WP1: Synthesis report

Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF) and the Cohesion Fund (CF)

Task 3 Country Report
Bulgaria

September 2016
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List of abbreviations

AIR Annual Implementation Report
ERDF European Regional Development Fund
ESF European Social Fund
EU European Union
GDP Gross Domestic Product
GDFCF Gross Domestic Fixed Capital Formation
GVA Gross Value Added
MA Managing Authority
NSRF National Strategic Reference Framework
NUTS Nomenclature of Territorial Units for Statistics
OP Operational Programme
R&D Research and Development
RTD Research and Technological Development
SME Small and Medium Enterprise
# List of programmes and link to beneficiaries of ERDF and Cohesion Fund support

<table>
<thead>
<tr>
<th>CCI</th>
<th>Name of OP</th>
<th>Link beneficiaries</th>
<th>Number of projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007BG161PO003</td>
<td>OP Development of the Competitiveness of the Bulgarian Economy</td>
<td><a href="http://www.eufunds.bg/bg/page/96">http://www.eufunds.bg/bg/page/96</a></td>
<td>224</td>
</tr>
<tr>
<td>2007BG161PO004</td>
<td>OP Transport 2007 - 2013</td>
<td>Data provided by the MA</td>
<td>113</td>
</tr>
<tr>
<td>2007BG161PO005</td>
<td>OP Environment</td>
<td><a href="http://www.eufunds.bg/bg/page/96">http://www.eufunds.bg/bg/page/96</a></td>
<td>398</td>
</tr>
</tbody>
</table>

Note: The web links above are to websites of the respective Managing Authorities who, under the rules governing the 2007-2013 programmes were required to publish the names of the beneficiaries of the funding allocated. The number of projects supported has been estimated on the basis of the information published on the website at the time when the data were downloaded. In the meantime the data concerned may have been updated. It may also be that the data have been moved to another part of the website, in which case the link may not work. If this is the case, those who wish to locate the data concerned will need to go to main OP website, as indicated by the beginning part of the link and search from there.
Map 1 Bulgaria and NUTS 2 regions, GDP/head (PPS), 2014
Preliminary note

The purpose of the country reports is to provide for each Member State a short guide to the findings of the ex post evaluation of Cohesion policy programmes 2007-2013 undertaken by DG Regional and Urban Policy and an overview of the context in which the programmes were carried out. It is based on information produced by Task 1 and Task 2 of WP1 and on the country specific findings from the various WPs that form the ex post evaluation. These are listed below with an indication in brackets of the case studies carried out in the Member State concerned.

WP0 – Data

WP1 – Synthesis

WP2 – SMEs, innovation and ICT

WP3 – Venture capital, loan funds

WP4 – Large enterprises

WP5 – Transport (Trakia Motorway case study)

WP6 – Environment

WP8 – Energy efficiency (Country Report Bulgaria)

WP9 – Culture and tourism

WP10 – Urban development and social infrastructure

WP11¹ – European Territorial Cooperation (case study Romania-Bulgaria Cross-border Cooperation programme)

WP12 – Delivery system (case studies ERDF OP Regional Development, ERDF OP Development of the Competitiveness of the Bulgarian Economy, ETC South-East Europe and ESF OP Human Resources Development - Assessment of capacity building financed by technical assistance – the case of Bulgaria)

WP13 – Geography of expenditure

WP14 – Impact modelling

¹ The findings from WP11 – European Territorial Cooperation are summarised in a separate report as part of Task 3 of WP1.
Executive summary

The global economic and financial crisis had a severe impact on the Bulgarian economy, where growth declined from 6% a year between 2000 and 2007 to under 1% a year between 2007 and 2009. In the following two years, growth was around 1% a year before rising to 1.5% in 2014 and 2% in 2015, rates that were well below those experienced in the pre-crisis period. Growth at these low rates proved unable to support sustainable recovery in employment which remains a key issue. Unemployment, therefore, almost doubled between 2007 and 2013, to 13% of the labour force, though it subsequently came down to under 10% in 2015.

Regional disparities remain significant, in particular between the South-west region, which includes the capital city Sofia, and the rest of the country. The gap between the two remained much the same over the period, as the crisis had a similar effect on both the strong region and the weaker ones, hindering any convergence of the latter towards the former.

All the region in Bulgaria were eligible for support under the Convergence Objective over the 2007-2013 period. In total, support from the ERDF and Cohesion Fund amounted to EUR 5.4 billion, equivalent to just over 2% of GDP and around 39% of Government capital expenditure. Over the 2007-2013 period, the two were major sources of investment for both the public and private sectors and helped to moderate the economic downturn.

The environment and transport absorbed more than two-thirds of the funding available, while enterprise support and innovation accounted for nearly 14%. Over the programming period, funding for environmental infrastructure, as well as for innovation and RTD was reduced, while that for transport and other investment in enterprises was increased.

The measures co-financed over the period led directly to the creation of 6 018 jobs, of which 244 were in research, and 71 RTD projects were supported, along with 37 projects of cooperation between companies and research institutes.

Support for investment in transport led to the construction of 175 Km of new roads mainly on the TEN-T and the upgrading of a further 1 040 km of existing roads and 234 km of railway lines, the latter also being on the TEN-T. Projects identified as being of national strategic importance were funded, such as improvements in transport links between Sofia and areas in the east of the country and to the Turkish border.

Overall, the additional investment financed is estimated to have increased GDP in 2015 by almost 4% above the level it would have been in the absence of the funding provided, while GDP in 2023 will be an estimated 3% higher as a result of the investment concerned.
1. The policy context and background

1.1. Macroeconomic situation

After almost continuous growth at a relatively high rate over the 2000-2007 period, GDP in Bulgaria declined significantly in 2009 as a result of the global recession, though growth was still positive, if only just, over the two years 2007-2009. While it remained positive in subsequent years, the rate was less than 1% a year over the 2009-2013 period. In 2014, growth picked up, increasing to 1.5% in 2014 and just over 2% in 2015, slightly higher than the EU average, but considerably lower than before the crisis (Table 1).

Growth at this rate was unable to support sustainable recovery in employment. The number of people employed in 2014 was a round 13% lower than at its peak in 2008, while the employment rate fell from over 68% of population aged 20-64 in 2007 to 63% in 2011. Though it increased slightly in the following two years, this did not prevent unemployment from continuing to rise. In 2013, therefore, the unemployment rate stood at 13% of the work force, almost double the rate in 2007. While the employment rate increased between 2013 and 2015, it was still some 3 percentage points below the EU average and while unemployment had fallen to around 9% of the work force, much the same as the EU average, labour force participation (the sum of employment and unemployment relative to working-age population) was also below the EU average. Despite of signs of improvement in the labour market, therefore, a large proportion of the population is still excluded from employment with a significant risk of poverty and social exclusion.

| Table 1 GDP growth, employment and unemployment, Bulgaria and the EU, 2000-2015 |
|-------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Bulgaria                                       | 6.2             | 0.6             | 0.8             | 0.8             | 1.5             | 2.2             |
| EU average                                     | 2.3             | -2.0            | 1.9             | -0.1            | 1.4             | 1.9             |
| Bulgaria                                       | 56.5            | 68.4            | 68.8            | 62.9            | 63.5            | 67.1            |
| EU average                                     | 66.5            | 69.8            | 68.9            | 68.6            | 68.4            | 70.1            |
| Bulgaria                                       | 16.2            | 6.9             | 6.8             | 11.3            | 12.9            | 9.1             |
| EU average                                     | 9.2             | 7.1             | 8.9             | 9.6             | 10.8            | 9.3             |

Source: Eurostat, National accounts and Labour Force Survey

As in most countries, the budget went into significant deficit in 2009 as the recession hit, but it was reduced by fiscal consolidation measures to 2% of GDP in 2013 and it was still at this level in 2015 (Table 2). Cutbacks in government investment were a central part of these measures, reducing it from 5% of GDP in 2009 to 3.4% in 2011. It was subsequently increased, reaching 6% of GDP in 2015, though at the expense of an increase in the budget deficit.

| Table 2 Government budget balance, accumulated debt and investment, Bulgaria and the EU, 2000-2015 |
|-------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Bulgaria                                       | -0.5            | 1.1             | -4.1            | -2.0            | -0.4            | -2.1            |
| EU average                                     | 0.0             | -0.9            | -6.7            | -4.5            | -3.3            | -2.4            |
| Public sector debt                             |                |                 |                 |                 |                 |                 |
| Bulgaria                                       | 71.2            | 16.2            | 13.7            | 15.3            | 17.1            | 26.7            |
| EU average                                     | 60.6            | 57.9            | 73.1            | 81.1            | 85.5            | 85.2            |
| General Govt investment                        |                |                 |                 |                 |                 |                 |
| Bulgaria                                       | 3.9             | 5.2             | 5.0             | 3.4             | 4.1             | 6.2             |
| EU average                                     | 2.9             | 3.2             | 3.7             | 3.3             | 3.0             | 2.9             |

Source: Eurostat Government financial accounts
1.2. Regional Disparities

Regional disparities are marked between the South-west region (Yugozapaden), which includes the capital city Sofia, and the rest of the country. Most notably, the North-west region (Severozapaden) has a GDP per head in PPS terms of only 30% of the EU average and lags behind significantly in terms of infrastructure (see Country folder for Bulgaria). Conversely, the South-west region has a GDP per head 2.5 times that of the North-west region and higher than the EU12 average. This is mainly due to the capital city Sofia, where the main national economic activities, universities, and government administration are concentrated.

Over the programming period, the difference in GDP per head between the regions remained much the same, the crisis affecting the capital city region as well as the others. The employment rate also declined in most regions over the period and unemployment increased or at best remained much the same. If anything, however, labour market disparities narrowed slightly over the period.

2. Main features of Cohesion Policy implementation

2.1. Nature and scale of Cohesion Policy in the country

The priorities of the Bulgarian National Strategic Reference Framework (NSFR) for the 2007-2013 period were to: (1) improve basic infrastructure; (2) increase the quality of human capital with a focus on employment; (3) foster entrepreneurship, a favourable business environment and good governance; and (4) support balanced territorial development.

In total, the ERDF and Cohesion Fund amounted to EUR 5.4 billion, equivalent to around 2.1% of GDP and 39% of Government capital expenditure (Table 3). Accordingly, Cohesion policy was a major source of financing for development spending. Funding was equivalent to EUR 102 per head of population a year over the period, less than half the average of Convergence regions in the EU12, though in PPS terms (i.e. taking account of the lower price levels in Bulgaria), the difference was much less.

The four priorities set out above were pursued through 5 Operational Programmes (OPs) under the Convergence Objective, all managed at the national level. Half of the funding available was shared almost equally between the Environment OP and the Regional Development OP, while nearly a third was allocated to the Transport OP. The remaining funding went to the Development of Competitiveness OP and to a lesser extent to the OP for Technical Assistance.
Table 3 ERDF, Cohesion Fund and national co-financing for the 2007-2013 period in Bulgaria, initial (2007) and last (April 2016)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EU funding</td>
<td>National public funding</td>
</tr>
<tr>
<td>Convergence</td>
<td>5 488.2</td>
<td>1 136.4</td>
</tr>
<tr>
<td>Change, 2007-2014</td>
<td>-2.08</td>
<td>0.43</td>
</tr>
<tr>
<td>% GDP</td>
<td>39.1</td>
<td>8.1</td>
</tr>
<tr>
<td>Per head (EUR) pa in Convergence regions</td>
<td>103.7</td>
<td>21.5</td>
</tr>
<tr>
<td>EU12</td>
<td>2.15</td>
<td>0.43</td>
</tr>
<tr>
<td>% GDP</td>
<td>38.3</td>
<td>7.6</td>
</tr>
<tr>
<td>Per head (EUR) pa in Convergence regions</td>
<td>212.4</td>
<td>42.1</td>
</tr>
</tbody>
</table>

Note: EU funding relates to decided amounts as agreed in 2007 and as at 14 April 2016. The figures for % GDP and % Govt. capital expenditure relate to funding for the period as % of GDP and Govt. capital expenditure aggregated over the years 2007-2013. Govt. capital expend is the sum of General Government gross fixed capital formation and capital transfers. The EU12 figures are the total for the EU12 countries for comparison.

Source: DG Regional and Urban Policy, Inforegio database and Eurostat, national accounts and Government statistics

2.2. Division of funding between policy areas and changes over the period

The two policy areas which received the largest amount of funding, the Environment (25%) and Transport (39%), accounted for two-thirds of the total funding available over the period (Table 4). Enterprise support and innovation (the first three items in Table 4) were allocated 13% of funding, while 10% of funding went to Culture and social infrastructure and urban development and tourism (the ‘territorial dimension’ in the table).

Over the course of the programming period, funding was shifted from the Environment, Rail, and to a lesser extent, Innovation and RTD policy area to support of Other transport (i.e. other than roads and rail) (EUR 233 million) and Other investment in enterprises (i.e. apart from RTD and innovation) (EUR 230 million).
Table 4 Division of financial resources in Bulgaria for 2007-2013 by category, initial (2007) and last (April 2016) and shift between categories

<table>
<thead>
<tr>
<th>Category</th>
<th>EUR mn</th>
<th>% Total</th>
<th>Added</th>
<th>Deducted</th>
<th>Net shift</th>
<th>2007</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Innovation &amp; RTD</td>
<td>335.0</td>
<td>3.1</td>
<td>242.1</td>
<td>-58.4</td>
<td>-151.3</td>
<td>-92.9</td>
<td>4.5</td>
</tr>
<tr>
<td>2. Entrepreneurship</td>
<td>161.5</td>
<td>1.5</td>
<td>112.2</td>
<td>-13.2</td>
<td>-49.2</td>
<td>-49.2</td>
<td>2.1</td>
</tr>
<tr>
<td>3. Other investment in enterprises</td>
<td>139.6</td>
<td>1.3</td>
<td>370.0</td>
<td>230.4</td>
<td>230.4</td>
<td>230.4</td>
<td>6.8</td>
</tr>
<tr>
<td>4. ICT for citizens &amp; business</td>
<td>58.5</td>
<td>0.5</td>
<td>24.7</td>
<td>-33.9</td>
<td>-33.9</td>
<td>-33.9</td>
<td>0.5</td>
</tr>
<tr>
<td>5. Environment</td>
<td>1 538.9</td>
<td>14.7</td>
<td>1 375.1</td>
<td>250.1</td>
<td>-413.8</td>
<td>-163.7</td>
<td>5.4</td>
</tr>
<tr>
<td>6. Energy</td>
<td>243.2</td>
<td>2.2</td>
<td>294.6</td>
<td>156.3</td>
<td>-104.9</td>
<td>51.4</td>
<td>4.4</td>
</tr>
<tr>
<td>7. Broadband</td>
<td>13.6</td>
<td>0.1</td>
<td>13.6</td>
<td>-0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.3</td>
</tr>
<tr>
<td>8. Road</td>
<td>1 069.0</td>
<td>9.4</td>
<td>1 078.8</td>
<td>111.1</td>
<td>-101.2</td>
<td>9.9</td>
<td>19.5</td>
</tr>
<tr>
<td>9. Rail</td>
<td>464.0</td>
<td>4.2</td>
<td>341.4</td>
<td>-122.6</td>
<td>-122.6</td>
<td>8.5</td>
<td>6.3</td>
</tr>
<tr>
<td>10. Other transport</td>
<td>448.9</td>
<td>4.1</td>
<td>681.3</td>
<td>348.2</td>
<td>-115.7</td>
<td>232.5</td>
<td>8.2</td>
</tr>
<tr>
<td>11. Human capital</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12. Labour market</td>
<td>34.9</td>
<td>0.3</td>
<td>-34.9</td>
<td>-34.9</td>
<td>0.6</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>13. Culture &amp; social infrastructure</td>
<td>354.2</td>
<td>3.2</td>
<td>333.0</td>
<td>54.9</td>
<td>-76.1</td>
<td>-21.2</td>
<td>6.5</td>
</tr>
<tr>
<td>14. Social Inclusion</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>15. Territorial Dimension</td>
<td>167.0</td>
<td>1.5</td>
<td>191.9</td>
<td>36.9</td>
<td>-12.1</td>
<td>24.9</td>
<td>3.0</td>
</tr>
<tr>
<td>16. Capacity Building</td>
<td>268.5</td>
<td>2.4</td>
<td>194.4</td>
<td>6.4</td>
<td>-80.5</td>
<td>-74.1</td>
<td>4.9</td>
</tr>
<tr>
<td>17. Technical Assistance</td>
<td>191.5</td>
<td>1.7</td>
<td>162.1</td>
<td>11.1</td>
<td>-40.4</td>
<td>-29.3</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5 488.2</strong></td>
<td><strong>50.0</strong></td>
<td><strong>5 415.3</strong></td>
<td><strong>1 263.7</strong></td>
<td><strong>-1 336.6</strong></td>
<td><strong>-72.9</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Note: 'Added' is the sum of additions made to resources in OPs where there was a net increase in the funding going to the category. 'Deducted' is the sum of deductions made to resources in OPs where there was a net reduction in funding. 'Social inclusion' includes measures to assist disadvantaged groups and migrants. 'Territorial dimension' includes support for urban and rural regeneration and tourist services and measures to compensate for climate conditions.

Source: DG Regional and Urban Policy, Inforegio database, April 2016

### 2.3. Policy implementation

In the course of the programming period, there was a reduction of EUR 254 million in the total investment initially planned mainly as consequence of the cut in the amount of national co-funding, which was reduced from EUR 1 136 million to EUR 956 million (Figure 1). This was the result of the increase in the EU co-financing rate from 83% to 85% over the period, which was made in order to relieve pressure on public finances, in the sense that the counterpart was a reduction in the national co-financing rate of the same amount. In addition, the financing provided from the ERDF and Cohesion Fund was reduced as a result of de-commitments (i.e. MAs failing to comply with the n+2 rule, which stipulates that tranches of funding should be spent within two-years).
The rate of implementing programmes, as reflected in payments relative to the overall funding available, was slow up to the end of 2011 – i.e. in the first 5 years of the period – when only a quarter of funding had been spent. From then on, the rate increased so that by the end of March 2016, 89% of the funding available had been claimed, which suggests that all of the available funding had been spent by the end of 2015, as required by the regulations (5% of funding is held back until all expenditure has been approved, so that the maximum payments rate is 95% until this happens.). The strategy employed to increase the rate of expenditure and avoid the risk of de-commitments was to over-contract in the expectation that not all projects would come to fruition. The funding allocated to specific projects, therefore, was as high as 152% of the available budget at one stage.

Source: DG Regional policy financial data, 14 April 2016
The factors hindering faster absorption of funding, as were identified by the MA for the Environment OP, included the low quality of project proposals, an inability of municipalities to manage infrastructure projects, difficulties in finding co-financing for projects and numerous appeals made by unsuccessful tenderers against the decisions reached in respect of public procurement.

2.4. Delivery system (WP12)

An evaluation of the management and implementation of Cohesion policy over the 2007-2013 period was carried out by WP12. This found that because Bulgaria had only limited experience with Cohesion Policy programmes having joined the EU only in 2007, this increased the difficulty of planning and implementing programmes, particularly at the beginning of the period.

Evidence from the evaluation suggests that the programming phase was overly centralised and unable to take regional diversity and differing needs into account. National experts interviewed also argued that the lack of national policy priorities led to incoherent strategies and a lack of strategic focus of the OPs. This was further affected by inadequate communication and coordination between the various stakeholders during the implementation phase. Other limitations concerned the project selection phase, which proved to be ineffective in narrowing target groups, lengthening the implementation process. The lack of experience of beneficiaries in dealing with Cohesion Policy support also adversely affected the implementation of programmes, since they needed time to get to know the application procedures and how to manage projects and the finance involved.

Overall, evidence from the evaluation shows that some progress was achieved in terms of administrative capacity, in the form of improvements in the institutional set-up, reduced turnover of staff and more effective financial management and control. Nevertheless, important challenges still remain. Corruption needs to be eliminated, the institutional set-up needs to be improved further, staff turnover still needs to be reduced by more, public procurement procedures need to be simplified and subject to less change, overlapping functions need to be tackled and monitoring systems need to be improved.

Over the programming period, technical assistance was supported by a total budget of some EUR 300 million spread across OPs. The Technical Assistance OP was meant to ensure and aid the effective functioning, coordination, control, implementation and assessment of funding by providing the necessary logistical and material support to strengthen the administrative capacity of the central authorities (i.e. the Central Coordination Unit, the Certifying Authority and the Audit Authority). The overall objective of the programme was only partly achieved. The evaluation indicated that the OP was relatively successful in strengthening the functioning of the central administration. In particular, the creation of the Unified Management Information System to coordinate all OPs and increase the quality of financial control and audit systems, proved to be effective and is considered an example of good practice. However, the delay in implementing the OP and the lack of administrative capacity of both central and regional

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4 For example, under the OP Regional Development, calls for proposals aimed at improving the public health infrastructures were postponed from 2008 to 2011, since a National strategy on the healthcare infrastructures was missing.

5 The evaluation of the OP Competitiveness of the Bulgaria Economy highlighted that the lengthy selection process was especially critical for innovation projects.
public authorities prevented the programme from fully realising its complementary and coordination role⁶.

3. The outcome of Cohesion Policy programmes – main findings from the ex post evaluation

The main findings summarised here come from the evaluations carried out under the Work Packages (WPs) of the ex-post evaluation exercise. These covered in detail the following policy areas:

- Support to SMEs – increasing research and innovation in SMEs and SME development (WP2);
- Financial instruments for enterprises (WP3);
- Support to large enterprises (WP4);
- Transport (WP5);
- Environment (WP6);
- Energy efficiency in public and residential buildings (WP8);
- Culture and tourism (WP9);
- Urban development and social infrastructure (WP10);
- European Territorial Cooperation (WP11);
- Delivery system (WP12);
- Geography of expenditure (WP13);
- The impact of cohesion policy 2007-2013: model simulations with Quest III and Rhomolo (WP14).

All of these are relevant for Bulgaria, except the evaluation under WP4 which did not cover the country. The evaluation of ETC (WP11), it should be noted, is the subject of a separate report. The findings of WP12 were outlined above, while the estimates produced by WP13 on the allocation of funding and of expenditure between regions are not considered here⁷.

3.1. Enterprise support and innovation (WP2, WP3 and WP4)

Over the programming period, the funding allocated to this broad policy area amounted to EUR 724 million, about 13% of the overall amount of ERDF and Cohesion Fund allocated to Bulgaria. Of this, a third went to RTD and innovation projects and around half to support Other investment in enterprises (mainly SMEs and to a lesser extent larger enterprises).

The main achievements reported suggest that overall, up to the end of 2014, 71 RTD projects had been supported, along with 37 projects of cooperation between companies and research institutes (see Table 5 at the end of this section). In addition, the measures co-financed led directly to the creation of 6 018 jobs, of which 244 were in research.

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⁶ Two case studies were carried out as part of: Assessment of capacity building financed by technical assistance (Task 5) and Case study reports (Task 3), Delivery System, WP12, see http://ec.europa.eu/regional_policy/en/policy/evaluations/ec/2007-2013/%231?#1.
SME support, R&D and innovation (WP2)

Compared to other EU countries, Bulgaria allocated a relatively small share of the ERDF budget to SMEs support. The evaluation carried out by WP2 provides an insight into the SME-related strategy pursued by the OP for Development of the Competitiveness of the Bulgarian Economy. In order to achieve this, support was intended to improve the productivity and growth potential of SMEs, assist the development of innovation, help the transition to a knowledge-based economy and the introduction of new technologies, and improve the business environment. The evaluation indicates that the OP supported the development of SMEs and their potential for innovation by increasing R&D spending relative to GDP; increasing the proportion of SMEs introducing innovations; reducing the difficulty of SMEs to access finance; and strengthening the connection between SMEs and research centres-and promoting entrepreneurial activity.

Financial instruments for enterprises (WP3)

Over the programming period, funding was allocated to 6 Financial instruments (FIs) by the Regional Development OP and the Development of the Competitiveness OP. By the end of 2014, EUR 349 million had been paid into these FIs, 85% of which came from the ERDF, and just less than half (48%) of the funding had reached final recipients, leaving more than half to do so by the end of 2015.

3.2. Transport (WP5)

As noted above, Transport was the policy area which received the largest amount of funding over the period, some EUR 2.1 billion or nearly 40% of the total.

The focus on roads which accounted for 51% of total investment in transport and 20% of the overall total. By the end of 2014, the support for investment in transport had led to the construction of 175 km of new roads, almost all of them on the TEN-T, the upgrading of 1 040 km of existing road and the improvement of 234 km of TEN-T railway lines.

Many of the routes constructed or improved were identified in the country’s General Transport Master Plan as being of strategic importance. These included the links between Sofia in the west to areas in the east of the country, especially the Black Sea ports and those on the Turkish border (see Trakia motorway case study) and on the Sofia ring road. While many of the improvements were to links between regions within Bulgaria or to non-EU countries, the northerly road route from Sofia via Romania and Hungary to the EU was also improved. However, links to some regions, such as the north central area, remain to be improved.

Trakia motorway case study

The Trakia Motorway project consisted of a 116 km two-lane motorway between Stara Zagora and Karnobat in the south west of Bulgaria. The project completes the motorway from Sofia to the Black Sea port of Burgas and is on the TEN-T forming part of the Orient/East-Mediterranean corridor and the southern section of the network of roads linking Sofia and the Black Sea ports of Burgas and Varna. The project was completed in July 2013.

The forecast cost of the project was EUR 363 million. The actual cost was almost 30% lower, EUR 261 million, partly as a result of the competitive tendering process. Although the traffic using the new road has been about 25% lower than forecast, this is attributable to a large extent to the economic slowdown in both Bulgaria and the wider region. Even with the lower traffic volumes, the economic benefits are estimated to significantly outweigh the costs, especially given the lower than expected reduced costs of construction. (An economic benefit to cost ratio of 4.2 was estimated before the road was built.)
3.3. Environmental infrastructure (WP6)

Some EUR 969 million, or 18% of total funding available, was allocated to waste and water infrastructure which was the focus of the evaluation carried out by WP6. Of this, 76% went to investment in improved water supply and wastewater treatment, the rest on improving the management of waste in order to comply with EU Directives.

The funding provided was central in financing such improvements. It is estimated that it amounted to two-thirds of total general government expenditure on waste management in Bulgaria over the period. Major projects included the construction of regional landfills with methane recovery and recycling centres and the establishment of regional facilities for recycling waste from construction and demolition work.

The evaluation indicated that only a few projects had been completed by the end of 2013, though later information reported shows that by June 2015, 7 of the 24 regional waste management systems planned had been completed and another 5 were 70-90% finished. According to the evaluation, the funding provided contributed to an overall reduction of the share of waste landfilled to below 70% and to an increase in composting from close to zero to 4%.

Cohesion policy funding also had a central role in improving water supply and wastewater treatment. The projects undertaken involved the refurbishment and extension of water supply and sewerage networks and treatment plants in larger agglomerations and the construction of new pipelines and facilities in smaller ones. By the end of 2013, however, only 7 waste water treatment plants of the 45 planned had been built or refurbished, though by June 2015, the number had risen to 32.

3.4. Energy efficiency in public and residential buildings (WP8)

Around EUR 241 million of EU funding, just under 5% of the total, went to energy efficiency, re-generation and energy management. The Regional Development OP was the only one which financed projects for improving the energy efficiency of public and residential buildings, the focus of the WP8 evaluation, and to which the share of funding allocated was relatively small (see Box).

### Country case study\(^\text{10}\)

In the 2007-2013 period, a multitude of national sources of funding was available for energy efficiency interventions in public and residential buildings in Bulgaria, totalling around EUR 176 million. The Regional Development OP provided support for energy efficiency measures in public and residential buildings through Priority axes 1 and 4, both aimed at achieving sustainable urban, regional and local development.

At the beginning of the period, only a small amount of the funding was allocated to the energy efficiency of buildings. The economic recession and the gas supply crisis at the beginning of 2009, however, led to new priorities being defined by the government and resources were redirected to two schemes for improving energy efficiency. Overall, some EUR 110 million was allocated to grants targeting state cultural infrastructure, medical and healthcare facilities, municipal education establishments and apartment buildings.

By the end of 2013, 533 public buildings and 180 residential ones had been improved in terms of their energy efficiency, exceeding the target set, with energy savings amounting to 98 305 MWh.

3.5. Culture and tourism (WP9)

Culture and tourism was accorded relatively low priority in Bulgarian OPs with only 2.5% of funding, EUR 133 million, being allocated to this. Most of the funding (over 60%) went to culture, especially to the protection and preservation of the cultural heritage. Support

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for tourism projects focussed mainly on protecting the natural heritage. Support for both exclusively took the form of non-repayable grants.

Support for the two was integrated in a common strategy, culture being funded under Priority Axis 3, ‘Sustainable tourism development’, in the Regional Development OP. According to the MAs interviewed as part of the evaluation, the main motivation for providing support to culture was to improve, renovate and expand natural and cultural heritage sites and related public infrastructure, encouraging the development of specialized products such as cultural, ecological and health tourism. The major cultural and historical monuments, natural attractions and local customs were regarded as important means of increasing tourism. As regards tourism, the aim was to foster the sustainable development of the sector based on product and market diversification.

By the end of 2013, 66 cultural facilities had been improved and 23 tourist projects had been carried out.

### 3.6. Urban development and social infrastructure (WP10)

Around EUR 438 million, or 8% of total funding, was allocated to support investment in urban development and social infrastructure. Of this, most (EUR 274 million) went to social infrastructure, around 40% (EUR 112 million) of which on healthcare facilities, 20% (EUR 58 million) on education buildings and equipment and 18% (EUR 49 million) on childcare centres. A grant scheme was established for the last which also involved support from the ESF.

While support predominantly took the form of non-repayable grants, the evaluation found that the implementation of ‘challenging but immature’ financial instruments for urban development initiatives had caused much delay in the implementation of the programme.

### 3.7. ETC (WP11)

Bulgaria was involved in two INTERREG programmes financed under the Cross-border Cooperation strand of the ETC Objective. These were, respectively, with Romania and Greece. The ETC-funded programmes are the subject of a separate report.

### 3.8. Impact on GDP (WP14)

The investment supported by Cohesion and rural development policies is estimated to have increased GDP in 2015, at the end of the programming period, by almost 4% above the level it would have been in the absence of the funding provided. In 2023, GDP will be an estimated 3% higher than it otherwise would be with the investment concerned. The latter in particular is lower than the estimated effect in the EU12 as a whole, reflecting the fact that the distribution of funding in Bulgaria has a smaller effect on the growth potential of the economy than in the other countries.

### 3.9. Overview of achievements

Table 5 summaries the core indicator values as reported up to the end of 2014. The main achievements in respect of enterprise support and transport have already been noted above.

It should be emphasised that since not all MAs report all of the core indicators, and in some cases, only a minority, the figures tend to understate achievements, perhaps

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11 Estimates by the Quest model, a new-Keynesian dynamic general equilibrium model in kind widely used in economic policy research, developed by DG Economic and Financial Affairs to assess the effects of policies. See The impact of Cohesion Policy 2007-2013: model simulations with Que...
substantially. This is particularly relevant as regards the investment in environmental infrastructure for which no core indicators are reported despite the completion of a number of projects connecting people to clean drinking water supply and wastewater treatment facilities. In addition, since the data relate to the situation at the end of 2014, one year before the official end of the period in terms of the expenditure which can be financed, they also understate achievements over the programming period because of this.

<table>
<thead>
<tr>
<th>Core Indicator Code</th>
<th>Core and common indicators official name</th>
<th>Value up to end of 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Jobs created</td>
<td>6018</td>
</tr>
<tr>
<td>4</td>
<td>Number of RTD projects</td>
<td>71</td>
</tr>
<tr>
<td>5</td>
<td>Number of cooperation project enterprises research institutions</td>
<td>37</td>
</tr>
<tr>
<td>6</td>
<td>Research jobs created</td>
<td>244</td>
</tr>
<tr>
<td>14</td>
<td>km of new roads</td>
<td>175</td>
</tr>
<tr>
<td>15</td>
<td>km of new TEN roads</td>
<td>173</td>
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<tr>
<td>16</td>
<td>km of reconstructed roads</td>
<td>1040</td>
</tr>
<tr>
<td>18</td>
<td>km of TEN railways</td>
<td>234</td>
</tr>
<tr>
<td>19</td>
<td>km of reconstructed railways</td>
<td>234</td>
</tr>
</tbody>
</table>

Note: The figures in the table are those reported by MAs in Annual Implementation Reports. Core indicators for which no data were reported by the Member State are not included.

Source: Annual Implementation Reports, 2014 and DG Regional Policy post-processing of these, August 2016