

The Hague School of European Studies

Haagse Hogeschool, September 2010

The Emergence of Regional Policy in Bulgaria

Thesis



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Executive summary

The aim of this paper is to give the reader a comprehensive approach to the topic of the emerging Regional Policy in Bulgaria and its progress. The issue gained a large scope of attention since Bulgaria started working her way to the European Union. The regional policy has a great importance for the future of the country as a MS, its development and prosperity. In the process of Accession the EU set high requirements and numerous procedures that Bulgaria had to fulfill. Under the pressure caused by restrictions and high expectations, the disparities between the Bulgarian regions become more evident.

Furthermore, the EU plays central role in the shaping of the national Regional Policy. Bulgaria receives help in adopting and implementing the EU policy model and outlining its main priorities. Also, the EU helps the country to achieve its national goals and improve the life standards by means of Pre-Accession Funds, instruments and objectives. On the other hand, the benefiting country has to bring back benefits to the Union.

In this respect, I will focus on the EU influence on the process of defining the national priorities and the effectiveness of the EU regional policy in Bulgaria.

Firstly, in order to examine the impact of the EU on the Bulgarian governance and the results of the developments that the country has experienced so far, we need to understand the nature of the policy. Therefore, the paper highlights the implementation of the regional policy in Bulgaria through all the stages and procedures on the way to become a member of the EU. It begins with a summary of the EU Regional Policy explaining its objectives, instruments and procedures, followed by examination of the Bulgarian Accession process and its experience with the Pre-Accession Funds. The following two chapters are dedicated to the Bulgarian Pre- and Post-Accession regional policy. The current Operational Programmes and absorption rates are discussed in chapter five. And last but not least, a view on the regional policy strategy for the next programme period and the Danube Strategy, as an example of the European idea for integration and unity, are the closure of this report.

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List of Acronyms

CF Cohesion Fund

EC European Commission

EFRD European Fund for Regional Development

ESF European Social Fund

EU European Union

FDI Financial Direct Investment

GDP Gross Domestic Product

IPA Instruments for Pre-Accession assistance

MS Member State

NSRF National Strategy for Regional Funding

NUTS Nomenclature of Territorial Units for Statistics

OP Operational Programme

Chapter 1: Introduction

The slogan “United in diversity” represents the differences and the division within the regions of every Member State united together into one Union. However, there is an essential gap in the living conditions and opportunities throughout the EU- between and within its regions. Disparities become more evident when comparing the wealthiest EU member–Luxembourg and Bulgaria, with its seven times lower GDP (EUROPA, n.d.). With the integration of countries with lower levels of GDP and unemployment rate higher than the Union average, the diversity within the Union also raised the need for specific approaches to address the social, economic and environmental issues. Moreover, the indicators show that Bulgaria living ranks at the bottom of the European nations list, in terms of living standards (The Sofia Echo, 2009). According to researches, Bulgarians work three times more and earn more than three times less than the West European nations, with a significantly small difference in prices (The Sofia Echo, 2009).

As the main objective of the EU is to create a safer Europe based on equality and economic and social prosperity, the EU transfers resources to less developed areas in order to modernise them and help them reach the level of the advanced regions of the Union. For that purpose, a system of funds –Structural and Cohesion funds has been established, aimed at eliminating the social and economic differences within its regions and encouraging innovation and sustainable development in the regions lagging behind. The importance of that issue is supported by the large part of the EU budget allocated to the regional policy’s objectives (convergence objective, regional competitiveness and employment objective and the European territorial cooperation objective).

Furthermore, with the 2004 enlargement round and especially with the accession of Bulgaria and Romania in January 2007, the focus has shifted and has put the regional policy in one of the first places of importance. Compared to the previous accessions, the new Member States have significantly lower standards of living conditions and economic growth which calls for emergency reforms and assistance. Half way through the 2007-2013 programme period, Bulgaria still faces challenges: to deal with the significant disparities within its regions,

economy, unemployment and considerably lower living standards. However, many reforms and improvements took place in the country during the process of accession. Nowadays, the new MS demonstrates a positive progress rather than negative outcomes. Today, about sixty per cent of the country's foreign trade is with the EU (Lampe, 2007), a clear indicator for the change in the EU-Bulgarian relations. The main question is to what extent the EU oversees the process of implementation regional policy, stipulation of the national priorities, strategies and operational programmes. In order to find out if the regional policy in Bulgaria is a response to the regional problems, or it is more of a reflection of the EU's influence, we need to have a close look at its performance and the results achieved so far.

Chapter 2: EU Regional Policy

2.1 Background

Even though the EU unites its 27 member states which form a single market, the economic and social gap among its regions remains a major issue. The main purpose of the Regional Policy as “an instrument of financial solidarity and a powerful source for cohesion and economic integration” (Assembly of European Regions, n.d.), is to promote economic growth and employment by making the states and their regions attractive for investments, quality services, environmental protection, encouraging innovation and improving information technologies (EUROPA, n.d.).

In 1992, with the Maastricht Treaty, the objective of economic and social cohesion was incorporated into EC Treaty (EUROPA, n.d.). Through its policies, the EU aims at bringing together all its members and their regions in solidarity and equality by encouraging them to cooperate and learn from each other. The Structural and Cohesion Funds are the financial instruments from which the regions from every member state benefit (EUROPA, n.d.). It is of interest of both rich and poor regions of the EU as it is advantageous to the Union to ensure balanced development of community, eliminate poverty and create better quality of life (Thompson, 1973).

The main reasons for regional disparities are the recent social changes and fast economic growth. Therefore, it does not come as a surprise that as a result of the significant EU Enlargement in 2004, followed by Romania and Bulgaria in 2007, the main focus has shifted, and the new member states from Central and Eastern Europe became priority regions. Their accession led to the need of restructuring the regional spending. In other words, one third of the EU budget is devoted to regional policy, joint programmes and projects, spending over €360 billion on Cohesion policy planned for the period 2007- 2013 (EUROPA, n.d.). The main challenge for every member state is to meet the criteria for financial support.

2.2 Objectives

The regulations of the Structural Funds for the programming period 2000-2006 outline three main objectives listed as Objective 1, 2 and 3¹. The first one covers the structural adjustment of regions lagging behind. The second is responsible for the social and economic support of areas with structural problems, and the third one deals with promoting the development of the regions not covered by Objective one.

Furthermore, the revised system² brings up three new objectives of the European Structural Funds and Cohesion Fund which can be outlined as related to the new framework concerning programming, management and partnership (Council of the European Union, 11.07. 2006, (1)) as follows:

a) **Convergence objective** (replacing objective 1)

The intent of this objective is to promote favorable conditions for economic growth and to reduce the disparities between the EU regions. In EU-27 this objective concerns the regions with GDP below 75% of the Community average (UK Department of Finance and Personnel, 2006).

With 282 billion euros which makes 81.5 % of the total (European Commission, Inforegio) the convergence objectives receives the largest share of the financial resources.

b) The Regional Competitiveness and employment objective (replacing objective 2 & 3)

The objective aims at promoting the competitiveness, as well as strengthening the employment and attractiveness of all the regions other than the least developed once. From the 27 Member States, 168 regions are eligible for the amount of 55 billion Euros which represent 16% of the resources available to this objective (EUROPA, n.d.). Another requirement set up

¹ Objectives 1, 2 and 3 for the programming period 2000-2006 are listed in the Article 1 of the Council Regulation of June 1999.

² For a table explaining the main differences in the objectives and instruments between the 2000-2006 and 2007-2013 programmes, please turn to Annex 1

by the European Council states that a “minimum of 75% of EU Competitiveness and Employment spending in each Member State must be focused on a set of activities to support the Lisbon Agenda” (UK Department of Finance and Personnel, 2006).

c) **European territorial cooperation** (replacing the Community Initiative INTERREG)

It provides finances for the cross-border and trans-national cooperation programmes encouraging the regions to work together and exchange experience in the economic and industrial fields. With a budget of 8.7 billion Euros, the territorial cooperation objective occupies 2.5% of the total financial resources of the Union (European Commission, Inforegio).

All the objectives are meant to contribute to the Lisbon Agenda’s goals to “make the European economy the most dynamic and successful in the world by 2010” (UK Department of Finance and Personnel, 2006, p.3).

2.3 Instruments

The European Fund for Regional Development and The European Social Fund, or the so-called Structural funds and The Cohesion Fund, are the main financial sources. According to the nature of assistance and the type of beneficiary (EUROPA, Summaries, n.d.), the funding is distributed as follows³.

1) **The European Regional Development Fund (ERDF)** created in 1975 supports the programmes funding, innovation, infrastructure and investments available for the poorest EU regions (EUROPA, Summaries, n.d.), and encourages the development of the small business.

³ For a graphic indicating how regional funding is used according to sectors, please turn to Annex 2

2) **The European Social Fund (ESF)** covers the local market enhancement by employment assistance, job-creation programmes and promotion of gender equality. All the countries are eligible for assistance (EUROPA, Summaries, n.d.). It also, encourages the return of disfavored groups to the employment market.

3) **The Cohesion Fund** pays for environmental projects, renewable energy development and transport infrastructure projects. Funding is available to countries with Gross National Income (GNI) lower than 90% of the EU average (EUROPA, Summaries, n.d.).

17 of the 27 EU states having GDP below 75% of the Union average (EUROPA, n.d.), are eligible to receive support and benefit from the regional funding focused on improving the living conditions, increasing employment, and encouraging economic growth and prosperity. Moreover, all the member states have access to funding for innovation, sustainable development and job training in their less prosperous regions. A small part of the financial resources goes to cross-border and inter-regional cooperation (EUROPA, n.d.).

The following table represents the link between the three objectives and the subsidies:

Objectives, Structural Funds and instruments

2007-2013

Objectives	Structural Funds and instruments		
Convergence	ERDF	ESF	Cohesion Fund
Regional Competitiveness and Employment	ERDF	ESF	
European Territorial Cooperation	ERDF		

Source: European Commission

The “phase-in” regions are the ones which qualify under the convergence objective for financial resources in the 2000-2006 period. They no longer fall under the Objective 1, but receive “transitional competitiveness funding” (House of Lords, 16.07.2008).

The aforementioned instruments of regional policy implementation are based on co-funding and the EU participates only partially in cooperation with partners from within the member states, both from public and private sector, sharing the costs. Furthermore, the Structural Funds do not provide financial resources for individual projects, but for annual programmes for regional development set up jointly by the regions, the Member States and the European Commission together. The principle of co-financing has been discussed in the meeting of the Parliament over the proposal from the European Commission to suspend the Member States’ financial contribution to the ESF for the period 2009-2010 and make direct payments to the regions without contribution to the Fund. However, the members of the European Parliament voted to keep the co-financing principle since otherwise the rules would have been in contradiction with the general principles of the EU regional policy and would have turned out to be too expensive and complicated. The MEPs see co-financing as a “shared management approach” to be the “key part of the European strategy 2020” (van Nasterooij) on the way to economic growth and future developments (EurActive, 19.03.2010).

On the contrary, the Cohesion Fund provides finances directly to projects for environmental improvement and transport networks development.

Furthermore, the European Parliament voted on March 18, 2010 to simplify the rules for access to the EU Funds, which is an example of how the access to the EU funds is “vital for tackling the European economic crisis” (EurActive, 19.03.2010). If approved by the Member States, the revised rules would bring two per cent advance payments from the ESF and four per cent from the ERF, or in other words 49.3 billion Euros, to the countries which have been affected the most (EurActive, 29.03.2010).

2.4 Key principles

The key principles of the regional policy are programming, partnership, concentration of funding (European Commission, Inforegio), focused on strengthening and overcoming the main challenges.

1) **Programming** concerns planning expenditure over certain period of time (European Commission, n.d.) which brought more stability but also slowed down the process of adopting rules, and the efficiency of programmes become a major challenge. Each Member State has to represent and submit to the Commission its plans for regional development as a first step towards implementation of the regional policy.

2) **The partnership** during the implementation of programmes has been improved and all players on regional and local level have been mobilised which is a key to effective partnership with improved targeting and evaluation of process (European Commission, n.d.). It provides a great opportunity to work closely with managements of a very different nature of competence.

3) **The concentration of funding** towards the poorest regions has been increased. In addition, it is strictly focused on the above-mentioned objectives.

4) Last but not least, the Community participates financially in projects together with other public and private financing (European Commission, n.d.).

“The obligations of the Member States as regards to management and control systems [...] should be specified to guarantee the efficient and correct implementation of operational programmes [...] member state gives assurance that the systems are in place and function satisfactory” (Council of the European Union, 11.07.2006, p.1 (66)). One of the most important prerequisites for successful implementation of the Structural Funds is monitoring. The challenge arises from the difficulty of collecting information.

2.5 Financing

One third of the total budget of the EU is allocated to the regional policy programme 2007-2013. In other words, this represents about 348 billion Euros making it the second largest item of the Community budget (EUROPA, Glossary Index). The Structural and Cohesion Funds provide financial sources for this period to the regions eligible for support⁴ in the framework of the above-mentioned three new objectives.

Furthermore, the MSs from the 2007 enlargement round have enjoyed few advantages in the requirements for the EU funding which were aimed at increasing their absorption capacity.

First, Bulgaria along with Romania, received one additional year (two years rule)⁵ to spend the financial aid they received in accordance with the allocation of the Funds. This exceptional factor is valid only for the two new member states. However, if Bulgaria fails to appropriately spend the money it is eligible for, the Member State will lose this amount of finances.

Second, Bulgaria is facilitated by the reduced co-financing rates for the EU Structural Funds beneficiaries. The contribution per Member State has been cut from 25 per cent to 15 per cent for the programme period 2007-2013 (EUROPA, February 2009).

2.6 Policy Stages

It is a task of the European Commission to present the Structural Funds budget to the Council and the Parliament of the European Union. After formulating the Community strategic guidelines on cohesion (European Commission, Inforegio) related to further programming adjusted to the EU priorities, the Commission consults with the Member States. The following step is the preparation of a National Strategic Reference Framework (NSRF) which has to be submitted in the next five months after the acceptance of the Community Strategic Guidelines

⁴ For a map of the regions benefiting of the Structural and Cohesion funds in the programming period 2007-2013, please turn to Annex 3

⁵ The two years rule referred to as n+2 rule was applicable in the programme period 2000-2006. It has been replaced by the n+3 rule for the following programme period.

(Council of the European Union, 11.07.2006). Moreover, the NSRF has to be applicable to the specific programmes (Operational Programmes) that the Member State plans to realise with the funding received from the above mentioned Funds. The OP Regional Development consists of 5 priorities:

1. Sustainable and Integrated Urban Development
2. Regional and Local Accessibility
3. Sustainable Tourism Development
4. Local Development and Cooperation
5. Technical Assistance

After being approved by the Commission, the operational programmes have to be implemented, monitored and evaluated by the Member States. These tasks are the responsibility of authorities specially established for that purpose in every country:

1) **Managing authority** is designed by the country to carry out the operational programmes (Council of the European Union, 11.07.2006, Regulation 1083/2006, Art. 59). The main functions of the authority are to “efficiently, effectively and correctly” implement and control the financing of the operational programmes (DG, n.d.).

2) The **certifying authority**’s responsibility is to authorize the payment applications and statements of expenses before they are sent to the European Commission (EUROPA, General Provisions).

3) For each OP there is an **audit authority** and it is specially designed to verify that the management and the control systems are properly functioning. It also generates audit strategies according to each programme’s characteristics (Council of the European Union, 11.07.2006, Art. 62).

4) The **monitoring committee** controls the management of the operational programmes and the NSRF. Its main responsibility is to set up procedures and rules “within the institutional, legal and financial framework” (Council of the European Union, 11.07.2006, article 61). Moreover, it is responsible for coordinating the operational programmes and ensuring the optimal and correct use of the financial resources. The monitoring committee is obliged to report to the European Commission once a year.

2.7 Classification

The European Union created a system of classifying of its territory with statistical purposes, dividing the regions into groups, which do not always correspond to the administrative structures. The goal is for all of them to reach equal level of development. The system used for classification is known as NUTS⁶, based on three NUTS levels for each member state setting up general parameters depending on the number of inhabitants – NUTS level 1 (3 to 7 million), NUTS level 2 (800 000 to 3 million) and NUTS level 3 (150 000 to 800 000) (European Parliament and the Council of the EU, 2003, Art.3 (2)) and NUTS 0 referring to the territory of the country in general. The small entities belong to the LAU classification.

Through its instruments and procedures, the EU helps the candidates for membership to understand and adapt the principles of the EU idea for regional equality and prosperity and implement the basic structures of the policy. Regional Policy is one of the key EU policies especially in relation to the process of Accession of new members. The analyses of the strength and weaknesses of each candidate, its advantages and needs, define the level of development and degree of potential as well as the issues that call for attention. Furthermore, the next chapter would provide a better understanding of the importance of Regional Policy in Bulgaria by giving an overview of the transition Bulgaria had experienced, its development and the process of integration to the EU.

⁶ For more information on NUTS classification by country, please turn to Annex 4

Chapter III: Bulgaria in the European context

3.1 Bulgarian transition

The period after 1989 marks the beginning of a long process of economic and social transformations for Bulgaria from “planned, highly centralised economy to a free, market economy” and from “a totalitarian to a democratic society” (Todorov, n.d.). All spheres of social life were influenced by these transitions. It was an extensive process that started with replacing the old totalitarian regime with a new pluralistic political system and establishing new democratic principles, laws and institutions of the government system. Last but not least, establishing free market economy is a major sign of a “real transition” (Todorov, n.d.). In addition, the governmental instability led to a prolonged period of political vulnerability⁷ (Monastiriotis, 2008) and economic decline. Also, another drawback at the time was the lack of essential reforms and the need for drastic alteration of the “earlier aggressive liberalisation policies”⁸ (Monastiriotis, 2008).

Furthermore, the above-mentioned changes brought about many challenges for Bulgaria especially in the adaptation to the new regime and the new governmental institutions. It turns out that the transition affected the country in the wrong way (Todorov, n.d.) as the values in people’s minds remained unchanged. The process of transition began with building up democratic authorities, and with battles for freedom of speech and impartial media. Moreover, attention has been devoted to setting up a clear system of values for the nation. The effective functioning of the institutions is the criterion for closing the chapter of the transition period. All these conditions led the economy to serious decline characterized by growing unemployment and inflation in the 90s.

Right after Bulgaria started to show signs of recovery, it was hit by the financial crisis leaving the country with high external debt. In a response to the situation, the process of privatisation of state-owned enterprises was speeded up and a Currency Board was established, thus

⁷ For the period 1990-1994 five Ministers took their rounds and the government has changed repeatedly.

⁸ In 1988 the Decree was enforced introducing administrative controls for more than 50% of consumer prices. It lasted until 1996.

“managing to control the inflation and lead the economy to a sustainable path of recovery” (Monastiriotis, 2008). Meanwhile, the European Union became an issue of great interest to Bulgaria. The Accession Partnership signed in 1997 put the start of the negotiations for the inclusion of Bulgaria.

3.2 Outline of the Accession process

“The gradual enlargement of the European Union is a uniquely successful process. Enlargement has, in a very tangible way, improved the chances for peace and prosperity in our part of the world, and has created a model for peaceful cooperation and integration that inspires the rest of the world” (Ministry of Foreign Affairs of Sweden, 11.02.2008).

Once Bulgaria was no longer under the Soviet Union’s power, it started working its way to the EU and applied for membership. It took a longer time for Bulgaria to carry out political and economic reforms than the rest of the countries from the previous enlargement in 2004. Despite the economic problems and the poor state of development, the EU saw the potential for rapid growth of the Bulgarian economy and its motivated workforce as a benefit to the Union. Moreover, Bulgaria has a key territorial asset in the Balkans and the Black Sea.

The way to EU membership had been fraught with prolonged procedures prior to Bulgaria’s integration. Not long after Bulgaria filed an application to the EU, a free trade zone was established between the new applicants and the members of the Common Market, followed by opening negotiations for accession in February 2000 and their successful conclusion in June 2004. Bulgaria missed the first round of the EU enlargement due to its failure to successfully implement democratic and market reforms, its poor performance in combating organised crime, and its lack of press freedom (BBC, April 2005). In addition, by rule, the candidate states must fulfill the basic clauses of the Treaty of Accession known as safeguard clauses⁹. The EU measures the advancement and monitors the progress of implementation in order to ensure that the requirements have been met by the country. Furthermore, a failure to meet the

⁹ For overview of the safeguard and additional clauses for accession, please turn to 3.3 Conditions for accession

above-mentioned clauses might result in an introduction of additional clauses which will lead to delaying the accession by one year.

Yet, Bulgaria was the first to implement successfully the *acquis communautaire* followed later by Romania. After the approval of the European Commission and the European Parliament for Bulgaria to join the Union, the Accession Treaty was signed in 2005 leading to the country's accession to the EU on January 1st, 2007. As a response to that, Bulgaria expressed its gratitude to the European Parliament for the support given to "Bulgaria on its road toward the European Union" (BBC, 2005) and the Bulgarian Prime Minister described the event as "the fall of Berlin wall for its nation" (BBC, 2006).

It is important to examine this period which mark the interest and willingness of the country to work towards ensuring better standards and conditions for its nation, economic and social prosperity and care for global issues such environmental protection in joint efforts with the rest of the Union. This is clear example of the impact that the EU had played on Bulgarian transition process and its growing regional policy awareness.

3.3 Conditions for Accession

As mentioned above, the normal safeguard clauses were formulated in the Accession Treaty 2005. They were also applicable to the countries from the 2004 Enlargement round. The content of the clauses deals with a few points outlining the possible measures that Bulgaria might be subjected to in case of complications in the integration of the legal context of the Treaty. The clauses referred to are the following:

- **General economic safeguard clause** states that in case of poor economic performance of the country, measures for protection of the current members of the Union will be taken (EUROPA, 2004).
- **Specific internal market safeguard clause** is a prevention measure used to decline the MS's access to the Common Market. It is used to protect the Market when

there is a real threat for its proper functioning coming from poorer economic conditions of the MS (EUROPA, 2004).

- **Specific Justice and home affairs safeguard clause** (both with duration of 3 years) give the European Commission the right to interfere in cases of failure of adaptation of the *aquis communautaire* by certain MS (EUROPA, 2004).

- **Reinforced monitoring clause** which gives the right to the Commission to postpone the accession of the candidate states by one year in case of unsatisfying preparation (EUROPA, 2004).

With a view to obligations, Bulgaria has to take into consideration few key requirements related to the clauses as to which the achieved progress has to be reported to the Commission. The country needs to work on the accountability of the judicial system and its independence, investigating efficiently the cases of corruption, measures to prevent corruption and struggle against the organised crime. Even after its accession, Bulgaria still needs to put more efforts in order to tackle these issues. The EU has put serious restrictions and control over the new member state's governance which shows the other side of the coin of the integration. Bulgaria does not only receive benefits and help in its integration but needs to focus on meeting the criteria and satisfying the EU objectives and expectations which happened to be quite a challenge.

IV Regional policy in Bulgaria

4.1 Regional developments and the EU

The EU regional policy is essential to Bulgaria as one of the poorest EU member states. However, there is a long way to the understanding of how that policy works in the Bulgarian context. Large amounts of subsidies have been frozen due to fraud. The EU is ready to provide a lot of money for development and integration, but Bulgaria cannot ensure the rightful use of the money and put an end to corruption.

The concept of eliminating the differences among the 27 member states is the main EU goal, especially in Central and Eastern Europe. The successful cases prove that the stimulation of growth and employment leads to progress, and Bulgaria is one of the examples of how the financial aid from the EU can fuel improvement.

The economic and social cohesion policy plays a central role in the accession period. On the one hand, it provides significant funding. Meanwhile, it does set up certain conditions and limits oriented especially towards the candidates for EU membership. Due to the inherited social, economic and spatial structures, the previous policies and the recent years' dynamics in the development, the existing gap in the economy, infrastructure, employment, income and living standards deepened among the different parts of the Bulgarian territory" (Cerovski, 2003). It is crucial to examine the context of the Bulgarian regional policy in the Accession process because all these facts have had a great impact on the implementation of the national policy of regional development. Moreover, in my description, I will highlight the main objectives and requirements Bulgaria has to meet before closing the negotiations Ch. 21 "Regional Policy and Coordination of the Structural Instruments".

Up to 2006, the major strategic goal for Bulgaria was to reach EU economic, social and administrative standards in order to gain membership. Hence, Bulgaria had to meet some regional challenges and achieve other short-term goals. Bulgaria's regional development policy is closely related to the social-economic principles of development. It is focused on narrowing the gap between the levels of development and the living standards in all regions of

the country by supporting a balanced and sustainable growth and advancement of the regions that lag behind.

The Regional Policy was not a priority initiative for Bulgaria until the interest of joining EU became a major goal. The need to implement regional policy brought about many challenges mainly when it comes to meeting the requirements that EU set in order to gain access to EU pre-accession funds. As a result of the high demand for membership, “conditions for the unprecedented influence of an international institution on domestic policy choices” have been created (Minkova, p.6).

The signs of attempting to introduce regional policy in Bulgaria date back from 1960. However, in 1970 with the establishment of the State Planning Committee, the start of regional policy in Bulgaria was set. Furthermore, a reform followed in 1987 which reduced the number of districts from the present 28 down to 9 districts (Primatarova & Ganev, 2007).

In the transition phase, Bulgaria experienced serious regional disparities and backwardness due to the lack of attention to regional economic performance which significantly deteriorated the country’s situation.

At first, unemployment was not a matter of concern, whereas the main problems appeared to be the depopulation of rural areas and environmental degradation. After the end of the Communist era, regional disparities widened and the unemployment rate increased in the less developed regions characterized by tendencies of depopulation. While the main rural areas marked significant economic improvement after 1997, the regional inequalities deepened (Monastitiotis, 2008). On the other hand, high-skill workforce and foreign direct investments (FDI) concentrated in the advanced cities and mainly in the capital.

The advancement of few urban areas at the expense of the less prosperous regions, economic disparities and local economies remain major regional challenges Bulgaria faces today.

4.2 Profile of the planning regions

The territory of Bulgaria is divided into 28 districts which are parts of six planning regions¹⁰. Furthermore, a brief overview of the Bulgarian regions is provided. It aims to give a clear idea and basic knowledge on the regional classification and on the specific characteristics of each planning region. The following pages outline the level of development as well as the regional advantages and disadvantages.

4.2.1 The South-Western region with its 20 306, 4 sq. m. is the second largest region with respect to territory among all the regions of Bulgaria (Ministry of Regional Development and Public Works, n.d.). The following five administrative districts are part of the region: Sofia-city, Sofia region, Pernik, Montana, Vraca and the region of Lovec. To the south, the South-Western region extends as far as the boarder with Greece, and to the west to the border with Serbia and Montenegro and the Republic of Macedonia. Among the planning regions, the South-Western region has the lowest unemployment rate (13.6%) with the population concentrated in the capital area (Ministry of Regional Development and Public Works, n.d.). Furthermore, the region shows significantly high percentage of the labour force employed in the field of services with 72,6%, followed by the food and textile industry, the tourist and trade industry (Friends Group, Republic of Bulgaria). In addition, machine building, mining industry and production of electricity are well-developed in the region.

The infrastructure of the region indicates significant development in terms of transport networks and the three international corridors, ensuring fast and effective access to the main areas. Moreover, the modernization and fast development of the region with a view to communications is defined by the dominant influence of the capital, the introduction of modern technologies, improvement of the railway and air transport. Last but not least, the region has a great potential as far as production of green energy is concerned.

¹⁰ For a map indicating the six planning regions in Bulgaria, please turn to ANNEX 5

All the factors enumerated above determine the significant regional contribution to the national GDP.

Although the heavy industry is at work as a main source of pollution in the region, the biodiversity and unique nature are advantageous to the region. Moreover, the growing importance of the region is based on the high concentration of governmental institutions, its economic development, the presence of foreign investors, the rich historical and cultural heritage and its strategic location.

Furthermore, the major cities are also big academic and research centers a fact which contributes to the technological development, innovations, the growing interest of investors and the competitiveness of the region.

4.2.2 South-Central region occupies one quarter of the country's territory (27 516 sq. m.). It is situated in the southern part of the country with administrative center Plovdiv (Friends Group, Republic of Bulgaria). It is the largest region in the country covering 27.8% of its territory (MIRIAD, n.d.). The agriculture and forest areas cover most of the territory. The region consists of six districts with a concentration of the population mainly in the large cities in Plovdiv and Pazardjik districts. The unemployment rate in the region is 11, 0% whereas in Smolian and Pazardjik the unemployment is the main challenge exceeding 18% (Ministry of Regional Development and Public Works, n.d.). The South-Central region's GDP makes 15, 4% of the national GDP (National Statistical Institute, 2009).

The European transport corridors №4, №8, №9 and №10 pass through the territory of that region.

4.2.3 South-Eastern region covers territory of 19 799 sq. m representing 17, 8% of the country's territory with predominant agricultural areas (Ministry of Regional Development and Public Works, n.d.). Region's south border is Turkey.

The unemployment in the region is significantly lower than the national unemployment rate (10.1%) concentrated in Bourgas and Sliven districts (Ministry of Regional Development and Public Works, n.d.). The transport infrastructure is poorly developed with weakest development in the mountain areas.

Corridor №8 and corridor №9 cross the region.

4.2.4 North-Western region is the smallest country's region as far as territory is concerned (10 288 sq. m.). From North, East and West sides the region borders on the river Danube, Iskar and Timok, and to the south a natural border is the Balkans Mountain. The trade routes to Central and Eastern Europe pass through the big ports situated in the region (Ministry of Regional Development and Public Works, n.d.). The main center of the region is the city of Vratsa with population of 74 000 people. This region is not only the smallest by size but by population and density as well compared to the rest of the country. Moreover, with a negative population growth and significant depopulation and migration of young population, the economically active population makes only 6 % of the total (Ministry of Regional Development and Public Works). The region's high unemployment rate is due mainly to the lack of new job opportunities and low education level of the people. However, the industry in this region is quite developed with the following leading branches: food industry, machinery, sewing, construction, power-generation, textile, agriculture, etc.

Of a great importance for the country is the only nuclear plant which is situated in this region – Kozlodhui. In relation to the Bulgarian application, the EU expressed demands on closing down the units on safety grounds. As an outcome of the negotiations for the Bulgarian Accession, two units have been closed. The public expressed huge disapproval with the EU requirements on further closing of reactors. However, the Bulgarian government ensured the nation that there are no intentions for closing other reactors of Kozlodhui which supplies about forty percent of the country's electricity (BBC, 1998). There would be further updates on the nuclear plant safety.

The greatest potential of the region is in the energy sector, food industry and chemistry. Additionally, the rich mineral resources in the region allow the development of the mining industry.

A major issue is the environmental protection and preservation in the region. There is a serious shortage of water supplies and severe pollution in some parts of the region. The water supply problem has been partially solved so far by using the lakes as sources as well as the thermal mineral waters found in the region.

4.2.5 North-Central region's territory is 14 973 sq. m. with predominant agricultural areas (Ministry of Regional Development and Public Works, n.d.). The region is characterized by high population density 91, 6/sq. m. which makes it the only region having population density higher than the national one (Ministry of the Regional Development and Public Works, n.d.). However, the region's unemployment stays much higher and its contribution to the national GDP is quite poor.

Last but not least, North-Central region borders to the North with Romania and the only existing working bridge on the Danube on the Bulgarian-Romanian territory is situated in this region. Also, the corridors №9 and №7 pass through the region.

4.2.6 North-Eastern region has 19 966 sq. m. territory with population density lower than the national one (68, 8/sq. m.) (Ministry of Regional Development and Public Works, n.d.) and six administrative districts. The population in the region is generally highly educated. The unemployment rate is equal to the national average. Furthermore, the employment distribution is concentrated mainly in the agriculture sector and significantly less in the industry.

The main problems concerning the environment in the region come from the chemical enterprises causing severe pollution, as well as the active tourist season that has a big impact on the environment. However, serious measures have been taken and the damages have been limited.

Last but not least, this region is unique with its numerous UNESCO world heritage sites opening the opportunities for the region for modern life and development.

According to the EU standards, the North-Western and the North-Central regions are the most backward regions in Bulgaria with respect to the economic and social development.

4.3 Pre- Accession Structural Policy

4.3.1 Principles and instruments

The three pre-accession instruments of the EU financial and technical support for the period 2000-2006 (European Council, 1989) are:

-PHARE (Poland and Hungary: Assistance for Restructuring Economies)

Through this programme, the membership candidate countries from Central and Eastern Europe receive aid in their preparation for accession to the EU. Its goal is to support the creation of administrative authorities for the institutions to function effectively after Bulgaria becomes a member of the Union. The programme provides aid in order to harmonize the national legislation with the EU law as well.

Bulgaria receives financial aid since 1995, the Ministry of Finance taking the responsibility for national coordination and control of the programme in 2002. Bulgaria has received about 1178.96million euros invested as follows: National Programmes-921 million euros, cross-border cooperation-80 million euros, nuclear safety programme- 6.31 million euros and for the special PHARE programme developed with a view to closing down the two units of the power plant “Kozloduy”- respectively 50 million euros (European Commission, January 2007).

In addition, the PHARE programme provides financial support through a large range of activities for different sectors in Bulgaria, such as the judicial system and internal affairs, administration reform, combatting corruption, democracy and social policy integration,

finance and harmonisation with the EU law in terms of agriculture, transport, environment and etc.

-ISPA (Instrument for Structural Policies for Pre-Accession)

It is a pre-accession tool of the structural policy providing aid to the candidates for the EU in the sphere of economic and social cooperation, the transport and environmental sectors. Through ISPA the candidate states familiarise themselves with the EU policies and procedures, harmonise their legislation with regard to environment, and expand their access to the cross European transport network. The financial resources in the transport area are focused mainly on building up transport infrastructure- air transport, railways, roads and connecting them with the national network. This sector and the environment sector have access to more than 5 million euros financial resources.

-SAPARD (Special Accession Programme for Agriculture and Rural Development)

It is the third accession instrument intended to ease the pre-accession period with respect to the implementation of the *acquis communautaire* concerning the Common Agriculture Policy (CAP) (European Commission SAPARD Programme), their legislation and the structural adjustment of the agricultural areas. It provides finances exclusively to the agricultural and rural development projects. The amount provided from SAPARD for each project can represent about 50% of the cost as 75% are covered by the EU and the rest of it by the Bulgarian national budget¹¹.

The above-mentioned instruments have been replaced with the Instruments for Pre-Accession Assistance (IPA) for the period of 2007-2013.

¹¹ For breakdown of the SAPARD funds by year and sources, please see ANNEX 6

4.3.2 Actors and procedures

The Regional policy implementation demands active participation of numerous actors, both public and private, local and national actors and the Member States' participation as representation in the EU. The Member States' role as "the link among central and regional governments with the Commission is vital to the coordination of regional policy" for its formulation and implementation (Dudek, 2005).

However, the role of the European Commission in Bulgaria is rather dominant. A relevant Monitoring Committees has been set up in the country to help the effective absorption of the finances. In addition, if the country proves unable to collect money for the co-financing, the European Investment Bank together with the European Bank for Reconstruction and Development and the Council of Europe Development Bank take up this role.

4.4 Current Social and Economic Status

The 2009 government set goals to reduce corruption and the grey economy¹² and restore the financial resources by cutting about 15% of the expenses. The corruption and the "grey economy" in Bulgaria account for a great part of the economy amounting to about 25% and 40% of the GDP (CIA FactBook, 2008).

Furthermore, The National Strategic Report for the period 2007-2013 outlines significant economic growth, and the country is on its way to achieve its "ambitious goal" of reaching GDP 51.2% of the EU average by the end of the current programming period (National Strategic Report, 2010). Taking into account the economic crisis, which hit the country, causing significant decline in GDP growth from 6 per cent for 2008 to 2,5 per cent in 2010, Bulgaria should start recovering at the beginning of 2010 (CIA FactBook, 2008). With respect to the financial crisis, the Bulgarian Minister of Finances has declared that the country had

¹² The grey market also known as the „hidden market” is the trade of goods and services through unauthorized, unofficial but still legal distribution channels. The term refers to the “growing number of workers being paid under the table, without paying income taxes or contributing to such public services as Social Security and Medicare” Dean Calbreath, May 30, 2010. Union Tribune

reached “the bottom of the crises” by the end of last year but by “March 2010 the climate should improve” (Dyankov, 2010).

However, the macroeconomic stability and the progress in the structural reforms increased the MS’s competitiveness. Currently Bulgaria enjoys the interest of foreign investments. Even though it is a recent member of the European Union, the country has already achieved 69.6% of its target for the whole period in the sphere of competitiveness. Yet, the prognoses for the unemployment are not optimistic as it is expected to jump from 9.3 per cent (2009) to 13.8 per cent (by the end of the year 2010) and with more than 50 per cent for the less developed regions (Dyankov, 2010).

The living standards in Bulgaria are significantly lower than those of the EU-25 average. One of the indicators is the short life expectancy both for men 69.48 years and women-76.91 years (CIA World FactBook, 2009). The wages have also been significantly increased over the years, and the inflation and the high unemployment rates lead to lack of consumer markets due to the low fertility rates. Nevertheless, Bulgaria has marked significant improvement with the employment rates since 2006 from 11.50 per cent to 9.10 per cent in 2009 (CIA World FactBook, 2009).

4.5 Difficulties and Performance

The low absorption capacity proves the need for improvement and reforms. According to the National Strategic Report 2009, one third of the NRSF budget for the 2007-2013 programming period was already contracted and even the delay for the individual OP was compensated (National Strategic Report, 2009). However, there is still a delay with a view to the money which has to be paid out. The major problems of the NRSF and the OPs arise from the complication of the procedures and inadequate communication between the authorities in charge and the beneficiaries (National Strategic Report, 2009). The most substantial problems are caused by the new requirements that had to be met and the lack of previous experience in the implementation of the policies.

Firstly, it is important to deal with the core problems like lack of information and knowledge accessibility on the different OPs, incomplete project proposals, delays in the interaction with the beneficiaries during the evaluation process, complicated procedures, often resulting in delays of contracts and suspension of funds due to irregularities (National Strategic Report, 2009).

Secondly, the global economic crisis had a negative effect on the Bulgarian economy and resulted in decreased co-financing possibilities for the country and delay of payments. Nevertheless, the country is already showing progress. Moreover, the public opinion in the new member state shows positive tendencies towards EU presence in the government's plans. According to the findings of the Standard EUROBAROMETER, 55% of the Bulgarians express their approval of the EU membership and their belief that the country has benefited as a member state (European Commission, 2006). In addition, the majority of the Bulgarian society shows a support and trust in the EU institutions. As a whole, the public opinion is positive towards the changes the country is experiencing and the future goals that the national policy defined.

V Post-Accession Regional Policy

5.1 Operational Programmes (OP)

The Operational Programmes contain the priority goals and the plan for Member State programming. Also, NSRF contains the annual financing for each programme. The countries and their regions following under the convergence objective are obliged to spend 60% of the budget on the priorities of the Lisbon Strategy¹³ and those related to the competitiveness and employment objective- 75% (European Commission, n.d.). The NSRF does not cover the OPs under the Territorial Cooperation objective.

Furthermore, the NSRF outlines the seven priority OPs for Bulgaria which are eligible of 3 205 billion euros from ERDF and 1 185 billion euros ESF investment (European Commission, n.d.)¹⁴:

1) Administrative capacity programme aims at improving and modernising the administration by raising the quality of civil servants' skills and knowledge, and making the organisations more efficient (Ministry of State Administration and Administrative Reform, 2007). The major goals are to not only improve the efficiency of the administrative and governmental work, but also to encourage professionalism and transparency at all levels of governance.

2) Developing the Competitiveness of the Bulgarian Economy. In the first place, 90% of its budget is allocated to developing and improving the entrepreneurship, innovation activities and creating favorable business environment (Ministry of Economy and Energy, 2007). As a result of the implementation of the measures mentioned above, the employment rate in the country is expected to rise.

3) OP Environment is focused on the preservation of biological diversity. Bulgaria stands out with the greatest biological diversity among the member states. That is

¹³ The Lisbon Strategy refers to the EU's strategy for growth and employment

¹⁴ For the table explaining the financial allocation to the 7th OP and the interaction between the RP instruments and objectives, please turn to page 31

why the efforts of the country are concentrated mainly on adopting the right measures and putting into practice the EU main instruments for environmental preservation. Also, Bulgaria participates in the international discussion on global warming and intends to launch actions based on the COP-15 convention.

4) **OP Human resources development** seeks to ensure the equal possibilities and access to education and training of employees in order to improve the market competitiveness and future industry advancement. As a result of the great degree of interest in the education and training possibilities, more money will be invested in this programme with the goal to support about 13 500 internships, improve the social integration of people with disabilities and their career development.

5) **OP Regional Development's** goal is to make the system of control and management better organised and to optimise efficiency and transparency of the funds management (National Strategic Report, 2009). Despite the low absorption rates, this programme is a clear example of the progress Bulgaria has made. The Regional Development OP is the best performing ERDF OP for the current period.

6) **Technical assistance** programme supports the financial control and the audit system. Furthermore, its aim is to encourage the local authorities and ensure a Unified Management Information System (Ministry of Finance, 2007).

7) The **OP Transport** receives considerable part of the budget (2 billion euros) dedicated to the large infrastructural projects related to the NSRF priority 1 for improvement of the infrastructure (National Strategic Report 2009). In addition, 1.1 billion Euros from the Cohesion Fund and 312.8 million Euros coming from the European Regional Development Fund in this programme are allocated to the implementation of the Lisbon Strategy priorities (National Strategic Report, 2009).

The table below indicates which of the Operational Programmes benefit from which Fund and under which objective. The budget mentioned below refers to the allocation of finances to Bulgaria.

Operational Programme	Fund	Total
Convergence objective	Community Contribution	
ERDF &Cohesion Fund		
Competitiveness	ERDF	987 883 219
Regional Development	ERDF	1 361 083 545
Technical Assistance	ERDF	48 296 513
Transport	ERDF	368 809 733
	Cohesion Fund	1 255 669 890
	ERDF+Cohesion Fund	1 624 479 623
Environment	ERDF	439 059 208
	Cohesion Fund	1 027 366 273
	ERDF+Cohesion Fund	1 466 425 481
ESF		
HR Development	ESF	1 031 789 139
Administrative Capacity	ESF	153 670 724
Total	ERDF	3 205 132 218
Total	CF	2 283 036 163
Total	ESF	1 185 459 863
Funds Total 2007-2013		6 673 628 244

Source: EUROPA, Cohesion Policy 2007-2013

5.2 Absorption rate

The Pre-Accession Funds' aim is to prepare the Member State for its future role in the European Union. Compared to the situation from a few years ago, the absorption capacity in the region grew. For the period 2000-2003, the absorption capacity never exceeded 35.3% and kept declining in the following years.

Currently, all the six regions of Bulgaria (7.8 million inhabitants) are qualified under the convergence objective to 6853 billion Euros, and another 179 million euros under the Territorial Cooperation objective (European Commission, n.d.). This leaves Bulgaria with more than 1345 billion Euros contribution to the EU investment.

Nevertheless, according to the Commission's reviews and evaluations, Bulgaria, currently being half way through the 2007-2013 programme, has proved to be a significant success with respect to the use of the Cohesion Fund. By the same token, however, the country has shown mixed results of achievements and compliance, and the element of corruption remains present (National Strategic Report, 2009). Despite the 20% absorption, Bulgaria claims to have experienced positive changes. The actions of the 2010 newly elected Bulgarian government back up these facts. The government has already paid out more than 106 million Euros within five months. Moreover, this amount of money makes more than all money spent for the last two and a half years (The Sofia Echo, 15.01.2010). Still, Bulgaria has 6.673 million Euros provided by the EU Funds and only 2.6% absorbed so far.

Chapter 6: The Danube Strategy

The last chapter is concentrated on the Danube Strategy. It is a reflection of the EU ideas for unity in efforts and actions and it gives a great example how significantly the Regional Policy emerged in Bulgaria. Moreover, the chapter provides a close look at the key priorities for the participants and the basis of the strategy.

This initiative unites the efforts of all regions and countries situated in the area of the river Danube. The goal of the strategy is to speed up the process of economic and social cohesion and improves the territorial cooperation between the countries. Bulgaria supports the concept partnership between member states, candidate countries and potential EU membership candidates as a key factor of the strategy for successful and effective approach to achieve increased competitiveness of the region, innovation development and territorial cooperation. Bulgaria expresses its full support for the strategy as part of the EU regional development policy and its will to participate actively in the process of its formulation and implementation.

The Danube region is a natural link between the Baltic Sea region, Black sea, Adriatic Sea regions and the Alps. The strategy is a process which provides an opportunity to reduce the social and economic inequalities between the states and their regions and is a precondition for increased competitiveness, stable partnerships, innovation and multicultural dialogue.

6.1 Common strategy

Fourteen countries participate in the process of planning of the Danube Strategy. Eight of them hold EU membership, four are in the process of accession to the Union and the rest are Moldova, Ukraine, Bosnia and Herzegovina and Montenegro. The second longest river in Europe is a symbol of integration, a link between the one of the founding member states of the EU (Germany) and the newest member states (Romania and Bulgaria) (Ministry of Regional Development and Works, 2010). The diversity in the region is a big challenge but also a step towards solving problems by cooperation and joined efforts. The strategy is aimed at

encouraging all participants to unite their work in the effort to establish economic prosperity, market development and scientific partnerships. The increased competitiveness and economic growth of the region will develop the potential of all the participants. Moreover, the Strategy is a major factor for improving the effectiveness of investments and resources coming from the EU funds. All aspects of the Strategy will focus on the important issues related to improved and more efficient use of the resources, functioning of the institutions and development of adequate judicial system. When it comes to Bulgaria, the Danube is a factor with a great importance for the country's development, transport, water and energy potential. Its influence is especially great with respect to European corridors №4, №7, №9 and №10, the monitoring of the quality of the waters and the two areas for transnational cooperation (Bulgaria-Romania, Bulgaria-Serbia). In the planning process related to the Bulgarian contribution to the new strategy, an analysis of the national and regional interests, current financing programmes and key sector strategies have been taken into account parallel to the country's previous experience in strategic planning for a stable regional development, OPs development and EU funds resources. The results of the above- mentioned analyses are the base for the formulation of the country's priorities, measures and actions in the strategy. Last but not least, a database with plans for projects has been created. The plans will be presented to all interested parties in the process of strategy planning.

6.2 Principles

The Danube strategy is not a one time action but a process of integration and development, of strategic planning, monitoring and evaluation towards improved competitiveness and attractiveness of the region. The integrative character of the strategy covers diverse areas of activities and its formulation is a result of a social dialogue in which representatives of all interested countries have been taking part in accordance with the EU policies.

6.3 Key priorities and measures

6.3.1 Cohesion – planning of initiatives to improve the transport networks, communications and effective use of the energy resources.

- **Development of the transport infrastructure**

This priority includes a set of measures aimed at achieving improvement and modernization of the railway and road infrastructure, bridges and ferry connections on the Danube, the navigation systems, stability and transport safety.

The Bulgarian participation in the Strategy is a challenge. The development and modernization of the transport infrastructure plays an essential role in the economic, social and cultural cooperation of the Bulgarian regions with the rest of the EU regions of the Danube area. In this respect, the improvement of the European corridors is of primary importance because it is related to the external transport connections and the integration of the Bulgarian regions in the Danube area. Priority number two is the improvement of the interregional connections which requires a modernization of the road infrastructure. Last but not least, the presence of modern systems for monitoring and navigation of the traffic is of great importance.

The building and exploitation of new transport connections in the Danube region is of a key importance for the integration into the European transport network, free movement of the EU citizens and functioning of the EU internal market.

- **Energy networks**

The priorities in this sphere are the initiatives aimed at achieving regional integration through development of missing or weak parts of the energy

system, its modernization, and creation of a common regulation, safety system, financial models and measures for energy effectiveness. In particular, for Bulgaria, this will result in a higher degree of gas usage in the domestic and industrial sectors in the region, and limited use of fossil gases.

6.3.2 Environment- policy implementation including measures for quality improvement of the waters, biodiversity, risk prevention and control.

- **Preservation of the Danube - reducing the pollution of the water**

In order to protect the environment, a set of measures has been created on the basis of integrated planning. The measures clearly indicate a need for investments, modernization, professional training, technical assistance and equipment for monitoring the pollution of the waters.

- **Environmental protection and preservation of nature and biodiversity**

The priority goal is to highlight the importance of environmental protection and preservation of the regional biodiversity, and to bring the attention to the stable development of the region where the urban and economic interventions are not at the expense of the ecological equilibrium.

- **Risk management**

The analyses of the crises situations in the Danube region indicate a need for effective monitoring as well as for common actions to limit the risks and damages in crises situations.

6.3.3 Potential development- economic development and increased regional competitiveness, education, culture, tourism which will result in guaranteed effective cohesion and multicultural dialogue. Nevertheless, the rich cultural heritage and the specific identity of the region have to be preserved.

- **Support for scientific initiatives and innovation**

The goal of this priority is to increase the research and innovation exchange; development of scientific programmes and research centers; projects for cooperation between educational institutions of all countries from the Danube area.

- **Stimulation of trade and investments**

The initiatives are aimed at increasing the capacity for effective financial and investment policy on national level; initiatives intended to stimulate the business cooperation and development of the small business are of great importance for overcoming the inequalities in the two least developed regions in the country.

- **Human Resources development**

The investment in people is one of the key principles of economic development and prosperity. Therefore, there exists a need for actions which have to be focused on the improvement of the professional education and creation of more opportunities for training in the area. As a result, there are projects for development of education and students' mobility based on the idea of partnership and exchange of experience and good practices.

- **Effective use of tourist potential**

The initiative is of an integrative nature as it requires joined efforts to develop the potential of the whole region and formulate common tourist products. Moreover, it completes the realization of all of the above mentioned priorities. The diversity of nature, of the cultural and historical Bulgarian heritage are preconditions for development of cultural and eco-tourism.

- **Intercultural dialogue**

The national position on the intercultural dialogue is clearly expressed in the participation strategy. Bulgaria encourages and promotes the intercultural dialogue as the only way to a tolerant common understanding and unity. The projects based on the understanding that the diversity of the region is its biggest advantage, have great impact on the business development and knowledge exchange in key economic and social areas.

6.3.4 Cooperation- this priority provides an opportunity of improving the administration capacity on national level and control over the procedures related to the large projects. The measures planned for the implementation of this priority concern the transnational cooperation on administrative level, optimal use of non-governmental practices and active participation of the citizens in the policy implementation. The projects make use of the present financial resources and offer opportunities to increase the effectiveness of their use for the common goal formulated in the Strategy.

6.4 Evaluation

The Danube strategy is a reflection of the EU concept for “united in the diversity” states with common goals and interests. Also, it does present the level which the EU regional policy has reached and its importance for Bulgaria as one of the newest members of the Union. The Danube region is regarded as a historical territorial unity of European nations and cultures with a huge potential for economic and social development. The Bulgarian contribution to the Danube Strategy will continue to develop and enrich in the future. The country has already expressed desire to play a leading role in the strategy and especially in the tourist area. In the individual discussions with the European Commission, each party will receive a key coordinating role on one of the Strategy’s priorities.

CHAPTER 7: Recommendations and conclusion

So far, Bulgaria has achieved quite a success in the sphere of regional policy. Nevertheless, there are many issues that need to be addressed in the future.

Bulgaria has overcome numerous obstacles on its way to the EU. Today, the country stands out as one of the newest member states with high ambitions for remarkable future advancement of its regions and national standards. For a short period of time it has demonstrated its ability to deal with the challenges and adapt to changes, and its potential was not left unnoticed. At the start of 2010, the country has just begun recovering from the global economic crisis but the new government already expressed optimistic prognoses of expected progress by the end of the programme period in relation to GDP and employment rate.

In its future plans, the Bulgarian government is firm in its decision to modernize the country governance and bring the country to a new level of development getting closer to the EU standards. For this purpose, the national priorities for the next few years are focused mainly on increasing the competitiveness and establishing of a balanced economy. Key priorities are the optimal and effective allocation of the EU funding and improved management and control systems which will contribute to the actual enhancement of the living conditions of the Bulgarian citizens.

Furthermore, the government lays emphasis on the corruption preventing measures on all administrative levels which are expected to improve the efficient distribution of financial resources and improve the absorption. In addition, it is important to increase the access to up-to-date information of the local management authorities for the Structural and Cohesion Funds, and to meet all deadlines.

After all, the EU has played a major role in the shaping of the Bulgarian Regional Policy. Moreover, the EU is the core reason for the implementation and emergence of the policy in the country, as an important condition for the Accession to the Union. Due to that support, Bulgaria currently works her way towards innovation and modernization and strives to become a competitive player on the European market.

When it comes to the future of the EU Regional Policy, the priorities for the 2020 plan for a “new strategy to make the EU a smarter, greener social market” has been set up (European Commission, 18.12.2009). For better results and elimination of the disparities within its boundaries, the EU needs to focus its attention on few clear goals and relevant measures with more performance-orientated framework. Moreover, the new strategy must ensure a better performance, data gathering and evaluation conducted before the implementation starts. As the practice with the new member states showed, the EU needs to approach the regional issues in a different way than before with the previous candidates. The huge disparities between the countries from the Eastern Europe and the EU-25 call for well-prepared strategy based on previous research and practices. Last but not least, the EU interest in the Eastern European countries is expanding with the future enlargement plans focused on Southeastern Europe. Bulgaria has a lot in common with the rest of the countries in the region in relation to historical heritage, development and nation’s mentality and values. In my opinion, Bulgaria can serve as a model for the candidates for the future enlargement rounds and they can learn from its experience with the transition and the EU.

This is only the beginning of the surprises that the Eastern Europe has to show to the EU.

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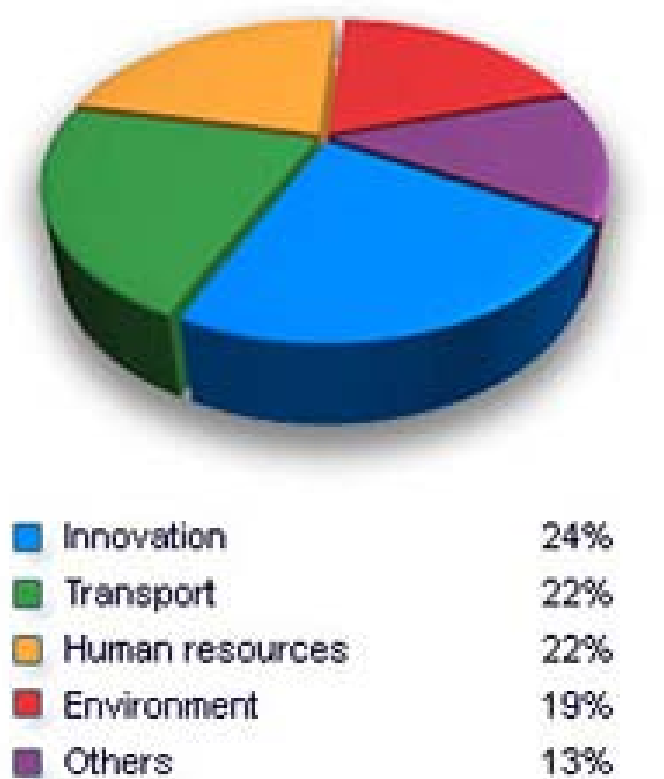
ANNEX 1: Table of the main differences in the objectives and instruments for the 2000-2006 and 2007-2013 programme periods

2000-2006	-	2007-2013	-
Objectives	Financial instruments	Objectives	Financial instruments
Cohesion Fund	Cohesion Fund	Convergence	ERDF
Objective 1	ERDF	-	ESF
-	ESF	-	Cohesion Fund
-	EAGGF-Guarantee and EAGGF- Guidance	-	-
-	FIFG	-	-
Objective 2	ERDF	Regional Competitiveness and Employment	ERDF
-	ESF	regional level	ESF
Objective 3	ESF	national level: European Employment Strategy	-
Interreg	ERDF	European Territorial Cooperation	ERDF
URBAN	ERDF	-	-
EQUAL	ESF	-	-
Leader+	EAGGF – Guidance	-	-
Rural development and restructuring of the fisheries sector apart from Objective 1	EAGGF – Guarantee	-	-
	FIFG	-	-
9 Objectives	6 instruments	3 Objectives	3 instruments

Source: European Commission

ANNEX 2: Graphic indicating how regional funding is used according to the sectors

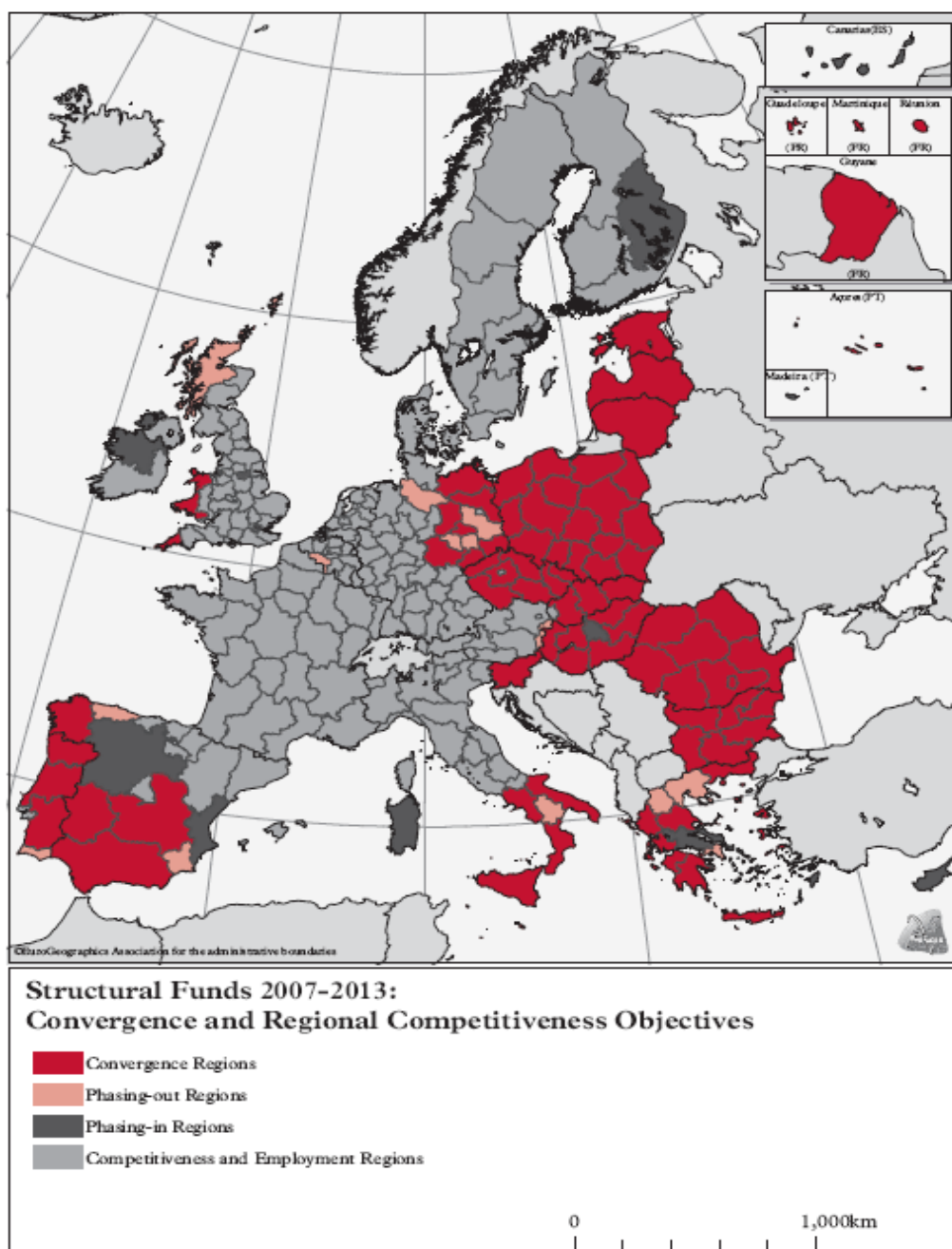
How regional funding is used



Source: European Commission

Source: European Commission, Inforegio

ANNEX 3: Map of regions benefitting of the Structural and Cohesion Funds for the programming period 2007-2013



Source: Bulgarian Government

ANNEX 4: Table of the NUTS classification by country

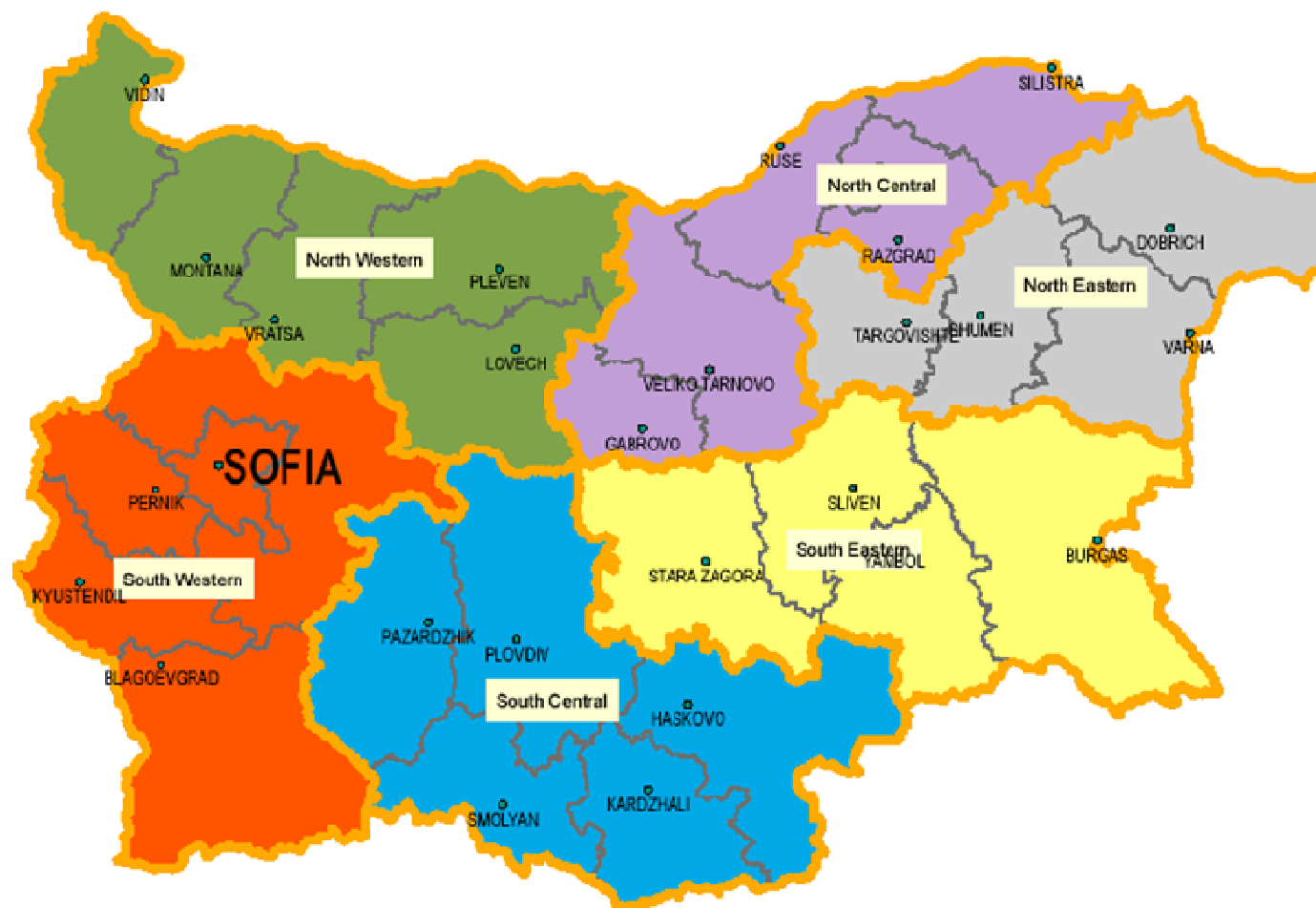
Countries		<u>NUTS 1</u>		NUTS 2		NUTS 3	
<u>EU-27</u>			97		271		1303
<u>Austria</u>	<u>AT</u>	Groups of states	3	<u>States</u>	9	Groups of <u>districts</u>	35
<u>Belgium</u>	<u>BE</u>	<u>Regions</u>	3	<u>Provinces</u> (+ <u>Brussels</u>)	11	<u>Arrondissements</u> (<u>Verviers</u> split into two)	44
<u>Bulgaria</u>	<u>BG</u>	Regions	2	Planning regions	6	<u>Oblasts</u>	28
<u>Cyprus</u>	<u>CY</u>	—	1	—	1	—	1
<u>Czech Republic</u>	<u>CZ</u>	—	1	<u>Oblasts</u>	8	<u>Regions</u>	14
<u>Germany</u>	<u>DE</u>	<u>States</u>	16	<u>Government regions</u> (or equivalent)	39	<u>Districts</u>	429
<u>Denmark</u>	<u>DK</u>	—	1	<u>Regions</u>	5	Lands	11
<u>Estonia</u>	<u>EE</u>	—	1	—	1	Groups of <u>counties</u>	5
<u>Spain</u>	<u>ES</u>	Groups of autonomous communities	7	<u>17 Autonomous communities and 2 autonomous cities</u>	19	<u>Provinces + Islands + Ceuta and Melilla</u>	59
<u>Finland</u>	<u>FI</u>	<u>Mainland Finland, Åland</u>	2	Large areas	5	<u>Regions</u>	20
<u>France</u>	<u>FR</u>	<u>Z.E.A.T. + DOM</u>	9	<u>Regions + DOM</u>	26	<u>Departments + DOM</u>	100
<u>Greece</u>	<u>GR</u>	Groups of development regions	4	<u>Peripheries</u>	13	<u>Prefectures</u>	51
<u>Hungary</u>	<u>HU</u>	Statistical large regions	3	<u>Planning and statistical regions</u>	7	<u>Counties + Budapest</u>	20
<u>Ireland</u>	<u>IE</u>	—	1	Regions	2	<u>Regional Authority Regions</u>	8
<u>Italy</u>	<u>IT</u>	Groups of regions	5	<u>Regions</u> (<u>Trentino-Alto Adige/Südtirol</u> split into two)	21	<u>Provinces</u>	107

<u>Lithuania</u>	<u>LT</u>	—	1	—	1	<u>Counties</u>	10
<u>Luxembourg</u>	<u>LU</u>	—	1	—	1	—	1
<u>Latvia</u>	<u>LV</u>	—	1	—	1	<u>Regions (+ Riga)</u>	6
<u>Malta</u>	<u>MT</u>	—	1	—	1	<u>Islands</u>	2
<u>Netherlands</u>	<u>NL</u>	Lands	4	<u>Provinces</u>	12	<u>COROP regions</u>	40
<u>Poland</u>	<u>PL</u>	Regions	6	<u>Voivodeships</u>	16	Subregions	66
<u>Portugal</u>	<u>PT</u>	<u>Continent (+ Azores and Madeira)</u>	3	<u>Regional Coordination Commissions + Autonomous regions</u>	7	<u>Groups of municipalities</u>	30
<u>Romania</u>	<u>RO</u>	Macroregions	4	<u>Regions</u>	8	<u>Counties + Bucharest</u>	42
<u>Sweden</u>	<u>SE</u>	Regions	3	<u>National areas</u>	8	<u>Counties</u>	21
<u>Slovenia</u>	<u>SI</u>	—	1	Macroregions	2	<u>Statistical regions</u>	12
<u>Slovakia</u>	<u>SK</u>	—	1	Oblasts	4	<u>Regions</u>	8
United Kingdom	<u>UK</u>	<u>Government Office Regions (of England)</u>	9	<u>Counties (some grouped); Inner and Outer London</u>	30	<u>Upper tier authorities or groups of lower tier authorities (unitary authorities or districts)</u>	93
		<u>Wales</u>	1	<u>Groups of unitary authorities</u>	2	<u>Groups of unitary authorities</u>	12
		<u>Scotland</u>	1	<u>Groups of unitary authorities or districts</u>	4	<u>Groups of unitary authorities or districts</u>	23
		<u>Northern Ireland</u>	1	<u>Groups of districts</u>	1	<u>Groups of districts</u>	5
<u>Candidate countries</u>			14		30		110
<u>Croatia</u>	<u>HR</u>	—	1	Regions	3	<u>Counties</u>	21
<u>Macedonia</u>	<u>MK</u>	—	1	—	1	<u>Statistical regions</u>	8
<u>Turkey</u>	<u>TR</u>	Regions	12	Sub-regions	26	<u>Provinces</u>	81
<u>EFTA countries</u>			4		16		48
<u>Iceland</u>	<u>IS</u>	—	1	—	1	<u>Capital area / Rest of country</u>	2

<u>Liechtenstein</u>	<u>LI</u>	—	1	—	1	—	1
<u>Norway</u>	<u>NO</u>	—	1	Regions	7	<u>Counties</u>	19
<u>Switzerland</u>	<u>CH</u>	—	1	Regions	7	<u>Cantons</u>	26

Source: Wikipedia

ANNEX 5: Map of the planning regions in Bulgaria



ANNEX 6: Table indicating the breakdown of the SAPARD funds by year and sources

YEAR	TOTAL	Investment sources		
		EU	National	
			Public	Private
2000	141 376 325,36	53 016 122,00	17 672 040,68	70 688 162,68
2001	144 249 829,36	54 093 686,00	18 031 228,68	72 124 914,68
2002	147 530 044,03	55 582 227,00	18 527 409,02	73 420 408,01
2003	134 824 497,57	56 519 598,00	18 825 957,95	59 478 941,62
2004	156 971 881,83	68 010 000,00	22 656 091,94	66 305 789,89
2005	174 929 292,62	75 080 737,00	25 022 719,61	74 825 836,01
2006	169 994 959,28	82 446 000,00	27 477 307,27	60 071 652,01
Total	1 069 876 830,05	444 748 370,00	148 212 755,15	476 915 704,90

* Euro in current prices

* The amounts are indicative

Source: Bulgarian Government