



IS IT POSSIBLE TO BE IMPROVED THE MODEL FOR FINANCING OF REGIONAL DEVELOPMENT PROJECTS IMPLEMENTED BY THE LOCAL AUTHORITIES IN BULGARIA?

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ABSTRACT

The purpose of the study is to suggest a possible model for selection for funding and implementation of regional development projects by local authorities. This model aims to suggest a better algorithm by which to be overcome the limitations in the existing one and to be achieved synergy in the EU Funds absorption.

The main method used is that of the comparative analysis. The made comparison and analysis are between the current model applied in Bulgaria and those applied in other Member States. Also analyzed are the opportunities and limitations of existing and newly suggested in respect of achieving better efficiency in the implementation of regional development projects.

The theoretical results show that by applying of newly suggested model is possible to be achieved the searched results in practice.

The main conclusion is that it is possible to be improved the model but it is necessary large reforms to be made in both the administration and in the model in order to be increased not only the amount of the EU Funds absorbed but also the sustainable results from the project implemented at local and regional level.

Key words: Structural funds, administrative capacity, Programme Period, Regulation, Europe 2020

The implementing regional policy in Bulgaria is in accordance with that of the European Union aimed at economic, social and territorial cohesion through sustainable and balanced development of the local and regional level to reduce inter-regional and intra regional disparities.

Between local and regional level there is interaction in which local development increasingly is viewed and perceived as stimulatory or inhibitory factor for regional development.

Local development comprises a set of managerial, organizational, administrative and

financial viability processes together in an institutional framework. The main pillar of this development is a local government.

After joining the European Union to the local authorities in the Republic of Bulgaria is given new opportunities for additional funding of large-scale basic infrastructure projects. Mutual influence that exists between local development and regional development is characterized by multiple connections, which are known as a "bottom-up" or "top-down". The combination of these two approaches is a prerequisite for efficient development, taking into account the territorial factor. This combination is one of the key for the progress of local government and its association with regional development through project financing. This funding is essential, because without such projects, the development and growth of the local and regional level will remain slow, difficult and painful process.

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As defined by the European Commission's concept of "local development" refers to "economic development policies covering a smaller unit of area. Measures of this policy are designed to adapt socio-economic structures and behavior in such a way as to lead to the full use of local resources and to establish and maintain stable employment. "

As already mentioned, local development increasingly is viewed and perceived as stimulatory or inhibitory factor for regional development. At the local level factors are refracted through specific local capacity - administrative and financial, the main characteristics of the region.

The distinction between local and regional development comes from the perception that local development is associated with the territorial unit municipality, while regional development with larger areas - areas or planning regions. Part of regional development and supra-municipal co-operation between groups of municipalities by one or surrounding areas.

Studies conducted by the Organization for Economic Cooperation and Development show that the availability of competent and motivated local authorities saoupravlenie a factor that can provide 30% of the growth of the territorial community.

For the local authorities in Bulgaria is very important to absorb more and more effective funding from the Structural Funds of the European Union (SF) in order to recover or build new elements of the infrastructure in both urban and rural areas as precondition for sustainable development of local and regional level. For this purpose is essential to be reformed the existing model and to be developed more effective mechanism for managing processes for the implementation of regional development project by the local authorities.

As rule the major part of the leading macroeconomists in Bulgaria said that the sum of the National Budget is much more than the negotiated by SF for Bulgaria which is fact. But SF through Operational Programs Regional Development and Environment give the predominant part of the necessary funding for

the municipalities for large-scale projects. This fact one more underlines the necessity by reform of the existing model for managing of SF in Bulgaria.

For the purposes of the study are analyzed the experience of the municipalities from the Region Of Stara Zagora and the barriers that they encounter in the process of preparation, implementation and reporting their projects funded by the SF through Operational Programs.

In the study are used general scientific approaches and research methods - deductive and inductive approach, analysis, descriptive and comparative analysis, as well as specific ones: questionnaire method, surveys are conducted directly with stakeholders in decision-making in the field and experts responsible for preparing and implementation of the projects. Actively used and experience in the field of local and regional authorities in the member states of the European Union - EU-17, EU-24 and EU-27.

In the current programming period 2007-2013, regional development projects at the local level are mainly financed by the Operational Program "Regional Development" OP RD. In it brief presentation indicated that it is focused on the practical implementation of Priority 4 of the National Strategic Reference Framework - "Balanced Territorial Development" outlines the main areas in which Bulgaria will receive funding for their regions by the European Regional Development Fund.

Generally OP RD aims to improve the socio-economic conditions in the 6 regions at NUTS II level ie overcome their gap with the EU regions on the one hand and reduce inter-regional disparities in Bulgaria on the other.

For this purpose, OPRD includes a wide range of measures, from infrastructure to protect cultural heritage, taking into account both general trends and specifics of individual settlements. Support is provided for projects of large urban centers with good potential for economic growth and social inclusion, as well as their neighbors and peripheral areas, which at this stage behind the overall development of the region. An important role is also provided cooperation between municipalities, which accordingly to ensure integrated and sustainable development.

The overall financial resources of the program are 1 601 274 759 BGN; 1 361 083 545 of which are financed by the ERDF EU and 240 191 214 are national co-financing provided by the state

budget. In the majority of schemes to provide grant funding beneficiaries also co-financed the project between 5-15%. (**Table 1**)

Table 1. Priority axes of Operational Program Regional Development (OP RD)

Priority axis	Total amount in BGN	Eligible beneficiaries
Priority Axis 1: Sustainable and integrated urban development	839 067 973	86 municipalities of the 36 agglomerations
Priority Axis 2: Regional and local accessibility		
Priority Axis 3: Sustainable Development of Tourism	218 093 623	Municipalities with more than 10,000 people, associations of municipalities, the Ministry of Culture (Concrete Beneficiaries), local, regional and national tourism organizations registered in the National Tourism Register, public authorities managing cultural monuments of national and global significance, the State Agency for Tourism (Concrete Beneficiaries)
Priority Axis 4: Local Development and Cooperation	89 671 387	178 municipalities out of 36 agglomerations
Priority Axis 5: Technical Assistance	54 123 087	MA and beneficiaries

Under priority axis 3 of 86 municipalities of the agglomeration areas are also provided funds not specifically mentioned in the text of the OP RD, but by their eligibility as candidates under this priority axis.

The procedure for granting financial assistance programs under Operational Programs in Bulgaria is indicated in Decree 121/31.05.2007. It applies to OP Regional Development also. Additionally a separate Decree defines the detailed rules for the eligibility of each operational program on the basis of the 4 EU Regulations (REGULATION (EC) No 1080/2006 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the European Regional Development Fund; REGULATION (EC) No 1081/2006 OF THE

EUROPEAN PARLIAMENT AND OF THE COUNCIL on the European Social Fund; COUNCIL REGULATION (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund; COUNCIL REGULATION (EC) No 1084/2006 establishing a Cohesion Fund) that address the management of the Structural Funds. The total number of PMS, which are managed by means of SF in Bulgaria is 24 - repeatedly amended, supplemented, waived.

Detailed rules for the financing of projects under OP RD are defined by Decree 245/09.10.2007. As general the grants are provided through calls for proposals. The types of calls for proposals, according to Decree 121/31.05.2007 are two:

with fixed dead line and with non-fixed dead line. Both of the types as practice are characterized with characterized by slow evaluation process (not less than 6 months) which is often insufficient objective. These 'rules' create barriers to the municipalities to implement the necessary measures on time as well as to implement their Municipal Development Plans because some of them did not receive the necessary grants that they are applied for.

The implementing of already approved projects is also slow and difficult process because of many non-flexible rules established by MA. Through these rules the MA administration tried to substitute or change the legislative framework both on National and EU Level in many cases. In other cases the implementation of the approved projects is slow and difficult because of hard bureaucracy procedures and ignorance of the municipality and its problems by the officers of the MA.

As part of the reason for non-effective absorption is the Management structure of the OP Regional Development which is as follows:

1. Managing Authority (MA) - Directorate General "Programming of Regional Development" of the Ministry of Regional Development and Public Works, which is defined in Decree 965/16.12.05. MA has full responsibility for the safe execution of the program according to the requirements of European legislation and implements comprehensive monitoring, financial management and control of funds under the program. The MA delegates functions and tasks of the Intermediate Bodies in the centers of the regions.

At regional level, the Managing Authority shall carry out its functions through six regional offices, located in the centers of regions at NUTS II. Regional departments are intermediate bodies under Art. 2 (6) of Council Regulation (EC) № 1083/2006 as they are not independent entities, but are part of OP RD Managing Authority - DG "Programming of Regional Development" at the Works. They are directly subordinate to the Head of the MA (Director General of the DG "Programming of Regional Development").

2. Certifying Authority is the body that receives and checks the aggregate demands for payments from the MA sends a request to the European Commission for cashing the payments. This body shall be the National Fund at the Ministry of Finance;

3. National Audit Authority shall perform audits to verify the effective functioning of the management and control of the operational program. He makes and audits of operations on the basis of an appropriate sample to verify expenditure incurred and others. This body is an Executive Agency "Audit of EU Funds" Directorate at the Ministry of Finance.

4. Monitoring Committee is the supreme body that monitors the implementation of the program. Specified in Decree 182/21.07.06. It is chaired by the Head of MA of OPRD and meets at least 2 times a year. It is composed in ministries, agencies, government agencies, associations of municipalities, regional development councils and socio-economic partners involved in the interventions and activities funded by the program.

Regarding the 6 regional departments located in the centers of regions at NUTS II, must be added that they rather serve as mailboxes, not real active departments - all the documentation on the implementation of funded projects sent to Sofia and decision taken there - the central level.

But the main reason is cumbersome bureaucratic mechanism to manage funds and projects that do not take into account the specifics of the regions and municipalities.

There are various models for programming, planning and implementation of regional development and subsidiary and coordination with the local government in Member States. In the interest of objectivity has to be said that these models have undergone various changes or completely revoked in different periods of their application, and they have had varying degrees of success.

These models are especially important for reducing regional discrepancies being targeted by the EU Cohesion Policy. An effective "utilization" of resources from SF is seen as an important indicator in the efforts and success of this policy in different countries.

It is clear that there is no universally applicable model or formula for effective and sustainable development, planning and implementation of regional development policies. The EC has provided right of each Member State the choice of such under historical conditions and the degree of maturity of the political system and society.

There is, however, a model of "good" experience with the spending of public funds, including those of the Structural Funds. As a 'rule' it is in countries where comprehensive and targeted transfer of income and expenses is a fact. And where the ability of local authorities to participate effectively in the formulation and implementation of regional development plans is higher due to the greater autonomy they have. But in the interest of objectivity, it should be emphasized that the existence of regional government is not required to ensure efficient use of public funds, including those from the EU Structural Funds and to reduce regional economic disparities. The majority of member states still do not have regional governments.

What is striking and may be cited as the "common denominator" in the member states with relatively high levels of absorption is solid institutional framework strengthened in the political reform process and based on a partnership. More specifically, these member states show decentralized systems with a clear allocation of functional and financial responsibilities between the different levels: local, regional, national as well as very high collaboration between these three levels in the programming and planning.

There is a logical connection between these dimensions and institutional planning and management of regional development policies, in particular regional programs and projects. First national, regional and local authorities need to be clearly defined and stipulated statutory powers and responsibilities in terms of revenue and expenditure in their budgets to be able to develop practicable plans set time limits to identify good design ideas and effectively spend public funds for their implementation. A decentralized system enables full decision-making at the local level in aspects local development, allows for better monitoring and accountability of local governments to their

citizens and for determining local priorities, including and investment programs. Secondly, they need predictability and simplicity of the political environment in order to be able to support local development in collaboration with other local partners and thus to apply the principle of sustainability in regional development. A well-functioning decentralized system cannot work without extensive public consultation process, involving participants from different administrative levels and between public administration, civil society and business sector. This is no easy task, as most of the former communist countries have traditionally accounted the general political responsibilities, such as the formation of the budget - with the central authorities.

It should be noted that decentralization has never specifically requested reform of the candidate during the negotiations for accession to the EU. Largely concern the Commission was that each candidate country to institutionalize operational framework for the implementation of regional development policy of their choice, to ensure that each is able to optimize EU aid for economic growth.

The model described in this chapter in accordance with the illustration on 15.03.2012 by the European Commission presented a "Common Strategic Framework" (CSF) to guide Member States in their preparation for the future Cohesion Policy.

The review published on 14.03.2012 describes investment priorities and key actions and replace the current separate sets of strategic guidelines for cohesion policy, the policy of rural development, fisheries policy and maritime policy. Thus provides a single source of guidance for all five European Funds (ERDF, ESF, Cohesion Fund, EAFRD and EMFF), strengthening the integration of EU policies and ensuring greater impact for citizens and businesses in place.

This is a decision for the better matching of EU funds in order to maximize their impact in particular and sustainable regional policy as a whole.

Model selection, preparation, implementation of regional development projects by local authorities provides two steps: 1) Elaboration of

Regional Operational Programs (ROP) which to substitute existing on the National Level in this programming period; 2) Establishment of a National Development Agency (NDA) and six Regional Development Agencies (RDA) at NUTS II, which are competent to surrender a major part of the planning and management of regional development and implementation of specific measures and projects for municipalities in the planning area, funded by the Structural Funds and the State Budget.

National Development Agency will be the body responsible at national level. To it the Ministry of Finance will transfer funds:

- ▼ from the EU Structural Funds for the implementation of Cohesion Policy - for infrastructure, environment, industry and innovation, adult education and employment measures for administrative capacity and others.;
- ▼ EAFRD (European Agricultural Fund for Rural Development), which in the current programming period to finance the implementation of the RDP, except those aimed at subsidizing agricultural production;
- ▼ State Budget set according to the criteria of the Regional Development Act and aimed at local authorities and regional development projects;
- ▼ State Budget set for adult training and subsidized employment according to the criteria of the EPA.

Thus NAR will be able to extend and coordinate the resources of the European and national funds, which on one hand will provide the "top view" in order to prevent the working method "of knee piece." On the other hand opens significant opportunities for synergies in planning and resource management, which will increase the effect of this.

In the NDA will be detached and the managing authorities of individual operational programs and other departments for the management of funds from the State Budget.

NAD will report directly to the Council of Ministers, taking into account spending before certifying and audit authorities of the Ministry of Finance and the technician reports will be approved by the Council of Ministers.

At regional level, the responsible institutions will be six Regional Development Agencies - for

each planning region at NUTS II. To avoid bureaucratic point of public administration will be the status of non-governmental non-profit making organizations in the public interest.

The structure of RDA also defined in the act of creation will include the following directorates:

Finance and Control Directorate will be responsible for the overall financial management of the Structural Funds and the State Budget. It will be set up 2 departments:

Accounting and Reporting Department and Funds Management, Monitoring and Control Department.

Public Procurement Directorate will be responsible for managing all processes and activities related to the preparation of documentation announcement formation of evaluation and selection and award of procurement:

- RDA when it has to award a contract for the implementation of activities related to the preparation and implementation of projects on which she is a beneficiary;
- RDA when it has to award a contract for the implementation of activities related to the preparation of project proposals for rural communities;
- RDA when it has to award a contract for the implementation of activities related to the preparation of project proposals of supra-municipal level to which it is a beneficiary;
- Preliminary control procurement of all ROP beneficiaries.

Directorate of Strategic Planning and Policy and its 3 departments: Urban development Department, Department of Rural Development, Department of Tourism

Directorate Implementation of ROP

Programs and Projects Directorate will be responsible for the preparation, implementation and reporting of projects-municipal level and in international projects such as in the case beneficiary will be the RDA.

Regional Directorate of Marketing and Investment Promotion

By applying this proposed model, the employees in these MAs will keep their jobs, but within the RDA. So they can put into practice more fully and effectively their knowledge and experience, and to develop them. Knowledge of the region and municipalities and SMEs will help to add value and effectiveness of the appropriations.

The transition of employees from one administration to another will not be a precedent, and the latest example is the Food;

□ Creating the conditions for achieving the objectives of planning, programming, management, resource support, monitoring and evaluation of regional development through separate planning regions NUTS II level in accordance with the common classification of territorial units of Eurostat, implemented in the European Union as far as the existing international studies and experience show that the planning and implementation of regional development measures are much more effective than a certain size of the territory and resources. In the case of the existing 28 districts this efficiency will not be achieved as far as about 1/4 of them cover only 4 to 7 municipalities are far from popular indicators for the territory and population.

□ The creation of the office of RDA at district level would enhance the effectiveness of their work in terms of monitoring, counseling and other operational activities. May also assume the functions of the now established regional information centers whose main purpose is to provide information on Cohesion Policy (Regional Development Policy of the EU), its objectives and existing opportunities in Bulgaria.

□ With the implementation of ROP administered by RDA creating conditions for effective promotion of small businesses - now the OP Competitiveness no real farmers' promotion of micro enterprises - and they form 91% of the number of firms in the region of Stara Zagora. Measures in this OP put unbearable conditions for participation in micro and definitely do not allow some of the economic sectors, especially in services.

The application of this model requires mandatory legislative changes in Regional Development Act - to institutionalize regional development in order to overcome these

weaknesses and adopting a law on the management of EU funds, which corresponds to the Regional Development Act.

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