

## RESEARCH FOR REGI COMMITTEE: The economic, social and territorial situation in Bulgaria

This briefing was prepared to provide information for the visit to Bulgaria of a delegation of the European Parliament's Committee on Regional Development (REGI) from 29 to 31 October 2017, the region visited being Sofia city and the surrounding Sofia district.

### 1. Introduction

Bulgaria covers 110 994 km<sup>2</sup> of south-east Europe (28 % of its territory is arable land and 33 % is forest), and has borders with Serbia, FYROM, Romania, Greece and Turkey. Its capital is Sofia. In terms of geography, vast plains and the Danube River define the northern border with Romania. The south of the country consists of highlands and elevated plains. In the east, the Black Sea coast is the country's main tourist attraction.

**Figure 1** Map of Bulgaria



Source: [© Shutterstock](https://www.shutterstock.com), September 2017.

### 1.1. Country profile

The population of Bulgaria was estimated at 7.2 million in 2015, representing 1.4 % of the total EU population. GDP per capita (in Purchasing Power Standards, PPS) stands at 48 % of the EU-28 average. The unemployment rate is 6.0 %, compared to 7.8 % for the EU-28.

Bulgaria is a parliamentary republic. Its basic law is the Constitution, founded on the principle of separation of powers between the legislative, executive and judicial branches of government. It has the following institutions of

State: the National Assembly (the parliament, elected for a four-year term); the Council of Ministers; the President of the Republic; and the Constitutional Court.

Bulgaria will start its EU presidency on 1 January 2018. This task will be an important test for the political, administrative and diplomatic capacity of the country.

**Table 1: Key data**

Official name	Republic of Bulgaria
Flag	
Main cities and population in thousands	Sofia (capital): 1 292. Plovdiv: 716. Varna: 462. Burgas: 424. Pleven: 312.
Surface area	110 994 km <sup>2</sup>
Population	7.178 million (2015, World Bank)
Population density	65 per km <sup>2</sup>
GDP per capita	In 2016 Bulgaria was the Member State with the lowest per capita GDP, at 52 % below the EU average (Eurostat, June 2017)
Bulgaria's share of EU GDP	0.3 % (Eurostat, April 2017)
GDP per inhabitant in PPS (EU-28 =100)	48 (Eurostat, June 2017)
GDP at current market prices (EU-28=29 000)	6 600 (Eurostat, 2016)
Unemployment rate (EU-28=7.8 %) (May 2017)	6 % (Eurostat, May 2017)
Employment rate (EU-28=70.1 %) (2015)	67.1 % (2015)
Poverty rate (EU-28=23.7 %) (2015)	41.3 % (2015)
Early leavers from education and training (EU-28=10.7 % in 2016)	13.8 % in 2016
Number of tertiary education students (2015)	279 000
EU Presidency <sup>1</sup>	January - June 2018

**Source:** Eurostat.

<sup>1</sup> Council Decision (EU) 2016/1316 of 26 July 2016.

**Figure 2: Vector map with largest cities, carefully scaled text by city population**



Source: © Shutterstock, September 2017.

**Economy and labour market:** With regard to the contribution of the different economic sectors to Bulgaria's GDP, in 2015 **agriculture** accounted for 5.14 %, while **industry** contributed approximately 27.61 % and the **services sector** about 67.25 %. Bulgaria exports mostly fuels, manufactured goods (clothing, footwear), machinery and transport equipment and chemicals. Bulgaria's main export partners are Germany, Turkey, Italy, Greece and Romania, while its main import partners are Germany, Russia and Italy.

The country became a member of the EU on 1 January 2007 and has committed to adopt the euro once it fulfils the necessary conditions. Bulgaria is not yet a member of the euro area and the lev<sup>2</sup> (BGN=the Bulgarian currency) is not yet within the exchange rate mechanism of the [European Central Bank](#) (ERM II). The country does not have a target date to adopt the euro. The European Commission believes that Bulgaria qualifies for entry into the Schengen area<sup>3</sup>. For this, a unanimous decision by the EU Member States will be required.

Bulgaria will hold the rotating presidency of the Council of the European Union for the first time in 2018.

## 1.2. Political structure

Bulgaria has a unicameral legislature. A new constitution was adopted in July 1991. The highest state authority is the 240-member National Assembly; its members are elected by proportional representation for a 4-year term. The head of state is a directly elected non-executive president who has the power to delay legislation but not to block it (5-year term).

As far as the multi-party system is concerned, Bulgaria's largest party is the centre-right **Citizens for European Development of Bulgaria** (CEDB) party, followed by the **Bulgarian Socialist Party**, the **Patriotic Front** (a coalition of nationalist parties), the **Movement for Rights and Freedoms** and **Volya**, a recently formed populist party whose name may be translated as 'Will'. Another important grouping is the **Reformist Bloc** (a coalition of centre parties), which lost ground in the general election of 2017.

In November 2016 the centre-right minority government led by the CEDB resigned after its candidate lost the presidential election<sup>4</sup>. The National Assembly was dissolved on 27 January 2017. On 22 January 2017, **Rumen**

<sup>2</sup> 1 BGN = 0.51129 EUR. The lev is pegged to the euro.

<sup>3</sup> See: Schengen Visa Info, [Romania and Bulgaria Qualify to Join Schengen Area](#), 12 April 2016.

<sup>4</sup> Bulgarians were also being called to vote by referendum on the reform of the electoral law, the replacement of proportional representation by a majority-based system, the introduction of compulsory voting (a measure adopted by parliament) and a reduction in state subsidies to political parties (from 11 lev (EUR 5.60) to 1 lev (EUR 0.50) for each vote won). (Source: [Fondation Robert Schuman](#), 6 November 2016).

**Radev** took office as President (with the backing of the opposition Socialists). A general election was held on 26 March 2017. In early May the CEDB formed a new government with the participation of the Patriotic Front. The CEDB leader, **Boyko Borisov**, who had previously served as prime minister twice, from 2009 to 2013 and from November 2014 to January 2017, formed a new ruling coalition which includes the United Patriots<sup>5</sup>. With 122 seats overall, the new coalition has a small majority in parliament, and can also rely on the backing of Volya, which won 12 seats.

Given that in January 2018 Bulgaria will, for the first time, assume the rotating presidency of the European Union, political observers agree that the government will focus a large proportion of its efforts on the preparations for and conduct of its Council presidency, with a view to securing a positive outcome. The opposition has pledged to support the ruling coalition in order to make Bulgaria's six-month presidency a success. This achievement is widely seen as being in the national interest.

**Table 2: Bulgarian parliamentary elections, 2017**

Parties with parliamentary representation	Name	European affiliation	%	Seats
	CEDB	EPP	32.65 %	95
	Bulgarian Socialist Party	PSE	27.19 %	80
	United Patriots	ECR	9.07 %	27
	Movement for Rights and Freedoms	ALDE	8.99 %	25
	Volya	–	4.15 %	12
	Independent	–		1

**Source:** Bulgarian National Assembly.

**Table 3: Political summary**

<b>Head of State</b>	Rumen Radev (independent)
<b>Head of Government (Prime Minister)</b>	Boyko Borisov (CEDB)
<b>Deputy Prime Minister</b>	Tomislav Peykov Donchev (former MEP) (CEDB)
<b>President of the National Assembly</b>	Dimitar Glavchev (CEDB)
<b>Next presidential elections</b>	The President of the Bulgarian Republic is elected for a five-year term, renewable once
<b>Next parliamentary elections</b>	At the end of the four-year term of the National Assembly

**Source:** Council of Ministers of the Republic of Bulgaria.

<sup>5</sup> The United Patriots is an electoral alliance formed by three nationalist political parties: the Bulgarian National Movement, the National Front for the Salvation of Bulgaria and Ataka.

### 1.3. Economic forecasts

As underlined by the World Bank in its latest overview<sup>6</sup>, Bulgaria has undergone a significant transformation over the past three decades, moving away from a highly centralised, planned economy to an open, market-based, upper-middle-income economy securely anchored in the EU.

In this context, the World Bank also indicates that Bulgaria faces the two interrelated challenges of raising productivity and addressing rapid demographic change. The World Bank insists on the fact that higher productivity growth is critical for accelerating convergence, as Bulgaria's income per capita is only 47 % of the EU average, the lowest in the EU.

In 2015<sup>7</sup>, more than a third of the population was at risk of poverty or social exclusion (41.3 %). Bulgaria ranks first among the Member States in which the risk of poverty or social exclusion is above the EU average.

Youth unemployment is a major problem for the existence of a competitive economy and active social inclusion. Bulgaria is one of the Member States with the highest proportion of young people aged between 15 and 24 not in employment, education, or training. This indicator stands at an average of 12.9 % for the EU-27 but at 22.6 % in Bulgaria.<sup>8</sup>

According to the World Bank, productivity will need to grow by at least 4 % per year over the next 25 years for Bulgaria to catch up with average EU income levels, thus boosting shared prosperity.

**Table 4: Macroeconomic forecasts for Bulgaria**

	2015	2016	2017	2018
GDP growth (% , year over year)	3.6	3.1	2.9	2.8
Inflation (% , year over year)	-1.1	-0.9	1.0	1.2
Unemployment (%)	9.2	8.1	7.1	6.3

**Source:** European Commission<sup>9</sup>.

In its latest economic forecast<sup>10</sup>, the European Commission states that strong growth lies ahead for Bulgaria with private consumption expected to be the key growth driver. In addition, inflation is expected to move into positive territory in 2017. Unemployment will continue to decrease in the coming years. The fiscal deficit for 2016 is projected at 0.9 % of GDP, but is forecast to marginally increase in 2017. Economic analysts agree on an annual average growth rate of around 3 % for the period 2017-2021.

### 1.4. The fight against corruption

Perception of corruption in Bulgaria is the highest in the EU, according to a report by activist group Transparency International<sup>11</sup>. On 27 January 2017 the Commission published its latest report<sup>12</sup> on steps taken by Bulgaria in the fight against corruption and organised crime, in the context of the Cooperation and Verification Mechanism<sup>13</sup>. The report says that Bulgaria needs 'a new legal framework' for the fight against corruption, as well as changes to its legislation on public administration and a mechanism for public reporting of high-level cases under investigation. The Commission advises the Bulgarian authorities to conduct 'an external review of the ex-ante checks of public procurement procedures and their follow-up'.

<sup>6</sup> <http://www.worldbank.org/en/country/bulgaria/overview>

<sup>7</sup> Eurostat [press release](#) 199/2016, 17 October 2016.

<sup>8</sup> Partnership Agreement of the Republic of Bulgaria outlining the support from the European Structural and Investment Funds for the 2014-2020 period, July 2014, p. 18.

<sup>9</sup> European Commission - DG ECFIN (Economic and Financial Affairs) - [Country page for Bulgaria](#), Spring 2017.

<sup>10</sup> Economic forecast for Bulgaria, [European Commission](#), Spring 2017.

<sup>11</sup> Corruption Perceptions Index 2015, [Transparency International](#), January 2015.

<sup>12</sup> [https://ec.europa.eu/info/files/progress-report-bulgaria-2017-com-2017-43\\_en](https://ec.europa.eu/info/files/progress-report-bulgaria-2017-com-2017-43_en).

<sup>13</sup> The [Cooperation and Verification Mechanism](#) (CVM) was set up on the accession of Bulgaria to the EU in 2007 to address shortcomings in judicial reform and the fight against corruption and organised crime.

## 2. EU cohesion policy in Bulgaria

### 2.1. Introduction

Bulgaria<sup>14</sup> is divided into 6 planning regions, 28 districts and 264 municipalities. In order to implement EU regional policy in Bulgaria, the 6 planning regions were set up in 2002 in compliance with EU criteria (NUTS 2 regions). Since in all cases their GDP per capita is less than 75 % of the EU average, all six Bulgarian NUTS 2 regions are eligible for cohesion funding.

**Figure 3: Bulgaria's 6 regions**

North-Western Region	NWR - Severozapaden
North Central Region	NCR - Severentsentralen
North-Eastern Region	NER - Severoiztochten
South-Eastern Region	SER - Yugoiztochten
South Central Region	SCR - Yuzhentsentralen
South-Western Region	SWR - Yugozapaden, including Sofia District and Sofia City



**Source:** Ministry of Regional Development and Public Works (MRDPW), 2015.

<sup>14</sup> Regional structure, [Point of Single Contact](#), Republic of Bulgaria, 2017.

**Table 5: General characteristics of Bulgaria's NUTS 2 regions**

Regions	Territory	Population	Density of population	GDP per capita in PPS, EU27=100%, 2008	Unemployment rate	Employment rate	Urban population	Number of districts and municipalities in the region
	sq. km.	total	people per sq. km.	%	%	%	%	number
<b>North-western</b>	19 070	847 138	44.42	28.0	11.0	40.0	63.2	5 / 51
<b>North Central</b>	14 974	861 112	57.50	30.0	11.5	42.0	66.5	5 / 36
<b>North-eastern</b>	14 487	966 097	66.68	37.0	14.5	45.9	72.7	4 / 35
<b>South-eastern</b>	19 798	1 078 002	54.45	36.0	10.6	45.1	71.3	4 / 33
<b>South Central</b>	22 365	1 479 373	66.14	30.0	11.4	45.1	66.7	5 / 57
<b>South-western</b>	20 306	2 132 848	105.03	73.0	6.8	54.0	83.1	5 / 52
<b>BULGARIA</b>	<b>111 001</b>	<b>7 364 570</b>	<b>66.34</b>	<b>43.0</b>	<b>10.2</b>	<b>46.7</b>	<b>72.5</b>	<b>28 / 264</b>

Source: National Statistical Institute of Bulgaria (NSI), 2011.

## 2.2. Organisational framework

The notion of 'regional entity' as such did not exist in Bulgaria before accession to the EU. Discussions on the Europeanization of regional policy in Bulgaria emerged in the context of the pre-accession negotiations: Bulgaria was lacking regional policy as such. New legislation in the field of regional policy has therefore been adopted in order to ensure a legal framework for these processes. In response to pressure from the EU, a **Regional Development Act (RDA)** was passed in 1999, creating 6 regions classified at NUTS2 level.

The RDA has also defined the institutional basis for the management of regional policy, with the main actors being the Council of Ministers, the Ministry of Regional Development and Public Works (MRDPW), and the Directorate-General for the Strategic Planning of Regional Development and Administrative Territorial Organisation (DG SPRDATO),<sup>15</sup> attached to the MRDPW.

The main task of DG SPRDATO is to draw up standards and schemes for regional and local development in accordance with national and EU priorities.

## 2.3. The National Development Programme

The **National Development Programme 'Bulgaria 2020'**<sup>16</sup> (NDP BG 2020) is the leading strategic and programming document detailing the objectives of the development policies for the country up to 2020. NDP

<sup>15</sup> <http://www.mrrb.government.bg/>

<sup>16</sup> National Development Programme '[Bulgaria 2020](#)'

BG 2020 is an integrated document on the socio-economic development of Bulgaria up to 2020, linking the EU's priorities in the context of the Europe 2020 strategy to the 8 national priorities of Bulgaria. Those 8 priorities are:

- improving access to and increasing the quality of education and training and the qualitative characteristics of the workforce;
- reducing poverty and promoting social inclusion;
- achieving sustainable integrated regional development and use of local potential, aiming at the balanced development of all regions of Bulgaria;
- development of the agricultural sector to ensure food security and the production of products with high added value through sustainable management of natural resources;
- supporting innovation and investment activities for increasing economic competitiveness;
- strengthening the institutional environment with a view to greater efficiency of the public services provided for citizens and businesses;
- energy security and increasing resource efficiency;
- Improving transport connectivity and access to markets.

## 2.4. The National Regional Development Strategy (NRDS)

**Regional Development Plans** are drawn up in accordance with the 8 priorities of the current National Development Programme (NDP BG 2020). The **National Regional Development Strategy (NRDS) for the period 2012–2022**<sup>17</sup> is developed in accordance with the legislative regulations of the Regional Development Act.

The NRDS was adopted by the Council of Ministers by Decree No 696 on 24 August 2012. The MRDPW is responsible for its implementation. The objectives of the NRDS for the period 2012-2022 have been formulated in the context of the following strategic objectives (SOs):

SO 1.	Economic cohesion on the European, national and intra-regional levels, to be achieved by developing the regions' specific potential and environmental protection
SO 2.	Social cohesion and reduction of regional disparities in the social sphere, to be achieved by creating conditions for the development of human capital
SO 3.	Territorial cohesion and development of cross-border, interregional and transnational cooperation
SO 4.	Balanced territorial development, to be achieved by strengthening urban networks and improving connectivity in the regions and the quality of the environment at local level

A total estimated financial framework of 20.1 billion BGN (EUR 10.2660675 billion) for Bulgaria is taken as a basis for calculating the indicative resource levels needed to achieve the objectives of the NRDS. The distribution of the indicative funds among the NUTS 2 regions is:

Region	Indicative funds
NWR	2,334.3 million BGN = 1.19224286 billion euros
NCR	2,372.5 million BGN = 1.2117535 billion euros
NER	1,764.5 million BGN = 901.217721 billion euros
SER	1,968.1 million BGN = 1.00520635 billion euros
SCR	4075.9 million BGN = 2.08176441 billion euros
SWR	3896.2 million BGN = 1.98998271 billion euros

53.5 % of all the estimated funds are dedicated to the three less developed regions - NWR, NCR and SCR.

## 2.5. Previous programming period (2007-2013)

### 2.5.1. Summary

As a new Member State of the European Union, Bulgaria has needed time to adapt in order to implement EU cohesion policy.

<sup>17</sup> National Regional Development [Strategy](#) of the Republic of Bulgaria for the period 2012-2022.

The total allocation for the period 2007-2013 was **EUR 6.9 billion**<sup>18</sup>: EUR 6.7 billion under Convergence Objective 1 and EUR 179 million under the European Territorial Cooperation Objective. Bulgaria put forward 7 strategy plans focused on, respectively: 'Administrative capacity', 'Competitiveness', 'Environment', 'Human resources development', 'Regional development', 'Transport' and 'Technical assistance'.

EU funds became the main source of financing and investment in both public and private sectors during this period. As of 31 December 2016, about 85 % of the allocated funding had been used (EUR 5.86 billion). The implementation of EU cohesion policy through operational programmes (OPs) has been an important driver for needed reforms, such as: improving the system for assessing OP implementation or accelerating payments to beneficiaries.

As of 7 June 2017, 95 % of the available funds had been paid out by the Commission for the 2007-2013 programming period.

Earlier, on 7 April 2017, the Deputy Prime Minister and minister responsible for EU funds, **Malina Kroumova**, declared at a meeting with the managing authorities for the programmes and partner organisations that the contribution of the EU Structural and Cohesion Funds to Bulgaria's socio-economic development was 'indisputable'<sup>19</sup>, since they made a positive contribution to the competitiveness of the Bulgarian economy and to reducing unemployment.

The Bulgarian Government reports that resources from the EU funds accounted for 9 % of the country's total budget expenditure for the 2007-2013 period but formed 80 % of public investment. According to the same government sources, infrastructure development absorbed a substantial portion of this financing (20.5 % of the aggregate amount went on transport infrastructure, 16.2 % on water and waste infrastructure, 18.8 % on local and regional development, 12.2 % on investment in business development, and 9 % on innovation). In addition, a total of 11 778 projects were implemented during the period. The volume of projects implemented in municipalities with a population of between 10 000 and 20 000 with the active involvement of the EU programmes grew 3.5-fold compared to the level in municipalities without such involvement. The number of enterprises in the large municipalities increased by 35 %, and investment in rural municipalities rose by 70 %.

## 2.5.2. Examples<sup>20</sup>

### Trakia motorway, Bulgaria

The road constructed over the 2007-2013 period runs for 116 km between Stara Zagora and Karnobat in south-west Bulgaria and completes the Trakia motorway running from Sofia to the Black Sea port of Burgas. It thus links the capital, which is the centre of economic activity, with the country's fourth largest city and largest port, and is therefore of vital importance for the development of the Bulgarian economy. The Trakia motorway has priority status under the Regional Development Plans and forms part of the Orient-East-Med Corridor of the TEN-T which runs from Greece to the German Baltic coast. It thus makes a major contribution to improving transport links both in Bulgaria and in the wider EU.

### Waste treatment

In Bulgaria, the proportion of waste that is landfilled was reduced from 80 % to 70 % between 2007 and 2013. A mechanical biological treatment (MBT) facility, co-financed by EU funding, was opened in Varna in 2011, and a similar facility (in this case also including a composting plant) was opened in Sofia in 2015.

---

<sup>18</sup> 'Cohesion Policy and Bulgaria', European Commission, March 2015.

<sup>19</sup> [Quotation](#) from the BTA Press Agency, 7 April 2017.

<sup>20</sup> 'Ex post evaluation of the ERDF and Cohesion Fund 2007-13', Commission Staff Working Document [SWD\(2016\)0318 final](#).

### 3. The 2014-2020 programming period

#### 3.1. Thematic objectives

In accordance with its National Communication Strategy<sup>21</sup> 2014-2020, the Bulgarian Council of Ministers' Decision No 328 of 25 April 2012 sets out **11 thematic objectives (TOs)**, through which Bulgaria contributes to cohesion policy for the period 2014-2020. Three main criteria are identified for Bulgaria's decision to put forward all **11 TOs** for ESIF funding: development needs, legislative requirements and commitments as a Member State, and potential for growth. The combination between them forms the justification behind the thematic objectives in relation to the funding possibilities under the ESI Funds.

**Table 6: Indicative allocation of support by the Union by thematic objective for each of the ESI Funds<sup>22</sup> (including performance reserve) in EUR**

TO 1	Strengthening research, technological development and innovation	528 008 372
TO 2	Enhancing access to and use of ICT	24 639 624
TO 3	Enhancing the competitiveness of SMEs, of the agricultural sector (for the EAFRD), and of the fishery and aquaculture sector (for the EMFF)	1 009 438 837
TO 4	Supporting the shift towards a low-carbon economy in all sectors	1 183 401 563
TO.5	Promoting climate change adaptation, risk prevention and management	449 960 779
TO 6	Preserving and protecting the environment and promoting resource efficiency	2 236 597 556
TO 7	Promoting sustainable transport and removing bottlenecks in all key network infrastructures	1 387 979 734
TO 8	Promoting sustainable and quality employment and supporting labour mobility	627 510 692
TO 9	Promoting social inclusion and combating poverty and discrimination	1 240 232 145
TO 10	Investing in education, training and vocational training for skills and lifelong learning	503 720 581
TO 11	Enhancing the institutional capacity of public authorities and stakeholders and ensuring an efficient public administration	251 473 110
	Technical assistance	351 490 127
	TOTAL	9 794 453 120

**Source:** Partnership Agreement EU/Bulgaria, July 2014.

#### 3.2 The Partnership Agreement

In accordance with the Common Provisions Regulation (CPR)<sup>23</sup>, Bulgaria, like all EU Member States, is required to draw up and implement **strategic plans with investment priorities** covering the five ESI Funds. These 'Partnership Agreements' (PAs) are **negotiated between the European Commission and national authorities**, following consultation of various levels of governance, representatives of interest groups, civil society and local

<sup>21</sup> [National Communication Strategy](#) 2014-2020.

<sup>22</sup> The European Structural and Investment funds (ESI funds) are: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD), and the European Maritime and Fisheries Fund (EMFF).

<sup>23</sup> Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013.

and regional representatives. Bulgaria has chosen to finance investments under all 11 thematic objectives defined in the Regulation.

On **7 August 2014**, the Commission adopted a '**Partnership Agreement**'<sup>24</sup> with Bulgaria<sup>25</sup> setting out the strategy for the optimal use of European Structural and Investment Funds throughout the country. The agreement identifies three strategic, mutually reinforcing priorities through which the country is to implement EU cohesion policy in line with the Europe 2020 strategy for inclusive, smart and sustainable growth, namely:

- Education, employment, social inclusion and healthcare for inclusive growth;
- Scientific research, innovation, investment for smart growth and promoting an innovation-friendly business environment by enhancing knowledge-based competitiveness;
- Connectivity and green economy for sustainable growth.

The notion of good governance and access to quality administrative services includes e-governance and e-justice, high-quality and effective services for citizens and businesses, and measures for increasing the professional and motivational level of human resources in the administration and the judiciary. Bulgaria is one of the eight countries supported by the 'Task Force on Better Implementation'<sup>26</sup> set up by Commissioner Crețu in 2014.

For 2014-2020, Bulgaria has been allocated around EUR 7.6 billion (at current prices) under cohesion policy funding:

- EUR 5.09 billion for less developed regions (all), of which ERDF = EUR 3.57 billion and ESF = EUR 1.52 billion;
- EUR 2.28 billion under the Cohesion Fund;
- EUR 165.6 million for European Territorial Cooperation (Interreg with Greece and Romania, IPA with Serbia and Turkey);
- EUR 55.2 million for the Youth Employment Initiative.

### 3.3. Operational Programmes (OPs)

Operational Programmes (OPs) translate the investment priorities and objectives of the Partnership Agreements into concrete actions. The OPs are then implemented by the Member States and their regions. This work is organised by 'managing authorities' in each Member State and/or region according to the principles of shared management and subsidiarity.

Out of 13 OPs for Bulgaria, cohesion policy (the 11 thematic objectives included) will be delivered by 7 specific OPs:

- 2 national OPs co-financed by the ERDF ('Regions in Growth' and 'Innovation and Competitiveness');
- 2 national OPs co-financed by the ERDF and CF ('Environment' and 'Transport and transport infrastructure');
- 1 national OP co-financed by the ESF and ERDF ('Science and education for smart growth');
- 2 national OPs co-financed by the ESF ('Good Governance' and 'Human Resources Development').

---

<sup>24</sup> Under the new rules, Member States are required to draw up and implement strategic plans with investment priorities covering the five ESI Funds. These 'Partnership Agreements' (PAs) are negotiated between the Commission and national authorities, following the consultation of various levels of governance, representatives of interest groups, civil society and local and regional representatives.

<sup>25</sup> 'European Commission adopts "Partnership Agreement" with Bulgaria on using EU Structural and Investment Funds for growth and jobs in 2014-2020', [Commission press release](#), 7 August 2014.

<sup>26</sup> 'Improving how EU Member States and regions invest and manage EU Cohesion Policy funds', [European Commission](#), 24 March 2015.

## OP managing authorities

- Responsible: Deputy Prime Minister/Minister for coordination and management of EU funds coordinates activities related to programming, management, monitoring and oversight of the programmes.
- Council for Coordination of the Management of EU Funds (CCEUFM). The members of the CCEUFM are the ministers responsible for policies supported by ESI funds.
- The Monitoring Committee of the Partnership Agreement monitors the implementation of the commitments included in the PA, including application of the effective coordination and complementarity of ESI funding with its diverse origins.
- Monitoring Committees of the respective programmes: the members of these committees ensure that the principles of complementarity and coordination apply at the implementation stage (achievement of targets, priorities, and implementation of specific measures as set out in the different programmes).
- The Central Coordination Unit ensures the overall process of coordination at operational level, including: the development of necessary legislation, methodologies and guidelines; support for the work of the CCEUFM and the Monitoring Committee of the Partnership Agreement; coordination mechanism for information and publicity; overall monitoring of the programmes' implementation; and organisation of working groups and meetings.
- At operational and project level complementarity and coordination are ensured by the Managing Authorities and the Paying Agency for each of the 6 regions.

**Table 7: Operational programmes under the ESI funds in EUR**

Programme title	ESI Fund	Total	2014	2015	2016	2017	2018	2019	2020
Operational programme 'Regions in growth'	ERDF	1 311 704 793	163 175 740	171 533 813	180 682 571	188 196 124	195 574 110	202 777 169	209 765 266
Operational programme 'Human resources development'	ESF	883 476 570	109 904 260	115 533 697	121 695 693	126 756 317	131 725 635	136 577 132	141 283 836
Operational programme 'Human resources development'	YEI	55 188 745	31 004 913	24 183 832					
Operational programme 'Science and education for smart growth'	ESF	352 619 543	43 865 781	46 112 642	48 572 063	50 591 896	52 575 286	54 511 647	56 390 228
Operational programme 'Science and education for smart growth'	ERDF	243 381 138	30 276 551	31 827 355	33 524 869	34 918 976	36 287 929	37 624 422	38 921 036
Operational programme 'Innovation and competitiveness'	ERDF	1 181 615 516	146 992 661	154 521 817	162 763 251	169 531 640	176 177 908	182 666 597	188 961 642
Operational programme 'Transport and transport infrastructure'	CF	1 144 687 261	141 914 934	149 571 203	157 874 873	164 533 779	170 787 093	177 211 502	182 793 877
Operational programme 'Transport and transport infrastructure'	ERDF	459 761 907	57 194 263	60 123 828	63 330 534	65 964 084	68 550 125	71 074 848	73 524 225
Operational programme 'Environment'	CF	1 133 619 883	140 542 840	148 125 080	156 348 458	162 942 993	169 135 837	175 498 142	181 026 533
Operational programme 'Environment'	ERDF	371 204 258	46 177 715	48 542 997	51 132 040	53 258 328	55 346 248	57 384 672	59 362 258
Operational programme 'Good governance'	ESF	285 531 663	35 520 065	37 339 449	39 330 951	40 966 499	42 572 537	44 140 497	45 661 665
Maritime and Fisheries Programme	EMFF	88 066 622	12 071 289	12 225 498	12 337 253	12 537 214	12 828 942	12 916 663	13 149 763
Rural Development Programme	EAFRD	2 338 783 966	335 499 038	335 057 822	334 607 538	334 147 994	333 680 052	333 187 306	332 604 216
	TOTAL	9 849 641 865	1 294 140 050	1 334 699 033	1 362 200 094	1 404 345 844	1 445 241 702	1 485 570 597	1 523 444 545

**Source:** Partnership agreement, Information and Management Systems for [EU Funds](#) within the Administration of the Council of Ministers of Bulgaria, September 2017.

To sum up, for 2014-2020, Bulgaria has been allocated around **EUR 9.88 billion**<sup>27</sup> from ESI funds for the 2014-2020 period:

- **EUR 5.09 billion** for less developed regions (all), of which ERDF = EUR 3.57 billion, ESF = EUR 1.52 billion
- **EUR 2.28 billion** under the Cohesion Fund
- **EUR 2.37 billion** through the EAFRD
- **EUR 88 million** through the EMFF
- **EUR 55 million** for the Youth Employment Initiative.

### 3.4. Expected results

ESI funds will assist Bulgaria in achieving its targets and in developing its flagship initiatives:

- R&D expenditure in relation to GDP to increase to 1.5 % by 2020, accounting for 31.1 % of enterprises' innovation activities;
- share of renewable energies in gross final energy consumption to rise to 16 % by 2020, with their share in transport reaching 10 %;
- energy efficiency to increase by 25 % by 2020;
- employment among the population aged 20 to 64 to rise to 76 % by 2020 (63.5 % in 2013); youth unemployment level (persons aged 15 to 29) to fall to 7 % by 2020; employment rate among older persons (aged 55 to 64) to rise to 53 % by 2020;
- number of people living in poverty to fall by 260 000 by 2020;
- student dropout rate to fall to 11 % by 2020 (12.5 % in 2013);
- proportion of persons aged 30 to 34 having completed higher education or equivalent to rise to 36 % by 2020 (29.4 % in 2013);
- reduction in time taken to provide administrative services to 50 % of the time applying in 2013.

**Disclaimer** This document is provided to Members of the European Parliament and their staff in support of their parliamentary duties and does not necessarily represent the views of the European Parliament. It should not be considered as being exhaustive.

**Authors** Jacques Lecarte, IPOL Policy Department for Structural and Cohesion Policies

**Feedback** If you wish to give us your feedback please email the Poldep-Cohesion Secretariat: [poldep-cohesion@ep.europa.eu](mailto:poldep-cohesion@ep.europa.eu)

**Policy Department B** Within the European Parliament's Directorate-General for Internal Policies, Policy Department B is the research unit which supplies technical expertise to the following five parliamentary committees: Agriculture and Rural Development; Culture and Education; Fisheries; Regional Development; and Transport and Tourism. Expertise is produced either in-house or externally.

**All REGI publications:**

<http://www.europarl.europa.eu/committees/en/regi/supporting-analyses.html>

<http://www.europarl.europa.eu/studies>

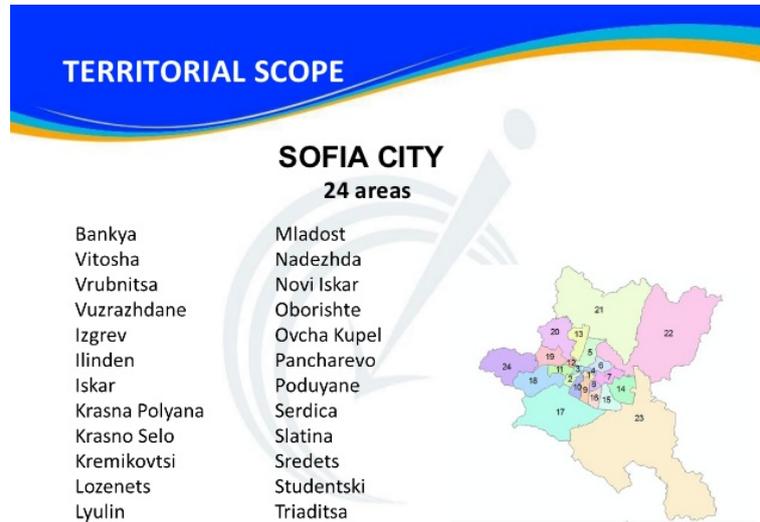
---

<sup>27</sup> European Structural and Investment Funds-Bulgaria, European Commission, April 2016.

## Annex I - Territorial scope of Sofia and Sofia district

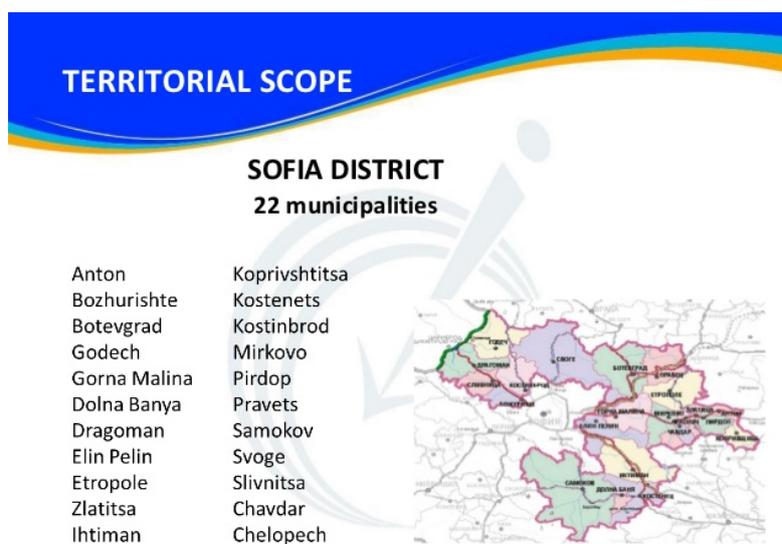
In Bulgaria the population is unevenly distributed across the country. About 71 % of the population lives in urban areas. The population of Sofia is 1.292 million.

**Sofia City or Sofia Municipality** is an administrative unit with the status of a region, and is divided into 24 districts administered by district mayors. The main activities of the administration include preservation of the environment, healthcare and providing social, educational and cultural activities for the citizens of Sofia. The present mayor of Sofia City is **Yordanka Fandakova** (CEDB party).



**Source:** Regional Information Centre for Sofia City and Sofia District for Promoting EU Cohesion Policy in Bulgaria.

**Sofia District** is unique in Bulgaria: with a population: of 273 279, it is the only district that does not include a major city: instead, it includes a large number of small but important towns situated around Sofia city. There are 22 municipalities in Sofia district. Three main European transport corridors pass through the district; Budapest – Vidin – Sofia – Thessaloniki; Skopje – Sofia – Burgas – Varna; and Belgrade – Sofia – Plovdiv – Istanbul.



**Source:** Regional Information Centre for Sofia City and Sofia District to Promote the EU Cohesion Policy in Bulgaria.

Sofia in figures

<b>Basic indicators of demographic, social and economic development in Sofia City</b>	<b>2014</b>
Population as at 31 December 2014	1 316 557
Crude birth rate - ‰	10.5
Crude death rate - ‰	11.7
Natural increase - ‰	-1.2
Employed persons aged over 15 - in thousands	649.4
Employment index (2010 = 100 %)	104.1
Employees with a work contract	696 588
Unemployment rate - %	6.3
Average annual gross wages and salaries - BGN	13 542
GDP - million BGN	32 804
GDP per capita - BGN	24 982

**Source:** Bulgarian National Statistical Institute (NSI), March 2016.

## Annex II: EU regional policy on the ground

### The Integrated Urban Regeneration and Development Plan (IURDP) for Sofia<sup>28</sup>

The Integrated Urban Regeneration and Development Plan (IURDP) for Sofia is a compendium of projects, actions and investment intentions which aim to exercise a beneficial effect on certain urban areas. It brings together a diverse group of experts and is intended to help implement the vision and strategy for Sofia's development by 2020. Common priority areas of intervention and sectors relating to social needs and economic potential have been identified. These include:

- Building and management of modern educational, cultural, entertainment, leisure, health and sports facilities;
- Public and private transport infrastructure (vehicles and networks), traffic management systems, parking facilities and other mobility enhancement services;
- Utilities and urban infrastructure (investment in waste, water and/or energy should be part of an integrated urban project);
- Rehabilitation of run-down areas;
- Investment and quality maintenance of public spaces;
- Improved management and urban integration of natural resources (parks, forests, rivers and wildlife);
- Support for and development of industrial zones and business and entertainment centres;
- Energy efficiency and increased use of renewable energy as part of integrated urban projects.

**EU contribution  
(ESIF): 53.24 %**

**2 417 290 060 BGN**

**1.2359302 billion EUR**

### The Sofia Metro

The Sofia Metro was opened in 1998 and has expanded with the help of EU-funded projects. The goal is to make the Sofia Metro the city's main transport system, reduce congestion and improve connections with other European, national and local transport modes, in particular rail.

The European Commission<sup>29</sup> has stressed that the extension of the Sofia Metro was one of the biggest transport projects supported by the EU in the 2007-2013 EU funding period. A total of EUR 486 million (EUR 212.5 million from the Cohesion Fund and EUR 273.5 million from the European Regional Development Fund) was allocated to metro projects. EU co-financing from the ERDF for the Sofia Metro in the period 2014-2020 amounts to EUR 361 million.

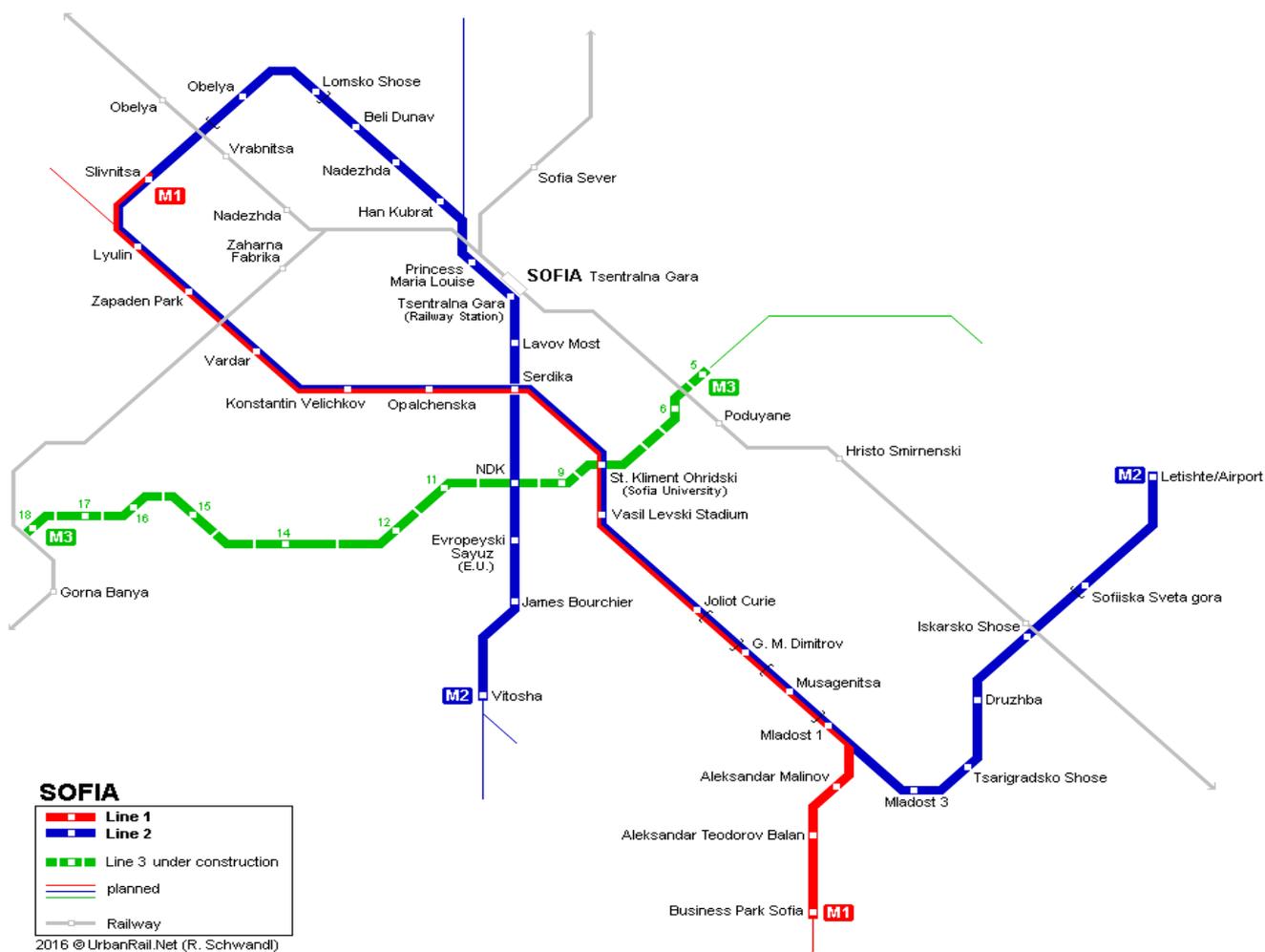
On 8 June 2017 the Commission adopted a new investment package worth EUR 86.6 million<sup>30</sup> from the European Regional Development Fund (ERDF) to finance further works on the western part of the third line of the Sofia Metro network (M3 line). The funding will be used to build four new underground stations on a 4 km-long section, from the city centre to the Sofia Ring Road in the south-western part of the city.

<sup>28</sup> Source: [Sofia Municipality](#); the Integrated Plan for Urban Regeneration and Development of Sofia City is financed by the OP 'Regional Development' through the ERDF, by the state budget of Bulgaria and by the Sofia City budget.

<sup>29</sup> [Info Regio](#), European Commission, January 2017.

<sup>30</sup> [Info Regio](#), European Commission, June 2017.

## Map of Sofia Metro



Source: [Metro Sofia](#) (July 2016).

### The Sofia Integrated Urban Transport Project<sup>31</sup>

The Sofia Municipality and the Sofia Urban Mobility Centre have developed a Project for Integrated Urban Transport and have applied for its funding under the OP 'Regional Development'. This project is expected to ease traffic in the city by making the use of public transport a more attractive and more widely preferred option.

Project cost	Grant under OP 'Regional Development'	Loan from the European Bank for Reconstruction and Development
EUR 62 624 478	EUR 50 000 000	EUR 6 900 000

The main components of the project are the reconstruction, rehabilitation and construction of tram lines, the Installation of 600 electronic information boards giving real-time information to passengers, the construction of an intelligent traffic system covering 20 major intersections in Sofia, and the delivery of 50 new trolleybuses.

### The Sofia Largo complex<sup>32</sup>

<sup>31</sup> Source: [Sofia Integrated Urban Transport Project](#), Sofia Urban Mobility Centre.

<sup>32</sup> Source: [Bulgaria to Complete Sofia Largo Open Air Museum of Ancient Serdika by Fall 2015](#), Archaeology in Bulgaria, April 2015.

The Sofia Largo is an architectural complex of government buildings in downtown Sofia erected in the 1950s, in the early years of the former communist regime. The buildings house the most important Bulgarian government institutions and are one of the most famous parts of Sofia's cityscape. Parts of the ancient city of Serdica which have been excavated can be seen in the underpasses and the Serdica Metro Station right next to the Sofia Largo. The Sofia Largo project, after the first phase of the rescue excavations conducted during the construction of the Second Line of the Sofia Metro, is worth BGN 15.8 million (approx. EUR 8 million), of which BGN 13.4 million (EUR 6.85 million) is EU funding provided under the OP 'Regional Development'.

### **The Sofia Central Mineral Baths <sup>33</sup>**

Built in 1913, the Sofia Central Mineral Baths were adapted to accommodate the Museum of Sofia with permanent exhibitions, 11 rooms and more than 120 000 items. The geothermal section has been developed and maintained to exploit the potential of underground mineral springs. This transformation was co-financed under the OP 'Regional Development' 2007-2013.

**Funding: Operational Programme Regional Development 2007-2013**

**BGN 5.195.970,34**

**EUR 2.656.822,08**

### **The JESSICA Initiative <sup>34</sup>**

JESSICA (Joint European Support for Sustainable Investment in City Areas) is an initiative of the European Commission developed in cooperation with the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB). It supports sustainable urban development and regeneration through financial engineering mechanisms. EU Member States can choose to invest some of their EU structural fund allocations in revolving funds to help recycle financial resources in order to accelerate investment in Europe's urban areas.

The goal of JESSICA as a financial instrument in Bulgaria is to create opportunities for cooperation between the public and private sectors, resulting in joint investments in urban development projects and in recreational activities in urban areas of the seven biggest cities in Bulgaria – Sofia, Plovdiv, Varna, Burgas, Ruse, Stara Zagora and Pleven.

The Fund for Sustainable Urban Development of Sofia (FSUDS) funds projects that have a significant socio-economic effect across the territory of the capital. FSUDS provides low-interest loans, bank guarantees and equity investments. It invests in projects which have a rate of return below the market minimum, but which are of social importance and value.

The total financial resource of the Fund is almost BGN 50 million (EUR 25.5661783):

- BGN 24.6 million (EUR 12.5785597) are funds from the OP 'Regional Development' 2007-2013, provided through the JESSICA Holding Fund;
- BGN 24.6 million (EUR 12.5785597) provided as co-financing by the Fund for Local Authorities and Governments in Bulgaria (FLAG).

Examples of projects are:

- Health infrastructure: deployment of high-tech medical equipment for diagnosis and treatment in the Saint Ivan Rilski hospital;

Size of the loan from FSUDS: BGN 9 977 850 (EUR 5 079 136); 50 % of the loan amount is provided by the OP 'Regional Development' and the remaining 50 % by FSUDS. Total project cost: BGN 11 973 420 (EUR 6 094 963);

<sup>33</sup> Source: [Adaptation of Central Mineral Baths for Museum of Sofia](#), Infra Holding PLC, 2017.

<sup>34</sup> Source: Fund for Sustainable Urban Development, [JESSICA Sofia](#), OP 'Regional Development' 2007-2013.

- Educational, sporting and cultural infrastructure: construction of an educational sports complex in Sofia city, Lozenets district (modern sports centre with a swimming pool).

Size of the loan from FSUDS: BGN 17 602 470 (EUR 8 960 380); 50 % of the loan amount is provided by OPRD and the remaining 50 % by FSUDS. Total project cost: BGN 34 814 148 (EUR 17 721 832)

### **Development of applied research activities in research organisations in Bulgaria funded by the ERDF, OP ‘Competitiveness’ 2007-2013<sup>35</sup>**

R&D activities during the 2007-2013 programming period received only two types of ERDF support, both under Priority Axis 1, ‘Development of a Knowledge-based Economy and Innovation Activities’, of OP ‘Competitiveness’.

The **first type** of funding was aimed at bridging the gap between enterprises and research institutions. The key factor supporting participation was the desire of enterprises to improve their productivity, to develop new or improved products and services with high added value, and to improve production methods and processes, as well as penetrating new markets. Innovative start-ups were offered support in their initial stage of existence.

The **second type** of funding covered various types of business support organisations (technology transfer centres, technology incubators, technology platforms, technology parks, etc.) that offered pro-innovation tailor-made advisory services to innovative start-ups and existing innovative enterprises.

Priority area	Total funding	EU contribution	National co-financing
Axis1. Development of a knowledge-based economy and innovation activities	EUR 246 500 000	EUR 209 525 000	EUR 36 975 000

### **Support for the development and realisation of Ph. D. students, postdoctoral fellows and young scientists in the fields of polymer chemistry, physics and engineering, funded by the ESF, OP ‘Human Resources’.<sup>36</sup>**

The project aims to develop the research potential of a number of Ph. D. students, postdoctoral researchers and young scientists from the three organisations in the field of polymer science and to create the conditions for their realisation, encouraging their academic and scientific mobility and boosting their competence and competitiveness.

**Institute of Polymers - Bulgarian Academy of Sciences<sup>37</sup>**

**EU contribution : EUR 2.23 million**

### **JEREMIE financial instrument through the Operational Programme ‘Development of the competitiveness of the Bulgarian economy’ 2007-2013**

The JEREMIE Holding Fund (JHF) is financed by the European Regional Development Fund (ERDF) and co-financed at a rate of 15 % by the state budget within the framework of the Operational Programme (OP) ‘Development of the Competitiveness of the Bulgarian Economy’ 2007–2013. Under this OP, the Ministry of Economy, Energy and Tourism has allocated contributions under Priority Axis 3, including a national contribution of EUR 349 million for the implementation of the JEREMIE initiative, which aims to improve access to financing for SMEs through various financial engineering instruments.

<sup>35</sup> Bulgaria - Operational programme 2007-2013: [‘Development of the Competitiveness of the Bulgarian Economy’](#), September 2007.

<sup>36</sup> [JRC Science for Policy Report](#), European Commission, 2016.

<sup>37</sup> <http://polymer-forum.ucoz.org/>.

<b>Instrument</b>	<b>JEREMIE allocation (in BGN million)</b>	<b>Total budget (including leverage) (in BGN million)</b>
First Loss Portfolio Guarantee	BGN 141.2	BGN 706
Portfolio Risk Sharing Loan	BGN 381.4	BGN 763
Entrepreneurship Acceleration and Seed Funds	BGN 41	BGN 41
Risk Capital Funds	BGN 27.9	BGN 40
Co-investment Funds	BGN 49	BGN 98
<b>TOTAL</b>	<b>BGN 640.5</b>	<b>BGN 1.648</b>
TOTAL in EUR million	EUR 327 million	EUR 837 million

**Source:** JEREMIE Bulgaria: <http://jeremie.bg/about-ieremie-bulgaria-2/>.

### **Sofia Tech Park**

Sofia Tech Park JSC is a state-owned company. The main goal of this company is to boost the development of the research, innovation and technological capabilities of Bulgaria through the implementation of various projects. For this purpose, Sofia Tech Park will partner with private and public institutions in order to create and manage a unique environment for innovation, build and implement educational programmes, and provide support for the commercialisation of new technologies, products and services.

**Source:** <http://sofiatech.bg/en/about/team-and-management/>.