The EU Cohesion Policy’s Impact on Regional Economic Development: The Case of Bulgaria

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Abstract: The EU cohesion policy has been a major driver of change in the member states, leading to positive effects as growth in employment, economic development, modern infrastructure, etc. Since its EU accession in 2007 Bulgaria has been benefiting from the Union’s investment and structural funds at an increasing speed. Research shows that not only these funds contribute significantly to the Bulgarian economy, but they seem its major driver. Without them the country would have recorded a zero growth in the EU’s financial framework 2007-2013, and would have dumped in an economic and social crisis.

This paper explores the sources which assess the influence of the EU cohesion policy, in particular those focusing on Bulgaria (including the applied by the country’s Council of Ministers SIBILA model), and presents and analyzes the results of these assessments. The ultimate goal of the paper is to make objective conclusions about the impact of the EU cohesion policy on the Bulgarian economy, as well as recommendations to raise its efficiency in the period 2014-2020. The scientific investigation of this experience could be of use also to the Western Balkan countries, which are at a similar economic development level, on their way to EU membership.

Key words: EU Cohesion policy, Bulgaria, regional economic development

JEL Classification: 05, F36, H77

Overview of the EU’s cohesion policy

The regional policy of the European Union aims to support the job creation, business competitiveness, economic growth, sustainable development, and overall quality of life in its regions and cities. It is implemented through three main funds: the European Regional Development Fund, the Cohesion Fund and the European Social Fund. Together with the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund, they make up the European Structural and investment funds. These funds invest in different areas with the common objective of reducing economic and social disparities among EU members. As a whole, the cohesion (regional) policy of the EU complements the other EU policies dealing with education, employment, energy, the environment, the single market, research and innovation, etc.

The budget for the Cohesion Policy for 2014-2020 is 351.8 billion euros - a third of the EU’s total budget, which puts it on the second place after the Union’s Common Agricultural Policy.
The EU regions (on NUTS2 level) are classified as "less developed" (where GDP per capita is less than 75 percent of the EU average), "in transition" (the GDP per capita is 75-90 percent of the EU average) and "more developed" (GDP per capita exceeds 90 percent of the EU average). The European Union can provide 50-85 percent of the total financing of a project, with the poorest regions getting the highest co-financing rates. The potential beneficiaries of these funds include public institutions, companies, universities and nongovernmental organizations.

For 2014-2020 the largest portion of the money - 182 billion euros - will be for the “less developed” regions, which represent 27% of the population in the EU. These include the bigger part of Poland, the Baltic States, the Czech Republic, Slovakia, Hungary, Romania, Croatia, Slovenia, Bulgaria, Portugal, as well as southern Italy and northern Greece. For many of these countries, the cohesion instruments are a key part of their economies (especially Poland, Romania, the Czech Republic, Slovakia and Hungary).

The EU’s cohesion policy is important because it is the investment framework needed to meet the goals of the Europe 2020 Strategy for smart, sustainable and inclusive growth in the Union. The cohesion policy is the EU’s major investment tool for creating growth and jobs, tackling climate change and energy dependence, and reducing poverty and social exclusion.

The regional policy underpins European solidarity, because the bigger part of its funding is concentrated on less developed countries and regions in order to help them to catch up and to reduce the economic, social and territorial disparities in the Union. In addition to that, the EU’s cohesion policy cushioned member states from the worst effects of the crisis. It also became of critical importance at a time of sustained fiscal consolidation and according to estimates without it the much needed public investment in the less developed Member States would have collapsed by an additional 45% during the crisis (European Commission, 2014a). Also the cohesion policy is considered as a catalyst for further public and private funding, not only because it obliges Member States to co-finance from the national budget, but because it also evokes investors’ confidence.

However, EU’s cohesion policy is also heavily criticized. The main argument for its existence is that the funding it provides would eventually rise to the same level of economic development. But it seems like after decades of integration and billions of euros' worth of EU investment only a limited political and economic cohesion in Europe is achieved.

If one takes indicators as Employment rates or Early school leavers rates in two of the Bulgarian regions and a region in in Northern Europe and even in Central Europe, one could easily find multiple differences in their values in absolute terms (Table 1).

Table 1: Employment rates, Youth employment rate, NEET rates and Early school leavers, by NUTS 2 regions in 2014

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1 See Nomenclature of territorial units for statistics (NUTS)
<table>
<thead>
<tr>
<th>Name of the EU Region</th>
<th>Code</th>
<th>Employment rates (%) Total From 20 to 64 years</th>
<th>Youth unemployment rate, from 15 to 24 years Total</th>
<th>Young people neither in employment nor in education and trainings (NEET rates), Total from 15 to 24 years</th>
<th>Early leavers from education and training, Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Percentage</td>
<td>Percentage</td>
<td>Percentage</td>
<td>Percentage</td>
</tr>
<tr>
<td>Severozapaden</td>
<td>BG31</td>
<td>58.9</td>
<td>27.7</td>
<td>34.0</td>
<td>20.8</td>
</tr>
<tr>
<td>Severen tsentralen</td>
<td>BG32</td>
<td>61.8</td>
<td>24.9</td>
<td>22.1</td>
<td>17.9</td>
</tr>
<tr>
<td>European Union (28 countries)</td>
<td>EU28</td>
<td>69.2</td>
<td>22.2</td>
<td>12.5</td>
<td>11.2</td>
</tr>
<tr>
<td>Praha</td>
<td>CZ01</td>
<td>78.7</td>
<td>10.1</td>
<td>4.4</td>
<td>2.5</td>
</tr>
<tr>
<td>Agder og Rogaland</td>
<td>NO04</td>
<td>80.9</td>
<td>6.5</td>
<td>5.4</td>
<td>13.0</td>
</tr>
</tbody>
</table>


The reasons for this incoherence are different. A major problem in many countries is the high level of corruption, which prevent cohesion funds from going where they would be most useful. Besides that member states in many countries, particularly those in Southern and Eastern Europe, still experience difficulties in absorbing these funds. In some cases, national and local authorities lack the know-how and institutional framework to successfully apply for funds, while in others the countries lack the capacity to co-finance the projects supported by the European Union.

There are experts who consider the EU’s cohesion policy as too complex and lacking clear goals, and there are others that state that too big share of the funds go to countries with GDPs above the European average. In addition, the monitoring of the absorption of these funds has been controversial, because full control of the use of the money is impossible (Stratfor, 2015). There are often cases of corruption, where state officials in member states are bribed to award EU-financed contracts. In other case firms report inflated costs. There are also cases when infrastructure projects are undertaken, just because money was available, and after that abandoned for lack of use.

**Key achievements of EU cohesion policy**

A number of sources provide information on the European cohesion policy’s effects and the extent to which it is successful in achieving these objectives.

Firstly, there is quantitative information on the direct outcomes of the projects and measures monitored by Managing Authorities responsible for the programs. The indicators are in the form either of the output produced (f.e. number of new businesses helped to start up) or the results which they brought to (f.e. the time/travel costs saved as a consequence of a new road opened).

Secondly, there are evaluations of particular programs, which assess the effectiveness of the funding provided in achieving both the immediate objective of the measure and the wider aim of strengthening the development potential of the places concerned.

Thirdly, there is the evidence from macroeconomic models that simulate how the economies function in order to estimate the effect of Cohesion Policy, mainly in terms of main economic
indicators, f.e. GDP, employment and trade. This they do by simulating the way the economy would have developed in the absence of Cohesion Policy.

There is also research (mainly econometric models) of independent organizations.

**The EU Cohesion policy in the period 2007-2013**

The European Commission has analyzed the effects of the EU cohesion policy for the programming period 2007-2013 and concluded that it had contributed substantially to the investments in growth and employment in the member states, especially when they applied spending cuts to balance their budgets in times of crisis.

Public investment in the EU declined by 20% in real terms between 2008 and 2013. In Greece, Spain and Ireland the decline was around 60%, while in central and eastern European countries, where Cohesion policy funding is particularly significant, public investment fell by a third.

The estimates show that without the EU Cohesion policy the investments in the most-affected member states would have fallen by an additional 50%. This is particularly valid for these vulnerable member states, which count significantly on the EU financing. In some of them the cohesion funding represents more than 60% of their investment budget (Figure 1).

**Figure 1: Share of Cohesion policy in public investment, average 2010-2012**

![Graph showing share of Cohesion policy in public investment](image)

Source: Eurostat and DE REGIO.

In 2013 the Commission acted to the crisis by redirecting some of the cohesion funds - more than EUR 45 billion, to support measures against unemployment and social exclusion and in favor of research, business support, sustainable energy, social and education infrastructure (European Commission, 2014b).
As a whole, the empirical evidence suggests that Cohesion policy funds have had a significant positive impact on the economic and social development of member states and have materialized in numerous positive effects for the member states in the programming period 2007-2013.

On the first place, the cohesion policy of the EU has led to the creation of jobs and growth. Income has increased in the poorest EU regions with GDP per capita growing in these areas from 60.5% of the EU average in 2007 to 62.7% in 2010 (European Commission, 2016a).

According to the Commission (European Commission, 2014b) as a direct result of the cohesion policy 769,900 new jobs were created in 2007-2013 (Figure 2), and 2.4 million participants in ESF actions supporting access to employment found a job within 6 months in 2007-2010.

Besides that 225,560 small and medium-sized enterprises received direct investment aid and more than 274,000 jobs were created in SMEs. 97,640 start-ups were supported (Figure 3).

Positive effects were also created by the 72,920 research projects that were supported, and the 35,125 new long-term research jobs that were created. 27,800 co-operation projects were financed, and 5 million more EU citizens were covered by broadband connectivity.

Concerning the environment, 11,050 projects connected with the cities’ sustainability were financed. Water supply systems were modernised, benefiting 4.2 million citizens (Figure 4).
In terms of transport infrastructure, 3 752 km new roads were built (Figure 5) and 20 104 km were reconstructed. Also 335 Km of railways were built and 3 128 km were reconstructed. In addition to that, more than 5.5 million citizens were served by waste water projects.

It could be concluded that the EU Cohesion Policy is delivering on the growth goals of the Europe 2020 Strategy by creating jobs and reducing disparities across Europe. It has cushioned the dramatic decline of public investment, injecting much needed investment resources in many Member States and creating vital financial stability which serves to attract private investment.

In the programming period 2014–2020 investments are focused on key areas like energy efficiency, employment, social inclusion and SMEs. However, the state of cohesion of the EU remains a major challenge in the long-run. We will see why in the following case of Bulgaria.

**Economic and social situation in the Bulgarian regions**

Despite that the legislative framework of Bulgaria’s regional policy is harmonized with the European, the overall indicators don’t show significant progress in the country’s performance in reaching even the EU average levels. The comparison covers both – the economic development in terms of GDP, and the social development as measured by the Social Progress Index (SPI).

The comparison of the Bulgaria’s six NUTS 2 regions to the EU28 average in terms of generated GDP as purchasing power per inhabitant shows that the poorest Bulgarian region (and in the whole EU) - Severozapaden region (Northwest region) - is under one third of the EU average, and almost 7 times less than the one of Hamburg, Germany (Table 2).

<table>
<thead>
<tr>
<th>Country</th>
<th>Code</th>
<th>Gross domestic product at current market prices (Purchasing Power Standard per)</th>
<th>Gross domestic product at current market prices (Purchasing Power Standards per)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Figure 4: Number of people served by water projects financed by the Cohesion policy**

**Figure 5: Km of new roads built by the Cohesion policy**


<table>
<thead>
<tr>
<th>Region</th>
<th>Code</th>
<th>Population (inhabitants)</th>
<th>Inhabitants in percentage of the EU average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severozapaden</td>
<td>BG31</td>
<td>8 200</td>
<td>30</td>
</tr>
<tr>
<td>Yuzhen tsentralen</td>
<td>BG42</td>
<td>8 700</td>
<td>32</td>
</tr>
<tr>
<td>Severen tsentralen</td>
<td>BG32</td>
<td>9 300</td>
<td>34</td>
</tr>
<tr>
<td>Severoitstonchen</td>
<td>BG33</td>
<td>10 800</td>
<td>39</td>
</tr>
<tr>
<td>Yugoztochen</td>
<td>BG34</td>
<td>10 800</td>
<td>39</td>
</tr>
<tr>
<td>Yugozapaden</td>
<td>BG41</td>
<td>20 600</td>
<td>75</td>
</tr>
<tr>
<td>European Union (28 countries)</td>
<td>EU28</td>
<td>27 500</td>
<td>100</td>
</tr>
<tr>
<td>Wien</td>
<td>AT13</td>
<td>43 500</td>
<td>158</td>
</tr>
<tr>
<td>Noord-Holland</td>
<td>NL32</td>
<td>44 300</td>
<td>161</td>
</tr>
<tr>
<td>Praha</td>
<td>CZ01</td>
<td>47 500</td>
<td>173</td>
</tr>
<tr>
<td>Île de France</td>
<td>FR10</td>
<td>49 000</td>
<td>178</td>
</tr>
<tr>
<td>Hamburg</td>
<td>DE60</td>
<td>56 600</td>
<td>206</td>
</tr>
</tbody>
</table>

Source: Eurostat, 2016

At the same time, the draft version of the regional Social Progress Index\(^2\), released for public comment, shows significant variations within and between EU Member States in different spheres, such as access to health care, quality and affordability of housing, personal safety, access to higher education, and environmental pollution.

The SPI is an aggregate index of 50 social and environmental indicators that capture three dimensions of social progress: Basic Human Needs, Foundations of Wellbeing, and Opportunity. The index framework is identical to the one of the global SPI. It includes all 272 European regions and scores absolute performance on a 0-100 scale for each of the indicators included to measure the twelve social and environmental (not economic) indicators.

There are three dimensions of the SPI, including the components: 1) Basic Human needs incl: nutrition and basic medical care; water and sanitation; shelter; personal safety; 2) Foundations of Wellbeing, incl: access to basic knowledge; access to Information and Communications; Health and Wellness; Ecosystem Sustainability; 3) Opportunity, incl: Personal rights; Personal Freedom and Choice; Tolerance and Inclusion; Access to Advanced Education.

The SPI considers the SEE member states as the most undeveloped in social terms (Figure 6).

\(^2\) The index is the result of cooperation among the Directorate-General for Regional and Urban Policy of the European Commission, the Social Progress Imperative and Orkestra-Basque Institute of Competitiveness. It follows the overall framework of the global Social Progress Index, customised for the EU using indicators primarily drawn from Eurostat data. It isn’t created for the purpose of funding allocation and doesn’t bind the European Commission.
Gross domestic product (GDP) per inhabitant, in purchasing power standard (PPS)

Gross domestic product (GDP) per inhabitant, in purchasing power standard (PPS), by NUTS level 2 region, 2013 (% of the EU-28 average, EU-28 = 100) (1)

< 75
75 – < 90
90 – < 100
100 – < 110
110 – < 125
>= 125
Data not Available

Source: European Commission, 2016b.

Similar to the GDP, the SPI is traditionally the lowest in two member states – Bulgaria and Romania. The Bulgarian Southeast region is the one with the lowest SPI value in the EU – only 38.7, which is less than half of the highest EU value of 81.3 in Övre Norrland, Sweden (Table 2).

Table 3: Social Progress Index in the EU in 2016

<table>
<thead>
<tr>
<th>Region’s ID</th>
<th>Region’s name</th>
<th>Basic</th>
<th>Foundation</th>
<th>Opportunity</th>
<th>EU SPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>BG34</td>
<td>Yugoiztochen</td>
<td>42.5</td>
<td>45.8</td>
<td>28.8</td>
<td>38.7</td>
</tr>
<tr>
<td>BG31</td>
<td>Severozapaden</td>
<td>44.7</td>
<td>47.0</td>
<td>28.0</td>
<td>39.4</td>
</tr>
<tr>
<td>RO31</td>
<td>Sud - Muntenia</td>
<td>43.9</td>
<td>43.3</td>
<td>35.8</td>
<td>40.9</td>
</tr>
<tr>
<td>RO22</td>
<td>Sud-Est</td>
<td>43.3</td>
<td>45.5</td>
<td>37.2</td>
<td>41.9</td>
</tr>
<tr>
<td>RO21</td>
<td>Nord-Est</td>
<td>43.4</td>
<td>42.3</td>
<td>41.8</td>
<td>42.5</td>
</tr>
<tr>
<td>BG42</td>
<td>Yuzhen tsentralen</td>
<td>47.9</td>
<td>49.7</td>
<td>32.7</td>
<td>43.1</td>
</tr>
<tr>
<td>BG33</td>
<td>Severoiztochen</td>
<td>46.3</td>
<td>46.7</td>
<td>40.4</td>
<td>44.4</td>
</tr>
<tr>
<td>BG32</td>
<td>Severen tsentralen</td>
<td>47.3</td>
<td>49.3</td>
<td>38.7</td>
<td>45.0</td>
</tr>
<tr>
<td>RO41</td>
<td>Sud-Vest Oltenia</td>
<td>47.9</td>
<td>45.9</td>
<td>42.2</td>
<td>45.3</td>
</tr>
<tr>
<td>RO11</td>
<td>Nord-Vest</td>
<td>49.1</td>
<td>47.9</td>
<td>45.6</td>
<td>47.5</td>
</tr>
<tr>
<td>RO12</td>
<td>Centru</td>
<td>51.2</td>
<td>50.1</td>
<td>44.0</td>
<td>48.4</td>
</tr>
<tr>
<td>ITF3</td>
<td>Campania</td>
<td>62.0</td>
<td>48.1</td>
<td>37.3</td>
<td>48.6</td>
</tr>
<tr>
<td>RO42</td>
<td>Vest</td>
<td>51.9</td>
<td>49.4</td>
<td>45.5</td>
<td>48.9</td>
</tr>
<tr>
<td>ITG1</td>
<td>Sicilia</td>
<td>62.0</td>
<td>49.6</td>
<td>37.1</td>
<td>49.1</td>
</tr>
<tr>
<td>BG41</td>
<td>Yugozapaden</td>
<td>52.7</td>
<td>54.8</td>
<td>41.3</td>
<td>49.4</td>
</tr>
<tr>
<td>FI20</td>
<td>Åland</td>
<td>88.6</td>
<td>72.8</td>
<td>79.8</td>
<td>80.3</td>
</tr>
</tbody>
</table>

Figure 6: Map of the Social Progress Index in the EU in 2016
<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Social Progress 1</th>
<th>Social Progress 2</th>
<th>Economic Growth 1</th>
<th>Economic Growth 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>DK04</td>
<td>Midtjylland</td>
<td>87.6</td>
<td>73.2</td>
<td>80.3</td>
<td>80.3</td>
</tr>
<tr>
<td>FI1B</td>
<td>Helsinki-Uusimaa</td>
<td>84.6</td>
<td>74.0</td>
<td>82.6</td>
<td>80.4</td>
</tr>
<tr>
<td>DK01</td>
<td>Hovedstaden</td>
<td>86.6</td>
<td>71.9</td>
<td>84.6</td>
<td>80.9</td>
</tr>
<tr>
<td>SE33</td>
<td>Övre Norrland</td>
<td>89.4</td>
<td>73.9</td>
<td>81.0</td>
<td>81.3</td>
</tr>
</tbody>
</table>

Source: European Commission, 2016b

It is also clear that all six Bulgarian regions are among the 15 least developed regions in the EU in terms of social progress. This is an indisputable empirical proof that EU’s cohesion goals are far from achieved.

However, the role of the EU’s cohesion policy as a major factor for regional development should not be exaggerated. The initial low level of economic and social development and still ongoing transition to modern economy in Bulgaria is another reason why the little positive progress of the country towards EU average levels remains almost invisible.

**Estimated effects of EU’s cohesion policy in Bulgaria**

There are different sources providing information about the effects of the European cohesion policy on Bulgaria. In the period 2007-2013 the EU funding amounted to 9% of the total budget expenditure but contributed to 80% of the country’s public investments. “The detailed analysis shows that the development dynamics follows a clearly positive trend, especially visible in the most off-track municipalities and regions. In this sense it can be claimed with certainly that the Cohesion Policy has achieved one of its aims in Bulgaria – to overcome differences between regions based on economic indicators“ (Donchev, Deputy Prime Minister for EU Funds and Economic Policies of Bulgaria, 2015).

The allocation from the Cohesion Policy funding for Bulgaria in the 2007-2013 period was €6.9 billion. According to the European Commission, it has helped the country to: create more than 1,300 jobs; serve over 280,000 more people by waste water projects; enable more than 137,000 persons to acquire or upgrade their vocational qualification and over 178,000 persons to acquire key competencies; realise many transport infrastructure projects (incl. Sofia metro extension, Trakiya Motorway, Sofia Airport); improve urban transport for 1,289,744 citizens, mainly in the 6 biggest cities (Sofia, Plovdiv, Varna, Burgas, Pleven, Stara Zagora); improve educational infrastructure for over 30,000 students and pupils; enable more than 398,000 m² of renovated parks, pedestrian areas, bicycle lanes, playgrounds; provide scholarships to 172,000 students; provide social services in a family environment for more than 51,000 persons; modernise 20 cultural facilities; invest in energy saving measures in public buildings and schools (European Commission, 2015).

A trustworthy model to estimate the effects of EU’s cohesion policy in Bulgaria is the macroeconomic model SIBILA - a Simulation model of the Bulgaria’s Investment in Long-term Advance3 (“long-term” because it evaluates the effects of investment in human capital, ICT,

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3 The development of the econometric model for impact assessment of the Structural and Cohesion Funds of the EU called SIBILA is implemented under project № 0018-ЦИО-3.2 „Development of a model for impact assessment of SCF”, financed by Operational Programme Technical Assistance.
R&D, infrastructure and physical capital, which are factors for long-term economic growth. It is based on the EU approaches to modeling of the impact of structural instruments, as well as on modern macroeconomic theory and it is adapted to the Bulgarian specifics. It consists of 170 equations, including econometric estimates, macroeconomic identities and calibrated dependencies (on the basis of stable historical links and applying existing knowledge (ECORYS – CPM – NEW i”, 2011).

The main objective of the model is to assess the net effects of the Structural and Cohesion Funds (SCF) on the Bulgarian economy, i.e. on key macroeconomic indicators, as well as to serve the decision-making process about the allocation of funds for the next programming period. It examines economic development in two scenarios: baseline scenario in which there is no SCF, and an alternative scenario reflecting SCF funding. The difference between the results of these two scenarios in terms of economic indicators’ performance measures the net impact of SCF.

According to the SIBILA model, the use of European funds had a positive net effect on the Bulgarian economy in the period 2007-2013. The real GDP towards the end of 2015 was 10.1% higher compared to a scenario where Bulgaria couldn’t invest the grants by the Funds.

The model also shows a positive impact in terms of the economy’s competitiveness, with a cumulative increase in the volume of private investments by 32.8% towards the end of 2015 compared to a scenario without European funds. A positive net impact on the business indicators of the companies was also noted. Towards the end of 2015 the unemployment rate in the country was 6.2 percentage points lower than it would have been without the inflow of the SCF, which meant about 30% fewer unemployed persons, while the number of people in employment increased by 14.4% towards the end of 2015 (nearly 372 000 more employed people) (Donchev, 2015).

However, the effects from the EU Cohesion policy on the Bulgarian economy and budget are sometimes criticized by economists, arguing that the European funds in the country are widely considered as a gift or free money (Ganev, 2016), which is not the case. The data from recent years show that European projects swallow an increasing share of the national resource and actually worsen the fiscal position of the country. The costs of the European programs in the country have been increasing steadily - in 2008 they were less than 1 billion BGN, in 2010 - 2 billion BGN, in 2014 they reached 4.5 billion BGN and in 2015 they boomed to 6.3 billion BGN. These costs are not funded only by the EU, as annually the state makes transfers from the national budget to the European programs. It is in practice the participation of the taxpayers in the European funding.

In 2011 and 2015 the national transfers to the EU funds increased markedly and reached about 40% of the costs of the European programs. From almost 6.3bn BGN spent on EU programs in 2015, 2.5 billion BGN were from the Bulgarian taxpayer. And the share of national financing in the EU aid has been increasing at a high speed. This is a real cost, and when, sometimes, meaningless projects are implemented, or projects costs are inflated only to increase absorption, this inevitably leads to wastage of national resources.

Problems and challenges for cohesion policy in Bulgaria
The absorption of financial resources from the SCF in Bulgaria in the first for the country programming period 2007-2013 was accompanied by numerous problems and deficiencies. The absorption rate for Bulgaria (and Romania) in comparison with the other member states was low. The major reason for that was the lack of the administrative capacity and experience with the procedures of project management of the operational programs. This was due to the fact that although the pre-accession programs included additional education and training of the national administration for the post-accession process, the administrative capacity was not high enough.

Another serious problem was that the absorption process in Bulgaria was implemented in contrary to the main principle of the European cohesion policy, because instead of supporting the country’s underdeveloped regions, it concentrated on the richest Bulgarian region. During 2007-2013, the EU allocated more than 81.56% of the its budget to the less favored regions, while in Bulgaria 40% of the available resources were invested in the most developed one – the Southeastern (incl. the capital), and only 7.5% in the least developed (Galabinova, 2015).

The Bulgarian Operational Programs in the 2014-2020 programming period follow the same logic – the country has not developed regional Operational Programs, which could support the underdeveloped regions, but seven national programs. There is a risk that the investment funds continue to be concentrated primarily in the Southwest region, which, instead of convergence of the level of development of the six NUTS 2 regions, will lead to even bigger regional disparities. Sofia could be established as a separate planning region, while the remaining of the current Southwest region could merge with the South Central region. In order greater socio-economic effect to be achieved, an analytical unit to assess the socio-economic impact in terms of defined goals, not in terms of the funds utilized and activities implemented, could be established (Hadjinikolov, 2015).

Besides that some sectors of the Bulgarian economy had not been restructured and even when the absorption of the EU funding followed the common policies, it was not efficient. The SMEs’ low awareness of the operational programs in the country was also a hinder and made it necessary to promote further the European funds’ opportunities (Nikolova, 2014).

Conclusion

Econometric research has showed that the EU Cohesion Policy funding has been an important driver for the reforms and economic development of Bulgaria since its accession to the EU. It will continue to play this role - for 2014-2020 Bulgaria has been allocated around €7.6 billion in Cohesion policy funding. The investment priorities have been set out in a Partnership Agreement with the European Commission and include the raising of the competitiveness of the economy, research and innovation, transport infrastructure, urban development, improved water and waste management, employment, raising the share of persons with higher education, strengthening the capacity of public administration and the judiciary and promoting good governance (European Commission, 2015).

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However, as a whole, the EU Cohesion policy has failed to achieve or still has not achieved its main goal: creating a more economically homogeneous Europe. A proof of that are the vast economic gaps between Southern and Northern, and between Eastern and Western Europe. Record high unemployment levels, especially among the youth, the vast emigration from Eastern to Western Europe and the rise in political parties that criticize the European Union and propose to reverse the process of European integration is another symptom of the lack of cohesion (Stratfor, 2015). However, this unsuccessful story is ineradicably connected with the poorest member states’ initial situation, as well, and their inability to make most of these development funds on a later stage. The case of Bulgaria is complicated by the apparent lack of law and efficient judicial reform.

The biggest challenge is to ensure that the Cohesion policy resources are used in the most efficient way, helping the EU to emerge from the the continuing crisis. With a budget of over €450 billion (including national co-financing) for 2014-2020, the European cohesion policy will keep on being the main investment arm of the Union. It will provide the largest contribution to supporting SMEs, R&D and innovation, education, low carbon economy, the environment, the fight against unemployment and social exclusion, infrastructure connecting EU citizens and modernizing public administrations. Its investments, combined with structural reforms, will play a key role in supporting growth and job creation and in the achieving the Europe 2020 strategy’s objectives of smart, sustainable and inclusive growth.

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