

## SOCCOH National Report Bulgaria

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### 1. Regional development in Bulgaria and domestic regional policy

#### 1.1. Socio-economic conditions: national and regional

Like most of the members of the 5<sup>th</sup> enlargement of the EU, Bulgaria underwent a transition from a totalitarian command society towards a market democracy. This process was characterized in the case of Bulgaria by a relatively severe recession and financial instability, from which the country emerged only after 1997. Thus the transition period in Bulgaria in terms of political stability, reform dynamics and economic performance is clearly split in two: before and after 1997.

Data for the socio-economic development of Bulgaria is much more richly available for the second of these periods, characterized by political stability, structural reforms, economic growth and advances in development. It is also the period of Bulgaria's integration into the EU. Bulgaria remains relatively poor, and its administrative capacity to implement various policies is still limited. Below, this is shown from two major perspectives – developments at the national level through time, and comparisons between the different regions of the country. Wherever possible and relevant, time dynamics of regional indicators is also presented, and comparisons with other EU countries are made.

The major areas of the socio-economic review include population and demographic dynamics, human development, education, poverty, employment developments, and economic activity, including sectoral and regional aspects, income levels and growth.

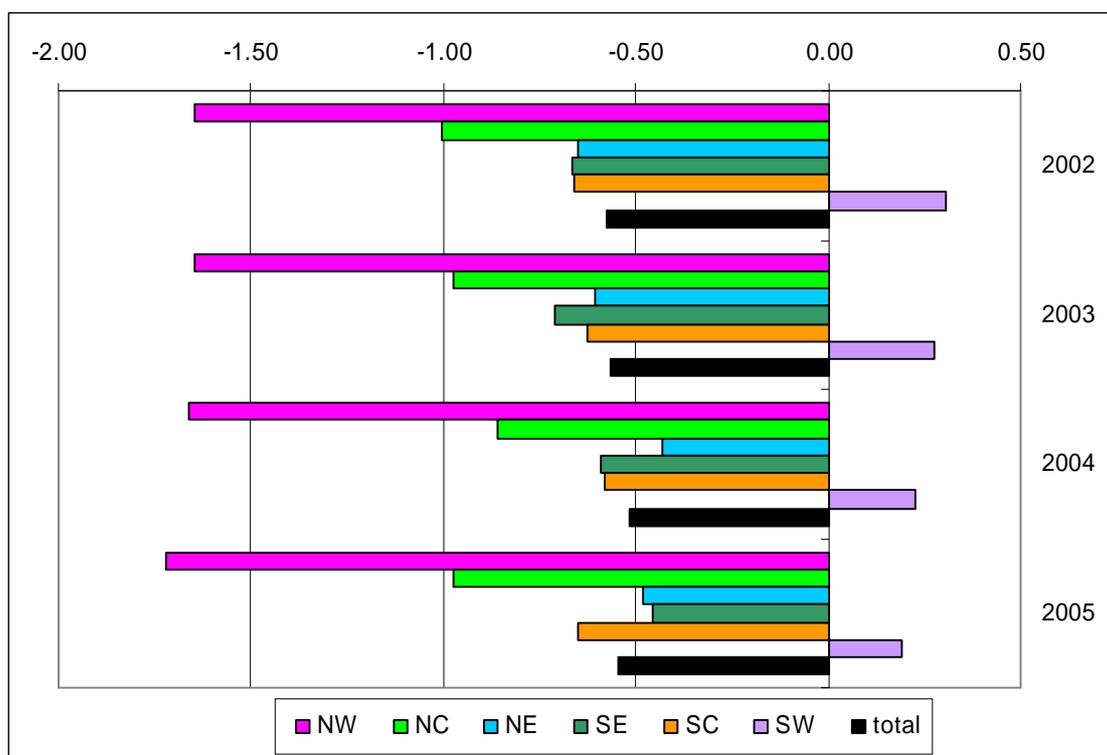
##### 1.1.1. Population

Since 1989 Bulgaria has been recording negative population growth fueled both by natural and migratory dynamics. With a speed of the drop in population averaging around 0.5 % per year the country it is among the worst performers in this respect in the EU. At present this rate is relatively stable, due to both birth and mortality rates. The post-WWII

secular trend of dropping birth rates has been reversed and has grown from below 8 ‰ in 1997 to above 9 ‰ in 2006, while the post 1960s secular trend of rising mortality has been stabilized around 14 ‰.

More recently, the stable national rate of dropping population has been hiding a widely divergent regional dynamics. The population growth rates in Bulgaria over the recent years, in their regional split, are presented on Figure 1.1.1.

Figure 1.1.1. Bulgarian national and regional population growth rates, 2002-2005



Source: NSI<sup>1</sup>.

The Northwestern and to a smaller extent the North Central regions have exhibited a strong negative population growth, while the Southwestern region, which includes the capital city Sofia, has a positive population growth, with the other three regions having stable dynamics around the national average. This divergent dynamic is probably due mostly to internal migration from the Northwest to Sofia. Regardless of the specific

<sup>1</sup> Here and in all other figures, the Legend should read as follows: NW: Northwestern region; NC: North Central region; NE: Northeastern region; SE: Southeastern region; SC: South Central region; and SW: Southwestern region

causes, Figure 1.1.1 indicates that the demography-driven socio-economic problems in the country will be unevenly distributed among regions.

### 1.1.2. Human Development

Bulgaria's human development index has changed significantly since it began to be measured in the early 1990s, mapping the overall social, political and economic dynamic in the country. Until 1997 it follows an uneven downward trend, and then has a considerable upward motion, moving the country into the category of countries with high human development under the UNDP classification.

A look at the regional aspect of the human development index shows that in general the levels of human development in the regions follow the national average, without significant level and ranking divergence between five of the six regions. The major exception in this respect is the Southwestern region, which includes the capital city, which exhibits significantly more positive than the average dynamic for the period for which regional level data are available.

In terms of the factors, underlying the human development index, Bulgaria is one of the countries which score a high level of human development simultaneously with relatively mediocre income levels. This is due to high scores in education (literacy rates), and longevity, which is not significantly lower than in the most developed countries.

With respect to the rest of the world, Bulgaria's human development lagged behind in the 1990s, and is tentatively catching up since 2000. Table 1.1.1 shows the gap between Bulgaria's human development index, and the best performers in four comparator groups – the world, the EU, the new EU member states, and the region of Southeastern Europe. The data indicate that Bulgaria lost ground in the 1990s, then was able to stabilize and improve its relative position with respect to the world and in the EU, but not relative to the new EU member states and the region of Southeastern Europe.

Table 1.1.1. Bulgarian human development index gap, 1990-2004

	1990	1995	2000	2004
World	-0.135	-0.153	-0.159	-0.149
EU	-0.119	-0.150	-0.152	-0.140
New EU members	n/a	-0.072	-0.091	-0.094
Southeastern Europe	-0.082	-0.097	-0.100	-0.105

Source: UNDP, Global and National Human Development Reports.

### 1.1.3. Education, employment, poverty

The Bulgarian educational system has changed significantly during the period of transition, with most of the reforms still pending. The most significant development has been the decline in the number of students, a natural consequence of the drop in the population, especially in the number of births until 1997. Due to this the number of enrolled students in the first eight grades in school (students in groups 1 and 2 under the International Standard Classification of Education ISCED) has dropped more than 40 %.

While the primary school system was feeling the demographic effects of the transition period, the rest of the student groups – kindergarten, secondary and higher schools had a different dynamic. Kindergartens, after a drop in the number of children enrolled by about one third, have stabilized their numbers, with a slight upward tendency after 2000. High school enrollment recorded a drop until the mid-1990s, and then a 15 % increase in the number of students between 1999 and 2005. Enrollment in higher education, meanwhile, has exhibited a steep upward trend until 1998, and then has stabilized at the high level, most probably reflecting the increase in the number of higher education institutions in the beginning of the transition period. The increase in pre-school and secondary school enrollment is due primarily to significantly higher enrollment rates.

In terms of international comparisons of the performance of the Bulgarian educational system, the available data from TIMSS, PIRLS, and PISA can help assess the relative quality and dynamic of the Bulgarian educational system with respect to different aspects of school education. While as of the beginning of the 2000s the performance of Bulgarian students is average internationally, it has recorded one of the biggest drops in scores and in relative international position over the most recent decade.

Poverty in Bulgaria, as measured by the multipurpose household survey methodology of the World Bank, has demonstrated a strong cyclical dynamic with the economy in general. After recording levels below 10 % of the national poverty line in 1995, only two years later in the midst of a severe economic crisis it shot up to above 30 %, and later dropped to 13 % in 2003. The regional spread indicates that the Southwest region has a poverty rate significantly lower than the national average in 2003 (at 7%), while all other five regions exhibit similar poverty rates ranging between 14 and 17 %.

As opposed to other socio-economic indicators, the employment situation in Bulgaria has been more a function of the process of economic reforms than a function solely of the overall state of the economy. Thus the highest levels of unemployment for the transition period were recorded after the first three years of authentic structural reforms, introducing privatization, budget discipline, deregulation, and non-accommodating monetary policy. Later, with the deepening of the reforms, with the steady influx of foreign investments and with the continuing corporate restructuring and optimization, employment started increasing, eventually leading to record low (for the transition period) levels of unemployment, and eventually starting to cause increases in the economic activity levels.

Table 1.1.2. Employment and Unemployment rates in Bulgarian regions, 2000 and 2005

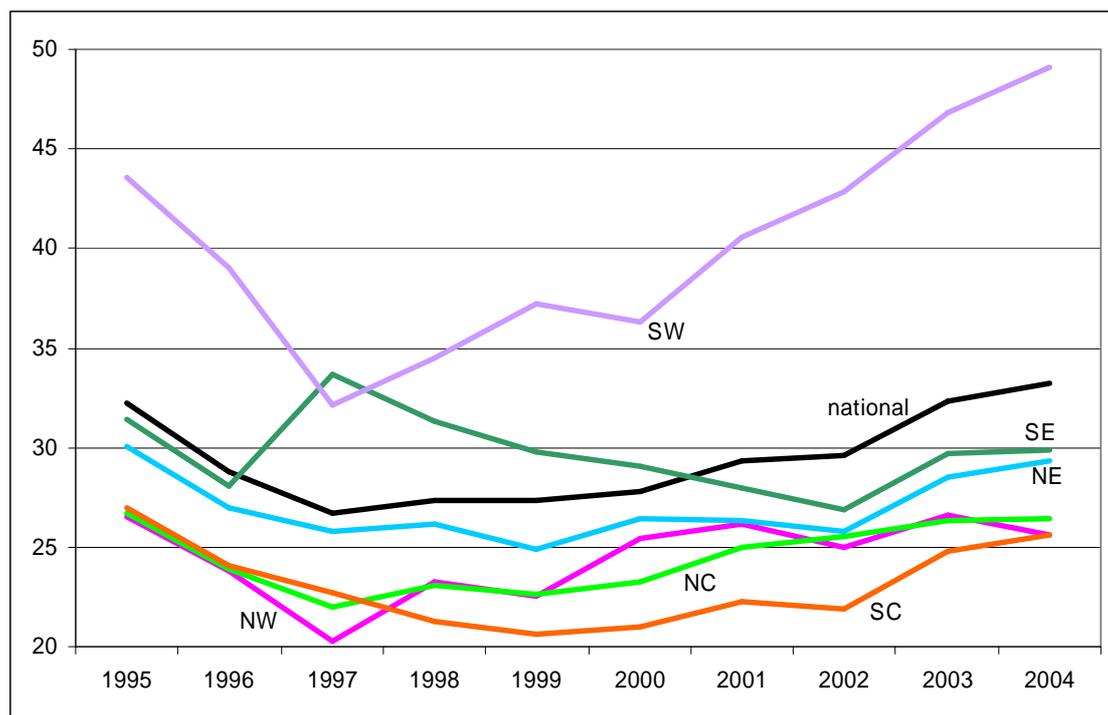
	NW	NC	NE	SE	SC	SW
e-rate 2000 (%)	31.3	38.1	37.9	36.4	41.3	47.0
e-rate 2005 (%)	35.2	41.4	44.3	44.1	43.7	50.0
change 2005/2000	+3.9	+3.3	+6.4	+7.7	+2.4	+3.0
u-rate 2000 (%)	26.6	18.1	23.4	23.7	13.5	10.9
u-rate 2005 (%)	13.6	10.7	13.3	9.6	10.0	7.6
change 2005/2000	-13.0	-7.4	-11.1	-14.1	-3.5	-3.3

Unemployment in Bulgaria fell from 16.9 % in 2000 to 10.1 % in 2005, while employment rose from a low of 40.6 % to a high of 44 %. In both cases the improvement has been quite unevenly distributed among the different regions, with the two regions bordering the Black Sea to the east benefiting the most, and the two regions in the southwest of the country benefiting the least from these improvements.

#### 1.1.4. Economy

After the initial transition recession, Bulgaria began a tentative recovery in 1994 and 1995, but then plunged into a comprehensive economic and financial crises resulting from the lack of reforms and the compounding of unsustainable deficits. The result of the crisis was a decisive political change, and the implementation of a comprehensive reform package. Since then reforms, receiving major support in the EU integration framework, have been implemented relatively consistently, and the economy has rebounded, reaching its pre-transition levels of activity by 2006, and significantly surpassing them in per capita terms. Figure 1.1.4 shows the dynamic of the economic product as a percent of the EU-25 average (at PPS) both at the national and the regional levels.

Figure 1.1.2. Bulgarian national/regional levels of GDP as % of EU-25 average at PPS



As most other regionally available socio-economic indicators, regional GDP is similar among five of the six Bulgarian regions, with the only exception being the Southwestern regions, where the capital city drives the income level significantly higher.

## 1.2. The present setup of Bulgarian regional policy

Today's setup of Bulgarian regional policy is a result of a century-long process of centralization and its relatively recent reversal. Under the late 19<sup>th</sup> century Ottoman Empire, Bulgaria had 5 sub-imperial levels of governance. By the end of the 20<sup>th</sup> century it had only one sub-national level with practical importance: the districts, formed in 1959, were important until the mid-1980s, and later with the democratic reforms this importance shifted down to the self-governing municipalities.

Only after 1998, under the influence of the EU accession process, Bulgaria introduced two more sub-national levels of governance: the 28 districts were restored, and 6 planning regions were formed on their basis. This is presented on Figure 1.2.1.

Figure 1.2.1. Districts and Planning Regions in the Republic of Bulgaria as of 2006

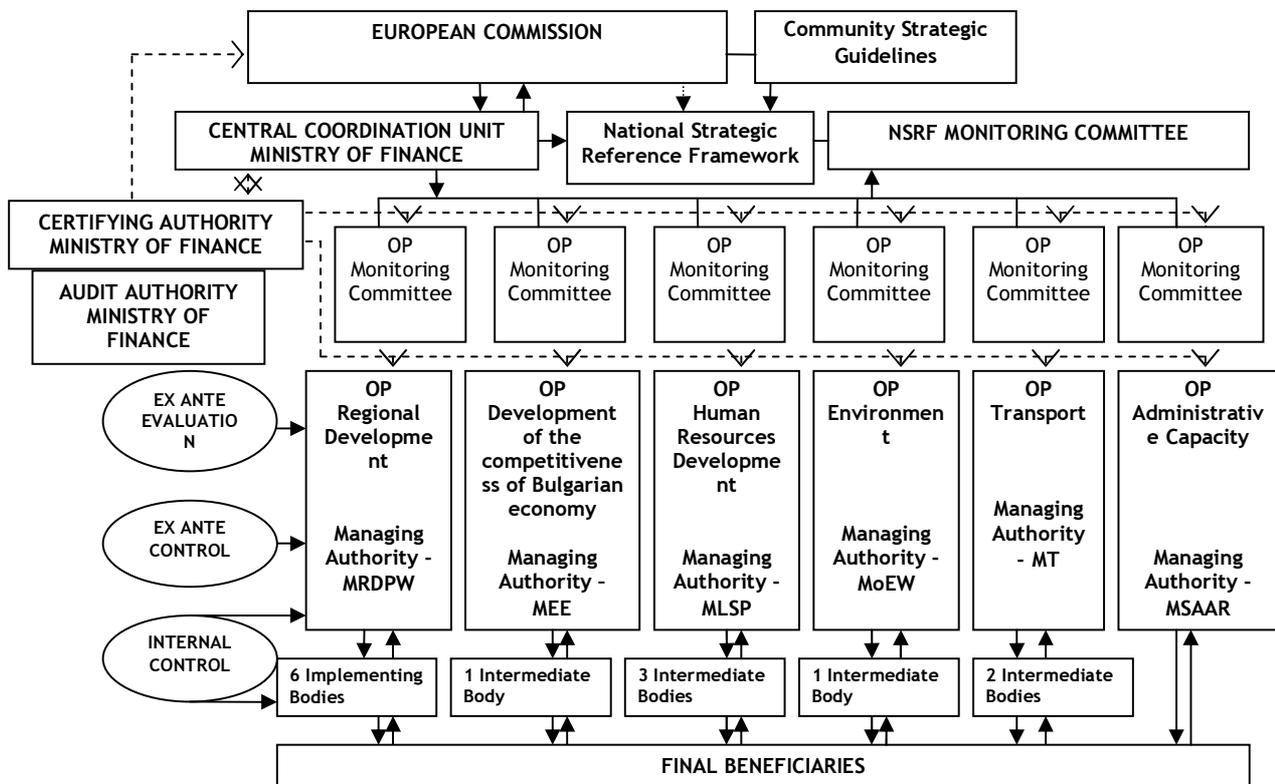


The process of regional development policy-making in Bulgaria is governed by the Regional Development Law of February 2004, which replaced earlier legislation in this sphere. The adoption of this law coincided with the conclusion of negotiations on Chapter 21 “Regional policy and coordination of structural instruments” between Bulgaria and the EU, so the present legislation in Bulgaria fully corresponds with the *acquis communautaire* and with the obligations undertaken by Bulgaria in this sphere. Another relevant piece of legislation with respect to regional policy is the Territorial Organization Law, adopted in July 2003, which also replaced earlier legislation with a set of norms more closely harmonized with requirements of EU directives. The two laws establish the basic principles and procedures for making decisions with respect to regional development, as well as the necessary state bodies and structures involved.

At present, the Bulgarian administrative system has 4 levels, of which two have autonomous power: the national administration and the municipalities, which are the only level of local self-governance. The smaller of the other two levels are the districts (NUTS III), which are administrative units consisting of several municipalities each, and where the central executive power is de-concentrated. The district governors are appointees of the council of ministers and their decisions and actions are a function of central policies. The other level of administration consists of the Planning Regions, which form the NUTS II level. The only reason for their existence is the requirement to have NUTS II level regions, and they have been formed on the basis of the districts. The first time such regions were defined was in 2000, and over the last months of 2006 their definition underwent a major revision. The NUTS II regions in Bulgaria do not have an administrative structure, and their operational design is still being defined (see below).

The overall national coordination of policymaking, including the field of regional policy, is outlined in Figure 1.2.2. Under this national coordinating structure, regional development policies include involvement at the regional, and at the local level.

Figure 1.2.2. National policy-making coordination with respect to EU funding in Bulgaria.



The most important aspect of the implementation of regional development is the system of development plans. A major focus of this system is the absorption of EU funds with respect to regional development. From bottom up, this system starts with municipal development plans, which are prepared by each municipality through a procedure chosen by itself. These plans feed into district development strategies, prepared under the leadership of the district governors. The municipal plans and the district strategies inform the more elaborate deliberation of regional development plans for each of the 6 planning regions. The regional plans, whose time horizons follow the EU planning periods, serve as a basis for a longer term national strategy for regional development, adopted by the council of ministers. In turn, the National strategy for regional development informs the National Strategic Reference Framework, and the ensuing Operating Programs.

At the regional level, six Regional Development Councils (RDCs) support the implementation of the EU Cohesion policy within the territory of Bulgaria. The Councils are presided over by one of the district governors on a rotary principle. The Deputy Chairman is a municipality representative. Members of the Council are the district

governors and one municipal representative from each district, included in the planning region, one representative from the Ministry of Regional Development and Public Works, Ministry of Finance, Ministry of Environment and Water, Ministry of Agriculture and Forestry, Ministry of Economy and Energy and Ministry of Labour and Social Policy and the Ministry of Transport, as determined by the relevant ministers.

The Regional Development Councils:

- discuss and co-ordinate the projects of the regional development strategies and the progress of the Regional Development Plan;
- discuss and co-ordinate the measures that should be implemented in the National Operational Programme for Regional Development;
- adopt the ex ante evaluation of projects for the implementation of the measures;
- give a position on the annual and the final report;
- cooperate with district development councils and with the central government;
- are supported by Departments for technical assistance, coordination and management of regional programs and plans.

At the local level greater variety in policymaking structures is observed due to different practices justified by the different situation in the municipalities. Special Directorates have been set up in 20 % of the municipalities (big- and medium-sized) to work with European projects. Units have been established in 37% of the municipalities (medium), comprising of more than two experts, responsible for management of European projects. In the rest 43% of the municipalities (small) there are appointed civil servants, responsible for European projects, who perform other duties as well. In compliance with the partnership principle and with the commitments, that have been undertaken according to the Official cooperation memorandum, signed by the National Association of Municipalities in the Republic of Bulgaria (NAMRB) and the Council of Ministers on 12<sup>th</sup> of October 2005, three priority areas have been determined: development of the decentralization in management and financing; expanding the capacity and improving the status and management of municipal property and infrastructure; preparation of the municipalities for the Bulgarian membership in the European Union.

The power structure of regional policymaking in Bulgaria is dominated by the fact of very strong financial centralization in the country – according to various estimates, no more than 5 to 8 % of the expenditures made by municipalities are financed by revenues whose base and rates are under the discretion of local authorities. There exists a long-standing program for fiscal decentralization and for transferring of taxing and spending powers to the municipalities. This program has culminated in a constitutional change in early 2007, allowing municipalities to set the tax rates for local taxes. However, their capacity to make policy will depend on the way their competencies are further specified in a law, which is envisaged in the constitutional amendment and is still pending. At present, the de facto power of the central government in setting policy is extremely large, and this to a large extent defines the actual practice of centralized policy-making. Even when the constitutional amendment becomes operational the local revenue base will remain weak for many municipalities. A direct consequence of this setup is the fact that local authorities still have very little discretion at the expenditure side, and thus for setting development policies.

The status of the two middle levels of government in Bulgaria is specific. The district level is actually a de-concentration of central government power rather than self-government – the district governors are not elected but rather appointed and replaced at full discretion by the Council of Ministers, their task is to promote the government's policies, and they are not accountable to the citizens of the respective districts.

The situation with the state of power at the level of the 6 planning regions in Bulgaria is extremely unclear at present. This level of power exists on paper only, but in the near future it will be very important, because this is precisely the level which is visible from the point of view of the EU – it is the level whose plans are coordinated, and the level which will receive EU funding. As of the moment there is lack of clarity about the way it will be organized – the most important strategic choice being whether it will involve self-government and elections, or like the districts it will be appointed by the central government.

With respect to the power to implement policies, except at the center, administrative capacity to make and implement policy is limited at all levels of government.

### 1.3. Selection of Bulgarian Region to study

The selection of a region to focus on in studying the link between social capital and regional development policies is based on a set of several criteria. They include population, relative level of development (the region has to be eligible for cohesion support), the presence of structural problems in the development of the region, and the degree to which it is representative for the respective country.

The concrete measurements for region selection include the requirement that it does not include the country's capital, because this usually distorts most other measurements and makes the region non-representative. Also, in terms of population and economic activity it has to be relatively large, while in terms of development level and structural problems – average. The more concrete quantitative criteria include population; regional economic output (in terms of levels, in comparison with other regions, and in terms of dynamics over the recent years); the level of poverty; rates of employment and unemployment. While the last two indicators do capture the presence of structural problems in the respective regions, such problems can be inferred from more qualitative aspects of the regions, such as composition of economic activity; the presence of municipalities and districts with large geographic and economic differences; ethnic diversity. The level of diversity along these lines within the region is taken as an indicator for structural problems and respective challenges facing the regional development policy.

The data for each of Bulgaria's 6 planning regions are presented in Table 1.3.1.

Table 1.3.1. Selection of a Bulgarian Region

Country Income Level: 37% of EU-25 avg. at PPS	NW	NC	NE	SW	SC	SE
capital	No	No	No	Yes	No	No
Population (2005, 000s)	958	949	997	2,119	1,561	1,135
Reg. gdp: EUR bn (2004)	1.9	1.9	2.2	7.9	3.0	2.6
Reg. gdp pc, % of BG avg	77.1	79.6	88.3	147.9	77.2	90.0
Problems: poverty rate (%)	15	14	15	7	17	16
e-rate 2005 (%)	35.2	41.4	44.3	50.0	43.7	44.1
u-rate 2005 (%)	13.6	10.7	13.3	7.6	10.0	9.6

The picture which emerges from Table 2 is that the regions in Bulgaria are relatively similar, with the big exception of the Southwestern region, which includes the capital city and has respectively much higher levels of population, incomes and development, and much lower levels of poverty and unemployment. Given that the rest of the regions do not exhibit significant differences, an appropriate choice appears to be South Central region, which among the five regions in the choice set is the largest one in terms of population and overall economic activity, while being average in terms of income per capita, poverty and unemployment rates.

The South Central region is relatively poor, but has been growing faster than the four other relevant regions over the last several years. It is relatively diverse in several important aspects. In terms of economic activity, besides the large share of services, it is also an important agricultural producer, and has several large industrial centers. In terms of physical geography, it combines plains with mountainous areas, which in terms of economic geography means a combination of major centers with remote territories. Ethnically, this region is possibly the most diverse one in the country, containing areas with high concentration of the Turkish minority, and a large portion of the country's Roma population. The differences between municipalities and districts are relatively large, presenting a further challenge to the regional policymaking process.

Based on these considerations, the South Central planning region (region BG42) is selected as the focus for the more detailed regional policy analysis.

## 2. The structural funds in Bulgaria

### 2.1. General Information

#### 2.1.1. Pre-accession instruments and regional development in Bulgaria

Due to the severe crisis in Bulgaria in 1996-1997, the early stages of interaction between Bulgaria and the EU pre-accession instruments, concretely PHARE, had to be focused on the short-term emergencies of the social situation. Accordingly, the first two PHARE programs for Bulgaria in 1997 and 1998 did not include medium and long term objectives with respect to the country's development, but rather provided two Emergency Social Assistance Programs, which combined modest means-tested support to poor families for the winter with an opportunity for temporary employment and training.

The medium term economic and reform program was initially negotiated with and supported by the IMF. The EU, including EU institutions such as the EBRD and the EIB, were among the major supporters of these reforms. However, the strategic focus of the reform process and the ensuing programs and objectives, was a national one. Even though different regions were differently affected by the policies, the regional aspects of development were not a consideration under the program. The only development at the sub-national level, aiming at increasing its development capacity in the future, was the creation of a number of regional development agencies at the district level.

With the PHARE 2000 program, the focus of the pre-accession instruments turned from serving different current needs to serving the accession process. The issues of economic and social cohesion became a focal point of the annual PHARE programs, and from there had a strong impact on the approved projects. Many of the projects aiding the country with its political and economic criteria for membership also had clear cohesion components. However, given the specifics of the accession process and the inherited level of centralized decision and policy-making in Bulgaria, at no point of time did the PHARE programs have specific regional focus, even though the 6 planning regions already existed. The same was true for the more specific ISPA (targeting infrastructure projects), and SAPARD (targeting agriculture) pre-accession instruments. While these measures definitely had regional impact,

neither their planning, nor the implementation had a regional focus in the case of Bulgaria. The major reason for this was that the basic programming structure of the pre-accession instruments in the case of Bulgaria did not allow for a linkage between the programs with their specific projects, and the NUTS II regions. For the same reason, no statistics are available for the impact of different projects financed by pre-accession instruments on the economic and social processes in specific regions.

#### 2.1.2. The 2007-2013 general financial framework for Bulgaria

The National Strategic Reference Framework for Bulgaria for the 2007-2013 planning period was approved by the European Commission at the end of June 2007, after a long process of refining the document. Table 2.1.1 provides a general overview of the envisaged financial framework for Bulgaria for the planning period.

Table 2.1.1. Financial Table for the Bulgarian NSRF 2007-2013

Financial table for the NSRF - Indicative annual allocation by Fund and Programme									
Convergence		Community participation							
OP	Fund	Total	2007	2008	2009	2010	2011	2012	2013
ERDF and CF									
Competitiveness	ERDF	873	78	110	145	141	137	133	129
Regional Development	ERDF	1337	119	168	222	216	210	204	198
Transport	ERDF+CF	1328	119	167	221	214	208	202	196
	ERDF	323	29	41	54	52	51	49	48
	CF	1005	90	127	167	162	158	153	149
Environment	ERDF+CF	1328	119	167	221	214	208	202	196
	ERDF	323	29	41	54	52	51	49	48
	CF	1005	90	127	167	162	158	153	149
ESF									
Human Resources	ESF	873	78	110	145	141	137	133	129
Admin. Capacity	ESF	135	12	17	22	22	21	21	20
TOTAL NSRF 2007-2013									
TOTAL NSRF 2007-2013		5873	525	739	976	948	921	895	869
Total ERDF		2855	255	359	474	461	448	435	422
Total CF		2010	180	253	334	324	315	306	297
Total ESF		1008	90	127	168	163	158	154	149

In terms of the institutional structure of the EU-related funding for regional development in Bulgaria, Table 2.1.1 requires several comments. First, as opposed to the pre-accession instruments, the 2007-2013 period will have a specific regional development component. It will consist of its own Operating Program Regional Development (OPRD), and of contributions by the European Regional Development Fund (ERDF) for the operating programs in the field of competitiveness (for which the ERDF provides the whole financing), transport, and environment.

In total, the OPRD for Bulgaria for 2007-2013 is the receiver of 22.7% of the planned funding for Bulgaria. The ERDF will provide close to half (48.6%) of the total planned funding for the country.

The regional development aspect of the 2007-2013 planning period for Bulgaria is transitional. The transition is from the pre-accession framework, which explicitly did not have any regional component or focus, to an expected 2014-2020 framework in which funding for regional development will probably be the most important component for Bulgaria under the convergence objective. The expectation for 2014-2020 is for Bulgaria to have 6 separate operating programs for each planning region. The transitional aspect of the 2007-2013 framework for Bulgaria lies in the fact that, while introducing the regional aspect and the funding for regional development in the relationship between Bulgaria and the EU, the regional development operating program is a single national one, spreading over all 6 planning regions, and managed by the central government rather than by regional bodies. This setup has a structural effect on the way the management of the program is organized, and on the characteristics of the social networks involved in the programming, implementing and monitoring phases.

### 2.1.3. The main actors in the framework of EU-funded regional development in Bulgaria

Regional policy-making in Bulgaria involves the efforts of a broad range of actors, who can be loosely split into three main groups, separated on the basis of their position with respect to state power and of the level of their involvement. The structure of the actors follows the administrative division of the country. The main units of local self-

government in Bulgaria are the 264 municipalities. They are included in 28 districts. Several districts make up the 6 planning regions of the country.

The actors who represent state power in the process are two main types, the ones for whom regional policy-making is a primary focus, and others who participate in it among other things. The first type encompasses the actors with greatest importance in the process. They can be found in both the legislative and executive branches of power, at the central, regional, and local levels. More concretely, the national legislature's standing committee on Local Self-Government, Regional Policy and Urban Development is the main setter of rules. At the local level, the rule-making bodies are the municipal councils at the 264 Bulgarian municipalities. In the executive branch, the main actors are the Minister of Regional Development and Public Works, the District Governors, and the municipal Mayors. They are the major bodies constituting the Regional Development Councils, which formulate policies at the planning region level.

Other representatives of state power, who are relevant for regional policy-making in Bulgaria, are various ministers and state agencies. The most important of them are the ministers of finance, of transportation, of economy and energy, of agriculture and forestry, and of environment and water. Their focus is not specifically on regional development and policy-making, but their area of activity is closely related to the processes in the regions by affecting the structure of economic activity, the local infrastructure, the standards of living conditions, and the availability of funding for different programs and projects.

The third group of actors in the process of regional policy-making includes the ones who do not represent the state power, but rather the civil society and other entities. Besides citizens in general, who face the usual collective action challenges, there are the non-government organizations as representatives of specific interests of the citizens and followers of specific agendas in the process of regional policy-making. In the case of Bulgaria the most active civic organizations seem to be the environmental groups. Another group of representatives of the civil society are the business organizations, which can be local chapters of national or international business organizations (the Bulgarian Industrial Association, the Bulgarian Chamber of Trade and Commerce, the Rotary Clubs, etc.) as well as specific organizations for the given locality or region.

Finally, the group of non-state actors includes neighboring transborder regions, which are regions in other countries which are economically, geographically and possibly culturally related to the respective Bulgarian region and whose existence expands the opportunities for development and for the implementation of various projects and policies.

The participation of civil society representatives in the regional policy-making process is realized through the application of the partnership principle, which is envisaged in the regional development legislation of the country. The Bulgarian authorities recognize that the partnership principle is a necessary element in the process of policy-making in general, and with respect to regional development in particular. The Bulgarian strategic programming documents are being prepared with the active involvement of wide range socio-economic partners and regional and local authorities. The relevant socio-economic partners are represented in the NDP/NSRF and OPs Working Groups at national level and Regional Development Councils at regional level.

The NDP/NSRR working group meetings are attended by experts of central administration (Ministries), Agency for Economic Analysis and Forecasts, State Agency of Youth and Sports, National Statistical Institute; National Association of Municipalities of the Republic of Bulgaria; Employers Association of Bulgaria; Bulgarian Chamber of Commerce and Industry; Bulgarian International Business Association; Union of the Private Bulgarian Entrepreneurs “Vazrajdane”; Bulgarian Industrial Capital Association, Bulgarian Industrial Association; Union for Economic Initiative; Confederation of Labour “Podkrepa” and Confederation of Independent Trade Unions in Bulgaria, Bulgarian Regional Development Association, National Council for People with Disabilities, Bulgarian Association of the Social Enterprises.

The OP working groups, including the one on regional development, consist also of representatives of both the public sector – ministries, agencies as well as socio-economic partners, representatives of relevant NGOs, academic institutions and others. Also, each Regional Development Council incorporates members of the civil society in its decision-making process, and also invites other such representatives to its meetings and discussions. Similar participation of civil society representatives takes place at the district and municipal planning levels.

During the planning and programming phase of the regional development framework for Bulgaria, the involvement of social partners was relatively active. They participated in the Regional Development Councils, as well as in the process of creating the municipal development plans and the district development strategies. They also took part in a number of discussions, roundtables and consultations throughout the process of deliberating and preparing the NSRF and the Ops. Table 2.1.2 gives a general overview of the role of partners in the regional policy-making process in Bulgaria with respect to the EU funding.

Table 2.1.2. Involvement of partners in Bulgarian regional policy-making

Stage	Phase	Participants	Role of partners
Programming	NSRF	European Commission; Bulgaria	Consultative
	OPs	European Commission; Bulgaria	Consultative
	Projects	The Managing Authority of OPRR; Monitoring Committee; social partners	Consultative or acting through the Managing Authority or the Monitoring Committee
Managing/ Implementation		The Managing Authority; Bulgarian National, Regional and Local government; public or private organizations to be proposed by the State	Consultative or acting through the Managing Authority
Monitoring		Monitoring Committee; Bulgarian National, Regional and Local government, public or private organizations act exclusively through the Monitoring Committee	Participation in the Monitoring Committees. Powers are consultative but can be extended to include voting rights.

The most immediate observation from the general situation presented in Table 2.1.2 is that the social partners, and the respective social networks, have predominantly consultative role in the whole process of regional policy-making. Whether they can get voting rights depends on the central government and its local representations. What the actual practice in this respect will be during the project selection and implementation phases of the process remains to be seen.

#### 2.1.4. Institutional and Structural Changes in the Bulgarian regions, 2006

The NUTS II division of Bulgaria was revised in August 2006 after intensive deliberations. The reason was the strict requirement under Article 3 of Regulation (EC) 1059/2003 that the population of a NUTS II region should not be below 800,000.

A Working Group under the Chairmanship of a Deputy Minister of Regional Development formulated three different scenarios for adaptation to the minimum requirement for inhabitants of NUTS II regions. There were six NUTS II regions approved on the basis of Article 6 of the Bulgarian Regional Development Law. The problem was that 2 of the 6 regions had a population well below the required 800 000 inhabitants – the Northwestern Planning Region and the South-Eastern Planning Region.

The working group offered to the policymakers three possible scenarios:

- to keep the number of the 6 planning districts but to reshuffle districts;
- to decrease the number of the planning districts to 5 – this scenario would imply the most serious changes, because both merging regions and reshuffling districts among regions had to be performed;
- to merge the Northwestern with the North Central, and the Southeastern with the South Central regions, reducing the number of NUTS II regions down to 4.

The Council of Ministers adopted the first scenario. Still, the only NUTS II region that was not changed is the South-Western Planning Region.

The changes in the composition of the Planning Regions will have as a logical consequence changes in the composition of the 5 Regional Development Councils because the governors of the respective districts are by law members of the respective councils. The changes will also have serious consequences for the accumulation of statistical data for the respective Planning Regions since 5 of the existing 6 did change.

The revision of the Bulgarian NUTS II planning regions only several months before Bulgaria's accession to the EU and also before the beginning of a new planning period for the Union has caused an institutional confusion. The new definition of the Bulgarian NUTS II regions has already been operationalized by Eurostat, and the Operating Program Regional Development submitted by Bulgaria has been based on it. However, the process of changing the Regional Development Law through the Bulgarian

Parliament has not been completed as of mid-2007, and the respective districts still participate in the regional decision and policy-making bodies under the old definition of the regions. It is possible that this situation may extend for a considerable period of time.

## 2.2. Programming

In the case of Bulgaria for the programming of regional policy the only relevant period is 2007-2013, since the pre-accession funds and respective programs did not have a regional dimension and since the first strategic documents for regional development in Bulgaria were created as late as 2005.

The design of the programming phase in Bulgaria includes an elaborate hierarchy of strategic documents, with each level of government responsible for at least one document. The existing rules concerning the process of deliberation of plans and strategies explicitly envisage the participation of a broad set of actors, who can be constituted in either consultative or decision-making capacity.

The original design of the legislator, reflected in the Regional Development Law, is based on a bottom-up approach for reaching the ultimate basis of the implementation phase, namely the single national Operating Program Regional Development.

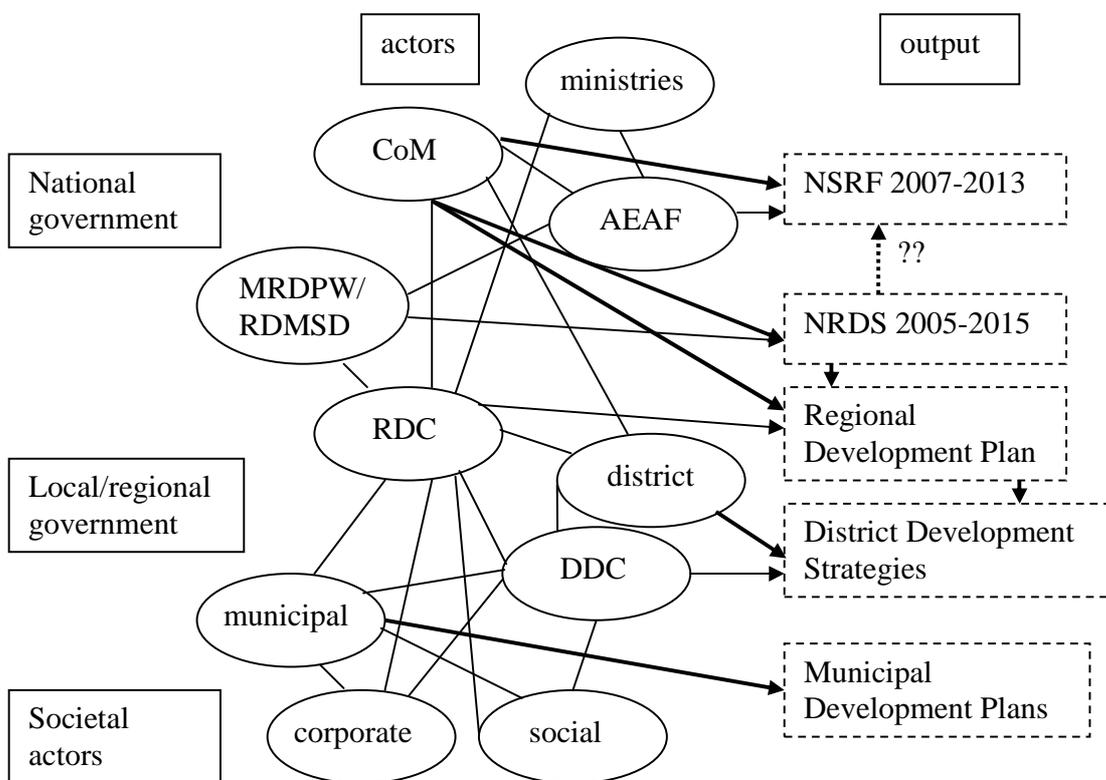
The process starts with the municipalities, which develop municipal development plans, which are adopted by the municipal councils. Then these plans, with the participation of a number of the municipal actors, feed into the district development strategies. These strategies are the responsibility of the centrally appointed district governors, and are prepared by district development councils organized by the governors. The resulting strategies, together with the municipal plans, serve as a basis for the regional development plans. These regional plans are prepared by the regional development councils, and are adopted by the Council of Ministers.

At this step, the design envisages a major shift from the local and regional actors and bodies to the central government. Under the auspices of the Ministry of Regional Development and Public Works the regional development plans, among other things, are used to develop the National Regional Development Strategy, which is also adopted by the Council of Ministers. The national strategy is then used in the preparation of the

leading national strategic document, the National Strategic Reference Framework, and also in the development of the Operating Program Regional Development. Both of these final documents are prepared by the central government, adopted and proposed by the Council of Ministers, and approved by the European Commission.

This design of the programming phase is presented graphically on Figure 2.2.1.

Figure 2.2.1. Structure of the Programming phase of Bulgarian regional development under the 2007-2013 EU framework.



Legend:

- AEAF – Agency for Economic Analysis and Forecasting
- CoM – Council of Ministers
- DDC – District Development Council
- MRDPW – Ministry of regional development and public works
- RDMSD – Regional Development and Management Systems Directorate
- NRDS – National Regional Development Strategy 2005-2015
- NSRF – National Strategic Reference Framework 2007-2013
- RDC – Regional Development Council

Thick arrows indicate government body adopting the respective document.

The formal design of the programming phase of the 2007-2013 EU-funded regional development program for Bulgaria is, thus, based on two different flows of decision-making. On the one side, it is informed from the bottom up by the local and regional actors. On the other side, it is informed by the strategic documents of the EU, to which both the NSRF and the OPRD have to correspond to get approval by the European Commission. It is thinkable, and quite possible, that these very different flows exert contradictory pressures on the programming process. This possibility needs to be managed to avoid controversies and conflicts. In the case of Bulgaria, given its status as a poor new member and its fledgling regions, this realistically means that the bottom-up decision flow needs to be deeply and constantly aware of what is going on in Brussels and take it as a given. This obviously will involve a period of learning.

The formal design of the programming phase of the 2007-2013 EU-funded regional development program for Bulgaria contains another potential tension front. It is between the bottom-up approach for developing the strategic documents, and the fact that a decision was made (jointly by the Bulgarian Government and the European Commission) that for the first programming period of Bulgaria's membership in the EU there will be a single national OPRD rather than six separate OPRDs for each planning region. This decision separates Bulgaria from the countries which acceded in 2004, many of whom did have single national OPRDs but only for the remaining one third of a programming period, and also from Romania, which acceded to the EU together with Bulgarian in 2007 but with separate OPRDs for each of its regions. This setup creates the possibility of tension between the needs of the different municipalities, districts and regions (expressed in their development plans and strategies), and the central government in its attempts to coordinate within one program the sometimes conflicting sub-national plans, and also to further its own policy agenda.

The analysis of the actual unfolding of the programming phase of the 2007-2013 EU-funded regional development program in Bulgaria through the experiences in the South-Central planning region, indicates that both potential dangers developed into actual problems. The multitude of municipal development plans and district development strategies, not in the least due to the fact that they were prepared for the first time under a new Law, were not actually aware of the strategic priorities of neither the EU, nor the

central government. The resulting vision of the local actors about the regional development plan and the national regional development strategy was of an eclectic compilation of several lists of specific municipal and district projects. This vision clashed with the established vision within the EU, according to which the highest strategic documents set fundamental priorities and strategic goals and within them the regional and local authorities develop their own plans and operationalize them in specific projects.

This clash coincided with the different priorities in the different regions and the single national OPRD, which forced the central government into coordination dilemmas. The two conflicts, first, led to frustration and disappointment on the part of the regional and local actors and, second, were resolved in favor of expedience and centralization. The result was an actual process which did involve heavily many local actors, but which was eventually centralized along the Sofia-Brussels axis in a way leaving very little room for actual inputs on the part of these actors.

### 2.3. Implementation of the OPRD in Bulgaria

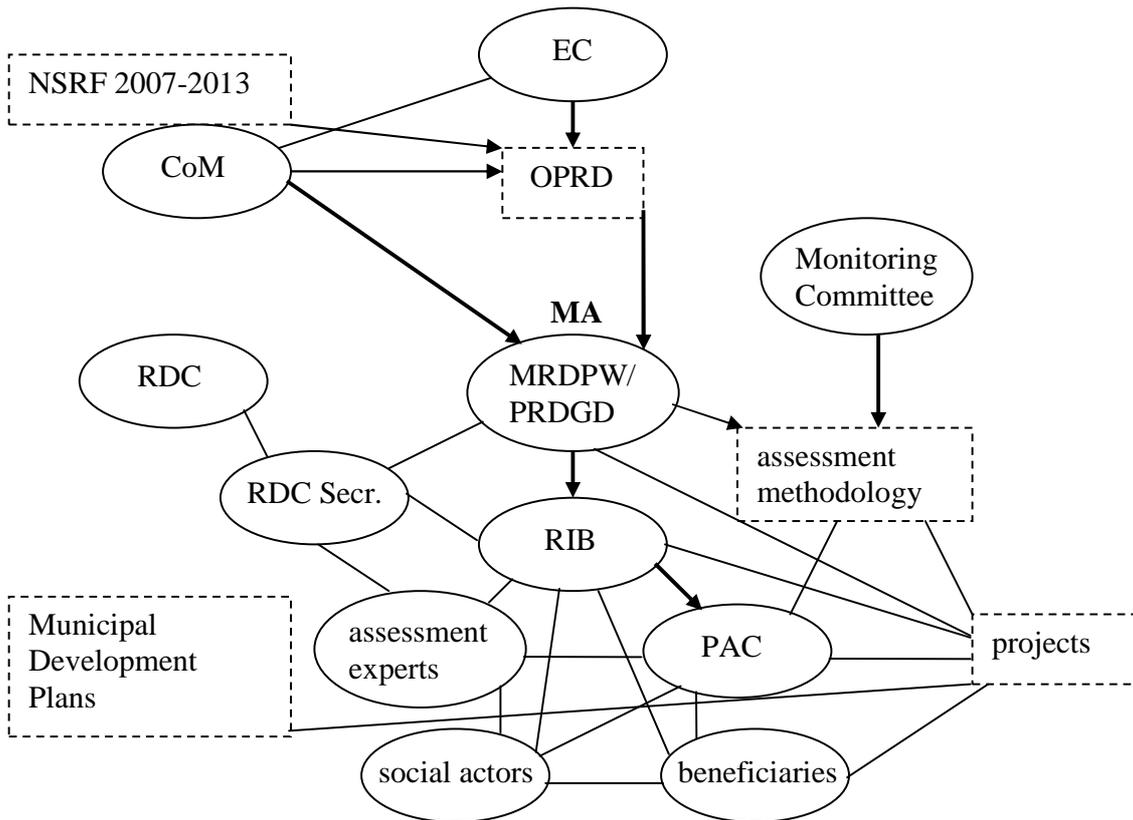
As opposed to the programming phase, the implementing phase of the 2007-2013 Bulgarian regional development program is only beginning by mid-2007. As a result, there is no actual experience to study and make inferences from, so the only available material for analysis is the formal design of the process. It is presented on Figure 2.2.2.

The major output of the implementing phase is the portfolio of projects, developed and selected through the assessment methodology. Under the Bulgarian design of the phase, the most important bodies here are directly related to the Central Government, which is a direct consequence of the decision to have a single national OPRD. These Central Government bodies are the Managing Authority, which for the 2007-2013 period is a General Directorate within the Ministry of Regional Development and Public Works, as well as its regional de-concentrations – the Regional Implementing Bodies.

As of mid-2007 the Managing Authority, which has been heavily involved in the programming phase and in drafting the OPRD, is well established and functional, but the RIBs are only just being constituted. Yet it is precisely the RIBs which provide the practical link between the single national OPRD and the individual planning regions.

They play a central role in the process of project selection, and have to transmit both ways – the OPRD priorities down to the regions, the regional governance structures and society, and the regional preferences and priorities up towards the Managing Authority.

Figure 2.3.1. Structure of the Implementing phase of Bulgarian regional development under the 2007-2013 EU framework.



Legend:

- CoM – Council of Ministers
- EC – European Commission
- MA – Managing Authority
- MRDPW – Ministry of regional development and public works
- PRDGD – Programming of the Regional Development General Directorate
- NSRF – National Strategic Reference Framework 2007-2013
- OPRD – Operating Programme Regional Development
- PAC – Project Assessment Committee
- RDC – Regional Development Council
- RDC Sec. – Secretariat of the Regional Development Council
- RIB – Regional Implementing Body

Under the present setup, the regional actors (both government and non-government) are envisaged to play a very important role, under the coordination of the RIB. The RIB is supposed to organize the regional resources – including the Secretariats of the Regional Development Councils and the available regional and local expertise – to set up the project assessment committees, which will be the first project selection bodies. Also, in cooperation with regional, district and local authorities, the project assessment committees are supposed to map the sub-national development plans and strategies into specific project selection criteria.

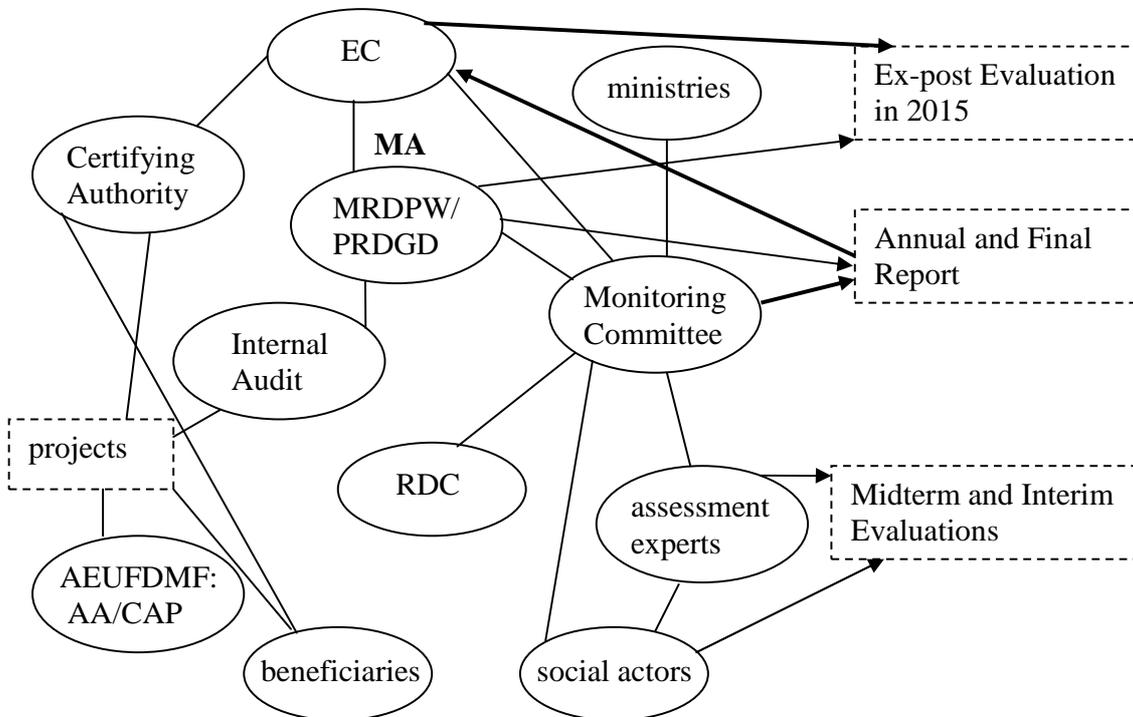
At the same time, the central power role of the MA and the RIBs is preserved, inasmuch as they appoint the project selection committees and have the final word in the selection of the projects. The MA is also, together with the Monitoring Committee of the OPRD, responsible for the project assessment methodology, which will guide the project assessment committees in performing their basic task.

Thus the design of the implementing phase can realistically allow it to go in two quite different directions. It can lead to a very centralized decision-making, paying formal attention to the participation of regional and local actors, but maintaining all substantive powers within the Central Government. But, based on the provisions of the Regional Development Law about the inclusion of various players in the policy-making process and on the requirements for application of the partnership principle, it also can lead to genuine participation of regional and local actors in the development, selection and implementation of regional developmental projects. Given the lack of regional traditions and identities and the multidirectional tendencies within the process of regional policy-making in Bulgaria, the first year of the first ever substantially funded regional development program in the country is too short of a period to be able to form well informed assessment and expectations.

#### 2.4. Evaluation and monitoring

While the implementing phase of the 2007-2013 Bulgarian EU-funded regional development program is at its very beginning as of mid-2007, the monitoring phase is still entirely in the future. Its formal design is presented in Figure 2.4.1.

Figure 2.4.1. Structure of the Monitoring phase of Bulgarian regional development under the 2007-2013 EU framework.



Legend:

MRDPW – Ministry of regional development and public works

PRDGD – Programming of the Regional Development General Directorate

AEUFDMF – Audit of EU Funds Directorate in the Ministry of Finance, with 2 roles:

AA/CAP – Audit Authority / Compliance Assessment Body

RDC – Regional Development Council

The formal design of the monitoring phase contains the same features as the design of the implementing phase. It contains two potential tendencies of centralization and of active involvement of regional actors. These two tendencies can be observed in the figure of the Monitoring Committee of the OPRD, which includes both central government, regional and local actors, including civil society representatives.

Under the setup, the current auditing of the implementation process is heavily centralized and under the control of the MA, but the substantive evaluation of the overall program rests mostly with the Monitoring Committee and with the European Commission. An important aspect of the design, leading to a relatively high centralization

of the phase, is again the fact that the OPRD is one for the whole country, respectively the Monitoring Committee is also one for the whole country and the potential role of actors from individual regions is relatively weak. Yet the paths of regional actors to provide feedback and evaluation of the regional development program and its implementation exist and can be utilized.

## 2.5. Summary of regional development actors' involvement in EU structural funds

The institutional structure of the implementation process of the EU structural funds targeting regional development, together with the fieldwork performed in the South Central Planning Region in Bulgaria allow for a general presentation of the level of involvement of different actors in the process. This result is presented in Table 2.5.1, where the involvement of each of five main groups of actors in each of the nine implementation phases of EU structural funds for regional development is summarized.

There are several qualifications about Table 2.5.1. First, in the Table an entry of “2” indicates a major level of influence of the respective actor for the respective phase of the implementation process, an entry of “1” indicates some level of influence, and an entry of “0” indicates non-involvement. Second, for the case of Bulgaria, the only relevant period for studying regional development is the 2007-2013 period, for which however only the programming phase has been nearly, while the implementation phase is at its beginning and the monitoring phase has not involved any significant activities yet, even though its institutional design is ready. Thus it is only the first four phases in Table 2.5.1 which are actually based on the experience of the South Central region, while the entries for the other five phases are based on the analysis of the institutional setup and on the expectations about the process by the actors in the South Central region.

Table 2.5.1. Social actors' involvement in 2007-2013 EU structural funds for regional development in Bulgaria

	Governmental/public actors			Societal/private actors	
	Central	Regional	Local	Regional	Local
<b>Programming</b>					
1. Debates about particular structural problems and elaboration of a regional development strategy	2	2	2	1	1
2. Drafting of programmes	2	1	1	1	1
3. Decision on official proposals for programmes	2	1	0	0	0
4. Negotiation with the Commission about programmes	2	0	0	0	0
<b>Implementation of the Operational Programmes</b>					
5. Development of individual projects proposals	0	0	2	2	2
6. Appraisal of individual projects	2	2	1	1	1
7. Approval of projects	2	1	1	0	0
<b>Evaluation/Monitoring</b>					
8. Evaluation of programmes	2	1	0	1	1
9. Monitoring of financial transactions	2	1	0	0	0

The summary contained in Table 2.5.1 confirms the most important stylized facts about the state of regional policymaking in Bulgaria for the 2007-2013 planning period. Except for the drafting of projects, the central government is the single most decisive actor in all phases of the process of EU-funded regional development. Regional and local governance actors have a limited role, with some influence over the process but strictly

subordinated to the central authority. Societal actors are visible exclusively as receivers of funding with very little and indirect real involvement in setting priorities, developing strategies and plans, in their implementation and evaluation.

### 3. Summary and conclusions

The brief review of the institutional structure of the EU-funded regional development program in Bulgaria for the period 2007-2013 in the context of the history of the regional development setup in the country, leads to several important observations.

First, there is no regional tradition in Bulgaria. For more than a century the tendency was towards a decreasing number of sub-national levels of governance and a high degree of centralization of the decision and policy-making processes. This tendency was strengthened during the first years of transition after communism.

But regional policies and regional focus are important aspects of policy-making within the EU. This fact was reflected in Bulgaria during the years of its accession to the Union. EU is the sole reason for regions in Bulgaria. As a consequence the respective legislation and institution building in Bulgaria are fairly recent and, accordingly, not well established within the Bulgarian society, politics and administration. Bulgaria enters the European regional policy-making process almost in a state of *tabula rasa*.

This situation has several logical consequences. The NUTS II level planning regions, which are at the center of European regional policy-making, are in Bulgaria still just formal creations without their own capacities, powers, resource base, and identity. There is a lack of experience in programming, implementing and monitoring of regional development in general, and within the framework of the EU funds in particular. A natural response is a relatively high degree of centralization of the decision and policy-making process at the national level, leading to a single national OPRD with a pivotal role for the MA, which is set up as a body within the central government.

At the same time, more as a desire for the future than as an attempt to shape the present day realities, both the national regional development legislation, and the EU framework envisage a significant importance for regional actors, both from the sub-national governments and from the non-government sector. Such actors have been active,

although not very influential, in the programming phase for the 2007-2013 period. They are also set to play a role in the implementing and monitoring phases, but how exactly this potential will unfold is still to be observed.

The general conclusion is that with respect to Bulgaria as of mid-2007, the jury is still out on whether socially relevant regional level policy networks can be formed. The formation of such networks will crucially depend on future decisions along two interrelated dimensions. The first is whether for the planning periods after 2013 will involve separate regional Operating Programs for Regional Development rather than a single national one. The second is whether the regional and/or district levels of governance will be transformed into levels of self-governance with at least some elected officials.