities have been comparatively low. Nevertheless, the differences are more prominent on the inter-regional levels as clear opposition between central and peripheral areas exist, suggesting a developing *pattern of polarization* between urban and rural areas (Republic of Bulgaria, NSRF, 2007, p. 79; Hallet, n.d., p. 29).

This tendency is affecting mainly regions with cross-border territories (*South Eastern*), rural areas (*North Central*) or with a significant percentage of minorities (*South Central*) where the largest portion of the Turkish minority and the Roma population are concentrated (Ganev, Primatarova, n.d., p. 7). The poorest regions in the country in terms of GDP per capita levels are *the North Western* and *North Central regions*, which are classified as *declining*. *The North Eastern region* is also considered as underdeveloped, facing the highest unemployment rates in the country (Center for Study of Democracy, 2010, p.6). *The South Central* and *the South Eastern*, although relatively poor according to the national average, demonstrate higher growth rates due to the increased economic activity of the last several years.

## Conclusion

To conclude, the EU Regional Development Policy constitutes one of the major policies of the EU, intended to support the economic and social cohesion of the Member States and needed to foster the overall “harmonious development” of the Community. Following the negative tendencies in the present regional development process in Bulgaria, the EU assistance becomes crucial, however, not only in terms of financial investments but also for the provision of strategic framework and an integrated policy approach for supporting the national capacity for the elaboration of regional development strategy on a national level.

## CHAPTER 2

### **The role of the EU Regional Development Policy in Shaping the Bulgarian Strategy for Regional Development**

For the current programming period, the EU has stipulated a more strategic approach towards economic and social cohesion and respectively the Regional Development Policy implementation. This comes to ensure that the Community priorities for cohesion will be effectively transformed into national objectives. Within the context of the EU Regional Development Policy, the process of its final transformation and implementation on a national level has been the key factor for predetermining its overall impact and effectiveness. Therefore, some of the initial strategic and programme documents both on the EU and the national level will be reviewed in this chapter, focusing on the stages in the formulation of the national policy for regional development and the crucial role that the initial EU strategic policy and assistance has played in that process.

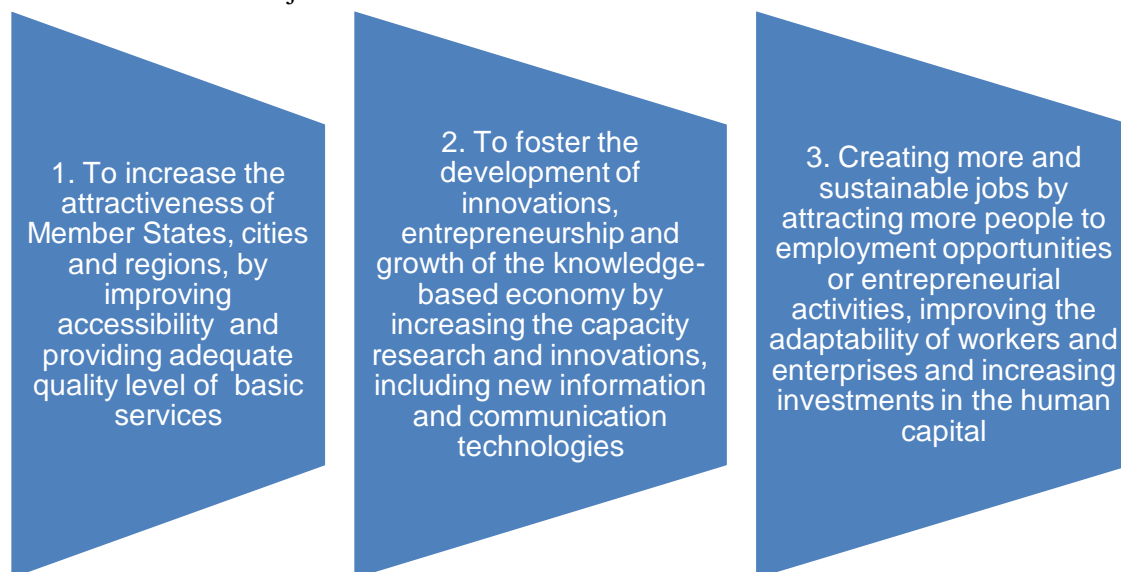
#### **1. Assessment of the EU pre-accession assistance for regional development**

In order for Bulgaria to develop the expertise and the capacity to contribute to the realization of the common Community objectives upon accession, the EU Regional Development Policy stipulated interventions that provided for the development of institutions and administrations on intra- and inter-regional level. In this respect, the EU role in the process of policy development in Bulgaria started already in the pre-accession period and took the form of *conditionality clauses* (Hughes et al , 2001, p. 10) and input of the *preparatory* financial instruments, namely PHARE, SAPARD and ISPA. As early as the 1990, Bulgaria had access to PHARE funding and after 2000, upon their onset, the country was granted rights of use of the other two financial instruments. However, the EU assistance at that point was mainly utilized for institutional and capacity building (Monastiriotis, 2008, p26). These early interventions, although having a very limited impact on the regional development process in general, build up the foundations of the institutional framework for the future absorption of the allocated to Bulgaria Structural Funds (Monastiriotis, 2008, p26).

#### **2. EU priorities for cohesion and sustainable regional development**

Pursuant to Council Regulation 1083/2006 (Council of the EU, 11 July 2006, p. L 210/27, Art. 36) the Commission had the responsibility to define the overall EU Structural Policy objectives for the current programming period in *the Community Strategic Guidelines on Cohesion* (Council of the EU, 2006, October 6, L291/11). This constitutes the basic document that ensures “the strategic content of the Cohesion Policy with a view to strengthening synergies with...the objectives of the

renewed Lisbon Agenda” (Council of the EU, 2006, Oct 6, (6)). For the programming period 2007/2013 three main objectives have been formulated as follows:



These objectives (Council of the EU, 2006, Oct 6, L 291/13) are set to provide the basis for the formulation of policies on a national level, allowing each MS to transform the Community guidelines into national priorities, considering its own opportunities and potential for growth.

### 3. National Policy Context

Following the Community Strategic Guidelines each MS develop a multiannual cohesion strategy. For the programming period 2007/2013 it is referred to as *the National Strategic Reference Framework* and it constitutes the main document for the national programming of the Structural Funding. The document establishes the national priorities for cohesion and identifies the links with the priorities defined at the Community level.

The Bulgarian *National Strategic Reference Framework (NSRF)*<sup>10</sup> adopted by the Council of Ministers as of 21 December 2006, refers to two long-term objectives, corresponding to the Community Guidelines, namely: *increasing the competitiveness of the Bulgarian economy in order to accomplish high and sustainable growth and developing human capital for higher employment, income and social inclusion* (Republic of Bulgaria, NSRF, 2006, p.61) In order to meet these objectives by the end of 2013, several priorities for investments have been set. For the purposes of the present discussion, the specific focus will be on the *support for a balanced territorial development* priority as it is the one with clear focus on regional development (Republic of Bulgaria, 2006, NSRF, p.62).

<sup>10</sup> It was approved by the EU Commission in June 2007, after an extensive revision process

The EU remains the dominant factor in the context of the Common Regional Policy implementation as the relevance of the priorities defined in the National Strategic Reference Framework is subject to the EU Commission's approval. This approach ensures a level of synergy between the national and the EU priorities and supports the strategic transformation of the EU Regional Policy to a process initiated on a national level.

#### 4. Planning and Programming of Regional Development

Bulgaria, as a Union MS, had to fully adopt the EU policy framework for regional development, in line with the basic principles of the Community, thus establishing the EU mechanisms for cohesion at a national level. The transformation and consequently the implementation of the EU Regional Policy brought major changes in the national governance system and fostered a process of gradual *decentralization*<sup>11</sup> along with the basic EU *principle of subsidiarity*<sup>12</sup>. It was meant to establish a significantly different system of governance in comparison with the former centralized model (Kamenova, 2006, p.1). These changes required institution building at the national, regional and inter-regional level and the elaboration of a hierarchical system of strategic documents, where each level of governance is responsible to define its strategy.

The programming process involved the establishment of six *Regional Development Councils* in each of the NUTS 2 macro-regions. They are responsible for formulating policy proposals within the framework of *National Regional Development Plans* for each of the planning regions and for further coordinating their implementation. On the lower NUTS 3 district level, 28 *District Development Councils* perform the function of *consultative bodies* as they participate in the process of planning and coordinating *District Development Strategies*. Finally, *Municipal Development Councils* were established, with the main responsibility to initiate policy proposals in the 264 *Municipal Plans for Development*. It could be argued that the programming process is *bottom-up* (Genev, Primatarova, 2007, p. 21), considering the fact that the *Municipal Plans* form the basis for the further formulation of the *District Strategies*, which in turn shape the *National Regional Development Plans* (Republic of Bulgaria, OPRD, 2007, p.153). The leading national strategic document – the NSRF as well as the ensuing OP's, are then informed by the six *Regional Plans*.

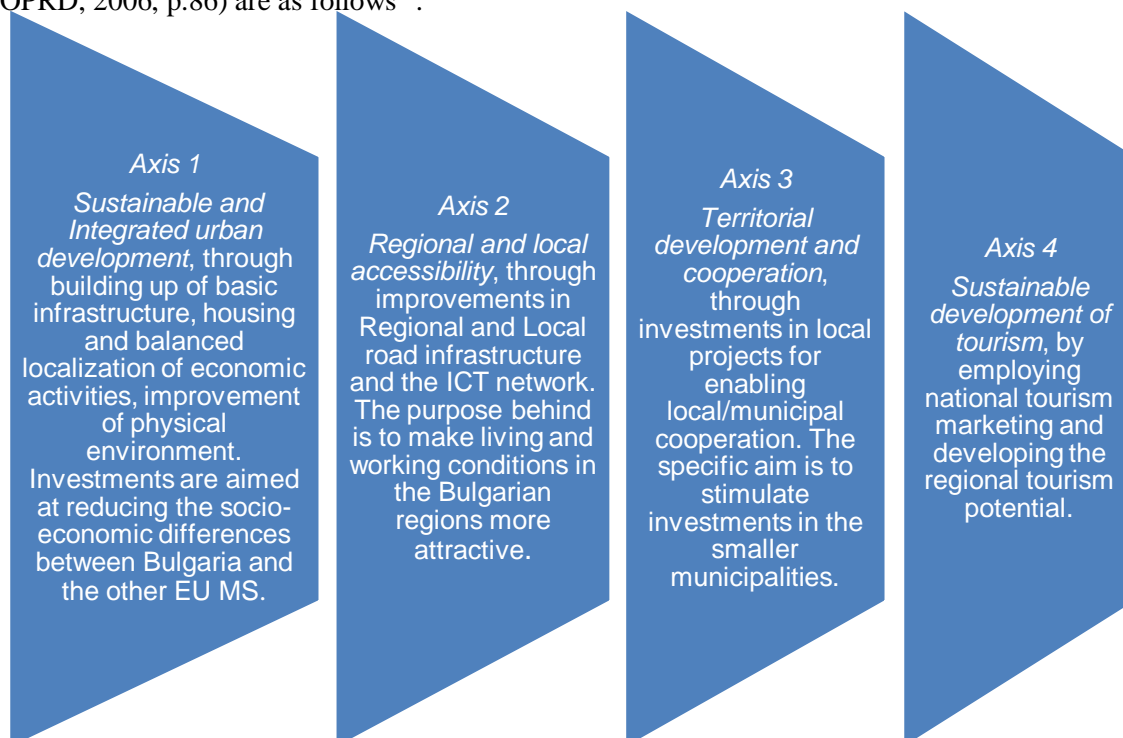
<sup>11</sup> In this context, decentralization implies the gradual process of enhancement of the rights of the local authorities (Kamenova, 2006, p1) therefore requiring a new regional development approach with substantially altered mechanisms for planning, adopting and executing policy interventions.

<sup>12</sup> Political decisions within the Community should be always taken at the lowest possible level of governance

## 5. The National Operational Programme for Regional Development

The final component in the above described process with regard to the EU Regional Policy is the national Operational Programme for Regional Development (OPRD), elaborated by the Ministry of Regional Development and Public Works (MRDPW) as pursuant to the National Strategic Reference Framework (Republic of Bulgaria, NSRF, 2006, p.44). The OPRD constitutes the basic “*management tool*” of the multiannual programme for the development of all the six NUTS 2 regions in Bulgaria, through strategic investments in priority areas (*axes*), taking into account the EU Regional Development policy objectives. As it is developed as a national programme, it encompasses all the six planning regions and is to a great extent centrally managed<sup>13</sup>. In order to become functional, it has to receive the EU Commission’s approval prior to the beginning of the programming period. Its realization is co-financed by the European Regional Development Fund (ERDF) and the national budget (Republic of Bulgaria, 2006, OPRD, p. 176).

The OPRD has identified five thematic priority axes for strategic investments in order to carry out into effect the interrelated objectives of the EU Regional Development Policy and the *priority for sustainable territorial growth* as defined in the NSRF<sup>14</sup>. The priority axes (Republic of Bulgaria, OPRD, 2006, p.86) are as follows<sup>15</sup>:



<sup>13</sup> For example, Romania, which also acceded to the EU in 2007 and has been undergoing through similar processes, has developed a separate OPRD for each of its administrative regions

<sup>14</sup> For detailed information on the relevance of the different types of programming documents and the overall structure of the mechanism for implementation of the EU Regional Development Policy in Bulgaria, please turn to Annex 6

<sup>15</sup> There is also a fifth priority axe for Technical assistance, which is common for all Bulgarian OPs and is irrelevant in the present context

### 5.1 Expected Impact of the OPRD

The impact of the interventions will be measured in terms of regional GDP per capita and employment rates. The main objective of the policy implementation as set in the NSRF is to reach the target indicator levels of **51, 2% of GDP per capita** and **64 % of employment** against the EU average by the end of 2013 (Republic of Bulgaria, NSRF, 2006, p. 59).

### 5.2 OPRD in the context of the EU Regional Development Policy

The significant role of the EU in shaping the development of a national approach towards regional development is unambiguous. The OPRD being defined under the national *priority for sustainable territorial development*, formulated in the NSRF, within a broader context, contribute to the realization of the *Objective 1* of the Community Guidelines on Cohesion<sup>16</sup>. The Guidelines, constituting the initial EU strategic framework for regional cohesion, shaped the development of the national Operational Programme for Regional Development and to a great extent predetermined its focus, direction and scope.

Apparently, the OPRD is the result of different flows of decision-making (Ganev, Primatarova, 2007, p23). As pointed out, the programming approach is *bottom-up* on the one hand, following the process of municipal, district and regional plans formulation. At the same time, the OPRD is shaped by the EU Regional Policy strategic documents to which it has to correspond in order to get the Commission's approval, meaning that in this aspect, the communication is *top-down*. The functioning of the overall system, along with the national specific of the OPRD implementation will be further reviewed in the following chapter.

## Conclusion

With regard to the above described process of EU-driven policy formulation, it could be concluded that the formulation and implementation of the common Regional Policy at the level of the MS's is strongly regulated by the EU, as basis for providing a unified approach for the realization of the common objectives. Following the EU relevant legislation and guidelines, Bulgaria has initiated a complex process of institution building and harmonization of the national strategic approach so that to comply with the EU requirements. However, the process is ongoing and in order for the EU Regional Development Policy to produce tangible impacts on the regional development process in Bulgaria the coordinated implementation of the OPRD by the national authorities and the well-administered utilization of the allocated to Bulgaria Structural funding remain the intended outputs.

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<sup>16</sup> For a figure indicating the described process, please turn to Annex 6

## CHAPTER 3

### **The implementation of the EU Regional Policy in Bulgaria. Financial assistance for regional development 2007-2010**

The implementation of the EU Regional Policy in Bulgaria has been introduced as the single process of carrying out into effect the measures stipulated under the Operational Programme for Regional Development. Within this context, the importance of *the quality of expenditures and institutions* becomes particularly relevant as the EU Regional Policy strongly emphasizes on the planning, partnership, evaluation and control in the process of the structural funding management. In this respect, the factors predetermining the overall programme performance are the functioning of the administrative system in practice and the actual adherence to the principles of the EU assistance in each stage of the policy implementation. In addition, the absorption rates of the allocated structural funding will be outlined as a basis for conclusions with regard to the overall implementation effectiveness.

#### **1. Designation of authorities**

Due to the former heavily centralized political system, any prior experience in decentralized governance in Bulgaria is practically missing (Bruisis, 1999, p.13). So far, several reforms towards decentralization were initiated, regulating the newly established rights and responsibilities of the local authorities.

The national legislation that provides for the harmonization with the *aquis communautaire* on regional development is *the Regional Development Act* in force as of February 2009, which currently regulates the process of regional programming and planning in Bulgaria, complemented by the other relevant piece of legislation - *the Law on Spatial Planning* adopted in July 2003. The new normative base, established a complex institutional administrative structure, responsible for the control on the OPRD implementation and the EU structural funding allocation. The system of authorities designated at the central governmental level, as well as their respective responsibilities as pursuant to the national legislation and the EU *aquis communautaire* (Council of the European Union, 2006, July 11, L 210/55, Arts 60, 61, 62, 63 respectively) are as follows:

- *The Managing authority (MA)* has to allocate the EU funding as well as to establish a common selection criteria for the eligibility of projects funded under the priority axes. Pursuant to the provisions of the national legislation, the appointed MA of the OPRD is *the Ministry of Regional Development and Public Works (MRDPW)*.

- *The Certifying Authority* has to certify statements of expenditures and payment applications received by the MA and present them before the Commission. These functions are executed by the “*National Fund*” Directorate with Bulgaria’s Ministry of Finance.
- *The Audit Authority* is an independent structure, whose main task is to verify the accuracy of the management and control system and the effective control of the managing bodies throughout the programming period. The role of the *Audit Authority* is performed by the “*Audit of EU funds*” Directorate with the Ministry of Finance, which performs this function for all Bulgarian Operational Programmes.
- *The Monitoring Committee* fulfills the responsibility to evaluate the quality of the implementation of the operational programme. In Bulgaria the Monitoring Committee functions in conformity with the general framework for monitoring established under the National Strategic Reference Framework.

## 2. Performance of the system

The priority axes stipulated under the OPRD are to be realized by thematic project-based interventions. The implementation of projects in turn determines the absorption rates of the structural funding allocated to Bulgaria. As the main territorial units with local-self government in Bulgaria are the municipalities, the project-generation process takes place mainly at the lowest NUTS 4 level (Ganev, Primatarova, 2007, p. 17). It is important to point out, that the decentralization process “was accompanied by shift of financial resources to local governments” (Brusis, n.d., p15), meaning that they became responsible to provide the co-financing share of the *public expenditure* for the realization of the targeted investments. At the same time, the OPRD implementation remains characterized by “strong financial centralization” (Ganev, Primatarova, 2007, p11) following the fact that the MA bears the responsibility to allocate the EU support as well as for the project selection on a sub-regional level (Republic of Bulgaria, OPRD, 2007, p. 143). As a direct result, despite the reforms for decentralization, the EU funding in Bulgaria *is not necessarily directed towards the most disadvantaged areas* (Center for Study of Democracy, 2010, p.7). The conclusion that could be made is that the functioning of the system remains rather centralized, irrespective of the EU funding principles, thus reflecting on the pre-existing traditions and culture of governance in Bulgaria<sup>17</sup>.

Therefore it is ascertained, that the Bulgarian approach is marked by several inherent deficiencies. The OPRD was based on the six NUTS 2 level regions, meaning that the macro-regional level was

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<sup>17</sup> Source: Interviews. For the full text, please turn to Annex 1

indicative in the programming of the Structural Funds (Totev, 2004, p. 10). At the same time, the decentralization process led to the enhancement of the role of the municipalities in the implementation of the EU shaped priorities, leaving the identification of financing needs and the project generation processes at the lowest NUTS 4 level. As a result, a mixed *top-bottom/ bottom-up* approach characterized the OPRD management in practice, “with programmes proposed and initiated by municipalities, but allocation of resources being on the bases of NUTS-2 level regions” (Monastiriotes, 2008, p.17).

In addition, the central government remains the most important factor in the regional development policy implementation. Regional and local authorities, although exerting certain influence over the process, are still to a great extent subordinates to the central authority. The fact that the central government’s preferences determine the distribution of investments holds the actual potential to affect the overall efficiency of the programme implementation (Kalaman, n.d., p. 42) and appears as a contradiction to the basic principal of *decentralization* required by the EU in the Structural Funds management.

### 3. Implementation and progress of the OPRD

The European Regional Development Fund (ERDF) is the EU Structural Fund that assists Bulgaria in the implementation of the OPRD. As stated previously, it provides EU public funding in regions lagging behind, aimed at redressing “the main regional imbalances in the Community” (Council of the EU, 5 July 2006, L 210/2, Art. 2). Its scope of assistance under the Convergence Objective, pursuant to the provisions of *Article 3*, encompasses all priority axes stipulated in the OPRD (Evans A., 1999, p.37). It follows, that Bulgaria is granted access to the ERDF assistance for the realization of investments under the five priority axes. As argued in the previous section, the absorption of the ERDF funding allocated to Bulgaria was to a large extent dependant on the municipal (NUTS 4) level. Therefore, it is essential to recognize that under the topic of regional development, the effectiveness of the OPRD is subject to the capacity and the expertise of the municipalities to generate acceptable projects (Kalaman, n.d., p.42).

### 4. Financial allocation

For the current programming period, the amount of € 1 361 Billion from the ERDF has been allocated to Bulgaria for the financing of the foreseen five priority axes under the OPRD (Republic of Bulgaria, 2007, OPRD, p. 176). This assistance is supposed to allow the beneficiaries – local municipalities and their associations, municipal and private companies, and local NGO’s to design projects, which once considered as eligible, receive co-financing by the ERDF and the national

budget. For the period 2007/2013, projects contributing to the OPRD measures receive 85% of the necessary amount by the ERDF funding, the remaining 15% are provided in the form of national public or private investment<sup>18</sup>.

#### 4.1 Programme Output

Considering the objective indicators for the programme implementation employed in the Progress Report as of December 2010 (MRDPW, 2011 March, p.5), since the starting date of the OPRD until the end of 2010, the progress on the five priority axes is as follows:

- 54% of the total ERDF funding has been already contracted.
- The following number of projects have been successfully finalized under each of the priority axes, respectively *sustainable and integrated urban development* – 7; *regional and local accessibility* – 14; *sustainable development of tourism*– 0, *territorial development and cooperation* - 42; *technical assistance*– 8. The projects realized by 2011 have been 71 in total.
- The actual payment received by 2010 was *211 Million Euros* accounting to 13, 11% of the total programme budget.

#### 5. Problematic Aspects of the Funds Absorption

*The absorption capacity* is the main factor determining “the extent to which a state is able to fully spend the allocated financial resources from the EU funds” (Sumpikova, M. et al, n.d., p.1). It predetermines the absorption rates on a regional and sub-regional level and therefore Bulgaria’s overall capacity to contribute to economic *convergence*, within the broader context of the EU Cohesion Policy objectives. The average absorption rate for the EU 15 is 93, 5 % of the total ERDF funding allocated for the present programming period. (The EU Commission, 21.10.2010, p.7).

Average Absorption Rates  
of the Structural Funds for  
the CEE countries,  
2007/2013

Slovenia	16%
Lithuania	17%
Latvia	13%
Estonia	12%
Hungary	10%
Poland	7%
Slovakia	5%
<b>Bulgaria</b>	<b>4%</b>
Romania	2%

**Source: KPMG, 2010, p11**

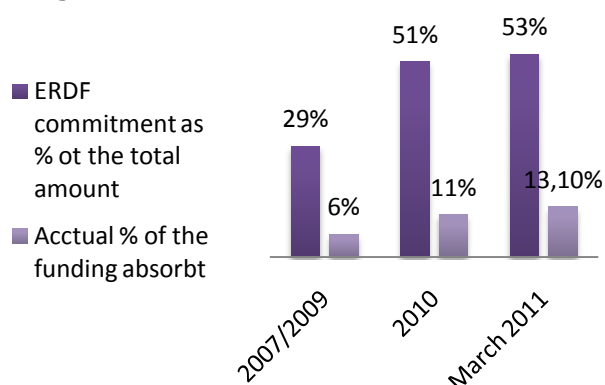
<sup>18</sup> For a table indicating the national absorption rates for March 2011, please turn to Annex 7

## 5.1 Absorption Capacity

Within the context of the overall Structural assistance, the absorption capacity of Bulgaria has been particularly low, accounting to only 4% (KPMG, 2010, p.11). In this respect, the OPRD is still considered one of the better performing (first in contracting and third in payment) and most popular SF's funded Operational Programme in Bulgaria (KMPG, 2011, p.2).

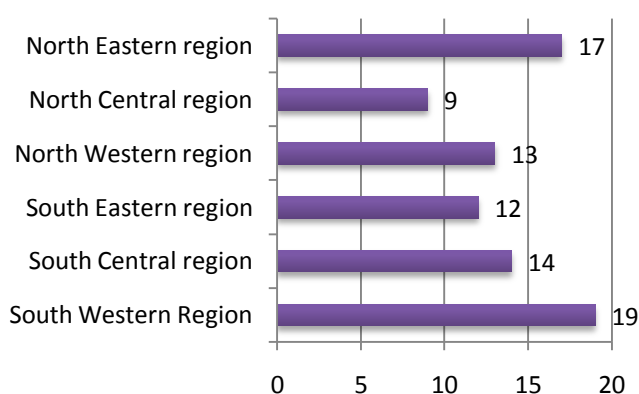
(Source: MRDPW, 2011; MRDPW, 2010; MRDPW, 2007)

Figure 1



Nevertheless, the performance of the OPRD is still far from satisfactory. As indicated in Figure 1, until December 2010, the MA of the OPRD in Bulgaria has contracted that more than 50% of the ERDF assistance available will be already absorbed. As of March 2011, Bulgaria has absorbed only 13% of the total funds allocation<sup>19</sup> and is expected to utilize ERDF funding of not more than 30-35% of the total amount by the end of the programming period (Coalition for Sustainable Use of the Funds of the EU, 2010, p. 39). The number of the successfully completed projects is also relatively low, considering the previous expectations of the MA that this figure was to reach 150 by the end of 2010 (KPMG, 2011, p. 6). Respectively, in the middle of the programming period, due to the low absorption rates and the project implementation level, it has to be recognized that *no substantial progress towards the funding utilization has been made.*

Figure 2 Payments received as % of the total allocated amount, NUTS 2 level regions, 2010 December



(Source: MRDPW, 2010 December, p.8)

The incomplete decentralization process is the factor that hampers the development of priority-based projects and consequently the absorption of the SF's at the lowest municipal level. The

<sup>19</sup> For a table indicating the OPRD financial implementation as provided in the MRDPW Annual Progress Reports, please turn to Annex 7

capacity of the municipalities to prepare and execute projects directed towards their priorities for development and growth remains rather low at this stage, which produces a negative influence on the overall policy performance. In this respect, economically more developed regions are favored as could be concluded from the data in Figure 2. The fact that the *South Western region* has utilized the highest percentage of the ERDF assistance is indicative for this tendency. The MA is planning measures for accelerating absorption, considering the fact that the discrepancies between the ERDF commitments and actual payments constitute a major risk for the full absorption.

## 5.2 Factors determining the absorption capacity

In terms of regional assistance, each of the six NUTS 2 level regions has received funding from the budget of the OPRD<sup>20</sup>. The absorption rates of the six regions have been significantly varying, as can be seen in Figure 2. The regional absorption rates of the EU funding are affected by several factors as pointed out by the interviewed experts<sup>21</sup> as well as in several relevant reports and evaluations, namely:

*The low financial absorption capacity* is defined as the incapability of a region to provide the co-financing shares of the EU programmes and projects (Sumpikova, M. et al, n.d., p.2). Under the *principle of additionality*, in the process of the EU Regional Development Policy implementation every MS has to spend a significant amount of resources, in order to comply with the co-financing requirements (Bruisis, n.d, p16; Hallet, n.d., p.28). As a direct consequence, Bulgaria is able to absorb the ERDF commitments only partially due to lack of financial resources, despite the lower co-financing shares. At this point, the municipalities avail of rather limited resources preventing them from participation in the operations under the OPRD interventions, as they are not in the position to foresee and plan their long-term revenue and incomings from the national budget<sup>22</sup> (CSUFEU, 2010, p. 40).

*The insufficient administrative capacity* is another factor with a significant influence over the absorption rates of the EU funding in Bulgaria. It refers to the ability of the appointed authorities to manage the funds in compliance with the legislative framework. This aspect relates to the deficit of trained civil servants in the SF's management with each of the governance levels. The municipalities and the districts simply lack experts experienced in designing EU projects<sup>23</sup>.

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<sup>20</sup> Both national and ERDF financing

<sup>21</sup> Annex 1

<sup>22</sup> As argued in the previous section, the central government is allocating the regional budgetary subsidies on annual basis

<sup>23</sup> In 2006 the EU Commission warned Bulgaria that the national administrative capacity for dealing with the Structural funding was insufficient within the framework of the pre-accession negotiations under Chapter 21 "Regional development" (CSUFEU, 2010, p. 37)

*The Ineffective Partnership* is relevant as a precondition of the low absorption capacity as it is the main guarantor of transparency, efficiency and compliance in the programme implementation. It is one of the basic principles of the EU assistance and refers to the requirement for close cooperation between the national authorities and the relevant public representatives as NGO's, civil society organizations, economic and social partners, etc in the process of preparing, implementing, monitoring and evaluating the OP's. At this point, the inclusion of the civil society representatives and NGO's in the working groups is considered to be rather insufficient as the OPRD does not provide many options for partnership (Open Society Institute, 2011, p. 3).

*Other factors* influencing the low absorption as suggested in the conducted interviews<sup>24</sup> include corruption practices, incompetence and lack of experience in dealing with the EU assistance consequently leading to irregularities, burdensome control mechanisms and lack of clear lines of responsibility.

## Conclusion

Bulgaria has been facing significant challenges in its attempt to attain the stable, sustainable and balanced regional growth. As previously stated, the EU has served as the external factor fostering the development of a functional policy approach on a national level, designed to redress the main regional imbalances and to foster real convergence. However the incomplete decentralization process and the resulting problematic aspects of the funding absorption affect the overall policy performance and significantly hamper the development potential of Bulgaria to contribute to the realization of the EU cohesion objectives. The potential positive impact of the EU-driven policy implementation in the future will be directly linked to the ability of the national authorities to identify and improve the present deficiencies.

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<sup>24</sup> For the full text of the interviews please turn to Annex 1

## CHAPTER 4

### The Effectiveness of the Policy Implementation in Bulgaria. Progress towards convergence.

At his stage of implementation of the OPRD, it is too early to draw profound conclusions on the effectiveness of the policy interventions. Nevertheless, the emphasis of the present chapter will be put on the evaluation of the generated EU Regional Policy impact over the process of regional growth in Bulgaria. The basis for assessment will be the comparison of the index values on regional level and their development *before* and *after* the structural funding was made available to Bulgaria. Within the context of this chapter, the level of assessment will be the NUTS 2 level as this is the level on which the EU financial assistance is performed. As only a preliminary assessment could be conducted at this early stage, the accuracy of the evaluation will depend on the data availability, accessibility, relevance and consistency.

#### 1. Methodology for assessment

The *effectiveness* of the EU Regional Development Policy will be regarded as *the extent to which the OPRD has contributed to real convergence of the Bulgarian regions to the EU level*, measured in terms of *regional GDP per-capita and regional employment rates*. The evaluation will be based on conclusions from the interviews with policy experts, reviews of the latest statistical data available and previously issued relevant evaluations.

##### 1.1 Introduction of Indicators for assessment

The evaluation of the Structural Funds interventions involves the basic distinction between *input, output, result and impact indicators* (EU Commission, 2009, July, p. 6), employed in the different stages of the project cycle approach. Logically, the focus will be on the indicator system measuring the impact of the OPRD, as set in the programme itself. The indicator initially chosen for this purpose by the managing and monitoring authorities is **“Jobs created”** (The Republic of Bulgaria, OPRD, 2007, p. 156). The chosen indicator is generally compliant with the Community Guidelines on Evaluation Methods, where the use of several indicators for measuring the policy effectiveness is suggested. One of the indicators is *the new working positions created* as a direct result of projects completion and from the ERDF investments in economic growth on regional basis (EU Commission, 2009, July, p. 9).

Nevertheless, in *the official Report on the Mid-term Evaluation of the OPRD*, drawn in accordance with the provisions of EC Regulation 10/83/2006 (Council of the European Union, 2006, July 11,

L 210/57, Art. 67 (1)) and commissioned by the MRDPW, it is stressed out that *the “Jobs Created”* indicator is generally not reflecting the specific purposes and character of the OPRD (KPMG, 2011, p.4). The consultant (KPMG) in this case considers that as the OPRD “is not a programme directly promoting employment or competitiveness”, the impact indicator is not properly indicating the progress made towards the realization of the set objectives. Therefore, it *recommends* the employment of a new impact indicator for the upcoming programming period, which is referred to as “better aligned to the character of the OPRD” (KPMG, 2011, p. 4). The recommended indicator is “*GDP growth per capita of the region*”. This indicator receives further support following the fact that the common EU Regional Development Policy is designed to contribute to the convergence of the MS’s to the EU level, assessed on the bases of the progress made, measured in terms of *regional GDP growth* (Eurostat, 2010, November, p.83).

For the purposes of the present research the “*GDP growth per capita of the region*” indicator will be employed, further complemented by “*the regional employment*”<sup>25</sup> indicator, so that conclusions would be drawn with regard to the effectiveness of the OPRD, and respectively the EU Regional Development Policy onto the development of the Bulgarian regions.

## 1.2 Specifics of the evaluation approach

Considering regional policy as a long-term action, the evaluation approach at this stage could be only preliminary and does not include explanatory factors for the observed differences in the indicators’ values. Recognizing the problem with the identification of the specific regional policy effect, it has to be still considered that the initially expected impact is over the core indicators reflecting the rates of convergence (The World Bank, 2003, p.5). As it could not be claimed that this progress derives entirely from the regional policy interventions, the method for evaluation will aim to provide only preliminary indications of the indirect policy effects.

## 2. Impact of the global economic crisis

Since the beginning of 2009, the world economic crisis has become a factor significantly lowering the achievements of the Bulgarian economy. The major outcome has been a rapid downturn in the levels of the main economic indicators, as the *National GDP, Employment and Foreign Direct Investment rates*. Within the context of the EU Regional Policy, the inter-regional and intra-regional disparities have increased as a direct result of the crisis due to the fact that investments tended to favor regions with higher potential for recovery. With regard to the OPRD

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<sup>25</sup> Data for the “Jobs Created” indicator is still not provided by the MRDPW, therefore regional employment rates will be used as generally reflecting similar socio-economic developments

implementation, the crisis has contributed to the establishment of the OPRD as the main source of the municipalities for funding investments (KPMG, 2011, p. 6), which has significantly increased the competition between the beneficiaries. The management system has provided various solutions to the crisis, e.g. the FLAG fund, the JESSICA initiative and the JASPERS technical assistance. The present research will focus on the regional development process before the impact of the crisis, therefore, the values of the employed socio-economic indicators will not be affected by the rapid down turn.

### 3. Assessment of the Impact

#### 3.1 National growth

The EU regional policy is to ensure that the development of the Single Market and the progressive economic integration do not function in a way that the prosperous regions continue increasing their levels of prosperity and employment, while the less advanced regions suffer rising unemployment and falling incomes (Evans, A., 1999, p. 41).

The EU is expected to foster integration, which translates into an improved regional productivity “which in turn lead to higher income levels and spontaneous convergence to EU levels” (The World Bank, 2003, p.5). In Bulgaria, the EU support for the realization of the OPRD measures accounted to € 1 777 493 at the end of 2008 (MRDPW, n.d) <sup>26</sup>. These investments have created conditions for accelerated national economic growth as could be seen in

**Figure 3 National GDP as % of the EU average**

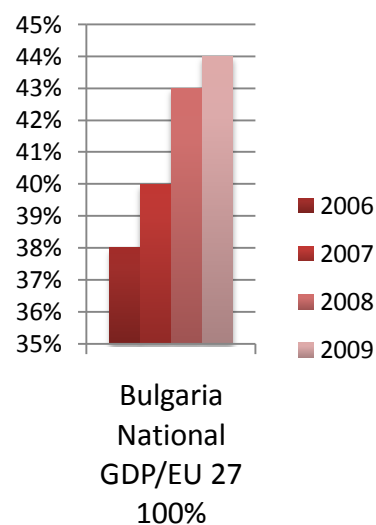


Figure. (Source: National Statistical Institute, 2011; Eurostat, 2010, December, para 2)

#### 3.2 Regional Growth

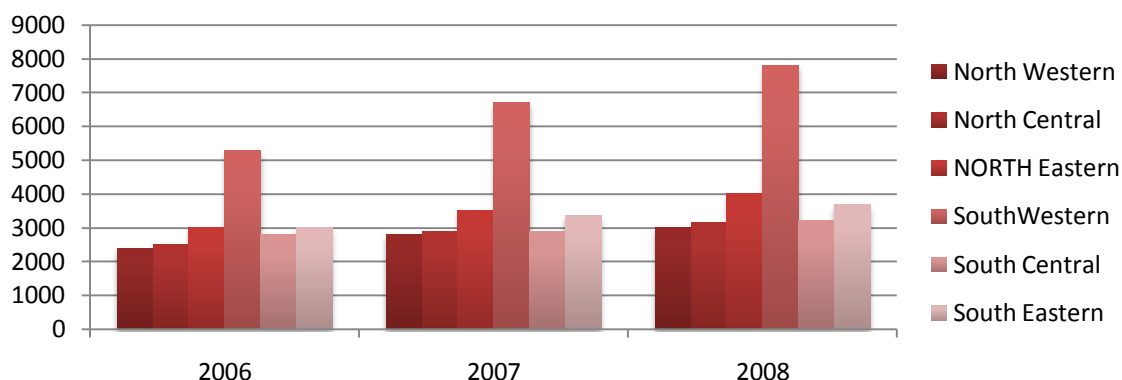
As pointed out by the OPRD Managing Authority, the greatest achievements of the OPRD for the moment are under the Priority Axis 2, i.e. in the area of regional and local accessibility <sup>27</sup>(Center for Study of Democracy, 2010, p18). It has been proven that such developments supported with the

<sup>26</sup> For more information on the national absorption of the Structural Funds, please turn to Annex 7

<sup>27</sup> 28 road infrastructural projects have been implemented as of 2009

EU Regional Policy investments have positive impact in the long-term perspective on the regional economic growth, since the transport infrastructure increases the effective size of the regional markets (World Bank, 2003, p. 29). In other words, it allows previously peripheral regions *to come closer* to larger markets and consequently it becomes a key factor for a renewed regional growth.

**Figure 4 Regionl GDP per capita, in euros**



(Source: Strategma, 2010, p. 47; National Statistical Institute, 2011, Eurostat, 2008, p.3; Eurostat 2010, November, p.80)

The initial significantly lower rates of the national GDP, prior to the investments (2006) in comparison with the EU average are worth underlining in this respect. The followed growth in the national GDP has dispersed higher income levels on regional level, leading to a gradual increase of the *regional GDP per capita* levels as indicated in Figure 4. Over the period 2006-2008, the increase in the indicator levels suggests a positive tendency in the economic development for all of the six planning NUTS 2 level regions until 2008<sup>28</sup>. Following the data, the process of regional development is more distinct in the South Western, and North Eastern regions, whereas in the South Central, South East, the North Central and the North Western regions the changes have been insignificant. Such development suggests a pattern of *widening of the economic disparities on the inter-regional level*.

Following the above stated facts, *the Williamson hypothesis* (Hallet, n.d., p.18) becomes particularly relevant. The largely accepted hypothesis argues that the national regional development process in the lower-income countries involves an initial pattern of internal widening of the regional inequalities followed by regional convergence at the later stages of the process. To put it differently, the economic development at the beginning favors the growth of the more prosperous areas, thus increasing the socio-economic disproportions on the sub-national level. The

<sup>28</sup> Latest data available

gradual accumulation of a higher income level at the later stages allows the reversal of this tendency as the national resources are spread over the less developed regions as well.

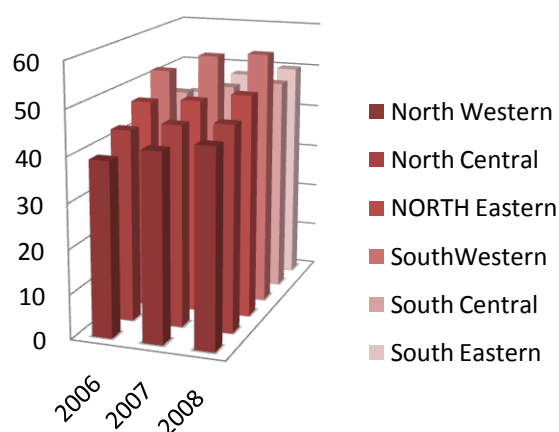
If the *Williamson theory* is considered valid, Bulgaria is still at the earlier stages of economic and social convergence towards the EU standards as a clear pattern of widening of the regional disparities is observed at present (Strategma, 2010, p. 49). The fact that two of the Bulgarian regions demonstrate significantly higher development rates in comparison to the rest of the country and in addition the leadership position of the South Western region<sup>29</sup>, has to be considered indicative under these lines.

In absolute terms, a major economic progress is still not present, following the described pattern of development. However, in theory as well as proven in practice by the past experience of former cohesion countries (Ireland, Spain, Italy, etc) in Bulgaria the growth of the developing regions is to consequently disperse over the less prosperous areas. As integration advances with the support of the EU financial contributions, industries will be interested to re-locate in areas where “they can benefit from labor cost advantages, enabling poorer economies that have retained such advantage to catch up” (The World Bank, 2003, p. 190). It follows that the divergence process, currently ongoing in Bulgaria is an integral part of the overall regional development progress and might be regarded as positive (Eurostat, 11. 11. 2010, p.80).

### 3.3 Regional Employment

The increase in the GDP and the GDP per capita levels was preceded by the reduction of the regional unemployment and an increase in activity rates. Although, in 2008 the employment levels in the six administrative regions remained below the EU average, the tendency is rather positive considering the fact that the discrepancy of almost 9 points in 2006 has been reduced to 1, 5 at the end of 2008 as could be seen in Figure 5.

**Figure 5 Regional Employment rates, as % of the EU average, 15-64 years old**



(Source: Strategma, 2010, p48)

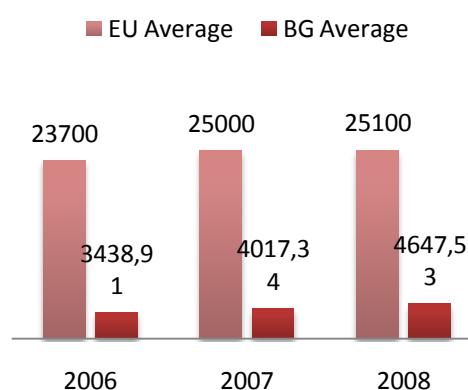
<sup>29</sup> With GDP per capita levels almost two times higher of that of the poorest region within the country

The South Western remains the best performing out of the six planning regions considering the regional employment indicator as well. The rest of the NUTS 2 planning regions also demonstrated an employment increase tendency. Respectively, the overall *unemployment* rate in Bulgaria is also gradually decreasing from 12% as of 2006, to almost two times lower – 6, 8 % in 2008, which is well-below the average of the EU (Strategma, 2010, p. 49).

### 3.4 Regional Convergence

The main precondition for the actual narrowing of the disparities relative to the EU average is the progress towards regional convergence on the internal national level. To put it in other words, the EU standards would be attained once the Bulgarian regions have reached a certain level of *equalization* as pointed out by Evans (1999, p.27-28). The development of the six planning regions has been accelerated by the ERDF funding in the period 2006 – 2008, considering the values in Figure 6.

**Figure 6 Discrepancies GDP per capita, EU-27 and national, in euros**



(Source: Strategma, 2010, p. 47)

The discrepancies between the national GDP per capita and the EU average indicated have been positively influenced by the interventions implemented under the OPRD. The regional growth fostered over the 3 year period, suggests that the EU Regional Development Policy and its instrument at the national level – the OPRD, have been effective for promoting progress towards real regional convergence on the internal state level. The observation is in line with the expectations of the MRDPW that the targeted levels<sup>30</sup> in *employment* and *GDP per capita* indicators of the EU average by 2013 will be actually achieved, even in the process of economic recovery following the economic crisis (Strategma, 2010, p. 47).

In the case of the majority of the former cohesion countries, which have experienced an increase in the level of economic disproportions on intra- and inter-regional level (The World Bank, 2003, p. 189) it was followed by balanced regional growth and consequently convergence. Applying this knowledge to the case of Bulgaria and taking into account the *employment* and the *GDP per capita* growth in the period of the initial EU assistance, it is safe to say that although there are still no tangible results from the framing of regional policy in Bulgaria, if similar conditions are sustained

<sup>30</sup> As already mentioned in Ch. 2 - 64% and 51,2 % respectively

over the long-term, the impact of the EU regional policy will produce the positive increase in the level of regional convergence. Recognizing this fact and considering the stage of development prior to the investments, it could be argued, that for the initial period of the EU Regional Policy functioning in Bulgaria, it becomes gradually effective for the regional development process.

## Conclusion

To conclude, the evaluation of the EU regional policy considering the fact that its actual impact is expected to emerge on a long-term basis, could be only preliminary at this stage. Therefore this chapter is intended to define only the indirect policy effects over the main indicators for regional growth – *employment* and *regional GDP per capita*. Following the differences in their values over the period of the initial policy interventions, it is obvious that progress towards growth and employment is actually present in each of the six planning regions to varying extents. The fact that some regions (South West, North Eastern) demonstrate higher progress than others is indicative for the initial stages of the ongoing process of convergence on the internal national level. In practice, the EU regional policy demonstrates a substantial benefit potential and therefore it has to be regarded as generally effective for the ongoing process of regional development in Bulgaria.

## CONCLUSIONS AND RECOMMENDATIONS

Emerging out of a transition period and an economic restructuring, Bulgaria faced a process of widening of the disparities on the inter-state level, provoked by internal migration, sectoral decomposition and economic decline. The EU assistance in this early stage took the form of financial investments of the three pre-accession preparatory instruments - PHARE, SAPARD and ISPA and was predominantly directed towards financing of border and rural regions, institution building and capacity optimization. In 2007, Bulgaria entered the EU and became eligible for financing from the Structural Funds under the Convergence Objective. At this stage, the EU has played a major role in shaping the national strategic framework for regional development, meant to limit the inter-regional disparities through unlocking the specific regional potential for growth.

The EU has provided not only the mechanisms for developing the national approach but also the financial resources needed for its implementation. However, the progress towards convergence, i.e. the effectiveness of the EU policy, is largely dependent on the level of compliance of the national programme delivering the Community regional policy with the existing EU requirements. In the case of Bulgaria, the deficiencies of the national approach are especially prominent when the low absorption of the allocated funding is considered. A list of only some of the factors predetermining the problematic absorption includes uncoordinated and highly centralized national investment finance system, lack of horizontal and vertical cooperation, underdevelopment of the monitoring and the control mechanisms and above all insufficient administrative and financial capacity. These factors lead to substantial inefficiencies in the absorption of the funding and therefore to non-optimal growth and slower convergence.

It has to be still recognized that the EU regional policy has played a major role for fostering the integration processes in Bulgaria, which will in theory lead to convergence and consequently to the realization of the Cohesion Policy objectives at the nation state level, as Bulgaria has achieved certain progress towards integration prior to the impact of the global crisis. The national and regional GDP per capita as well as the employment indexes suggest that the regional public investments have positive effects and foster the convergence process as levels of growth are present in all the six administrative regions in Bulgaria.

## RECOMMENDATIONS FOR EFFECTIVENESS

The interviews conducted in relation to the present research<sup>31</sup>, gave basis for the formulation of recommendations for corrective measures and improvements in the management and administrative process under the EU Regional Policy implementation in Bulgaria for the following programming period. The recommendations are as follows:

- Regional Policy aid to be allocated with a specific focus on strategic content, targeted results and strategic investment, in order the risks of overlapping targets and dispersion of public spending to be avoided.
- Improvements in the present institutional framework in order for progress towards decentralization to be achieved. In this respect, the programming of the main strategic documents with regard to regional development is expected to follow the prescribed order of the policy stages.
- Measures for improving the insufficient administrative capacity are especially needed as this is considered one of the major preconditions for the lower absorption capacity.
- Wider transparency and publicity of the procedures and the direct outcomes of the policy implementation should be considered as major requirements of the EU Commission.
- An improvement in the mechanisms for partnership as required by the EU Commission is also considered necessary.
- Improvements in the existing administrative procedures towards simplification are required.

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<sup>31</sup> Annex 1

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## Annex 1 Interviews

1. Expert form the Coordination of EU Affairs Directorate at the Council of Ministers of the Republic of Bulgaria
2. Mr. Dragomir Konstantinov, Council for the NSRF, within the administration of the Ministry of regional Development and Public Works, at present EU projects consultant
3. Mr. Petko Kovatchev from the Coalition for Sustainable Use of the EU Funds
4. Expert from the National Association of the Bulgarian Municipalities

*\*the persons interviewed bear no responsibility for the content of this report*

## **Interview with an expert from the Coordination of EU Affairs Directorate at the Council of Ministers of the Republic of Bulgaria**

Expert in the area of the EU Integration

Sofia, April 29

*How would you evaluate the role of the EU Regional Development Policy (RDP) for the further integration of Bulgaria as a Union MS?*

Within the context of the EU integration, in Bulgaria a clear tendency exists for focusing particularly on the Regional Development Policy, as it is the one involving a major share of the EU commitments. This in turn means that we tend to underestimate the other Union policies and to a certain extent distort the concept behind the EU integration.

However, the major role of the Regional Development Policy for the further integration of Bulgaria as a MS is unambiguous. In areas as for example infrastructure development, which is key factor for the economic integration of Bulgaria, where it faces significant investment needs if it is to comply with the EU standards. The EU Regional Development Policy fosters the process through the provision of such investments. As for the time frame, in principal, it will be definitely long-term. The focus, however, is on the development of the process itself, rather than on the end result. In this respect, what it matters at this point, is the fact that Bulgaria is an EU Member State and is involved in the overall process.

*As we reach the mid-term of the programme period, how efficient do you think that the RDP has been for the development of Bulgarian regions?*

In my opinion, there are still no tangible results from the framing of regional policy in Bulgaria, however as already stated, it is an ongoing process. Therefore, in comparison to the pre-accession stage is definitely better.

*In your opinion, is the top-down approach efficient and functional in practice? What are its main positives/deficiencies, etc?*

The centralized system, with policy decisions taken at the central level of government is well-reflecting the Bulgarian culture and is the logical approach at this point. It has its deficiencies in practice, but the change has to be gradual.

*How do you evaluate the implementation of the OPRD in terms of efficiency and coordination of the managing authorities? What are the main challenges for the overall system performance? What could be improved?*

For the moment, there are substantial problems related with both aspects of the policy implementation and respectively the OPRD functioning. The main problems, in my opinion, derive from the fact that same mistakes are repeated over and over again – in this respect, a fact valid for all programmes in Bulgaria is that we do not learn from the mistakes we make. These aspects could be improved through systematic and constructive revision of the problematic areas.

*What could be the main reasons for the comparatively low absorption capacity of the allocated funding for regional development and how could this be improved?*

As far as assistance is concerned, the absorption capacity is predetermined by the performance of the overall implementation system; therefore the above mentioned deficiencies are valid under this question as well.

The main reason for the low absorption rates, in my opinion, is the fact that there is still no culture in Bulgaria for abortion of the EU funds. Bulgarian administration lacks prior experience in dealing with the EU financial assistance instruments and therefore, the system is characterized by administrative burdens, conflict of interests, incompetence and unfortunately, corruption practices.

*When we consider the fact that Bulgaria is the MS in which some of the poorest EU regions are situated, is it in the position to contribute for the realization of the targeted objectives for regional development at the Community level by the end of the programme period?*

As previously mentioned the time frame of the programme period concern only part of the overall process and in this respect could not be considered as indicative. In broader terms, although, no one considers Bulgaria as an example, we have the potential to contribute. Considering the EU as Europe, with the accession of Bulgaria and Romania, the EU borders, market, etc were enlarged and are now encompassing key territories with potential for development, which would be of a particular importance for the EU in the future. The Danube Strategy for the development of the Danube region is one of steps in this direction. Another key area with a significant benefit potential is the Black sea region, which in my opinion, will be the future focus of the EU policy.

### **Interview with Mr. Dragomir Konstantinov - the Ministry of Regional Development and Public Works**

Former member of the secretariat for the National Economic Development Plan (NEDP) 2000-2006 within the Ministry of Regional Development and Public Works, former secretary of the national Coordination Council for the NSRF 2007-2013

Sofia, 12 May

*What is the role of the EU Regional Development Policy (RDP) for the further integration of Bulgaria as a Union MS? In what time frame it could in reality produce tangible results in terms of integration and consequently real cohesion?*

The EU Regional Policy plays two main roles in the process of integration in Bulgaria. Firstly, it contributes to the regional development process through the Structural Funding. Secondly, it provides for the introduction of good practices in the management of the national Structural Policies.

*As we reach the mid-term of the programme period, how efficient do you think that the EU RDP has been for the development of the Bulgarian regions?*

It is too early to make profound conclusions with regard to the policy impact. It will be determined in the ex-post evaluation of the OPRD, scheduled for 2015. Irrespectively, in the mid-term of the programme period it could be stated that the actual implementation of the national programme is generally not efficient and a significant impact even at the end of this programming period could not be expected.

*In your opinion, is the top-down approach efficient and functional in practice? What are its positives/deficiencies, etc? (i.e. defining priorities and the strategic planning remains at the central level, leaving regional and local authorities and communities with the basic responsibility to implement and coordinate the process)*

The top-down approach results in the concentration of the investments in the so-called *growth-poles*, thus limiting the available amount of resources for the backward, peripheral regions. In this respect, there is a need for re-formulation of the OPRD in order for such deficiencies of the approach to be addressed and improved. At present, the local authorities are to a great extent isolated from the local communities. It follows from this that the strategic documents for the

development of the respective areas are not reflecting the actual local priorities for investments. In addition, progress towards decentralization has to be the top-priority of the MA.

*How would you evaluate the implementing the OPRD in terms of efficiency and coordination of the managing authorities? What are the main challenges for the overall system performance? What could be improved?*

A list of some the challenges related to the OPRD implementation on the different levels of governance among others are the underdevelopment of the monitoring and control mechanisms, the slow reform of the public administration and above all the insufficient administrative capacity. The coordination needs improvement as it is practically missing at all levels of the implementation system. In this respect, it has to be recognized that the system needs major reforming in order to comply with the EU requirements.

*What are the main reasons for the comparatively low absorption capacity of the allocated funding for regional development and how could this be improved?*

The key factor for predetermining the low absorption capacity is the deficiency in the administrative capacity. Unfortunately, the problem could not be solved over the short term as a complex set of measures is required. Only through a systematic approach, including the training of experts, the provision of methodological guidelines, simplification of the programme procedures will contribute to the increase in the administrative and consequently the absorption capacity.

*1. Considering the fact that Bulgaria is the MS in which some of the poorest EU regions are situated, is the programme in a position to contribute for the realization of the targeted objectives for regional development at the Community level by the end of the programme period?*

In my opinion, to a limited extent the OPRD will contribute to the further cohesion and convergence of the Bulgarian regions but not necessarily within the framework of the current programme period.

## **Interview with Mr. Petko Kovatchev from the Coalition for Sustainable Use of the EU Funds**

Expert in the area of the EU Structural Funds management

Sofia, May 15

*What is the role of the EU Regional Development Policy (RDP) for the further integration of Bulgaria as a Union MS?*

The role of the EU Regional Development Policy for the integration of Bulgaria is insignificant for the moment. This is predetermined by the fact that the policy on Community level is formulated following the top-down approach and in Bulgaria the implementing administrations of the policy face difficulties following the EU requirements and established procedures. Other national “bad practices”, e.g. corruption, bureaucracy, lack of capacity, etc. also slow down the progress towards cohesion.

*At the mid-term of the programme period, could it be stated that the RDP is already effective for the development of the Bulgarian regions?*

Undoubtedly, it has a beneficial potential, but Bulgaria has managed to miss the first half of the programming period. Therefore, the positives would not be prominent by 2013. The fact that for the moment only a few municipalities have higher income flows than expenditures as well as the over-concentration of capital, resources, investments, human capital, etc within only 3-4 urban centers is indicative for a regional divergence process.

The EU Regional Policy could potentially foster the positive development of the Bulgarian regions in the next financial period depending on the planning and programming process of the national and local strategies that is currently ongoing.

*Is the top-down approach efficient and functional in practice? What are its positives/deficiencies, etc?*

In the EU the decision making is top-down, however in Bulgaria's regional planning it is mixed at the moment. With this regard, the deficiencies are many. It appears that the in the OPRD implementation, execution, monitoring, etc. the partnership principles is not sufficiently applied as the authorities have not provided many options for the involvement of the stakeholders. Therefore, the top-down becomes inefficient as it could not ensure that the specific necessities on a regional level will be properly addressed. To sum up, the bottom-up approach, applied in the formulation of the local and regional strategies is inefficient as there is no coherency between all strategic documents. Lack of administrative capacity on local and regional level also prevents good results.

*How is the national managing system on central, local and municipal level implementing the OPRD in terms of efficiency and coordination? What are the main challenges for the overall system performance? What could be improved?*

The lack of coordination between the central, the local and the municipal governances constitutes a serious challenge for the overall system performance in Bulgaria. The biggest challenge is to coordinate the implementation of so-called Regional Policy (as there is no real Regional Policy in the country, but a mixture between what has left from the past and some innovations) with the other Community Policies, thus attaining a synergy approach towards balanced socio-economic growth. At the national level, the regional policy is planned in accordance with the budgetary allocations. This practice has a negative impact over the policy performance and has to be reversed as a process; the budget has to be stipulated according to the already formulated strategies and regional needs for investments. The reforming process has to start from the Managing Authorities of the programme. In addition, the focus of the MRDPW and respectively the OPRD's focus has to be put predominantly on spatial planning.

*What are the main reasons for the comparatively low absorption capacity of the allocated funding for regional development and how could this be improved?*

The low absorption capacity is a complex problem, predetermined by the lack of cooperation between the different levels of governance, lack of administrative capacity, lack of partnership, corruption, irregularities, unfinished decentralization process, underdeveloped monitoring and control systems, etc. It could be stated that the municipalities were not included in the initial programming process, i.e. do not have the so called *policy ownership*. Some of these problematic aspects could be resolved if the partnership principles is actually applied as it serves as a corrective measure.

*Considering the fact that Bulgaria is the MS in which some of the poorest EU regions are situated, is it in the position to contribute for the realization of the targeted objectives for regional development at the Community level by the end of the programme period?*

It is difficult to put a time frame as the process is ongoing. It however requires major reforms at this stage as for the moment we are only in the initial stages of integration. Cohesion will be attained when investments and resources are equally distributed between all territorial units in Bulgaria. There some good ideas, however we need a strong political will to turn them into reality.

## Interview with an expert from the National Association of the Bulgarian Municipalities

EU and External Relations Unit

Sofia, 9 May

*How would you evaluate the role of the EU Regional Development Policy (RDP) for the further integration of Bulgaria as a Union MS?*

The role of the Regional Development Policy is a major one, considering the fact that it is the second most expensive policy of the EU - it costs around € 40-50 Billion annually. The amount allocated to Bulgaria is significant, however it is not automatically granted. The actual payments depend on proven actions, carried out in compliance with the EU procedural requirements and principles of assistance. The RDP also provides the normative framework and guidance for the development of working mechanisms for regional development in Bulgaria and fosters the inclusion of good practices in the administrative structures and policy formulation.

*As we reach the mid-term of the programme period, how efficient do you think that the RDP has been for the development of Bulgarian regions?*

At this stage, the EU Regional Policy implementation in Bulgaria has an impact on the development of some regions at the expense of rest of the country. Therefore, it could be stated that the absorption is unbalanced. In this respect the overall policy implementation becomes ineffective.

*In your opinion, is the top-down approach efficient and functional in practice? What are its main positives/deficiencies, etc? (i.e. defining priorities and the strategic planning remains at the central level, leaving regional and local authorities with the basic responsibility to implement and coordinate the process)*

The EU requires a functional decentralized system for the management of the Structural Funding. Therefore, the top-down approach, which characterizes the present OPRD implementation, is characterized with many deficiencies. However, it is the better option in this case, considering the lack of experience in decentralized governance in Bulgaria.

*How do you evaluate the implementation of the OPRD in terms of efficiency and coordination of the managing authorities? What are the main challenges for the overall system performance? What could be improved?*

As already argued the system is not efficient. One of the factors in this respect is the lack of coordination between all levels of governance. The challenges are mainly related to the optimization of the administrative capacity. A relevant example under these lines is in the case of the ex-ante control of the tender procedures, whereas a municipal administrative department has to review more than 1000 applications only under one procedure.

*What could be the main reasons for the comparatively low absorption capacity of the allocated funding for regional development and how could this be improved?*

The problems relating to the absorption rates are many – corruption, incompetence leading to constant irregularities, lack of experience, deficiency in the administrative capacity at all levels of governance, especially locally, lack of financial capacity and the implications of the unfinished decentralization process.

These aspects could be explained with the fact that the EU Commission does not interfere at the project level of the programme implementation, therefore all deficiencies of the national managing system are particularly obvious in the process of projects execution.

The lack of trust is another factor slowing down the overall progress of the programme. An example in this respect is again the preliminary control procedure, which is not an obligatory measure under the EU requirements. The Bulgarian authorities have decided on such a measure.

## Annex 2 Key principles for the Structural Funds assistance

*Common operating principles of assistance* govern the distribution of the Structural Funds within the MS's, emphasizing on the importance of shared efforts in this direction. Pursuant to the provisions of Council Regulation 1083/2006 (Council of the European Union, 2006, July 11, L 210/25) and also reviewed by Hallet (n.d., p24) the principles are applicable to all the three Structural Funds and are as follows:

*Additionality:* EU assistance must never replace national actions; therefore contribution from the EU funds has to only supplement national funding and not to replace it (Council of the European Union, 2006, July 11, L 210/39, Art 15).

*Consistency:* The EU Commission and the MS's are responsible to ensure that the Funds are utilized in a way consistent with all "activities, policies and priorities of the Community" (Council of the European Union, 2006, July 11, L 210/39, Art 9).

*Partnership:* The objectives of the Structural Funds are pursued in close cooperation of the EU and national institutions and regional, local and other relevant public authorities. All other stakeholders as NGO's, civil society organizations, economic and social partners, etc have the right to be involved in the process of preparing, implementing, monitoring and evaluating the Operational Programmes (Council of the European Union, 2006, July 11, L 210/39, Art 11).

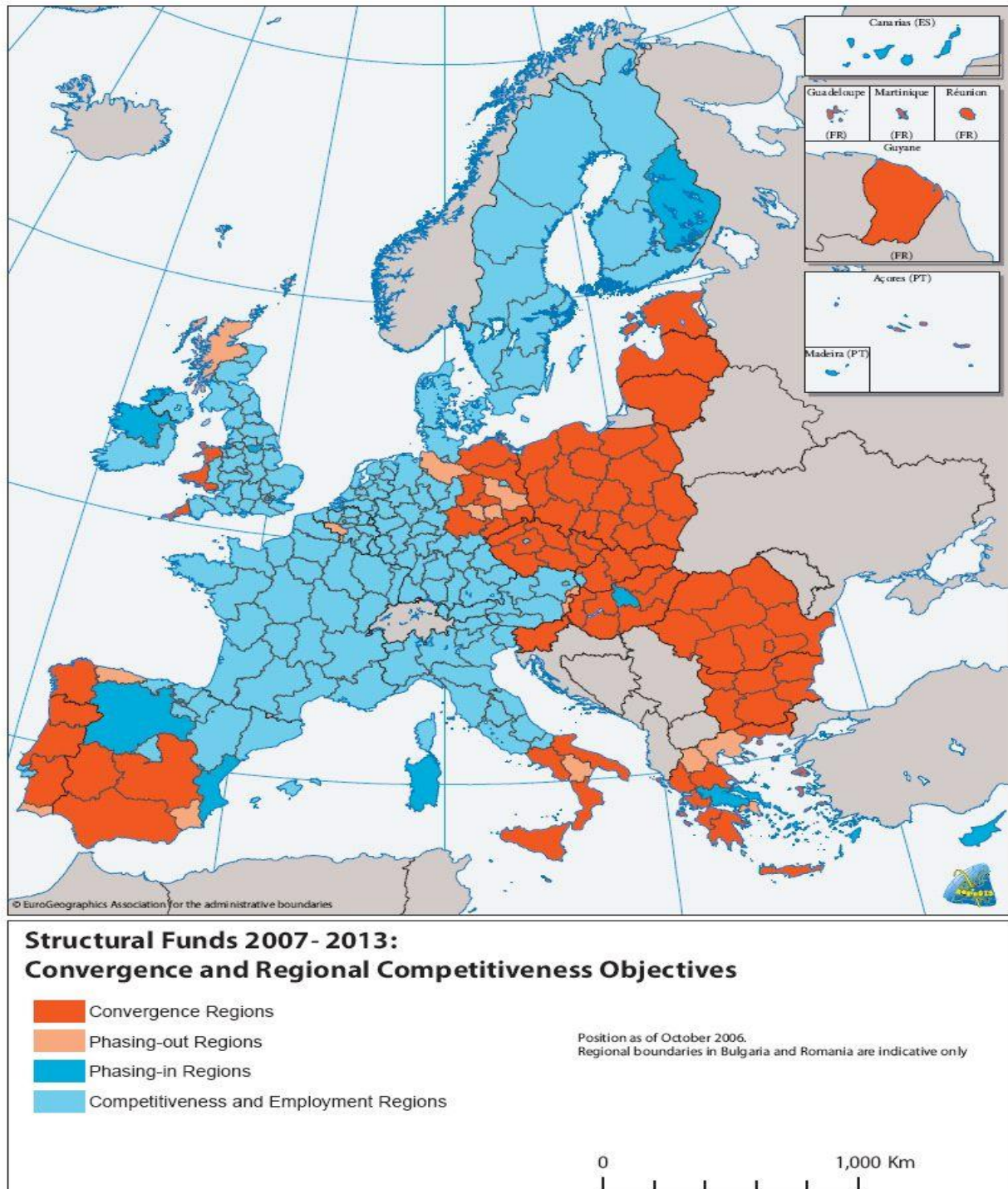
*Programming:* in order to efficiently contribute for the realization of the long-term objectives of the Funds, all MS's develop a multiannual programming strategy. The document defining the national vision for an integrated development within the Community is the National Strategic Reference Framework. It is submitted by the MS's prior to each programme period (Council of the European Union, 2006, July 11, L 210/39, Art 10).

### **Annex 3 Policy Context - Lisbon and Göteborg Agendas**

The EU Regional Development Policy coordinates and complements the public assistance of the Community, in line with the main strategies set to emphasize on aspects of the EU territorial, social and economic cohesion. It is designed to contribute to the major priorities of the Community for further developing the knowledge-based economy, technological innovation and human resources (Council of the EU, 2006, Oct, p.1)

Evaluating the *ex-post impacts* of the policies implemented during the program period 2000/2006, the EU Council choose to renew the basis of the EU's competitiveness, to increase the overall productivity and to foster social and economic cohesion, by focusing on "knowledge, innovation and the optimization of the human capital"(Republic of Bulgaria, OPRD, 2007, p.8). These strategic political objectives were defined in the Lisbon Agenda (2000), aimed at "*making Europe the most competitive and dynamic knowledge-based economy in the world*" and complemented by the interrelated Göteborg Strategy (2001) for sustainable development focusing on "*technological innovation and investment, generating growth and employment*". The EU Regional Development Policy was designed to actively contribute for the realization of the set objectives, by investing in the main drivers of regional growth and employment, implementing coherent strategies for balanced economic development and social inclusion of the poorest EU regions (The Republic of Bulgaria, OPRD, 2007, p.8).

#### Annex 4 Map indicating the NUTS 2 level regions under the convergence objective



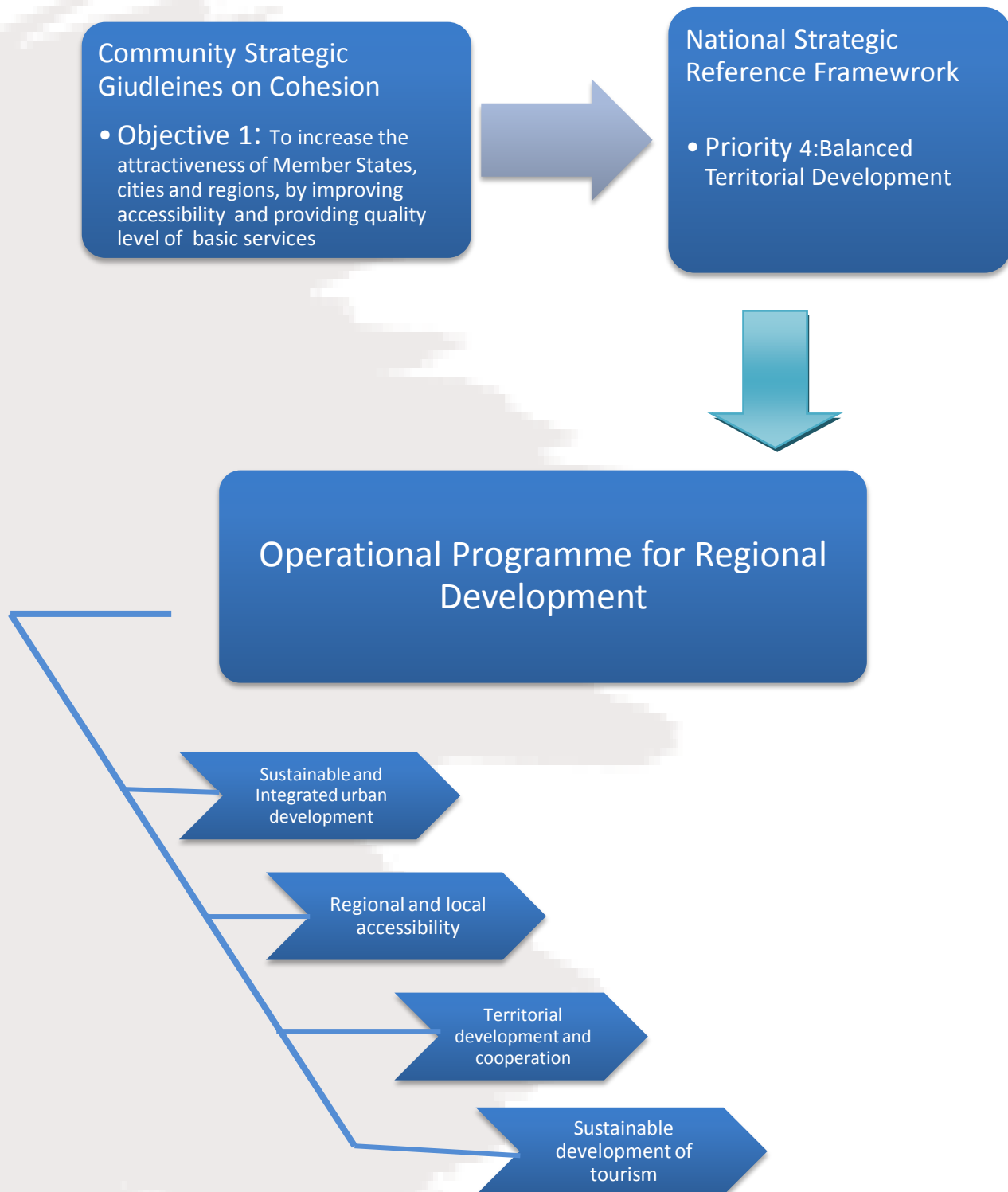
Source: EU Regional Policy, 2007

## Annex 5 Map indicating the Bulgarian regions, eligible for financing under the Convergence objective

*Source: European Union Regional policy (n.d)*



## Annex 6 Implementation of the EU Regional Policy in Bulgaria



## Annex 7 National Absorption of the Structural Funds

Source: MRDPW, 2011

OP Implementation as of 31.03.2011  
EURO

OPERATIONAL PROGRAMME	Programme budget			Contracted				Payments			
	Total	EU Funding	National co-funding	Total as of 31.03.2011	% implementation	EU funding	% implementation	Total as of 31.03.2011	% implementation	EU funding	% implementation
OP Transport	2 003 481 166 €	1 624 479 623 €	379 001 543 €	1 071 459 737 €	53,48%	867 809 854 €	53,42%	151 520 320 €	7,56%	126 027 098 €	7,76%
OP Environment	1 800 748 085 €	1 466 425 481 €	334 322 604 €	549 822 396 €	30,53%	442 934 231 €	30,21%	135 753 016 €	7,54%	109 219 658 €	7,45%
OP Regional Development	1 601 274 759 €	1 361 083 545 €	240 191 214 €	859 037 443 €	53,65%	730 181 827 €	53,65%	209 901 331 €	13,11%	178 416 131 €	13,11%
OP Competitiveness	1 162 215 551 €	987 883 219 €	174 332 332 €	426 286 698 €	36,68%	362 343 693 €	36,68%	236 118 708 €	20,32%	200 700 901 €	20,32%
OP Technical Assistance	56 819 427 €	48 296 513 €	8 522 914 €	21 940 973 €	38,62%	18 649 827 €	38,62%	6 205 822 €	10,92%	5 274 949 €	10,92%
OP Human Resource Development	1 213 869 575 €	1 031 789 139 €	182 080 436 €	576 550 024 €	47,50%	490 067 520 €	47,50%	110 033 004 €	9,06%	93 539 432 €	9,07%
OP Administrative Capacity	180 789 087 €	153 670 724 €	27 118 363 €	87 906 739 €	48,62%	74 720 728 €	48,62%	45 240 799 €	25,02%	38 454 679 €	25,02%
<b>TOTAL</b>	<b>8 019 197 650 €</b>	<b>6 673 628 244 €</b>	<b>1 345 569 406 €</b>	<b>3 593 004 010 €</b>	<b>44,81%</b>	<b>2 986 707 679 €</b>	<b>44,75%</b>	<b>894 773 001 €</b>	<b>11,16%</b>	<b>751 632 850 €</b>	<b>11,26%</b>

## Annex 8 Cohesion Policy 2007-2013 Financial Allocation per Year

Source: EU Regional Policy, 2007

### ANNEX 2

#### COHESION POLICY 2007-2013 : FINANCIAL ALLOCATIONS PER YEAR (EURO, CURRENT PRICES)

	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
Belgie/Belgique	368.756.008	353.108.905	338.863.168	324.002.185	308.411.217	291.987.309	274.742.281	2.257.851.071
Bulgaria	514.438.665	737.395.668	991.807.428	1.044.073.825	1.116.078.360	1.188.427.402	1.280.634.073	6.852.855.421
Ceska Republika	3.319.589.895	3.479.810.479	3.640.861.285	3.809.477.285	3.978.225.539	4.146.329.123	4.317.361.985	26.691.655.591
Denmark	82.161.566	83.852.733	85.627.577	87.489.747	89.392.151	91.283.768	93.215.294	613.022.836
Deutschland	3.684.753.567	3.696.945.314	3.729.709.000	3.763.089.632	3.796.272.804	3.828.502.786	3.860.503.462	26.339.756.565
Eesti	376.530.807	409.974.514	446.440.649	486.201.728	530.028.620	577.833.150	628.833.031	3.455.842.499
Ellas	3.085.468.135	3.027.319.247	2.965.710.146	2.900.527.687	2.831.551.640	2.814.192.926	2.795.007.243	20.419.777.024
España	6.295.188.221	5.754.627.341	5.190.294.720	4.713.797.783	4.445.327.645	4.421.932.299	4.395.823.005	35.216.991.014
France	1.922.675.353	1.961.674.885	2.002.022.276	2.043.766.980	2.086.380.661	2.129.290.347	2.173.081.869	14.318.892.371
Ireland	211.627.916	180.726.400	148.539.883	115.030.041	80.120.385	81.798.584	83.511.860	901.355.069
Italia	4.003.583.379	4.035.089.698	4.066.774.676	4.098.643.256	4.130.159.869	4.202.150.122	4.275.367.920	28.811.768.920
Kypros	167.460.708	139.211.882	109.772.622	79.106.741	47.170.317	48.127.525	49.104.156	639.953.951
Latvija	508.251.652	554.225.772	603.897.967	655.705.280	709.399.722	765.395.661	823.567.165	4.620.443.219
Lietuva	767.739.913	833.413.967	902.450.438	975.204.912	1.052.169.488	1.134.996.617	1.219.008.746	6.884.984.081
Luxembourg	8.756.085	8.935.186	9.122.005	9.316.863	9.515.866	9.714.797	9.917.880	65.278.682
Magyarország	3.035.954.279	3.229.332.901	3.437.663.559	3.625.536.814	3.784.266.354	3.990.564.601	4.204.078.399	25.307.396.907
Malta	114.475.489	117.159.483	119.794.709	122.608.369	125.071.775	127.157.676	129.091.993	855.359.494
Nederland	255.620.372	260.876.756	266.388.003	272.165.145	278.066.817	283.939.844	289.936.565	1.906.993.502
Österreich	201.773.292	203.999.556	206.307.685	208.701.529	211.108.607	213.450.462	215.801.550	1.461.142.681
Polska	8.129.584.408	8.664.528.631	9.213.686.770	9.441.368.926	10.023.359.218	10.605.029.586	11.206.694.227	67.284.249.766
Portugal	2.971.583.274	3.005.027.735	3.038.715.640	3.072.645.240	3.106.716.534	3.140.821.551	3.175.048.081	21.510.558.055
Slovenija	554.581.636	569.325.544	584.455.520	599.981.475	615.894.683	632.185.174	648.880.924	4.205.304.956
Slovensko	1.299.788.507	1.407.175.683	1.526.146.266	1.662.255.913	1.785.126.023	1.906.825.787	2.000.586.316	11.587.904.495
Suomi-Finland	263.006.045	257.565.814	251.850.073	245.850.925	239.511.072	232.769.086	225.661.616	1.716.214.631
Sverige	253.908.702	259.066.457	264.410.131	269.946.722	275.599.013	281.283.274	287.084.668	1.891.298.967
United Kingdom	1.616.477.615	1.575.843.140	1.533.475.408	1.489.332.118	1.442.809.705	1.465.894.632	1.489.325.826	10.613.158.444
Romania	1.335.023.856	1.915.639.995	2.576.314.547	3.092.046.613	3.330.472.625	3.580.270.525	3.837.878.891	19.667.647.052
Interregional	46.390.403	49.483.076	54.889.060	62.743.816	70.890.806	76.995.260	83.315.535	444.707.956
Technical Assistance	113.408.759	117.459.544	121.200.980	122.888.158	126.925.914	130.992.625	134.822.683	867.698.663
<b>Total</b>	<b>45.486.558.504</b>	<b>46.888.796.307</b>	<b>48.427.192.190</b>	<b>49.393.483.709</b>	<b>50.626.023.430</b>	<b>52.400.122.497</b>	<b>54.187.887.246</b>	<b>347.410.063.883</b>

