

IMPLEMENTATION OF THE EU COHESION POLICY: THE CASE OF BULGARIA

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Summary: The purpose of this paper is to examine: the legal frameworks and the strategic documents related to regional development in Bulgaria and to the implementation of the European Cohesion Policy in the country, the regional disparities at NUTS 2 level and the allocation of the financial resources, available for the seven Operational Programmes of Bulgaria at the six NUTS 2 regions in the programming period 2007-13.

Keywords: Regional Development Act, Strategic and Planning Documents, Cohesion Policy, European Union, Structural funds.

ПРИЛАГАНЕ НА ЕВРОПЕЙСКАТА КОХЕЗИОННА ПОЛИТИКА В БЪЛГАРИЯ

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Резюме: Целта на студията е да бъде извършено изследване на: законодателната рамка и стратегическите документи, имащи отношение към регионалното развитие в България и осъществяването на европейската Кохезионната политика в страната, регионалните различия на ниво NUTS 2 и разпределението на средствата, с които разполагат седемте български оперативни програми в шестте NUTS 2 региона. Тезата, която се защитава, е че използването на финансови средства от Структурните фондове и Кохезионния фонд на ЕС в България в първия програмен период 2007-13 г. е в противоречие с основния принцип на европейската Кохезионна политика – подкрепа на изоставащите в развитието си региони и намаляване на регионалните различия чрез инвестиции в сближаване.

Ключови думи: Закон за регионално развитие, стратегически и планови документи, Кохезионна политика, Европейски съюз, Структурни фондове.

INTRODUCTION

The formulation and implementation of the national regional policy in Bulgaria is based on the Constitutional provision that "The state shall create conditions for balanced development of the individual regions of the country and shall support the local authorities and activities by means of its financial, credit and investment policy" (Art. 20, Constitution of the Republic of Bulgaria, promulgated, State Gazette, issue 56 of 13.07.1991, in force as of 13.07.1991). Just as the European Union's Cohesion Policy is based on the principle of mutual solidarity in supporting the less-favoured regions, Bulgarian state has expressed its commitment for regional development in its main law, in the distant 1991.

At the end of 1995, Bulgaria submitted an application to accede to the European Union. The negotiations started five years later, finished on 15 June 2004 and as of 1 January 2007 the country is a full member of the EU. After the accession Bulgaria is treated as beneficiary with the right to use substantial financial resources, provided within the Community Cohesion Policy.

The European funds are of exceptional importance for increasing employment, improving the competitiveness of the Bulgarian economy and supporting the industry, for constructing the Trans-European transport, communication and energy networks, for extending the research activities and improving education. In this context, I consider that the Structural Funds and the Cohesion Fund can have significant impact on the economic and social development of the country and its regions.

The research questions to be answered are:

- To what extent has Bulgaria managed to align its normative and strategic documents with the European legislation in the sphere of the Cohesion policy?
- Is there a balance in the development of the Bulgarian regions?

- Were the resources from the EU funds invested with priority in the less favoured Bulgarian NUTS 2 regions during the first programming period for the country (2007-2013)?

1. REGULATED REGIONAL DEVELOPMENT – A PREREQUISITE FOR THE IMPLEMENTATION OF THE EUROPEAN COHESION POLICY IN BULGARIA

Although certain activities related to regional development are being performed in the country, the main problem until the beginning of 1999 was the lack of an overall, financially secured, officially approved, publicly declared and strictly regulated regional policy.

The Regional Development Act (RDA) adopted in 1999, laid the foundations of a new stage, at which the main problems of the Bulgarian regions should be addressed and transition should be made to an integrated, financially secured, publicly declared and monitored regional policy. The objectives of the RDA were: creation of prerequisites for sustainable and balanced regional development of the individual regions of the country, reducing the regional gaps in employment and income, establishing regional and cross-border co-operation and contributing to European integration (RDA, promulgated, State Gazette, issue 26 of 23.03.1999, in force as of 23.03.1999). Actually, it is through this Act that the first attempt was made after the changes during the late 1989 to regulate the public relations and processes in the sphere of regional development in Bulgaria. In my opinion, the main problem as of the time of passing the Act, and subsequently during its implementation, was the lack of an overall concept and national strategy for regional development. At the same time I have ascertained that the Act was not aligned with the European legislation and with the provisions of Council Regulation (EC) No 1260/1999 of 21 June 1999, laying down the procedure and the general requirements for obtaining resources from the Structural Funds, which represent the main requirements for successful negotiations on Bulgaria's

accession to the EU under Chapter 21 "Regional Policy and Coordination of the Structural Instruments". The Regular Report on Bulgaria's Progress towards accession for 2001 contains an observation of the European Commission, which I can define as exceptionally critical: "The existing legal framework does not provide clear provisions for institutional arrangements. Recently passed legislation lacks a structured approach". (EC, SEC (2001) 1744, 2001, p. 98).

In relation to the implementation of the Regional Development Act of 1999, Marinov states that it should be viewed not as an end but as a beginning of a long and difficult process and also that the legal framework of the regional policy in Bulgaria was created to a large extent but it needs further improvement and development (Marinov, 2001, p. 9-10). The evidence of the need of change of the RDA is contained in the Strategy for the participation of the Republic of Bulgaria in the European Union Structural Funds and the Cohesion Fund, adopted by the Government in 2002, which provides for improvement of the legislation related to European integration, including the RDA. As a result of this, the first RDA was revoked and a new Regional Development Act was passed in 2004, which was intended to address the current needs and to be fully in line with the main priorities of the European Cohesion Policy. The objectives of the RDA of 2004 almost repeat those of the RDA of 1999 and read as follows (RDA, promulgated, State Gazette, issue 14 of 20 February 2004, Art. 2):

- Creation of conditions for balanced and sustainable development of the regions in the Republic of Bulgaria;
- Creation of prerequisites for narrowing inter-regional and intra-regional disparities in the economic development of the country¹;
- ensuring conditions for growth of employment and of the income of the population;

¹ This objective, as compared to its version of 1999, was amended by adding "intra-regional disparities" and removing the text about employment and income as indicators for narrowing inter-regional imbalance.

- Development of cross-border co-operation.

With a view to the successful completion of the negotiations under Chapter 21 “Regional Policy and Coordination of the Structural Instruments”, the RDA adopted in 2004 defined the authorities to be involved in the implementation of the regional policy and the system of inter-related planning and operational documents. As of 2006, the results from the implementation of the Act showed that it fulfilled, in main terms, its role and tasks for creation of principles and rules and for the strategic planning and institution building of the regional policy in Bulgaria. According to the concept for amendment and supplementation of the RDA, however, the achieved progress in this direction needed to be further developed, updated and made more precise. One of the most important reasons for this change was Bulgaria’s full membership in the EU, due to which the provisions of the Act had to be fully harmonized with the European legislation in the field of the Cohesion Policy and with the new EU regulations for the 2007-2013 programming period (MRDPW, 2006, p. 8-14).

The need of amending the legislation on regional development led to the abolishment of the RDA of 2004 and the adoption of a new RDA, which entered into force on 31.08.2008 (promulgated, SG, issue 50 of 30 May 2008, last amended in State Gazette, issue 9 of 3 February 2015). Article 2 of the RDA of 2008 stipulates that “The state regional development policy shall create conditions for balanced and sustainable integrated development of regions and municipalities, and shall comprise a system of statutory documents, resources and activities of the competent bodies, aimed at: 1. Narrowing inter-regional and intra-regional disparities in the extent of economic, social and territorial development; 2. Ensuring conditions for accelerated economic growth and a high level of employment; 3. Development of territorial cooperation.”

All of the above mentioned leads me to the following conclusions:

- In all three Acts (1999, 2004 and 2008) it is stated that the main objective of the regional development policy is the narrowing of inter-regional disparities;

- The amendments of the Acts and the abolishment of two of them are caused by the desire of the Bulgarian lawmakers to harmonize the statutory framework with the provisions of the European regulations on the Structural Funds and the Cohesion Fund.

Here I should say that in accordance, with the process of reforming the EU Cohesion Policy during the 2014-2020 programming period, in 2012, the Ministry of Regional Development and Public Works (MRDPW) performed an assessment of the impact of the current national legislation on regional development, which provided information about the status and the problems of the RDA implementation process. The Ministry plans new amendments of statutory documents, which shall abolish, for the third time during the last 16 years, the Regional Development Act. The main objective is to harmonize the national legal framework to achieve more efficient implementation of the state policy for narrowing the social and economic disparities between the regions in the context of the objectives and the current regulations on the EU Cohesion Policy during the 2014-2020 programming period (MRDPW, 2012, p. 5). In my opinion, the three RDAs, developed in the period 1999-2008, as well as the document, prepared by the MRDPW in 2012, show that Bulgaria conforms to a great extent its national and sub-national priorities for regional development to the programming periods of the European Cohesion Policy.

2. THE NOMENCLATURE OF TERRITORIAL UNITS FOR STATISTICS IN BULGARIA

For the needs of the regional policy in Bulgaria, six regions of level 2² were established in 2002, in compliance with the EU criteria for NUTS 2

² Until the end of 2007, the Bulgarian lawmakers referred to the Bulgarian NUTS 2 regions as "Planning Regions", while in the RDA of 2008 they were, and are still called "level 2 regions". The initial territorial coverage of five of the regions was changed because as at 31.12.2004 two of the existing regions – North-Western and South-Easter – did not meet the criteria for minimum population of 800,000 people as per Regulation № 1059/2003.

regions. The classification, which our country adopted, was agreed by the National Statistical Institute and Directorate-General of the European Commission Eurostat. The formation of the Bulgarian regions was justified by at least two groups of reasons: the objective requirements of regional planning and the formal conditions, stated in relation to Bulgaria's accession to the European Union. The NUTS 2 regions are used for two main purposes:

- Collection and analysis of comparable statistical information;
- Implementation of the Community Cohesion Policy.

Regarding the Bulgarian NUTS 2 regions, I should emphasize that they are not Administrative Territorial Units (ATU) within the meaning of Art. 2 of Administrative and Territorial Division of the Republic of Bulgaria Act (promulgated in State Gazette, issue 63 of 14 July 1995, last amended in State Gazette, issue 107 of 24 December 2014)³ and are used only for the purposes of regional development and regional statistics. They were formed to compensate some disadvantages of the district division introduced at the beginning of 1999, more specifically to serve as the basis for elaboration of integrated regional development plans for territories larger than the established districts. As it is stated in the Operational Programme Regional Development (OPRD, 2007, p. 16), by creating them, our country fulfilled the EU requirements for implementing the Cohesion Policy, according to which the regions, eligible to receive funding from the Structural Funds under objective Convergence, correspond to the NUTS 2 level, with their GDP per capita being less than 75% of the EU average. Bulgarian level 2 regions are (*Map 1*): North-Western Region (NWR), North Central Region (NCR), North-Eastern Region (NER), South-Eastern Region (SER), South-Western Region (SWR), South Central Region (SCR). The gross domestic product of each of these six regions in the period 2000-

³ Administrative Territorial Units in Bulgaria are the districts and the municipalities, which have their own territory, boundaries, populations and administrative centres. The municipalities in the country are 264 and they are self-governing ATEs. The 28 districts correspond to the NUTS 3 level and serve for the implementation of state governance at local level. The NUTS 2 have only names and territorial coverage.

2002⁴ was less than 75% of the EU average, therefore they all were eligible for funding from the Structural Funds for the programming period 2007-2013 period under the Convergence objective, as specified in Art. 5, Chapter III of Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999.

Map 1. Level 2 regions in Bulgaria (source: MRDPW, 2007, p. 16)



A very important issue as at the year of formation of the six NUTS 2 regions in Bulgaria was whether they would remain formal units or will be used as a real basis for implementation of regional development initiatives. According to Ivanov, in case of successful development, these regions could turn into the territorial basis for regional self-government in Bulgaria

⁴ Pursuant to Art. 5 of Regulation (EC) N°1083/2006, the regions eligible for funding from the Structural Funds under the Convergence objective during the period 2007-2013 shall be NUTS 2 regions whose gross domestic product per capita, measured in purchasing power parities, is less than 75 % of the average GDP of the EU.

(Ivanov, 1999, p. 82). The statistical challenges, on the other hand, were rooted in the concern of the European Commission and Eurostat about exaggerating the results of the regional disparities analysis through the territorial coverage of the regions. The latter can be most easily proven by the location of the capital city of Sofia in the South-Western Region, while in a big number of EU Member States the capitals form separate NUTS 2 regions.

3. STRATEGIC INTENTIONS FOR A TURNING POINT IN THE DEVELOPMENT OF THE BULGARIAN REGIONS

Undoubtedly, the regional policy has been one of the most dynamically developing spheres in Bulgaria during the last 16 years. A legal framework and institutional structure were created, experience was gained in the programming, planning and co-ordination of the different authorities at national, regional, district and municipal level. The completion of the negotiations on Chapter 21, the passing of the Regional Development Act and of the related regulations have created preconditions for implementing the regional policy. The national strategic documents have been developed to ensure the implementation of the national regional policy in accordance with the principles, objectives and mechanisms of the European Cohesion Policy. These documents include:

- National Regional Development Strategy of the Republic of Bulgaria for the period 2005-2015;
- National Development Plan 2007-2013;
- National Strategic Reference Framework, 2007-2013;
- 7 Operational Programmes, 2007-2013.

Like each of the 28 Member States, Bulgaria has declared its intention to narrow the regional disparities and to develop the economy, using the stimulating functions of competitiveness and innovation, to ensure sustainable growth and higher employment rates. These objectives are laid

down both in the regulatory framework and in each of the above-mentioned strategic documents related to the development of the Bulgarian regions.

The National Regional Development Strategy (NRDS) for the period 2005-2015 is the main document defining the long-term objectives and priorities of the country. It has been developed in pursuance of Art. 10 of the Regional Development Act (2004) and defines the strategic directions of the regional policy, thus being the starting point for distribution of the EU support. The NRDS priorities for 2005-2015 are formulated on the basis of socio-economic analysis of the six NUTS 2 regions. The Strategy conforms to the objectives of the European funds⁵, which are defined as “main instruments for funding of regional policy activities”. The NRDS 2005-2015 has three strategic objectives (MRDPW, NRDS 2005-2015, 2004, p. 53):

- Attainment of a turning point in the development of Bulgarian planning regions through investments in the physical and human capital and approximation to the average levels of development of the EU regions,
- Decrease of interregional and intra-regional differences through development of indigenous potential at regional and local level and
- Development of territorial co-operation.

In 2005, the Agency for Economic Analyses and Forecasts (AEAF) at the Ministry of Finance developed ***National Development Plan of the Republic of Bulgaria for the period 2007-2013*** (NDP), which states the main objectives and priorities of the country supported by the Structural Funds 2007-2013. The main objective of the NDP is to present the government policy for reducing the lagging of the country behind the EU Member States and to support the development of the country-specific potential. There is an observation that big intra-regional disparities exist

⁵ On p. 51 of the NRDS it is stated that “The objectives and principles of the EU cohesion policy, oriented towards decreasing of the regional disparities, play a fundamental role for the design of the National Regional Development Strategy”.

(between the districts and the municipalities within the NUTS 2 regions) and insignificant inter-regional disparities, i.e. between the regions. At the same time, it is stated that “the efforts of the regional policy should be aimed at attaining sustainable and balanced development of the planning regions by initiating positive changes and targeted interventions that are supposed to give a positive impulse to development (AEAF, 2005, p. 55).

The National Strategic Reference Framework (NSRF) was developed in pursuance of Art. 27 and Art. 28 of Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European funds. The document contains an analysis of the disparities, weaknesses and potential for development, a list of the Operational Programmes and mechanisms for co-ordination and complementarity of all financial instruments of the EU, as well as an indicative annual distribution of the resources. The vision, defined in the framework for Bulgaria’s development as an EU Member State is: “By 2015, Bulgaria to become a competitive EU country with high quality of life, incomes and social awareness” (NSRF, 2006, p. 63). Four priorities were defined to attain the vision, one of which is focused on maintaining balanced territorial development and balanced growth through assisting the regions of Bulgaria to develop their growth potential (NSRF, 2006, p. 66).

The adoption of a new national legal framework for regional development in Bulgaria in 2008 and the modified territorial scope of the regions of level 2 became the reason for development of **Updated Document for the Implementation of the NRDS for the period 2011-2015**. This document places an even stronger accent on regional development – an approach that corresponds to the vision of the European institutions for keeping the regional dimension in the adopted Europe 2020 Strategy (p. 7). The main goal of regional development until 2015 is the attainment of sustainable and balanced development of the regions in the Republic of Bulgaria (p. 154), which corresponds to the objectives of the national regional development policy, defined by the RDA of 2008. The Updated Document for the Implementation of the NRDS 2011-2015 not only

reaffirms the strategic objectives for accelerated development of the regions in Bulgaria until 2015 and for narrowing inter-regional disparities, adopted with the NRDS 2005-2015, but also proposes key indicators to assess the implementation of the NRDS during the period 2011-2015. The list of indicators includes: employment of the people aged 15-64, research and development expenses, disposable income of private households per inhabitant, gross domestic product (PPS per inhabitant in % of the EU average).

My conclusion on the above is that in all strategic documents, elaborated for the implementation of the regional development policy in Bulgaria and of the European Cohesion Policy, Bulgarian institutions firmly declare their commitment to decreasing the regional disparities in the development of the six NUTS 2 regions.

4. REGIONAL REALITIES

My intention in this part of the report is to analyse the disparities in the development of the six Bulgarian regions using the four indicators, defined in the Updated Document for the Implementation of the NRDS 2011-2015, to which I have added one more – number of population, as it is the main criterion for the establishment of the NUTS 2 regions. I have used as a starting point of the reviewed period the adoption of the first RDA in 1999, which provides for reduction of the regional disparities, to ascertain whether the intentions stated in the Bulgarian regulatory and strategic documents have been fulfilled.

4.1. Population by NUTS 2 regions in the period 2000-2014

The data in *Table 1* on the number of population in Bulgaria by NUTS 2 regions shows decrease of the inhabitants of the six regions. The demographic situation is unfavourable in four of regions in the country. According to the relative share of decrease in the number of inhabitants, the North-Western regions leads the negative statistics with its population

having decreased in 2014 by 25% compared to the beginning of the surveyed period. There are also negative trends in the North Central, South Central and South-Eastern region, where the drop is respectively 20.2%, 13.6% and 12,1%. Two of the Bulgarian regions are at the other extreme – there is decrease but it is considerably lower – in the North-Eastern region this indicator has dropped by 7% and in the South-Western region, which is characterised by specific demographic development due to the presence of the country capital in it, the decrease is only 0.7%.

I have also ascertained that the regional disparities in the number of population during the period 2000-2014 increase. While in 2000, the population of the North-Western Region was 13.2% of Bulgaria's total, in 2014, this percentage dropped to 11.2%. Decreasing trends of the relative share of inhabitants are observed in 3 other regions – North Central (12.8% in 2000, 11.5% in 2014), South-Eastern (14.8% in 2000, 14.6% in 2014) and South Central (20.6% in 2000, 20.1% in 2014). The share of the population in the North-Eastern region, compared to that of the country increases slightly – by 0.7% (12.5% in 2000, 13.2% in 2014). On the other hand, in the South-Western region there is an increase by 3.4% – from 26% in 2000 to 29.4% in 2014.

I think that the mentioned trends have a negative effect on the balanced development of the regions in Bulgaria, which faces obstacles such as:

- Concentration of the population in the more attractive regions and cities such as the South-Western region and the capital city Sofia, in particular;
- Depopulation of the weakly developed regions – North-Western and North Central.

In my opinion, the negative demographic trends will lead to the need of another change of the territorial scope of Bulgarian NUTS 2 regions because in a few years the population of the North-Western and North Central regions will be below the minimum threshold of 800,000 people required by Regulation № 1059/2003.

*Table 1. Indicators for monitoring the inter-regional disparities in Bulgaria
(sources: National Statistical Institute and Eurostat)*

год.	NWR	NCR	NER	SER	SCR	SWR
Population						
2000	1 067 180	1 040 117	1 017 848	1 203 369	1 677 844	2 143 110
2014	810 401	835 813	954 536	1 063 690	1 453 619	2 127 618
Employment rate of the age group 15-64, %						
2003	48,4	50,5	50,9	52,7	52,4	58,1
2014	55,0	57,4	59,8	58,0	61,5	66,1
Research & Development expenditures (million EUR)						
2000	1,3	1,8	3,1	3,6	2,5	58,9
2013	5,5	5	15,2	8,5	12,6	220
Disposable income of private households (PPS per inhabitant)						
2000	1900	2000	2100	2300	2300	2700
2011	4700	5600	5600	6400	5600	7600
Gross domestic product (PPS per inhabitant in % of the EU27 average)						
2000	26	24	27	30	22	38
2011	29	31	38	38	32	78

4.2. Employment per NUTS 2 regions

In 2003⁶, the employment level varied between 48.4% for the North-Western region and 58.1% for the South-Western region, the average for the country being 52.2%. The percentages for 2014 in five of the Bulgarian NUTS 2 regions were between 55% for the North-Western region and 61.5% for the South Central region, while the South-Western region had the highest rate of 66.1%. In the period 2003-2014, the disparities between the six regions in terms of the employment indicator had a growing trend. At the beginning of the period under review, the difference in employment between NWR and SWR was 9.7%, while in 2014, it increased to 11.1%. It is of crucial importance that a more targeted regional policy be implemented toward opening new work places and creating employment in the North-Western, North Central and South-Eastern region, in which the economic activity is below the country average (55%, 57.4%, 58%, respectively, compared to an average of 59.6 per cent for Bulgaria), to avoid internal and external migration of active population from regions with lower employment to regions with higher employment levels. If we accept the employment rate is an objective criterion for the status of economic development, then the North-Western region appears to be the most problematic one.

4.3. Research and Development by NUTS 2 regions

The increase of the competitiveness of the Bulgarian regions and the introduction of high-technology production processes depends on the level of research and development activities (R&D). In absolute figures, the R&D expenditures in Bulgaria during the period 2000-2013⁷ marked stable growth from 71.2 million EUR in 2000 reaching 266.8 million EUR in 2013. The allocation of resources for R&D during the analysed period per NUTS 2

⁶ The employment data is taken from DG Eurostat and from the National Statistical Institute of Bulgaria and it does not provide information about the indicator values for the Bulgarian NUTS 2 regions in the years 2000, 2001 and 2002, therefore my survey covers the period 2003-2014.

⁷ The National Statistical Institute has not published data for 2014, yet. Therefore, the survey of the R&D activity was performed for the period 2000-13.

regions is presented in Table 1. This data makes me qualify the R&D expenditures in Bulgaria as rather uneven. In 2000, the North-Western and the North Central region lagged the most behind the other regions with 1.3 million EUR and 1.8 million EUR, respectively. Next came the South Central region (2.5 million EUR), North-Eastern (3.1 million EUR) and South-Eastern (3.6 million EUR). The South-Western region outperformed more than four times the other five NUTS 2 regions in the aggregate with its expenditures for R&D worth EUR 58.9 million. The indicator values in the six regions in 2013 show increase of the inter-regional disparities – while in 2000 the difference between NWR and SWR amounted to 57.6 million EUR, at the end of the period under review it marked significant increase to reach 214.5 million EUR.

4.4. Disposable income of the households

The disposable income of the households⁸ represents the amount of cash income received from various sources (including income from employment, investment and social compensation) by each household member, from which the taxes and social security contributions paid are subtracted. The disposable income of the households is used for final consumption and savings and is very often used as a synonym of the standard of living in a given country or region. This indicator provides information about the amount of a household's "pocket money". The average size of the disposable income in the six Bulgarian NUTS 2 regions in 2000 was 2,216.7 PPS per inhabitant. For five of the six regions the indicator is below the average level with only the South-Western region exceeding the average level with 2,700 PPS per person. As at 2011, the disposable income at regional level increases to 5,916.7 PPS per person.

⁸ The statistical data provided by Eurostat regarding the income and the gross domestic product are "lagging" three years behind the last current information about the other indicators (i.e. it is until 2011, inclusive, but not until the end of 2014), therefore the survey against these two indicators covers the period 2000-2011.

The data in *Table 1* shows that, in addition to the SWR, the figure for the South-Eastern region is above the average for the regions in the country. The disparities in the income, however, increase: in 2000, the difference between the North-Western and the South-Western region was 800 PPS, while as at the end of the surveyed period it reaches 2,900 PPS.

4.5. Regional Gross Domestic Product

In 2000 (the beginning of the surveyed period), there were no fundamental disparities between the six level 2 regions in Bulgaria in terms of GDP per capita as compared to EU average GDP. With the exception of the South-Western region, whose GDP was 38% of the EU 27 average, the other five regions show GDP between 22% to 30% of the Community average (*Table 1*). This characteristics of the regional economic development of the country give the authors of the first National Regional Development Strategy a reason to conclude with satisfaction that “no other country has shown such cohesion at NUTS 2 level” (NRDS, 2004, p. 7). As at 2011, however, the inter-regional disparities are significant. At the end of the period under review, three types of regions are formed and the disparities in their economic development increase substantially:

- The South-Western region is the most developed one with its GDP reaching 78% of the EU average and approaching the average European level;
- The North-Eastern and the South-Eastern regions have a GDP, which is 38% of the EU average;
- The third group of the regions, which lag behind, has a GDP between 29% and 32% and it includes the North-Western, the North Central and the South Central regions. The smallest GDP figure is for the NWR – 29%, and it takes the last place not only in Bulgaria but also in the whole European Union, along with the Romanian North-Eastern region.

Within the European Union, one more indicator is used to measure the regional disparities, which DG Eurostat has been monitoring since 2000

at NUTS 2 level – dispersion of the gross domestic product⁹. The regional dispersion of the gross domestic product per capita in the European Union varied between 10.5% to 40.3% during the period 2000-2011, with two types of countries being outlined:

- EU Member States with low percentage of regional dispersion – between 10-20%;
- EU Member States with high percentage of regional dispersion – between 20-40%.

In 2000, Bulgaria ranked among the countries with low regional dispersion (18.1%) taking the 8th place after the Netherlands (10.6%), Denmark (15.5%), Slovenia (16.7%), Austria (16.9%), Poland (17.6%) and Ireland (17.7%). During 2001-2005, the regional disparities in the country in terms of GDP increased to 20.5-26.6%, but did not exceed 30%, thus moving Bulgaria from 11th to 18th place among all 21 Member States¹⁰. In 2006-08, as a result of the increase of the regional dispersion, Bulgaria dropped to 20th position (31.3-37.1%), with only Hungary behind. In the recent years, for which Eurostat provides data – 2009-2011, Bulgaria was the EU Member State with the highest percentage of regional dispersion and led the negative ranking with 39.2-40.3%, i.e. the country had the biggest inter-regional differences in the level of economic development of the six NUTS 2 regions, measured by the gross domestic product per capita, as compared to all other European Union Member States.

The trends in the development of the six NUTS 2 regions during the recent years bring me to the conclusion that Bulgaria did not manage to

⁹ The dispersion of regional GDP (at NUTS level 2) per inhabitant is measured by the sum of the absolute differences between regional and national GDP per inhabitant, weighted with the share of population and expressed in percent of the national GDP per inhabitant. The dispersion of regional GDP is zero when the GDP per inhabitant in all regions of a country is identical, and it rises if there is an increase in the distance between a region's GDP per inhabitant and the country mean.

¹⁰ Reasonably, the regional dispersion data excludes the countries, which have no NUTS 2 regions established – Estonia, Cyprus, Luxembourg, Latvia, Lithuania and Malta.

fulfil:

- The commitment for balanced territorial development, stated in the Constitution;
- The objectives, laid down in the three Regional Development Acts for narrowing the inter-regional imbalance;
- The intentions for decreasing the gaps and for a turning point in the development at NUTS 2 level, declared in the numerous strategic and programme documents.

The mentioned regulatory and strategic documents are financially secured by the national and the municipal budgets, as well as by billions of Euro from the European Union, available to the country under the pre-accession instruments and the Structural Funds. The differences in the social and economic development of Bulgarian regions increase, some of the level 2 regions with the greatest needs – North-Western and North Central – lag even more behind in their development, while the South-Western region, in which the capital of the country is located, shows an exceptionally dynamic pace of social and economic development and is an attractive centre for well-educated people and investment, unlike the other regions. All this requires the implementation of more adequate public policies for decreasing regional disparities in the coming years, as the attainment of this objective, not achieved so far, is laid down in the new National Regional Development Strategy, 2012-2022.

5. RESULTS FROM THE IMPLEMENTATION OF THE BULGARIAN OPERATIONAL PROGRAMMES DURING THE 2007-2013 PROGRAMMING PERIOD

Upon its accession to the European Union on 1 January 2007, Bulgaria was given access to resources from the Structural Funds and the Cohesion Fund of the Community. One of the most desired advantages of the country's joining the EU, which is a challenge at the same time, is the absorption of the development support, provided through the EU funds. To

my view, this support creates unprecedented opportunities for social and economic growth and conversion. The Community Cohesion policy, with its instruments being the Structural Funds and the Cohesion Fund, can have a positive effect on our country's development because its main goal is to increase the physical, financial, human and social capital of the supported countries and their regions.

The resources from the funds are available to all EU Member States based on Operational Programmes, approved by the European Commission and during their implementation individual projects are funded to perform the programmed actions and to reach the desired results. Pursuant to the programme documents, proposed by our country, the resources to be granted and absorbed during the period 2007-2013 were allocated in seven Operational Programmes, developed in compliance with the National Strategic Reference Framework. The profound examination of these programmes that I performed to prepare the present report takes me to the following conclusions:

- **Operational Programme Transport** is a sector programme. Its scope covers the territory of the whole country and reflects important accents of European and Bulgarian documents. The programme misses an objective to decrease the disparities between the six NUTS 2 regions related to transport availability. It is not based on the analyses of the regional development plans for the period 2007-2013 in their parts concerning the road and railway infrastructure and water transport;

- **Operational Programme Environment** is a sector programme, based on the objectives and priorities of the EU environmental policy and reflecting the international commitments of Bulgaria in the environment sector, as well as the commitments to the EU assumed during the pre-accession process. In the presentation of the individual environmental sub-sectors, there is no data about the social and economic characteristics of the environment sector in the six Bulgarian NUTS 2 regions. The programme text takes into account only the disparities between the average level of Bulgarian and that of the EU;

- The implementation in practice of Priority 4 of the National Strategic Reference Framework of the Republic of Bulgaria for 2007-2013 – balanced territorial development – is done through the **Operational Programme Regional Development**, which is a common programme for all NUTS 2 regions. In its essence, the programme is national and its regional dimension is presented only in its title and in the social and economic analysis of the six regions presented in the beginning. The priority axes of the document are urban development, local accessibility, tourism, cooperation and technical assistance. These priorities and the allocated financial resources for the programme implementation are not broken down by regions;

- **Operational Programme Human Resources Development** directs its resources to training, qualification and services, as well as to improving the quality of and the access to education. The programme contains an analysis of the macroeconomic conditions, the demographic trends, the labour market, the educational status of the population, the social and health services, the policies in the sphere of human resources in the period 2000-2006. The mentioned indicators are explored at national level, and at certain places comparisons are made with the situation in EU27 without paying much attention to the regional disparities;

- **Operational Programme Competitiveness** invests in activities developing the potential for a competitive and efficient production process. The priority axes of the programme, which correspond to the Lisbon and Goteborg objectives, are not linked to the regional disparities in employment, unemployment, competitiveness, R&D and innovation at NUTS 2 level. They are directed toward finding solutions to general problems for the country, e.g. “restructuring of the Bulgarian economy” (p. 103), “raising the investment activity through design of special financial instruments intended for small and medium-sized enterprises in Bulgaria” (p. 114), etc.;

- **Operational Programme Administrative Capacity** has a horizontal scope and its strategic objective is to attain common standards

and rules for reform of the administration at all levels – central, district and municipal. The fields of intervention are the state administration, the judiciary, the social and economic partners and the civil society structures in Bulgaria – regardless of their location in Bulgaria and of the need of reforming the administrative capacity in the six regions of NUTS 2 level;

- The overall objective of the **Operational Programme Technical Assistance** is to improve the utilisation of the Structural Funds and the Cohesion Fund in Bulgaria during the period 2007-2013. The programme is horizontal and it provides instruments and financial resources to cover all needs of the institutions participating in the co-ordination, monitoring, management, control and certification, audit and evaluation of the structural instruments. These are bodies located at line ministries, i.e. concentrated at central level.

Table 2. Distribution of the Structural Funds and Cohesion Fund resources by regions of level 2 in Bulgaria in the period 2007-18.08.2014 (according to data from the Unified Management Information System for the EU Structural Instruments in Bulgaria)

NUTS 2	GDP (PPS per inhabitant in % of the EU27 average), 2006	GDP (PPS per inhabitant in % of the EU27 average), 2011	Value of the contracts under the 7 OP (Euro)	% of total value
NWR	26	29	602 081 322	7,44
NCR	28	31	767 510 709	9,49
NER	33	38	640 395 040	7,92
SER	33	38	1 387 751 009	17,15
SCR	29	32	1 502 074 370	18,57
SWR	60	78	3 190 560 674	39,44
Total	n.a.	n.a.	8 090 373 124	100,00

Sofia city (NUTS 3)	81	106	2 177 269 616	26,91
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Unlike the experience of most EU Member States¹¹, the structure of the Operational Programmes has been designed only according to the institutions in Bulgaria responsible for the national policies in the respective sectors and not following the regional or multiregional principle. According to the list to Council Regulation (EC) No 1083/2006 of 11 July 2006, containing the regions under Convergence objective, the whole territory of Bulgaria (i.e. all six NUTS 2 regions) is eligible under this objective due to the low GDP of all six regions compared to the average European level. This fact, however, does not justify at all the choice of the responsible Bulgarian institutions to elaborate national operational programmes. In Poland, for example, whose territory (all regions) is funded under Objective 1, both national and regional operational programmes were developed for the period 2007-2013. In addition to not corresponding to the practice in other countries in two programming period, whose territory is divided in NUTS 2 regions, and to Regulation 1083/2006 on NUTS 1 and NUTS 2 operational programmes, this decision can be easily explained also with the lack of willingness to decentralise the power to the lower territorial levels.

The data in *Table 2* clearly show that the European and national financial resources are distributed very unevenly in the six Bulgarian NUTS 2 regions. Most of the funds for project implementation (39.44% of the approved projects for the 2007-2013 programming period, or almost 3.2

¹¹ During the 2007-2013 programming period, out of all 27 EU Member States as at mid-2007 (i.e. without Croatia), 17 had developed both national and regional and multiregional Operational Programmes. Bulgaria, Romania, Denmark and Slovenia had only national programmes. Luxembourg, Lithuania, Latvia, Estonia, Cyprus and Malta individually represent NUTS 2 regions and this explains why they have only national programmes.

billion EUR) were granted to the best economically developed Bulgaria region, whose GDP in 2011 reached 78% of the European Union average – the South-Western region. One of the 28 NUTS 3 administrative-territorial units – the Sofia City Capital district (which is part of the SWR) attracted almost 2.2 billion EUR, which represents 27% of the value of contracts in all regions. At the last place in terms of attracted financial resources for the implementation of the seven operational programmes comes the less favoured NUTS 2 region not only in Bulgaria but within the whole European Union – the North-Western region, with 7.44% of the total value of the approved projects for 2007-2013. The other regions have managed to attract between 7.92% (EUR 640.4 million in North-Eastern region) and 18.57% (just above 1.5 billion EUR in the South Central region).

As I already said earlier, Bulgaria has no regional Operational Programmes, as the practice is in seventeen of the EU Member States. The resources are distributed on a competitive basis (excluding the Transport Operational Programme, in which the projects and beneficiaries have been pre-defined) and the most favoured region is the one with the biggest potential for development – the South-Western region.

In my view, the results of the 2007-2013 programming period were pre-determined by the joint influence of:

- The design of the operational programmes, which are national and sector, and whose focus is on the region of “Bulgaria” and not the problems and needs of the six NUTS 2 regions. As a result of this situation, Bulgaria directed the European funding primarily for the implementation of the national development policy but not of regional development policies, which according to the Strategic Guidelines of the Community should be a priority in a Europe of regions where the efforts are toward decreasing the regional disparities and supporting primarily the lagging regions;
- The centralised model of state government, in which the national documents (plans, strategies, programmes) are being prepared and enforced in the top-down approach only to be implemented at

the lower levels without providing for actual decentralisation – administrative and financial. In Bulgaria, the size of most of the municipal budgets is small and rather insufficient for providing co-financing and implementation of projects supported by the European funds. The most revenue-bearing taxes are concentrated in the central budget, the local authorities are dependent on resources for implementation of delegated activities and have quite small income from local taxes and fees. The latter leads to concentration of the European Union funding in the capital city Sofia – i.e. where the population is concentrated, as well as the educational and research infrastructure, business and foreign investment;

- The location of the city of Sofia in the South-Western region is a serious problem. According to data from Eurostat, the gross domestic product of this city in the recent years exceeds the stated threshold for access to funding, moving from 81% of the Community average GDP in 2006 to 106% in 2011. The problem with the capital city in other Member States has been solved by formation of separate level 2 region and for the period 2007-2013 such regions received funding under Objective 2 of the Cohesion policy. During the last 16 years, several debates have been organised in Bulgaria regarding the territorial scope of the Bulgarian regions, however, at present there is no political will for their change. As a consequence of the current model of regional division for the purposes of the European statistics, Sofia receives funding from the best financially secured Cohesion objective and falls in the category of the “less favoured, lagging regions”, without actually being such.

Such results cannot be observed in other EU Member States during both 2000-2006 and 2007-2013 programming periods. In seventeen

countries¹², the less favoured regions have bigger resources available as compared to the NUTS 2 regions with a higher Gross domestic product – in France, for example, Île-de-France, whose GDP was 174% of the Community average in 2000 and 166% in 2006, had access to 12.3 EUR per inhabitant in the period 2000-2006, respectively 12.7 EUR per inhabitant in 2007-2013, while the resources for the less developed region of Reunion are much bigger – respectively 1,895.3 EUR and 1,827.43 EUR per inhabitant. The Central European states that joined the Union in 2004 also distribute the European funds with priority for the regions with a lower gross domestic product. In Bulgaria, during 2007-2013, the Operational Programme resources for the most prospering NUTS 2 region exceed by more than twice the attracted resources by the most underdeveloped NUTS 2 region – SWR had at its disposal 1,515.4 EUR per inhabitant, while the NWR –741.2 EUR per inhabitant.

CONCLUSION

The absorption of the financial resources from the Structural Funds and the Cohesion Fund in Bulgaria during the first programming period 2007-2013, is contrary to the main principle of the European Cohesion Policy – support to underdeveloped regions and decrease of the regional disparities through investment in cohesion. During 2007-2013, the EU allocated more than 81.56% of the European Funds budget to the less favoured NUTS regions, while in Bulgaria 40% of the available resources were invested in the best-developed region – the South-Eastern, and only 7.5% in the less favoured one – the North-Western region.

Bulgarian Operational Programmes for the 2014-2020 programming period follow the logic of the previous period – the country has not elaborated regional Operational Programmes, which should actually support

¹² The countries, in which both national and regional/multiregional Operational Programmes were developed.

the underdeveloped regions, but seven national programmes: "Good Governance", "Transport and Transport Infrastructure", "Regions in Growth", "Human Resources Development", "Innovation and Competitiveness", "Environment", "Science and Education for Intelligent Growth".

In case the trends in the implementation of the new Operational Programmes are preserved during the second programming period for Bulgaria as a Member State of the European Union, my expectations are for continuing investment primarily in the South-Western region and in the city of Sofia, which, instead of convergence of the level of development of the six NUTS 2 regions, will lead to even bigger regional disparities than the presented in the paper.

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