EU regional policy and the opportunities for socio-economic development of municipalities in Bulgaria

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Abstract. The Structural Funds (SF) are the main instrument of the European Union for conducting its regional policy. Through funding the European Regional Policy by EU funds, the Union complements and supports national activities. It has an impact on development planning at regional and local level. In recent years, the municipal administrations in Bulgaria have been relying heavily on project activities in the implementation of municipal goals and priorities. The preparation of municipal projects and their management both require a highly professional staff of experts. Most municipalities in Bulgaria, including those with greater success in the preparation and application of projects under the Operational Programs have difficulties and problems in project implementation. Most of them are summarized and discussed in this research.

Keywords: regional policy, structural funds, design work, Operative Programs, municipalities.

JEL Codes: R11, O18, O19.

1. Introduction

The Regional Policy of the European Union aims at eliminating differences in the status and development of over 250 regions in the Community and providing EU citizens equal access to quality education, proper job, clean environment, an enabling business environment. This policy is based on the principle of solidarity. About one third of the EU budget is directed to less developed regions and social groups. In art. 158 of the Treaty establishing the European Community it is stated that in order to strengthen its economic and social cohesion, the Community aims at reducing disparities between the levels of development of the various regions and the backwardness of the least favored regions or areas, including rural areas. These actions will be supported by: the Structural Funds (SF), the European Investment Bank (EIB) and other existing financial instruments (Article 159 TEC).

Structural Funds (SF) are the main EU instrument for implementation of its regional policy. These financial instruments for the period 2007-2013 are: the European Regional Development Fund (ERDF) and European Social Fund (ESF).
Through funding from the European Regional Policy of EU funds, the Union complements and supports national activities. It has an impact on development planning at regional and local level. The Commission and the states ensure coordination and avoid duplication of funding from various funds and assistance from other financial instruments.

According to the principle of decentralization the delegation of the rights to manage the Structural Funds and the Cohesion Fund of the State Commission are assured. Financing from EU should complement local sources the level of which is fixed by the state.

2. Absorption of structural funds in Bulgaria

In 2011 Bulgaria absorbed 8% of all funds allocated to it for the period 2007-2014 from the three funds - the Regional Development Fund (ERDF), social (ESF) and the Cohesion Fund (CF). Earlier that year, the percentage of funds disbursed to Bulgaria by the European Commission (EC) was 15.46% and at the end of the year it reached 23.54%. For the first nine months the rate was only 3 percent, and only at the end of 2011 more money were approved and paid.

Overall, in 2011 the country absorbed less money than in 2010. The final result of 8% is far from being the highest achievement, given that the rate of absorption from the period remains low - less than 24% and that half of the programming period has elapsed.

Payments to beneficiaries are also increased by 8%, from 10.20% at the end of 2010 to 18.83% at the end of 2011. There is a steady trend to maintain a gap of at least 5% smaller rate of payments to beneficiaries than the volume of funds disbursed to Bulgaria by the European Commission. This means that payments to beneficiaries are made more slowly, although the state has transferred funds from the European Commission for this. The reason could be either in the absence of costs reported by the beneficiaries or the slow process of checking (verification) of these costs by the managing authorities of the operational programs.

The absorption of operational programs (OP) at the beginning of 2012:

- 2008 with 100% level of utilized money for all operational programs;
- The 2009 funds are divided between six programs. The highest percentages is for OP "Competitiveness" - 81.55%, followed by OP "Administrative Capacity" - 79.07%, but in figures it is a small amount compared to the other programs, and the OP "Transport" - 74.93%. In the other three programs less than 20% were utilized: OP "Human Resources" - 4.61% OP "Regional Development" - 15.49%, and "Technical Assistance" - 18.31%. Unsatisfactory is the situation in the OP "Environment", with no money spent whatsoever.
- The 2010 only program, which disbursed funds, is OP "Transport" - 22.75%. The funds came from the ERDF and funded the technical assistance projects for the subway;
- In 2011 the only disbursed program is OP "Transport" - 4.35%, whereas the percentage is zero for all the other programs.

It is clear that the total priority of the Bulgarian government's use of funds is under the Operational Program "Transport", which is mainly for large infrastructure projects. The lagging behind the other programs shows that they are not given enough attention. Ignoring their purpose and potential is unacceptable in times of crisis when it is essential to feel the impact of their implementation on economic growth and employment. In this connection, there is a worrying slowdown in the OP "Human Resources", that still does not provide the expected results and is not actively used when Bulgaria has high unemployment and a drastically increasing number of illiterates with social services far behind the European standards.
Bulgaria's place in the absorption of EU structural funds:

- In the ERDF up to January 1, 2012 Bulgaria (25.55%) maintained the 25th place right in front of Italy (19.25%) and Romania (16.50%). At the front comes – Estonia with 49.88% and Lithuania with 49.09%. Bulgaria remains below the average utilization for the EU, which is 33.16% for this Fund;
- In ESF Bulgaria has fallen down with one position from the previous three months (until October 1, 2011) and is on the 26th position with 19.91%. After Bulgaria comes only Romania with 18.70%. On the first place is Latvia - 63.64%, then comes Ireland - 59.68% and Portugal - 51.97%;
- In CF Bulgaria has made progress in learning how to assimilate funds compared to the previous period before and is on the 12th place out of 15 countries receiving money from the fund. Bulgaria has 22.56% rate of fund-assimilation. Leading here is Spain with 57.37% and Lithuania with 46.56%.

The data analysis for the absorption of EU structural funds helps us trace what has been achieved in Bulgaria and what remains as a challenge for the coming months and years. Our country has committed to expend funds within certain periods, the observation of which binds us to receiving EU funds. The issue of risk in losing money is always up to date, until these means are not absorbed.¹

3. Project activities in the municipalities

In recent years, the municipal administrations in Bulgaria have been relying heavily on project activities in the implementation of municipal goals and priorities. The preparation and management of municipal projects require a highly professional staff of experts. Due to the lack of experience, local experts learn in the process of working and mainly through their own mistakes. Therefore, the exchange of experience and practice is the basis for formulating an expert municipal vision for the priorities for each program period. The National Association of Municipalities in Bulgaria (NAMRB) is committed to organizing the annual meetings of national experts on programs and projects of municipalities hosting the "fair debate between municipalities and the managing authorities of operational programs".² The reasons for organizing this event are:

- A major investment resource for building basic municipal infrastructure is obtained mainly through EU-funded projects;
- The accumulation of problems and issues whose solution requires the combined efforts of all municipalities in the opening of the OP;
- Successful attraction of investment resources is entrusted to experts in municipal programs and projects;
- The project activity has turned from peripheral into central to the municipal administration for the realization of its general objectives and priorities;
- There is a growing need of human resources for the municipalities and these resources should be concentrated in the preparation and management of projects;

The first national meeting of experts on the programs and projects of municipalities took place in 2009. It involved 117 experts from 63 municipalities. The topics and highlights are: functions and professional competencies, responsibilities and rights of the experts on programs and projects in municipalities – an analysis of the current situation; The presentation of experience and new priorities in the

¹ Analysis of the state of absorption of Structural Funds in Bulgaria based on the quarterly report from the European Commission for the period October to December 2011, http://www.finance5.bg/analysis/872.html

² National meeting of experts on programs and projects of municipalities organized on the initiative of "NAMRB - Active" Ltd. and decision of the Board of the Association. http://www.namrb.org/?act=cms&id=270
operational programs and RDP, Problems and proposals for changes in the stages "Identifying, planning and preparation of projects" and "Implementation of projects, Procurement and irregularities in public projects - problems and proposals for change.

At the Second National Meeting of Experts on the programs and projects of municipalities conducted in 2010 a group of 134 experts from 79 municipalities took part. The topics, and accents were associated with: Challenges and Opportunities for the use of available resources under operational programs in 2011 and till the end of the program period, the role of local European experts in the preparation of Bulgaria for the next programming period; Best practices and lessons learned from municipalities; Implementation of the Public Procurement Act (PPA) in municipal EU projects - key risks, financial control and audit of municipal projects and more.

At the Third National Meeting of Experts on the programs and projects of Municipalities in 2011, the number of participants increased: 139 experts from 80 municipalities, suggesting the usefulness and necessity of such educational forums.

Topics and highlights of the meeting were: EU funds for Bulgarian municipalities - what happened in 2011 and what lies ahead in 2013, Discussion with Managing Authorities (MA) of OPs and Development Program (RDP) to improve the absorption of EU funds. The introduction of transparent rules for structuring teams for project management and their remuneration, etc...

The need and interest in holding these meetings at national level, and the topics discussed at them only confirm the fact that EU funds are an outstanding resource for any community. The involvement of local administrations is essential in the preparation and implementation of projects. The ability to earn and achieve adequate EU projects clearly distinguishes successful from lagging behind communities.

According to Information system for management and monitoring of EU Structural Instruments in Bulgaria (MIS) at 10.08.2012), the project activity is dynamic for all six planning regions (Eurostat level - NUTS 2). When we compare the activity in a well-developed socio-economic planning region - the South-eastern and in a less developed region – the North-western, the data showed no lag or considerable differences in the number of both contracts and beneficiaries:

<table>
<thead>
<tr>
<th>Planning region (NUTS 2)</th>
<th>Total number of contracts</th>
<th>Total cost</th>
<th>Total of beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>South-eastern</td>
<td>574</td>
<td>2 087 324 832</td>
<td>348</td>
</tr>
<tr>
<td>North-western</td>
<td>597</td>
<td>771 426 100</td>
<td>341</td>
</tr>
</tbody>
</table>


When comparing the 14 municipalities which are administrative centers of regions (out of 28 districts in Bulgaria, Eurostat level - NUTS 3) and project beneficiaries the need for project financing of the socio-economic development of the municipalities in the years of crisis are reaffirmed:

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4 Ibid.
<table>
<thead>
<tr>
<th>Municipality administrative center of the region (NUTS 3)</th>
<th>Population (NSI, Census 2011)</th>
<th>Total Number of projects</th>
<th>Total sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plovdiv</td>
<td>338,153</td>
<td>11</td>
<td>65,818,218</td>
</tr>
<tr>
<td>Varna</td>
<td>334,870</td>
<td>24</td>
<td>249,804,002</td>
</tr>
<tr>
<td>Burgas</td>
<td>212,902</td>
<td>27</td>
<td>325,099,081</td>
</tr>
<tr>
<td>Ruse</td>
<td>149,642</td>
<td>18</td>
<td>60,297,167</td>
</tr>
<tr>
<td>Stara Zagora</td>
<td>138,272</td>
<td>12</td>
<td>99,302,004</td>
</tr>
<tr>
<td>Sliven</td>
<td>91,620</td>
<td>12</td>
<td>20,903,540</td>
</tr>
<tr>
<td>Haskovo</td>
<td>76,397</td>
<td>10</td>
<td>22,545,431</td>
</tr>
<tr>
<td>Yambol</td>
<td>74,132</td>
<td>15</td>
<td>20,236,256</td>
</tr>
<tr>
<td>Blagoevgrad</td>
<td>70,881</td>
<td>17</td>
<td>55,609,595</td>
</tr>
<tr>
<td>Veliko Tarnovo</td>
<td>68,783</td>
<td>17</td>
<td>78,044,788</td>
</tr>
<tr>
<td>Vidin</td>
<td>48,071</td>
<td>14</td>
<td>37,008,255</td>
</tr>
<tr>
<td>Lovech</td>
<td>36,600</td>
<td>17</td>
<td>44,033,275</td>
</tr>
<tr>
<td>Silistra</td>
<td>35,607</td>
<td>15</td>
<td>11,888,240</td>
</tr>
<tr>
<td>Razgrad</td>
<td>33,880</td>
<td>18</td>
<td>62,362,767</td>
</tr>
</tbody>
</table>


Smaller municipalities face more difficulties in project investment and implementation of project activities. The information on the projects and contracts to municipalities as beneficiaries on 10/08/2012 at Operational Programmes (OP) in Stara Zagora confirms this:

<table>
<thead>
<tr>
<th>Name of the municipality</th>
<th>Number of the submitted project offers</th>
<th>Number of the rejected project offers</th>
<th>Number of contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brothers Daskalovi</td>
<td>5</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Gurkovo</td>
<td>9</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Gulabuvo</td>
<td>9</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Kazanlak</td>
<td>33</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Maglizh</td>
<td>7</td>
<td>1</td>
<td>4</td>
</tr>
</tbody>
</table>

6 Information system for management and monitoring of SF in Bulgaria (MIS), [http://eufunds.bg/bg/page/826](http://eufunds.bg/bg/page/826)
The number of contracts related to the number of submitted proposals is small. The main reason is the lack of competence and expertise involved in project work in smaller communities.

### 4. Conclusions

Most municipalities in Bulgaria, including those with greater success in the preparation and application of projects under the Operational Programs, difficulties and problems in project implementation. The most important may be summarized as follows:

- Continuous change of instruction to carry out projects of MA;
- Severe tender under the Public Procurement Act (PPA) and their appeal. Unfair competition and lack of collegiality between the companies involved in the bidding process almost always leads to appeals for ranking and selection of a contractor. This slows down the implementation of project activities and ability to successfully implement projects on time.
- Inconsistency in the position of the Managing Authority (MA) in the process of conducting a preliminary review of tender documents and subsequent checks of tendering procedures.
- A serious problem facing municipalities is the lack of funds for payments under contracts rhythmically with contractors during the design and verification very slow and reimbursement from MA, during and after the reading of the draft. Providing flexible funding for implementation of projects important to their success.

The interest of local and national authorities involved in the management of the OP is to find a rational and workable solution to these problems, because it directly affects the success of Bulgaria in the absorption of EU funds.

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5. References


