



**MINISTRY OF REGIONAL DEVELOPMENT
AND PUBLIC WORKS**
Directorate General "Programming of Regional Development"



OPERATIONAL PROGRAMME "REGIONAL DEVELOPMENT" 2007-2013



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TABLE OF CONTENT

| | | |
|-----------|--|-----------|
| 1. | <i>BACKGROUND</i> | 6 |
| 1.1. | Introduction | 6 |
| 1.2. | Programming process | 6 |
| 1.3. | Legislative framework | 7 |
| 1.4. | Assumptions | 7 |
| 2. | <i>THE EU AND NATIONAL POLICIES CONTEXT</i> | 8 |
| 2.1. | Lisbon and Göteborg Agendas | 8 |
| 2.2. | Community Strategic Guidelines on Cohesion 2007-2013 (CSG) | 8 |
| 2.3. | National Reform Programme (NRP) | 9 |
| 2.4. | National Strategic Reference Framework (NSRF) | 10 |
| 2.5. | National Regional Development Strategy (NRDS) | 10 |
| 2.6. | Regional Development Plans | 11 |
| 2.7. | District Development Strategies, Municipal Development Plans and Spatial Plans | 11 |
| 3. | <i>SOCIO-ECONOMIC ANALYSIS</i> | 11 |
| 3.1. | Eligible geographical area under the Convergence objective | 11 |
| 3.2. | Past experience and lessons learned from the period 2000-2006 | 12 |
| 3.3. | The Bulgarian regions: inter-regional and intra-regional disparities | 14 |
| 3.3.1. | Regional economic performances and growth | 14 |
| 3.3.2. | Sectoral profile of the regions | 16 |
| 3.3.3. | Entrepreneurship | 17 |
| 3.3.4. | Innovations and ICT | 18 |
| 3.3.5. | Investments | 19 |
| 3.3.6. | Human resources and labour market | 19 |
| 3.3.7. | Equality between men and women | 23 |
| 3.3.8. | Road infrastructure | 24 |
| 3.3.9. | Environment | 25 |
| 3.3.9.1. | Social infrastructure | 27 |
| 3.3.9.2. | Educational infrastructure | 27 |
| 3.3.9.3. | Healthcare infrastructure | 27 |
| 3.3.9.4. | Social care infrastructure | 29 |
| 3.3.9.5. | Cultural infrastructure | 32 |
| 3.4. | Urban development | 37 |
| 3.4.1. | Settlement network | 37 |
| 3.4.2. | Highly urbanised territories (urban agglomerations) | 40 |
| 3.4.2.1. | Human resources | 40 |
| 3.4.2.2. | Economic performances and potentials | 44 |
| 3.4.2.3. | Knowledge and innovations | 45 |
| 3.4.2.4. | Industrial business zones | 45 |
| 3.4.2.5. | Healthcare resources | 46 |
| 3.4.2.6. | Housing | 47 |
| 3.4.2.7. | Physical environment and public works, culture, and cultural-historical heritage | 50 |
| 3.4.2.8. | Environmental Protection Infrastructure | 51 |
| 3.5. | Regional accessibility and transport endowments | 52 |
| 3.5.1. | Transport accessibility | 52 |
| 3.5.2. | Urban transport and transport services to surrounding areas | 54 |
| 3.5.3. | ICT development | 57 |
| 3.5.4. | Accessibility to natural gas supply | 58 |
| 3.6. | Tourism | 64 |
| 3.7. | Summary outcomes and findings of the analysis | 69 |
| 3.8. | Local institutional and capacity issues | 71 |
| 3.8.1. | Description of the municipal competencies | 71 |
| 3.8.2. | Project development capacity and absorption of resources | 73 |
| 3.8.2.1. | Administrative capacity | 73 |
| 3.8.2.2. | Information and communication | 74 |
| 3.8.2.3. | Financial resources | 74 |
| 3.8.2.4. | Skills for partnership and cooperation with other stakeholders | 74 |
| 3.8.2.5. | Investment opportunities in the municipalities/small municipalities | 75 |

| | | |
|--------|---|------------|
| 3.9. | SWOT ANALYSIS | 78 |
| 4. | OBJECTIVES AND STRATEGY | 81 |
| 4.1. | General and specific objectives | 81 |
| 4.2. | Development strategy | 81 |
| 4.3. | Outline of the chosen priority axes | 86 |
| 4.4. | Indicators and targets at programme level | 87 |
| 4.5. | Summary findings of ex-ante evaluation | 87 |
| 4.6. | Summary findings of Strategic Environmental Assessment | 92 |
| 5. | DESCRIPTION OF PRIORITY AXES | 96 |
| 5.1. | Priority Axis 1: Sustainable and Integrated Urban Development | 96 |
| 5.1.1. | Operation 1.1. Social Infrastructure | 102 |
| 5.1.2. | Operation 1.2. Housing | 103 |
| 5.1.3. | Operation 1.3. Organisation of Economic Activities | 104 |
| 5.1.4. | Operation 1.4. Improvement of Physical Environment and Risk Prevention | 105 |
| 5.1.5. | Operation 1.5. Sustainable Urban Transport Systems | 107 |
| 5.2. | Priority Axis 2: Regional and Local Accessibility | 109 |
| 5.2.1. | Operation 2.1. Regional and Local Road Infrastructure | 112 |
| 5.2.2. | Operation 2.2. ICT Network | 113 |
| 5.2.3. | Operation 2.3. Access to Sustainable and Efficient Energy Resources | 114 |
| 5.3. | Priority Axis 3: Sustainable Tourism Development | 117 |
| 5.3.1. | Operation 3.1. Enhancement of tourism attractions and related infrastructure | 121 |
| 5.3.2. | Operation 3.2. Regional Tourism Product Development and Marketing of Destinations | 122 |
| 5.3.3. | Operation 3.3. National Tourism Marketing | 124 |
| 5.4. | Priority Axis 4: Local development and co-operation | 126 |
| 5.4.1. | Operation 4.1. Small-scale Local Investments | 128 |
| 5.4.2. | Operation 4.2. Inter-regional Cooperation | 130 |
| 5.5. | Priority Axis 5: Technical Assistance | 132 |
| 5.5.1. | Operation 5.1. Programming, Management, Monitoring, Evaluation and Control | 134 |
| 5.5.2. | Operation 5.2 Communication, Information and Publicity | 135 |
| 5.5.3. | Operation 5.3 Capacity Building of OPRD Beneficiaries | 136 |
| 6. | Management and implementing provisions | 139 |
| 6.1. | Designation of competent authorities and bodies | 139 |
| 6.1.1. | Managing Authority (MA) | 139 |
| 6.1.2. | Beneficiaries | 142 |
| 6.1.3. | Certifying Authority (CA) | 142 |
| 6.1.4. | Internal Audit Unit | 142 |
| 6.1.5. | Audit Authority (AA) | 142 |
| 6.1.6. | Compliance Assessment Body | 143 |
| 6.1.7. | Body responsible for receiving payments from the Commission | 143 |
| 6.1.8. | Body responsible for making payments to the beneficiaries | 143 |
| 6.2. | Implementation arrangements at project level | 143 |
| 6.2.1. | Project application and selection | 143 |
| 6.2.2. | Project management and monitoring | 145 |
| 6.3. | Implementation arrangements at programme level | 146 |
| 6.3.1. | Programme monitoring | 146 |
| 6.3.2. | Annual and Final Reports | 149 |
| 6.3.3. | Summary of the evaluation plan | 150 |
| 6.3.4. | Information and publicity | 151 |
| 6.4. | Coordination of OPs, EAFRD, EFF, EIB and other financial instruments | 152 |
| 6.4.1. | Coordination at central level | 152 |
| 6.4.2. | Coordination at regional level | 152 |
| 6.5. | Financial management and control | 154 |
| 6.5.1. | Overall claim and certification processes | 154 |
| 6.5.2. | Separation of functions and duties | 155 |
| 6.5.3. | Flow of funds and budgeting | 158 |
| 6.5.4. | Eligibility of expenditure | 159 |
| 6.5.5. | Irregularities | 159 |
| 6.5.6. | Interest and exchange rate | 160 |
| 6.5.7. | Use of SAP accounting system | 160 |

| | | |
|--------------|---|------------|
| 6.6. | Horizontal issues | 160 |
| 6.6.1. | Public procurement and concessions | 160 |
| 6.6.2. | State aids | 162 |
| 6.6.3. | Implementation Partnership | 163 |
| 6.6.4. | Sustainable development | 164 |
| 6.6.5. | Equality and non-discrimination | 166 |
| 6.7. | Use of flexibility facility | 167 |
| 7. | Capacity building for successful OPRD implementation | 168 |
| 7.1. | Addressing Limited Information and Training Issues | 169 |
| 7.1.1. | Horizontal National Measures (General Strategy) | 169 |
| 7.1.2. | Horizontal National Information and Training Measures | 170 |
| 7.1.3. | Specific OPRD Information and Training Measures | 172 |
| 7.2. | Addressing the lack of specialised units or responsible civil servants and limited skills on project management | 174 |
| 7.2.1. | Horizontal National Measures | 174 |
| 7.2.2. | Specific OPRD Measures | 174 |
| 7.3. | Addressing the lack of feasibility studies and mature technical projects | 174 |
| 7.4. | Addressing the lack of financial resources (PPF, cofinancing, bridging financing) | 174 |
| 7.5. | Addressing the new planning and financial instruments | 175 |
| 7.6. | Addressing the lack of partnership skills | 175 |
| 8. | Financial provisions | 176 |
| 8.1. | Priority axis by source of funding (in euro) | 176 |
| 8.2. | Annual commitment from Funds (in euro) | 176 |
| 8.3. | Indicative breakdown of the Community contribution by category in the Operational Programme "Regional Development" 2007-2013 (in euros) | 177 |
| 9. | ANNEXES | 178 |
| 9.1. | ANNEX 1: OPRD 2007-2013 Programming and Partnership Process | 179 |
| 9.2. | ANNEX 2: OPRD 2007-2013 Legislative Framework | 182 |
| 9.3. | ANNEX 3: Municipalities, falling in the scope of agglomeration areas | 186 |
| 9.4. | ANNEX 4: Municipalities, eligible under Priority axis 4, operation 4.1. | 189 |
| 9.5. | ANNEX 5: Municipalities eligible under Priority Axis 3, Operation 3.1. | 192 |
| | ANNEX 5a: Municipalities excluded from support to investments in developing tourist attractions and related infrastructure | 193 |
| 9.6. | ANNEX 6: Tables and figures | 195 |
| 9.7. | ANNEX 7: Ex-Ante Evaluation Report of OPRD | 200 |
| 9.8. | ANNEX 8: Strategic Environmental Assessment of OPRD | 201 |
| 9.9. | ANNEX 9: Indicative breakdown of funds by operations. | 209 |
| 9.10. | ANNEX 10: Law for the Roads | 210 |
| 9.11. | ANNEX 11: Indicative list of municipalities, eligible under Priority axis 2, Operation 2.3 Access to Sustainable and Efficient Energy Resources. | 211 |
| 9.12. | ANNEX 12: Potential for use of RES and gas pipeline projects maps | 212 |
| 9.13. | ANNEX 13: Training programme for increasing capacity of beneficiaries under OPRD | 213 |

List of Abbreviations

| | |
|-------|---|
| CEMC | Center for Emergency Medical Care |
| CoM | Council of Ministers |
| CSG | Community Strategic Guidelines on Cohesion |
| EAFRD | European Agricultural Fund for Rural Development |
| EC | European Commission |
| EFF | European Fisheries Fund |
| EIB | European Investment Bank |
| EMC | Emergency Medical Care |
| ERDF | European Regional Development Fund |
| ESF | European Social Fund |
| EU | European Union |
| FDI | Foreign Direct Investments |
| FLAG | Fund for Local Authorities and Governments |
| GDP | Gross Domestic Product |
| GNI | Gross National Income |
| GP | General Practitioner |
| ICT | Information and Communication Technologies |
| IPAEI | Institute of Public Administration and European Integration |
| MA | Managing Authority |
| MES | Ministry of Education and Science |
| MF | Ministry of Finance |
| MRDPW | Ministry of Regional Development and Public Works |
| MSAAR | Ministry of State Administration and Administrative Reform |
| NAMB | National Association of Municipalities in Bulgaria |
| NDP | National Development Plan |
| NGO | Non-Governmental Organisation |
| NRDS | National Regional Development Strategy |
| NRP | National Reform Programme |
| NSI | National Statistics Institute |
| NSRF | National Strategic Reference Framework |
| NUTS | Nomenclature of Territorial Units for Statistics |
| OP | Operational Programme |
| OPRD | Operational Programme "Regional Development" |
| R&D | Research and Development |
| RDC | Regional Development Council |
| RDP | Rural Development Programme |
| RES | Renewable energy sources |
| RRIF | Republican Road Infrastructure Fund |
| SAITC | State Agency for Information Technology and Communications |
| SME | Small and Medium-size Enterprise |
| SF | Structural Funds |
| SWOT | Strengths, Weaknesses, Opportunities and Threats analysis |
| TEN-T | Trans-European Network – Transport |
| TIC | Tourist Information Centre |
| TPP | Thermal Power Plant |

1. BACKGROUND

1.1. Introduction

The present Operational Programme "Regional Development" (OPRD) is formulated within the framework of the European Union objectives as they are identified in the Community Strategic Guidelines for Cohesion for the 2007 to 2013 period and respectively – addressed by the National Strategic Reference Framework of the Republic of Bulgaria. It is also consistent with the National Reform Programme developed under the renewed Lisbon agenda as a response to the Integrated Employment and Economic Guidelines. In this wider context, all actions to be undertaken under OPRD will incorporate the Community priorities in favour of sustainable development by strengthening growth, competitiveness and employment, social inclusion, as well as protection and quality of the environment.

While the other operational programmes deal with development objectives and priorities emphasising national policy and taking only partially into account the regional features of Bulgaria, the role of OP "Regional Development" is to propose a set of integrated measures designed to contribute to achievement of the long-term development goals of the country by incorporating also the territorial factors of growth. Some of the suggested operations will be implemented in partnership and coordination with different sectoral policies, while others are objects only of regional policy. In all the cases, the envisaged actions will be always connected with the mandatory largest possible participation of the regional and local authorities and stakeholders.

Given the scale of the National Strategic Reference Framework, OP "Regional Development" contains priorities and interventions in relation only to structural funds and national co-financing. The programme is directed at the main problems already identified by the Government of Bulgaria and at the policy towards their solution by securing the provision of additional EU financing for support to the national priorities and resources in the areas eligible for Structural funds, and in particular – for the European Regional Development Fund (ERDF). Thus, OP "Regional Development" sets out a coherent regional development strategy for the period 2007-2013 supported by a multi-annual investment commitment in the key areas of infrastructural development of urban centres, territorial connectivity, sustainable tourism growth and support to regional and local partnerships.

1.2. Programming process

Operational Programme "Regional Development" is one single operational programme for all six planning regions in Bulgaria, which are eligible under the "Convergence" objective of EU cohesion policy. In this sense, it has largely taken into account the coordination with the other sectoral OPs in order to ensure coherence, synergies and complementarities in an effective way. Therefore, it should be mentioned that the design of the programme has followed a pragmatic approach taking into account all external rules, modalities and restrictions in order to define a philosophy and logic of intervention based on what is necessary, possible and realistically achievable within the next programming period rather than on what is highly willing and desirable.

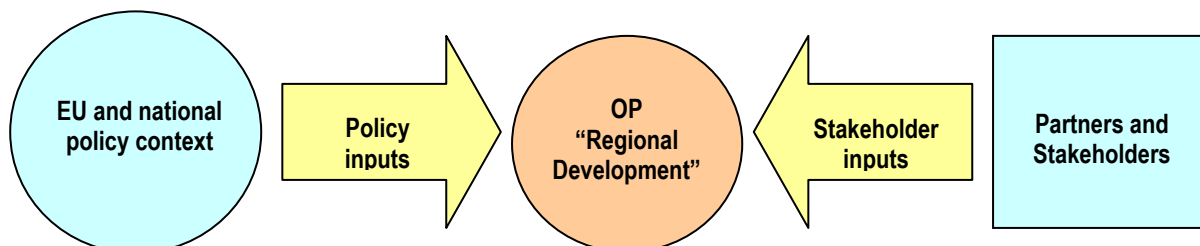
Operational Programme "Regional Development" is prepared by the Ministry of Regional Development and Public Works (MRDPW) under the terms of a methodology applying the key principles of EU cohesion policy and following the requirements of Articles 10-11 of the General Regulation¹ concerning programming and partnership process. Led by the principle of partnership, the programme is prepared in close cooperation with the Commission through discussions and receiving preliminary comments during the whole working period, which incorporation is an on-going process for improvement of the document.

Drafting OP "Regional Development" was entrusted to a Working Group under the responsibility of MRDPW by virtue of its role as a future Managing Authority, with wide participation and representation of stakeholders

¹ Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund

both at national and regional levels, i.e. managing authorities, line ministries, state agencies, Regional Development Councils, associations of municipalities, regional development agencies, business and the employers' associations, syndicates, NGOs and other relevant parties. All views and outcomes received as a result and contributions made by stakeholders to the broad consultation process that was held since the publication of the first draft of OP "Regional Development" in March 2005 were largely taken into account and integrated in the design of the operational programme.

Figure 1: Preparation process of OP "Regional Development"



More detailed description of the programming procedures and partnership arrangements is given in [Annex 1](#).

1.3. Legislative framework

Operational Programme "Regional Development" is prepared in line with the commitments assumed under *the Strategy for Participation of Bulgaria in EU Structural and the Cohesion Funds*, the provisions under *Chapter 21 of the Accession Treaty* and following the provisions of the General and the ERDF Regulations for the period 2007-2013. Accordingly, *the Regional Development Act* of February 2004, which substituted the one in operation since 1999, defines the current framework for regional development planning and programming in Bulgaria. As the EU funds are expected to be the biggest financial resource to support regional development actions, which following the principle of co-financing will mobilise significant national resources, the Regional Development Act inevitably covers substantial part of the programming framework for EU Structural funds (SF). A precise list of EU and national legislative framework is described in [Annex 2](#).

1.4. Assumptions

The following key assumptions are made with regard to OP "Regional Development":

- OP "Regional Development" will be a single programme for all Bulgarian NUTS II planning regions funded with ERDF and national resources. All interfaces with the Sectoral Operational Programmes have been investigated, coordinated and agreed with the line ministries responsible in the course of the SF programming process;
- OP "Regional Development" will be complemented by interventions under the Rural Development Programme and the other operational programmes intervening at sectoral level;
- OP "Regional Development" will make use of the flexibility facility, whereby actions falling within the scope of the European Social Fund (ESF) can be financed out of the ERDF within a limit of 10 % for each of the programme priorities. Justification is provided in the description of the priority axes;
- OP "Regional Development" will principally co-finance relevant municipal investments, since the sole public bodies that are significant in terms of delivery of development apart from the State and its agencies are the municipalities. OP "Regional Development" will intervene on areas within responsibility of sectoral ministries only to the extent that (a) municipalities have a significant complementary or implementing role (b) there is clear evidence of a gap in provision that leaves specific regional or local needs unaddressed;
- Probably most of the municipalities will not possess sufficient co-financing to participate in OP "Regional Development" or to provide public co-financing to the programme. On the assumption that for the most

part, this cannot derive from existing municipal budgets, then the state budget will have to intervene in a complementary manner in support of municipalities. An appropriate comprehensive centralised system for applying the additionality principle needs to be organised in this regard. This system cannot be simply pro-rata: since many municipalities and their territories, even with greater means, do not constitute appropriate context for certain types of investment. In this context, inter-municipal cooperation is essential and needs to be encouraged with Structural Funds contribution.

2. THE EU AND NATIONAL POLICIES CONTEXT

There are a number of policies defined both at Community and national level, which are largely taken into account in the design of OP "Regional Development". These are as follows:

2.1. Lisbon and Göteborg Agendas

The 2005 Spring European Council has concluded that Europe must renew the basis of its competitiveness, increase productivity and strengthen social cohesion, placing the main emphasis on knowledge, innovation and the optimisation of human capital. To achieve these objectives, the Union has to mobilise to a greater degree all appropriate national and Community resources, including the Cohesion policy, in three main dimensions – economic, social and environmental, so as to better tap their synergies in the general context of sustainable development.

Operational Programme "Regional Development" is prepared in line with the Lisbon agenda and the sustainability principles defined in the Göteborg strategy for sustainable development. In meeting the political objectives set out, and taking also account of the role that cohesion policy has for fostering real convergence, the actions supported under the programme will be concentrated where needs are greatest in pursuit of priorities that stimulate growth and jobs. Accordingly, several ways are proposed to make contribution to Lisbon priorities. These include investing in the drivers of growth and employment, supporting the implementation of coherent strategies, improving governance and introducing integrated approaches in order to promote balanced development, sustainable communities and social inclusion.

2.2. Community Strategic Guidelines on Cohesion 2007-2013 (CSG)

The main goal of this document is to define Community priorities for the cohesion policy and to gear synergies for implementing the renewed Lisbon strategy. Three main guidelines are formulated, on which the strategy and actions envisaged in the operational programmes should be built upon:

- increasing the **attractiveness of Member States, regions and cities** by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential;
- encouraging **innovation, entrepreneurship** and the growth of the **knowledge economy** by research and innovation capacities, including new information and communication technologies;
- creating **more and better jobs** by attracting more people into employment or entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital.

Following the orientation given by the CSG, the overall logic of intervention of OP "Regional Development" aims to stimulate growth potential, so as to achieve and maintain high growth rates, including addressing the deficits in basic infrastructure networks and strengthening capacity at local and regional level. Account is also taken of the specific role of urban areas for:

- a) promotion of cities as motors of regional development (with actions related to improvements in competitiveness);
- b) promotion of internal cohesion inside the urban areas that seek to improve the situation of districts (with actions related to rehabilitation of the physical environment);

- c) promotion of a more balanced development by improving the urban network, including links between the economically strongest cities and other urban areas (with actions targeted at networks in both physical terms – infrastructure, information technologies etc. and human terms – actions to promote cooperation etc.).

2.3. National Reform Programme (NRP)

The Bulgarian National Reform Programme (NRP) has been developed as a response to the challenges set before the EU Member States as the key focus of the renewed Lisbon Strategy. NRP is a strategic country document aiming to systematize the efforts of the Government to generate high and sustainable rates of economic growth and employment by outlining the medium-term framework of measures and priorities in the field of macroeconomic and microeconomic development, labour market and human capital development.

In order to achieve the overarching, medium-term targets of achieving sustainable growth of GDP at a rate of 6% per year; an employment level of 61%; and narrowing the income gap with the rest of the European Union, Bulgaria focuses on the following five challenges as a matter of priority:

- Maintaining macroeconomic stability (containing the external deficit and further reducing inflationary pressures based on a prudent policy mix which combines structural reforms, a strong fiscal position and further measures to improve the quality and efficiency of public spending);
- Modernisation and development of infrastructure, in particular transport and energy networks, as well as ICT infrastructure;
- Improving the business environment (incl. better regulation, implementation of internal market legislation, competition and key priority actions identified by the 2006 Spring European Council);
- Improving the quality of human capital through improved access of all to quality education and training (incl. life-long learning) with a view to increase productivity and better match skills with labour market needs;
- Activating labour supply through introducing a flexicurity approach notably through active labour market policies (focusing on efficient employment services, job assistance and upgrading of skills).

OP "Regional Development" will contribute to the achievement of NRP aim for meeting the microeconomic challenges of improving basic infrastructure, establishing the conditions for sustainable regional development and enhancing economic activity of the population through decreasing regional disparities. In particular efforts and financial resources will be focused in the following main directions:

- Implementing of projects for sustainable integrated urban development and better services to citizens, including improvement of the social and business infrastructures, the urban environment, the housing policies and the development of sustainable city transport;
- Improving the access to the regions and the competitiveness of the regional economies by up-grading the road network, the transport services, ICT and gas distribution networks;
- Building of adequate institutional and administrative capacity at the regional and local level for more efficient management and absorption of EU funds. Creating networks for exchange of experience with other European regions.

In addition, the implementation of OP "Regional Development" will be followed and monitored by using the Categorisation of Funds assistance for 2007-2013 enabling follow-up of the measures supporting Lisbon objectives.

2.4. National Strategic Reference Framework (NSRF)

The National Strategic Reference Framework is a document prepared by the member state, which ensures that assistance from the Funds is consistent with the Community Strategic Guidelines on Cohesion and which identifies the link between Community priorities on the one hand and the National Reform Programme, on the other. The National Strategic Reference Framework is constituted as a reference instrument for preparing the programming of the Funds. It also reflects the contribution to the implementation of the Lisbon and Gothenburg Agendas.

The document includes an analysis of development disparities, weaknesses and potential, the strategy chosen on the basis of this analysis, including the thematic and territorial priorities, the list of operational programmes for the 'Convergence' and 'Territorial cooperation' objectives, a description of how the expenditure shall contribute to the EU priorities of promoting competitiveness and creating jobs, the indicative annual allocation from each Fund by programme, the mechanisms for ensuring coordination between the assistance from the EU Structural Funds, the Cohesion Fund, the European Agricultural Fund for Rural Development, the European Fisheries Fund, and the interventions of the EIB and of other existing financial instruments.

NSRF describes Bulgaria's strategy to support actions in the following thematic areas for increasing competitiveness: human resources, infrastructure, governance and effective state administration and services and territorial cohesion, their inter-linkages, and the contribution the Structural Funds and the Cohesion Fund will play within this strategy. The long term vision for Bulgaria combines two specific medium-term goals for the 2007-2013 programming period that are developed in line with the Community Strategic Guidelines:

- Strengthen the competitiveness of the economy to achieve high and sustainable growth;
- Develop human capital to ensure higher employment, income and social integration.

In order to achieve these goals, NSRF scope is focused on the following strategic priorities:

Priority 1 Improving basic infrastructure

Priority 2 Increasing quality of human capital with focus on employment

Priority 3 Fostering entrepreneurship, favourable business environment and good governance

Priority 4 Supporting balanced territorial development

The overall logic of interventions of OP "Regional development" is oriented towards the practical implementation of NSRF Priority 4 "Supporting balanced territorial development". In addition, the activities under the programme support also the territorial dimension of the other three priorities.

2.5. National Regional Development Strategy (NRDS)

The National Regional Development Strategy for the period 2005 – 2015 was adopted with CoM Decision 294 /21.04.2005 and promulgated in SG 42/17.05.2005. It was prepared by the Ministry of Regional Development and Public Works in accordance with Article 9 of the Regional Development Act. NRDS determines the long-term objectives and priorities of the policy for regional development in the Republic of Bulgaria. The Strategy contains comparative social and economic analysis of the planning regions, basic and specific objectives and development priorities, necessary actions for achievement of the objectives and provisions for monitoring, evaluation and updating of the Strategy.

NRDS defines the strategic directions of the regional development policy. It outlines the "top-down" approach and is used as basis for the planning documents at the different administrative levels. NRDS is taken into a consideration in the preparation of the Operational Programme "Regional Development". However, a large number of actions for implementation of the NRDS are of typical sectoral nature and fall inside the scope of other, sectoral programmes defined by the National Strategic Reference Framework.

The primary goal defined in NRDS is achievement of a sustainable and balanced development of the regions in the Republic of Bulgaria. The main priorities for achieving this goal are:

- Priority 1. Raising regional competitiveness on the basis of a knowledge-based economy*
- Priority 2. Development and upgrading of the infrastructure to create conditions for growth and employment*
- Priority 3. Raising the attractiveness of and quality of life in the planning regions*
- Priority 4. Integrated urban development and upgrading of the urban environment*
- Priority 5. Development of co-operation for European spatial cohesion, promotion of partnership and good-neighbourly relations for the purposes of development*

OP "Regional Development" will mainly contribute for implementation of priorities 2-5.

2.6. Regional Development Plans

Regional Development Plans 2007 – 2013 are strategic documents at NUTS II level. They were prepared in accordance with Article 11 of the Regional Development Act and adopted at regional level by the Regional Development Councils of the six planning regions.

The Regional Development Plans are in compliance with the prognoses of the NRDS and reflect the strategic vision of the regions for their mid-term development. The plans were further adopted with CoM Decisions No. 1014-1019/30.12.2005 and are taken into account as "bottom-up" basis for elaboration of the OP "Regional Development". However, it should be explicitly mentioned, that these strategic documents envisage various priorities and actions, which are typically sectoral and fall inside the scope of the sectoral programmes or the Rural Development Programme. Therefore, they are considered as combined territorial projection and as a set of actions, which should receive contribution from the different operational programmes following the specific eligibility requirements of the different Funds.

2.7. District Development Strategies, Municipal Development Plans and Spatial Plans

District development strategies and Municipal development plans are strategic documents at NUTS III and NUTS IV level respectively.

3. SOCIO-ECONOMIC ANALYSIS

3.1. Eligible geographical area under the Convergence objective

The regions eligible for funding from the Structural Funds under the "Convergence" objective are regions corresponding to level II of the Nomenclature of Territorial Statistical Units (hereinafter "NUTS level II") within the meaning of Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 whose per capita Gross Domestic Product (GDP), measured in purchasing power parities and calculated on the basis of Community figures for the period 2000-2002, is less than 75% of the average GDP of EU 25 for the same reference period. The Member States eligible for funding from the Cohesion Fund are those whose per capita Gross National Income (GNI), measured in purchasing power parities and calculated on the basis of Community figures for the period 2001-2003, is less than 90% of the average GNI of EU 25 and which have a programme for meeting the economic convergence conditions referred to in Article 104 of the Treaty.

In accordance with the provisions of EC Regulation No. 1059/2003 in Bulgaria are defined 6 Planning Regions (2006)², as follows:

1. North-western planning region;
2. North-central planning region;
3. North-eastern planning region;
4. South-western planning region;
5. South-central planning region;
6. South-eastern planning region



Figure 2: Eligible statistical regions (NUTS II)

All Bulgarian NUTS II regions have a per capita GDP of less than 75% of the Community average. Therefore, they are all eligible for funding from the Structural Funds, under the "Convergence" objective, as it is specified in the "General Structural Funds and Cohesion Fund Regulation" of July 2006³, Art 5, Chapter III.

3.2. Past experience and lessons learned from the period 2000-2006

Bulgaria has no previous experience in implementing an operational programme for regional development within the framework of the EU Structural Funds so that no specific lessons can be learnt from past experiences in that strict sense. However, since 1998 Bulgaria as part of its preparation for EU accession and for participation in EU cohesion policy has developed relevant programming documents. Several drafts of the National Economic Development Plan 2000-2006 were elaborated – in 1999 (approved by Government), in 2001 (with an ex-ante evaluation), 2003 (approved by Government). The only operational programme prepared in this period was the Regional Operational Programme, prepared by the Ministry of Regional Development and Public Works (first draft prepared in 2001, revised in 2002 and 2003), which apart of having the main role of a "learning exercise" was used as a reference document especially for PHARE Economic and Social Cohesion measures and as a basis for the Multi-annual Programming Document 2004-2006.

Suggestions were therefore formulated on how a comprehensive analysis of previous evaluations results, mainly on grant schemes implementation, could improve the quality of the current document (OPRD). This notably includes the findings of the reports, which have been contracted from the Commission to implement PHARE monitoring and interim evaluation system and especially the *Interim Evaluation of PHARE Support Allocated in 1999-2002 and Implemented until November 2003* ("From Pre-Accession to Accession", March 2004).

In strategic terms, understanding gained from previous similar experiences in other EU member states, notably the cohesion countries and the new member states, could only to some extent be applied to Bulgaria, although some similarities exist. An important lesson is that decentralisation could often result in serious delays in implementing programmes managed at the regional level as compared to those managed centrally.

² All statistics is in accordance with the new division of the 6 planning regions in Bulgaria from 2006, approved by EUROSTAT, and the figures for the previous years have been recalculated therefor.

³ Brussels, COM(2006) 1083/2006, COUNCIL REGULATION laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund.

Ireland is widely regarded as the most successful example of the absorption of structural funds, while being traditionally a highly centralised country with a strong "top-down" approach in programming and a domination of state agencies at operational programmes implementation. On the other hand, the Portuguese experience shows that if relying on "project owners" for the successful use of EU funds, support is clearly needed to municipalities, and in particular to the smaller ones, in order to break the capacity "vicious circle" whereby the larger municipalities will be at an advantage in preparing better quality programmes and attracting more resources. Such a need to develop capability and experience that will assist regional and local development planning and implementation is already identified and should be addressed accordingly.

The Thematic Evaluation Report of the European Union PHARE Programme "PHARE Support to Economic and Social Cohesion in Bulgaria and Romania" of December 2006, prepared as a result of an independent review, at the request of the Commission Services, provides assessment on the role PHARE "Economic and Social Cohesion" (ESC) had for Structural Funds preparation in Bulgaria.

The report concluded that although slowly and unevenly, PHARE Economic and Social Cohesion programmes progressed towards Structural Funds-type interventions. There have been improvements in pilot investments although preparations were sometimes problematic. Strategic planning and investment project preparation have been considerably stimulated by the introduction in 2003 of multi-annual programming for PHARE for the 2004-2006 period.

Grant schemes under PHARE "ESC" have experienced delays in launching; contracting often took place just before commitment deadlines with consequent pressures on implementation time. Disbursement rates were under pressure because of problems with the too heavy PHARE contracting rules and complicated financial arrangements (escrow, late payments, VAT, reimbursement). Considering this experience, interinstitutional working group was established, including representatives from the respective PHARE Implementing Agencies and SF Managing Authorities, where the provisions for awarding of grants under the operational programmes cofinanced by the Structural Funds and the Cohesion Fund of the European Union were elaborated and were adopted through Council of Ministers Decree No 121/31.05.2007. The new secondary legislation has taken into account the experience gained under PHARE contracting procedures and provided more flexible mechanism for awarding grants.

The Extended Decentralised Implementation System (EDIS) and the Joint Monitoring Committee / Sectoral Monitoring Sub-Committee system have provided useful lessons to help improve monitoring and evaluation, although evaluation on the impact achieved by programmes and projects is not yet satisfactory. The most effective monitoring tool in Bulgaria during PHARE implementation was the various monthly meetings on ongoing PHARE programmes, chaired by the Sectoral Monitoring Sub-Committee secretariats. The Secretariat of the Sectoral Monitoring Sub-Committee on Regional Development and Cross-Border Cooperation within Directorate General "Programming of Regional Development" in the MRDPW has been transformed into the "Programming and Monitoring" Department, having responsibilities for the monitoring of OPRD. Thus the experience gained under monitoring PHARE interventions will be fully transferred under Structural Funds for the period 2007-2013.

Overall, PHARE has been able to make important positive, but partial contributions to the Structural Funds' system in Bulgaria. Institution building has provided crucial assistance to a number of key players. Although earlier years were partly characterised by inconsistent programming of pilot investments; loss of funds; failure to reach objectives, and frustration among beneficiaries and implementers alike, PHARE ESC has improved awareness of the need for strategic planning. However, lessons have been learned by beneficiaries, local contractors and implementing agencies, some of which have improved remarkably recently.

In May 2001, the Republic of Bulgaria became the first country to be granted a conferral of management of the SAPARD funds for the period 2000-2006. The total amount of the budget under SAPARD for the years 2000 - 2006 was 593 M EURO. Until then, there was no significant **experience in public investment to support tourism development and rural infrastructure** in Bulgaria. The measures aimed at improving **rural infrastructure and developments of villages** were accredited in August 2003. The mid-term update

evaluators noticed that the measures had been well designed and targeted urgent developmental needs of rural municipalities. Although the interest in applying of potential beneficiaries - **municipalities from the rural areas of the country** – under measures was high, problems were encountered with regard to the overall organization of the tender procedures.

One of the key lessons learned is that non-coordinated development and implementation of relatively small similar projects even in one region leads to losing opportunities for complementarity, synergy, impact and cost-effectiveness.

The programme helped in building up confidence in the European Union Programmes, as well as in creating successful partnerships. Municipalities in the rural areas now have a significantly improved awareness of EU requirements both in terms of accessing investment funds and in the harmonized standards introduced under the acquis communautaire.

Being one of the responsible institutions for programming the assistance under PHARE ESC, Directorate General "Programming of Regional Development" in the MRDPW has taken into account all this experience under pre-accession funds while preparing OPRD and its implementation provisions. In addition, the Directorate, being the OPRD Managing Authority, is gradually attracting experts from MRDPW PHARE Implementing Agency, which has been successfully accredited under EDIS, in order to use their experience and expertise in contracting, monitoring and financial management of funds. Additional information on the way the capacity building for the potential beneficiaries is being addressed is provided in section 7. "Capacity building for successful OPRD implementation".

3.3. The Bulgarian regions: inter-regional and intra-regional disparities

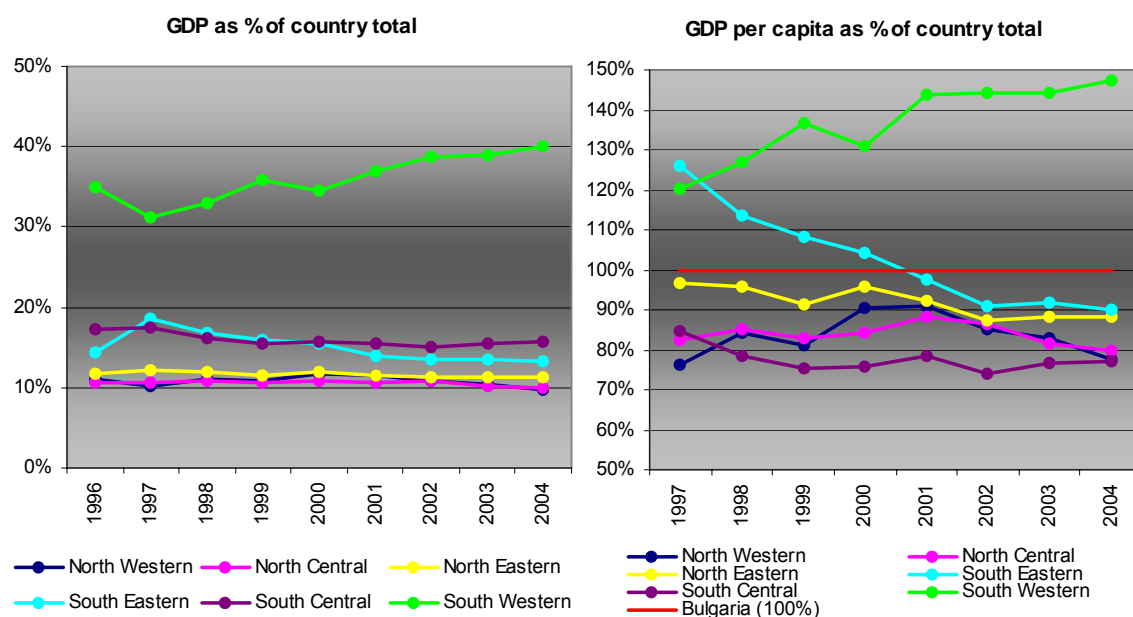
The statistics indicate that Bulgaria has embarked on the transition process with relatively low regional disparities as compared to the other EU member-states and the other accession-candidate states. Despite the different dynamics in the development of the regions during the individual years of that period one can clearly distinguish the higher growth rate of the South Western Planning Region (including the capital, the city of Sofia), as well as that the disparities among the rest of the regions are considerably smaller (Table 1). Interregional disparities in absolute terms are relatively small compared to the EU average. In relative terms however, they are at levels comparable with those in Czech Republic, Slovakia, Belgium and France.

Table 1: Key regional development indicators in Bulgaria

| NUTS 2 regions | Area 2005 thous. km ² | Population 2005 | | Arable land 2005 (dca / capita) | GDP 2004 | | GDP per capita 2004 | | Unemployment rate 2005 | FDI per capita USD | Number of districts | Number of municipalities |
|-----------------|----------------------------------|-----------------|-------------------------|---------------------------------|--------------|-------------------------|---------------------|---------------------------|------------------------|--------------------|---------------------|--------------------------|
| | | persons | % of the national total | | mln. lv. | % of the national total | lv. | % of the national average | | | | |
| Bulgaria | 111,0 | 7718750 | 100,0% | 6,45 | 38275 | 100% | 4959 | 100,0% | 11,46% | 905 | 28 | 264 |
| North Western | 19,1 | 957947 | 12,4% | 11,38 | 3729 | 9,7% | 3893 | 78,5% | 17,65% | 250 | 5 | 51 |
| North Central | 14,8 | 949401 | 12,3% | 8,98 | 3772 | 9,9% | 3973 | 80,1% | 13,70% | 357 | 5 | 36 |
| North Eastern | 14,6 | 996831 | 12,9% | 8,58 | 4360 | 11,4% | 4374 | 88,2% | 13,71% | 669 | 4 | 35 |
| South Eastern | 19,8 | 1134741 | 14,7% | 8,06 | 5061 | 13,2% | 4460 | 89,9% | 10,87% | 647 | 4 | 33 |
| South Central | 22,4 | 1560975 | 20,2% | 4,73 | 5986 | 15,6% | 3835 | 77,3% | 12,25% | 320 | 5 | 57 |
| South Western | 20,3 | 2118855 | 27,5% | 2,49 | 15367 | 40,1% | 7252 | 146,3% | 6,34% | 2125 | 5 | 52 |

3.3.1. Regional economic performances and growth

The Gross Domestic Product (GDP) shows a stable growth rate since 1997 (about 5% average annual growth



rate), whereas the process of economic growth demonstrates clearly manifested territorial dimensions.

The major growth-carrier is the South Western Planning Region, which runs ahead of the national average growth rates. The main factor for the higher GDP level of the region is the capital city Sofia, in which a significant part of the national economy is concentrated. The rest of the planning regions demonstrate approximately equal growth rates, which are about 1% below the national average. The graph shows that the GDP per capita in SE region as % of country total has been falling since 1997. The important reason for this situation is the dwindling influence of the petro-chemistry sector on the Value Added generated in the region

The renewed Lisbon strategy states that *"Unless the decline in the size of the workforce is compensated by increases in labour productivity, potential growth will drop dramatically to around 1% by 2040, which is only half of the current level. Such a decline in economic performance together with a rise in age-related expenditures would put the European social model under considerable stress. On the other hand, the increased pace of globalisation has exposed the EU economy to mounting competition from abroad"*. Therefore, Bulgaria and Bulgarian regions as part of united Europe should also put significant efforts to make substantial contribution for growth, jobs and knowledge in order to achieve Lisbon objectives.

Although increasing, the growth rates still remain insufficient for overcoming the considerable lagging behind of the country in respect of GDP per capita compared to the EU average, which places Bulgarian regions on one of the last positions among the other EU regions. In 2002, the GDP per capita in the most developed Bulgarian region - the South Western region is respectively 41.7% of EU-25 average rate. The rest of the planning regions feature rates between 23 - 27%, while the indicator at national level rates at 28.3%.

There are very strongly manifested intra-regional disparities in the economic development of the regions in Bulgaria. The differences in the levels of the indicator *Revenues of Enterprises* by municipalities are more than ten fold. Significant build-up of municipalities with low economic development has been noted in all the planning regions. Such strong intra-regional disparities are typical also in respect of the rest of the economic indicators, such as productivity rate, sectoral structure, efficiency etc.

Revenues of enterprises per capita, NSI, 2004

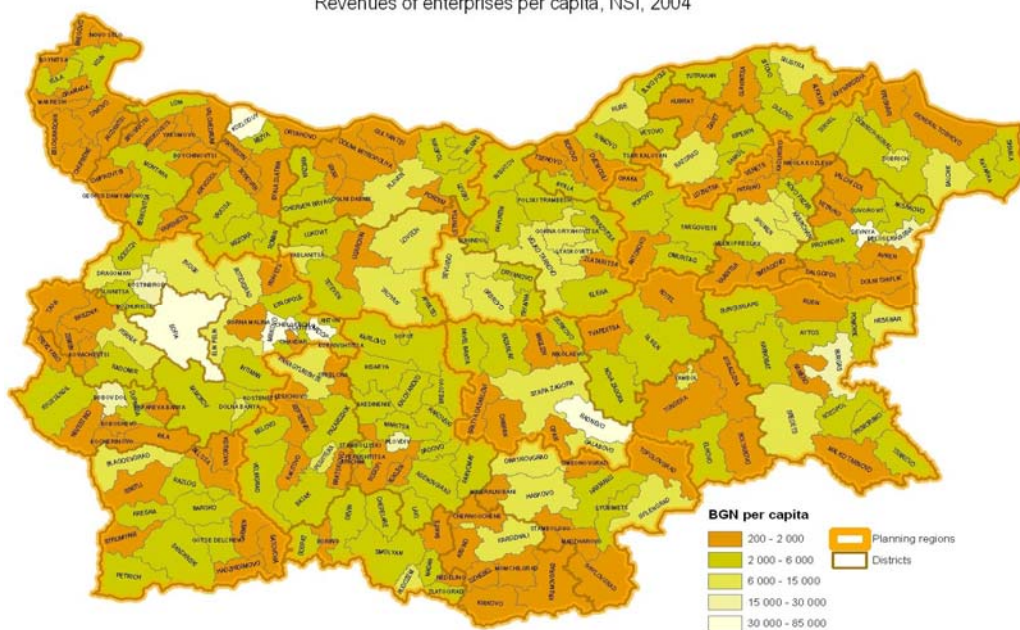


Figure 3: Intraregional disparities by indicator Revenues of enterprises, 2004, NSI

3.3.2. Sectoral profile of the regions

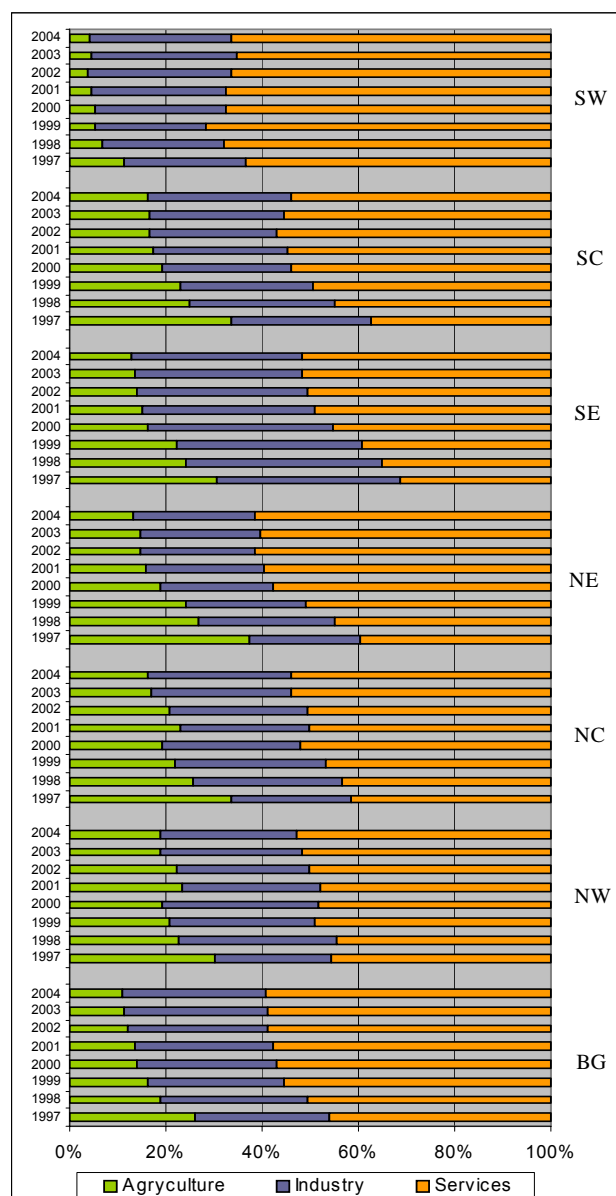
From regional point of view, the structure of the gross value added by planning regions for the period 1997-2004 is characterized by differing trends of participation of the economic sectors, which leads to the conclusion that the economic restructuring in these sectors is still underway and they are still seeking for their sustainable development.

Figure 4: Trend in the structure of gross added value by current prices by planning regions for the period 1997-2004, NSI

The industrial sector turns out 30 % of the Gross Added Value (2004) and demonstrates high dynamics in the recent 2-3 years (real growth above 7%). The sector accounts for the highest contribution to the Gross Value Added of the South Eastern Region (35.6%). The rest of the regions have an almost equal share (30%), except for the North Eastern Region (25%).

Irrespective of the current growth rates in industry in all the regions it is necessary to persist further with the efforts to promote innovative industrial development in view of their higher rate of contribution to the Value Added. This conclusion applies to the highest extent to the North Western Region (especially if one discards the contribution of Kozloduy Nuclear Power Plant) and the North Eastern Region.

In 2004 agriculture generated 10.8% of the gross added value nationwide. The North Western (18,72%), North



Central (16,4%) and South Central (16.2%) regions feature the highest contribution in this sector. The sector is characterized by over-employment, fragmentation of the farms, low efficiency and low level of commercial output. The above-mentioned regions, accounting for the highest share in the sector, account also for the highest number of individual farmers/tenants.

Agriculture in all the planning regions is faced with a number of restrictions: dispersed ownership, obsolete facilities, shortage of investments and innovative technologies, deficiencies in the integration with the food industry, etc.

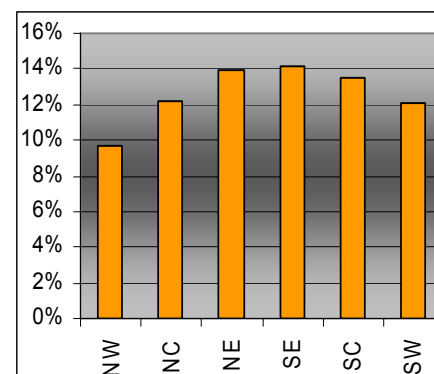
The *services* sector accounts for the biggest relative share and an upward trend in the structure of the economy in all regions of the country. Communications and Financial Inter-mediation were the most dynamically developing branches during the last seven years. This tendency was maintained also in 2004 and in the beginning of 2005. Of high importance for the Services growth is Tourism, which registered a considerable growth rate in the last year and had a substantial contribution both to value added and to restricting the current account deficit. According to the Balance-of-Payments data, the receipts from international tourism in 2005 reached EUR 1.995 billion with annual growth rates in 2002-2005 between 9 and 21%. The number of international tourists in Bulgaria reached 4.8 million (almost twice more than in 1998-1999) with annual growth rates for the period between 4,5% and 18%. Due to its enormous natural and historical diversity, Bulgaria has a considerable potential for tourism development. Bulgaria should become an attractive destination for tourists not only because of its Black Sea coast and its winter resorts, but also due to its favourable conditions for the development of culture-, spa-, and eco-tourism.

In the 2005 - 2008 forecasts, the Services sector including Tourism is expected to maintain its high growth rate of about 6% annually, and its share in Gross Value Added is expected to reach about 60% in 2008. Therefore, the Services sector is considered as essential vector for disseminating development across the country and should be stimulated in an effective way.

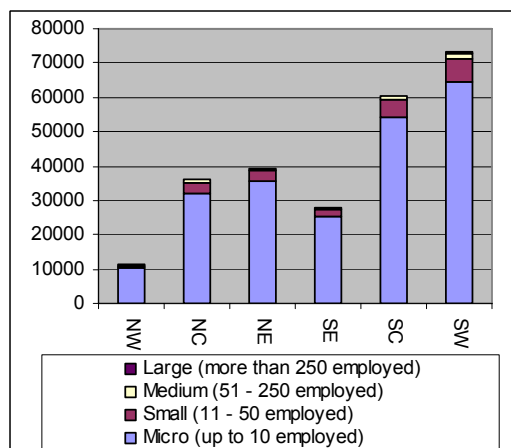
3.3.3. Entrepreneurship

Development of entrepreneurship is a principal objective of the Lisbon Strategy. If, in relation to the USA, Europe continues to suffer from "a gap in entrepreneurship", then the same applies for the comparison between Bulgaria and Europe. The country does not only need more entrepreneurs, but it also needs an environment supportive to the growth of enterprises.

Figure 5: Level of entrepreneurship, %, 2005, NSI



The lack of financial support, the complexity of administrative procedures and the shortage of skilled workforce are still identified as



key barriers for starting and expansion of business.

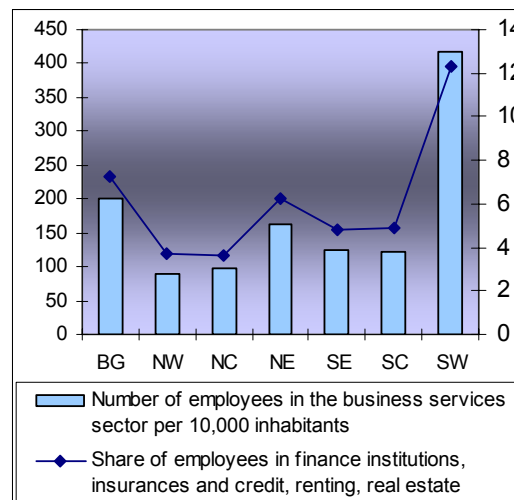
The lowest level of development of entrepreneurship has been recorded for the North Western Planning Region and the highest – for the South Eastern Planning Region.

Figure 6: Distribution of enterprises from the non-financial sectors of the economy by size, 2004, NSI

The density of localization of small and medium-size enterprises is at the same time a powerful signal about the prospects for development of successful business environment. The spatial distribution of SMEs shows concentration in the agglomerations around the big cities and in the regions with well-developed and diversified industry.

The development of the business-oriented services is of decisive importance for the competitiveness and revival of the regional economies that evidently still ranks as a strong challenge to the regional policy of the country. The economic restructuring has contributed greatly to the intensive development of the institutions for support of and assistance to business, i.e. companies and organizations, offering financial, insurance, advisory and information services and services related to real estate trade. The number of people employed in activities of this type per 10,000 inhabitants shows a trend of increase in the total number of those employed nationwide – from 117,154 people (2000) to 155,564 people (2004) – and this indicator manifests a definite regional homogeneity.

Figure 7: Number of employees in the business services sector per 10,000 inhabitants by planning regions, 2004, NSI



3.3.4. Innovations and ICT

All the regions in the country are significantly lagging behind in terms of technological/ innovation potential for growth, preparedness to use Information and Communication Technologies (ICT) and usage of ICT. The successful implementation and use of ICT may have significant spill-over effects on knowledge economy and firms' competitiveness in Bulgaria in the next 10- 15 years. ICT improves the innovation system's performance, allowing for a better, faster and more efficient match of efforts, means and talent. ICT lead to prevention of negative changes in demographic structures, in terms of creating possibility for attracting highly skilled people, innovations and consultation services in sub-urban surrounding areas.

While the average EU rate for *expenditures on research and development (R&D)* is 1,99% of GDP (2002), in Bulgaria this indicator is at the rate of 0,49% (compared to the target set out in the Lisbon Strategy which is 3%). Clear trend has been observed similar to this in the EU, that expenditures for R&D activities are concentrated in the most developed regions. For example, 80% of all expenditures have been made in the South Western planning region (mainly in the capital). At the same time, this relative concentration of R&D is largely rather due to the public expenditure made and the high educational establishments than the volume of expenditures made by the productive enterprises.

Following the fact that the ability to communicate information at high speed and through various platforms provide good environment for the development of new goods and services it is essential to launch ICT initiatives built around broadband hubs that can provide a cost-benefit approach to provision of services to businesses and regional and local communities. In that respect, the telecommunication infrastructure and access are crucial for the levels of penetration, accessibility and usability of computers and ICT. Comparatively to the countries from the first wave of EU enlargement, Bulgaria is lagging behind in the process of digitalization of the fixed telephone lines and the introduction of ICT also including the public sector. Considerable intra-regional and inter-regional disparities exist in the digitalization of the telephone lines, the Internet access and the introduction of ICT in the public sector, households and the businesses. Best rates for ICT usage have been observed in the South Western planning region where almost half of the main digital telephone lines, home PCs and Internet subscribers in the country are concentrated. Worst rates have been registered in the North Central planning region. Intra-regional disparities are also strongly evident. The process of digitalization in large cities is almost been finalized but in the rest of the country it runs very slowly.

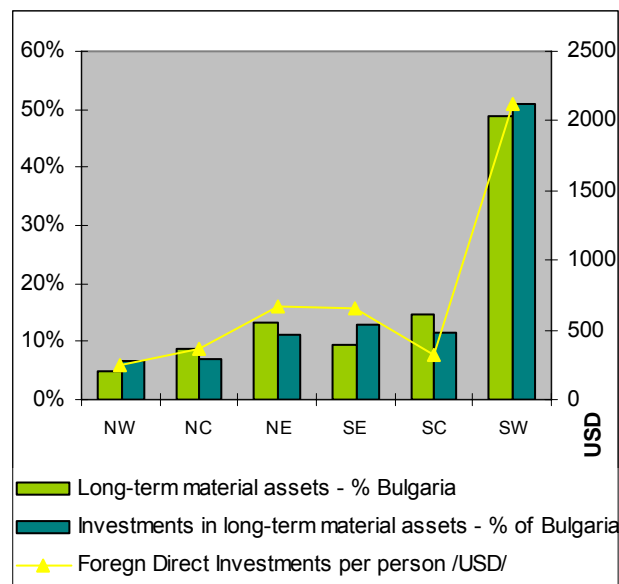
The development of ICT infrastructure in different regions can stimulate economic growth and reduce inter-regional and intra-regional disparities through the creation of new services and opening up of new investment and job opportunities. Moreover, it will increase the positive externalities of enterprises' connectivity, decreases transactional costs for doing business and creates an environment conducive to development,

production and consumption of new products in new ways. In these regions, broadband connectivity can help for the development of the rural economy by facilitating new e-business through enhancement of the productivity of main existing process, leading to better wages and better returns on investment. Moreover, it can encourage the diversification by making rural areas more attractive and by improving marketing opportunities for products and services.

3.3.5. Investments

Dispersion of investments in fixed assets by planning regions is extremely uneven (Fig. 8). The South Western planning region distincts with the highest investment expenditures – almost half of the national total, which to a certain extent is because of the fact that a large number of companies operating in the industrial and services sectors are clustered within the capital area. Investments in the rest of the regions are relatively low and do not create conditions necessary for economic growth and employment.

Figure 8: Cumulative foreign direct investments (FDI) and fixed assets 2004, NSI



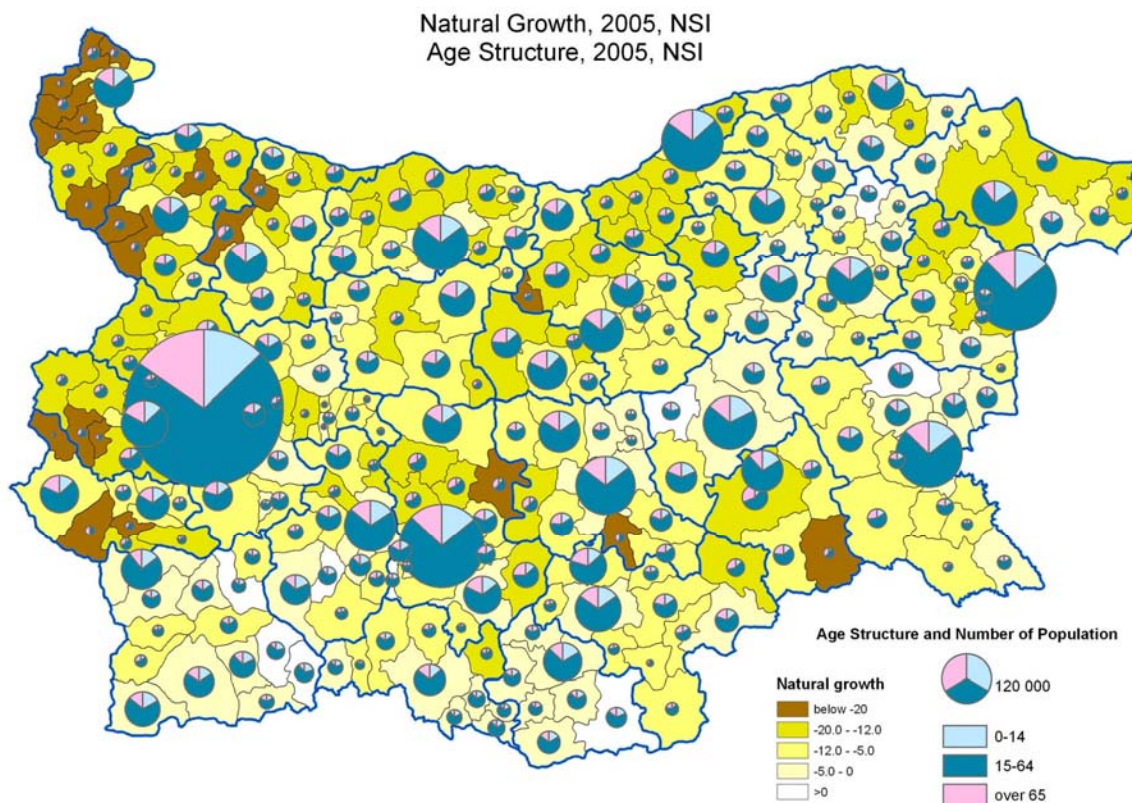
Foreign direct investments in Bulgaria for 2004 amount to USD 6982.149 millions, showing an increase by 39% compared to 2003. In the course of the years, the spatial localization of foreign investments in Bulgaria has followed a steady model tailored to match the foreign investors' preferences for areas, which have been strongly urbanized, with well-developed infrastructure, qualified human resources and easy access to areas with services and manufacturing facilities. About 60% of the foreign investments in the country are concentrated in the South Western planning region, including about 50% in the capital city.

3.3.6. Human resources and labour market

The processes of population ageing and population drop continue and aggravate in all the planning regions. The most unfavourable development of the demographic processes has been noted for the North Western Region and the North Central Region. Only in the South Western Region a certain increase by an average of 0,17% has been noted during the period 2001-2005, due mainly to the increase of the population of the capital city. The natural population growth since 1990 has been negative in all the planning regions. The highest negative values has been sustained in the North Western Region (-11,1‰ – 2005), which is almost two times higher than the national average (-5,4‰), followed by the North Central Region (-7,7‰). As compared to the EU member-states, Bulgaria manifests definitely negative values in terms of the indicator population growth, matching those of Lithuania, Latvia, Estonia and Hungary.

The percentage of the population aged 15-64 has increased from 68.1% in 2000 to 69.4% in 2005. The share of this category of the population has increased in all the planning regions, with the exception of the North Western Planning Region. There is a steady trend of diminishing of the population below 15 years of age 15.5% in 2000 to 13.6% in 2005, which has been noted for all the regions. For the period 2000-2005 the population of 65 years of age and above has increased from 16.3% to 17.2% nationwide. The share of this population is the highest in the North Western Region – 21.2% (2005). The general trends with respect to the age structure of the population show that it is the most unfavourable in the North Western Region and relatively favourable in the North Eastern Region. The rest of the regions have very similar age structures. The South Western Region and the North Eastern Region have the highest share of contingents in active age.

Figure 9: Demographic intraregional disparities 2005, NSI



In the field of *demographic development* intra-regional disparities are observed in all the demographic indicators. A specific feature is build-up of municipalities characterized by unfavourable demographic structure and processes in the North Western Region, the North Central Region and parts of the South Western Region. Build-up of municipalities with relatively more favourable demographic situation has been noted in the southern parts of the South Western Region and the South Central Region as well as parts of the North Eastern Region and the South Eastern Region.

Bulgaria's working age population is shrinking much more rapidly than in many countries in the EU, placing even greater demands on higher labour productivity – and thus the ready availability of a skilled labour force – as a key determinant of economic growth. Despite its high levels of educational attainment and progress in recent decades, there are still gaps with EU countries. The general conclusion is that the educational level of the population is not sufficient for the need of the labour market and the economic development of the country, especially among young people and that there is serious number of early school drop-outs.⁴ The educational system does not demonstrate adequate flexibility with respect to the existing capacity to meet the requirements of the market-based economy and the knowledge-based economy

Bulgaria has a respectable share of tertiary graduates in the labour force today. The share of the population with tertiary qualifications compares favourably to EU countries (21.9% in 2005). The share of young Bulgarians (24% of 30-34 years old) with tertiary qualifications was also comparable to the EU 25 (24.3%). However, participation rates in higher education have stagnated in recent years and are now among the lowest in the EU⁵. Tertiary education is critical to the higher and more diverse skills needs of a knowledge based economy and for increased competitiveness.

The significant intra-regional disparities in the educational structure correlate with the level of economic development. The share of highly educated population in the South Western Region is the highest because of the influence of the capital, which is characterized by the best educational characteristics of the population nationwide. Lower educational level is typical for the rural population. For this reason the regions and districts

⁴ Bulgaria – Education and Skills for the Knowledge Economy, A Policy Note, World Bank, 2006

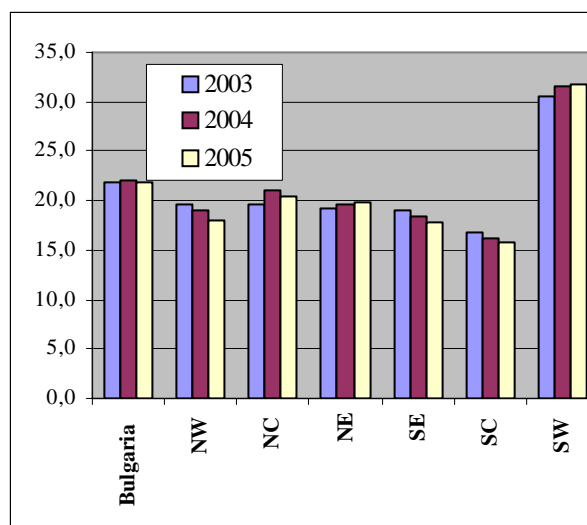
⁵ One of the reasons is enrolment in higher educational establishments abroad.

with a higher share of rural population are characterized by a higher share of population groups having lower education. Population of higher educational level is concentrated also in the municipalities whose centres are district center cities as well.

Figure 10: Persons aged 25 -64 with higher education , 2005, NSI

Inequalities in access to good quality education are still high. Low-income groups, rural residents and ethnic minorities are at risk of economic and social exclusion in the future. This in turn will imply higher fiscal costs to address their probable unemployment and poverty, and lower growth. Since the production of a workforce with the appropriate skills cannot take place overnight, Bulgaria needs to take significant strides urgently to reform its education system to prepare its future labour force to meet the demands of an increasingly competitive economic environment.

Accession and integration into the EU provide the imperative for reform, but also bring significant amounts of external funds that could be used to propel the reform process, and to support needed investments.



The majority of the school equipment is obsolete and does not provide conditions for application of teaching techniques at the required modern level. This applies for the material stock of all grades of the educational system.

By 2006 Bulgarian schools had at their disposal approximately 50,000 PCs (16 PCs per school on the average, minimum number of PCs per school – 4). According to data from the Annual Report e-Bulgaria by June 2006 the ratio pupil/PC for Bulgaria was on the average 19 pupils per 1 PC, while the target is to improve this ratio by the end of 2007 to 10/12:1⁶. More significant lagging behind in the equipment with computers has been observed in the elementary schools.

Significant disparities in the *employment and unemployment rate* have been noted at regional level, especially at the lower territorial levels. As regards employment, a trend of smooth increase has been observed in recent years. The employment level is the lowest in the North Western Region and the highest in the South Western Region. The employment level in Bulgaria ranks among the lowest as compared to the rest of the EU member-states despite the increase in the employment rates in the recent 2-3 years.

The processes of social development and cohesion demonstrate the strongest disparities in terms of unemployment rates. Comparisons with the European regions will identify Bulgarian regions, with the exception of the South Western Region, as having the most unfavourable indicators for total, long-term, women's and youth unemployment. The North Western Planning Region has the worst deteriorated indicators in this respect with unemployment level that is 1.5 times above the national average (2005).

⁶ According to data of the *Information and Communications Technologies in Education* Division of the Ministry of Education and Science.

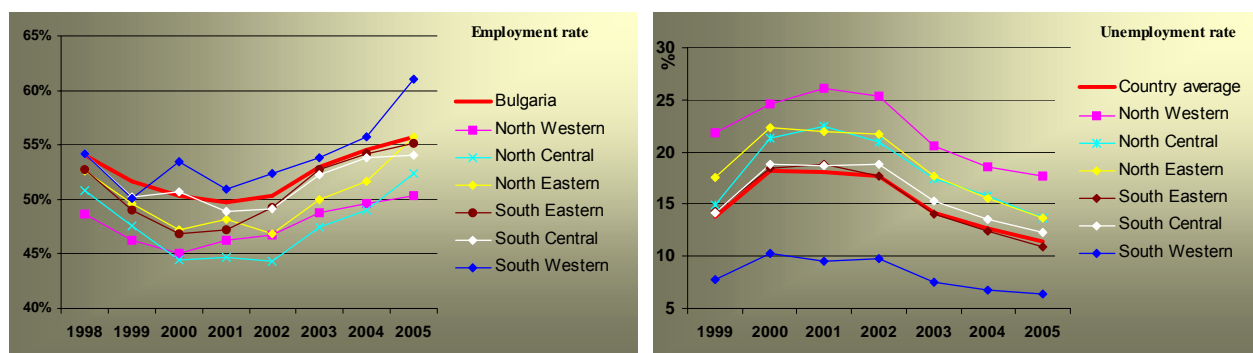


Figure 11: Employment (left) and unemployment (right) level by planning regions

The unemployment level demonstrates significant intra-regional disparities. Critical build-up of municipalities with very high unemployment level has been noted for the North Western Planning Region, the North Eastern Planning Region and the South Eastern Planning Region. Relatively more limited localizations of unemployment hot spots are emerging in the North Central, South Central and South Western Planning Regions. The South Western Planning Region stands out as having the most favourable labour market characteristics.

Roma situation

According to data from the last population census, held in 2001, 370,9 thousand people (4,7% of the total population of this country) have declared themselves as belonging to the Roma ethnic group⁷. The share of people of the Roma ethnic community is relatively high in the Southeastern Region and the Northwestern Region – respectively 7,1% and 6,1% of the population of these regions. This is due mainly to the higher share of Roma population in Sliven District (12,3% of the population in the region belongs to the Roma ethnic group) for the Southeastern Region and in Montana District (12,5%) – for the Northwestern Planning Region. The share of the population of the Roma ethnic origin is the lowest in the Southwestern Region (2,8%) and the North Central Region (3,3%). Nearly the half of the people of Roma origin live in **rural areas**.

The Roma housing features absence of infrastructure amenities, in-house water supply and sewerage systems. The structural unemployment rate is very high, reaching up to nearly 70% of the Roma individuals of active age. Surveys also record around 25% of Roma housing as without legal status, although without clear criteria this is likely to be grossly underestimated. Especially among central and local government officials, legalisation is considered as the most critical obstacle to the integration and development of Roma neighbourhoods. Up-to date cadastre mapping with accurate property registration is rare. Many of the locations have no formal Detailed Layout Plans (DLPs) and where available, there is evidence of widespread non-compliance⁸

The absence of educational background makes them uncompetitive on the labour market. According to data from a report ordered by the "Friedrich Ebert" Foundation concerning the problems of the Roma ethnic population under the new requirements of the EU, 18% of the individuals of Roma origin in the contrary are totally illiterate, 65% have unfinished primary or elementary education and only 0,75 are university graduates.

The main problems of the Roma community in the country do not differ significantly by planning regions and are related to:

- Low educational level (individuals with elementary or unfinished primary education predominate);
- Limited access to good-quality health care because of the high share (46%) of persons without health insurance;

⁷ In addition a further 350,000 persons share socio-cultural characteristics that are close to those of the Roma community but such that they nevertheless identify themselves as Turks, Bulgarians or Roma.

⁸ Support to the Formulation of National Programme for Improving the Living Conditions of Disadvantaged Ethnic Minorities in Urban Areas, UNDP, Sofia, 2005.

- Low attendance rate of classes (approximately 80% of the children of Roma origin get enrolled but nearly ¼ of them do not attend classes);
- High level of unemployment and low employment rates mainly in the field of unskilled labour;
- Low-income levels (for nearly the half of the Roma population social assistance and unemployment assistance benefits are the sole source of income).

3.3.7. Equality between men and women

The male economic activity rate in 2003 was 65.4% (while in 2002 it was 66.4 %) and the female economic activity rate in 2003 was 56.5% (in 2002 the value of this rate was 57.5 %). For men, the sharpest decline has been registered in the 45-54 age groups (from 81.6% for 2002 to 78.5% for 2003). For women, the sharpest decline from 73.6% in 2002 to 71.6% in 2003 has been registered in the age group covering 25 - 34 aged.

The structure of the employed does not differ substantially from that overall reported for the EU Member States: prevailing male relative share - 52.6%. The female relative share (47.4%) in the country is lower than the male relative share by 5.2 percentage points. For 2003 the employment rate for men is 56% while for women it is 49%.

In the academic year 2002-2003, the number of students in universities and specialised higher educational establishments was 211 272 or 1.6% higher than the previous year. Of the total number of university students, 100 249 were men and 111 023 were women.

The Ministry of Labour and Social Policy has included in its National Employment Action Plans a series of programmes and projects with respect to equal opportunities for men and women. Women participate actively in the employment and training programmes and measures. In 2003, 62,307 women participated in programmes for employment - 42% of all participants. From Social Assistance to Employment Programme employed 53,487 women, 617 women participate in the Assistance for Retirement Programme and will solve the problem with insufficient employment record to become eligible for retirement pension, 615 women started businesses with a credit from the Microcrediting Guarantee Fund. The special programmes for women - Back to Work and Encouragement to Women's Start-ups in the Services of Raising Children - covered over 300 women. It is characteristic that women participate actively in training courses – 23,969 women enrolled in training courses in 2003 and 12,315 completed their vocational training⁹.

Available statistical data does not reveal big gender gaps in the labour market. Nevertheless, in almost all indicators the values for women are less favourable than these for men.

In principle, in Bulgaria there is no difference in the minimal payment for men and women, which is guaranteed by the Constitution and other legislation. There are no texts in the Bulgarian legislation which contradict the principle for equal payment for men and women. Article 14 of the Protection from Discrimination Act develops further the principle for equal pay for equal work. The actual realization of this principle, however, depends on the readiness of those whose interests are infringed to seek their rights and on how effective and objective the system to compare the different professions and activities, to be set in Bulgaria, will be.

The Protection from Discrimination Act (in force as from 2004) cooperates for the reconciliation of work and family/parental life. The aim of Article 12 (2) and (3) of the Act is to eliminate one of the most frequent manifestation of discrimination against women – the refusal not only to employ but also to check their suitability for the job, for the simple reasons that they are married or that they have children.

In order to support the establishment of a National Mechanism for Equal Opportunities for Men and Women, the Advisory Committee on Equal Opportunities for Men and Women was established by the Minister of Labour and Social Policy in February 2003. The Committee comprises government officials responsible for

⁹ Progress Report on Joint Assessment on Employment Priorities

development and implementation of equal opportunities policies, social partners and non-governmental organisations. In addition, National Gender Equality Action Plan has been developed.

3.3.8. Road infrastructure

The transport infrastructure development differentiates the opportunities for economic activity of the individual regions, since the degree of construction and state-of-repair of the road network is one of the important limiting factors that might obstruct intra-regional integration, limit labour force mobility and reduce the access to different kinds of services.

The development of the road network in Bulgaria shows a relatively low share of the highways network and 1st Class roads in the country which cannot stimulate any increase in the transit traffic and intra-regional connections. As a consequence the regional network (2nd and 3rd Class roads) gets overloaded with additional functions and hence its role for coping with the physical and economic space is increasing. This applies to the highest extent for the North Western Planning Region and the South Central Planning Region, where the relative share of the regional road network is the highest.

Table 2: Road infrastructure by road category

| NUTS 2 regions | Total Road Infrastructure | Motorways | | 1st class | | Regional roads | | | | | | Municipal roads | |
|-----------------|---------------------------|------------|-------------|-------------|-------------|----------------|--------------|-------------|-------------|--------------|--------------|-----------------|--------------|
| | | | | | | Total | | 2nd class | | 3rd class | | | |
| | | | | | | KM | % | KM | % | KM | % | KM | % |
| Bulgaria | 40725 | 331 | 0,8% | 2969 | 7,3% | 15988 | 39,3% | 4012 | 9,9% | 11976 | 29,4% | 21437 | 52,6% |
| North Western | 6283 | 7 | 0,1% | 387 | 6,2% | 2987 | 47,5% | 766 | 12,2% | 2221 | 35,4% | 2902 | 46,2% |
| North Central | 6239 | 0 | 0,0% | 462 | 7,4% | 2496 | 40,0% | 636 | 10,2% | 1860 | 29,8% | 3281 | 52,6% |
| North Eastern | 5303 | 72 | 1,4% | 483 | 9,1% | 2097 | 39,5% | 468 | 8,8% | 1629 | 30,7% | 2651 | 50,0% |
| South Eastern | 5969 | 12 | 0,2% | 597 | 10,0% | 2459 | 41,2% | 750 | 12,6% | 1709 | 28,6% | 2901 | 48,6% |
| South Central | 9144 | 122 | 1,3% | 425 | 4,6% | 3416 | 37,4% | 773 | 8,5% | 2643 | 28,9% | 5181 | 56,7% |
| South Western | 7788 | 118 | 1,5% | 615 | 7,9% | 2533 | 32,5% | 619 | 7,9% | 1914 | 24,6% | 4522 | 58,1% |

The total length of municipal roads is 21 463.8 km. They account for almost the half (52%) of the road infrastructure in the country. The length of the municipal road network in 86 municipalities with priority rating 2.1 is 9,338.5 km and accounts for 43.6% of the national total. More than 60% of the municipal road network in these municipalities is in poor condition and needs repair.

Table 3: Evaluation of the condition of the municipal road infrastructure

| Condition | Excellent | Good | Average | Satisfactory | Unsatisfactory | Poor | Very poor | No solid pavement |
|-----------|-----------|-------|---------|--------------|----------------|-------|-----------|-------------------|
| % | 0.4% | 11.8% | 18.6% | 9.1% | 7.3% | 31.0% | 5.5% | 16.5% |

The territorial distribution of roads is of decisive importance for the mobility of the population and the accessibility by transport to services of higher quality. A characteristic feature of the country, however, is the uneven coverage of the national territory by roads of a higher class. The East-West destinations are better developed than the North-South destinations and hence the services provision to the peripheral areas along the southern border, the river Danube coastal areas and the areas situated between the European Transport Corridors No. 4 and No. 9 is poorer.

The location of the particularly important centers of the settlement network – the cities of Sofia, Plovdiv, Stara Zagora, Bourgas and Varna – has caused advanced construction of highways and 1st class roads predominantly in Southern Bulgaria, while in Northern Bulgaria (and especially in its western parts) the 1st Class road network is less developed.

This territorial development of the road network determines also the possibilities for access by transport to the centers offering services of regional significance (health care, education, culture etc.). In Southern Bulgaria

more than 80% of the population has access to these services within 90 minutes (above 90% for the South Western Region), while in Northern Bulgaria the access is somewhat more difficult and only 60% of the population of the North Eastern Planning Region has such access within 90 minutes.

Another issue of not lesser importance is that of **intra-regional disparities**. Improving the accessibility to the most distant areas and their connections to the inland, which is not linked with the priorities related to the integration with the European transport network, will be a marked step towards overcoming intra-regional disparities. This applies to both the roads ensuring access to the European transport corridors of far-off areas having development potential and/or objects of manifested investors' interest, and of roads ensuring intra-regional connections within the planning regions and thus ensuring opportunities for development of their specific economic potential.

The degree of construction of 1st Class and 2nd Class roads is one of the indicators used to characterize intra-regional disparities, which reflects to a higher extent the functions of the regional road network. Strong differentiation in the degree of construction and hence in the capacity to service the territory has been observed in some of the planning regions. A typical example in this respect is the South Western Planning region, where the density of the regional road network (km/km²) in Pernik District (0.192) is two times higher than that in Blagoevgrad District (0.090) at 0.125 km/km² regional average density, which is below the national average (0.144 km/km²). In the South Central Region Smolyan District and Kardjali District stand out as having the highest density of the regional road network since because of the absence or underdevelopment of 1st Class road network the regional one performs all the inherent functions and hence the greater emphasis on its maintenance and development.

Problems of a similar nature exist also in some districts in Northern Bulgaria (Vratsa, Montana, Dobrich, Razgrad, Silistra), where the regional road network accounts for about 90% of the total at 83% national average. This leads to its loading with transit flows of national significance and finally to obstruction of its regional functions.

3.3.9. Environment

The quality of environment shows gradual improvement in all the planning regions. The major problems are related to access to drinking water of the required properties for all the human settlements, the availability of sewerage networks in the settlements, improvement of the quality of atmospheric air and water in certain areas.

The intra-regional disparities in the share of water-supplied population are negligible – from 99.8% for the North Eastern Planning Region to 97.5% for the South Central Planning Region.

Table 4: Share of population, served by drinking water systems, sewerage systems and waste water treatment plants, 2005

| NUTS 2 regions | Share of population served by drinking water systems (%) | Share of population served by sewerage systems (%) | Share of population served by UWWTP (%) |
|----------------|--|--|---|
| North Western | 99,0 | 51,9 | 21,8 |
| North Central | 99,2 | 58,8 | 18,6 |
| North Eastern | 99,8 | 70,8 | 60,0 |
| South Eastern | 99,7 | 65,6 | 36,0 |
| South Central | 97,5 | 64,7 | 22,3 |
| South Western | 98,8 | 85,2 | 66,2 |
| Bulgaria | 98,9 | 68,9 | 40,7 |

Source NSI, 2005

There are much higher intra-regional disparities in the share of the population covered by the sewerage network – from 85.2% for the South Western Planning Region to 51.9% for the North Western Planning Region. For the rest of the planning regions the values for this indicator are in the range of 60-70%.

The South Central Planning Region has been identified as one of the most gravely polluted regions with respect to air, water and soils. On the territory of this region are situated a number of areas with grave build-up of environmental problems. Areas with advanced air, water and soil pollution have been identified in Kardjali Municipality. High levels of pollution caused by the metallurgical sector, the transport and the residential sectors have been established in the air and soils on certain areas in the municipalities of Plovdiv, Assenovgrad and Dimitrograd.

Another region with heavy accumulation of environmental problems is the South Western Planning Region. Industrial activities, the energy sector, transport, fossil fuels mining and processing activities are the major sources of pollution in this planning region. Their impact is significant in terms of quantity and quality. Evidence to that effect is the location of specific clusters of such activities on certain areas like Kremikovtsi in Sofia Municipality, Pernik-Batanovtsi, Elin Pelin, Svoge and the Sredna Gora cluster (Pirdop-Zlatitsa-Anton-Etropole). Pollution there is complex, involving the atmospheric air, water and soils.

Build-up of environmental problems in the South Eastern Planning Region has been localized in the city of Bourgas, Bourgas Bay, the municipalities of Galabovo and Radnevo. The air, soils and water there show high level of pollutants caused by the oil product industry, the energy sector, mining, transport and the residential sector. In the North Central Planning Region, in the municipalities of Veliko Tarnovo and Gorna Oryahovitsa there are certain areas with grave build-up of environmental problems as a consequence of air, water and soil pollution above the permissible norm level. Trans-frontier pollution from neighbouring Romania (at the city of Rousse) and landslide processes have been observed along the river Danube banks.

In the North Eastern Planning Region the environmental problems are concentrated on the area of Varna and Devnya.

In the North Western Planning Region areas with build-up of environmental problems have been identified in the municipalities of Pleven and Dolna Mitropoliya as a consequence of the oil-processing activities. Trans-frontier pollution has been observed near the city of Nikopol. Landslide processes have been observed along the river Danube banks.

The local environmental risks are related to the water-provoked erosion, floods and landslides. The risk prevention activities to be implemented on the area of all districts, respectively planning regions in the country, comprise:

- Inventory of the risk threatened areas with respect to water-provoked erosion; implementation of a complex of erosion prevention activities (afforestation, agro-technical intervention, hydro-engineering activities);
- Cleaning and consolidation of river beds, water currents; survey and maintenance of the embankments with a view to prevention of floods;
- Implementation of consolidation activities at the locations affected by active landslides:
 - along the Black Sea coastline: on the area of the settlements Tyulenovo, Kamen Bryag, Balgarovo, Kavarna-Balchik, Obrochishte-Batovo, Ignatievo-Kamenar-Varna-Zlatni Pyasatsi (Golden Sands) Resort Estate, Galata, Sarafovo, Nessebar-Ravda, Obzor, Byala;
 - along the river Danube coastline: on the area of the settlements Dunavtsi, Simeonovo-Batevo-Archar, Orsoya, Dobri Dol, Lom, Dolno Linovo, Gorni Tsibar, Oryahovo-Leskovets-Galovo, Osdrov-Dolni Vadin, Tutrakan.
 - in the inland: the Iskar Gorge, along the river Iskar valley on the area of Glava-the city of Iskar-Stavertsi, Orehovitsa-Slavovitsa; the river Yantra valley to the north of Veliko Tarnovo; the river Vit at Dolni Dabnik; on the area of Smolyan, Slaveevo, Devin, Simitly, Peshtera, Dimitrograd, Lukovit, Roman, Targovishte, Vakarel and many other.

3.3.9.1. Social infrastructure

The state of repair of the public buildings for culture, education, health care is lamentable. Unfinished construction of cultural facilities (museums, libraries, scientific centres) in the cities is a grave problem for municipalities who fail to expose and present the cultural assets properly. Possibilities should be sought for completion of unfinished municipal sites in line with the current needs of the cities¹⁰.

3.3.9.2. Educational infrastructure

NSRF focuses on **vocational education** in Bulgaria as a very important factor for ensuring capable experts for the labour market. Nearly half of Bulgaria's secondary students¹¹ have a degree from a vocational school. These schools (designed under the planned economy times) are not providing students with the skills needed in today's dynamic economy. The system of vocational schools currently under Ministry of Education and Science needs actions directed at revising curricula, restructuring and the introduction of external quality assessment.¹² Moreover, the majority of the school buildings and schoolyards are in urgent need of rehabilitation because of their poor physical condition due to the very low level of maintenance expenditures (both municipal and state)¹³. Vocational educational institutions are in the most unfavourable situation

Table 5: Average public expenditure per student, 2004

| Type of educational facility | Average public expenditure per student (euro) |
|----------------------------------|---|
| Vocational schools (State owned) | 61 |
| Municipal schools | 80 |

Source MF, 2004

The regular annual assessment of the physical conditions of the educational institutions made by Ministry of Education and Science for 2007/2008 provided following key findings¹⁴:

- Total number of vocational schools - 316
- Total number of students - 140 641
- Total amount needed for repair - more than 19 mln. euro
- State budget subsidy provides a bit more than 3 mln. euro.

At the same time the needs of the productive sector for qualified labour force are constantly increasing:

Table 6: Industrial labour force shortage, 2007

| | 2004 | 2005 | 2006 | Jan. 2007 | May 2007 |
|---------------------------|------|------|------|-----------|----------|
| Labour force shortage (%) | 8.3 | 8.9 | 11.7 | 14.1 | 15.9 |

Source NSI, 2007

3.3.9.3. Healthcare infrastructure

There are major differences in health status between Bulgaria and European Union especially these related to the average life expectancy and mortality rate. Under these indicators, Bulgaria significantly lags behind the EU member-states.

¹⁰ NSRF 2007-2013, p. 49.

¹¹ NSI data.

¹² NSRF 2007-2013, p. 31

¹³ Review of public expenditures: education – status, problems and opportunities. 2004. Ministry of finance, p. 75-77 (<http://old.minfin.bg/docs/EDU%20report%2020041.pdf>)

¹⁴ Midterm framework investment program of MES for the OPRD implementation, June 2007

- The average **life expectancy** in Bulgaria (2005) is 72.6 years which compared to the EU member-states (79) is 6.4 years less.
- The standardised mortality ratio in Bulgaria is 14.6‰ (2005)¹⁵ while in EU it is 9.2‰ (2004).
- **Infant mortality** (age 0-1) rate of 10.4‰ for 2005 is higher than that of the EU member states (6.6‰). Infant mortality is higher in villages than in urban areas. Serious regional differences exist. Infant mortality is higher in areas with a higher incidence among roma population. In some areas the *difference between town and village is impressive*,¹⁶ e.g. in 2005 for Varna District it is respectively 7.7 and 14.7; for Vidin District – 7.9 and 22.6; for Gabrovo – 5.4 and 12.3. The differences between individual districts are also significant: on the one hand, districts in which infant mortality is comparable to the EU member states (Russe District – 5.9‰; Sofia City – 5.1‰), on the other hand, districts with much higher infant mortality than the average for the country (Dobrich District – 15.4‰; Montana – 19.0‰; Razgrad – 15.9‰)¹⁷.
- **Cardiovascular diseases** and malignant neoplasms account for over 80% of deaths in Bulgaria and hence exhibit the much higher mortality rate than in the EU member states. Cardiovascular diseases (CVD) account for about two-thirds of all deaths (with an incidence of 968.1 per 100,000 in 2005). The number of deaths (per 100,000 of the respective gender) in males (1004.7) exceeds the incidence in females (933.7). The highest mortality from CVD is established in males aged 40–44 and females aged 45–49. Unlike the average indicators in the EU, the forecast is for increase of mortality from CVD in Bulgaria. Malignant neoplasms account for 15.8% of the deaths, ranking second as a cause of death (2005). The mortality trend for both genders is going upward¹⁸.

Table 7: Infant mortality and GP density, 2005, NSI

| Agglomeration areas | Infant mortality rate ‰ | Inhabitants by one GP |
|---|-------------------------|-----------------------|
| Agglomeration area of the capital | 5.43 | 1321 |
| Agglomeration areas of the large cities | 11.89 | 1534 |
| Agglomeration areas of medium-size cities | 10.82 | 1530 |
| Agglomeration areas - total | 9.89 | 1477 |
| The rest of the country territory | 12.09 | 1470 |
| Bulgaria - average | 10.40 | 1475 |

Certain regional disparities have been noted in the structure of illness rate for the individual indicators.

- The largest number of blood circulation disorders has been noted in the Northwestern Region – 3 668.4 per 100 000 inhabitants, which is significantly above the national average (2 982.9) and EU average (2 427.4) per 100 000 inhabitants. This number is the lowest in the Northeastern Region – 2 251.0 per 100 000 inhabitants, which is below both the national average and the EU average for this indicator.
- The largest number of cardio-ischemic diseases has been recorded for the Southwestern region – 921.8 per 100 000 inhabitants, which is significantly above both the national average (743.0) and the EU average (697.0) per 100 000 inhabitants. The lowest number is noted in the Northeastern Region – 469.6 per 100 000 inhabitants, which is below both the national average and the EU average.
- The largest number of cerebral-vascular diseases has been recorded for the Southwestern region – 990.7 per 100 000 inhabitants, which is significantly above both the national average (681.5) and nearly three times above the EU average (385.9) per 100 000 inhabitants. The lowest number is noted in the Southeastern Region – 593.5 per 100 000 inhabitants. In the rest of the regions the values for this indicator are close to the national average.

¹⁵ Source: NSI, 28.07.2006 (www.nsi.bg/SocialActivities/Umr05.htm)

¹⁶ For this reason OPRD can not address this issue: rural and remote areas are targeted by Rural Development Program and OPHRD.

¹⁷ Economic report for the President of the Republic of Bulgaria 2007. Bulgaria: SOCIAL CHALLENGES AND EUROPEAN INTEGRATION. Sofia, Institut of economy – Bulgarian academy of sciences ed. 2007, p. 77-78 (<http://www.president.bg/en/pdf/Doclad2007.pdf>).

¹⁸ Ibidem; Source: NSI, 28.07.2006 (www.nsi.bg/SocialActivities/Umr05.htm)

Identified disparities are important but difficult to be addressed effectively. The main policy issue both at national and regional level remains **cardiovascular diseases** which is very often due to the inefficient emergency medical care (EMC).

The emergency medical care in Bulgaria is centralised (managed directly by the Ministry of Health), supported by budgetary funds and the services are provided free of charge to patients. It provides life-saving medical intervention mainly in cases of accidental health disorders. Its aim is to preserve the vital functions of the affected individuals until they are referred to a specialised medical care. Unlike the latter, the urgent medical care is characterized by the need for quick intervention (e.g. strong pain), and by definition it is not life-saving and should be provided by the GPs. In fact, EMC usually responds to all calls and takes over urgent care as well, which leads to accumulation of financial deficits. As it is not always possible to define whether and to what extent a specific condition is or is not life threatening, in many countries no distinction between emergency and urgent medical care is made.

In Bulgaria the EMC is organised through a network of 28 Centres of Emergency Medical Care (CEMC), one for every district, and their affiliates in some settlements in the district. The network is centralised. The EMC activities are hindered as a result of structural, organisational and technical reasons:

- EMC take over functions which are responsibility of the primary healthcare. These involve delivery of medical care (in some cases routine or urgent, but rarely of emergency nature) to a great number of uninsured people as well as to people who are insured but have not received care from their GPs for various reasons (including chronic and terminally sick people without possibilities for palliative care);
- Inadequate differentiation between hospital and EMC functions. The so called "emergency wards", which in fact are hospital wards, are included within EMC and unnecessarily duplicate the existing hospital wards;
- Inadequate coordination between EMC and the respective hospitals. Sometimes patients are transported for a long time between hospitals, which compromises emergency;
- Poor coordination exchange in receiving and distributing emergency calls and teams;
- Outdated and obsolete motor vehicles and inadequate medical air transport. In addition, problems with the personnel at the CEMC also exist. Fluctuation of medical and non-medical manpower is high, mainly due to the unduly low remuneration and the extremely limited possibilities for professional development¹⁹.

Similar to the state of EMC infrastructure and equipment the state of repair of the public buildings for health care is unsatisfactory due to the lack of public funds. The average share of GDP allocated on healthcare in Bulgaria is 4.4% while in the EU it is 8% or 132 Euro per capita versus 1710 Euro in the EU member states. Therefore public funds for the maintenance of fixed assets such as buildings, equipment and infrastructure are scarce. Obsolete facilities in state- and municipally-owned healthcare and medical establishments require huge resources for maintenance and modernization²⁰.

3.3.9.4. Social care infrastructure

Social services²¹ are of great significance for overcoming social isolation. This group of services, and in particular the services in the community, in regard to the possibility of offering them in a flexible and diverse way, contribute to all areas of integration of the vulnerable groups – employment, education, elimination of discrimination, healthcare, housing, etc. They are also one of the main driving forces of social entrepreneurship in Bulgaria. In their nature, the social services are activities which support and widen the

¹⁹ Economic report for the President of the Republic of Bulgaria 2007. Bulgaria: SOCIAL CHALLENGES AND EUROPEAN INTEGRATION. Sofia, Institut of economy – Bulgarian academy of sciences ed. 2007, p. 82-83; National Health Strategy 2007-2012; NSRF, Annex 16.

²⁰ OPHRD 2007-2013 concludes that Bulgaria is called upon to pay attention to **Filling the gaps in health infrastructure** and promoting efficient provision of services.

²¹ OPHRD 2007-2013, NSRF 2007-2013

possibilities for the persons to have an independent way of living and are carried out in specialised institutions and in the community.

Through the amendments in the legislation during the last years the following was achieved in the field of social services: decentralised management of social services, encouraging private entrepreneurship, introducing a regime of registration for the providers of social services instead of licensing; introducing criteria and standards for performing social services, more effective and more efficient control in the field of social services, expansion of the sources of funding, strengthening of the civic control. The financing of social services also received a new organisation. They were divided in activities which are responsibility of the state and activities which are responsibility of the municipalities. The activities which are responsibility of the state are entirely funded by the state budget and only managed by the municipalities. These are specialised institutions for provision of social services, day centres, centres for social rehabilitation and integration, sheltered homes.

As of June 2006 on the territory of the country are functioning a total of 176 specialised institutions for provision of social services. In the 2003 – June 2006 period the number of the specialized institutions started to decrease with the number of institutions for children and youths with mental disabilities the decrease is more obvious. As a result of the increased control on the observation of the standards and the criteria for the provision of social services in the 2003 – 2006 period 6 specialized institutions have been closed down. Till the end of 2006 one home for adults with mental disabilities is to be closed. The capacity of 5 specialized institutions has been reduced. Two homes for adults with mental disabilities have been restructured. In the 2003–2005 period 9 specialized institutions have been moved to new buildings.

The priorities of Bulgaria in the field of social services are:

- Widening the array of the services particularly aimed at elderly people, people who are alone, disabled people, children and other vulnerable groups and improving the quality of the existing ones;
- Transition from institutional care towards services that leave the person in his/her community and family environment;
- Reducing the number of people relying on services in the specialized institutions for provision of social services and reducing the number of the institutions themselves by developing a modern services network in the community.

Special attention in the social services policy is given to the deinstitutionalization. The development of social services in the community clearly shows that they are the main instrument for achieving real deinstitutionalization. In 2003 the established social services in the community are 40 and by June 2006 they are already 112. Already are functioning: 45 day centers for children and adults with disabilities, 10 day centers for elderly people, 14 centers for social rehabilitation and integration, 3 shelters for unattended children and 15 sheltered homes for people with mental disabilities, which are financed by the state budget.

The analysis of the Plan for reducing the number of children brought up in specialized institutions in the Republic of Bulgaria 2003 – 2005 shows that for the whole period of action of the Plan, the number of children placed in specialized institutions has reduced by 18.3%. the decrease in the number of children placed in specialized institutions is due to the developed and acting system for child protection. Another reason is the effective implementation of the Child Protection Act. The 18.3% decrease in the number of children in specialized institutions is due to the implementation of the measures for protection of the family environment and the performed adoptions: prevention – 21.4%; placement with relatives and close people – 31.5%; reintegration in the biological family – 32.5%; placement with reception family – 5%; adopted in the country – 10.3%; adopted abroad – 3.7%; reached 18 years of age.

A specific group of high risk are the children begging and working in the streets. Among begging children the prevailing part consists of boys, of Roma origin, of school age, who in most cases do not attend school, but are left in the street throughout the day without any supervision. The key issues for the social protection of this group at risk are related to: identifying the number of all children begging and working in the street; organizing

urgent assistance to children who have lapsed in crisis situations; removing the begging children from the threatening environment; providing support to the parents in raising and upbringing the children. Children victims of violence also need protection.

The not enough developed network for alternative social services for the people with mental disabilities is the reason for the slower process of reintegration of those people in the community. During the last few years a process of closing down, relocation and reduction of the capacity of specialized institutions, implementation of projects and programmes non-governmental organisations and training of staff has been going on. The conducted national monitoring on homes for adults with mental disabilities has had a positive effect on this process. The budget for financing of social services, activities delegated by the state, has been increased by 18.5% in 2006 which allowed the improvement in the quality of the services provided.

The achievement of higher quality of the social services is being performed in two main directions: improvement of the conditions in the specialised institutions and the provision of alternative social services with the aim of stimulating the process of deinstitutionalisation. Although the specialized institutions cannot fully perish, with the amendments in the legislation, a possibility for more active and more effective control on their activity and the services they provide has been created. According to the Social Assistance Act the control on the provision of social services is carried by the Inspectorate to the Social Assistance Agency and State Agency for Child Protection exercise control functions on the standards and the criteria for provision of social services to children.

The strengths of the policy in the field of social services are: bringing social services closer to the common home and social environment ("in the community") of the beneficiary; individual approach in the provision of social services; opening up of social services towards the private and the non-governmental sectors; the availability of criteria and standards for the performing of social services. The obstacles to this policy are related to the unsatisfactory condition of the buildings and the equipment in the specialized institutions which leads to low quality of the services and requires huge initial expenses on behalf of the potential "social entrepreneurs".

A special stress in the work of the competent governmental institutions, aiming at the improvement of the quality of the social services provided in the specialized institutions and in the community is the methodological support of the personnel, the managers of the homes, the mayors and the territorial structures of the Social Assistance Agency.

Regional aspects of labour market development

For the past years the labour market has been characterised by significant and steady regional disparities. There is a clear-cut territorial differentiation as to the size and composition of labour force supply and demand. Regional disparities can be seen in the indicator values of all aspects of labour market functioning and development – employment, unemployment, remuneration, labour productivity, educational-vocational and demographic labour force structure.

According to NSI data for 2005 **the economic activity rate** is lowest in the North-West planning region - 40.7 %, by 1.5 percentage points lower as compared to 2003 and by 9 percentage points lower as compared to the country average. Highest economic activity has been registered in the South-West planning region (54.1 %) – by 0.8 percentage points higher as compared to the country total. Regardless of the observed general economic activity increase in national scale, some planning regions show a disturbing downward trend, as for example, in the North-West and South-East planning regions.

Employment trends are positive in all planning regions. The North-West region displays the lowest employment rates – 37.1%, and the employment rates are the highest in the South-West region – 52.7%.

According to the NSI, **unemployment rate** has gone down in all planning regions, with the greatest reduction in South-East region by 6.7 percentage points within two years. The highest is the unemployment rate in Vidin district – 22.5 %, followed by the districts of Smolyan – 19.6 % and Razgrad – 19.1 %. Among all planning regions the North-West region has the highest unemployment rate – 13.6 % (which is by 3.5 percentage

points higher than the country average). The districts of Blagoevgrad – 2.2 % and Gabrovo – 3.3 % have the lowest unemployment rates.

The following trend is observed in respect of the convergence of the labour market indicators for the planning regions. For the period 2003-2005 economic activity and employment indicators show a growing dispersion level. The indicator for economic activity has increased from 3.2 in 2003 to 3.9 in 2005, respectively the indicator for employment – from 3.9 to 4.8. It is obvious that dispersion for the employment factor is higher. The unemployment trend is positive. The standard deviation here has dropped from 3.3 in 2003 down to 2.3 in 2005.

Social care infrastructure (including this of the Social Assistance Agency and the Employment Agency) is ill adapted to the needs and often is the main obstacle they to become efficiently working institutions.

3.3.9.5. Cultural infrastructure

There is an unfavourable trend of growing disproportions in the development of culture between larger cities and smaller towns and villages. In fact, small communities close down many cinema halls, museums, community cultural centres, theatres and other cultural centres due to declining interest, the low income of the population or the insufficient funding. At the same time, private investments in big cities in the construction of new modern facilities tend to increase the organisation of concerts and performances and many other projects, including some with international dimensions.

The issue of decentralisation and liberalisation in the field of culture has been on the agenda since the early 1990's. The fiscal decentralisation is envisaged in the legal framework through the establishment of municipal cultural funds run by local governments. Thus the resources for culture can be allocated in accordance with the specific needs and priorities of the local community. The opportunities for management of resources for culture at the municipal level will help overcome the lack of access to culture.

Community cultural centres called 'chitalishte' are important promoters of culture in urban and rural areas. In spite of the shortage of financial resources and the obsolete infrastructure, they continue to generate opportunities for all people to get in touch with diverse forms of living culture and the cultural heritage in the various regions of the country. Community cultural centres provide for the development of the intellectual potential of people in the cultural sphere at the local level in addition to the traditions nurtured in the Bulgarian family. Over the last decade, more than 1000 community cultural centres have been closed in Bulgaria and their number was near 3000 at the end of 2006 (for the period 2000 - 2005 functioning chitalishta has decreased by 189 or by 6.2%, and in 2005 they were 2 838, of which 539 (19.0%) are in urban areas and 2 299 (81.0%) in villages). This trend is very indicative in one respect: the foundations of cultural development, which had naturally emerged, have been gradually destructed. The reasons for closing down cultural centres lie in the weak social activity of the population, insufficient funding, the lack of effective management and forms of public-private partnership, as well as the lack of a strategy for the preservation and strengthening of these institutions. However, the result is straightforward, cultural traditions and accomplishments are gradually lost and the dissemination of cultural values remains fragmented²².

Some key statistics on Bulgarian 'chitalishte'²³ are listed below.

Table 8: Total number of chitalishte; urban/rural, 2005

| | 1998 | 1999 | 2000 | 2005 |
|-----------------------|-------|-------|-------|-------|
| chitalishte (Numbers) | 3 125 | 3 056 | 3 027 | 2 838 |
| urban | 514 | 510 | 511 | 539 |
| rural | 2 611 | 2 546 | 2 516 | 2 299 |

²² Economic report for the President of the Republic of Bulgaria 2007. Bulgaria: SOCIAL CHALLENGES AND EUROPEAN INTEGRATION. Sofia, Institut of economy – Bulgarian academy of sciences ed. 2007, p. 117;

²³ Source: NSI, 28.04.2006 (<http://www.nsi.bg/SocialActivities/Culture.htm>)

| | | | | |
|---------|---------|---------|---------|---------|
| Members | 191 000 | 180 000 | 170 000 | 164 000 |
| urban | 86 000 | 81 000 | 74 000 | 68 000 |
| rural | 105 000 | 99 000 | 96 000 | 96 000 |

Table 9: Activities, participant and events of chitalishte, 2005

| Activities | Total numbers |
|---|---------------|
| Language courses | 327 |
| - participants | 4 827 |
| Music courses | 440 |
| - participants | 4 624 |
| Ballet courses | 149 |
| - participants | 3 079 |
| Other courses | 428 |
| - participants | 5 766 |
| Amateur groups | 7 494 |
| - participants | 108 294 |
| - events | 43 224 |
| Music bands | 1 769 |
| - participants | 22 865 |
| - events | 12 936 |
| Dancing troupes | 1 522 |
| - participants | 28 222 |
| - events | 9 779 |
| Authentic folklore groups | 2 017 |
| - participants | 27 305 |
| - events | 10 363 |
| Theatre troupes | 520 |
| - participants | 6 049 |
| - events | 2 807 |
| Clubs and circles | 941 |
| - participants | 14 095 |
| - events | 4 143 |
| Other groups | 725 |
| - participants | 9 758 |
| - events | 3 196 |
| Cultural and social events Commemorations, Celebrations, Reading debates. Entertainment events. Fairs etc. | 51 010 |

Table 10: Chitalishte per planning regions, 2005

| NUTS 2 regions | Chitalishte | | | Members | | | Average members per chitalishte | | |
|----------------|-------------|-------|-------|---------|--------|--------|---------------------------------|-------|-------|
| | total | urban | rural | total | urban | rural | total | urban | rural |
| Total | 2 838 | 539 | 2 299 | 163 630 | 68 235 | 95 395 | 58 | 127 | 41 |
| North Western | 228 | 28 | 200 | 12 181 | 4 139 | 8 042 | 53 | 148 | 40 |
| North Central | 495 | 87 | 408 | 28 151 | 9 796 | 18 355 | 57 | 113 | 45 |

| | | | | | | | | | |
|---------------|-----|-----|-----|--------|--------|--------|----|-----|----|
| North Eastern | 607 | 79 | 528 | 30 413 | 9 787 | 20 626 | 50 | 124 | 39 |
| South Western | 499 | 159 | 340 | 35 119 | 20 870 | 14 249 | 70 | 131 | 42 |
| South Central | 679 | 127 | 552 | 41 229 | 17 304 | 23 925 | 61 | 136 | 43 |
| South Eastern | 330 | 59 | 271 | 16 537 | 6 339 | 10 198 | 50 | 107 | 38 |

Table 11: Chitalishte per planning regions, 2005

| NUTS 2 regions | Revenues leva | | | Expenditures leva | | |
|----------------|---------------|----------------|------------|-------------------|------------|------------|
| | total | including | | total | including | |
| | | Budget subsidy | activities | | salaries | activities |
| Total | 36 489 647 | 27 155 020 | 2 330 118 | 35 149 053 | 14 651 531 | 3 361 506 |
| North Western | 2 925 130 | 2 479 410 | 103 108 | 2 810 337 | 1 297 379 | 261 473 |
| North Central | 6 160 802 | 4 606 845 | 323 706 | 5 974 093 | 2 571 776 | 510 274 |
| North Eastern | 6 664 337 | 5 228 969 | 291 050 | 6 497 696 | 2 508 730 | 738 468 |
| South Western | 9 537 388 | 6 419 093 | 1 019 465 | 9 087 568 | 3 814 457 | 729 519 |
| South Central | 7 402 087 | 5 425 699 | 404 492 | 7 191 047 | 2 988 909 | 652 624 |
| South Eastern | 3 799 903 | 2 995 004 | 188 297 | 3 588 312 | 1 470 280 | 469 148 |

Important function of chitalishte is to act as public local library. At the same time there are bigger specialised libraries (over 200 000 books) with regional and national impact.

Chitalishte libraries amount to 59.2% of all 4 552 libraries in the country with book stock above 2 000 books, and their respective readers amount to 41.1% of all library readers. In 2005 as compared to 2000 the number of readers in chitalishte libraries decreased by 15.9%. Total amount of revenues of Community cultural centres chitalishte in 2005 was 36.5 mln. leva, and the relative share of revenues from the state budget was 74.4% of all revenues.

In 2005 the share of book stock of the National library "St.St. Cyril and Methodius" represented 8.6% of the total (national) book stock, the share of regional libraries - 7.9%, the share of district libraries - 5.8%, the share of school libraries - 14.3%, the share of university libraries - 10.4%, and the share of specialized libraries - 13.1%.

Table 12: Libraries with more than 200 000 books, 2006

| | 2002 | 2004 | 2006 |
|--------------------------|-----------|-----------|-----------|
| Libraries number | 49 | 50 | 48 |
| Book stock, thousand | 34 677 | 35 143 | 34 966 |
| Books borrowed, thousand | 8 395 | 7 788 | 7 437 |
| Readers, thousand | 319 | 321 | 286 |

Table 13: Types of libraries with more than 200 000 books, 2006

| Types of libraries | Number | Book stock | Readers | Books borrowed |
|--------------------|-----------|-------------------|----------------|------------------|
| Total | 48 | 34 965 709 | 285 725 | 7 437 313 |
| National | 1 | 7 504 721 | 12 262 | 419 396 |
| Regional | 27 | 11 857 709 | 145 022 | 3 754 454 |
| Chitalishte | 4 | 1 055 215 | 12 249 | 390 246 |
| University | 12 | 5 847 045 | 109 940 | 2 802 842 |
| Specialised | 4 | 8 701 019 | 6 252 | 70 375 |

Table 14: Types of libraries with more than 200 000 books, 2006

| NUTS 2 regions | Number | Book stock | Readers | visits | Books borrowed |
|----------------|-----------|-------------------|----------------|------------------|------------------|
| Total | 48 | 34 965 709 | 285 725 | 3 242 289 | 7 437 313 |
| North Western | 3 | 770 387 | 11 784 | 147 127 | 374 486 |
| North Central | 10 | 3 962 513 | 60 953 | 764 986 | 1 592 818 |
| North Eastern | 8 | 3 263 458 | 43 748 | 455 416 | 1 235 477 |
| South Western | 12 | 21 273 158 | 88 461 | 1 037 910 | 2 180 752 |
| South Central | 11 | 4 299 631 | 60 333 | 558 501 | 1 376 166 |
| South Eastern | 4 | 1 396 562 | 20 446 | 278 349 | 677 614 |

State funding of **culture** comes through budgetary subsidy, which is the main financial source for cultural institutions, although there are a number of institutions with crossed financing – by state budget and own revenues. The share of expenditures from consolidated state budget for cultural activities in the last years is as follows:

- for 2001 and 2002 r. the share is 1.6% (respectively 196 mln. euro and 199 mln. euro),
- for 2003 the share is 1.8% (249 mln. euro),
- for 2004 and 2005 the share is 1.7% (respectively 257 mln. euro and 288 mln. euro).

There is a tendency of decrease of people employed in the sphere of culture - 50.5 thousand in 2002 r., 50.2 thousand in 2003 r., 49.4 thousand in 2004 r. and 46.9 thousand in 2005.

Other important cultural institutions at local, regional and national level are museums, theatres and specialised cultural schools.

The activity of the museums is reviewed in three year period. During the last 10 years the number of museums has remained relatively constant (for 1995 - 226, for 2005 - 229). Visits in the museums for the same period (1995 - 2005) has declined by 9.0%, while for the period 2002 - 2005 an increase of 10.4% has been registered. In 2005 revenues of museums were 24 310 thousand leva, of them 18 792 thousand leva has come from the budget, 952 thousand leva – from own activity, and 3 440 thousand leva – from visits.

Table 15: Types of Museums, 2005

| Types of museums | Number | Visits | Exhibits | Staff | Revenues leva | | Expenditures leva |
|---------------------|------------|------------------|------------------|--------------|-------------------|-------------------|-------------------|
| | | | | | total | Budget subsidy | |
| Total | 229 | 3 925 178 | 7 111 967 | 2 531 | 24 309 783 | 18 792 397 | 23 157 447 |
| Historical | 93 | 2 159 198 | 4 098 893 | 1 439 | 14 582 202 | 11 327 982 | 13 726 672 |
| Specialised | 136 | 1 765 980 | 3 013 074 | 1 092 | 9 727 581 | 7 464 415 | 9 430 775 |
| -Incl.art galleries | 42 | 395 579 | 161 829 | 391 | 3 543 768 | 3 085 655 | 3 492 747 |

Table 16: Revenues, expenditures, staff of museums, 2005

| NUTS 2 regions | Revenues leva | Expenditures leva | Staff |
|----------------|-------------------|-------------------|--------------|
| Total | 24 309 783 | 23 157 447 | 2 531 |
| North Western | 887 152 | 793 511 | 104 |
| North Central | 5 159 708 | 5 119 497 | 578 |
| North Eastern | 4 460 507 | 4 108 301 | 325 |

| | | | |
|---------------|-----------|-----------|-----|
| South Eastern | 1 902 251 | 1 642 598 | 208 |
| South Central | 3 728 284 | 3 522 190 | 407 |
| South Western | 8 171 881 | 7 971 350 | 909 |

There are important regional disparities in terms of physical space of the museums on the country territory – North Western planning region has been lagging behind with over than 14 000 sq.m. while South Western planning region is represented with almost 90 000 sq.m.

Table 17: Building stock of museums, 2005

| NUTS 2 regions | Total | Used area – sq.m., incl. | | |
|----------------|---------|--------------------------|-------------|----------------|
| | | exhibitions | storehouses | Servicing area |
| Total | 322 390 | 192 069 | 54 729 | 70 377 |
| North Western | 14 389 | 9 493 | 2 025 | 2 763 |
| North Central | 78 723 | 46 895 | 8 496 | 22 606 |
| North Eastern | 52 603 | 29 574 | 9 966 | 12 627 |
| South Eastern | 20 976 | 14 178 | 4 142 | 2 329 |
| South Central | 65 943 | 40 020 | 11 503 | 13 395 |
| South Western | 89 756 | 51 909 | 18 597 | 16 657 |

Total number of theatres for the period 2000 – 2005 has remained unchanged (75), while the number of drama theatres has declined by c 9.3%.

In 2005 of all 39 functioning drama theatres 5 are private troupes, and 4 of them are located in the capital. The number of shows in these theatres has decreased from 5 286 in 2000 to 5 147 in 2005, while the number of visits has increased from 750 000 in 2000 to 823 000 or by 9.8%.

Table 18: Types of theatres, 2005

| Types of theatres | 1998 | 1999 | 2000 | 2005 |
|----------------------|--------|--------|--------|--------|
| Theatres - number | 85 | 81 | 75 | 75 |
| - Drama | 53 | 48 | 43 | 39 |
| - Opera and ballet | 7 | 4 | 4 | 5 |
| - Musical | 3 | 3 | 3 | 5 |
| - Puppet | 22 | 18 | 16 | 16 |
| - Drama-puppet | - | 4 | 5 | 6 |
| - Opera-philharmonic | - | 4 | 4 | 4 |
| Seats - number | 28 694 | 30 468 | 30 277 | 30 105 |
| - Drama | 20 398 | 19 069 | 16 769 | 15 880 |
| - Opera and ballet | 3 099 | 1 790 | 1 790 | 1 543 |
| - Musical | 1 885 | 1 813 | 1 808 | 2 592 |
| - Puppet | 3 312 | 2 990 | 2 998 | 2 692 |
| - Drama-puppet | - | 1 172 | 3 303 | 3 888 |
| - Opera-philharmonic | - | 3 634 | 3 609 | 3 510 |
| Visits - number | 12 627 | 12 508 | 10 465 | 10 776 |
| - Drama | 7 286 | 6 629 | 5 286 | 5 147 |
| - Opera and ballet | 461 | 220 | 212 | 319 |
| - Musical | 254 | 230 | 229 | 271 |
| - Puppet | 4 626 | 4 350 | 3 483 | 3 367 |

| | | | | |
|-------------------------------------|-------|-------|-------|-------|
| - Drama-puppet | - | 747 | 993 | 1 424 |
| - Opera-philharmonic | - | 332 | 262 | 248 |
| Average visits per theatre - number | 149 | 154 | 140 | 144 |
| Visits - thousand | 1 876 | 1 608 | 1 286 | 1 475 |
| - Drama | 1 247 | 924 | 750 | 823 |
| - Opera and ballet | 150 | 81 | 61 | 117 |
| - Musical | 66 | 53 | 50 | 69 |
| - Puppet | 413 | 376 | 260 | 255 |
| - Drama-puppet | - | 69 | 104 | 147 |
| - Opera-philharmonic | - | 105 | 61 | 64 |
| Average visits | | | | |
| Per theatre - thousand | 22 | 20 | 17 | 20 |
| Per show - number | 149 | 129 | 123 | 137 |

There are important regional disparities in terms of allocation of theatres on the country territory – North Western region has been lagging behind with 5 theatres while South Western region is represented with 27.

Table 19: Theatres per planning regions, 2005

| NUTS 2 regions | Theatres | Stages | Seats | Shows | Visits |
|----------------|-----------|------------|---------------|---------------|------------------|
| Total | 75 | 100 | 30 105 | 10 776 | 1 475 323 |
| North Western | 5 | 8 | 2 159 | 485 | 42 802 |
| North Central | 8 | 11 | 3 452 | 1 146 | 151 977 |
| North Eastern | 12 | 20 | 5 647 | 2 330 | 273 492 |
| South Western | 27 | 34 | 9 735 | 3 629 | 617 786 |
| South Central | 16 | 18 | 6 064 | 2 072 | 263 805 |
| South Eastern | 7 | 9 | 3 048 | 1 114 | 125 461 |

3.4. Urban development

3.4.1. Settlement network

The state of the settlement network and urban development reflects the state of regional development and the implemented regional policies throughout the years. The settlement network in Bulgaria includes large and medium-size cities²⁴ organised in agglomeration areas where appropriate, small-size cities and villages.

Capital with population over 1 000 000 inhabitants: Sofia

Large cities are 6 cities with population over 100 000 inhabitants: Plovdiv, Varna, Burgas, Rousse, Pleven, Stara Zagora

Medium-size cities are 27 cities with population from 30 000 to 100 000 inhabitants

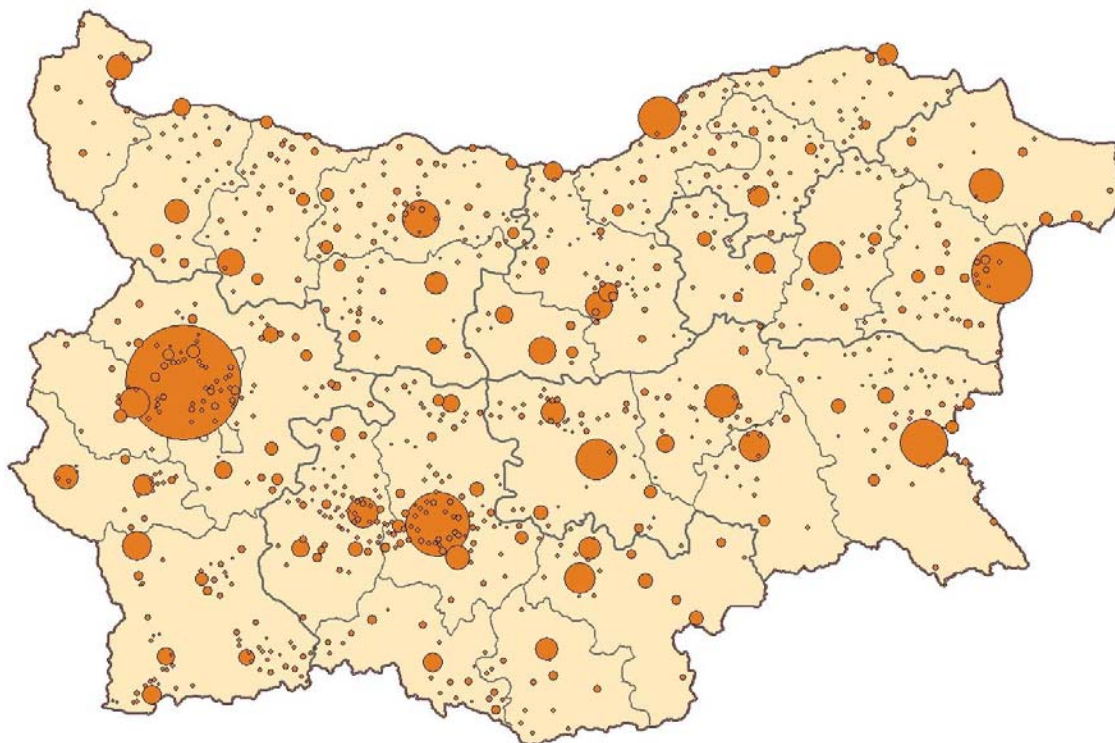
Agglomeration areas are 36 areas encompassing groupings of settlements and municipalities with integral functional linkages and road connections concerted around large or medium sized urban centres.

Small towns are 174 towns with population from 10 000 to 30 000 inhabitants

Villages are usually settlements with below 10 000 inhabitants.

²⁴ According to the Local Self-Government and Local Administration Act Bulgarian city is not separated from its surrounding settlements within the same municipality and does not constitute an independent local self government body (see Annex 2). Exceptions: municipality of Plovdiv and municipality of Dobrich.

Figure 12: Settlement network



Presently, the picture of the settlement network shows that the uneven dispersion of the large cities contrasts on the background of generally even dispersion of small towns and villages. As a result, large portions of the national territory remain remote from the large urban centres and demonstrate the so-called "center-periphery" problem. The uneven development of the network of large cities is the cause for the observed disparities in the socio-economic development within the boundaries of the national territory which partially express as disparities between planning regions and mostly as disparities inside the regions.

The development level of the regions in the country largely depends on the availability of large cities in which manufacturing activities, services, education, science and cultural life are concentrated. Large cities (7 in total) are and will continue to develop as dynamic centres with diverse national and regional functions that positively influence and spread over their surrounding agglomeration areas. Such are those around Sofia, Plovdiv, Varna, Bourgas, Rousse, Pleven, Stara Zagora, which rank on the top of the settlement network hierarchy. Not accidentally, in the strongly developed South Western and South Central planning regions, the two largest cities in Bulgaria - Sofia and Plovdiv are situated respectively.

The areas and regions lacking a large city in their proximity are underdeveloped. Such areas are situated in the north-western, south-western, southern, south-eastern and north-eastern parts of the national territory. The existence of some medium-size cities within these territories is not in position to compensate the absence of a large urban centre to organise the space. Medium-size cities (27 in total) have only complementary functions and during the past decade economic crisis, these functions have somehow been fading away to some extent. In this category of cities, as well as in the category of the small towns (174 in total), the highest rate of average annual population decrease has been observed (-0.8%).

According to the European model of polycentric development, the estimated index of the country's polycentricism is around the average for the European territory²⁵. The capital agglomeration area is ranked

²⁵ The polycentricism index for a country is between 1 and 9, for Bulgaria it is 5.

with the lowest category 4 according to the ranking scale of the Metropolitan European Growth Areas (MEGA) as European functional regions are chosen the urban areas of Plovdiv, Varna and Bourgas²⁶.

The *National Spatial Urban Model* in the current moment defines three hierarchical levels of cities functioning as centres and their agglomerations in which the territory of Bulgaria is divided. The agglomeration areas consist of urban core centre (city) and their surrounding areas part of the same growth pole.

The three hierarchical levels of **urban cores** are as follows:

1. first level - the capital Sofia,
2. second level - the 6 large cities each with population over 100 000 inhabitants, and
3. third level – 29 cities as follows:
 - a) 24 medium-size cities with population over 30 000 inh.²⁷
 - b) 4 towns with population between 20 000 and 30 000 inh.²⁸
 - c) Panagyuriste²⁹

36 agglomerations have been identified covering 47 457.3 km² or 43.29% of the national territory and amounting to 5 859 239 inhabitants or 75.91% of the national population. The first level in the hierarchy taken by the capital city and its agglomeration area covers territory of 3908.1 km² and has 1 353 906 inhabitants (17.54% of the country's population).

- At the second level are the 6 large cities and their agglomeration areas – Plovdiv, Varna, Bourgas, Rousse, Pleven, Stara Zagora, covering altogether 13 094.5 km² and populated by 1 910 760 inhabitants (24.75 % of the national population).
- At third level the 29 medium-size cities and towns over 20 000 inh. (incl. Panagyuriste) together with their agglomeration areas take over 31 053.7 km² with total population of 2 594 573 inh. (33.61% of the national population). Many of these cities, among which some district centres, have lost their function as active organisers and quality of centres for growth and development. It is necessary that these cities are encouraged through appropriate policy in order to restore their disseminating development role for the surrounding territories.

Table 20: Urban agglomeration areas

| Agglomeration areas | | Territory | | Population | |
|--|--------------|----------------|-------------------------|----------------|-------------------------|
| | | (sq km) | % of the national total | Inhabitants | % of the national total |
| Capital agglomeration area | | 3908.1 | 3.52% | 1353906 | 17.54% |
| Agglomeration areas of the 6 large cities | | 13094.5 | 11.80% | 1910760 | 24.75% |
| 1 | Plovdiv | 2821.8 | 2.54% | 575297 | 7.45% |
| 2 | Varna | 2275.0 | 2.05% | 416603 | 5.40% |
| 3 | Bourgas | 3045.2 | 2.74% | 318226 | 4.12% |
| 4 | Rousse | 543.2 | 0.49% | 175935 | 2.28% |
| 5 | Pleven | 2278.0 | 2.05% | 211255 | 2.74% |
| 6 | Stara Zagora | 2131.3 | 1.92% | 213444 | 2.77% |
| Agglomeration areas of medium-size cities and towns over 20000 inh., incl. Panagyuriste | | 31053.7 | 27.98% | 2594573 | 33.61% |
| 1 | Pazardjik | 1332.5 | 1.20% | 161847 | 2.10% |

²⁶ ESPON 1.1.1. Potentials for polycentric development in Europe, Final report, August 2004

²⁷ There are 27 medium-size cities (over 30 000 inh.) on the territory of Bulgaria, but 3 of them fall in the scope of the agglomeration areas of the largest cities: Assenovgrad in Plovdiv agglomeration area, Dimitrovgrad in Haskovo agglomeration area, Gorna Oryahovitsa in Veliko Tarnovo agglomeration area.

²⁸ These 4 towns have typical regional functions and act as growth poles in the area.

²⁹ Panagyuriste is the only one town in the list of urban core centres, which doesn't cover the threshold of 20 000 inh. However, this town is included in the list due to growth potential.

| Agglomeration areas | | Territory | | Population | |
|-------------------------------------|----------------|----------------|-------------------------|----------------|-------------------------|
| | | (sq km) | % of the national total | Inhabitants | % of the national total |
| 2 | Haskovo | 2002.0 | 1.80% | 184731 | 2.39% |
| 3 | Veliko Tarnovo | 1380.3 | 1.24% | 154045 | 2.00% |
| 4 | Sliven | 2243.5 | 2.02% | 173722 | 2.25% |
| 5 | Shoumen | 1244.3 | 1.12% | 130061 | 1.69% |
| 6 | Dobrich | 1405.2 | 1.27% | 119153 | 1.54% |
| 7 | Yambol | 1309.6 | 1.18% | 108397 | 1.40% |
| 8 | Pernik | 1024.7 | 0.92% | 121510 | 1.57% |
| 9 | Vratsa | 1770.9 | 1.60% | 132092 | 1.71% |
| 10 | Gabrovo | 1519.7 | 1.37% | 111526 | 1.44% |
| 11 | Kazanlak | 634.8 | 0.57% | 79464 | 1.03% |
| 12 | Blagoevgrad | 620.1 | 0.56% | 77462 | 1.00% |
| 13 | Vidin | 512.8 | 0.46% | 71222 | 0.92% |
| 14 | Kardjali | 574.7 | 0.52% | 68789 | 0.89% |
| 15 | Karlovo | 1095.6 | 0.99% | 67391 | 0.87% |
| 16 | Kyustendil | 959.4 | 0.86% | 65980 | 0.85% |
| 17 | Targovishte | 1673.4 | 1.51% | 95746 | 1.24% |
| 18 | Montana | 675.9 | 0.61% | 58422 | 0.76% |
| 19 | Lovech | 1835.1 | 1.65% | 92374 | 1.20% |
| 20 | Silistra | 1082.2 | 0.97% | 87479 | 1.13% |
| 21 | Razgrad | 652.8 | 0.59% | 56795 | 0.74% |
| 22 | Petrich | 1648.5 | 1.49% | 99401 | 1.29% |
| 23 | Dupnitsa | 329.1 | 0.30% | 49491 | 0.64% |
| 24 | Svishtov | 625.3 | 0.56% | 49255 | 0.64% |
| 25 | Smolian | 845.1 | 0.76% | 44705 | 0.58% |
| 26 | Velinograd | 803.1 | 0.72% | 41906 | 0.54% |
| 27 | Lom | 323.9 | 0.29% | 32135 | 0.42% |
| 28 | Gotse Delchev | 330.2 | 0.30% | 32022 | 0.41% |
| 29 | Panagyuriste | 598.9 | 0.54% | 27450 | 0.36% |
| Total 36 agglomeration areas | | 48056.2 | 43.29% | 5859239 | 75.91% |

3.4.2. Highly urbanised territories (urban agglomerations)

3.4.2.1. Human resources

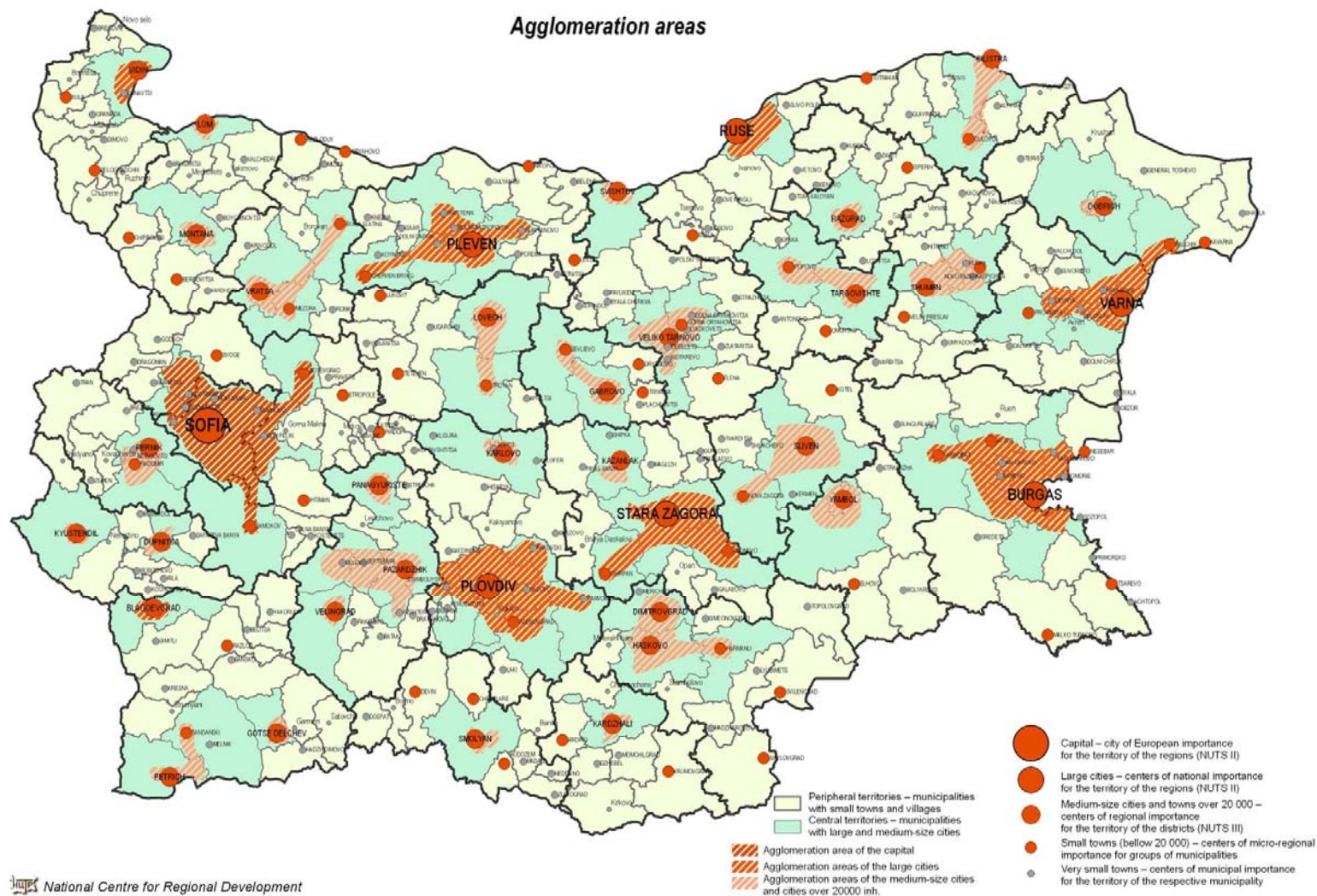
Over 75% of the population in the country lives in the designated agglomeration areas (5 859 239 people in 2005). A common feature of the demographic development in the agglomeration areas is the population decrease (with 1,43% for the period 2001-2005). An exception is only the agglomeration area of the capital, where the population has increased with 3.56%. For the rest of the country territory the population decreases with a higher intensity (4.77%).

Table 21: Dynamics of the population 2001-2005, NSI

| Types of territory | Population - number | | Changes 2005-2001 | % of the national total | | Population decrease 2001-2005, % |
|---|---------------------|-----------|-------------------|-------------------------|--------|----------------------------------|
| | 2001 | 2005 | | 2001 | 2005 | |
| Agglomeration area of the capital | 1 305 707 | 1 353 906 | 48 199 | 16.55% | 17.54% | 3.56% |
| Agglomeration areas of the large cities | 1 939 818 | 1 910 760 | -29 058 | 24.58% | 24.75% | -1.52% |
| Agglomeration areas of medium-size cities | 2 697 268 | 2 594 573 | -102 695 | 34.18% | 33.61% | -3.96% |
| Agglomeration areas - total | 5 942 793 | 5 859 239 | -83 554 | 75.31% | 75.91% | -1.43% |

| Types of territory | Population - number | | Changes 2005-2001 | % of the national total | | Population decrease 2001-2005, % |
|--------------------------------|---------------------|-----------|----------------------|----------------------------|---------|--|
| | 2001 | 2005 | | 2001 | 2005 | |
| The rest of the territory | 1 948 302 | 1 859 511 | -88 791 | 24.09% | 24.45% | -4.77% |
| Centers of agglomeration areas | 4 794 075 | 4 734 856 | -59 219 | 60.75% | 61.34% | -1.25% |
| Republic of Bulgaria | 7 891 095 | 7 718 750 | -172 345 | 100.00% | 100.00% | -2.23% |

Figure 13: Agglomeration areas



The *natural growth rate* of the population is negative. Despite the differences in the agglomeration areas, the rate is lower (-4,2‰) than the national average (-5,4‰ for the year 2005). For the rest of the territory it is 8,9‰ not only as a result of the low birth rate, but mainly because of the high death rate of the population.

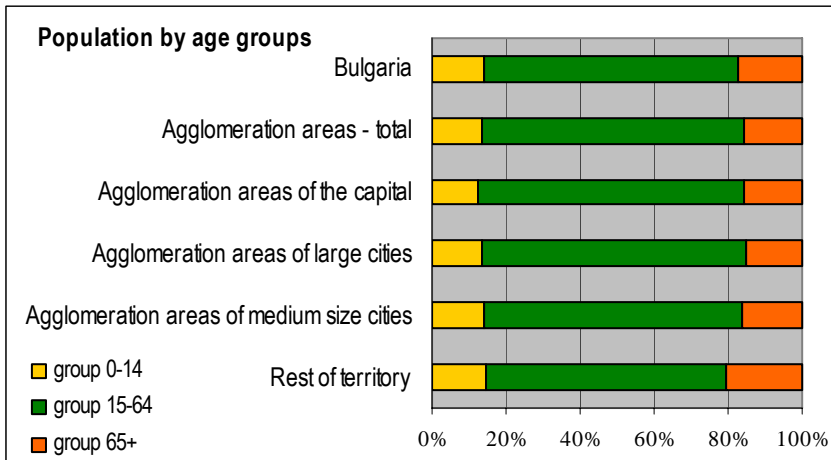


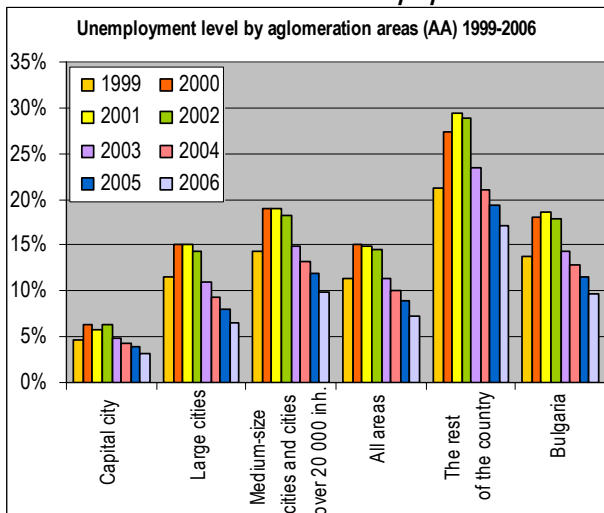
Figure 14: Age structure of the population

Disparities in the age structure of the population among the agglomeration areas are not large, however disparities between agglomeration areas and the rest of the country territory are substantial whereas the share of aged population in the latter is significantly higher.

The *coefficient of age dependence*, which is an indicator for the demographic load, is 44.5% as a national average, the share of the aged population being higher. For the period 2001-2005 an increase of the demographic load has been observed at predominance of the aged in the first place. In terms of differentiation by types of territories the low demographic load of the population in the agglomeration area of the capital city stands out clearly (37.8%). In the rest of the agglomeration areas the values for this indicator are also lower than the national average. The load is the highest in the rest of the country territory, where per 100 inhabitants in the "independent" age groups there are 55.9 inhabitants in the "dependent" age groups, including 22.3 young people and 33.6 aged people. The respective average ratio for the agglomeration areas is 41.2, including 18.8 young people and 22.4 aged people.

One major advantage of the agglomeration areas is the high educational structure of the population. 56% of their population has high educational level (secondary and higher) and the share of university graduates is above 20%. For the rest of the territory these values are respectively 40% and 11%.

73.1%³⁰ of the *economic active population* in Bulgaria is concentrated in the urban agglomerations.



The *rate of employment* presented with the employment rate (61.1% for 2005) is higher than the national average (55.8%). Services are the main source for employment (65%). Industry contributes with 30% and the agriculture - 5%.

Figure 15: Unemployment rate

The *unemployment rate (2006)* in the agglomeration areas is twice lower than the rest of the country (respectively 7.3% and 17.2, Sofia - 3,1%). The trend of higher unemployment level in medium-size cities remains constant in comparison with the large cities and the capital city.

³⁰ Source: Employment Agency

3.4.2.2. Economic performances and potentials

The positive trends of the economic growth recorded after 1997 are a result of the macroeconomic policy, as well as the ability of particular regions to use the potential of their own territorial capital. Data show that the main engines for such development are the cities and mostly the large ones.

Urban centres and their areas have crucial importance for the national economic achievements. Over 90% of the net sales revenues are generated in the urban centres.

Substantial differences have been observed in the level and dynamics of economic development within the separate agglomeration areas. The capital city agglomeration is the most dynamic and highly developed area of the country with dominant contribution to the GDP. In 2004, Sofia metropolitan area had produced 30% of the national GDP. Varna agglomeration area takes the second place in terms of growth rates. In the course of the last years, the majority of urban centres of national importance (predominantly the large cities) have been overcoming the slow trend of development and have directed their efforts for achieving higher growth. Despite of that, these centres still suffer a number of deficits and market failures, which generates the necessity of additional external impulse, in order to increase their competitiveness in national and international aspect.

Although the main productive capital is concentrated in the core-centres of the agglomeration areas, the evolving processes of intra-regional co-operation among the core-centres and their zones of impact bring dynamics to the entire agglomeration territory. These processes contribute to a certain diminishing of the intra-regional disparities by expanding the territory, which is the bearer of higher economic activity and by creating conditions for gradual increase of the growth rates through well-selected and focused interventions.

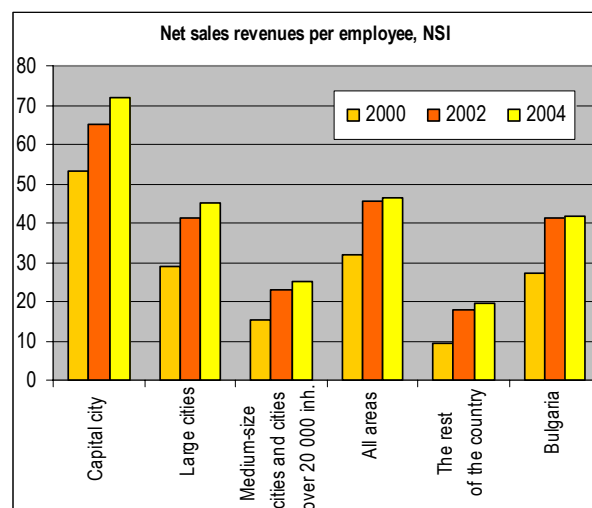
Figure 16: Net sales revenues per employee, NSI

The comparisons show a certain correlation between the productivity level (measured by the net sales revenues per employee) and the size of the cities (fig. 15). The capital city agglomeration has the highest labour productivity (twice higher than the large city areas, and four times higher than the medium-size city areas). It could be concluded that the capital city has the most effectively developing economy while the rest urban areas need priority interventions aiming to increase economic productivity and competitiveness.

This problem is closely related to the introduction of knowledge-based economy and the new information and communication technologies, as well as to the quality of human capital.

Most of the urban areas are characterised with rich sectoral and production spectrum with prevailing role of the tertiary sector, due to the fact that these areas provide services not only to the population living in the particular area, but also in larger territory, usually within the districts, planning regions and even the country. As positive trend in recent years could be recognized the observed transition from low- and medium-low technology subsectors to certain high- and medium-high technology activities like production of pharmaceuticals, agro-chemistry, storage batteries etc., where growth in employment and production output has been registered.

A particularity of the agglomeration areas is the higher entrepreneurship activity. The enterprise density in the identified agglomeration areas is more than 1.5 - 2 times higher than that in the rest of the territory



and there is a definite trend towards its accelerated growth in the areas of the big and medium-size cities.

3.4.2.3. Knowledge and innovations

The importance of certain urban areas for development of knowledge and innovations is defined by the concentration of educational, scientific and technical infrastructure. These areas concentrate:

- 55% of the schools and 71% of the students in Bulgaria. The high schools servicing area go beyond the defined agglomeration areas and has regional and even national importance;
- all institutionally accredited *higher schools* in Bulgaria (41 universities and specialized institutes and 43 colleges) situated in 12 cities except the college in Botevgrad. The number of the university graduates in technology and physical sciences remains high, which is a positive indication for the development of innovation potential in the country;
- most of the research centres in the country.

The condition of educational infrastructure in a large number of educational institutions features outworn premises and lack of specialized facilities and equipment needed for a modern educational process. Only in 2004-2005 the government invested considerable financial resources in computer and network infrastructure of schools, thus contributing to 20% growth of the e-Bulgaria index in 2005.³¹

According to NSI data for 2004, 44% of the R&D organizations operate in the public sector, 27,6% in the higher education sector, 26.5% in the business sector and 1.9% in the NGO sector respectively. In comparison to EU-15 countries, 70% of the employment in the R&D organisations is generated in the public sector which indicates a low internal demand for R&D by the enterprises, lack of organizational information and low market effectiveness of this sector in Bulgaria. In addition, another problem concerning the implementation structure and financing of R&D organizations is the worn-out facilities being de-capitalized and irrelevant to the modern R&D activities. 75% of the public investments are spent on current expenses, while the expenditures for new equipment are barely 4% of the total R&D expenditure³².

The expenditure for R&D as a percentage of the GDP is 0.51% (2004) with the highest level in Capital agglomeration area (1.37%).

The prevailing part of the innovation enterprises in Bulgaria (approximately one fourth in comparison to the EU) is concentrated in the above-mentioned urban centres. One of the reasons for that is the concentration of enterprises with foreign investments. However, according to the opinion of businesses, a considerable part of the foreign investments in the country does not introduce new science & technology progress³³.

3.4.2.4. Industrial business zones

Servicing of the investment activity and businesses in the country is entering a new phase, setting new requirements for the already established industrial zones and imposing the need for restructuring and building of new industrial sites equipped in a modern way and appropriate for localisations of new competitive productions. Municipalities and local authorities in urban centres like Sofia, Plovdiv, Varna, Stara Zagora, Dobrich, Shumen, Sliven, etc. are aware of these processes and have already started the preparation of new spatial master plans. This necessity is also typical for other municipalities where this process has not started yet due to lack of financial resources.

The condition of the presently existing industrial zones is unfavourable for the majority of the municipalities:

³¹ E-Bulgaria 2005. Applied Research and Communications Fund, 2005

³² Innovations.bg. Applied Research and Communications Fund, 2005

³³ Bulgaria 2010. Economic Challenges. Report by the President of the Republic of Bulgaria, 2005.

- The industrial zones of the cities occupy large areas on a fertile soil and often are even larger than the residential areas. The number of industrial zones in the cities is 2-3 with the exception of Sofia city, where there are 12 zones. The industrial sites cover between 10% and 30% of the overall city territory (Varna - 10%, Sofia – 14%, Plovdiv – 15,8%, Stara Zagora – 28%,etc.);
- Restructuring, privatization and liquidation processes of state-owned companies after 1990 led to the uncertain status and ownership of the industrial zones. For this reason part of the infrastructure has been despoiled, demolished, neglected, not maintained and amortized. The buildings of bankrupt enterprises are worn-out and unattractive and could be hardly modernized and used³⁴;
- Available unoccupied areas providing opportunities for new economic initiatives (including restituted or municipal land) are limited to 5-10%. This fact imposes the future settlement of new modern productions on "green field". Increased investors interest encouraged many municipalities to delineate new industrial sites. However, to a great extent this process runs chaotically without existing spatial plans;
- The newly established industrial zones as well as the existing ones face the problem of the insufficient infrastructure (road and railways connections, energy supply – electricity, gas, water supply, sewerage, telecommunications, etc.). The attraction of new investors and the expansion of companies' production are limited due to the lack of municipal resources for the construction of basic and related infrastructure of the zones. For this purpose, it is appropriate that these investments in the zones and the respective co-financing are shared between the state and municipal budgets.

3.4.2.5. Healthcare resources

The *healthcare* resources are related to the network of medical and health establishments and the medical personnel servicing the population not only of the territorial unit where they are situated but also this of other units. The prevailing part of medical resources is located in the capital, the large and medium-size cities. There are substantial disparities in terms of availability, accessibility and quality of medical services in the large and the medium-size cities and their surrounding areas.

More than two thirds of the medical establishments for hospital care in the country are built and are functioning in the agglomeration areas (over 200). They have 37 397 beds, which is 76% of the total beds in the national medical establishments' network. The number of multi-profile hospitals is 65 (almost half of the total number of this type of hospitals in the country). They include 72% of the beds of all multi-profile hospitals for active treatment. Another characteristic is the fact that within the agglomeration areas there are specialised structures, which amount to 68% of their total number in the country and 69% of the total beds. Almost all dispensaries (45 out of 49) are situated in the capital city and in the large and medium-size cities.

A total number of 23 000 doctors (82%) and 5 400 dental doctors (83%) have their practice in the health and medical establishments of these areas. The population of the agglomeration areas is in a more favourable position in terms of services provided by doctors and dental doctors e.g. one doctor services 238 people (the average for the country is 276), and one dental doctor - 1011 (country's average is 1199). In the rest of the country territory, the health and medical establishments are situated mainly in the municipal centres where the number of doctors and dental doctors is much lower than the average for the larger cities (one doctor per 420 people and one dental doctor per 2010 people). The availability of primary medical care is also insufficient – one general practitioner per 1410 people compared to the national average which is 1440.

³⁴ Preliminary definition of priorities and measures of the National Operational Programme "Regional Development", Institute for Public-Private Partnership, 2005

As a whole, the material resources in the agglomeration areas, as well as in the rest of the country territory are amortized and insufficient, which emphasizes the need for interventions in modernization and up-to-date equipment of healthcare centres and clinics and improvement of their accessibility.

3.4.2.6. Housing

National Housing Strategy³⁵ concludes that the reforms so far have been insufficient to put an end to the negative processes and to lead to overcoming of certain serious shortcomings and distortions in the housing sector, such as:

- deteriorating financial accessibility of housing (the price/income ratio is increasing, there is some shrinkage of the market and social housing is extremely inadequate to meet the demand that leads to a limited affordability with no more than 10% of households able to buy at the current market prices or rent privately);
- degradation of the both public and private housing stock because of inadequate management and maintenance;
- an extremely high level of private ownership leaving little flexibility for the public sector to influence the low-income rental market;
- dwelling typology dominated by prefabricated panel block apartments;
- the amount of budgetary allocation for housing is extremely low and is entirely directed towards inherited responsibilities of the state;
- lack of a housing subsidies system;
- no correlation between the housing markets and the housing credit markets – the share of credits is negligent as compared to the amount of investments needed for procurement of housing;
- very high levels of energy consumption due to poor thermal insulation;
- a surplus of dwelling units over the number of households leading to a high vacancy rate due to population movements and the subsequent low demand for housing in "unattractive" locations with lack of services and very poor physical conditions;
- available access to services but low quality and poor reliability.

There is an acute need of affordable housing construction, as well as of mass renovation of the existing housing stock.

Within the construction sector, investment in housing represented more than half. This housing development is predominantly in the private sector with the share of public investment for housing accounting for just over 10%. Outlays of national government for housing, planning and the environment have averaged about 4.5% of total budget outlays but the proportion is higher in the more recent years. Figures show that capital expenditure for housing is decreasing as government reduces direct subsidies and sees housing more as a private sector initiative. Municipalities have very little surplus that could be used for capital investment and the expenditures they make will generally be financed through national government transfers.

³⁵ http://www.mrrb.government.bg/docs/doc_416.doc

Table 22: Major indicators of the housing sector, 2004, NSI

| NUTS 2 regions | Dwellings total per 1000 inhabitants | | | Inhabited standard dwellings per 1000 inhabitants | | | Uninhabited dwellings % | Primitive dwellings | | |
|----------------|--------------------------------------|--------|----------|---|--------|----------|-------------------------|---------------------|--------|----------|
| | Total | Cities | Villages | Total | Cities | Villages | Total | Total | Cities | Villages |
| Bulgaria | 467 | 421 | 568 | 467 | 421 | 568 | 14.5% | 10359 | 7622 | 2737 |
| North Western | 523 | 446 | 634 | 523 | 446 | 634 | 15.7% | 208 | 119 | 89 |
| North Central | 488 | 430 | 605 | 488 | 430 | 605 | 8.0% | 1709 | 1340 | 369 |
| North Eastern | 449 | 425 | 491 | 449 | 425 | 491 | 13.7% | 2116 | 1715 | 401 |
| South Eastern | 450 | 414 | 528 | 450 | 414 | 528 | 23.6% | 1870 | 1138 | 732 |
| South Central | 436 | 403 | 496 | 436 | 403 | 496 | 15.0% | 1738 | 1095 | 643 |
| South Western | 486 | 427 | 731 | 486 | 427 | 731 | 14.5% | 2718 | 2215 | 503 |

The problems of the housing system have national dimensions. The regional problems are not so explicit (Table 22). In terms of total existing stock according to the indicator "dwellings per 1000 inhabitants", Bulgaria demonstrates higher values (467/1000) as compared to the European average (420/1000). A regional cross-section will take the North Western Planning Region to the first place (523/1000). It is important to emphasize that this indicator has an adequate diagnostic value under the conditions of balanced economies and developed housing markets. In Bulgaria, however, the huge number of uninhabited dwellings seriously distorts its representative value. For that reason values above 420/1000 do not indicate a high standard of housing saturation but rather point to depopulation and inappropriate housing quality. If we take into account only the *inhabited standard dwellings*, the indicator "dwellings per 1000 inhabitants" achieves its realistic values. They are much below the European average.

Primitive dwellings are one of the indicators for acute demand of *social housing*. The values are compatible with the total yearly production of new housing but not with the scale of construction of social housing. Most of the primitive dwellings are inhabited by minority communities and are overpopulated. The North Western Planning Region is in relatively the most favourable position with respect to this indicator (Table 23).

Closely related to housing quality are the *age characteristics of the housing stock*. The available data indicate that most of the housing across the region was built after the World War II. The oldest part of the stock, built before 1919, constitutes only about 2% of the total against the EU average of about 18%. Investment in housing provision during communism has resulted in waves of new construction, particularly in urban areas since the 1970s, to respond to urban growth. A principle feature of the housing system in Bulgaria was that new housing was built by state enterprises for rent or sale, while rural areas experienced growth in the production of single family self-built housing. The output from 1946-1970 was 34% and 1971 to 1989 – 32%. Housing production in post-transition years added close to 18%. Another housing feature, along with the premature ageing of the housing stock, is the large existence of multi-family panel apartment blocks. In Bulgaria, there are some 18,900 panel apartment blocks containing 707,096 dwellings—21% of current Bulgarian housing stock--inhabited by more than 1.7 million people. The life expectancy of multi-family panel blocks is approximately 50 years and a significant portion of this stock no longer complies with technical standards. It has been estimated that 10% of panel dwellings are in need of urgent repairs.³⁶

³⁶ Sasha Tzenkova, Trends and Progress in Housing Reforms in South Eastern Europe, World bank, 2005

Table 23: Major indicators of the housing sector, 2004 (cont'd), NSI

| NUTS 2 regions | Deteriorated housing stock | | Public dwellings | | Overpopulated dwellings | |
|----------------|----------------------------|-------|------------------|------|-------------------------|-----------------------|
| | Qty. | % | Qty. | % | > 2 occupants per room | >3 occupants per room |
| Bulgaria | 496479 | 13.5% | 109853 | 3.0% | 169796 | 48670 |
| North Western | 52382 | 18.6% | 5493 | 2.0% | 12161 | 3850 |
| North Central | 124198 | 21.2% | 15583 | 2.7% | 22243 | 5629 |
| North Eastern | 76388 | 13.0% | 15623 | 2.7% | 25689 | 6860 |
| South Eastern | 35995 | 10.1% | 8398 | 2.4% | 19079 | 6302 |
| South Central | 91773 | 10.7% | 22995 | 2.7% | 40844 | 13168 |
| South Western | 115743 | 11.4% | 41761 | 4.1% | 49780 | 12861 |

Bulgaria embarked on the period of transition with more than 93% private ownership in dwellings. The processes of privatization and restitution did not lead to any significant changes in the ownership on dwellings, or in the structure of habitation. According to the available statistical data in 2005 the distribution of the housing stock per type of ownership was 96,8% private and 3,2 public (municipal and central), the share of the latter being the highest in the agglomeration areas of the capital (6%) and the big cities (3.6%) (table 24).

Table 24: Territorial distribution of the housing stock per type of ownership, 2005, NSI

| Agglomeration areas | Public, municipal and central | Private |
|---|-------------------------------|---------------|
| Agglomeration area of the capital | 6,0% | 94,00% |
| Agglomeration areas of the large cities | 3,6% | 96,40% |
| Agglomeration areas of medium-size cities | 2,7% | 97,30% |
| Agglomeration areas - total | 3,7% | 96,30% |
| The rest of the country territory | 1,8% | 98,20% |
| R of Bulgaria - total | 3,2% | 96,80% |

Source: Calculated from figures of NSI

An important aspect of the living standard is the density of occupation of dwellings. Dwellings with more than two occupants per room are considered to be overpopulated, and those with more than three occupants – gravely overpopulated³⁷. The former group is transformed into a direct demand for social housing. In figures this demand is the highest in the South Central Planning Region, followed by the Southwestern Planning Region. This does not at all mean an attempt to underestimate the problem in the rest of the planning regions.

Municipalities have regulatory outlined responsibilities concerning the care for the social building stock, however they have no resources for its maintenance. They are entitled to initiate investment projects for renovation and restructuring of the housing estates. At the same time National Housing Strategy states that only 3% from the total housing estates are state or municipal property.

Legal reforms introduced in the mid-1990's provided the legal framework for the organization of owners, as well as procedures for the enforcement of rules and obligations. The new legislation defines Condominiums as the institutional entity which manages multi-apartment housing, meets financial obligations, initiates contracts, and renewal projects.

Real housing markets are just emerging and are localized only in the big cities. Demand backed by adequate solvency is heavily shrunk. Supply is manifold higher. In the big cities there is a large number

³⁷ Data about homelessness is not available. Housing use in the event of three and more occupants per room may be considered as a category of homelessness, however such a status has not yet been recognized under the legislative framework of Bulgaria.

of newly constructed housing that is waiting for their first buyer while at the same time the number of households suffering from housing needs is growing.

The sole alternative with respect to affordable rented housing is the public sector. As a consequence of privatization during the recent 10-12 years it has been reduced to symbolic shares. The share of public rented housing remains relatively the highest in the South Western Planning Region (and that thanks to the capital city). The social "buffer" is being liquidated at the most accelerated pace in the North Western Region. This process comes in contradiction with the raising poverty and the need of social housing.

Bulgarian legislation does not charge the state with any direct responsibility to build housing and to accommodate those whose housing need has been demonstrated. It is the municipality that is charged with core responsibilities in resolving citizens' housing problems. Although not sufficiently exercised, also due to the lack of appropriate financial resources for capital investment as outlined above, the powers granted to municipalities in terms of the conduct of urban development policy and property management, provide for specific conditions and particular features to be taken into consideration. Legislation opens an opportunity by means of the introduction of alternative rules and standards to allow a legal deviation to meet the special needs for social housing.

3.4.2.7. Physical environment and public works, culture, and cultural-historical heritage

The unsatisfactory condition of physical environment and public works in the cities in many cases restricts their development.

The sprawling of cities is usually related to the need of additional resources (water, energy, urban-spatial planning, etc.), the exploitation of which damages the environment (surrounding the cities) and leads to a greater environmental pressure (pollution, waste, soil contamination, corrosion) within the urban area and their outskirts.

The condition of technical infrastructure networks and public works does not meet adequately the urban needs and obstructs the proper functioning of the cities. Water supply and sewerage networks are outworn, obsolete and incomplete. Physical environment is spoiled and buildings have been depreciated. Public works (road pavement, pedestrian walks, greening, city centres and architecture) are one of the strongest weaknesses of the settlements in the country. Many serious efforts in this field are of urgent and primary importance for the Bulgarian cities.

Agglomeration areas have been developing around large cities, but the massive construction is insufficiently controlled. Large residential areas have been built, yet presently not integrated into the structures of the traditional communities.

The residential areas in the cities are not entirely constructed and lack public utilities, panel buildings do not meet the common requirements for housing comfort and energy efficiency. In some small towns the panel buildings violate the urban structure and the traditional urban image. Henceforth, a continuous process of restructuring and modernization of the residential quarters and sanitation of the panel buildings is forthcoming. This requires timely and careful direction of policies, in order to preserve enough spaces for public functions and greening.

Cities must meet the new challenges, which came with the selling of state-owned flats to their tenants. Most of the inhabitants of these flats cannot afford expenses for maintenance and renovation, which accelerates depreciation of the quarters, decline and social segregation. In order to avoid such obstacles, appropriate tools and acceptable financial solutions should develop and implemented because of special policy in this field.

The condition of the established green systems in cities with minor exceptions is unsatisfactory. The public green areas are limited, badly maintained and subject to serious aggression. The need for extending the green areas in cities and their surroundings is evident. Despite this growing need, destruction of green areas has been witnessed because of improper construction activities.

The physical environment in small towns and rural areas has not been seriously damaged, but public works systems are underdeveloped. The street network is difficult for maintenance, especially in the villages. Sewerage systems cover only the larger settlements. Introduction of energy efficient street lighting has not yet become a widespread practice.

The condition of public buildings (cultural, educational and health) is also unsatisfactory, especially in villages. Unaccomplished construction mainly of cultural sites in the cities is a serious problem for the municipalities. Still there is no interest and mechanism invented for their completion. Possible solutions should be found for completing the construction of municipal-owned buildings in compliance with the present needs of the cities.

The activities related to maintenance and preservation of cultural and historical heritage in the settlements are not sufficient. Their new socialization is still forthcoming and it could play a decisive role for their transformation from object of preservation into an instrument for urban development. This public need is not yet fully recognized and witnesses unacceptable and even criminal attitude and destruction of monuments, in order to realize other investment initiatives and business interests.

3.4.2.8. Environmental Protection Infrastructure

The *water supply system* *in situ* covers 5031 human settlements with 98.9% of the population (2005). In the agglomeration areas 99.6% of the population is water supplied. The few exceptions to this are the agglomeration areas of Kardjali (92.6%), Razgrad (93.8%) and Smolyan (95.8%). The difference between the identified agglomeration areas and the rest of the country territory is not big either – 99.9% vs. 97.0%. One positive fact is the general reduction of the population facing difficulties with respect to drinking water supply (seasonal or the year-round) – from 21.0% in 2001 to 10.3% of the water-supplied population in 2003. Affected by water rationing is a total of 9.5% of the population for all the identified agglomeration areas, while for the rest of the country this figure is 12.3% of the population.

Despite the high degree of construction of the water supply systems in the human settlements, the majority of them (more than 88%) have been constructed in the period 1960-1980 using asbestos-cement and steel pipes. This feature makes these systems obsolete from technological point of view and physically gravely depreciated, leading to high rate of breakdowns, low performance efficiency and high rate of losses.

In 2005 only 68.9% of the population was covered by sewerage networks and 39.9% was connected to wastewater treatment plants. This share is again the highest for the agglomeration area of the capital (94.3%), within the scope of the agglomeration areas of the big cities (80.5%) and the medium-size cities (72.9%). Total for all the identified agglomeration areas 80.9% of the population is covered by the public sewerage network. For the rest of the country this figure is 44.0%.

In 2005, a total of 56 wastewater treatment of plants has used the waste from WWTP for producing energy were *in situ* and in regular operation in the country. Two of them are in the agglomeration area of the capital, 18 within the scope of the agglomeration areas of the big cities and 16 of the medium-size cities. Twenty wastewater treatment plants are in operation in the rest of the country. The highest number of wastewater treatment plants has been constructed along the Black Sea region – in Varna District (11) and Bourgas District (7). There are no wastewater treatment plants in districts like Blagoevgrad, Vidin, Kardjali, Rousse, Silistra, Targovishte, Haskovo and Yambol. Substantial efforts are still urgently needed for curtailing and eventually total ban on discharging of harmful substances in water, as well as for minimizing of the potential risks for the environment and human health.

In 2005, the waste collection system covered 87.82% of the country's population extending mainly to the inhabitants of the big cities. Waste collection services are available to the highest extent to the inhabitants of the city of Sofia (100%), followed by Gabrovo (94.5%) and Kyustendil (92.8%). The cities in the least favourable situation are Silistra where this service is available to hardly 47.1% of the population and Targovishte with 49.5%.

The general reduction of the emissions of certain pollutants observed after 1991 is above all the result of the curtailing of production activities. The trend towards reduction of the annual concentrations of lead aerosols in the agglomeration urbanized areas and the rest of the country territory persists as a result of the ban on the use of leaded benzenes and the introduced system of control of fuels.

The existence or absence of polluting manufacturing activities has the strongest impact on the state of the environment. In 2005 the Maritsa-Iztok Mining and Energy Complex, which is within the agglomeration area of Stara Zagora, had the greatest contribution to the local air pollution. About 66% of the total emitted sulphur oxides, 23% of the nitric oxides, 41% of the carbon dioxide have been emitted in this area. Problematic facilities, producing big quantities of harmful emissions, continue to be the agglomerations, in the area of which there are situated chemical and copper enterprises – Sofia-Kremikovtsi emissions (carbon oxide, carbon dioxide, nitrogen oxides); Dimitrovgrad (ammonia); Varna agglomeration area in the area of heavy build-up of environmental problems Devnya (nitric oxides, nitrogen dioxide and ammonia); Bourgas (non-methane volatile organic compounds), Pernik, Rousse, Svishtov.

Specific urban environmental issues are flood and fire prevention infrastructure.

- The heavy rainfalls, floods and other calamities that have occurred in Bulgaria have left devastating consequences on the infrastructure and the regional and local economies. In addition, many human lives have been jeopardized. The rainfalls have caused extensive flooding, material damages and even victimized the population. Potential danger of new and larger floods still remains possible. These floods could provoke subsequent swamping of the urban areas and harm the existing urban environment.

Concerning fires, statistics show that for the period 2000-2006 there were registered 19.6 fires per 1000 people in Bulgaria compared to 2.7 in Greece, 2.5 in Germany, 0.4 in Romania³⁸. Emergency risks are above the average in the largest cities especially in Sofia, Varna, Burgas, Plovdiv, Pleven and Stara Zagora³⁹. It is very important to address this issue because of the higher number of tourists visiting the large cities⁴⁰.

3.5. Regional accessibility and transport endowments

3.5.1. Transport accessibility

The efficiency of the transport infrastructure is of decisive importance for the regional development and a major factor for the regional competitiveness and cohesion.

The intra-regional disparities in Bulgaria were generated in great extent by the different access of the regions to the national and international transport infrastructure. Improvement in the transport accessibility through upgrading of the transport infrastructure also has a strong social impact.

The capital city and the large cities of national importance have also been recognized as transport centres served by highest-class road infrastructure (highways and/or 1st class roads) and well developed redistributing regional road network. As a result, the agglomeration areas have better accessibility. Having in mind, that the average transport distance is about 30 km, it means that most of the people living in the agglomeration areas reach city centres within 30 minutes.

The medium-size cities of regional importance (with some exceptions like Dobrich, Smolyan, Svishtov cities) are also served by higher class road network but the redistributing regional road network is not well developed everywhere (especially in the mountain and border regions). Therefore, the accessibility to some of these cities is restricted. More than 50% of the population in the agglomeration

³⁸ Source: CTIF – International association of fire and rescue services, annual reports.

³⁹ According to National fire directorat statistics.

⁴⁰ More than 10 mln. annually, including this from EU countries (60%)

areas reach these centres within 30 minutes. The access to the rest of the regional centres is provided to 40-50% of the population. The most difficult is the access to the centres of the agglomerations of Smolyan and Blagoevgrad to which less than one fourth of the population has access within 30 min (for Sofia District – 10%). Half of the population of Smolyan District needs more than 2 hours to reach the district centre, in the districts of Kardjali and Blagoevgrad – one third of the population faces the same problem. In fact, these are the districts facing most severely the problem of transport accessibility due to the mountainous features of the territory and the traditional backwardness in the construction of the regional road network.

Connectivity of the very small towns and villages to the big cities is difficult because of the poor state-of-repair of the roads, which are not capable of meeting the needs of the traffic. As a consequence of that these settlements will continue to be isolated and the tapping of their potential for economic revival will be seriously delayed. The municipal road network (which accounts for more than 55% of the total length of the road network in the country) complements the missing links; however its construction and maintenance suffer from acute shortage of funding.

Therefore, urban centres and metropolises need to be efficiently linked to one another, to their respective surrounding areas and to the world economy. Transport opportunities are important factors in promoting the polycentric development.

In view of the fact that the majority of the 2nd and 3rd Class road network is heavily depreciated, there is an urgent need of its upgrading to make it capable of carrying regular passenger traffic and thus ensure the population good-quality transport services in terms of travel safety and shorter trip duration. Approximately 65% of the 2nd Class roads and 70% of the 3rd Class roads need reconstruction and rehabilitation. Rehabilitation efforts should rank as a priority in order to avoid the need of the more expensive reconstruction at a later stage. Some of the roads do not have asphalt layer (2% in the southern areas of Yambol and Bourgas Districts); about 1.5% of the road network in North Western Bulgaria has crushed-stones pavement; the access to the western parts of Sofia, Pernik and Kjustendil Districts is also very difficult.

The shortage of financial resources for rehabilitation and upgrading of public roads obstructs the access of the enterprises to the main markets and the more rapid integration of the regional economies in the European space. In the underdeveloped peripheral areas the difficult access by transport leads to absence of efficient economic activities, high unemployment levels, a process of depopulation of the settlements and poor provision of public services.

Facilitating spread effects by improving the transport connections between the cities and surrounding areas through reconstruction and upgrading of the existing links will permit significant reduction in the duration of trips which in turn will broaden the scope of impact of the key regional centers, offering services of a specified higher level. It would further improve the accessibility of peripheral and underdeveloped areas to the large industrial economic centers. This applies to an even greater extent for the regions in the northern end of the country and especially to the North Western and the North Eastern planning regions where for about 35% of the population it takes more than 90 minutes to get to such a center.

Taking due account of the economic, social and environmental effects, the regional development policy has as its major priority the reconstruction and upgrading of the 2nd and 3rd Class road network, since:

- this shall result in improvement of the accessibility by transport to the main transport corridors;
- It services the intra-regional connections in the regions and provides opportunities for development of their specific economic potential;
- It ensures access to economic activity for the underdeveloped and peripheral areas.

3.5.2. Urban transport and transport services to surrounding areas

The segment of urban and urban-side transport cannot be assessed precisely, because of the increasing number of private cars and due to the massive introduction of mini-bus transport services in almost all larger cities in the country. The demand for public bus, trolley, trams and metro transportation services (the last two are only available in Sofia) was gradually increasing until 1999 (1,23 mln. travels), but since then a decrease has been registered (816 thousand travels in 2003)⁴¹.

The data about traffic intensity along the national road network does not show substantial automobile traffic growth along the open roads, i.e. inter-city travels. At the same time, there is a considerable traffic growth along the ring-roads and the peripheral urban roads which is an indicator for intensive use of private automobiles for intra-urban and near-urban travelling. In this way, the existing conflict with transit automobile traffic that is constrained to cross settlements, because of the insufficiently built ring road connections requires prompt measures for solving this increasing problem.

The largest part of public transport travels are generated within the large city agglomerations like Sofia, Plovdiv, Varna, Bourgas, Rousse, Stara Zagora and Pleven. The heaviest traffic-loaded transport stations are those in Sofia, with about 14,5% of the tickets sold in Bulgaria, followed by Plovdiv – 8,9%, Varna – 4,4%, Pleven – 2,1%, Mezdra – 1,9% and Bourgas – 1,9%.⁴²

As a whole, the railway services do not meet the requirements of the passengers, especially in terms of frequency and duration of travels. The rolling stock is in poor technical and sanitary conditions. The quality of public bus transport services is not good as well. Problematic for the bus transport remain mostly the safety of travels and to some extent the fixed arrival time, as well as the lack of complex multi-modal service (bus – bus or bus – train).

The mini-bus transport is a comparatively new service (provided mainly by private companies) which has been growing over the last years. It is growing and well established on the market. After its success in the urban transport services, the mini-bus travels have been also introduced for the peripheral urban areas.

The continuous urbanization process will probably lead to growth of urban travels in larger agglomerations and will bring serious problems to the urbanized territories like increased usage of automobiles, decreased demand of urban public transport, and lower standard of provided transport services, increased necessities of state/municipal subsidies, traffic jams and harmful environmental impact.

Development of sustainable urban transport systems, friendly to the environment is of significant importance. This requires that large cities should aim to increase the number of passengers using trolley, tram and underground transport (Sofia) with 30% until 2013 and should also design programmes for construction of cycling lanes, bicycle parking lots, etc. This could become possible only if public transport and inter-modal systems are well developed, effective and attractive. Highlighting the advantages of public transport systems could achieve geographic and social integration between regions and cities and provide equal access to labour market and social services.

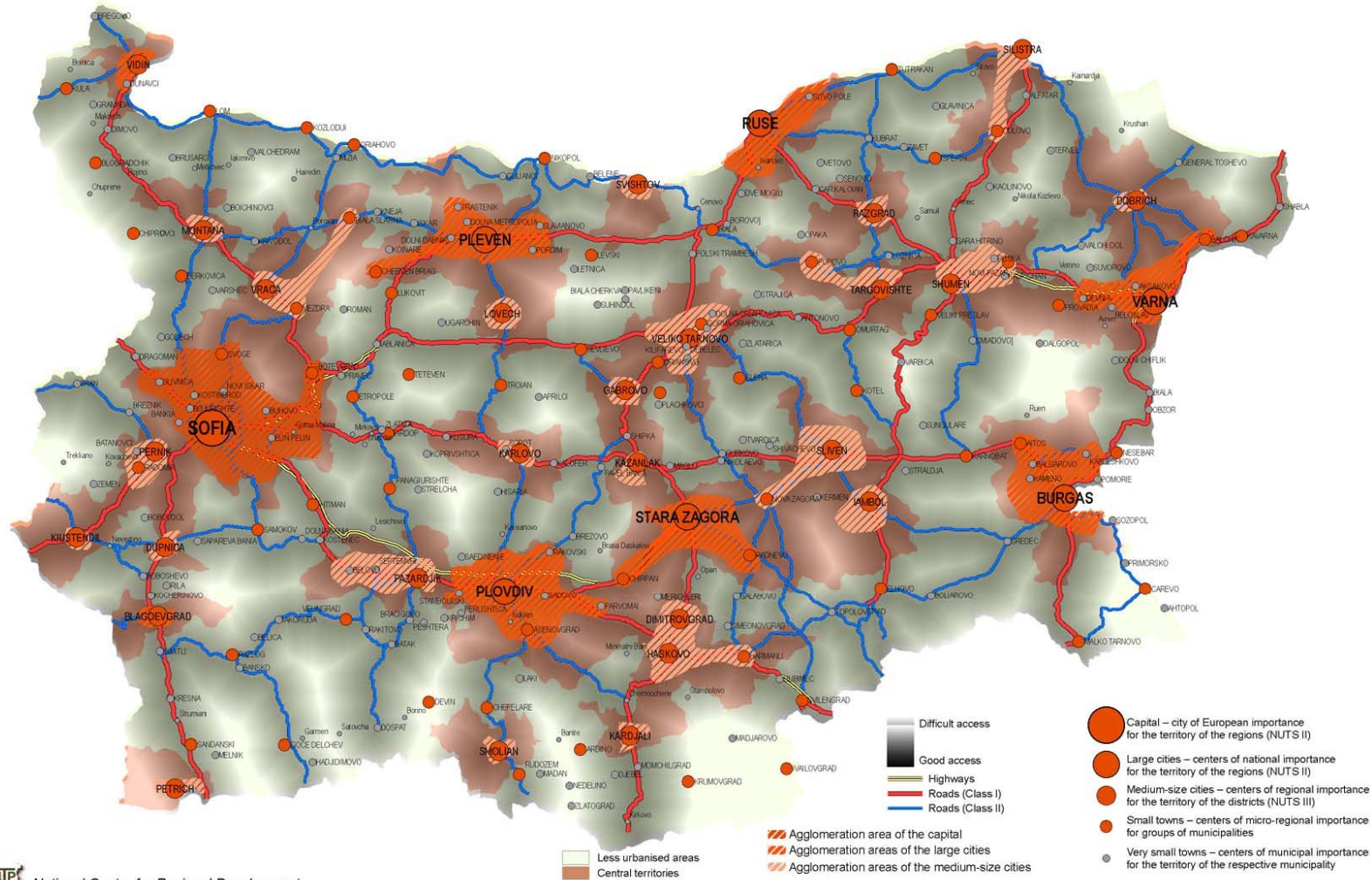
Organization of urban systems and functions, including those with important functions in the rural areas, small and medium size cities should be planned in a manner for supporting balanced socio-economic development of the territories. In this sense, special attention should be paid to territorial distribution, development of public and private services, cultural and educational sites, healthcare, transport and logistics in particular. Facilitating the access of rural areas to the urban functions will encourage the establishment of new city-village relations for promotion of development.

⁴¹ Source: NSI

⁴² Source: Bulgarian State Railways

One serious problem is the inadequate efficiency of the current systems for control of the processes in the urban public transport which hinders decision-making based on operationally viable and future-oriented solutions concerning its organization and management. The introduction of automated systems for traffic control and management of the urban transport processes will ensure improvement of the quality of the service in urban public transport.

Figure 17: Transport accessibility



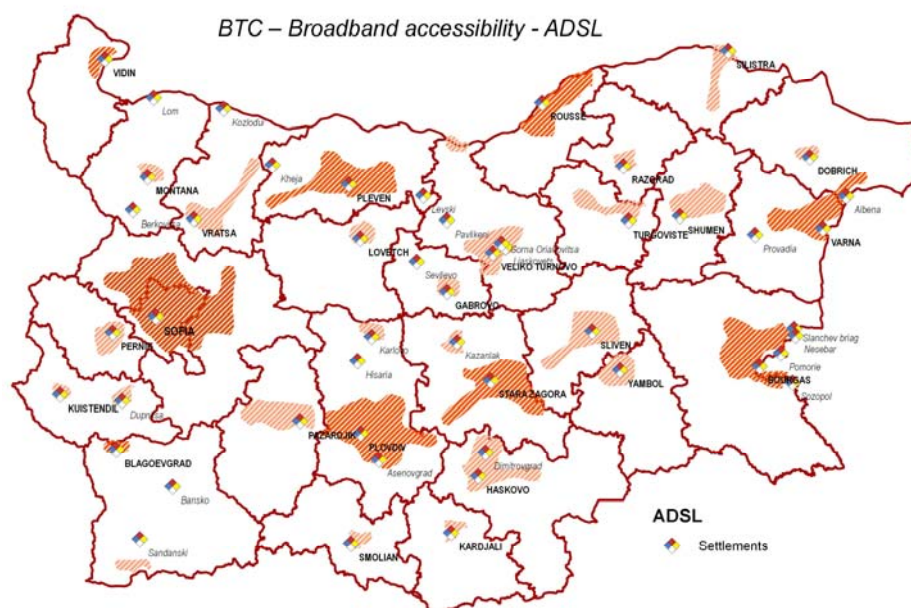
The contemporary development of urban transport and transport services for the surrounding areas requires definition of new goals of the transport policy. These goals are restoration of the balance among the different types of transport, development of inter-modal transport, traffic jams management, safety measures and service quality, while the mobility should be preserved and the city-village connections should be intensified at the same time. One of the major challenges is to set up common and fair principles of defining the infrastructure tolls for the different types of transport. This new infrastructure tolls framework should simultaneously promote the usage of transports, which are less hazardous for the environment, the development of less traffic-loaded networks, as well as to trace out new ways for financing the infrastructures.

3.5.3. ICT development

The accelerated infrastructure development rates and the access to telecommunications in the big cities as compared to the medium-size cities, and even strongly manifested as compared to the small human settlements, leads to aggravation of the territorial disparities and the utilization of Information and Communication Technologies (ICT), which in turn affects the regional economic growth and competitive capacity. The allocations by the public funds in support of development in the field of electronic communications acquire significant importance for diminishing of regional disparities in the access to electronic services and development of information society. The low degree of penetration of this kind of services may be explained by the limited market and respectively the low level of investments, which in the under-urbanized and peripheral areas is near the critical minimum.

The density of the fixed telephone lines in Bulgaria is high, however in comparison with that of the EU-25 the country is lagging behind in terms of the indicator digitalization of the fixed telephone networks. According to the Bulgarian Telephone Company (BTC), by April 2006 the level of digitalization has reached 48%, whereat for Sofia and other big cities the level is nearly 80%. For the agglomeration areas of medium-size cities of regional significance the rate of digitalization oscillates around the national average values. The completion of the modernization of the telecommunication transmission networks and acceleration of the digitalization of the local networks, parallel with the expansion of the local telecommunication networks in the underdeveloped and peripheral areas, is of decisive importance for improvement of the access to ICT and of the general socio-economic environment at these locations.

Figure 18: Broadband access



Since mid-2004 BTC started to offer **broad-band access to Internet** (ADSL services) in the district centers – with great delay as compared to all other European states. The broad-band access expanded its coverage in 2005 and gradually extends the service to cover other important centers of the settlement network. In 2005 10.6% of the population took advantage of the broad-band access to Internet as compared to 10.8% for the EU-25. Nevertheless, yet the users of this service are mainly concentrated in the area of Sofia.

There has been significant improvement of the access to Internet on the national level during the past year in terms of connection opportunities, speed and affordability. Prior to the expansion of the coverage of the cable networks the basic mode of access to Internet was the dial-up via the fixed network. Since the beginning of 2005 the majority of the former dial-up subscribers re-oriented themselves to the new broad-band services, whereat according to experts assessments the distribution of the retail market (with due account taken of the respective consumption by predominant type of access) is approximately the following: Dial-up and ISDN – 10 %; ADSL – 10 %; Cable Internet – 30 %; UTP-at-Home (LAN) – 50 %⁴³. Step-by-step expansion is observed also in the commercial offer of the "triple service" – simultaneous provision of Internet, cable TV and voice mail.

Table 25: Profile of Internet usage, as per access locations (%)

| Settlement | Home | Friends and relatives | School or university | Working place | Libraries, tele-centres, community centre | Internet cafes/clubs, etc. |
|----------------------|------|-----------------------|----------------------|---------------|---|----------------------------|
| Sofia – capital city | 32,5 | 42,5 | 29,3 | 35,6 | 23,7 | 13,0 |
| Large cities | 51,7 | 20,8 | 46,9 | 45,5 | 49,1 | 46,6 |
| Medium-size cities | 15,8 | 26,9 | 18,9 | 17,5 | 27,3 | 15,4 |
| Rural area, villages | | 9,8 | 4,8 | 1,4 | | |

Source: Applied Research and Communications Fund

It is necessary also to expand the access to and use of the ICT networks and services in view of the increasing role of information, *especially in the smaller towns and the villages*, where the public places for access to information are the only opportunity for many users, however many of which are not in place yet. Providing conditions for ICT penetration beyond the big cities will create possibilities for broader access to services for both the population and the businesses in the surrounding areas, as well as for linkage to broader national and international information sources. Building of public information systems and guaranteed provision of on-line services for the entire public sector, including facilitated access for the handicapped, is an indispensable step towards the information society. So far the penetration of the on-line services for the public sector institutions (social, cultural and in the field of health care) is strongly limited.

3.5.4. Accessibility to natural gas supply

There are clearly manifested regional differences in the accessibility natural gas infrastructure as an alternative for raising the efficiency of energy supply and a factor for improvement of regional competitiveness.

The well-developed gas transportation network in the country serves for transit transportation of natural gas to neighbouring countries and has been constructed with the objective to ensure gas supply to large industrial enterprises, many of which are no more in operation. At the same time the construction of gas distribution networks and household gasification to take full advantage of the direct use of natural gas (cost-effectiveness, energy efficiency and protection of the environment) is as yet making its first steps. In this respect, Bulgaria lags significantly behind as compared to the EU countries. While gas distribution networks cover more than 80% of the municipalities in the European countries, natural gas supply in Bulgaria is available on the area of

⁴³ Applied Research and Communication Fund, Report E-Bulgaria 2005

some 35-40 municipalities, which represents only 15% of the total number of municipalities in the country. Less than 1% of the households are gasified, while the average level for the EU countries is over 50%.

Bulgaria is divided into 5 gas distribution regions with identified territories for construction of gas distribution networks. It is worth noting that at this stage these regions do not comprise municipalities that are situated at a greater distance from the main gas transportation pipelines and the main distribution branches from them. There is "market failure", as market forces alone are not sufficient for securing the gasification of over ½ of the municipalities in Bulgaria, for which no investor's interest has been shown due to the lack of constructed gas pipelines to the respective municipalities. Ensuring access to a prospective and efficient energy resource for industry, households and public buildings in municipalities, which are not included in the list of the identified territories for gas distribution (the gas distribution regions), is an important condition for improvement of the business environment and promotion of economic development and competitiveness.

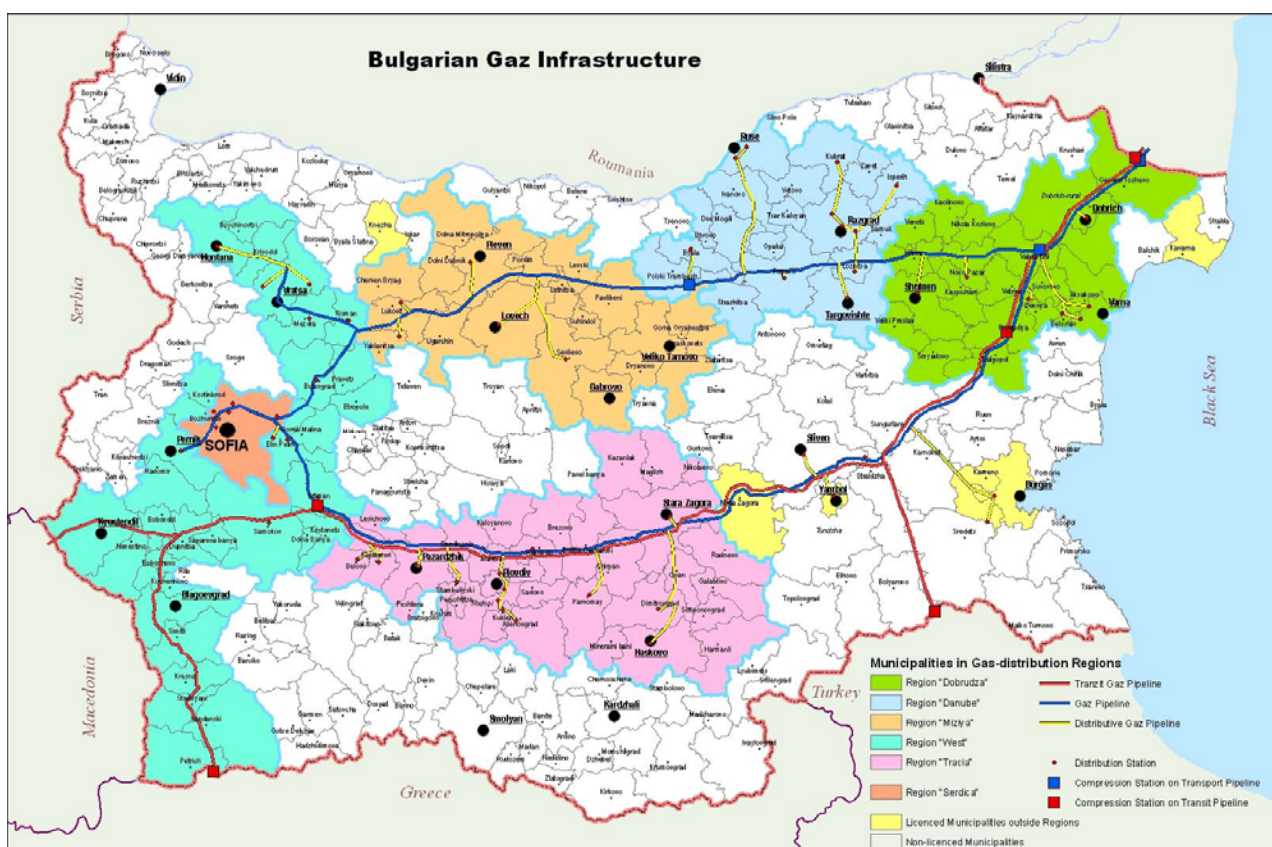


Figure 19: Bulgarian gas infrastructure

The gas distribution branches from the gas transportation network to the city of Sofia and the agglomeration areas of all large cities are in place since a long time and on these areas there is a possibility for development of gas distribution networks for gasification of industry, households and the public facilities. The recent trends in the economic developments on the market and especially in the territorial expansion of the city of Sofia and the big cities point to a significantly broader range of opportunities for development of gasification in these areas, mainly in the peripheral areas, which are not covered by district heating networks but possess capacity for development of new production zones.

Table 26: Localisation of the municipalities with respect to the gas distribution regions

| Types of territories | % of the municipalities falling within the scope of the identified territories for gas distribution | % of the municipalities having distribution branches from the gas transportation network in place | % of the municipalities outside the boundaries of the gas distribution regions |
|---|---|---|--|
| Agglomeration area of the Sofia city | Yes | Yes | |
| Agglomeration areas of the large cities | 100% | 100% | |
| Agglomeration areas of medium-size cities | 71% | 50% | 29% |
| Agglomeration areas total | 74% | 58 | 26% |
| The rest of the territory | 41% | 7% | 59% |
| Republic of Bulgaria | 50% | 15% | 50% |

The agglomeration areas of the medium-size cities possess probably the best prospects for development of gas distribution networks since three quarters of them fall within the boundaries of the identified territories for gas distribution and there are branches of the gas transportation system already in place to their respective area. Outside the identified territories for gas distribution remain the agglomeration area of Vidin, Karlovo, Kardjali, Svishtov, Silistra and Smolyan; however there exist possibilities for access to the gas transportation network through extension of the already constructed branches or construction of new branches to their area. Construction of gas distribution network to the respective municipalities for facilitating their gasification will contribute for the development of a competitive local environments and diminishing of the intra-regional disparities.

In the rest of the territory, outside the agglomeration area, 40% of the municipalities fall within the boundaries of the identified areas for gas distribution, whereat only around 10% of them have branch pipelines from the gas transportation system in place, since the absence of big human settlements on the area makes their gasification at this stage unattractive for private investors. This "gray zone" needs to the highest extent specific measures for improvement of the local competitive capacity and promotion of investor's interest. Creation of conditions for construction of gas distribution networks and conducting of natural gas to these areas will provide an opportunity for improvement of the general conditions for their development.

The following analysis shows the territorial potential for increasing share of electricity produced by RES within Country's electricity balance:

- **Water Energy**

The energy potential of the water resources of the country is used for the production of electricity by hydroelectric power plants and is strongly dependent on the seasonal and climate conditions. HPP are actively involved in covering peak loads and on days of maximum loading of the system, the HPP used capacity reaches 1,700-1,800 MW.

Hydroenergetic potential of Bulgaria is over 26,500 GWh (~2 280 ktoe) per year. There are possibilities for construction of new hydro-energetic capacities of total annual production of about 10,000 GWh (~860 ktoe).

Table 27 presents the evaluation of the theoretic energy resource of water energy in five main river basins.

Table 27: Technical Potential of Water Resource by Regions and Total for the Country

| Region | Technical potential GWh/per year | | |
|-----------------|----------------------------------|-----------|-----------|
| | Big HPP | Small HPP | Total HPP |
| Sofia city | 500 | 16 | 516 |
| Bourgas | 400 | 76 | 476 |
| Varna | 100 | 13 | 113 |
| Lovech | 1 700 | 117 | 1 817 |
| Montana | 1 420 | 196 | 1 616 |
| Plovdiv | 4 665 | 79 | 4 744 |
| Rousse | 500 | 41 | 541 |
| Sofia region | 2 885 | 177 | 3 062 |
| Haskovo | 2 130 | 41 | 2 171 |
| For the country | 14 300 | 756 | 15 056 |

Source: Energy project 1994

The table shows that the accessible energy potential of the water resources in the country is 15,056 GWh (~1,290 ktoe) per year.

The number of the biggest hydro power plants in the country is 14 and they operate at 4 hydroelectric cascades: Belmeken - Sestrimo - Chaira, Batak, Vucha and Arda.

The existing technical and economic potential for the big hydro power plants is already either utilized or unusable due to environment protection considerations. The plans of NEK EAD provide for the construction of two new sites - Tsankov kamuk Hydro Power Plant, to be commissioned in 2009, and hydroelectric cascade Gorna Arda by 2020.

Conditionally, a specified part among the hydro energetic sites are the small HPP (SHPP) of maximum capacity of up to 10 MW. They are characterized by not so strict requirements regarding safety, automation, production, cost price, purchase price and staff qualification. These characteristics predetermine the possibility for quick start of construction and long-term investment of capital. The small HPP can be build at running waters, at drinking water pipelines, at the dam lake walls as well as at some of the irrigation channels of the hydro meliorative system. The small HPP are suitable for consumers that are far away from the electricity grid; they can be equipped with Bulgarian technological equipment; they fit well to the environment without violating the environmental balance.

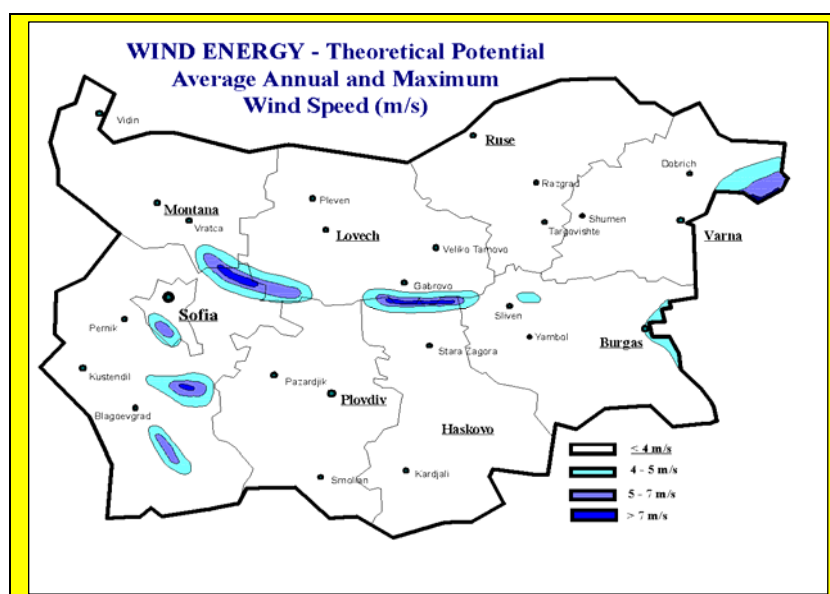
Within the 2001-2003 period, 26 small HPP of total capacity of about 23 MW were built, and the produced electrical power by SHPP in 2002 is about 682 GWh (58.7 ktoe).

HPP are the most significant renewable energy source in the electric power balance of the country. For the purpose of increasing the production of HPP and reducing the quantity of pollutants and green house gas emissions from the TPP (Thermal power plant), the implementation of projects for construction of new hydroenergy capacities is a priority.

- **Wind Energy Potential Evaluation**

The criteria, on the basis of which an evaluation of the wind energy potential is made, are its direction and average annual wind speed. Data from PHARE project BG 9307-03-01-L001, Technical and Economic Evaluation of the Renewable Energy Potential in Bulgaria, received by the National Institute of Meteorology and Hydrology with the Bulgarian Academy of Sciences (BAS) (119 meteorology plants in Bulgaria, registering the wind speed and direction) have been used for the analysis. Data is for a period of more than 30 years and is of general nature. On the basis of this the country is divided into regions by wind potential.

Figure 20: Wind Potential Map Scheme of Bulgaria



On the basis of the average annual values of the wind energy potential, registered at height of 10 m above the surface, there are three zones of different wind potential identified on the territory of the country:

- **Zone A: zone of small wind energy potential** – includes the plain parts of the country terrain (the Danube plain and the Thrace plain), the valleys of Strouma river and Mesta river and the high plains of Western Bulgaria. The characteristics of these zones are:
 - Average annual wind speed: 2-3 m/s;
 - Energy potential: 100 W/m² ; (i.e. less than 1,500 kWh/m² per year);
 - Average annual duration of the speed interval $\sum \tau$ 5-25 m/s in this zone is 900 h, which is about 10% of the number of hours within a year (8,760 h).
- **Zone B: zone of average wind energy potential** – includes the Black Sea coast and the Dobrudzha plateau, part of the Danube River Valley and places in the mountains of up to 1000 m altitude above sea level. The characteristics of this zone are:
 - Average annual wind speed: 3 – 6 m/s;
 - Energy potential: 100 - 200 W/m² ; (about 1 500 kWh/m² per year);
 - Average annual duration of the speed interval $\sum \tau$ 5-25 m/s in this zone is 4,000 h, which is about 45% of the number of hours within a year (8,760 h).
- **Zone C: zone of high wind energy potential** – includes parts of the land running into the water (Cape Kaliakra and Cape Emine), the open mountain ridges and peaks of altitude above sea level of over 1,000 m. The characteristics of this zone are:
 - Average annual wind speed: over 6-7 m/s;
 - Energy potential: 200 W/m²; (over 1,500 kWh/m² per year);
 - Average annual duration of the speed interval $\sum \tau$ 5-25 m/s within this zone is 6 600 h, which is about 75% of the number of hours within a year (8,760 h).

Only zones of average wind speed of 5-7 m/s and >7 m/s are of interest regarding industrial transformation of the wind energy into electricity. These zones are of a total area of about 1,430 km², where the average annual wind speed is about and over 6 m/s. This value is the limit for economic expedience of the wind energy

projects. The future development in suitable mountain zones and at low wind speed depends on the implementation of new technical solutions.

- **Biomass**

There is a big potential for usage of the forest and agriculture waste, wood, straw and other waste for heating purposes, and for combined production of heat and electricity. Significant investments are needed for building new plants. In many cases however, wood and plant waste may be used in the existing plants that currently use natural gas and black oil by co-firing and by additionally built installations for biomass burning. In this case all plant facilities shall be converted to use biomass, but the heat-distribution network and the electricity generation facilities require big investments. In urban agglomeration areas and municipalities the opportunities for cost-effective energy production (both heat and electricity) based on biomass are high, but the access to the gas distribution networks can not be excluded.

- **Solar Energy**

Three solar zones can be identified in the country:

- **Zone A**, of annual average solar irradiation less than 1,450 kWh/m²/ (41% of the land area of Bulgaria);
- **Zone B**, of annual average solar irradiation between 1,450 and 1,500 kWh/m²/ (52% of the land area of Bulgaria);
- **Zone C**, of annual average solar irradiation bigger than 1,500 kWh/m²/ (7% of the land area of Bulgaria).

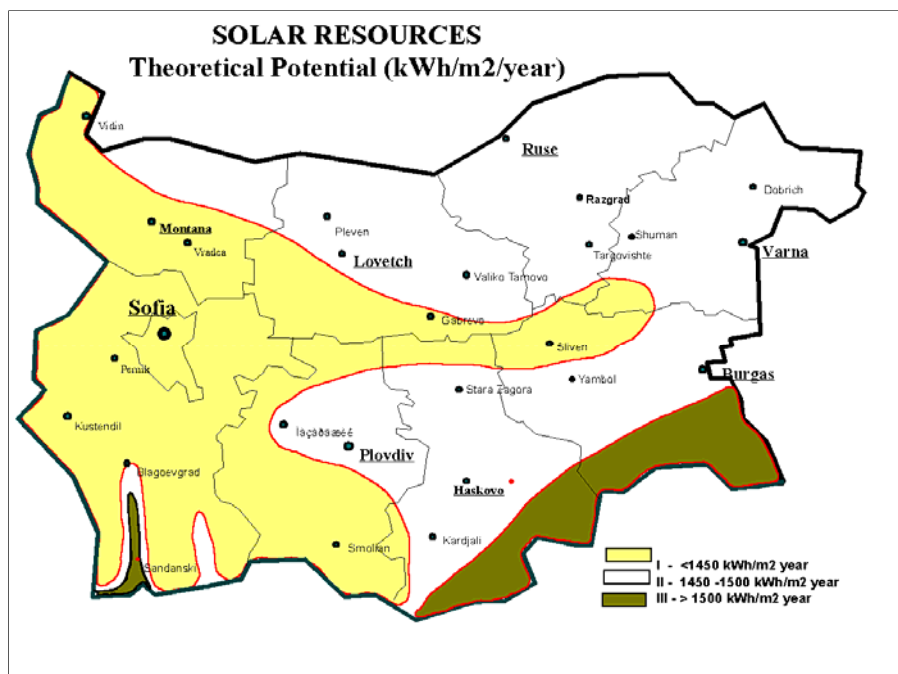


Figure 21: Solar Potential Map Scheme of Bulgaria

Geothermal Energy

Bulgaria is rich in low-temperature mineral waters. Table 28 shows the theoretical potential (total quantity of energy resources from which energy can be produced). The table shows that in case the use of all resources from technical, technological and economic point of view should be possible, the average annual value of this resource shall be equal to 420,000 tons of petrol equivalent (toe) or 14,3 thousand TJ per year.

Table 28: Theoretic Potential of Geothermal Resources (1993)

| Region | MWh | TJ/ per year. | Tons of oil equivalents/ per year |
|------------|-------|---------------|--------------------------------------|
| Montana | 8.3 | 260 | 6190 |
| Lovech | 70.2 | 2213 | 52690 |
| Varna | 126.7 | 3996 | 91142 |
| Bourgas | 14.4 | 453 | 10786 |
| Haskovo | 22.5 | 711 | 16928 |
| Plovdiv | 81.3 | 2566 | 61095 |
| Sofia | 94.6 | 2983 | 71024 |
| Sofia city | 21.3 | 674 | 16048 |
| Total | 439.3 | 13856 | 325903 |

Source: ETE, ETI, Petrov, Martinov, Limonadou, Strana, MoH, Karkolev, Hristov and Hodjev.

Following this, urban agglomeration areas and municipalities without access to gas distribution network do not have advantages for cost-effective energy production based on geothermal resources (See the maps in Annex 12).

3.6. Tourism

Tourism is both a large and a fast growing sector, being amongst the drivers of the Bulgarian economy growth in the last decade. In 2005, tourism has contributed directly to 4,5% of GDP and 3,9% of employment (111 thousand jobs), and having in mind the indirect effects – to 15,9 % of GDP and 13,6% of employment (400 thousand jobs)⁴⁴. Tourism contribution is slightly above the average for EU-25 (direct contribution – 3,8% of GDP and 4,1% of the employment and indirect – 10,1% of GDP and 11.5% of employment) and significantly higher than for the Central and Eastern Europe (direct contribution to GDP 2% and to the employment – 1,7% and indirect – 9,1% to GDP and 7,4% to the employment) (Annex 6, Table 1, Figure 1). After 1998, and especially after 2000, most of the tourism indicators have improved significantly and in many years featured a 2-digit annual growth rates:

- The bed-capacity of accommodation facilities⁴⁵ increased by 22% and reached 242 thousand beds by an average annual growth rate of 3,1% for 1998-2005. Only in the last 2 years the accommodation capacity has increased by 30 thousand beds per year (annual growth of 14%) and in the hotel sector the growth was even higher (17,5-19% for 2004-2005 by an overall increase of 82% for 1998-2005) (Annex 6, Figure 2). The share of beds in higher category (4 and 5 stars) has grown from 7% to 31% (Annex 6, Figure 3). As a result of the privatization process almost all accommodation is private and the structure of the tourist sector has become strongly fragmented and dominated by small and medium-sized enterprises.
- The number of tourist arrivals (transit not included) has grown by more than 80% and reached 4,8 Mio. by annual growth rates after 2000 between 4,5 and 17,9%. Slightly higher is the growth of visitors for

⁴⁴ World Travel and Tourism Council – Full report for Bulgaria, 2005, p. 20-21.

⁴⁵ These and related data on accommodation, nights spent, occupancy, etc. are based on NSI data collected from accommodation establishment with more than 30 beds only. Experts estimates and some reseach in individual areas suggest that the real number is at least 2-3 times bigger.

the purpose of recreation that reached 4,1 Mio. (twice more than in 1998-1999). The nights spent by foreign visitors in accommodation facilities reached 11,6 Mio. and have increased even faster – 2,2 times more than in 1998 with an average growth rate for the period of 17,7% per year and annual growth rates after year 2000 between 13% and 30% (Annex 6, Figure 4). Reflecting both the increased demand and standard of accommodation, the revenues from international tourism as well as the net revenues (less the expenditures for travel of Bulgarians abroad) have increased more than 2,2 times with an average annual growth of 18% reaching €1955 Mio. and €914 Mio. respectively. In this way, tourism is accounting for 14% of the export and 56% of the export of services in 2005 (Annex 6, Figure 5). The positive balance of tourism has an impact on reducing the huge deficit of the balance of payments by 26% in 2005 (and in previous years even by 50%).

- Despite the significant growth of the inbound tourism, the inland tourism is growing significantly slower. The total number of nights spent in tourism accommodation facilities reached 17,1 Mio (46% increase compared to 1998). This is due to the fact of continuing decline of domestic tourism: nights spent by Bulgarians decreased by 16% compared to 1998 (5,5 Mio.) due entirely to the decreased capacity and use of rest homes, camping sites and mountain huts whereas nights spent in hotels have increased by 37% (Annex 6, Figure 6). The reasons should be sought both in the suppressed demand and the increasing outbound travel: 4,2 Mio. trips abroad were carried out in 2005 (63% growth compared to 1998), 30% of which (1,2 Mio) – for the purpose of recreation. The main destinations for holiday travels in 2005 were Turkey (39%), Serbia and Montenegro (17%) and Greece (9%).

The above described development is based on the **potential and the specific competitive advantages of the country, providing for diversified and sustainable tourism development**. Due to its natural and historical diversity within a relatively limited space, Bulgaria has a considerable potential for tourism development. This is represented not only by the Black Sea coast and the mountains covering more than 1/3 of its surface, but also by the nine sites included in the UNESCO World Heritage List – seven cultural and two natural, more than 600 mineral springs, thousands of local cultural and traditional attractions, more than 5% of the national territory in protected area status (incl. 3 national and 11 natural parks)⁴⁶, 30,000 historic monuments, 36 culture reserves, 160 monasteries, more than 330 museums and galleries, rich traditions for festivals and holidays, preserved ethnographic heritage, national cuisine and quality wines, etc. The country has 102 officially declared balneology, mud-healing and climatic mountain resorts as well as 33 seaside resorts. Amongst the competitive advantages are also the location in a relative proximity to the major markets in Europe, the competitive price level (reasonable value for money), upgrading and building new accommodation and other facilities in last years, the still relatively low degree of development of areas that are attractive for tourism (in terms of constructed tourist accommodation and technical facilities), more specifically in the mountains, the positive attitude of local population and of the authorities to tourism and tourists, as well as the relatively long history of international tourism development (since the end of the 1950-s)⁴⁷ – Annex 6, Table 2.

It can be concluded that Bulgaria is a country possessing rich and diverse potential for development of tourism. **The available recreation and tourist resources allow the development of different types of tourism and combinations thereof, as well as their utilization round the year or at least for two seasons**. The analytical work for the National Tourism Strategy provided an assessment of the position and prospects for different kind of tourism products: it revealed that the potential of culture/heritage, eco/nature, spa/wellness, sports and adventure tourism as well as the meeting/convention and conference tourism are higher compared to the traditional mass seaside and skiing tourism, as well as that the main products needing more marketing are cultural, rural, eco- and balneology/spa tourism. Although no specific and well grounded

⁴⁶ This figure will rise significantly with the introduction of Natura 2000 sites

⁴⁷ Most of the presented strengths and advantages are reconfirmed in the analysis for the elaboration of the National Tourism Strategy (Strategic framework for Tourism Planning and Development in Bulgaria and Main Directions of Strategy for the Development of the Bulgarian Tourism for 2006-2009..., 2006) as well as in the National Promotion programme ... (2006)

territorial assessment of tourism potential was carried out in the last 15 years, significant number of studies in the last decades agreed that **around half of the national territory possesses favourable conditions for the development of diverse types of tourism** as well as that there are no large areas without opportunities for tourism development⁴⁸.

Moreover, all over the country **tourism is perceived as one of the main tools to support regional and local development**. Tourism sector expansion could have a positive influence not only on the sector itself but also on the development of related industrial and service sectors, employment and the general economic situation in the regions (catalytic and multiplier effect of tourism). It is especially important for peripheral areas where the development opportunity set is limited. This is evidenced by the fact that municipalities with developed tourism have a stronger economy compared to similar municipalities with no or limited tourism development as well as that in many cases tourism was able to compensate the loss of jobs and income opportunities caused by industrial decline⁴⁹. Tourism is defined as a priority for development in the National Regional Development Strategy, in all regional development plans and district development strategies, as well as in most municipal development plans. It is also recognized as an important factor for increasing quality of life and business competitiveness in the draft Strategy for Sustainable Development of Bulgaria (2007).

Although tourism in Bulgaria has a significant potential and has grown significantly over the last decade, it is far from its volume at the end of 1980s (the number of nights spent is 3 times lower) and the market share in global and European tourism remains insignificant: Bulgaria accounts for 0,6% of international arrivals and 0,4% of international tourism receipts in the world as well as for 1,1% of international arrivals and 0,7% of international tourism receipts in Europe⁵⁰. In terms of nights spent in accommodation facilities Bulgarian tourism accounts for only 0,5% of all nights spent and for 1,3% of nights spent by non-residents in EU-27. Growth rates of most indicators are going down in the last 2 years (Annex 6, Table 1) indicating that **the tourism growth and its contribution to national and regional growth could not be sustained within the existing trend of development**, that is featured by serious interrelated **structural weaknesses and obstacles**:

- Marked discrepancy between the diverse tourism potential and the one-sided development of tourism. The product mix is dominated by mass tourism and package tours mainly for seaside and skiing tourism resulting in low value added for the Bulgarian tourism industry, missed market opportunities as well as strong environmental pressure on traditional resorts which carrying capacity is either exhausted or in most cases overexploited. While the development of specialised tourism products (cultural, rural, eco-, spa etc.) is perceived as the main option for expansion of Bulgarian tourism their current presence in the product mix is insignificant.
- Bulgarian tourism is dependant on limited number of markets. The share of the 3 leading foreign markets in terms of nights spent (Germany, UK, Russia) is decreasing in the last years (from more than 70% at the end of 1990s to 59% in 2005), but still remains higher than for most of the competing destinations especially regarding the share of the first market. In addition the 3 biggest markets are not the most attractive from the viewpoint of tourism policy objectives like reducing seasonality, geographical redistribution or increasing the average revenues from a tourist or overnight. On the other hand, tourism industry is heavily depending on international markets (68% of the overnights, Annex 6, Figure 6) that make the access to the market for individual companies more difficult (especially if they are small).
- Seasonality of tourism is the highest within EU-27 with significant implications not only for the occupancy rates and revenues of tourism industry but also for the employment and the skills of the employees

⁴⁸ A detailed review and summary regarding the above statement is provided in the Concept for territorial development of tourism, 2003.

⁴⁹ Challenges to sustainable development in Bulgaria. UNDP, 1998; Tourism development in municipalities of Bansko and Razlog (Tourist demand and impacts of tourism on local economy). ILO/UNDP, 1996.

⁵⁰ Based on United Nations World Tourism Organisation (UNWTO) data and own calculations

(inability to attract and keep skilled staff). 44% of nights are spent in only 2 months (July-August) and 73% - in the period between June and September. Seasonality is stronger in international tourism.

- The occupancy rate of accommodation facilities is low although slightly increasing (35% in 2005) as are the average length of stay of international tourists (2,4 days), the average revenue from 1 international tourist (€268) and the average daily spending (€167). The growth of these indicators is significantly slower than the respective growth of the number of international tourists and nights spent (Annex 6, Table 1), indicating the ineffectiveness of the recent development. The revenue from international tourist is slightly above 60% of the European average and lower than in most European countries. Particularly low are the revenues from accommodation (both from foreign and domestic tourists) – €1085 per bed and €16 per night spent.

All above mentioned weaknesses of tourism development are manifested in and to a great degree are caused by its **extreme territorial concentration, that does not correspond to the wide spread tourism development potential**. It is evident even on NUTS II level – the North Eastern and South Eastern planning regions concentrating $\frac{3}{4}$ of the bed-capacity and of the nights spent, 85% of the nights spent by foreigners and $\frac{2}{3}$ of the revenues from accommodation in 2005. However the territorial concentration is stronger expressed on lower (district and municipal) level and in the international compared to the domestic tourism (Annex 6, Table 3-5):

- The first 5 most developed districts⁵¹ concentrate 80% of the beds and nights spent (94% of the nights spent by foreigners) as well as 87% of the revenues from accommodation and only the first 5 municipalities⁵² concentrate 67% of the beds, 71% of the nights spent (89% of the nights spent by foreigners) and 81% of the revenues from accommodation.
- Tourism in Bulgaria is dominated by seaside resorts in coastal municipalities, limited number of internationally recognized ski resorts (3) and spas (4) and the 2 municipalities of the biggest cities (capital Sofia and Plovdiv) with developed business and cultural tourism. They concentrate roughly 90% of tourism development (as measured by different indicators). Only the 9 national resorts declared in 2005 are accounting for almost 60% of the nights spent and revenues and 78% of nights spent by foreigners. Moreover, more than 70% of the beds and nights spent as well as 86% of international tourism (nights) fall on the coast and within the region only the first 3 of municipalities concentrate more than 80% of tourism development. The remaining part of the country not only has insignificant share in tourism development, but also the above mentioned structural weaknesses are stronger expressed and the figures of the most performance indicators are lower than in the already developed areas (average length of stay – 2 days, occupancy rate – less than 20%, share of international tourism – 14%, revenues from 1 bed – €540, revenues from 1 night – €10, etc.).
- While investments in tourism are growing significantly reaching more than €600 Mio in 2005 (Annex 6, Table 1), new development is concentrated mainly in already developed resorts, areas and cities. The remaining parts of the country are developing tourism significantly slower and in some cases decline is also recorded. As a result the concentration of tourism is increasing: the share of the leading 20 municipalities has increased since 1998 in terms of beds by 12% (from 73% to 85%), in terms of nights spent – by 11% (from 78% to 89%) and in terms of revenues – by 4% (from 90% to 94%).

It can be concluded that despite research recommendations and policy statements to reverse this situation, territorial concentration of tourism remained almost unchanged in the 1990s while the recent growth even intensified it. Bulgarian tourism remains highly concentrated in space and of "enclave" type leading to significant environmental and social pressure in already developed areas (see the data on bed density and

⁵¹ the Black sea districts of Varna, Burgas and Dobrich as well as Sofia-capital and Plovdiv

⁵² Varna, Nessebar, Balchik, Sofia and Sozopol

nights per 100 inh. in Annex 6, Tables 3 and 5), including the "overbuilding" and growing demand for infrastructure (e.g. water supply, sewage, water treatment, electricity). In addition the majority of Bulgarian regions have not managed to create quality regional tourist products.

This has 2 main consequences:

- a) the opportunities for further growth in the traditional resorts and tourist areas (sea cost and ski resorts) have reached their limits and the growth trend from the last decade could not be sustained if the existing approach to development is followed, and
- b) the significant potential of a great part of the country's territory remains unused or underused and its business and population is not able to enjoy the benefits of tourism.

More specific problems and disadvantages of tourism development, as reflected in many expert's assessments, visitor surveys and surveys of the industry representatives and reconfirmed in the analysis for the national tourism strategy⁵³ include the gaps in basic and specific (tourism) infrastructure; the quality of services provided in close relation to the availability and qualification of staff employed in tourism, the inefficiency of tourism education and vocational training; the limited awareness of Bulgaria tourism potential (especially the cultural and historic heritage) and one-sided image due to the insufficient, badly targeted and ineffective advertising and promotion, the lack of branding and the absence of national tourism offices in the major countries of origin, the insufficient information provided to tourists related to the un-coordinated development of Tourist Information Centers (TICs) and their limited resources; etc. (Annex 6, Table 2). A specific gap, reconfirmed by the work on this programme is the limited market intelligence both on national and regional level due to the scope, quality and reliability of market research and tourism statistics, and especially of the accommodation statistics⁵⁴, assessments of tourism potential in general and of the potential for specific products, assessments of economic, social and environmental impacts of tourism, lack and/or low quality of tourism development strategies and programmes on all levels, etc. Even the existing information is not publicly available and in most cases key stakeholders are not familiar for its existence. Most of the described gaps leading to dissatisfaction of visitors and ineffectiveness of tourism development are outside the tourism industry in narrow sense (accommodation, catering, etc.) and of the influence of the predominantly small tourism enterprises, thus requiring public intervention and collective efforts⁵⁵.

While tourism is perceived to be a private sector domain, especially after the privatization at the end of 1990s, as in most countries there is a **recognized need of public policy** able to support and regulate its development, to deal with market failures and to ensure specific public goods⁵⁶. Actors in tourism development are diverse. The roles in tourism policy in Bulgaria are divided between the central and local authorities and the tourist associations.

The main role of the **State Tourism Agency** (STA) is to develop the national tourism policy and legislation, to carry out the national marketing and advertising, especially on international markets, to deal with categorization and control over tourist facilities and activities, etc. As a cross-sectoral activity tourism policy involves many of the ministries responsible for transport, environmental, agriculture, culture, education, economic policy, etc. A clear need is expressed to raise the profile of the STA and to improve the provision of

⁵³ Strategic framework for Tourism Planning and Development in Bulgaria and Main Directions of Strategy for the Development of the Bulgarian Tourism for 2006-2009..., 2006

⁵⁴ that will become even more important after EU accession when the ability of border statistics to assess tourism development will significantly diminish

⁵⁵ Concept for territorial development of tourism, First phase: Preliminary analysis of tourism development in Bulgaria, National Center for Regional Development, 2003.

⁵⁶ E.g. the analysis for the national tourism strategy concluded that "the role of the state needs to be reconsidered and more effective measures and initiatives should be undertaken and implemented" (Strategic framework for Tourism Planning and Development in Bulgaria and Main Directions of Strategy for the Development of the Bulgarian Tourism for 2006-2009, 2006, p. 7-165).

its services, especially in areas of marketing & advertising, information, co-ordination, support to stakeholders, etc.⁵⁷

Municipalities have legal competences regarding tourism development, mainly for the development of local technical and tourism infrastructure, tourism planning (and related urban planning), provision of information services to tourists, marketing and advertising of local tourism products, rating of part of accommodation facilities, etc. However municipal expenditures to support tourism and recreation are extremely limited (around 0,1-0,2% of the total).

Tourism organisations (associations) are assigned with significant rights and tasks by the Tourism Act. According to State Tourism Agency data, there exist altogether 82 tourist organizations: 55 local councils and associations, 8 regional tourist associations, 9 branch associations and 10 product associations⁵⁸. Although national, regional and local tourist organisations interact with public bodies and are active in the field of representation of interests of the industry, tourism planning, product development, destination marketing, etc. they are fragmented, do not cover the industry as a whole, as well as all appropriate regions and areas, and generally need strengthening of their capacity to be able to carry out such tasks effectively. Especially important, however underestimated, seem to be the regional tourism associations bringing together local actors (municipalities local tourist associations, businesses, etc.) that have the potential to facilitate a regional approach and to act as an intermediary between the central and local level (thus compensating for the absence of regional structures of the STA). Amongst the capacity gaps of tourist associations is their limited financial capacity and donor dependency that could be a significant risk for their sustainability after the EU accession and the withdrawal of traditional (international) donors.

Until year 2000, there was no significant **experience in public investment to support tourism development** in Bulgaria. Several consecutive PHARE projects⁵⁹ as well as the SAPARD programme⁶⁰ have recognized and started to address this gap. They not only indicated the existing demand for such interventions on local level that could not be satisfied with pre-accession resources (evidenced by the level of competition between project proposals) but provided insight into the desired and most appropriate interventions, typical difficulties in project development and implementation, etc., and contributed to capacity development and gaining experience in project development and implementation of a significant number of local and national actors. One of the key lessons is that uncoordinated development and implementation of relatively small similar projects even in one region leads to losing opportunities for complementarity, synergy, impact and last but not least cost effectiveness.

3.7. Summary outcomes and findings of the analysis

1. Bulgarian regions in development rates are significantly lagging behind compared with the EU-25 regions. Substantial efforts are needed for stronger contribution to the Lisbon objectives for growth, better jobs, employment and innovations using the instruments of the Cohesion policy.
2. Intra-regional rather than inter-regional disparities are strongly manifested in the country territory. Regional disparities are mostly interpreted as disparities between the cities and the network of cities rather than between the NUTS II planning regions. Hence, the regions with large and well-developed

⁵⁷ Strategic framework for Tourism Planning and Development in Bulgaria and Main Directions of Strategy for the Development of the Bulgarian Tourism for 2006-2009, 2006, p. 7-169

⁵⁸ All of them are NGO-s, established under the law for the non-profit organizations

⁵⁹ BG 0102.04 Roads access to tourism sides; BG 0102.03 Development of cultural tourism; BG 0202.02 Development of Bulgarian eco-tourism; BG 2003/004-937.11.03 Pilot integrated investment scheme for regional development actions (North-East Planning region); BG 2003/004-937.11.02 Water supply improvement in areas with tourism development potential (canceled); BG 2005/017-353.10.02 Fostering the development of regional tourism potential through upgrade of the related infrastructure

⁶⁰ Measure 2.1 Development and diversification of economic activities, provision for multiple activities and alternative income; Measure 2.2. Renovation and development of villages, protection and conservation of the rural heritage and cultural traditions

cities and network of cities have more favourable development and growth indicators.

3. Although increasing, the growth rates still remain insufficient for overcoming the considerable lagging behind of the country in respect of GDP per capita compared with the EU average which places Bulgarian regions on one of the last positions among the other EU regions.
4. Compared with other sectors (industry, manufacturing, agriculture), the services are the main engine of economic growth in recent years. Of high importance for the services growth was tourism, which registered a considerable growth rate and had a substantial contribution both to value added and to restricting the account deficit. Tourism is expected to maintain its high growth rate and its share in GVA and therefore is considered as essential vector for disseminating development in particular areas with tourism development potential. In this sense, tourism is a complex stimulus for a number of areas in Bulgaria in order to achieve an economic revival of areas where a series of heavy industries have been withdrawn, thus providing them opportunities to reveal new development potential.
5. Tourism sector expansion could have a positive influence not only on the sector itself but also on the development of related industrial and service sectors, employment and the general economic situation in the regions and the country possess the required development potential. However, despite recent growth tourism in Bulgaria is facing serious structural weaknesses like one-sided product mix, dependence on limited number of markets, high seasonality, low occupancy rates, length of stay and revenues per tourist, night spend or bed and last but not least – an extreme territorial concentration limiting the wider spread of its benefits, while significant part of tourism potential remains unexploited. The tourism growth and its contribution to national and regional economy and well-being could not be sustained with the existing approach and generates significant environmental, social and economic pressure and risks, thus requiring interventions to ensure sustainable tourism development, to diversify products and markets, to improve tourism performance indicators and to encourage its wider geographical spread.
6. The settlement network is with a relatively even distribution over the national territory. However, the network of large cities that are the core centres and engines of growth and development are unevenly distributed. This situation creates and accumulates "center-periphery" problems and creates conditions for appearance of intra-regional disparities especially.
7. Urban territories face significant challenges and opportunities. On one hand, cities are key locations for the country growth and competitiveness. On the other, they contain spots of high unemployment level, underdeveloped infrastructure, damaged physical environment and backwardness.
8. Over the last decade, the processes of economic and social restructuring in the country have been mostly concentrated in the large and medium-size cities. The capability of urban environments to adapt to the coming changes and mostly to provide favourable and sustainable living and working environment (thus integrating the population and attracting investments) has been hindered by the constantly insufficient investments in key infrastructures, including environmental, social, educational, health, cultural, ICT, production and business infrastructure, as well as sustainable urban transport.
9. Focus on the cities does not directly address the problem with disparities between municipalities that are more acute in comparison to these at the higher level. This requires that municipalities, especially smaller ones need interventions coherent and complementary to these funded by the Rural Development Programme.
10. Existence of large cities in certain areas is an opportunity to benefit from their potential and to extend their positive impact over the surrounding areas. In urbanised territories without large cities, it is essential to promote and accelerate development of medium-size cities and small towns to compensate the absence of large cities. Proximity of the small towns to villages is a factor, which creates opportunities for improving the "urban-rural" relation and partnership transforming the small towns into core centres for

servicing of the rural areas.

11. Spatial plans (general and detailed) of the settlements need to be updated after the restitution and privatization processes. For the large cities and their agglomeration areas it is of important new Master Plans with view to implement future projects in an integrated manner⁶¹.
12. The state of repair of the networks of technical infrastructure and public works does not meet adequately urban requirements and obstructs the functioning of the cities. The physical environment and the building stock are heavily depreciated. Concerted efforts on a large scale in this field are urgently needed by Bulgarian cities in general.
13. Industrial sites in the cities occupy huge areas; however, they often lack public works and feature obsolete and unattractive buildings, which can hardly be upgraded and re-used. Most probably, the potential localization of future production facilities with improved technologies will be sought somewhere beyond the boundaries of these areas, on a "green field". This, however, does not resolve the problem of restructuring and renewal of the manufacturing areas in the cities, including evacuation of some of the production facilities to provide space for other, so far neglected urban needs, such as green areas and public services, on which the policy of urban development should focus.
14. The state of repair of the public buildings for culture, education, health care is lamentable. Unfinished construction of cultural facilities in the cities is a grave problem for municipalities. Possibilities should be sought for completion of unfinished municipal sites in line with the current needs of the cities.
15. A limited institutional, technical and financial capacity especially in smaller municipalities (human resources, knowledge, experience and expertise) and insufficient partnership-based inter-municipal coordination for initiating projects. Well-targeted, coordinated and efficient needs-based training to the various actors and promoters at local and regional level seems quite necessary.
16. There are no facilities at different administrative levels to provide expert and technical assistance in the process of project preparation and implementation.

3.8. Local institutional and capacity issues

A total number of 178 out of 264 municipalities represent 28% of the population and 62% of the country territory. Many of these municipalities are small and at the same time institutionally, financially and technically weak. 6,7% of the net value revenues in the country are generated by these municipalities and amounts to 3470 leva per capita or 31,2% of the national average. The lower level of social and economic development in the majority of these municipalities and the remoteness of a significant part of them from urban centres and their agglomerations areas imposes the necessity for supporting certain needs-based investments.

3.8.1. Description of the municipal competencies

Apart from the state, the municipalities are in fact the main public motor of regional development in Bulgaria, because the districts generally assume only functions delegated by the state. Nevertheless, they do not have real juridical competence and financial resources, essential for the investments.

The main functions that are prerogative of the municipalities include:

- Management of the municipal property
- Local socio-economic and spatial planning and development
- Education
- Healthcare

⁶¹ Sofia, Plovdiv and Varna have already adopted their new master plans.

- Public services and utilities
- Environmental protection
- Culture
- Protection and conservation of the cultural and historical heritage
- Encouragement of sports, leisure and tourism
- Tasks, concerning public order

In order to facilitate the start of the financial decentralization, it was decided that the legislative tasks assigned to municipalities may be divided provisionally in two groups: tasks delegated by the state and local activities. In 2003, the State Budget Law of the Republic of Bulgaria introduced a new principle for financing the municipalities: the budgetary municipal activities were divided into municipal and "delegated by the state". **Activities delegated by the state** are those services (according to the Constitution and the legal basis) to which citizens are entitled to equal access in all parts of the country. **Local activities** are those that are provided according to the needs of the population and the available municipal resources. Costs and staff standards have been established for the calculation of activities delegated by the state. The above-mentioned division of activities should be considered as conditional and made for the purposes of the costs calculation of these services and their relation to certain revenue sources. Both groups belong to the activities related to the local self-government.

In the **educational field**, **local activities** comprise of: full-day, half-day and seasonal kindergartens, which are financially supported by the municipalities, school canteens. The **delegated by the state activities** comprise of schools of general education and vocational schools; sports schools with state entry exams; specialized kindergartens and schools; convalescence schools; preschool educational centres for 6-years old children; homes for children deprived from parental care; hostels.

In the **public healthcare** field, **local activities** comprise of centres for mental health services; financial support for kindergartens; rehabilitation centres; drug addiction treatment centres. The **delegated by the state activities** comprise of accredited municipal multi-profile hospitals for active medical treatment; the Obstetrics and Gynecology hospitals in Sofia and Varna cities; ophthalmic hospital in Varna; dispensaries. The financing of the municipal hospitals by the municipal budgets was suspended in 2004.

In the **cultural and religious** field, **local activities are**: municipal theatres, orchestra, ensembles, cultural monuments and ethnographical museums as well. **Delegated by the state activities** are regional libraries, community centres, regional museums and art galleries.

In the **social services** field, **local activities are** social family patronage; soup-kitchens; clubs for pensioners and disabled people; financing of programmes for temporary employment. **Delegated by the state activities** are social institutions, houses for elderly and disabled children.

In the **defence and security** field, municipalities have been authorized to reallocate their own funds for additional activities, related to public order and security, the financing of various committees for anti-social manifestations, drug addiction, social workers, etc.

All activities related to housing construction, public works, utilities and environmental protection are entirely of local responsibility. These are water supply and sewerage services in the settlements; management and control of housing construction and spatial development, public works, cleanliness, waste collection and disposal, greening, environmental protection, electric street lightning, etc.

In the **recreational, sport and tourism** field, in conformity with the needs of the population and the capacity of the municipality for generating own revenues, municipality plan and organize activities, related to the

maintenance of tourism and leisure areas, financing of sport clubs and sports infrastructure, as well as mass sport and leisure events.

In the economic, transport and ICT sectors, the municipality undertakes different initiatives for economic development (municipal markets and market places, fairs, exhibitions, etc.) on its own expenses. At their discretion, municipalities decide on expenditures for activities such as traffic safety, current maintenance of streets, sidewalks and squares, urban transport management and the subsidy opportunities.

By virtue of the legislation, the municipalities are responsible for the provision of **administrative services** in compliance with the competences of the local authorities: services related to the organization of the economic activities; technical services; administrative services for agricultural activities; administrative services.

3.8.2. Project development capacity and absorption of resources

Similar to the above-mentioned conclusions, the municipal development capacity for project elaboration with regard to human resources, knowledge and experience is concentrated primarily in a limited number of large and more urbanized municipalities with a developed non-governmental sector and they apply the partnership principles at project elaboration level. These are mainly the municipalities that have benefited from the opportunities of the "learning by doing" method provided by the pre-accession instruments. In 2006, a survey was made by the UNDP⁶² on the capacities of municipal and district administrations to plan and use EU Structural and Cohesion Funds. All Bulgarian municipalities (NUTS IV level) were screened by answering a special questionnaire. It was found that there is a progress in capacity building in comparison to a similar survey carried out in 2004. There has been a lot of training given by different projects and institutions.

Parallel to the progress identified, this survey has revealed that there still exist some capacity gaps to overcome in smaller municipalities and predominantly in municipalities with population under 10 000 people.

In 40% of the municipalities there are units established dealing with issues in the field of pre-accession instruments and structural funds. In the remaining part of municipalities there is a specialized officer in charge of the issues of euro-integration, pre-accession instruments and structural funds. About 6% (an average of 5 persons per municipality) of the municipal staff has received training on the structural funds, strategic planning and other related issues. The national average of staff specialized in project preparation and implementation is around 7 persons per municipality. The majority of municipalities have staff trained in the past 3 years in strategic planning, project management and use of pre-accession instruments. Municipalities, on the whole, demonstrate project experience and fast growing experience with pre-accession instruments, inclusive of a twofold decrease in the number of municipalities without any experience with those instruments in comparison with the similar 2004 survey. There is not only quantity increase in project experience, but also quality improvement in project development. A greater number of project ideas are developed into overall project proposals and the better part of them succeed in turning into approved project proposals.

3.8.2.1. Administrative capacity

The administrative structures and units devoted to project work are concentrated in the large municipalities with well developed non-governmental and consultancy sector, which provides additional inputs, and experience in project development. 40% of the municipalities in the country have designated specialized project development units, 20% have a project officer; in 30% of the municipalities, there is an official responsible for projects who performs also other tasks; in 12% of the municipalities there is no one directly responsible for projects. A small part of the municipal officials have gone through training on project development – 6%, similar is the share of the English speaking officials in the municipalities – 5%. The smaller municipalities with limited human and financial resources lack of units/departments for identifying

⁶² Vasil Merinov, Vasil Garnizov. Assessment of municipal and district capacities for participation in EU structural and cohesion funds absorption. UNDP Bulgaria, Sofia, July 2006.

project ideas, preparation of project proposals, application procedures, project management, implementation and reporting. Such shortage of resources has been observed also in some large municipalities. 34% of the municipalities demonstrate weak capacity for elaboration of successful projects.

Besides, the importance of projects elaboration for municipal development appears to be underestimated. Moreover, there is **lack of feasibility studies and mature technical projects**, as indicated by 54% of the municipalities. The lack of spatial and cadastre plans impedes project development and implementation processes.

In district administrations, which have not been delegated with specific tasks for project promotion and implementation, these structures, are even less developed. 38% of the districts have set up units for project activities, 4% have appointed officials and 25% have premises allocated to project activities.

3.8.2.2. Information and communication

About 80% of the municipalities have a good quality access to Internet while difficulties have been noticed in smaller and distant from urban centres municipalities; in the district administrations, 96% of the employees have a quality access to the Internet.

A quarter of the municipalities emphasize both the lack of information on projects and reasons for their cancellation.

Other problems regarding the information and communication in the municipalities are:

- Weak knowledge of the SF rules on project implementation (Project Cycle Management, SF projects management, financial audits, etc.);
- Unfamiliarity with the new EU legislation (directives, regulations, etc);
- Lack of clear focus for information on economic development and the investment prospects in the districts and key municipalities, lack of centres for information and orientation to investors.

3.8.2.3. Financial resources

The municipal resources for project co-financing and project preparation are very limited, especially in the small municipalities. Only 28% of the municipalities and 4% of the districts can allocate resources to co-finance projects under the pre-accession instruments (61% of the large municipalities and 6% of the smaller municipalities). Only 44% of the municipalities and 8% of the districts can allocate resources for project preparation. In most cases, the reasons for this are the limited resources and their untimely planning. Hence, the Bulgarian municipalities do not succeed to receive EU funding.

3.8.2.4. Skills for partnership and cooperation with other stakeholders

It is typical for the Bulgarian municipalities that they use inefficiently the opportunities for finding a solution to common problems or the integration of resources. Almost two thirds of them have never carried out a joint project with another municipality and only slightly more than one third consult their projects with other municipalities. Such a limited capacity for horizontal partnership is a serious risk for the country capacity to absorb EU Structural Funds resources. The small municipalities have the most clear-cut need for concerted efforts and resources for solution of common problems in the most economically effective way.

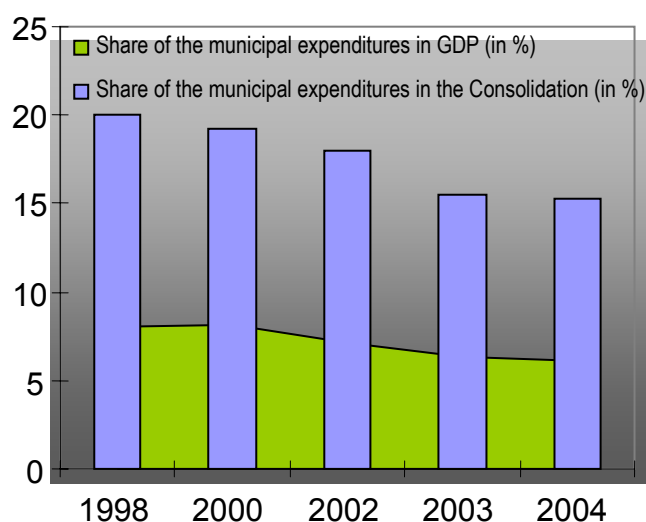
Currently, the horizontal linkages between municipalities are weak. Opportunities for finding joint solutions to common problems and pooling of resources had not been sufficiently exploited. 56% of the municipalities consult and jointly plan projects with NGOs (39% of the small municipalities, 74% of the large municipalities), 44% of the municipalities consult and jointly plan projects with private businesses (30% of the small municipalities, 51% of the large municipalities).

Broad consultations with local partners is a key factor of success in accessing pre-accession funds (15% of the municipalities which do not use consultation mechanisms have accessed PHARE funds as opposed to 20% of those which use public discussions and focus groups and 37% of those which use citizens' forums).

Strengthening the partnerships for district development (in which both the district and the municipalities participate) is a key issue for the development and implementation of projects with important synergy for the regional development and the participating municipalities themselves.

Therefore, there is a limited institutional, technical and financial capacity especially in smaller municipalities (human resources, knowledge, experience and expertise) and insufficient partnership-based inter-municipal coordination for initiating projects. The development of capacity is a time-consuming process and in most cases involves not only training and funding, but also external support and assistance. Obviously, there is a need for institutional support for the municipalities, in particular for the smaller ones, so that they could come out of the "vicious circle" of insufficient capacity and insufficient participation in development projects.

3.8.2.5. Investment opportunities in the municipalities/small municipalities



The trend for decreasing the share of municipal budgets in the GDP, as well as in the consolidated state budget continues (fig. 22). The main reasons for the higher growth of the state expenditures and the restricting range of services financed from the municipal budgets (e.g. cancellation of the financing of the municipal hospitals in 2004).

Figure 22: Share of the municipal expenditures in the gross domestic product and the consolidated state budget

At the same time, the share of the municipal investments in the public investments keeps variable dynamics with a slight increase compared to 2002 (table

30)

Table 29: Share of the capital expenditures of municipalities in the public capital expenditures

| Capital Expenditures (CE) | 2002 | 2003 | 2004 |
|--|--------|--------|--------|
| CE of the municipalities (mill BGL) | 196.0 | 240.5 | 267.3 |
| CE – public sector (mill BGL) | 1224.7 | 1359.0 | 1583.6 |
| Share of the CE of municipalities in the public CE | 16.0% | 17.7% | 16.9% |

Source: NAMB - Analysis of the accomplishment of the municipal budgets 2004

Several main conclusions have been drawn from the investment analysis based on the municipal budgets:

- In the recent years, investment expenditures have been slowly increasing but cannot reach their 1998 level yet. In 2003 and 2004, they maintain a share of 11% approximately whereas the average share for the EU countries is 15%⁶³;
- Capital expenditure subsidies represent an extremely variable value over the years;
- The share of the sales in the financing of local investment initiatives increases;
- The investment expenditures significantly prevail in the local activities;
- The increase of the local expenditures for investments is due to the increased capacity of the municipalities to attract additional resources.

Table 30: Investment expenditures and sources for financing

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|-------|-------|-------|-------|-------|-------|--------|
| <i>Investments (mill BGL)</i> | 211.2 | 172.5 | 158.0 | 121.2 | 196.0 | 240.0 | 267.3 |
| <i>Share of the investments in the budget expenditures</i> | 12.7% | 9.3% | 7.9% | 6.5% | 8.6% | 11.0% | 11.0% |
| <i>Sources for financing of the investment expenditures</i> | | | | | | | |
| <i>Subsidy for capital expenditures</i> | 59.8% | 43.3% | 46.3% | 60.1% | 71.1% | 48.3% | 45.45% |
| <i>Sales</i> | 7.5% | 11.6% | 14.5% | 30.5% | 20.7% | 36.1% | 41.56% |
| <i>Other revenues</i> | 32.7% | 45.1% | 39.1% | 9.4% | 8.2% | 15.6% | 12.98% |

Source: NAMB - Analysis of the accomplishment of the municipal budgets, 2004

The structure of municipalities, in relation to investment rate, shows that in 178 municipalities or two thirds of the municipalities of the country less than one third of the local investment expenditures is allocated (Table 31). This rate calculated per inhabitant is higher in the small municipalities but in the meantime, it is insufficient taking into consideration the need for basic expenditures and the lack of investment effects caused by the volume of economies.

The local capital expenditures have been unevenly distributed among municipalities. For instance in 2004, 19% of the municipalities had formed about 70% of the capital expenditures in local activities (excl. Sofia municipality). The expenditures of Sofia municipality in local activities represent 22% of the total capital expenditures, financed from local revenues. This is another evidence for the highly limited investment/financial capacity of the smaller municipalities.

Table 31: Share of the investments in the municipal budgets

| Municipalities | Number of municipalities | Capital expenditures - BGL | | | | | | |
|---|--------------------------|----------------------------|------------|-----------|------------|-----------|------------|---------|
| | | 2002 | | 2003 | | 2004 | | |
| | | Total | Per capita | Total | Per capita | Total | Per capita | |
| All municipalities | | 196021516 | 25.3 | 240356549 | 30.98 | 267130572 | 34.4 | 7758408 |
| Group of municipalities up to 20000 inhabitants | 177 | 60926825 | 36.56 | 69348675 | 41.61 | 82768045 | 49.66 | 1666609 |

⁶³ National Association of Municipalities in Bulgaria (NAMB) - Analysis of the accomplishment of the municipal budgets 2004

| | | | | | | | | |
|---|-----|-----------|---------|-----------|---------|-----------|---------|---------|
| Group of municipalities over 20000 inhabitants | 87 | 135094691 | 22.17 | 171186574 | 28.09 | 184490935 | 30.27 | 6094440 |
| % of the country/average national level | | | | | | | | |
| Group of municipalities up to 20000 inhabitants | 177 | 31.08% | 144.69% | 28.85% | 134.31% | 30.98% | 144.24% | 21.48% |
| Group of municipalities over 20000 inhabitants | 87 | 68.92% | 87.74% | 71.22% | 90.67% | 69.06% | 87.92% | 78.55% |

Source: Ministry of Finance

The structure of investment expenditures demonstrates that the major part of municipal investments is dedicated to public works, utilities and environment (about 70%). The share of expenditures for education increases, whereas the share of the expenditures for healthcare decreases (one of the reasons being the cancellation of financing for municipal hospitals from the local budgets). Although the State Budget Act entitles the municipalities to allocate resources for healthcare from their own revenues, they do not manage to allot such, as seen from the figures in the table. Some medical and health activities could be supported and stimulated by the municipalities – especially promotion, prophylaxis and improvement of material resources of medical establishments of the territory of the municipalities.

The share of investments in transport and communications is also higher (6-10%). About 2-3% of the local investment expenditures are allocated to the cultural field. Despite the slight increase, expenditures for physical education and sports remain far under 1% (Table 32). Based on the analysis of investments in the local budgets, the following conclusions can be drawn:

- the financial resources of the major part of the municipalities are extremely limited and therefore they fail to carry out investments, which are necessary for their own development;
- the small size of most of the municipalities principally restrains the effectiveness of the investments and makes advisable the development of the inter-municipal cooperation for certain activities and projects and adoption of an integrated approach for financing the development processes.

Table 32: Relative share of the expenditures in the municipal budgets per activity

| Activities | 2001 | 2002 | 2003 | 2004 |
|--|---------|---------|---------|---------|
| <i>Executive authorities</i> | 6.37% | 7.45% | 9.38% | 5.48% |
| <i>Police, internal order and security</i> | | | 0.02% | 0.02% |
| <i>Education</i> | 5.36% | 11.75% | 7.86% | 11.51% |
| <i>Healthcare</i> | 3.43% | 3.20% | 2.19% | 1.68% |
| <i>Services for social insurance, support and employment</i> | 1.00% | 0.98% | 0.65% | 1.18% |
| <i>Housing, public works and utilities, environment</i> | 76.31% | 67.71% | 65.01% | 28.41% |
| <i>Conservation of the environment¹</i> | | | | 40.51% |
| <i>Recreation activities</i> | 0.03% | 0.01% | 0.10% | 0.06% |
| <i>Physical education and sports</i> | 0.07% | 0.08% | 0.29% | 0.35% |
| <i>Tourism</i> | 0.05% | 0.00% | 0.01% | 0.12% |
| <i>Culture</i> | 0.93% | 1.62% | 2.85% | 2.05% |
| <i>Agriculture, forestry</i> | | 0.03% | 0.01% | 0.03% |
| <i>Transport and communications</i> | 5.45% | 6.46% | 10.47% | 7.65% |
| <i>Other economic activities</i> | 0.99% | 0.71% | 1.15% | 0.95% |
| <i>Total</i> | 100.00% | 100.00% | 100.00% | 100.00% |

3.9. SWOT ANALYSIS

| No | Strengths |
|----|---|
| 1. | Bulgaria's cities show capacity and further potential to act as engines for stable economic growth and employment with possibilities for higher net sales revenue. |
| 2. | Cities are relatively well distributed throughout the territory enabling potential access for surrounding non-urban populations to access their services and opportunities. |
| 3. | Minor inter-regional disparities in development of the NUTS II planning regions. |
| 4. | Economic growth strongly manifested in the agglomeration areas. Wide range of sectoral and economic activities. |
| 5. | High educational level and active population in the agglomeration areas compared to the rest of the territory. High concentration of schools, universities and R&D institutes, hospitals and doctors. |
| 6. | High percentage of international roads access to European transport corridors and available intra-regional connections within all planning regions. |
| 7. | Digital backbone of the country already in place. |
| 8. | Strong positive trend in tourism development leading to significant contribution of national and regions' growth. |
| 9. | Diverse tourism potential of all Bulgarian regions (natural and cultural heritage) providing for the development of different types of tourism combined with price competitiveness, positive attitudes to tourism and in an economic effective, socially responsible and environmental friendly way (i.e. sustainable tourism development with broad distribution of benefits). |

| No | Weaknesses |
|-----|--|
| 1. | Strong rural/urban disparities (demographic profile, education, health, access to basic services/infrastructure). |
| 2. | Substantial disparities in development of districts and municipalities within the planning regions and presence of backward areas. |
| 3. | Cities and highly urbanised areas have underdeveloped environmental infrastructure and are confronted with significant environmental problems – poor air quality, high levels of traffic and congestion, high levels of ambient noise, poor-quality built environment, derelict land, calamities, urban sprawl, and generation of waste and waste water. |
| 4. | Limited, outworn and underdeveloped business infrastructure and physical base for industrial development and attracting new investments. |
| 5. | Low quality of urban environment, public works and physical infrastructure in cities. Obsolete and amortized facilities of educational, health and cultural institutions. |
| 6. | Unsatisfactory technical parameters and bad quality of regional and local roads. |
| 7. | Lack of attractive public transport facilities, out of date and unsustainable transport both in terms of fixed and rolling infrastructure. |
| 8. | An inadequate provision or absence of basic service infrastructure (ranks, bus stops, terminals, daily bus service, etc.) to serve local needs in many areas remote to the urban centres. |
| 9. | Low development of network access in poorly developed areas concerning ISND penetration, nationwide access to Internet via cable, mobile Internet penetration and very low use of PC in households. |
| 10. | Uniformed and one-sided tourism product mix combined with extreme territorial concentration of tourism development. |

| No | Weaknesses |
|-----|---|
| 11. | Dependence of tourism industry of limited number of international (foreign) markets. |
| 12. | Limited and incorrect awareness and image of Bulgaria tourism potential on major current and potential markets especially for specialized products as a result of insufficient, not coordinated and ineffective destinations marketing. |
| 13. | Weak planning and investment capacity especially in the smaller municipalities. |
| 14. | Limited knowledge base and market intelligence of tourism development, planning and marketing both on national and regional level. |
| 15. | Insufficient partnership and cooperation between municipalities, partners and stakeholders in developing and implementing joint projects. |

| No | Opportunities |
|-----|--|
| 1. | Existence of large cities in certain areas is an opportunity to benefit from their potential and to extend their positive impact over the surrounding areas. |
| 2. | Availability of relatively well balanced and developed network of large and medium-size cities is a precondition via investments to attain higher value added, as well as to reach a more successful cohesion within the EU territory. |
| 3. | Access of Bulgarian regions to the financial resources of the EU funds for supporting development processes. |
| 4. | Existence of industrial and business sites with possibilities for easy access, good logistic and communications due to close location to or within agglomeration areas. |
| 5. | Increasing investment interest and increase of direct foreign investments. |
| 6. | The overall socioeconomic and political situation in Bulgaria favours development of tourism as a special sector and specific tool for local development. |
| 7. | Successful privatization of the tourism industry combined with the marketing package pricing for Bulgaria has propelled a significant increase of international arrivals in Bulgaria. |
| 8. | Utilising natural, historical heritage and culture for achieving sustainable growth and development of the regions. |
| 9. | Accession to EU and development of European transport corridors facilitating the free movement of people, goods and services. |
| 10. | Growing demand for specialised tourism products (especially cultural and ecotourism) as well as for traditional products on the global and European market. |
| 11. | Potential domestic tourism demand. |
| 12. | Accumulation of positive municipal experience in strategic planning, spatial planning, project development and management. |
| 13. | European cross-border, trans-national, and trans-regional cooperation. |

| No | Threats |
|-----|--|
| 1. | Unfavourable demographic tendencies, ageing population, emigration and risk from depopulation of large parts of the territory. Emigration of young and qualified specialists in other more developed EU countries. |
| 2. | Strong competitive pressure on businesses (especially SMEs) due to EU accession resulting in increasing regional disparities. |
| 3. | Increased global competition between destinations especially for mass tourism segments. |
| 4. | Accession to EU leading to restricted access to Bulgaria of traditional and significant tourist markets (visas). |
| 5. | Reduced quality of environment and of tourist experience leading to diminishing attractiveness and competitiveness of overbuilt resorts. |
| 6. | An unstable political future in the Balkans can deter international tourism travel. |
| 7. | Strong dependence of municipalities from the central budget financing. |
| 8. | Increased external transport cost and fuel price. |
| 9. | Weak institutional partnership. Limited financial and technical capacity of smaller municipalities and other local development actors for absorbing the Structural Funds. |
| 10. | Increased expenditure of public authorities (including municipalities) for implementing engagements related to EU legislation. |

4. OBJECTIVES AND STRATEGY

4.1. General and specific objectives

The Operational Programme "Regional Development" 2007-2013 will have to reach the following mid-term objectives.

Programme general objective

- ☞ To enhance the quality of life and working environment with better accessibility to the basic services and to create new opportunities for improved regional competitiveness and sustainable development.

Programme specific objectives

- ☞ To develop sustainable and dynamic urban centres connected with their less urbanized surrounding areas, thus enhancing their opportunities for prosperity and development;
- ☞ To ensure in regions significantly lagging behind⁶⁴ better accessibility to road-, ICT- and gas-networks;
- ☞ To enhance the regional tourism potential to develop and market sustainable and diversified, territorially specific and higher value-added tourist products;
- ☞ To mobilise regional and local opportunities and resources for implementing regional development policies.

4.2. Development strategy

Based on the outcomes of socio-economic analysis and SWOT analysis, the OP "Regional Development" draws a strategic focus on limited issues in response to the EU objectives for achieving growth and jobs in the light of the re-launched Lisbon Strategy using the instruments of the Cohesion policy and the Community Strategic Guidelines for Cohesion 2007-2013. The focus is on a selective mix of several strategic items mostly falling within the scope of the first main guideline.

- ☞ *The strategy of the OPRD is to increase the competitiveness and attractiveness of the regions and municipalities and to decrease the disparities between and especially inside the six NUTS II level planning areas by improving the industrial, residential, social, environmental and cultural environment of the urban areas and accessibility of the rural areas to the road-, ICT- and gas-networks.*

The strategy will be implemented through five priority axes that are:

- Sustainable and integrated urban development
- Regional and local accessibility
- Sustainable tourism development

⁶⁴ region lagging behind (lagging region, underdeveloped region) – a less urbanized, sparsely populated and peripheral area comprising one NUTS IV or more than one (a group, cluster) of NUTS IV regions, characterized by difficult transport accessibility, underdeveloped technical infrastructure, declining socio-economic development, low level of incomes, negative demographic tendencies and extremely high unemployment rate.

- Local development and co-operation
- Technical Assistance

In accordance with the Strategy for Participation of Bulgaria in Structural and Cohesion Funds and the provisions of Chapter 21 of the Accession Treaty, one single operational programme for regional development is envisaged to cover all NUTS II planning regions. Therefore, significant emphasis is given on the coordination of this cross-cutting programme with the other sectoral programmes, which appeared as an important issue largely discussed in the course of the programming process. The OPRD as opposed to the sectoral operational programmes seeks to mobilise and harness regional and local institutional capabilities and resources and focus especially on the areas of activity that are most relevant to balanced economic and social development and are complementary to sectoral/national interventions.

The essential point is that the OPRD does not aim at being a comprehensive territorial programme, but has its specific scope and focus based on own intervention logic clearly delimited from the scope of the sectoral programmes. The main marks of its identity are the following:

- Selective focus on urban centers and urbanized areas as engines for development and key gateways for effectively addressing the problematic intra-regional disparities in combination with access points for smaller municipalities to the financial resources of the programme in response to their specific local problems and the overcoming of inter-municipal disparities;
- Taking into account the registered intra-regional disparities, all investments regarding the urban centers and their related surrounding areas will receive specific territorial concentration preferably at NUTS IV municipal level;
- The emphasis is on the integrated local and regional development approach, specifically stressed in Priority axes 3 and 4;
- Encouraging the local initiatives and partnership combined with particular support for specific small scale investments;
- OPRD is built on municipal competencies and investments. Thus it differs from most sectoral programmes where the state is the author and implementer of the investment projects. The OPRD encourages regional and local stakeholders to undertake proactive role in the development process and to realize investments locally.

Basing on the above arguments, the strategy defines the selection of the following **strategic choices**:

First, it recognises the primacy of urban centres and the need to develop them, for themselves and for their surrounding areas (Priority axis 1) arguing that optimal impact would be derived from these investments if they are connected as much as possible, internally, with each other and with nearer and wider surrounding areas (Priority axis 2). This approach is based on the understanding that the future and long-term revitalization of less urbanised areas will largely be dependent on a successful outcome of urban development. Successful cities, well connected to their less populated surrounding areas, will over the long run engender spill-overs that will benefit areas currently undergoing significant decline and depopulation, thus practically addressing the problem of intra-regional disparities. Intervention on cities to increase their attractiveness and competitiveness will encourage the overall competitiveness of the regions. It will contribute to the reduction of intra-regional disparities and in particular will allow the regions to catch up with more developed EU regions. On the other hand, improving the cities' connectivity to their surrounding areas, not only to transport network and services but also to the ICT network, services and accessibility to efficient gas resources will lead to better opportunities for these areas. Although the territorial scope of interventions of Priority axis 1 is comparatively limited, when combined with interventions under Priority axis 2 their impact will

be much wider, and will contribute to reduction of intra-regional disparities and to a balanced territorial development and cohesion.

The OPRD strategic focus on urban development will be achieved through indicative allocation **of the Priority axis 1** financial resources to urban agglomeration areas⁶⁵ as follow:

- 100 mln. euro for the capital Sofia;
- 300 mln. euro for the municipalities of the 6 largest cities (Plovdiv, Varna, Burgas, Russe, Pleven, Stara Zagora;)
- 100 mln. euro for 29 municipalities falling in the scope of the agglomeration areas of Sofia and 6 largest cities;
- 339 mln. euro for 50 municipalities falling in the scope of the 29 agglomeration areas of:
 - a) 24 medium-size cities with population over 30 000 inh.,
 - b) 4 towns with population between 20 000 and 30 000 inh. and
 - c) Panagyuriste

The integrated development approach will be achieved through elaboration and implementation of integrated urban regeneration and development plans sensitive to social and functional diversity with particular attention to fighting social exclusion and the recycling and/or restructuring of underused or derelict urban sites and areas, thus contributing to an effective implementation of the EU Territorial Agenda and the Leipzig Charter on Sustainable European Cities.

This is in line with the enhanced emphasis on competitiveness, growth and jobs, the interpretation of cities as major contributors to promoting growth and creating jobs, the enhancement of the urban dimension of cohesion policy and the emphasis on spatial planning strategies, promoting a polycentric approach and improving the interactions between urban and rural areas as expressed in the Community Strategic Guidelines on Cohesion and the Commission's working paper "Cohesion Policy and cities: the urban contribution to growth and jobs in the regions".

Second, it recognises that in many cases there remains a need to assist directly a large number of smaller municipalities, which cannot rely on "connectivity" to bigger centres to ensure appropriate living and working conditions (Priority axis 2).

Third, by encouraging the development and marketing of diverse and higher value-added tourist products in less developed, but possessing significant tourism potential areas, priority axis 3 seeks to address the dual challenge of enhancing the opportunities for sustainable growth of the tourism nationally (thus contributing to national competitiveness, growth and development) and simultaneously enabling a wider distribution of tourism income regionally. This creates growth and jobs, mainly in peripheral areas. This approach is consistent with the concept of tourism as a regional and local development tool and as a priority for development in the National Regional Development Strategy, in all regional development plans and district development strategies as well as in most municipal development plans.

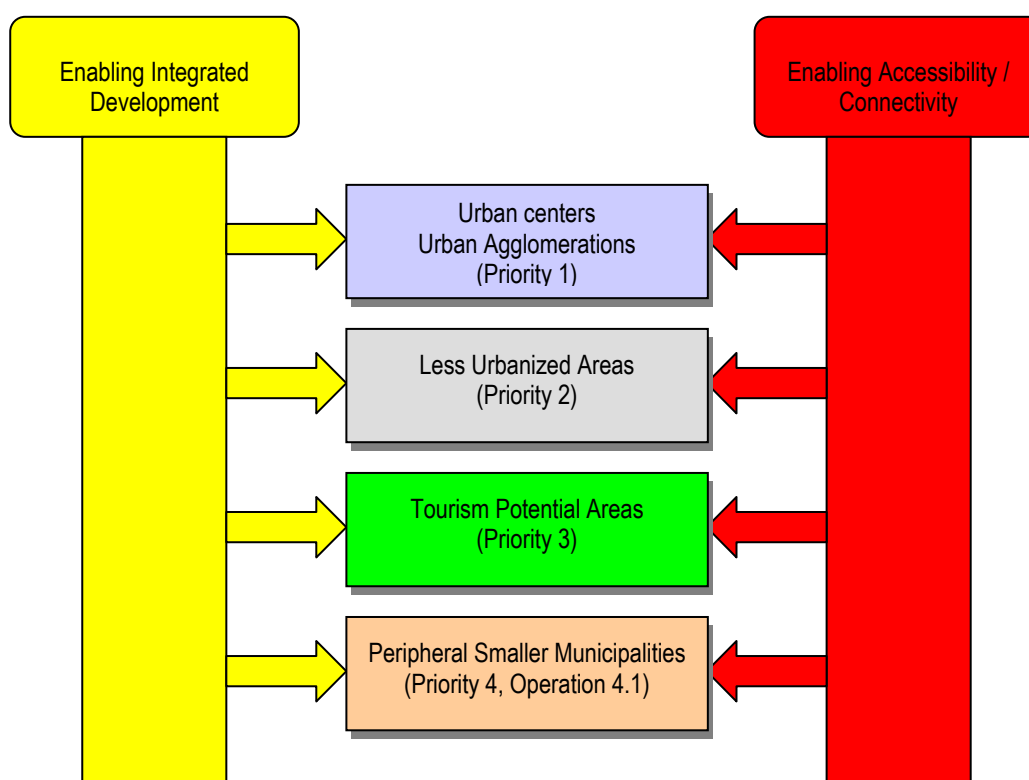
Fourth, the OPRD also foresees investments for smaller municipalities outside the urban agglomeration areas in order to enable them to participate in the national development process.. Moreover, appropriate methodological approach combined with related investments will be used for activation of development

⁶⁵ Urban agglomeration areas are defined in 3.4.1 Settlement network and are listed in Table 20 therein; municipalities falling in the scope of the agglomeration areas are listed in Annex 3a. Territorial scope of Urban Agglomeration Areas.

processes and exchange of best practices with European regions. The logic of this is to support, drive forward and sustain effective local development processes and activities.

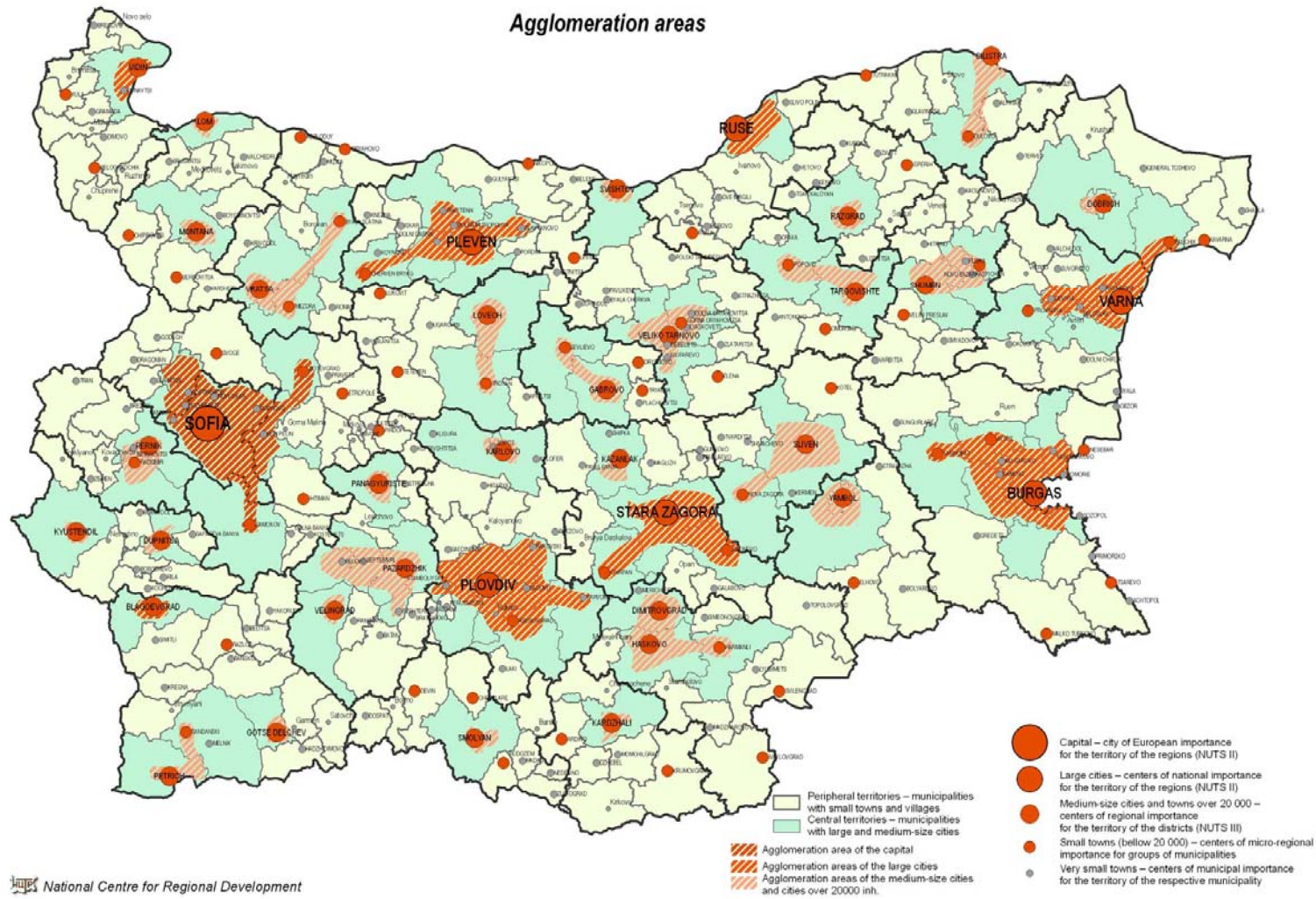
In summary, the logic of intervention is the following:

- Enhance the physical, economic and social living and working environments of urban centres;
- Connect these centres with each other;
- Connect the surrounding areas with their centres to ensure appropriate access to opportunities;
- Insofar as these surrounding areas cannot be adequately assisted by connectivity to opportunities in urban centres, support key investments in these areas consistent with cost-effectiveness, efficiency and equity;
- Through all interventions, and principally with regard to surrounding areas and to certain „networked“ activities, promote a rational and cost-effective approach to investment through (a) co-operation between large urban centres and their surrounding areas municipalities and (b) where appropriate, among small municipalities whose size and inadequate level of resources precludes viable independent action (c) for all municipalities encourage an appropriate integrated approach;
- Ensure adequate support to the local and inter-regional development process.



Programme intervention logic

Priority axis 1 interventions will be focused on urban agglomerations as defined initially in the National Regional Development Strategy (2005), described in chapter 3 of OPRD, presented on the map below and listed in Annex 3. Priority axis 4 (especially operation 4.1) will address smaller municipalities in the periphery that are outside urban agglomerations (see also Annex 4).



To address the problem of extreme territorial concentration of tourism development, ensuring sustainability of tourism development, and to focus the interventions on the areas where public support is more needed, the already developed (in many cases "overdeveloped") tourist areas are excluded from part of the interventions of Priority axis 3, namely operation 3.1 (all Black Sea coastal municipalities, the mountain resorts Chepelare, Bansko, Smolian and Samokov, the capital Sofia and Plovdiv).

In order to ensure the smooth management, implementation, monitoring and evaluation of the OPRD, technical assistance measures will be supported under Priority axes 5. Where technical assistance activities can not be clearly and in non ambiguous way linked to a certain project under operations within Priority Axes 1, 2, 3 and 4, such actions may not be eligible under these priorities.

4.3. Outline of the chosen priority axes

Basing on the above considerations for the intervention logic, the following architecture of the OPRD has been designed, further including descriptions of the key priorities and operations. In summary, the structure is as follows:

Priority Axis 1: Sustainable and Integrated Urban Development

Operation 1.1. Social Infrastructure

Operation 1.2. Housing

Operation 1.3: Organisation of Economic Activities

Operation 1.4. Improvement of Physical Environment and Risk Prevention

Operation 1.5. Sustainable Urban Transport Systems

Priority Axis 2: Regional and Local Accessibility

Operation 2.1. Regional and Local Road Infrastructure

Operation 2.2. ICT Network

Operation 2.3. Access to Sustainable and Efficient Energy Resources

Priority Axis 3: Sustainable Tourism Development

Operation 3.1. Enhancement of Tourism Attractions and Related Infrastructure

Operation 3.2. Regional Tourism Product Development and Marketing of Destinations

Operation 3.3. National Tourism Marketing

Priority Axis 4: Local development and co-operation

Operation 4.1. Small-scale Local Investments

Operation 4.2. Inter-regional Cooperation

Priority Axis 5: Technical Assistance

Operation 5.1. Management, Monitoring, Evaluation and Control

Operation 5.2. Communication, Information and Publicity

Operation 5.3. Capacity building of OPRD beneficiaries

4.4. Indicators and targets at programme level

This programme aims at improving the quality of life in the regions and cutting their disparities. Therefore, the impact on unemployment should be studied together with sectoral OPs, at NSRF level. However, the following impact on macro-economic level can be anticipated from the investments foreseen in the OPRD by 2013:

| Type | Indicator | Unit | Quantification | | | Frequency of reviewing | Source of information |
|--------|--------------|--------|---|----------------------|---------------------|------------------------|-----------------------|
| | | | Baseline value | Interim Value (2009) | Target Value (2013) | | |
| Impact | jobs created | Number | The Managing Authority will monitor the indicator at programme level throughout the programming period (e.g. from the individual project applications forms, final reports of the implemented projects - summed up at the programme level). | | | | |

4.5. Summary findings of ex-ante evaluation

The Ex-Ante Evaluation of OP "Regional Development" 2007-2013 was assigned to a consortium – ACE, ACE, Asesores de Comercio Exterior under a Framework Contract Beneficiaries Lot 11, No. Beremska 4 "Bulgaria, Ex-ante evaluation of the national operational programme for regional development within the Bulgarian national development plan 2007 – 2013" (the complete ex-ante report is attached as Annex 7).

It commenced on 03 April 2006, about 5 weeks later than planned. The Commission Services expressed a willingness to commence informal consultations in house on all Bulgarian Operational Programmes (OPs) at the end of April 2006. The OPRD Ex-Ante Evaluation Team was therefore requested – through the responsible Adviser at the EC Delegation in Sofia, during a meeting held on 07 April – to prepare preliminary comments upon the conclusion of the first two week of the evaluation (i.e. by 14 April 2006).

The ex-ante evaluation was finalized on 19th February 2007. During the evaluation care was taken in verifying the factual basis for the findings and conclusions reached, on the basis of the information and documentation received from the beneficiary ministry, Ministry of Regional Development and Public Works and other relevant Agencies.

It is concluded that the ex-ante evaluation process has met the primary objectives of improving the quality of the document. All recommendations have been taken into consideration and adequately reflected.

Below are the main recommendations made by the ex-ante team and the way they are reflected by the MA.

In reference to the main recommendations regarding the SWOT analysis:

- *Indicate in the OP special areas/sectors where the data available is out of date or at risk;*
- *Indicate where additional or new data is required;*
- *Include (future) data collection / survey activity under Priority Axis 5 – Technical Assistance*

All data in OPRD is based on recent statistical data available provided by the National Statistical Institute and do not pose any risk. In the course of implementation of OPRD Priority Axis 5 – Technical Assistance, data is to be further amplified through projects for data collection, analyses and surveys.

- *Ensure by a 1st call for project applications availability of studies for local development/ planning as well as foundations of local partnerships from potential beneficiary municipalities.*

In order to ensure applications availability, there is relevant training given to municipalities by different projects and institutions. During the programme implementation the development capacity of municipalities will be supported under Priority Axis 4. Local partnerships have been identified through a mapping exercise and project pipeline development under PHARE Project BG2004/016-711.11.02. Phase 1 / Year 2004 "Support for preparing good quality strategic documents, promotion of partnership and cooperation and assistance for project development capacity".

- *To improve the quality of applications and help beneficiaries at municipal level to focus on strengths, opportunities and resources for realisation of their projects; clear succinct information about the selection criteria and access to project preparation advice should be disseminated and published to all these organisations participating at the programme level.*

The Program Complement, manuals and guidelines are being currently prepared and will be disseminated to all potential beneficiaries in due course of time. During program implementation publicity and dissemination measures are envisaged under Priority axis 5, Operation 5.2 of the OPRD.

- *In the OP, it should be stated under the relevant Axes that priority will be given to those applications that are based on up-to-date Urban / Municipal Master Plans.*
- *Where no up dated urban master plans exist, it should be clearly stated under in the OP under Priority Axis 5 that assistance might be provided.*

In reference to the main recommendations regarding the Rationale and Strategy:

- *Traditional infrastructure investments should not be done as an end in themselves;*
- *Priority should be given to knowledge based industrial and business projects that are based on Community Strategic Guidelines*
- *More attention is required in relation to environmental impacts and sustainability*
- *Infrastructure projects should be clearly based on market and business analysis.*

Taking into consideration Community Strategic Guidelines, priority will be given not only to traditional infrastructure projects, but also to knowledge-based industrial and business-related projects with no negative environmental impacts and infrastructure projects corresponding to market and business needs and sustainability. Detailed selection criteria therefore are set out in the Programme Complement.

- *Under Priority Axis 3, the OPRD should more clearly state how it is aligned and where it complements the sector and spatial priorities under the Tourism Strategy promoted by the Bulgarian State Tourism Agency;*
- *There should be stated a clear priority towards those projects with sustainable environment-friendly benefits for local municipalities and communities;*
- *It should be clearly stated in the OPRD that priority would be given to project applications based on local tourism investment plans that are also aligned to the OPS for human resources development, competitiveness, and environment.*

OPRD Priority Axis 3 clearly demonstrates that its logic is broadly in line with the sector and spatial priorities set out by the relevant planning documents in Bulgaria, including the National Tourism Strategy promoted by the Bulgarian State Tourism Agency

As regards sustainable development, it has already been stated in the OPRD that priority will be given to projects compliant to the sustainable tourism development, including environmental-friendly benefits to local municipalities and communities. However, the comment will be taken into consideration in the process of further specification of the eligibility and selection criteria in the Programme Complement .

In addition, priority will be given to projects applications based on district development strategies and municipal development plans as set out in the selection criteria and there is a clear-cut demarcation line and complementarities between the tourism interventions in OPRD and in the Operational Programmes related to human resources development, competitiveness and environment as explained in the OPRD.

In reference to the main recommendations regarding Programme's External Coherence:

Under Priority Axis 1: 1.3:

- *The OP should present a clearer rationale and prioritisation for selected investment on industry infrastructure;*
- *Green field sites for FDI be closely aligned with the location criteria proposed by Invest Bulgaria Agency;*
- *Attention should be given to the timetabling requirements of potential investors;*
 - *It should be stated that utilities gas, electricity, roads etc. for green field sites is provided for a specific investor and sites on a customised basis (not speculatively)*
 - *Permanently "open calls" should be considered for investment into physical business infrastructure, with a strong obligation of the investors to make a firm contract with the preferred municipality.*
- *In the OP, it should be clearly stated that priority for physical business infrastructure will be for those municipalities having coherent local industrial business strategy, based on growth sectors and identifiable "clusters" or have potential to be created.*

Investments will be based on needs analyses about new industrial areas within the PHARE project BG 2005/017-586.04.01 "Industrial Zones Development". The results of the analyses are to be ready during the first half of the programming period. Clear project selection criteria are being elaborated in cooperation with the Ministry of Economics and Energy (MEE) and Invest Bulgaria Agency. As for the green-field sites for FDI, they are to be closely aligned with the location criteria proposed by Invest Bulgaria Agency. OPRD is focused on business-related infrastructure for those municipalities having coherent municipal development plans.

Where possible SF funds should not be made for transport infrastructure on a "ad hoc" basis; hence,

- *The OP should clearly state under Priority Axis 2 that municipalities seeking to promote new local road infrastructure should do so based on an up-to-date land-use and transport plan.*

As regards the ex-ante recommendations on transport infrastructure, the OPRD is focused only on rehabilitation, reconstruction and renovation of the existing roads infrastructure and **no new construction** is envisaged.

- *If there is no such up-to-date plans, assistance can be provided under Axis 5 – Technical Assistance.*

Assistance for preparation of spatial development plans and detailed technical designs will be provided under Operation 4.2.

- *The OPRD should outline the results of the Strategic Environmental Assessment (SEA), explaining how they have been taken into account*

Point 1.6 of OPRD outlines the results of the Strategic Environmental Assessment (SEA), explaining how they have been taken into account.

An issue is the effective coordination of all EU interventions within an agreed framework for regional development i.e.

- *There should be clear statements for planning and development criteria and conditions for securing support under SF;*
- *Planning framework documents should be disseminated to all regional beneficiaries and stakeholders;*
- *This planning framework could be usefully included as an annex to the OPRD.*

The MA will have the responsibility to make acquainted all regional beneficiaries and stakeholders for the relevant strategic planning documents.

In reference to the main recommendations regarding internal consistency of the Programme:

- *Interdependencies amongst the five priority axes needs to be reviewed and where it exists more clearly stated in the OP;*

Within the process of OPRD refinement, the interdependencies amongst the five priority axes have been attained and explicitly demonstrated.

- *Where necessary amplify OP to secure better project selection and project appraisal, and to secure efficiencies, economy of scale, effectiveness and optimized sustainable impacts.*

The project selection and project appraisal mechanisms are to be clearly defined and specified in the Program Complement being under preparation.

In reference to the main recommendations regarding the appropriateness of the allocation of resources, perspectives for absorption, availability of national co-finance and the allocation's appropriateness to the overall strategy:

- *It is recommend that the TA budget under Axis 5 is increased up to 4 %.*

In line with the ex-ante recommendation, the TA budget under Priority Axis 5 has been increased to 4 %.

- *Similarly budgets under Priority Axis 4 are reviewed to improve the implementation capacities, and that ensure the quality of projects, i.e. effectively designed, managed and implemented under coherent local and regional development plans.*

Indicative budgets under Priority Axis 4 have been reviewed so as to ensure implementation capacities, as well as the projects quality.

In reference to the main recommendations regarding the legal, Institutional and Regulatory Bottlenecks:

- *The MRDPW should set a definitive timetable for the introduction of effective regional development "boards" within the cycle of the first OPRD, i.e. to promote an effective, more accountable, "bottom up" regional development process.*

The MA does not plan to sub-delegate management responsibilities during the current programming period due to capacity reasons. However, local authorities representatives, as well as representatives of the planning regions (NUTS II level), are included in the Monitoring Committee to the OPRD.

In reference to the main recommendations regarding further elaboration of individual Priorities and operational activity:

- *Where appropriate, MRDWP under the Programme Complement consider assessment of institutional and project management capacities of municipalities.*

Information on institutional and project management capacities of municipalities have been taken into consideration and reflected by the MA.

- *The staffing levels of the IBs kept under constant review over the period of the OP with a view to providing additional resources dependent on workloads incurred.*

The staffs of the IBs to OPRD have been set up in compliance with their respective responsibilities as referred to OPRD implementation and might be changed depending on workloads incurred.

In reference to the main recommendations regarding consistency with Community and national policies (including relevant territorial policies), horizontal issues in particular in the areas of equal opportunities, environment and employment:

- *In conformity with the informal comments of Community Services include an additional operation under Priority 2 for supporting a wide range of renewable energy production and supply systems.*

The use of renewable energy sources is to be supported under operations 1.1, 1.2., 1.4, 1.5. and 4.3 as part of the activities under these operations.

In reference to the main recommendations regarding quantification of the Objectives:

- *At the community level, an analysis of baseline and needs should be requested from the municipalities; this and related analysis on local needs should reflect the indicative areas for support for projects under Priority 4.*

Based on the mapping exercise and project pipeline developed within the PHARE project BG2004/016-711.11.02 Phase 1 / Year 2004 "Support for preparing good quality strategic documents, promotion of partnership and cooperation and assistance for project development capacity", baseline and local needs have been identified and analysed.

- *Annex 4 of this report – Suggested Approach to Indicators, should reviewed as a possible basis for developing, revising or amplifying indicators in the OPRD.*

The recommendations to the OPRD suggested by the ex-ante evaluation team have been reviewed and taken into consideration.

In reference to the main recommendations regarding quality of proposed implementation and monitoring mechanisms:

- *The Programme Complement activities should be reviewed to ensure that they address the scale of institutional and capacity building required within the municipalities to ensure efficient, effective and transparent project management of priority projects promoted under OPRD project pipeline.*

The OPRD activities are being further developed in the Programme Complement, currently under preparation, in order to ensure addressing the scale of institutional and capacity building.

- *Additional focus on provision of training for essential project management capacities for pre-selected Municipalities and hence an increased priority to activities under Priority Axis 5 – Technical Assistance.*

Currently, there has been relevant training delivered to municipalities by different projects and institutions. During OPRD implementation the development capacity of municipalities will be supported under Priority Axis 4.

- *To ensure transparency, information about the Project Selection Committee is published to all potential beneficiaries and stakeholders as to who is making the decisions on project selection, approval and rejections.*

Legitimacy and transparency of project selection are to be ensured via project selection procedures explicitly set by the Managing Authority.

- *MRDPW should establish permanent working groups at the regional level with other important development organisations, especially the Bulgaria State Tourism Agency, Invest Bulgaria Agency, Bulgarian SME promotion Agency, as well as the MEE and MAF thus ensuring that all the EU funding available is absorbed efficiently and effectively, and impacts optimised.*

The MA has established permanent working groups with other relevant organisations to ensure the efficient absorption of the EU funding. The OPRD Monitoring Committee envisages, if necessary, sub-committees as regards specific issues to be addressed and considered.

4.6. Summary findings of Strategic Environmental Assessment

The Environmental Assessment (EA) of the Operational Programme "Regional Development" 2007-2013 (OP "RD") was carried out in accordance with the requirements of Chapter six of Environmental Protection Act and *Regulation on the conditions, order and methods for performance of environmental assessment of plans and programs (promulgated in State Gazette, number 57 dated 02.07.2004, in force since 01.07.2004, alt. and add. number 3 dated 10.01.2006)*, reflecting requirements of the Directive 2001/42/EU. The main objective of EA is to contribute to integration of environmental issues during the process of preparation of Operational Programme "Regional development" and to ensure higher level of environmental protection and achievement of sustainable development in Bulgaria. The EA was performed as a part of ex-ante evaluation of the Programme in accordance with the European and Bulgarian legislation (executive summary of the EA report is attached as Annex 8).

During 2006 MA of OP "Regional development" 2007 – 2013 have made an inquiry to for the necessity of EA of the Programme to the "Prevention activities" Directorate within the Ministry of Environment and Waters. The MOEW have issued the instructions regarding EA of OP "RD", it to be carried out as a part of ex-ante evaluation. The Environmental Assessment was performed by a team of registered experts pursuant to Article 83, Para 9 of the Environmental Protection Act (EPA) from the staff of the company POVVIK-OOS LTD during the period of time from December 2006 to February 2007.

Strictly following the requirements of *Regulation on the conditions, order and methods for performance of environmental assessment of plans and programs*, for the purposes of EA, consultations with the MA of the OP "RD", competent authority, other relevant bodies and public were conducted. The consultations, as

important and obligatory part of EA process, were carried out according to the preliminary prepared and approved by the MA schedule. The documentation was published on the MRDPW web-site and was made available in the press- centre to the MRDPW. All instructions, opinions and comments received have been respectively reflected in the final EA report dated February 2007.

The main conclusion of the EA final report is that the implementation of Operational Programme "Regional Development" will have overall positive effect on the environment, in case of realization of the measures recommended.

In February 2007 the official EA report was submitted to the relevant body within the MOEW. In accordance with the requirements of *Regulation on the conditions, order and methods for performance of environmental assessment of plans and programs*, the relevant body in coordination with the MA, suggested measures for monitoring and control during the implementation of the Programme. On 7 March 2007 a meeting of Inter-institutional environmental council on environmental issues to the MOEW has been carried out and on the base of EA report prepared and decision was taken. According to this decision, the Minister of Environment and Waters has to issue statement for coordination of OP "Regional development" 2007 – 2013. The official statement about EA of OP "Regional development" 2007 – 2013 No 4 – 3/2007 was issued on 19 March 2007.

By taking into account the EA on OP "RD", in order to prevention, reduction and possibly fully elimination of expected unfavourable results of the Programme implementation be achieved, the OP "Regional development" 2007 – 2013 Managing Authority envisages execution of the following measures.

- Investments projects or investment plans for which EIA/ EO is necessary to be approved only after positive statement and in consideration with the recommendations provided;
- Priorities to be given to the projects, which envisaged adoption of environmentally friendly technologies, know-how and other water, energy saving technologies;
- In the process of realization of interventions in water supply and sewage, priority to be given to decrease of water losses from the water supply system and to improvement of quality of drinking water;
- In realization of the activities under Priority 1, the necessity for creation of green systems to be fulfilled according to subordination with landscape categories existed;
- Existed areas of the cultural monuments and their buffer zones – according to existed law for their protection - to be considered;
- In case of works, measures for limitation of dust, noise and vibrations to be envisaged;
- In case of road infrastructure projects, mainly existing routes, to be considered;
- Tourism projects to correspond to the recreation norms and with the statute of the territory;
- The necessary connection to relevant local waste water plants and waste water systems to be proved by the beneficiaries;
- Priority to be given to specialized form of tourism (cultural, eco-tourism, rural, spa and others);
- Biodiversity protection and prevention against fragmentation of the habitats to be taken into consideration.

Every three years, but not later than 15th April, the MA will prepare a report on the monitoring and control, including measures for prevention, reduction and possibly fully elimination of expected unfavourable results of the Programme implementation. Monitoring and control of the programme implementation will be carried out on the base of the following indicators part of which will be included in the project selection criteria. During on-the-spot checks on the beneficiaries, the aforementioned measures will be taken into consideration.

Priority 1: Sustainable and integrated urban development

Consumption of electricity, heating, water, renewable energy sources; streets rehabilitated; areas with improved quality; green areas; cycle paths; exceeding emissions; noise pollution, restored and improved cultural monuments.

Priority 2: Regional and local accessibility

New roads, measures for biodiversity protection undertaken, number of settlements connected by broadband connections (ADSL, cable, satellite, wireless communication networks); Population connected to gas supply network; Forests removed.

Priority 3: Sustainable development of tourism

Nature, cultural and historic attractions developed, Area constructed; Forests and biodiversity sites connected; Vegetation planted.

Priority 4. Establishment of regional and local networks, cooperation and capacity development

Planned and realised projects, related to environmental protection; Roads rehabilitated that are used by two or more municipalities, green areas and parks, awareness campaigns.

In conclusion, together with fulfilment of its main task – improvement of integration of the environmental issues into the Operational programme "Regional development" and to ensuring better protection of the environment and achievement of sustainable development in Bulgaria – the EO contributes also to overall improvement of quality of the documents.

Consultations include the following steps.

| Bodies consulted | Statements and comments |
|---|--|
| Submission of scope and content of the Environmental assessment to the competent authority: <ul style="list-style-type: none"> – MoEW, Directorate "National Service for protection of the environment" – Regional inspectorates for Environment and waters (RIOW) – Blagoevgrad, Burgas, Varna, Vratza, Veliko Tarnovo, Montana, Parardzik, Pleven, Plovdiv, Russe, Sofia, Stara Zagora, Smoljan, Haskovo and Shoumen – River basin Directorates and National parks – Blagoevgrad, Plovdiv, Pleven and Varna – National Parks Directorates | Statements received by: <ul style="list-style-type: none"> - Instructions by MoEW regarding scope and content of the Environmental assessment (letter No. 04-00-2819/15.12.2005); - MoEW, statement regarding scope and content of the Environmental assessment (letter No. 04-00-179/23.01.2007); - MoEW, statement regarding scope and content of the Environmental assessment (letter No.04-00-179/31.01.2007); - MoEW, Directorate "National service for protection of the environment" (letter № 92-00-177/16.02.07 г.) - RIOW Stara Zagora; - RIOW – Shoumen (Letter № 92-00-177/14.02.07 г.) - RIOW – Vratza; (Letter № 92-00-177/14.02.07 г. и Letter Bx.№ 92-00-177/15.02.07 г.) - River basin Directorate – Varna; - River basin Directorate – Pleven (Letter № 92-00-289/16.02.07 г.) - RIOW – Rousse (Letter № 92-00-289/23.02.07 г.) - RIOW – Montana (Letter No 436/ 19.02.2007 г.); - RIOW – Plovdiv, Letter Out No 738/ 21.02.2007, In. H 92-00-289/26.02.2007 - River basin Directorate – Varna (Letter In. No 92-00-177/19.02.07 г.) - River basin Directorate – Pleven (Letter In No 92-00-289/21.02.2007 г.) - Directorate „National Park Rila (Letter In No 92-00-177/19.02.07 г.) - Directorate „National Park Cental Balkan (by e- mail) |
| Environmental assessment of the OPRD 2007 – | There are no comments and suggestions |

| Bodies consulted | Statements and comments |
|--|--|
| 2013 has been published on 14.02.2007, on the internet in section "Announcements" for public assess and expression of statements | |
| Submitted information (by official letter and e-mail) to: <ul style="list-style-type: none"> - MoEW – Att. 1) To deputy minister Chavdar Georgiev; and 2) to the Directorate "National service for protection of the environment" - RIOW - Blagoevgrad, Burgas, Varna, Vratza, Veliko Tarnovo, Montana, Parardzik, Plevan, Plovdiv, Russe, Sofia, Stara Zagora, Smoljan, Haskovo and Shoumen - River basin directorates Blagoevgrad, Plovdiv, Plevan and Varna - Regional development councils | Comments on the preliminary Environmental assessment: <ul style="list-style-type: none"> - MoEW, Letter No 90-05-189(9)/26.02.2007 Cooment on the procedure of the SEA of OPRD - MoEW, MoEW, Directorate "National service for protection of the environment – by e-mail - Regional development council of the North Central planning region – Rousse – Letter No 0400-51/21.02.2007 г. - Regional development council of South Central planning region by e-mail - RIOW – Montana (Letter Outgoing. No 526/ 27.02.2007 г. |
| Environmental assessment is under examination and provision of statements by relevant bodies is expected | Statement on the procedures of the Environmental assessment (Letter Outging. No 04-00-455/ 22.02.07 г.) |
| Environmental assessment is under revision by the competent body – Minister of the Environment and water | Official statement by the Minister of environment and water is expected |
| | |

As a conclusion, if the recommendations provided are fulfilled, the positive effect on the state of the environment is expected through implementation of the Operational programme "Regional development".

5. DESCRIPTION OF PRIORITY AXES

5.1. Priority Axis 1: Sustainable and Integrated Urban Development

Rationale

"Sustainable development is development that delivers basic environmental, social and economic services to all residents of a community without threatening the viability of the natural, built and social systems upon which the delivery of these services depends"⁶⁶.

This priority axis seeks to support a range of interventions that together will help on improving competitiveness of cities and urban functional areas in terms of providing conditions for successful and sustainable urban areas, cohesive in themselves to generate opportunities for each other and for their surrounding areas. Under this priority axis, it is essential to improve the attractiveness and competitiveness of cities ensuring adequate quality of life and basic level services taking into account the preservation of their environmental potential. Public investments will be oriented to upgrade and extend the provision of key infrastructures for the urban systems that will sustain urban areas as cohesive growth centres.

The interventions will be oriented towards the practical implementation of NSRF Priority 4 "Balanced Territorial Development". The urbanization issues are of increasing importance for the current programming period both from European and national perspective. Development of major cities will contribute and advance their capacity to foster and disseminate development across the regions, integrating the surrounding territories and the less urbanised areas and accelerating their economic, social, spatial and environmental potential. In the peripheral areas, in the absence of large cities, promotion of the existing medium-size and small cities is necessary through a targeted state policy in order to help them compensate the absence of large cities through their own accelerated development. Processes of urban concentration are to be managed with a view to ensure satisfactory territorial outcomes, overall regional competitiveness and cohesion.

The policy of sustainable urban development should become more effective by better taking into account the potential of urban areas and the challenges facing them. There should be four inter-dependent policies, targeted at:

- strengthening economic prosperity, labour market and employment in towns and cities;
- promoting equality, social inclusion and regeneration in urban areas;
- protecting and improving the urban environment, including energy and transport management towards local and global sustainability and
- contributing to good urban governance and local empowerment through elaboration and implementation of strategic integrated urban regeneration and development plans.

The future of the towns and cities depends on fighting growing poverty, promotion of social inclusion and stemming the loss of certain urban functions. Both the reconstruction and regeneration of neglected areas and derelict sites in urban areas and surrounding areas will be promoted. Through integration of urban functions in a city, all citizens will have appropriate access to their living places, basic services and facilities, open spaces, general and professional education and health care of good quality. This also includes the conservation and development of small planted areas in urban green spaces, which have both ecological and important social functions.

⁶⁶ European Sustainable Cities – Report by the Expert Group on the Urban Environment, European Commission

The state of the networks of the technical infrastructure and public works does not meet adequately urban requirements and obstructs the functioning of the cities. The physical environment and the housing stock are heavily depreciated. Coordinated efforts are urgently needed for Bulgarian cities and will be addressed respectively.

The vulnerable groups in the Bulgarian society include disabled people, ethnic minorities, and especially Roma minority group, children and families at risk, people dependent on social allowances, people living in specialised institutions, elderly people, long-term unemployed, victims of trafficking, drug addicts and homeless people.

Recognising the predominance of the Roma people in urban low-income neighbourhoods and the particularly critical conditions of their housing and public services, the proposed priority axis will have a special focus on this ethnic minority. Particular attention will be given to the revitalisation of neighbourhoods with dominant Roma population in order to promote their social inclusion, prevent crime and ensure calm living conditions for the citizens.

Housing policy is an important part of the urban environment. For this reason, investments will be encouraged to revitalise and refurbish the building stock of the multi-family residential buildings, to renovate the prefabricated panel residential buildings and to establish important social housing facilities (low-cost houses for vulnerable groups, social homes, etc.) in support of the social function of the cities' authorities.

The industrial areas in the cities occupy large areas. However, they often lack public works, they are characterised by an old, amortised building stock that could hardly be modernised so as to meet the new production with new technologies. In other words, they could hardly be adapted to new functions. That's why, on the first step, the small and medium sized enterprises could be promoted.

The mobility in and between the city centres is of vital importance for the quality of life, labour, accessibility and efficiency and therefore for better economic competitiveness. Public transport is of key importance for intra-city mobility and effective urban operability. Traffic regulation and management in larger cities will be improved and better opportunities for parking of vehicles will be provided. This will equip the urban centres with well planned and integrated transport systems which promote economic and social cohesion within the cities, connect the remote neighbourhoods with the city centres, thus assisting the access to labour markets and facilitating the dynamics of cultural and social life.

This priority axis will promote implementation of integrated urban regeneration and development plans sensitive to social and functional diversity with particular attention to fighting social exclusion and the recycling and/or restructuring of underused or derelict urban sites and areas, thus contributing to an effective implementation of the EU Territorial Agenda and the Leipzig Charter on Sustainable European Cities. This will include the improvement of economic, social, housing and natural environment and service infrastructure of cities considered as focal points for regional development, in order to increase their attractiveness for mobile investment.

During the first half of the programming period (2007-2009) the integrated approach will be pursued on the basis of the existing Municipal Development Plans, Master Plans and Detailed Spatial Plans, which set up the exact provisions for the integrated territorial development of the municipalities and the urban area taking into consideration that:

- the provisions, which define the common structure and the predominant functions of the territories, the type and functions of the technical infrastructure, the protection of environment and the preservation of the sites of cultural and historical heritage are obligatory while developing the Master plans and
- the Municipal Development Plans define the objectives and the priorities for the development of the municipalities as well as the financial resources for their achievement on the basis of the pre-existing Master plans.

- The OPRD will use the Master Plans, Municipal Development Plans and District Development Strategies as a prerequisite for eligibility (all projects should be in compliance with those planning documents).

During this period support will be provided under operation 1.4 to elaborate integrated urban regeneration and development plans (on the basis of the existing Master Plans and Municipal Development Plans) in order to achieve more integrated approach during the second half of the programming period (2010-2013).

The investment opportunities under this priority axis will be open to all municipalities that fall under the definition of urban agglomeration area. Municipalities can access all operations under the priority axis individually. In case an agglomeration municipality is not capable to apply individually, then consultation and co-operation with other municipalities within the same agglomeration area will be strongly encouraged. Such kind of inter-municipal investment planning may be considered even more appropriate. In all cases under this priority axis, this is however a voluntary action initiated by several municipalities.

Under priority axis 1 (specifically for operations 1.1 and 1.2) any refurbishment or reconstruction of buildings will aim at improving the energy performance, in accordance with Directive 2002/91/EC. The use of renewables will be taken into account, and where central heating is used, the energy efficiency of the heat supply will be addressed at the same time. Within the envisaged activities, more attention will be paid to energy savings, energy efficiency and use of renewable energy resources. Furthermore, the extent of using energy savings, energy efficiency or use of renewable energy resources in the projects will be an important criterion for selection of projects.

Therefore, interventions under this priority axis for energy efficiency measures and actions to prevent against floods, combat fire and increase the environmental performance of the public transport system will contribute to reducing greenhouse gas emissions and to pursuing the objective of the Energy Policy for Europe "*Promoting environmental sustainability and combating climate change*"⁶⁷.

Interventions under this priority axis can be implemented through aggregating additional investment funds using the JESSICA financial engineering instrument. The JESSICA initiative targets PPPs or other revenue generating urban projects included in integrated urban regeneration and development plans, with a view to achieve leverage and recycling for OPRD resources invested in such projects. This initiative also offers the possibility to take advantage of outside financial and managerial expertise from specialist institutions such as the EIB, the Council of Europe Development Bank and other international financial institutions, to create stronger incentives for successful implementation by beneficiaries, by combining grants with loans and other financial tools. JESSICA allows a continuous availability of funds and is expected both to leverage substantial amounts of investment into areas in need of economic and social cohesion and to speed up their integrated development.

Specific objective

To promote sustainable, cohesive, accessible urban centres attractive to residents, visitors, investors, mobile workers and that act as motors to more competitive regions.

⁶⁷ Presidency Conclusions of the Brussels European Council, 8/9 March 2007

Indicators and targets

| Type | Indicator | Unit | Quantification | | | Frequency of reviewing | Source of information |
|--|---|--|-------------------------|----------------------|---------------------|---------------------------------------|-----------------------|
| | | | Baseline value (2005/6) | Interim Value (2009) | Target Value (2015) | | |
| Impact | Reduction of greenhouse emissions (CO2 and equivalents, kt) | kt | n.a. | 21 | 56 | After programme completion | MIS of OP, Survey |
| Result | Energy savings from refurbished buildings | MWh | n.a. | 44 400 | 119 000 | After programme completion | MIS of OP |
| | Students benefiting from improved educational infrastructure | Number | n.a. | 6 300 | 10 000 | Twice during programme implementation | MIS of OP |
| | Patients benefiting from improved healthcare infrastructure | Number | n.a. | 200 000 | 600 000 | Twice during programme implementation | MIS of OP |
| | Population benefiting from refurbished buildings (except educational and healthcare institutions) | Number | n.a. | 100 000 | 230 000 | Twice during programme implementation | MIS of OP |
| | New enterprises attracted at the renewed, rehabilitated, renovated industrial zones | Number | n.a. | n.a. | 100 | After programme completion | MIS of OP |
| | Use of urban public transport (incl disabled) | % of population increase | n.a. | n.a. | 5 | After programme completion | MIS of OP |
| | Output | Projects improving the physical environment, attractiveness of the towns and risk prevention | Number | 0 | 80 | 200 | Annually |
| Renovated multi-family buildings and social housing and renewed/rehabilitated industrial zones | | Number | 0 | n.a. | 20 | Annually after 2010 | MIS of OP |
| Health facilities improved | | Number | 0 | 8 | 35 | Annually | MIS of OP |
| Education facilities improved | | Number | 0 | 20 | 45 | Annually | MIS of OP |
| Culture facilities improved | | Number | 0 | 35 | 90 | Annually | MIS of OP |
| Social services facilities improved ⁶⁸ | | Number | 0 | 30 | 70 | Annually | MIS of OP |
| Integrated urban plans elaborated/implemented | | Number | 0 | 7 | 36 | Annually after 2010 | MIS of OP |

⁶⁸ Improved - Rehabilitated/equipped

Operations to be supported

The following kinds of operations will be supported under this priority axis:

Operation 1.1: Social Infrastructure

Operation 1.2: Housing

Operation 1.3: Organisation of Economic Activities

Operation 1.4: Improvement of Physical Environment and Risk Prevention

Operation 1.5: Sustainable Urban Transport Systems

Geographical scope of interventions

Geographical scope is defined at municipal level (NUTS IV) in accordance with the list of municipalities presented in Annex 3.

Key project selection criteria

The project will be selectable if compliant with at least one of the following conditions:

- contributes to sustainable and integrated development in the agglomeration areas
- improves the quality of life as well as living and working environment
- creates prerequisites for companies to locate in the area
- improves the attractiveness of the area
- takes account of the needs of disadvantaged groups including roma
- is in line with the relevant sectoral strategic documents at national/ regional/ local level

Financing

| Indicative allocation (in euro) | % of OPRD/ priority axis | Community funding | National public funding | Total funding | Community Co-financing rate (%) |
|--|-----------------------------------|----------------------|----------------------------|---------------|---------------------------------------|
| <i>Priority Axis 1: Sustainable and Integrated Urban Development</i> | 52,40% | 713 207 778 | 125 860 196 | 839 067 974 | 85% |

The indicative allocation of financial resources to urban agglomeration areas⁶⁹ is set as follow: 100 mln.euro for the capital Sofia; 300 mln.euro for the municipalities of the 6 largest cities (Plovdiv, Varna, Burgas, Russe, Pleven, Stara Zagora); 100 mln.euro for 29 municipalities falling in the scope of the agglomeration areas of Sofia and 6 largest cities; 339 mln.euro for 50 municipalities falling in the scope of the agglomeration areas of the medium-size cities and towns with population over 20 000 inh. (incl. Panagyuriste).

Demarcation, complementarities and links with other plans and programmes

OP Environment: Priority axis 1 does not envisage support for infrastructure as sewage, waste-water treatment plants and water supply networks in the urban centres and agglomeration areas, since these are foreseen in the framework of operational programme "Environment". Thus, interventions under this priority axis are considered rather complementary to the major integrated environmental investments to be financed under the Cohesion Fund. **OPRD is limited to (a) smaller scale drainage improvements; and (b) flood**

⁶⁹ Urban agglomeration areas are listed in Table 20; municipalities falling in the scope of the agglomeration areas are listed in Annex 3 and 3a.

and land-slide protection infrastructure. Interventions with regard to waste water, solid waste and waste management are dealt with under OP "Environment".

OP "Competitiveness": In general, a regional development OP might conceivably have a wider scope including attention for SME development, small business, access to finance and business support services. These issues are however adequately addressed in OP "Competitiveness". As long as regional and local actors are eligible as beneficiaries of the latter OP, these attention areas are excluded from OP "Regional Development", also from the point of view that MRDPW does not have any specific competence in respect of SME and business development. Therefore, OPRD regarding the demarcation line with OP "Competitiveness", will provide support only for business-related infrastructure investments in industrial sites and prepare them for future investors, while OP "Competitiveness" will provide for all additional opportunities related with SMEs and business support and development. Concentration of SMEs interventions in the agglomeration areas under OP "Competitiveness" will contribute and add value to competitiveness and employment. As concerns universities, OP "Regional Development" will provide support only for energy efficiency measures, access facilities for disabled and reconstruction/renovation of libraries, while OP "Competitiveness" will finance innovation and R&D activities (including improvement of pro-innovative infrastructure), as well as applied research equipment, rehabilitation of testing laboratories etc.

OP "Human Resources Development": OP "Regional Development" will provide support for improvement of social infrastructure, which will be eligible under the ERDF, while OP "Human Resources Development" as typical ESF-funded programme will provide for complementary measures for improving the educational system, occupational safety and health, as well as the promotion of employment and life-long learning. The contribution of these interventions in the agglomeration areas will integrate and strengthen the social aspect of the sustainable urban development with particular attention on the target group of the roma minority and their way of life in the urban conditions. With view to possibilities of using cross financing under both OPs (flexibility facility under art. 34 of the General Regulation), the respective activities will be coordinated between the managing authorities at implementation level.

OP "Transport": Priority axis 1 is focused on sustainable urban transport systems, while the priority axes and operations, set out in OP "Transport", are focused on TEN-T-highways, Class 1 and some Class 2 roads, which are part of TEN-T.

Rural Development Programme (RDP): The general demarcation criteria will be the territorial coverage and the type of interventions. OPRD will implement the activities under Priority axis 1 on the territory of the 86 municipalities falling in the scope of the agglomeration areas and will promote integrated urban development, thus contributing to the implementation of the Growth and Jobs Strategy. RDP will not support any of these activities on the 86 municipalities. However, RDP will not cover the whole range of activities listed in Priority axis 1 on the territory of the rest 178 municipalities (health and educational infrastructure, industrial zones and flood prevention measures are covered by Priority axis 4 of OPRD).

CBC Programmes: The Territorial cooperation CBC/TN Programmes are not supposed to finance any large-cost and durable infrastructural investments (like Objective 1 area programmes), but mainly soft and small-scale activities. The projects must be designed by representatives from both sides of the border, must clearly integrate the ideas, priorities and actions of stakeholders on both sides of the border. They have a clear cross-border impact which is impossible to be covered by the sectoral operational programmes. All projects under CBC programmes obligatory meet a minimum of two of the following criteria: 1) joint development, 2) joint implementation, 3) joint staffing, 4) joint financing.

5.1.1. Operation 1.1. Social Infrastructure

Specific objective

To ensure appropriate and cost effective, educational, health, social care and cultural infrastructures consistent with future demands of the cities and their surrounding urban areas.

Operation rationale

The provision of sustainable urban development could not be achieved only through investments in basic infrastructure. It is a much wider process, which includes also sustainable social development - in terms of educational, cultural, social care and health infrastructure. In all Bulgarian NUTS II regions, the common case is that the social infrastructure is ill-adapted to current situation and emergent needs or is in disrepair. The optimisation and modernisation of social infrastructure will result in a higher quality of life, and assist the improvement of the human capital and labour market in the regions, thus contributing to Lisbon objectives.

Interventions under this operation are important for promotion of economic, social and cultural integration of the urban areas. There will be also interventions focused on making the urban infrastructure friendlier for the needs of disabled people. Moreover, the benefits from the supported activities under this priority will spread through the cities' surrounding areas and will positively affect the nearby least favoured areas. Activities under this operation will be complementary to soft interventions under the OP "HRD" concentrated in the urban areas and will be coordinated between the managing authorities. Regarding educational and cultural infrastructure this operation will be focused on schools, which serve children from neighbouring municipalities and community centres located in the districts.

Cities are also important centres for quality medical provision and public health care institutions. There is a big misbalance in the quality of medical provision and health infrastructures. The interventions under this operation will support access to health services and development of more intensive preventive treatments, further treatment and rehabilitation actions. Investments in equipment and ambulances are envisaged. This will prevent overloading of the bigger hospitals and will improve significantly health care services in agglomeration areas within the geographic scope of priority axis 1 intervention.

Initiatives that aim to tackle social, educational and health problems of Roma minorities and measures for preserving the Roma cultural identity (such as Roma cultural centres etc.) will be encouraged.

Under operation 1.1 any refurbishment or reconstruction of buildings will aim at improving the energy performance, in accordance with Directive 2002/91/EC. The extent of using energy savings, energy efficiency or use of renewable energy resources in the projects will be an important criterion for selection of projects.

List of indicative activities to be supported

- Reconstruction, refurbishment and equipment of educational institutions – pre-school facilities, primary and secondary schools and universities (e.g. lecture facilities, libraries, laboratories, sport facilities, campuses, internet connections);
- Reconstruction, refurbishment and equipment of medical and health establishments for emergency healthcare (including ambulances), primary, specialized outpatient and in-patient care in accordance with the approved National Healthcare Strategy and National Healthcare Map;
- Reconstruction, refurbishment, extension and equipment of medical radiology facilities, connected with socially important cancer-related diseases;
- Reconstruction, refurbishment and equipment of institutions providing social services and labour offices;

- Development of cultural infrastructure through reconstruction, refurbishment and equipment of cultural centres, theatres, community centres ('chitalishte'), libraries, and other facilities related to cultural life;
- Energy consumption audits and energy efficiency measures for all projects related to public institutions mentioned above (e.g. thermal insulation, replacement of woodwork, local installations connected to central heating systems, gas supply connecting pipelines or alternative renewable energy sources);
- Access facilities to public institutions mentioned above for disabled people.

Beneficiaries

Ministry of Education and Science, specific beneficiary⁷⁰ for state-owned education facilities, Ministry of Health, specific beneficiary for state-owned health and medical establishments, Ministry of Culture, specific beneficiary for state-owned cultural institutions, Ministry of Labour and Social Policy/Social Assistance Agency, specific beneficiary for state-owned social services facilities, Ministry of Labour and Social Policy/Employment Agency, specific beneficiary for labour offices, municipalities for the municipal-owned facilities, NGO's and universities when they act as non-profit operators in order to deliver healthcare, social care, educational or cultural services.

5.1.2. Operation 1.2. Housing

Specific objective

To provide better living conditions for citizens and make a contribution to social inclusion through raising living standards and generally improving the quality of life among disadvantaged and vulnerable urban communities.

Operation rationale

Within the framework of the Government social policy, the proposed operation aims to develop social capital by actively involving the people in the improvement of their own lives and by strengthening partnerships across communities, civil society, and public administration. Apart from the direct benefits in terms of improved living conditions through upgrading existing neighbourhoods, this operation will be expected to have positive impacts also on health, security, productivity and on community and household investments.

The housing estates in the cities are not completely built and there is a lack of sufficient and appropriate public works. The pre-fabricated buildings do not meet the normal requirements for living comfort. In some of the smaller towns the pre-fabricated buildings (housing estates) disturb the urban structure and the traditional image of the town. A continuous process of restructuring and modernization of the housing estates and the pre-fabricated buildings is necessary. That requires timely and well-focused policy and governance in order to save enough space for public functions and green areas.

The priority given to urban areas takes account of the effects of the severely deteriorating conditions on the quality of life in the target communities and also on the wider urban population. The problems of poorly serviced, unregulated, congested and environmentally hazardous settlements are more extreme and complex in the country's urban sector and the issues of cultural, economic and legal integration within the overall social and physical environment of towns and cities are considerably more challenging than in the rural areas.

⁷⁰ „Specific grant beneficiary” is an organization, institution, administrative structure and the like, individually specified in the operational programme as the only subject that can prepare a project proposal and be awarded a grant for a definite activity (Decree of Council of Ministers No.121/ 31.05.2007 laying down the provisions for awarding of grants under the operational programmes co-financed by the Structural Funds and the Cohesion Fund of the European Union, and under the PHARE Programme of the European Union)

As an integral part of the National Housing Strategy, the operation will contribute to impacts across this broad interlocking set of elements, leading to long term sustainable improvements in the living conditions of the urban population as a whole.

Eligibility of housing:

The activities under this operation will be eligible according to the criteria listed in Article 47 of Commission Regulation (EC) No. 1828/2006. Provided that the conditions of eligibility of housing set out in Articles 7(2) of R.1080/2006 and 47(1) of R.1828/2006 are met, interventions will be made as follows:

1. Renovation and change of use of existing buildings owned by public authorities or non-profit operators in order to deliver modern social housing in compliance with Article 47(2)(b) of Commission Regulation (EC) No. 1828/2006.
2. Renovation of multi-family residential buildings provided that the respective intervention is listed in Article 47(2)(a) of R.1828/2006.

Interventions in multi-family residential buildings will be supported only after the relevant changes of national legislation encouraging owners to create associations as a prerequisite to solve some of the existing problems regarding the housing in the country.

With view to multi-family residential buildings the investments will be targeted after the expected analysis, findings and recommendations are prepared under MRDPW / UNDP "Demonstration project for Renovation of Multi-family residential buildings" which will provide good practices for implementation of Operation 1.2.

Expenditure of new buildings for housing purposes is not eligible.

Investment under this operation will be made in close coordination with those under operation 1.4 on the basis of the respective integrated urban regeneration and development plans.

Under operation 1.2 any refurbishment or reconstruction of buildings will aim at improving the energy performance, in accordance with Directive 2002/91/EC. The extent of using energy savings, energy efficiency or use of renewable energy resources in the projects will be an important criterion for selection of projects.

List of indicative activities to be supported

- Renovation of the common parts of multi-family residential buildings as follows: refurbishment of the following main structural parts of the building (roof, façade, windows/doors on the façade, staircase, inside and outside corridors, entrances and their exteriors, elevator); technical vertical installations (water supply, sewage, electricity, heating, communications, fire hydrants) of the building;
- Delivery of modern social housing of good quality for vulnerable, minority and lower income groups and other disadvantaged groups etc., through renovation and change of use of existing buildings owned by public authorities or non-profit operators;
- Energy consumption audits and energy efficiency measures for all projects related to housing, mentioned above (e.g. thermal insulation, replacement of woodwork, local installations connected to central heating systems, gas supply connecting pipelines or alternative renewable energy sources).

Beneficiaries

Public authorities or non-profit corporate bodies, associations of owners of multi-family residential buildings

5.1.3. Operation 1.3. Organisation of Economic Activities

Specific objective

To favour the integration of infrastructure facilities and locations for enhanced business development and attraction of new investments.

Operation rationale

Usually the industrial areas in the cities occupy large areas. However the state of the technical infrastructure (roads, drainage and waste facilities) is in very bad condition, the building stock is amortised, outdated and unattractive and there is lack of any service facilities. They could hardly be upgraded and re-used. The restructuring and renovation of these industrial areas is a long and hard process. That's why the reclaiming of new (on green) terrains for economic activities for development of small and medium business is more advisable.

General demand of all NUTS II planning regions in Bulgaria is the promotion of investment for fostering their development and further structural adjustments. This is an important pre-condition for overcoming the social-economic problems in urban areas, which are mostly affected by the process of economic restructuring, and in the same time have lowest adaptability to the existing market conditions. These areas require special measures for promotion of investments in new economic activities to diversify the mono-structural economy. Activities require special attention, in order to provide positive social and demographic effect on the territory in long-term perspective and lead to stable economic development.

Business zones are an important instrument for economic development with regard to promotion of investments, creation of jobs, improvement of the level of technology equipment, as well as for alleviation of the disparities in the economic development. These sites are defined as particular parts of the urban surrounding areas, where investment projects of local and foreign investors can be realized. The business locations comprise real estate mainly with municipal or state ownership. The development of the industrial zones will enable the attraction of investment projects, as well as investments in higher value added production and services.

Although having good development potential, some urban areas could not utilise this potential due to a lack of adequate infrastructure. This operation will support policy for attracting investments for establishment and development of industrial zones and business locations in compliance with the Strategy for Promotion of Investments in Republic of Bulgaria 2005-2013. It addresses directly two of the Strategy's main goals – 6.2 - Development of technical infrastructure and 6.4. - Regional policy for promoting investments. The investments will be targeted after the expected analysis, findings and recommendations are prepared under the Phare-funded project *BG 2005/017-586.04.01 "Industrial Zones Development"*.

List of indicative activities to be supported

- Upgrading and reconstruction of existing or development of new technical business-related infrastructure (e.g. communication links, construction/ reconstruction/ rehabilitation of streets or short segments of local roads providing access to and within the industrial and business locations, electricity systems, public lighting, gas delivery connections, water supply and sewage system connections, signposting to or within business zones and locations, etc.);
- Revitalisation, rehabilitation, reconstruction and refurbishment of existing industrial zones not affected by environmental contaminations.

Beneficiaries

Municipalities (including in cooperation with private investor/s), cooperation of municipalities, non-governmental organizations with participation of municipal authorities.

5.1.4. Operation 1.4. Improvement of Physical Environment and Risk Prevention

Specific objective

To enhance quality of life and appropriate environmental conditions, including risk prevention, as well as the physical aspect of the urban centres and agglomerations as a part of a broader social and environmental regeneration strategy.

Operation rationale

Cities and urbanised areas can only be successful and sustainable if citizens want to live and work in them and are able to interact, travel and make their homes in them. They can only be attractive to external business visitors, investors and tourists if the overall urban context is safe, sustainable and with high environmental and aesthetic quality.

Green space in a town and city has a strong influence on the quality of life for its citizens. Such spaces provide opportunities for exercise, social interaction, relaxation, peace and quiet. Well-managed green spaces, parks and woodlands can become much loved and distinctive features of an urban area. They should be protected and the opportunity for new green areas or other public spaces to be created through the re-use of existing Brownfield land should be considered. Green spaces are also important for urban biodiversity. Enabling urban citizens to have contact with wildlife is an important way to raise awareness of wider environmental issues.

Specific investments will be supported with respect to certain urban areas for their physical renewal and saturation with public works for building an attractive urban environment, which in turn will lead to future investments and further development. These activities will comprise rehabilitation of urban environment in residential neighbourhoods, where there is a problem of social exclusion of a large portion of the population, improvement of public works of settlements, quarters and neighbourhoods inhabited by vulnerable social groups, contributing in this way to resolution of existing problems.

With the help of this operation, the shortage of green and leisure spaces will be remedied and attractiveness of the urban areas will be increased. To this end, it is intended to remove pavings and replant areas, to improve or, respectively, create new green spaces, to make use of vacant and fallow land in an eco-friendly manner as well as to build foot- and bicycle paths connecting hubs and important places inside the urban area. The restructuring and renewal of the industrial areas in the cities will give an opportunity for solving so far neglected urban and public needs, such as green areas and public services.

To this end, this operation will support specific interventions designed to enhance both the physical urban environment (public works near business centres, housing areas, historical sites and buildings, etc.) and the living environment (open space, urban landscapes, parks and gardens).

The heavy rainfalls, floods and other calamities that have occurred in Bulgaria have left devastating consequences on the infrastructure and the regional and local economies. In addition, many human lives have been jeopardized. The rainfalls have caused extensive flooding, material damages and even victimized the population. Climate change is likely to lead to more extreme weather patterns and itself increase the frequency of floods. These floods could provoke subsequent swamping of the urban areas and harm the existing urban environment. Therefore, this operation will support small scale type of investments to promote risk prevention and security for the urban centres to adequately face and deal with potential devastating natural phenomena. All flood protection projects will be part of the integrated river basin management plans in coordination with the Ministry of Environment and Waters in order to ensure compliance with the EU Floods Directive and the Water framework directive (WFD).

In addition to the risks from flooding, in the larger agglomeration areas the poor fabric of both residential and industrial/commercial buildings and infrastructure together with inadequate fire fighting equipment and vehicles for urban situations and facilities such as water hydrants in poor repair means that in many areas the risk of extensive fire damage is particularly high resulting not just in damage to life and property but also in increased risk and scale of environmental pollution. Specific risk prevention investments will therefore be

supported with respect to certain urban areas where the fire risks and related problems of urban degeneration and environmental pollution are the most crucial.

Rehabilitation of street networks will be supported only after the respective underground infrastructure has been repaired or improved.

This operation will support elaboration and implementation of integrated urban regeneration and development plans sensitive to social and functional diversity to tackle the high concentration of economic, environmental and social problems affecting urban areas (Commission Regulation No1080/2006, Article 8).

List of indicative activities to be supported

- Rehabilitation and establishment, regeneration and creation of public recreation areas, e.g. parks, children playgrounds etc.;
- Improvement in the urban environment through provision of benches, shelters, fountains, statues, etc.;
- Construction/ reconstruction/ rehabilitation of street footpath and sidewalks renewal and access improvement for disabled people; construction of cycle paths and alleys, pedestrian zones, alleys and sub-passages for pedestrians and cyclists, including related interventions such as signposting, provision of off-street parking, etc.;
- Rehabilitation, reconstruction of street networks and introduction of energy efficient street lighting and other measures for increasing security and preventing criminality, e.g. park area lighting, security systems for observation and monitoring of public places, etc.;
- Access facilities to administrative municipal buildings for disabled people;
- Grassroots' initiatives, partnership networks and action plans for urban development ;
- Small scale infrastructure measures for prevention against floods and landslides, (i.e. dikes, barrages and other supportive facilities); for preventing banks' erosion, creating small scale retention volumes, weirs, etc.; rehabilitation and construction of drainage facilities and infrastructures;
- Upgrading of existing, and provision of new facilities and equipment including vehicles for containing fire and preventing damage to life and property from fires and fire hazards;
- Integrated urban regeneration and development plans.

Beneficiaries

Municipalities, cooperation of municipalities, non-profit organizations in partnership with municipalities, Ministry of Interior/ National Service "Fire Safety and Population Protection" (specific beneficiary).

5.1.5. Operation 1.5. Sustainable Urban Transport Systems

Specific objective

To promote accessibility and cohesion through efficient and sustainable urban transport systems.

Operation rationale

The aim in development of the sustainable urban transport is to increase the living and the environmental conditions in the main urban areas of the country. The main target will be to make the urban transport more efficient and less time consuming as well as less energy consuming, to build more accessible secondary infrastructure for the public transport networks, and to introduce more environment-friendly types of urban transport. By promoting diversified urban transport systems, a more balance split will be achieved and the bad environmental impact will be reduced.

The concentration of the efforts on developing of high speed, attractive, accessible, environment friendly and convenient public urban transport will bring to avoid congestion and its consequent negative implications, public transport needs. To this end it is subject of particular attention under this operation.

Buses and trolleys are the most popular mode of transport in cities and in the near future will maintain this role. Regretfully, bus transport is also the biggest polluter of the environment, and the course of its future development is directed toward reducing its environmental impact.

Providing an environment, where the pollution level doesn't bring harmful impact on the human health and nature itself and to the promotion of the sustainable development of the settlements, will lead to higher living standard and social welfare of the population. For that purpose, a good-quality urban environment is necessary for preventing the health of the citizens in the following aspects:

- Quality of the air;
- Reducing noise pollution;
- Development of sustainable urban transport systems, protecting the environment.

The present environmental noise, caused mainly by the transport, is one of the major environmental problems for the large towns. The tendency of increasing the unfavourable acoustic conditions in the urban area is permanent. The traffic noise accounts to about 80-85% of the overall noise load in large settlements. The problems, directly related to noise pollution, caused by road transport, are: lack of built noise protecting barriers, inefficient traffic organization, poorly maintained road network and vehicles as well as some shortcomings in urban planning. As an additional source of noise should be mentioned the small production enterprises (motor-car workshops, enterprises for production of woodwork, etc.) situated in the cities.

The existing system of control for public urban transport processes is not sufficiently effective and does not allow for operational and prospective decisions to be made concerning its organization and management. Implementation of automated systems for traffic management and control of the transport process within cities will ensure improvement in the quality of public urban transport services. Besides achieving increased regularity of traffic and exercised control in real time, the systems would allow recording and control of trips, route loads and consequent optimization and would minimize driver error. Implementation of new systems for charging and obtaining information from passengers in public urban transport units would allow the development of a flexible tariff policy, based on the assessments of customers using the transport service.

Since urban transport is one of the largest environmental polluters, the regional development policy will support through this operation the implementations of integrated strategies for environmentally clean transport as part of the integrated urban regeneration and development plans. More efficient use of existing infrastructure will be achieved by strengthening environmentally friendly public transport systems.

List of indicative activities to be supported

- Development of traffic management plans and establishment of automated systems for traffic management and control through introduction and improvement of Traffic Management and Information Systems (e.g. Traffic Operations Centres, Central Computer Systems, Vehicle Detector Stations, Changeable Message Signs, Ramp Metering Stations, communications sub-systems);
- Improvement of basic infrastructure access and affordability to the city bus stations – stops platforms for the disabled groups, removing the orientation and information barriers, light and audio announcements of stops, clear visual marking of the lines and readable timetables even for those with imperfect eyesight, information for the blind etc.;
- Renovation of the transport infrastructure - the socket and catenary's cable network, improving stations, repair and maintenance facilities and equipment;

- Development of infrastructure and route networks of new destinations to remote residential areas;
- Provision of protection system for noise reduction and noise screening - construction of tram tracks with anti-vibration and anti-noise elements;
- Development and improvement of urban public transport systems using buses, trams, trolleys that are compliant with European legislation on harmful emissions from engines or measures to increase the use of renewable/alternative sources of energy in urban transport.

Beneficiaries

Municipalities (including in cooperation with public transport companies).

5.2. Priority Axis 2: Regional and Local Accessibility

Rationale

The objective of this priority axis is to enhance the quality of living and working environment with **better access** and new opportunities for increased regional competitiveness and sustainable development. This will be achieved through developing infrastructure related to transport, communication, information and gas networks enhancement..

Integration of the country territory through better accessibility and mobility appears as factor of crucial importance for acceleration of regional competitiveness, development and growth, and jobs generation. This integration is highly dependant on several key connecting infrastructures – secondary roads, telecommunications and gas distribution infrastructure.

This priority axis is designed to support the implementation of two NSRF priorities: *Priority 1 "Improving Basic Infrastructure"* and *Priority 4 "Supporting Balanced Territorial Development"* in coordinative and complementary manner with OP "Transport", OP "Administrative capacity" and Rural Development Programme.

The state of the road network is one of the substantial limiting factors, which hampers the integration of the regions among themselves and in the European space, restricts workforce mobility, diminishes the access to various kinds of services and aggravates the disparities among the different areas, the consequence of which is the current underdevelopment of country peripheral areas.

One of the aims of this priority axis is to support the renovation and development of republican/ state and local road connections to provide better road accessibility between the different regions and within urban areas.

2nd and 3rd class roads, as part of republican road network, provide connections of national importance and service generally connections between large city centers and often pass through small towns and municipalities, which are part of the urban agglomeration areas. On the other side local roads are the municipal roads, being of local and regional importance for the regions. These roads also make the outside connections of the cities with the republican roads, i.e. 2nd and 3rd class roads⁷¹.

Large part of 2nd, 3rd class and municipal roads in Bulgaria are in worn out condition and there is an urgent need to modernise these road networks in order to improve their safety, as well as to facilitate the development of tourism and accessibility to the public administration, health, educational and cultural facilities.

⁷¹Annex 10 "Law for the Roads", SG. 64/8 August 2006

Improvement of the access for the most outlying areas is a reliable step to address the territorial disparities and intra-regional disparities. Providing the territory with appropriate roads and connections of good quality will increase inland mobility and will provide accessibility proxies to the opportunities delivered by the major backbone high-class networks. In this sense, improvement of transport accessibility as an element of quality of services comprises further construction and enlargement of the technical parameters and operating condition of the existing 2nd, 3rd class and municipal road network in the regions so that it may cover the greater part of the territory and a greater portion of the population may obtain good-quality transport services in terms of travel safety and shorter travel time.

Accessibility of cities and regions also matters as an important influence on the quality of life, the environment and the economic performance. Accessibility of large cities is an important factor for the development of their surrounding territories. In this respect, the quality of municipal road network within urban agglomeration areas is of crucial importance.

Information and communication technologies (ICT) offer new opportunities for the regions influencing the territorial distribution of economic activities. ICT offer an important chance for overcoming the "distance barrier" and the surrounding areas problems, typical for many peripheral areas. Overcoming the underdevelopment with respect to technological advance, knowledge-based economy and information society is a matter of decisive importance for the development of the national and regional potential and achievement of an intensive overtaking growth in the next decade. The possible applications of modern broadband infrastructure offer competitive benefits for business as well users of public services and households.

The same remote areas that have bad road and ICT connections most often lack also access to energy-resources. The provision of the natural gas network to these areas contributes to the concentrated and integrated development of the areas that are lagging significantly behind.

Efficient transport, adequate access to telecommunications and gas resources are basic prerequisites for strengthening the competitive situation of peripheral and poorly urbanised areas and hence for the economic and social cohesion. Transport and telecommunications opportunities are important factors in promoting the polycentric development. Efficient transport, telecommunications and gas distribution systems and services have a key role in strengthening the economic attractiveness of the different metropolitan areas and the urban centres of regional importance.

In particular, stronger connections will integrate medium-size cities and small towns to major urban centres and will increase their development function and role in contribution to the cohesive development of the regions.

Specific objective

To promote accessibility and connectivity within urban agglomeration areas, between urban agglomeration areas, their surrounding territories and the related poorly urbanised areas.

Indicators and targets

| Type | Indicator | Unit | Quantification | | | Frequency of reviewing | Source of information |
|--------|--|------|-------------------------|----------------------|---------------------|----------------------------|------------------------|
| | | | Baseline value (2005/6) | Interim Value (2009) | Target Value (2015) | | |
| Impact | Reduction greenhouse emissions (CO ₂ and equivalents, kt) | kt | n.a. | 4 | 39 | After programme completion | MIS of OP/ RRIF/Survey |

| Type | Indicator | Unit | Quantification | | | Frequency of reviewing | Source of information |
|--------|---|-----------|-------------------------|----------------------|---------------------|----------------------------|-----------------------|
| | | | Baseline value (2005/6) | Interim Value (2009) | Target Value (2015) | | |
| Result | Value for timesavings in Euro / year stemming from reconstructed roads for passengers and freight | Euro/year | n.a. | 46 000 | 208 000 | After programme completion | Surveys |
| | Additional population covered by broadband access (key indicator) | % | 10.6% | 14% | 20% | Annually | MIS of OP, SAITC |
| | Increase passengers and freight traffic on the rehabilitated roads (based on a year 2006) | % | n.a. | 10 | 27 | After programme completion | Surveys |
| | % of municipalities with gas distribution licences granted (key indicator) | % | 49% | 54% | 59% | After programme completion | MIS of OP, MEE |
| Output | Constructed ICT network | Km. | n.a. | 150 | 500 | Annually | SAITC |
| | Constructed high-pressure gas pipelines | Km. | n.a. | 80 new constructed | 425 new constructed | Annually | MIS of OP, MEE |
| | km of reconstructed roads | km | n.a. | 500 | 1300 | Annually | FRRI |
| | Number of projects (road, ICT, gas) | No | n.a. | 30 | 70 | Annually | MIS of OP |

The *key areas of intervention* within this priority axis are:

Operation 2.1: Regional and Local Road Infrastructure

Operation 2.2: ICT Network

Operation 2.3: Access to Sustainable and Efficient Energy Resources

Geographical scope of interventions

All NUTS II planning regions concerning Operation 2.1: Regional and Local Road Infrastructure (2nd class roads outside TEN-T network and all 3rd class roads).

86 municipalities of the urban agglomeration areas listed in Annex 3 concerning Operation 2.1: Regional and Local Road Infrastructure (municipal roads).

All NUTS II planning regions concerning Operation 2.2: ICT Network.

Municipalities indicatively listed in Annex 11 concerning Operation 2.3: Access to Sustainable and Efficient Energy Resources.

Key project selection criteria will include indicatively:

- The project contributes to rural-urban interactions and linkages.
- The project improves the conditions for business-activities in remote areas, including tourism areas.
- The project contributes to development of information society.
- The project improves the energy-efficiency and economic cost-effectiveness.

Financing

| Indicative allocation (in euro) | % of OPRD/ priority axis | Community funding | National public funding | Total funding | Community Co-financing rate (%) |
|--|--------------------------------|-------------------|----------------------------|---------------|---------------------------------------|
| Priority Axis 2: Regional and Local Accessibility | 25% | 340 270 886 | 60 047 803 | 400 318 689 | 85% |

Beneficiaries

Municipalities, "Republic Road Infrastructure" Fund, State Agency for Information Technology and Communications.

Demarcation, complementarities and links with other plans and programmes

OP Transport: This priority axis is focusing on regional and local road infrastructure and intra-regional transport services. The operations under this priority complement the priority axes and operations set out in OP "Transport", where the concerned roads are TEN-T highways, Class 1 and Class 2 roads part of TEN-T. The remainder of Class 2 and all Class 3 roads are subject of OP "Regional Development" and are within the ambit of the "Republic Road Infrastructure" Fund.

OP Competitiveness: OPRD will support activities, which encourage public access to information and communication technologies and provision of ICT for public institutions in urban surroundings and the poorly urbanized areas. No direct support to the private sector is envisaged. Investments of this nature will be supported under OP Competitiveness.

Rural Development Programme:

1. OP „Regional Development“ will support activities for improving municipal road network within the 86 municipalities of the urban agglomeration areas. On the other hand, the Rural Development Programme will cover the remaining municipalities in rural areas, where the interventions of Axis 3 *“Improving quality of life in rural areas and encouraging diversification of economic activities”* will be focused.

2. OP „Regional Development“ will support activities to provide access to broadband infrastructure in the context of transition to information society (improving and extending current ICT networks) within all municipalities on the territory of the country. The Rural Development Programme (EAFRD, Axis 3) will not support access to broadband infrastructure interventions.

CBC Programmes: The Territorial cooperation CBC/TC Programmes are not supposed to finance any large-cost and durable infrastructural investments (like Objective 1 area programmes), but mainly soft and small-scale activities. The projects must be designed by representatives of both sides of the border, must clearly integrate the ideas, priorities and actions of stakeholders throughout the whole cross-border region in the two neighbouring countries.. They have a clear cross-border impact which is impossible to be covered by the Objective 1 operational programmes. All projects under CBC/TC programmes obligatory meet a minimum of two of the following criteria: 1) joint development, 2) joint implementation, 3) joint staffing, 4) joint financing.

5.2.1. Operation 2.1. Regional and Local Road Infrastructure**Specific objective**

To promote accessibility, interconnectivity and cohesion within regions through upgrading and repair of regional and local roads.

Operation rationale

Improvement of transport accessibility to the major transport destinations within the framework of the planning regions by way of reconstruction and upgrading of the second and third class roads will permit significant reduction of the travel times and at the same time will broaden the field of action of the regional centres offering services of a specified quality. The access of surrounding and economically underdeveloped areas to the regional markets of goods and services, as well as to the large industrial economic centres, will be improved. Inter-connectivity and accessibility require upgrading of the 2nd and 3rd class road systems to that extent that is economically and ecologically rational or socially and safety imperative.

The operation will support investments for the improvement of:

- Roads, which service the intra-regional connections in the regions and provide opportunities for development of their specific economic development potential;
- Roads ensuring access to areas with tourism development potential;
- Municipal roads within urban agglomeration areas to provide better integration and accessibility of the territories surrounding the urban centres.

List of indicative activities to be supported

- Rehabilitation and reconstruction of 2nd class roads, outside Trans-European Transport Network (TEN-T) and 3rd class roads;
- Improvement of the transport connections to specific destinations and facilities outside settlement areas - access to ports, airports, landfills etc.;
- Support for municipal roads within the urban agglomeration areas (municipalities listed in Annex 3).

Beneficiaries

"Republic Road Infrastructure" Fund, specific beneficiary for 2nd and 3rd class roads, municipalities.

5.2.2. Operation 2.2. ICT Network

Specific objective

To provide access to broadband infrastructure in the context of transition to information society.

Operation rationale

Although the digital backbone of the country is already in place, there is still a lot to be done in order to fully digitize the network at the local level in peripheral parts of both urban and rural areas. This is extremely important for the development of modern telecommunications. The national Internet connectivity has shown a significant improvement over the last year, both in terms of cross-connectivity, bandwidth, and affordability. The most critical is the slow development in network access in less urbanised and rural areas where no significant improvement relative to other indicators has been observed in recent years. This concerns ISDN penetration, nation-wide access to Internet via cable, and mobile Internet penetration, as well as the associated high costs and very low levels of PC use in households.

Introduction of new information and communication technologies are also important tools for prevention of negative changes in demographic structures, in terms of creating possibility for attracting highly skilled people, innovations and consultation services in sub-urban surrounding and rural areas.

In particular, public bodies require the means to service populations within and beyond settlements. While it is foreseen that the market should deliver the main national telecommunications infrastructures, there is evidence of specific market gaps in local connectivity to such infrastructures and in the lack of provision of services. For instance, there is no commercial interest for setting up infrastructure (including broadband and

wireless services) and for development of informational and communicational services in sparsely populated and underdeveloped areas. Achievement of this objective is related to the introduction of broadband technologies for digital data transmission, leading to improved efficiency, scope and transparency of the services provided to the population (education, healthcare or such delivered by local and regional public bodies).

In this sense, this operation will support completing the modernization of the transmission telecommunications network, extension of the local telecommunication network in border and sparsely populated areas and the further digitalisation of this network.

Support will be in line with the State Information and Telecommunication Policy, based on 'e-Europe' and will take into account the indicative guidelines on criteria and modalities of implementation of structural funds in support of electronic communications SEC (2003) 895 as of 28 July 2003.

Support will be limited, to infrastructure, i.e. installations (dark fiber, ducts, masts, wireless) and equipment which is open to all operators and service providers. Access for all operators to the infrastructure at non-discriminatory conditions will be granted.

List of indicative activities to be supported

- Development of critical, secure, dependable and trusted public-owned infrastructure, built on broadband connections to urban surroundings and poorly urbanized territories and rural areas;
- Development of public server parks to host public information systems and data;
- Introduction of measures and systems to provide data and communication security meeting the European standards and business requirements;
- Support for municipal ICT infrastructure projects.

Beneficiaries

State Agency for Information Technology and Communications, specific beneficiary for construction of new state-owned ICT network.

Municipalities, for the municipal ICT infrastructure projects.

5.2.3. Operation 2.3. Access to Sustainable and Efficient Energy Resources

Specific Objective

To provide access to national gas distribution network or if possible to renewable energy sources in service of better investment attractiveness and regional competitiveness.

Operation rationale

As noted in the analysis in Section 3.5.4, there are significant regional differences in the accessibility to natural gas infrastructure. Whereas gas distribution network cover more than 80% of the municipalities in most European countries, natural gas supply in Bulgaria is available to some 35-40 municipalities, which represent only 15% of the total number of municipalities in the country. Less than 1% of the households are gasified, while the average level for the EU countries is over 50% respectively. The existing gas distribution network therefore creates significant regional disparities and unequal opportunities for competitive regions as well. Ensuring access to efficient energy resources for industry, households and public buildings in municipalities which do not currently have access to the gas distribution network is therefore an important condition for improvement of the business environment and promotion of economic development and competitiveness in those regions in a cost-effective way.

The construction and development of gas distribution network is directly related to the implementation of both Bulgarian and EU energy policy goals as increasing security of supply; ensuring the competitiveness of European economies and the availability of affordable energy and promoting environmental sustainability and combating climate change.

Bulgaria lags considerably behind in the development of gas distribution networks and household gasification not only compared to the EU countries but also compared to the neighbouring countries and the countries the South-eastern part of Europe. Gas supplies shortages often appear as reason for reducing the investors' interest and for hindering the economic development of the areas concerned. Furthermore the remoteness of the referred municipalities from the available transmission capacities and the need of large investments in the construction of distribution branches are one of the reasons for which these areas were not included in the Inventory of Self-contained Areas for natural gas distribution on the territory of the country. Thus the construction and the development of distribution networks and gasification are of crucial importance for these areas. These investments are to create more favourable and competitive business environment and will decrease the energy consumption not only of the economic sector, but also of the households. Investments in gasification are supposed to have the following economic effects:

- Impetus to the development of the local economy in the new gasified areas, most of which are poorly developed;
- Reduction of the costs for heating of municipally and public owned buildings (schools, hospitals, community centres, etc.);
- Decrease of the energy intensity of the economy by means of substitution of electricity for heating purposes by natural gas and renewables;
- Furthermore, substantial economic, social and environmental effects will incur as, at present, the heating of the larger part of the population follows the classic, but most unfavorable scheme in energy terms – electric heaters, heaters burning coal, fire wood and to a less degree – propane-butane. Following the forecasts, switching from electric power to natural gas for heating and domestic use would reduce the expenses by about 35% per family and lead to significant electricity power savings. The use of natural gas and renewable energy sources in the residential and economic sectors will further contribute to the implementation of the environmental commitments and the reduction of the greenhouse gases emissions as per the Kyoto commitments as the presently used energy resources (fuel oil, coal, fire woods) have poor ecologic indicators and thus the substitution with natural gas and renewable energy sources will have positive effect in reduction of the CO₂, sulphur dioxide and dust emissions.

Also the use of natural gas will significantly limit the demand for wood for heating that will result subsequently in decrease of the uncontrolled felling in the forests.

Completion of major gas distribution pipelines and provision of cheap and efficient energy resources will appropriately complement the connectivity networks (roads and ICT) in an integrated manner, thus resulting in improved intra-regional linkages and spreading regional development and regional competitiveness. The efficiency and density of gas distribution networks is considered vital for the integration of the regional and local economies and their competitiveness.

The programme will give priority to projects that address existing energy deficits by using RES.

Every municipality that apply for access to gas distribution network has to prove that alternative energy sources are unavailables (See 1.1 Annex 12).

Bulgaria has potential for use of renewable energy sources (RES) but this national potential is very unevenly distributed on a regional basis. This concerns especially municipalities from remote areas indicatively listed in Annex 11 that do not have access to gas distribution network.

Projects for utilization of geothermal energy and biomass, respectively for generation of heat energy or combined heat and power generation, for the eligible municipalities under operation should be considered as alternatives to the utilization of the natural gas. The possibility to define such projects as "eligible" under the operation in reference as alternative to the construction of gas distribution networks to the eligible municipalities (without gas distribution licence or not included in the gas distribution regions) should be based on proven economic, technical, environment and social feasibility and effectiveness comparative assessment.

List of indicative activities to be supported

- Construction of gas distribution pipeline sections as branches from the national gas transmission network to the concerned areas;
- Construction of installations that use RES and connection to supply of RES;
- Technical and feasibility studies and design.

The operation will support only investment in energy distribution and will not support energy production activities. The operation will focus on construction of gas distribution pipeline sections as branches from the national gas transmission network to the eligible districts and municipalities.

Beneficiaries

1. For access to gas distribution network:

Municipalities without granted gas distribution licences and not included in the list of identified territories for gas distribution (gas distribution regions) on the basis of the strict eligibility criteria (municipalities from remote areas indicatively listed in 9.11 Annex 11):

- without access to the national gas transmission network;
- proven significant gas market potential - industry, public sector and households;
- multiplication of the gasification effect – saved electricity, liquid fuels, coal and wood;
- as well as reduced emissions of green house gases, SO₂ and dust;
- proven lack of possibility to use any type of RES.

2. For construction of the installations that use RES and connection to supply of RES:

- Municipalities without granted gas distribution licences and included in the list of identified territories for gas distribution (gas distribution regions) on the basis of proven potential to use RES (solar, wind, water, geothermal, biomass).

5.3. Priority Axis 3: Sustainable Tourism Development

Rationale

Tourism is perceived as one of the priority sectors of Bulgarian economy. Its potential is demonstrated by its contribution to GDP, export and foreign exchange receipts as well as job creation. However the extreme territorial concentration combined with product uniformity and gaps in destination marketing are reducing the chances to sustain the recent growth in mid- and long term, while the existing development creates significant environmental, social and economic risks for already overdeveloped resorts.

Despite the recommendations and good intentions to develop alternatives to traditional tourist products and traditional and already overdeveloped resorts, the development of such kind of tourism (cultural, eco, health, adventure, etc.) has been limited and even "statistically imperceptible". For many potential attractions it has not been possible to exploit their potential (to be able to ensure enough visitors with longer stay) and the related local tourism infrastructure is incomplete, outdated, worn-out or missing. In addition, Bulgarian inland areas are not very popular tourist destinations and there is a need to create positive regional image. At the same time the developed areas are facing difficulties in product diversification, extension of market segments, ensuring higher revenues, longer season and increased accommodation occupancy rates. Moreover, the existing attractions and products are promoted separately and not as a part of bigger regional products. Cooperation and joint efforts for tourism development at local, regional and national level remain limited. As a result many areas are developed mainly as "stops" and not as real tourism destinations, thus not be able to ensure longer visitors' stay and related economic benefits.

Thereof, the rationale of the priority is to develop the tourism product in an environmentally and economically sustainable way: The aim is to widen the spatial spread of tourism and its benefits in regionally more balanced way, to contribute to the economic diversification of regions and to ensure opportunities for sustainable growth both at regional and national level. The focus will be at sustainable tourism development based on product and market diversification and better and more even use of tourism potential. The priority seeks to improve the business environment and to provide investment solutions that promote tourism and business development by developing tourist attractions and related infrastructure, socialising and modernizing tourist sites, broadening and improving destination marketing, enhancing the market intelligence within tourism industry and policy and strengthening partnership between different actors. Without this support the prospected level of tourism and business development would take place much later (if at all) but not in such a comprehensive and complementary way as envisaged in this priority axis.

An essential element of the priority will be to maximize the impacts of implemented activities by prioritising bigger projects that contribute significantly to competitiveness and income generation for the regions and to reversal of the current territorial structure of tourism. Only public and not net-revenue generating investments will be supported.

The selection of the priority corresponds to the National Regional Development Strategy, which strives to achieve dynamic and balanced development of the individual planning regions and looks at tourism both as a tool for "preserving and valorising of natural and cultural heritage" and for "strengthening the urban-region relations and enhancement of socio-economic cohesion".

All tourism policy relevant documents incl. the National Tourism Development Strategy (that is at a stage of preparation at the moment of finalizing of OPRD) envisage the development of sustainable tourism as one of the national priorities, as well as the product and market diversification and improvement of destinations marketing. OPRD is broadly in line with the "geographical segmentation" proposed in the report on the National Tourism Strategy. More specifically OPRD addresses 2 of the four "implementation principles" proposed for the National Tourism Strategy, namely "Sustainable development" and "Effective promotion",

while the other 2 could be influenced only indirectly ("Overall quality" and "Economic Return").

The priority axis is in full compliance with the sustainable development principles and directions and its environmental aspects incorporated in the draft Strategy for Sustainable Development of Bulgaria (2007). The Strategy is based on the renewed Strategy for Sustainable Development of EC and the Lisbon strategy, recognizing tourism as an important factor for increasing quality of life and business competitiveness through development of sustainable forms of tourism (cultural, eco-, balneo/ spa, etc.) and introduction of environmentally friendly practices.

The priority axis contributes to the objectives of the the National Strategic Reference Framework that emphasizes the rich and diverse natural and cultural heritage, recognizes tourism's contribution to national growth, interprets tourism as one of the main elements of the local development potential and one of the engines of regional and local development and calls for strengthening the regional dimension of product development, emphasizing on its role for economic diversification especially in rural areas as well as for the protection and utilization of natural and cultural heritage.

The priority axis is in line with the Community Strategic Guidelines on Cohesion interpreting tourism as one of the measures to stimulate economic growth, and preserving historical and cultural heritage as potential for tourism development. The Guidelines also emphasize the role of tourism in development especially of rural areas and the need of an integrated approach dedicated to quality, focusing on consumer satisfaction and based on the economic, social and environmental dimensions of sustainable development.

Specific objective

Enhancing the regional tourism potential to develop and market sustainable and diversified, territorially specific and higher value-added tourist products and increase the sector's contribution to sustainable regional development.

Indicators and targets

| Type | Indicator | Unit | Quantification | | | Frequency of reviewing | Source of information |
|--------|--|----------|-------------------------|----------------------|---------------------|-----------------------------|------------------------------------|
| | | | Baseline value (2005/6) | Interim Value (2009) | Target Value (2015) | | |
| Impact | Net annual revenues from international tourism | Mln. EUR | 914 | 1050 | 1475 | Annually | BNB |
| | Bed occupancy rate | % | 35% | 39% | 45% | Annually | NSI |
| | Number of nights spent outside developed areas | Mln. | 2,5 | 3,9 | 7.0 | Annually | NSI |
| Result | Additional annual number of visitors of attractions supported ⁷² | Number | 0 | 20,000 | 500,000 | Biannual starting from 2009 | MIS of OP |
| | Satisfaction of visitors with attractions and information services | % | 0 | 70% | 80% ⁷³ | Annually | State Tourism Agency ⁷⁴ |
| | Annual number of participants (organisations, companies) in international, national and regional tourism fairs and exhibitions | Number | 900 | 1000 | 1500 | Annually | State Tourism Agency |
| Output | Total number of projects for tourism development | Number | 0 | 36 | 147 | Annually | MIS of OP |

⁷² To be measured 12 months after projects completion

⁷³ i.e. 80% of visitors declare very high or high level of satisfaction

⁷⁴ questionnaire survey, min sample 20,000

| Type | Indicator | Unit | Quantification | | | Frequency of reviewing | Source of information |
|------|---|--------|-------------------------|----------------------|------------------------------------|-----------------------------|---------------------------------|
| | | | Baseline value (2005/6) | Interim Value (2009) | Target Value (2015) | | |
| | Number of developed tourist attractions/ sites | Number | 0 | 25 | 95 | Annually | MIS of OP |
| | Number of national programmes for marketing and promotion supported and projects for destinations product development and marketing | Number | 0 | 11 | 52 | Annually | MIS of OP |
| | National TIC network created | % | 0 | 0 | 70 % of TICs included in a network | Biannual starting from 2009 | MIS of OP, State Tourism Agency |

Operations to be supported

Activities to be supported under this priority are structured in 3 operations that are described in more details below. The operations are:

Operation 3.1. Enhancement of Tourism Attractions and Related Infrastructure

Operation 3.2. Regional Tourism Product Development and Marketing of Destinations

Operation 3.3. National Tourist Marketing

The **flexibility facility** according to Art 34(2) of the General Regulation will be used to complement activities carried out under this priority to ensure their completeness and sustainability.

Geographical scope of interventions

Operation 3.1 will support tourism-related interventions in all municipalities with population above 10 000 inhabitants (2005 data). The operation will also support interventions related to cultural monuments of national and world importance (approximately 1500) situated on the whole territory of the country according to the classification of the National Institute for Cultural Monuments. The list of all eligible municipalities is presented in Annex 5.

However operation 3.1 will not support interventions in the municipalities with overdeveloped mass tourism areas suffering from extreme pressure on physical and social environment (Black sea coast, biggest ski-resorts, the capital Sofia and Plovdiv) (Annex 5a).

Operation 3.2 will support activities related to product development and destinations marketing of regional scope and impact on the whole territory of the country.

Key project selection criteria

Key project selection criteria will include indicatively:

- Impact on economic development and contribution to income generation for the regions demonstrated through well justified tourism development potential and needs, competitiveness and attractiveness of the developed tourist attractions and products, i.e. ability to attract significant number of visitors;
- Contribution of the project to jobs creation in tourism sector (jobs created directly by the supported intervention);

- Partnership and regional approach – projects of regional scope, developing regional products, involving several municipalities and encouraging partnership will be given priority In specific and justified cases not only regional but also network (route) type of projects involving tourist sites and organisations from different parts of the country will be supported;
- Contribution to product diversification and strengthening specialised types of tourism, especially cultural, eco- and spa- tourism; priority will be given to projects that create products innovative for Bulgaria tourism sector and can act as catalyst to open new product markets and new client markets;
- Contribution to economic diversification of the respective area and region and to decrease of spatial concentration of tourism;
- Contribution to off-season offers, reducing seasonality and increasing occupancy rates of tourism accommodation in the region, particularly in already developed areas;
- Environmental sustainability - development of tourist products that guarantee protection of natural and cultural heritage in the sustainable development context. All projects should demonstrate their contribution to protection and enhancement of the environment; when appropriate energy efficiency measures will be encouraged;
- Sustainability of results - sound justification and commitment on behalf of beneficiaries;
- Comprehensiveness, sound development approach and logical grouping of eligible activities to achieve complementarity and synergy;
- Complementarity and synergy between activities within the three operations;
- Compliance with the national legislation in the field of tourism development, cultural heritage and environmental protection;
- Consistency with and contribution to a broader tourism development strategy/plan and/or a general regional development plan/strategy.

Financing

| Indicative allocation (in euro) | % of OPRD/p riority axis | Community funding | National public funding | 2Total funding | Co-financing rate (%) |
|---|--------------------------|-------------------|-------------------------|----------------|-----------------------|
| <i>Priority Axis 3: Sustainable Tourism Development</i> | 13.62% | 185 379 579 | 32 714 044 | 218 093 623 | 85% |

Beneficiaries

Municipalities, associations of municipalities; Ministry of Culture (specific beneficiary), local, regional and national tourism associations registered in the National Tourism Register, public bodies managing cultural monuments of national and world importance, State Tourism Agency (specific beneficiary).

Demarcation, complementarity and links with other plans and programmes

The needs and problems of tourism development in Bulgaria are both huge and diverse and in view of the adopted structure of operational programmes could not be addressed by a single operational programme.

The activities under this priority axis will complement activities for SMEs support and development offered by OP "**Competitiveness**" for all sectors (incl. tourism) and activities for farm diversification, creation and development of rural micro-enterprises (incl.tourism related activities) in 231 rural municipalities under the Rural Development Programme (EAFRD)..Support to education, vocational training and life-long learning

will be provided under **OP "Human Resources Development"** . **OP "Transport"** emphasizes the impact of the country backbone transport infrastructure, inter alia, on tourism development.

The demarcation with the Rural Development Programme (measure 3.1.3. 'Encouragement of Tourism Activities' under Axis 3 of EAFRD) will be territorial on the basis of municipalities' population. Thus beneficiaries of the assistance under the Rural Development Programme will be municipalities with population below 10 000 inhabitants, while in OP "Regional Development" (Operation 3.1) beneficiaries will be the remaining municipalities (with population above 10 000 inhabitants). The OPRD will also support interventions related to cultural monuments of national and world importance (approximately 1500) situated on the whole territory of the country according to the classification of the National Institute for Cultural Monuments while the RDP will support only cultural monuments of local importance in 178 municipalities in rural areas. In addition, regarding development of regional tourist products and marketing of destinations (operation 3.2) the Rural Development Programme (measure 3.1.3.) envisages marketing activities of local (municipal) scope and importance while OP "Regional Development" envisages interventions at regional level, with much broader (supra-municipal) scope and importance.

OP "Environment" will support environmentally friendly activities including facilities to encourage visitor use of NATURA 2000 sites according to their management plans. Activities related to construction, reconstruction, renovation of infrastructure in the areas of tourists' attractions will be implemented under OP "Regional Development"(operation 3.1.) in municipalities over 10 000 inhabitants and on the whole territory of the country for cultural monuments of national importance. For all tourism activities financed under Priority 3 of the OP RD and falling in the NATURA 2000 sites, the respective projects, before their approval, will be checked for compliance with the provisions of the Bio-Diversity Law and the respective secondary legislation for its implementation as well as the envisaged restrictions in the orders for the site designation and management plan.

In addition, OPRD (operation 3.2.) will strive to ensure the inclusion of attractions in NATURA 2000 sites in regional tourism products and regional and national marketing activities to encourage eco-tourism development. Finally, OP "Environment" is expected to provide major support to development of environmental infrastructure (water supply, sewerage, waste water treatment plants) thus addressing some of the most severe needs of already developed tourism areas and contributing to the competitiveness of tourism industry.

CBC Programmes: The Territorial cooperation CBC/TN Programmes are not supposed to finance any large-cost and durable infrastructural investments (like Objective 1 area programmes), but mainly soft and small-scale activities. The projects must be designed by representatives from both sides of the border, must clearly integrate the ideas, priorities and actions of stakeholders on both sides of the border. They have a clear cross-border impact which is impossible to be covered by the sectoral operational programmes. All projects under CBC programmes obligatory meet a minimum of two of the following criteria: 1) joint development, 2) joint implementation, 3) joint staffing, 4) joint financing.

5.3.1. Operation 3.1. Enhancement of tourism attractions and related infrastructure

Operation objective

To develop integrated and distinctive tourism products based on competitive and marketable attractions that contribute to diversification and territorial spread of tourism.

Operation rationale

This operation is focused on developing tourist attractions. The operation is addressing the discrepancy between the rich and diverse resource potential and the lack of developed attractions adapted to the contemporary market requirements and integrated in a way to ensure significant demand and economic viability.

The operation seeks to improve, renovate and expand natural and cultural heritage sites and/or clusters and associated public owned infrastructure, encouraging the development of specialized tourism products such as cultural, eco-, health (spa) tourism and/or diversifying the offers of traditional mass tourism.

An essential element of this operation will be to:

- (a) seek and prioritise larger projects to be supported, i.e. projects that will develop strategically located, high-impact tourism products based on cultural and natural heritage or clusters of smaller scale sites, and
- (b) focus the interventions on the less developed tourism locations having significant tourism potential (i.e. the operation will apply to areas outside the highly developed tourism centres where it tends to be concentrated at present).

Only public and not net-revenue generating investments will be supported. The operation will particularly welcome projects that are supported by real marketing and can demonstrate they can attract new, especially foreign, tourists and income groups.

Further the focus of the operation will be on tourism attractions, understood as tourism sites that act as a magnet to visitors and constitute a comprehensive tourism product or experience. Infrastructural projects which involve a significant level of investment – only a minority part of which relates directly to the attraction itself – will be disqualified.

List of indicative activities to be supported

- Development of nature, cultural and historic attractions, e.g. renovation, conservation, exhibition, equipment, introduction of interpretation and animation techniques and programmes, etc.;
- Development of tourism related infrastructure when and if needed for the use of attractions (walking and wellness paths, hiking, riding and bicycling trails, picnic places, signposting, visitor centers, non-profit making children, leisure and sport facilities, car parks, pavement, landscaping, lavatories, lighting, small waste collection facilities etc.), incl. facilities and amenities for disabled and elderly visitors;
- Reconstruction and renovation/upgrading of publicly owned mountain chalets complementing tourism product development in remote areas, shelters and safety facilities;
- Complementary small scale technical infrastructure in the area of the attractions when and if needed for the use of attractions, such as access roads, utilities, amenities serving tourist attractions and visitor needs required to ensure the integrated development of tourism products;
- Complementary training of staff required for the operation of supported attractions and facilities;
- Complementary small scale non-infrastructure activities, explicitly related to the supported attractions (organization of events in the area of attractions, marketing, promotional and publicity activities, etc.);

Projects should entail a combination of some of the above activities that are complementary and are integrated on the basis of a sound development logic and are contributing to development and marketing of tourism products based on natural and cultural heritage (especially although not exclusively cultural, eco- and spa tourism), i.e. no single activities or set of miscellaneous unrelated activities will be supported.

Beneficiaries

Municipalities, associations of municipalities; Ministry of Culture (specific beneficiary), local, regional and national tourism associations, registered in the National Tourism Register, public bodies, managing cultural monuments of national importance.

5.3.2. Operation 3.2. Regional Tourism Product Development and Marketing of Destinations

Operation objective

To increase the number of visitors and visitor days, to improve seasonal and territorial distribution of tourism development in different regions and areas based on integrated destination management and marketing and to use different tools, techniques and systems ensuring effective tourism information and marketing.

Operation rationale

This operation is focused on destination's marketing and will encourage exclusively "soft" activities. It seeks to address simultaneously several main issues:

- The need to maintain the current position on the traditional international markets and to attract new market segments for specific products and use the domestic potential tourism demand;
- The need to enhance awareness of the diverse tourism potential and offers of Bulgarian tourist regions and areas and to improve their image by using effective contemporary tools and techniques to reach the tourism markets incl. the development of online information capacity and systems required to promote and compete effectively in the global tourism industry;
- The need of a sound and co-ordinated regional approach and/or a national wide product based approach to improve the development and marketing of tourism attractions, complementary to the efforts of individual companies, local authorities and local tourist organisations on one hand and to the national marketing of the STA on the other;
- The need to use the existing capacity and to broaden and strengthen partnership based tourist organisations (especially the regional ones) that are able to carry out collective product development and marketing activities for their destinations;
- The need to improve the planning and knowledge base of regional and local tourism development policy and marketing, including the establishment of a sound regional ground to intervene effectively on international markets (as envisaged in operation 3.3);

As highlighted above there is a need to develop and promote to the market comprehensive destinations products to influence product and market diversification and better distribution of tourism in space and time. Due to the fragmented and heterogeneous nature of tourism industry this can be reached through collective actions that are managed and supported by appropriate organisations (partnership based tourist organisations with broader scope for ensuring their effectiveness that involve or co-operate with local authorities).

The purpose of this operation is to encourage initiatives in the area of regional marketing, i.e. of the district and its territory, or even larger, and ideally correspond to a given area with specific tourism assets and possibilities (tourist region). The operation will reward and actively support such projects. Support will be targeted mainly to regional partnership based organisations as well as to national organisations in case of nation-wide (supra-regional) products and networks and only in exceptional cases (big cities, non-existing RTOs) other beneficiaries will be supported. It is open to local marketing initiatives only to the extent that they may have a regional impact.

Regional cooperation, complementarities and synergy will be strongly encouraged in terms of collective efforts of most developed and less developed areas on regional basis. Thus product development and promotion have to reflect specific regional features and address market opportunities for a more sustainable tourism development at regional level. In addition they have to complement national marketing strategy and activities (operation 3.3). Projects facilitating the identification of large scale partnership-based regional investment projects for operation 3.1 will be strongly encouraged. However support will not be limited to the less developed tourism areas - as far as needs for diversifying product and markets, reducing seasonality etc. are not limited to less developed tourist areas and regions, the most developed areas will not be disregarded and will also be supported within this operation.

List of indicative activities to be supported

- Activities to facilitate regional product development and market intelligence, such as inventory and assessment of tourist resources, facilities and services, regional marketing and impact studies, regional visitor surveys, elaboration of regional tourism development, marketing and promotion strategies and programmes, development of tourist packages, etc.;
- Promotion activities like preparation and distribution of information and promotional materials on the region and its products, participation in regional, national and international tourism fairs, organisation of regional tourism fairs, test trips, visits by travel agents, tour operators, travel writers, journalists etc.;
- Organization of events of regional and national scope and impact, e.g. festivals, outdoor events, sport competitions, folklore events, presentation of local/regional traditions, cuisine, crafts, etc.;
- Implementation of modern technology and information systems improving information services, marketing and planning of tourist destinations, such as establishment, reconstruction/refurbishment and/or equipment of tourist information centers, their inclusion in regional or broader networks and information systems, web-based regional information and distribution systems (e-marketing), IT based tourism data-bases, etc.;
- Development of regional identity and branding activities like voluntary regional certification of facilities, attractions and services, introduction of uniform systems of marking, regional wide and regional specific codes of conduct and standards, development and introduction of environmental standards for tourist services, etc.;
- Support of public awareness activities and information services to the local businesses and communities, like communication campaigns to improve awareness of natural and cultural heritage and tourism contribution to development, dissemination of relevant information to tourist businesses, organisation of tourist fora to encourage effective 2-way communication, participation and commitment of local business in identification and solution of common problems, etc.;
- Strengthening partnership based organisations and networks, incl. capacity building activities for tourist associations and municipalities that is complementary to and/or required by above activities, encouraging regional and national networks building, etc.

Projects should entail a combination of some of the above activities that are complementary and are integrated on the basis of a sound development logic and are contributing to development and marketing of tourism products based on natural and cultural heritage (especially although not exclusively cultural, eco- and spa tourism), i.e. no single activities or set of miscellaneous unrelated activities will be supported.

The above activities have to complement/ contribute to the marketing, promotion and information strategies and activities envisaged at national level, especially under operation 3.3.

Beneficiaries

Regional, national or local tourism associations, registered in the National Tourism Register, municipalities, associations of municipalities; Ministry of Culture (specific beneficiary).

5.3.3. Operation 3.3. National Tourism Marketing**Operation objective**

To enhance the effectiveness and impacts of national marketing efforts and related activities, market intelligence and transparency to facilitate diversification of tourist products and markets and sustainable tourism development.

Operation rationale

Tourist products need to be promoted to the markets in order to be sold, i.e. to attract visitors and to benefit from tourism development. To develop attractive tourist products and promote them effectively, good understanding of demand, market requirements and supply is required. It is widely recognized that especially on international markets this could not be done effectively either by individual enterprises (especially if they are predominantly small), or by local or regional development actors.

The State Tourism Agency is legally responsible for national marketing and related activities. However, as indicated in the socio-economic analysis, its marketing function faces serious challenges: the existing activities are perceived as limited in scope and in some cases not relevant or ineffective; the funding is significantly lower than in comparable countries; market research are scarce, statistical and other information on tourism supply and development is limited, unorganized and in some cases irrelevant or unreliable, marketing activities and provision of information to tourists are not coordinated, etc.

The operation will address these and similar issues by providing support to the State Tourism Agency in its marketing and information activities. Support will be provided on the basis of mid-term framework investment programme incorporating the annually developed National Promotion Programmes as defined by the Tourism Act. The Programmes will be approved by the MA as part of the respective framework agreement to ensure consistency with the priority axis objectives as well as with already approved projects under operations 3.1 and 3.2.

List of indicative activities to be supported

- Preparation of mid and long term national strategies and programmes for tourism development and marketing of tourism and tourist products;
- Promotional activities, i.e. preparation and distribution of information and promotional materials of national scope, media advertising, participation in international tourism fairs, organisation of national tourism fairs, familiarization trips, visits by travel agents, tour operators, travel writers, journalists etc.;
- Market surveys and other relevant surveys of national and international scope, improvement of tourism statistics, as well as dissemination of data to a broader audience;
- Monitoring of the effectiveness of marketing activities;
- Introduction of contemporary information technologies for establishing and up-grading of national information and distribution systems and networks (like a national network of tourism information centers; internet based national tourism information system; up-grading of the tourism information system of the STA, incl. the National Tourism Register), incl. supply of equipment.;
- Public awareness activities, e.g. campaigns to improve awareness of natural and cultural heritage and the importance of tourism at national and international level;
- Development and introduction of national quality certification systems for tourism services, facilities and attractions, quality labels, codes of conduct, standards, quality management systems, annual tourism awards, etc.;
- Development and introduction of environmental standards for tourist services;
- Provision of guidance and support to tourist associations, municipalities and industry (e.g. manuals, handbooks, regular communication and provision of information, incl. e-bulletin, etc.);

Beneficiaries

State Tourism Agency (specific beneficiary).

5.4. Priority Axis 4: Local development and co-operation

Rationale

This priority is designed to contribute to local and inter-regional development. Its primary feature is to establish and support investment initiatives with typical local ownership, being formulated at local level by local actors and developed in a flexible manner to provide solutions for specific local problems.

Apart from the central government, municipalities are the main actors of the regional and local development in Bulgaria.

178 out of 264 Bulgarian municipalities are small and threatened by permanent peripheral status. At the same time, as elsewhere, part of these municipalities can be described as disadvantaged in terms of location, development level or structure of local economy. Peripheral, mountain, rural, industrially declining, etc. municipalities fall into this category and require a higher intensity of support to development. In most cases, small size is combined with or results from unfavourable development characteristics.

The OPRD aims to address integrated regional development and territorial cohesion throughout the whole territory of Bulgaria. Even though regional development largely passes through urban development in Bulgaria, and connectivity to urban possibilities, there remain certain cases where non-agglomeration and generally smaller municipalities could be able to justify small-scale investments vital to their competitiveness and sustainability.

Therefore this priority axis addresses specifically and exclusively to those municipalities, outside the urban agglomeration areas, which sharply need investments in order to enhance their own development.

The specific assistance includes the following:

- Supporting local centers which have the capacity to act as a significant economic centers and thus contribute to economic and social activity in the surrounding areas.
- Exploitation of opportunities offered by investments in infrastructure.
- Enhancement of opportunities for educational, health care and business services for the local communities by means of improving the related infrastructure.
- Increase of attractiveness of smaller municipalities for local and outside investors.
- Improvement of quality of environment and risk prevention.

The priority also makes use of exchange and learning between regional and local authorities and their partners in other member states of the EU (operation 4.2). That means directing, channelling and transferring knowledge, know-how and best practices towards Bulgarian regions and beneficiaries, while working on a shared network platform.

The priority will be implemented by means of projects involving the local communities and enabling them to develop institutional and informal forms of cooperation and dialogue concerning the problems of development.

However, in smaller municipalities there is limited institutional, development, technical and financial capacity (human resources, knowledge, experience and know-how) to participate on the development and investment work. This issue will be properly addressed under Priority axis 5.

Specific objective

To enable smaller municipalities to participate in the development processes of the country and to stimulate regional and local innovation through inter-regional exchange.

Indicators and targets

| Type | Indicator | Unit | Quantification | | | Frequency of reviewing | Source of information |
|--------|---|--------|---------------------|----------------------|---------------------|-----------------------------|-----------------------|
| | | | Baseline value 2006 | Interim Value (2009) | Target Value (2015) | | |
| Result | Innovative practices transferred and adopted based on interregional cooperation | Number | 0 | 30 | 80 | Twice during program period | MIS of OP |
| | Population benefiting from small scale investments | Number | 0 | 75 000 | 166 000 | Twice during program period | MIS of OP |
| | Small scale investment projects implemented | Number | 0 | 60 | 250 | Twice during program period | MIS of OP |
| | Inter-regional cooperation projects | Number | 8 | 15 | 40 | Twice during program period | MIS of OP |

Operations to be supported

The following kinds of operations will be supported under this priority axis:

Operation 4.1: Small-scale Local Investments

Operation 4.2: Inter-regional Cooperation

Geographical scope of interventions

The scope of operation 4.1 is defined at municipal level (NUTS IV) in accordance with the list of municipalities presented in Annex 4. Operations 4.2 is not limited geographically.

Key project selection criteria

The project:

- Is in line with municipal development plan;
- Improves development capacity of the respective territory ;
- Creates new co-operation practices or their adaptation and application;
- Contributes to ecological, social and cultural sustainability;
- Addresses needs of specific disadvantaged groups (esp. Roma population);
- Contributes to the co-operation of the local and regional stakeholders;

Financing

| Indicative allocation (in euro) | % of OPRD/ priority axis | Community funding | National public funding | Total funding | Community Co-financing rate (%) |
|--|-----------------------------------|----------------------|----------------------------|---------------|---------------------------------------|
| <i>Priority Axis 4: Local development and co-operation</i> | 5,60% | 76 220 679 | 13 450 708 | 89 671 387 | 85% |

Demarcation, complementarities and links with other plans and programmes

Rural Development Programme: The investment part of the Priority 4 (especially operation 4.1) complements and has very close links with the Axis 3 of the PRD "Improving quality of life in rural areas and encouraging diversification of economic activity". The operation 4.1 will focus only on improving the public education, health care and business related infrastructure in smaller municipalities. Small scale flood prevention activities within the settlement areas will also be supported. The above mention types of activities will not be supported under Rural Development Program. This differentiation in types of activities will rather create synergy between the two programs and will bring added value to the development of the targeted territory. In respect to inter-regional cooperation (operation 4.2) the demarcation with the Rural Development Program will be set by type of beneficiary: the operation 4.2 will support cooperation projects between Bulgarian municipalities (association of municipalities) and districts and their European partners while the eligible beneficiaries under Rural Development Program are partnering Local Action Groups which are public-private partnerships.

CBC Programmes: The Territorial cooperation CBC/TN Programmes are not supposed to finance any large-cost and durable infrastructural investments (like Objective 1 area programmes), but mainly soft and small-scale activities. The projects must be designed by representatives from both sides of the border, must clearly integrate the ideas, priorities and actions of stakeholders on both sides of the border. They have a clear cross-border impact which is impossible to be covered by the sectoral operational programmes. All projects under CBC programmes obligatory meet a minimum of two of the following criteria: 1) joint development, 2) joint implementation, 3) joint staffing, 4) joint financing.

Complementarities with INTERREG IVC and URBACT II Programmes: The Priority is open to benefit from the possibilities arising from the INTERREG IVC and URBACT II programmes as important instruments for the implementation of the EU initiative "Regions for Economic Change" (RfEC). This allows two different types of projects initiated by actors at the regional and local level that are complementary and together help achieving the objective of this priority:

a) within the framework and the budget of operation 4.2 (each partner will have his own contract with his own managing authority; the topics covered will relate to the topics of the programmes concerned), b) within the framework and the budget of INTERREG IVC and URBACT II; the topics covered are those of the two programmes themselves.

*5.4.1. Operation 4.1. Small-scale Local Investments**Specific objective*

To support local development through implementation of essential and useful small-scale local investment solutions.

Operation rationale

The operation will target exclusively smaller municipalities outside the urban agglomeration areas (list of municipalities is presented in Annex 4) that suffer from the drawbacks of their geographical and economic isolation. This pro-active targeting will include intensive support and intervention in favour of creating new local development opportunities which clearly mobilise local development actors and will target at problems that are considered specific to the municipalities. The operation is aimed at improving both local development conditions and living standards.

Educational and healthcare infrastructure in the smaller municipalities is not well adapted to the current situation or is in a poor state of repair. The educational facilities are not well maintained and nearly two-thirds of the buildings have not been renovated for the last 10 years. The buildings and facilities of health care system need significant investments for rehabilitation.

Therefore this operation focuses on support to the improvement of key elements of business related, educational and health infrastructure in areas where addressing gaps could achieve a significant impact on local economic development. Support will also be provided to interventions designed to improve the quality of environment and risk prevention.

Small scale investment scheme will provide opportunities for smaller municipalities to address similar issues as urban agglomerations under Priority 1. However investments have to demonstrate a clear need and demand – that cannot be met by reference to similar infrastructures in nearby urban areas.

Taking into account the small size of municipalities and the need to combine financial, administrative and human resources preference will be given to common small scale investments projects that are demonstrably supported by and benefit more than one municipality and provides shared responsibilities for ensuring investment sustainability.

All flood protection projects will be part of the integrated river basin management plans in coordination with the Ministry of Environment and Waters in order to ensure compliance with the EU Floods Directive and the Water framework directive (WFD). Healthcare infrastructure to be supported must be in line with the approved National Healthcare Map and National Healthcare Strategy. Educational facilities to be supported have to correspond to the adopted relevant strategic and sectoral documents.

List of indicative activities to be supported

- Renovation/reconstruction and equipment of public medical and health establishments in accordance with the National Health Map;
- Renovation/reconstruction and equipment of educational infrastructure;
- Reconstruction/rehabilitation/modernisation of existing industrial and business locations, including business-related technical infrastructure;
- Energy consumption audits and energy efficiency measures for all projects related to public institutions mentioned above (e.g. thermal insulation, replacement of woodwork, local installations connected to central heating systems, gas supply connecting pipelines or alternative renewable energy sources and etc.);
- Purchasing of equipment for organisation of waste collection and disposal systems;
- Establishment and reinforcement of smallscale infrastructure for prevention against floods and landslides, cleaning of river beds;
- Access facilities to public institutions mentioned above for disabled people.

Beneficiaries

Municipalities specified in Annex 4.

5.4.2. Operation 4.2. Inter-regional Cooperation

Specific objective

To stimulate regional and local innovations and best practices exchange through inter-regional cooperation within the European territory.

Operation rationale

The interregional cooperation aims at promoting Europe-wide networking among regions and municipalities with an aim to transfer and exchange information, knowledge, know-how and best practice. This exchange is extremely essential for municipalities in the context of the decentralization process going on in Bulgaria and the new responsibilities they acquire. Taking the advantage of the experience of the others how to apply the partnership principle will benefit the public and civil sector. Cooperation within the European territory will increase the public awareness and knowledge about European policies and values and will "bring Europe closer to citizens".

Community Strategic Guidelines for Cohesion provides the opportunity for regions to incorporate in their Objective 1 and 2 regional operational programmes activities related to inter-regional cooperation. The inter-regional cooperation is aiming at encouraging cooperation among regions and the municipalities in all Europe in order to share and transfer information, knowledge and best practices. The regional and local stakeholders could gain significantly from acquiring knowledge and skills, particularly appropriate when finding solutions for the development through access to experience. To this end, this operation will support projects of a cooperative nature involving Bulgarian and other EU partners mainly based on past experiences and thematic interests rather than location within a distinct geographical area. Taking account of existing forms of inter-regional co-operation and cross-border co-operation, operation 4.2 "Inter-regional Cooperation" will not be implemented with operators in the bordering regions of the neighbouring countries, eligible under the Cross-border cooperation programmes.

Interregional cooperation under this operation allows non-contiguous regions to enter into contact and to build up relationships, leading to exchange of experience and networking which will assist the balanced, harmonious and sustainable development of the European Union and of third countries. The operation will encourage regional and other public authorities and their socio-economic partners to view interregional cooperation as a means of enhancing their development through access to the experiences of others.

This operation will bring added value by enabling authorities and other actors at regional and local level to learn from each others' experiences and to develop new and/or innovative approaches and solutions in the specific areas where the regional development process requires new and extended know-how and best practice. To this end, the themes that will be the focus for partnership relate closely to issues to be supported elsewhere under this OP, and where it is recognized there is a need to extend know how and best practice. These are:

- risk prevention,
- urban regeneration,
- ICT-networks/information society,
- housing policy,
- renewable resources and energy,
- transport/ transport organization models,

- tourism development specifically development of larger cultural and nature attractions,
- promotion and inter-municipal interaction models.

These are also policy fields of primary importance for the achievement of the European Union's jobs and growth objectives. Interregional cooperation will lead to improved capacities and performance of the participating regions, enabling them to make a contribution to the achievement of these objectives in a sustainable way.

The programme will also encourage BG regions to participate in the new initiative Regions for Economic Change. Publication of the Commission Decision on Regions for Economic Change came too late to allow the initiative to be reflected in detail in this OP. However, the programme is open to benefit from the possibilities arising from this initiative. For that reason, in the framework of the Regions for Economic Change initiative^{75,76} the Managing Authority commits itself to:

- i. Make the necessary arrangements to welcome⁷⁷ into the mainstream programming process innovative operations related to the results of the networks in which the region is involved;
- ii. Allow in the Monitoring Committee (or programming committee) the presence of a representative (as an observer) of the network(s) where the Region⁷⁸ is involved, to report on the progress of the network's activities;
- iii. Foresee a point in the agenda of the Monitoring Committee (or programming committee) at least once a year to take note of the network's activities and to discuss relevant suggestions for the mainstream programme concerned;
- iv. Inform in the Annual Report on the implementation of the regional actions included in the Regions for Economic Change initiative."

List of indicative activities to be supported

- Data collection, studies and analysis of development trends;
- Transfer of know-how and best practices and accompanying action research, related to the above mentioned areas;
- Development of portals/virtual networks for exchange of best practices, Internet-based tools and electronic data-bases for shared exchange of best practices and development trends;
- Benchmarking analyses for service provision;
- Elaboration of future strategic projects and action plans;
- Trainings, seminars, workshops, conferences, study tours, twinnings, joint meetings involving socio economic partners as well (universities, NGOs and business organizations, trade unions, etc.);
- Innovation and risk prevention strategies;
- Information dissemination and awareness raising campaigns;
- Elaboration of materials for distance learning and internet discussion forums;

⁷⁵ Communication from the Commission "Regions for Economic Change", COM(2006) 675 final, 8.11.2006, {SEC(2006) 1432}, http://ec.europa.eu/regional_policy/conferences/regionseconomicchange/doc/comm_en_acte.pdf

⁷⁶ Commission Staff Working Document accompanying the Communication from the Commission "Regions for Economic Change", SEC(2006) 1432/2, http://ec.europa.eu/regional_policy/conferences/regionseconomicchange/doc/staffworkingdocument_en.pdf

⁷⁷ Create the channel to appropriate priority for financing.

⁷⁸ A Region can be a Region (NUTS 2) or a Member State (e.g. when no Regional level foreseen in the OP).

- Implementation of innovative approaches (pilot projects);
- Limited consultancy and facilitation services related to particular exchanges;
- Dissemination of results.

Note: The MA will put in place clear procedures and practices to ensure that each co-operation procedure results in a clear and concrete output and set of results directly applicable to development issues. Thus all projects must provide a clear learning methodology and ensure by their end a set of appropriate tools, methodologies, or other products that inform future policy, strategy and action by local, regional and where appropriate, mainstream these more widely across Bulgaria.

Beneficiaries

Districts, associations of municipalities, municipalities, Euro regions and NGOs in partnership with municipal and district authorities.

5.5. Priority Axis 5: Technical Assistance

Rationale

The sound management and implementation of OPRD requires particular attention to technical assistance measures in order to answer to the main needs of support for programme coordination and to strengthen the capacity building of administrative structures involved in its implementation as stated by Article 46 of the General Regulation.

The first period of SF implementation is a real challenge for both - the Managing Authority (incl. regional departments) and the final beneficiaries and the technical assistance support is of particular importance, especially in the first years of OPRD implementation.

The aim of the Priority axis "Technical assistance" is to guarantee the smooth management, monitoring, evaluation, information and control of the programme, thus ensuring high level of absorption of EU funds. Because of its scope and number of potential beneficiaries the publicity and information measures are of particular importance.

Capacity building activities for the MA staff and the OPRD beneficiaries are key element to enable successful management and implementation. On the basis of the results and acquired knowledge under the pre-accession instruments projects this Technical Assistance Priority Axis will continue to pay specific attention to reinforce administrative capacity for implementing at central, regional and local level in addition to the MA strong emphasis on the human resources aspect.

Training of staff of all organizations involved at all territorial levels and at all stages – programming, management, monitoring, control and implementation of OPRD, project generation and project pipeline development, awareness raising, strengthening the capacity of the potential beneficiaries, dissemination of information, knowledge and skills throughout the country will be supported.

With reference to its specific contents, technical assistance provides for different kinds of services and activities addressed to obtain high levels of efficiency in the planning and managing processes of co-financed projects through innovative or traditional instruments and methodologies. In this way the technical assistance actions immediately after the programme start will provide the central and local administrative structures with the main instruments for implementing activities eligible under the OPRD (rules, procedures, guidelines, methodologies, etc.).

The priority axis support will be targeted at activities related to constant reviewing of the progress of OPRD management and implementation, the performance of different types of studies, analysis, reports facilitating the implementation and evaluating the impact of the envisaged measures under the OPRD in light of the efficient and effective absorption of ERDF support.

Specific objective

To support activities in order to provide sound and effective programming, management, monitoring, evaluation, information and control of OPRD, reinforcing the MA and beneficiaries' administrative capacity for successful implementation and ensuring high levels of SF absorption.

Indicators and targets

| Type | Indicator | Unit | Quantification | | | Frequency of reviewing | Source of information |
|--------|---|---------|-----------------------|----------------------|---------------------|-------------------------------------|-----------------------|
| | | | Baseline value (2006) | Interim Value (2009) | Target Value (2015) | | |
| Result | Level of general public awareness about the OPRD | % | n.a. | 15% | 40% | Twice during the programming period | Surveys |
| Output | Technical support, consultancies, etc. | mandays | 1500 | 5500 | 15500 | Twice during the programming period | MIS of OP |
| | Number of trained people from MA (incl.regional departments) and beneficiaries | Number | 600 | 1500 | 4500 | Annually | MIS of OP |
| | Number of Monitoring committee meetings | Number | 0 | 6 | 14 | Annually | MIS of OP |
| | Information and publicity activities undertaken according to communication plan | Number | 6 | 20 | 60 | Annually | MIS of OP |
| | Evaluations undertaken | Number | 0 | 3 | 10 | Annually | MIS of OP |

Operations to be supported

The following kinds of operations will be supported under this priority axis:

Operation 5.1: Programming, Management, Monitoring, Evaluation and Control

Operation 5.2: Communication, Information and Publicity

Operation 5.3: Capacity building of OPRD beneficiaries

Geographical scope of interventions

All NUTS II planning regions

Key project selection criteria

Not applicable

Financing

| Indicative allocation (in euro) | % of OPRD/ priority axis | Community funding | National public funding | Total funding | Community Co- financing rate (%) |
|--|-----------------------------------|----------------------|-------------------------------|---------------|---|
| <i>Priority Axis 5: Technical Assistance</i> | 3.38 % | 46 004 623 | 8 118 463 | 54 123 086 | 85% |

Demarcation, complementarities and links with other plans and programmes

OP "Technical assistance"(OPTA): With regard to the "Technical assistance" priority axis, OP "Regional Development" will provide support for the programme management, implementation, monitoring, control, and evaluation as well as for publicity measures, programme promotion and exchange of experience. OP "Regional Development" will support the strengthening of the existing capacity of its beneficiaries by providing training activities related to its specifics and technicalities.

On the other hand, training activities for local and regional authorities regarding the general principles related to receiving financial assistance from the Structural Funds and the Cohesion Fund of the European Union such as public procurement, audit trail, verification of expenditures, financial management and control, horizontal principles, etc. are included within the Operational Programme "Technical Assistance".

*5.5.1. Operation 5.1. Programming, Management, Monitoring, Evaluation and Control**Specific objective*

To support the OPRD Managing Authority and its regional departments for effectively performing their programming, management, implementation, monitoring, control and evaluation activities according to the provisions and prescriptions of the EU SF regulations.

Operation rationale

For the first time the Bulgarian administrative structures must face the challenge of managing SF co-financed projects even if Bulgarian government has been involved for a long period in projects funded by the pre-accession instruments. In general, the management of an operational programme as well as single projects (or integrated projects) anticipates a long list of activities including elaboration of informal reports and drawing up of official documents to be sent to the EU Commission in the course of the entire programming period.

The Managing Authority and its regional departments will need additional strengthening of capacity (through trainings, exchange of experience, etc.) in order to meet the challenges of OPRD management and implementation. The procurement and installation of office equipment required for the proper management, implementation, monitoring, control and evaluation OPRD operations is of great importance, especially regarding the proper functioning of the Management Information System (MIS). Specialized surveys, analysis, assessments, etc. are crucial for the implementation and evaluation of OPRD operations impact and for the preparation of documents for the next programming period.

The efficiency of the technical assistance will be primarily based on the needs analysis for the support of the OPRD Managing Authority that is difficult to be pinpointed during programme preparation. For this reason

the technical assistance has to be flexibly reoriented in order to respond the MA's changing needs caused by the new requirements.

List of indicative activities to be supported

- provision of technical support, consultancy, studies, analyses, surveys, etc. necessary for the proper management, implementation, monitoring, evaluation and control of OPRD operations;
- support for the project evaluation and selection process (organization of evaluation committees, a data base of independent experts possessing required technical expertise, hiring of experts, etc.), independent project appraisals;
- salaries, office and travel costs of the staff directly involved in the programming, management, implementation, monitoring, evaluation and control of OPRD;
- training of the MA staff (workshops, seminars, exchange of good practices and experience, etc.);
- specific assistance for stimulating the MA structures for their extra ordinary work in OPRD management, implementation, monitoring, evaluation and control;
- provision and maintenance of computerized information system (hardware and software) and office equipment necessary for the OPRD management, implementation, monitoring, evaluation and control;
- evaluation of OPRD implementation (including on-going evaluations);
- support for financial control and audit (including on-the spot checks and related reports, internal control system, supervision of public procurement rules, etc.);
- OPRD Monitoring Committee organisation, running costs and training;
- support to preparation of documents for the next programming period (consultancies, studies, manuals, etc.).

Beneficiaries

Ministry of Regional Development and Public Works (MA and its regional departments).

5.5.2. Operation 5.2 Communication, Information and Publicity

Specific objective

To assist the Managing Authority in implementation of OPRD Communication Plan for provision of information and public awareness about the funding opportunities under the programme, the criteria, rules and procedures for participation of the potential beneficiaries in its implementation.

Operation rationale

As requested by the EU Regulations, the MA and the other participants in OPRD implementation will give the most possible comprehensive information on the financing opportunities offered by the programme.

For this reason they have to ensure that the OPRD is published widely with details of the financial contributions from the ERDF and have to provide the potential recipients (i.e. municipalities, non-governmental organisations, etc.) with detailed information on the administrative procedures to be followed for financing under the OPRD, including the description of the procedures for application and evaluation of projects, the criteria for evaluation and selection, the responsible bodies at national, regional or local level for giving more information.

List of indicative activities to be supported

The Communication Plan shall contain different types of actions to inform the public (multimedia, video, advertising campaigns). More specifically the indicative activities to be supported under the operation are:

- Web-site development and maintenance;
- Distribution of OPRD related documentation (rules, procedures, guidelines, methodologies, etc.);
- Media participations, TV information films and spots, advertisements and other press contacts;
- Publications, bulletins, brochures, posters, guidelines, etc. ;
- Organisation of conferences, road-shows and workshops;
- Audiovisual productions and documentaries;
- Opinion analyses and inquiries;
- Awareness campaigns, community analyses, community round tables and focus groups, publications, questionnaires, studies, workshops to stimulate citizens support and responsibility for proposed investments.

Beneficiaries

Ministry of Regional Development and Public Works (MA and its regional departments).

5.5.3. Operation 5.3 Capacity Building of OPRD Beneficiaries

Specific objective

To strengthen the OPRD beneficiaries' capacity for successful participation in OPRD implementation and absorption of SF financial resources.

Operation rationale

Taking into consideration the experience of the pre-accession instruments and the analysis of beneficiaries' capacity it becomes evident that the real challenge is the implementation of the OPRD and it is the MA's responsibility to ensure that the beneficiaries (municipalities, NGOs, central government institutions and agencies) are well-prepared to perform their tasks adequately.

Thus using the technical assistance facility this operation will support activities that address the difficulties of beneficiaries in prioritizing their needs, the deficiency in project preparation, identification and justification and the lack of maturity of proposals. An important gap to be also address is the tendency to propose smaller "isolated" rather than strategically or operationally integrated projects.

Furthermore, the analysis of beneficiaries' training needs performed under the UNDP assessment of capacity showed that according to the beneficiaries they are "overtrained" with general trainings and little specific training is given to them. As the general trainings on SF management, implementation and control procedures (including public procurement, audit trail, verification of expenditures, financial management and control, horizontal principles, etc..) will be covered by OP "Technical Assistance", operation 5.3 will support the strengthening of the existing capacity of OPRD beneficiaries by providing training activities related to its specifics and technicalities. Concerning the methodology of the training, priority will be given to programmes, which are of practical nature, carried out in the form of workshops and in which the training activities are complemented by professional mentorship.

For some time it has been recognised that regional and local development in Bulgaria cannot be successfully promoted solely on the basis of individual municipalities. Not only is there some need for inter-municipal co-operation, especially involving smaller municipalities, but there is also a need to promote more cohesive, partnership-based joint working process among municipalities. To ensure effective participation in and commitment to regional development actions, a more integrated development approach is needed. Inter-municipal, practical partnership is a challenge for development: a "cooperation spirit" among potential partnering municipalities with similar problems will be of crucial importance for OPRD absorption.

To address the gaps in inter-municipal partnership the operation will support training and consulting activities facilitating and establishing co-operation models and networks, especially for the smaller municipalities.

In addition to this a special Decree adopted by the Council of Ministers envisages hiring of experts for managing infrastructural projects thus supporting the beneficiaries' capacity in preparing, technical, administrative and financial management and implementation of EU funded projects.

List of indicative activities to be supported

- Assessment of training and consultancy needs;
- Elaboration and implementation of action plans for strengthening the administrative capacity of OPRD beneficiaries on the basis of the conducted assessments;
- Consultancy assistance for identifying project ideas and elaboration of OPRD relevant proposals, development and maintenance of a pipeline of "ready-for-funding" projects;
- Elaboration and implementation of training programmes (hiring experts, organization of trainings, teaching materials, etc.) specifically designed for and related to facilitating the implementation of OPRD operations like:
 - training programme for capacity building in elaboration and implementation of integrated urban regeneration plans/strategies,
 - training programme for capacity building in using the JESSICA instrument in relation to OPRD,
 - training programme for capacity building in implementing energy efficiency measures and using the potential of the renewable energy sources,
 - training programme for capacity building in preparation of preliminary studies, feasibility studies, assessment of demand and feasibility, social-economic and financial appraisal, as well as other kinds of technical documentation necessary for preparation of projects to apply for funding under the OPRD operations,
 - training programme for capacity building in environmental issues concerning OPRD projects as Environmental Impact Assessment, SEA, NATURA 2000 issues and their integration in OPRD projects preparation and implementation, etc.
- Partnership building activities aiming at the improvement and facilitation of cooperation among smaller municipalities in project preparation and implementation, development of partnership actions with socio-economic, regional, NGOs and other relevant partners, development of integrated solutions;
- Development and strengthening the networking between municipalities (exchange of innovations, experience and best practices).

Beneficiaries

Ministry of Regional Development and Public Works (MA and its regional departments).

Final recipients of the support are all OPRD beneficiaries (municipalities, NGOs, central ministries and agencies, district authorities) as identified under all priority axes.

6. Management and implementing provisions

In accordance with Council Regulation (EC) 1083/2006, this Chapter sets out the implementing provisions of OP "Regional Development". The management bodies and the principles governing the coordination of their functions are defined in the National Strategic Reference Framework for Bulgaria 2007-2013 and in the respective national secondary legislation.

6.1. Designation of competent authorities and bodies

6.1.1. Managing Authority (MA)

Under the provisions of Chapter 21 of the Accession Treaty and with Decision of Council of Ministers No 965/16.12.2005, Directorate General "Programming of Regional Development" within the Ministry of Regional Development and Public Works (MRDPW) is appointed as Managing Authority of OP "Regional Development".

DG "Programming of Regional Development" is part of the specialised administration of MRDPW performing in the pre-accession period functions of PHARE Sectoral Coordinator with responsibilities for programming and monitoring of regional development and cross-border cooperation measures. The experience of using one single body responsible for CBC and regional development is applied also for the post-accession period whereby the Directorate General is appointed as Managing Authority for the cross-border and trans-national programmes under the "Territorial cooperation" objective. In addition, OPRD contains actions for interregional cooperation as referred to in Article 37 (6) (b) of the General Regulation. Continuity, avoidance of overlap and promotion of coherence are thus ensured.

OPRD Managing Authority is responsible for managing and implementing the operational programme efficiently, effectively and correctly in accordance with the principle of sound financial management and as defined under the respective articles of the General Regulation⁷⁹ and the corresponding sections of the Commission Regulation on structural funds implementation⁸⁰. OPRD Managing Authority responsibilities include in particular:

- ensuring that operations are selected for funding in accordance with the criteria applicable to the operational programme and that they comply with applicable Community and national rules for the whole of their implementation period;
- verifying that the co-financed products and services are delivered and that the expenditure declared by the beneficiaries for operations has actually been incurred and complies with Community and national rules; verifications on-the-spot of individual operations may be carried out on a sample basis in accordance with the detailed rules to be adopted by the Commission in accordance with the procedure referred to in Article 103(3);
- ensuring that there is a system for recording and storing in computerised form accounting records for each operation under the operational programme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected;

⁷⁹ Council Regulation (EC) No 1083/2006: Art.60-Functions of the managing authority; Art.66-Arrangements for monitoring; Art.67-Annual report and final report on implementation; Art.68-Annual examination of programmes; Art.69-Information and publicity; Art.90-Availability of documents

⁸⁰ Commission Regulation on structural funds implementation (EC) No.1828/2006: Section I - Information and communication; Section III - Management and Control systems

- ensuring that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;
- ensuring that the evaluations of operational programmes referred to in Article 48(3) are carried out in accordance with Article 47;
- setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements of Article 90 of Council Regulation (EC) No 1083/2006;
- ensuring that the Certifying Authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;
- guiding the work of the Monitoring Committee and providing it with the documents required to permit the quality of the implementation of the operational programme to be monitored in the light of its specific goals;
- drawing up and, after approval by the monitoring committee, submitting to the Commission the annual and final reports on implementation;
- ensuring compliance with the information and publicity requirements laid down in Article 69 Council Regulation (EC) No 1083/2006.

With regard to the activities under Priority axis 4, operation 4.2: "Inter-regional cooperation" OPRD Managing Authority will be directly responsible for the Bulgarian partner(s) of the projects, acting at the same time as a Contracting Authority.

OPRD Managing Authority within DG "Programming of Regional Development" comprises one Director General, four departments and three units at central level and 6 regional departments, as follows:

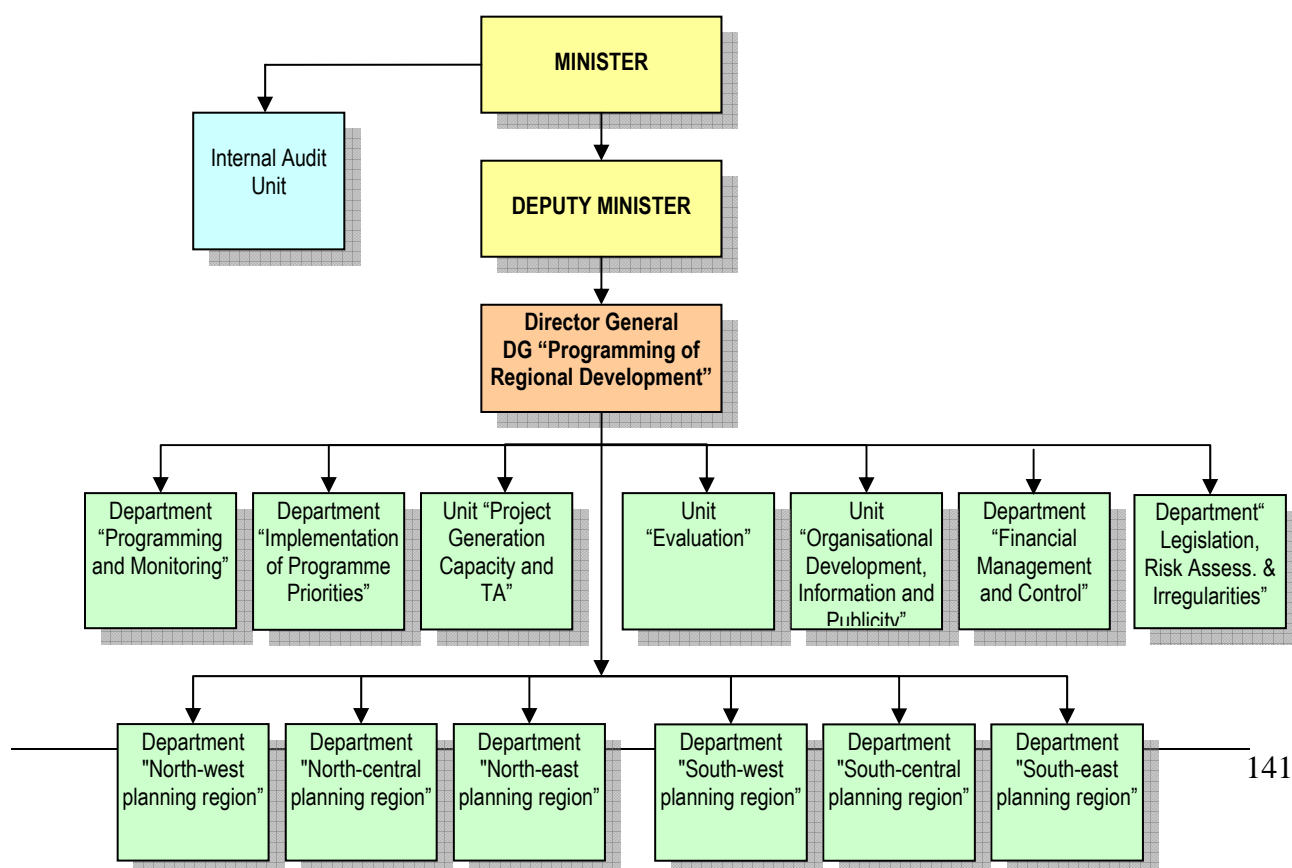
| Structure |
|--|
| <i>OPRD Managing Authority – central office</i> |
| General Director, DG "Programming of Regional Development" |
| Department "Programming and Monitoring" |
| Department "Implementation of Programme Priorities" |
| Unit "Project Preparation Capacity and Technical Assistance" |
| Unit "Evaluation" |
| Unit "Organisational Development, Information and Publicity" |
| Department "Financial Management and Control" |
| Department "Legislation, Risk Assessment and Irregularities" |
| <i>OPRD Managing Authority – regional departments</i> |
| Department "North-west planning region" (Vidin) |
| Department "North-central planning region" (Rousse) |
| Department "North-east planning region" (Varna) |
| Department "South-west planning region" (Sofia) |
| Department "South-central planning region" (Plovdiv) |
| Department "South-east planning region" (Bourgas) |

The above regional departments are not intermediate bodies in the sense of Council Regulation 1083/2006 article 2(6) since they are not separate legal entities but are part of DG "Programming of Regional Development" at MRDPW. They are directly sub-ordinated to the Head of the Managing Authority (DG "Programming of Regional Development" General Director), who authorises them to perform specific

functions and tasks for the operations where the implementation is not delegated to a specific beneficiary, and in particular:

- Support the head of MA and the responsible units at central level in the activities connected with the information and publicity of the OPRD. Organize information days for the separate calls for proposals;
- Provision of consultation and advice to the potential beneficiaries on the development and submission of project applications; act as a help desk for potential beneficiaries of the operational programme;
- Receive applications from the beneficiaries;
- Maintaining a data-base with all the necessary information for the applications received;
- Check that the applications received are complete and correspond to the requirements and criteria listed in the calls for proposals;
- Inform the applicants about the results of the check-up and, if necessary, ask them for additional documents and information;
- Verification of the actual launch of the works and/or the other activities related to the projects financed;
- Verification of the delivery of co-financed products/ services and the expenditure declared by beneficiaries;
- Verification of the eligibility of expenditures and preparation of reports to the Central Office of the MA;
- Provision of continuous project monitoring, check the reasons for the delayed launch of projects, facilitating the procedures with special attention to the deadlines and to the expenditure timing;
- Insert all necessary procedural, financial, physical and impact information to the Unified Management and Monitoring Information System (UMIS).

OPRD Managing Authority within the MRDPW structure



6.1.2. Beneficiaries

Article 2 of the General Regulation defines that beneficiaries are operators, bodies or firms, whether public or private, responsible for initiating or for initiating and implementing operations. The categories of eligible beneficiaries under OPRD are provided in the description of the priority axes and the specific operations to be financed. These include only public bodies and firms (municipalities and associations of municipalities, municipal or state-owned companies, public transport enterprises, healthcare institutions, social and educational institutions, local, regional and national tourism associations, State Tourism Agency, Fund "Republic Road Infrastructure", district authorities etc.).

Beneficiaries will implement regulations in full compliance with OPRD requirements and the instructive guidelines of the Managing Authority. They are accountable to all institutions, which participate in the audit trail – Managing Authority, Certifying Authority, Internal Audit Unit, Audit Authority and EC services, as well as the European Court of Auditors and OLAF.

6.1.3. Certifying Authority (CA)

The functions of Certifying Authority (single for all Operational Programs in Bulgaria) in accordance with Article 61 of the General Regulation will be implemented by the "National Fund" Directorate within the Ministry of Finance. The Certifying Authority is responsible for drawing up and submitting to the Commission certified statements of expenditure and applications for payment, and in particular for certifying that:

- The statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;
- The expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the programme and complying with Community and national rules.

The CA maintains accounting records in computerised form of expenditure declared to the EC and keeps an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. It ensures that the beneficiaries/ contractors receive timely payments on the basis of requests for funds submitted by the MA and reports to the EC any irregularities, including the procedures and the changes resulting there from.

6.1.4. Internal Audit Unit

The Internal Audit Unit within the Ministry of Regional Development and Public Works implements the functions of internal audit of all structures, activities and processes carried out by the ministry, including the structures managing the EU funds (the Managing Authority of the OP "Regional Development", PHARE and ISPA Implementing Agencies). The Unit is subordinated and reports directly to the minister of regional development and public works And its functions are in compliance with the Law on Internal Audit in the Public Sector. The Unit will carry out the internal audits for the purposes of OP "Regional Development" and will send copies of its reports to the Head of OPRD Managing Authority as well as to the Audit Authority at the Ministry of Finance.

6.1.5. Audit Authority (AA)

The functions of Audit Authority (single for all Operational Programmes in Bulgaria) in accordance with Article 59 of the General Regulation will be implemented by the "Audit of EU Funds" Directorate within the Ministry of Finance. The Audit Authority is responsible for performing checks in accordance with the provisions of Article 62 of the General Regulation, including sample checks to verify expenditure under OPRD operations and system audits.

6.1.6. Compliance Assessment Body

The functions of Compliance Assessment Body (single for all Operational Programmes in Bulgaria) under Article 71 of Regulation 1083/2006 will be performed by the "Audit of EU Funds" Directorate within the Ministry of Finance in accordance to CM Decision from August 2006. The "Audit of EU Funds" Directorate is responsible for making an assessment of the systems of the Operational Programmes and giving an opinion on their compliance with the provisions of Regulation 1083/2006. For the performance of the Compliance Assessment (including elaboration of methodology, performance of compliance assessment audits and elaboration of reports) of the Operational Programmes the "Audit of EU Funds" Directorate will be assisted by external experts/auditors.

6.1.7. Body responsible for receiving payments from the Commission

This is a single body for all Operational Programs in accordance with Article 59 of the General Regulation. The body responsible for receiving payments from the Commission is the "National Fund" Directorate within the Ministry of Finance.

6.1.8. Body responsible for making payments to the beneficiaries

The Managing Authority for OP "Regional Development" will make payments directly to the beneficiaries based on the limits settled by the treasury entity of the Certifying Authority and the statements of expenditure declared by the regional departments at NUTS II level. No payments functions and tasks are assigned to the regional departments of the MA.

6.2. Implementation arrangements at project level

6.2.1. Project application and selection

Main principles

OPRD Managing Authority bears the overall responsibility for the project selection and contracting procedures under the programme. It develops the core project eligibility and selection criteria and submits them for approval to the Monitoring Committee. The Managing Authority guarantees the transparency, objectivity and efficiency of the selection procedure, and thus the quality of selected projects. Except if stated differently, the grant award procedures provided in CoM Decree No 121/ 31.05.2007⁸¹ will be implemented under OP "Regional Development" as follows:

- Direct grant award procedure, where the project promoter shall be explicitly indicated as a specific beneficiary under the respective priority axis/ operation (Article 9 of the Decree);
- Open call with rolling submission, where the evaluation score of the selected projects shall be equal or exceeds the preliminary announced minimum (Article 8 (5),(7) of the Decree);
- With regard to technical assistance, allocation of funding will be made on the ground of order issued by the minister of regional development and public works, according to Article 3 CoM Decree 121/31.05.2007.

The Managing Authority could decide and implement, after approval of the Monitoring Committee, any of the other grant award procedures foreseen in the Decree, i.e. open or restricted competitive selection procedures with fixed deadline submission.

⁸¹ Council of Ministers Decree No 121 dated 31 May 2007 laying down the Provisions for awarding of grants under the operational programmes co-financed by the Structural Funds and the Cohesion Fund of the European Union, and under Phare Programme of the European Union, State Gazette No 45/ 8.06.2007, www.eufunds.bg

Selection Committees operate at national level and include representatives of the central administration and of the regional departments of the MA, as well as of competent ministries (MAs of other OPs). Selection Committees may also include independent experts/regional representatives invited because of their specialised expertise in a certain field/ region, needed for proper evaluation of the projects. Evaluation of projects shall include:

- Evaluation of the administrative compliance;
- Evaluation of eligibility (admissibility);
- Technical and financial evaluation.

Procurement procedures conducted by grant beneficiaries will be those defined by the Public Procurement Act in force since 1 July 2006 and CoM Decree No 55/ 12.03.2007⁸².

Direct grant award procedure

The direct grant award procedure with a beneficiary specified under the respective operation of the OPRD includes the following stages:

- Preparation of detailed requirements by the Managing Authority and sending invitation for participation to the specific beneficiary;
- Preparation by the specific beneficiary of a Mid-term Framework Investment Programme; These programs will include sectoral analysis, needs assessment, objectives, measures, project selection criteria, indicators and package of mature projects to be implemented including financial justification (Priority Axes 1, 2 and 3);
- Evaluation of the Mid-term Framework Investment Programme for compliance with the preliminary approved requirements and the criteria for the related operation;
- Decision of the Head of the Managing Authority for awarding a grant;
- Signing agreement on the basis of the Mid-term Framework Investment Programme supplemented by contracts for the proposed Project Fiches attached.

Open call with rolling submission procedure

The timing of a grant application under this procedure will be decided by the Managing Authority – it can accept applications continuously or only take applications at certain periods, which will be advertised in the press, on MRDPW website, EU Structural and Cohesion Funds (SCF) Uniform Information Portal and through other publicity means. Each applicant presents to the regional departments of the MA a project proposal through an Application Form (AF) prepared in compliance with the Guidelines for Applicants (GfA). The selection process then will comprise two stages:

- *Administrative and eligibility checking*

Applications must first satisfy the requirements for completeness of the project application specified in the GfA and only if they are met the applications will be carried forward to the second stage.

At the second stage, applications are checked for eligibility of the applicant, activities and expenditures against the operation specific criteria. The regional departments of the MA may request clarifications or to reject the application if it does not meet any of the eligibility criteria.

- *Technical and financial evaluation*

⁸² Council of Ministers Decree No 55 dated 12 March 2007 laying down the Provisions for the procurement procedures conducted by the grant beneficiaries of the EU Structural Funds and Phare Programme, State Gazette No 24/20.03.2007, www.eufunds.bg

A project evaluation committee (technical and financial evaluation) will be conducted for the project applications having passed the eligibility check. The technical and financial evaluation process will also involve representatives of the regional departments of the MA.

Applications that obtain a score equal or above the minimum are accepted as feasible projects following to be included in the list of project for grant award, being part of the evaluation report.

6.2.2. Project management and monitoring

Separation of functions and duties

The requirement for separation of functions will be fully respected while implementing OP "Regional Development", which is described in detail in the Procedure Manual of the Managing Authority. At the central level implementation and management (including project selection) will be separated from the unit that will be dealing with the financial management of the programme. At the regional level the situation will be the same. In addition, the experts carrying out on-the-spot verifications will not be dealing with the project selection and management or with payments. In any case, all activities will be performed under the close supervision of the Managing Authority's authorised officers and controls will be formalised in check-lists based on the "two-sets-of-eyes principle".

Share of work on project management for beneficiaries will be also organised by means of the contract/ agreement in a way that the person who deals with the activities during the tendering phase is not the same as the one who deals with the implementation of the contract after signature (operational monitoring at contract level). In the case of direct grant award procedure, the beneficiary shall be responsible for ensuring that an adequate organisation, with sound internal procedures is established, staffed by an appropriate number of qualified personnel to enable carrying out the implementation of projects in a timely, efficient and effective manner.

Operational monitoring and reporting

During the implementation of the projects, objectives and their achievements will be monitored based on indicators specified at levels of inputs, results and objectives according to the contract/ agreement. Through the information inputted in UMIS, the MA will monitor the implementation schedule of each project. The MA will compare the progress of the project with the forecasted implementation schedule and indicators.

The beneficiaries will be responsible for the timely technical management of the projects in respect of the contractor. This will cover technical implementation, including provision of regular updates and reports on projects and verification and approval of the contractors' reports and activities. The technical and financial reporting requirements for the beneficiaries will be set out in the contract/ agreement according to the nature of each OPRD operation. To this end, apart from the periodic progress reports, there will be at least interim reports and final report to be produced by the beneficiary.

Technical monitoring of projects will be carried out by OPRD regional departments or by the specific beneficiary in case of direct award procedure. The regional departments will check up whether the physical indicators are being met using the results of on-site controls of projects and data from the progress reports and the technical parts of Interim and Final Project Reports produced by the beneficiary.

Financial monitoring of projects will be carried out by the Managing Authority based on the financial parts of Interim and Final Project Reports produced by the beneficiaries when requesting further payment for the project. In addition, if necessary additional financial information from the Beneficiary may be requested, e.g. through the regular progress reports.

The Managing Authority, supported by its regional departments, will carry out ex-ante checks on the beneficiaries' sub-contracting procedures as it is specified in the award contracts/ agreements.

6.3. Implementation arrangements at programme level

6.3.1. Programme monitoring

Monitoring Committee (MC)

In line with the requirements of Article 63 of Council Regulation (EC) No. 1083/2006 a Monitoring Committee shall be established for OP "Regional Development" within 3 months of the date of notification of the decision approving OPRD by the Commission. The role of OPRD Monitoring Committee shall be to satisfy itself as to the effectiveness and quality of the implementation of the operational programme by carrying out the tasks and arrangements set out in Articles 65-66 of the General Regulation. Managing Authority and Monitoring Committee shall ensure the quality of the implementation of OP "Regional Development".

OPRD Monitoring Committee may take a decision on re-allocation of budget between interventions under a priority axis. In cases where Monitoring Committee decides to transfer EU funds from one intervention to another, the same transfer shall be made for the national co-financing as a matter of principle. Any amendment to the contribution of ERDF and any transfer among OPRD priority axes shall be decided by the European Commission, in agreement with the Monitoring Committee.

Monitoring Committee for OP "Regional Development" is chaired by the deputy minister of regional development and public works who is in responsibility of DG "Programming of Regional Development". Composition of the Monitoring Committee emanates from that of the working group engaged in OPRD preparation and is established in conformity with the guidance documents provided by the Central Coordination Unit at the Ministry of Finance within the general framework for monitoring as set out in the National Strategic Reference Framework.

The Monitoring Committee and its composition is constituted with an Order issued by the Minister of Regional Development and Public Works, in which members are listed, their deputies, the voting rights, as well as the observers. The respective institutions and organisations appoint MC members based on preliminary defined and agreed with the Managing Authority selection criteria and procedures.

The following indicative list represents the composition of the Monitoring Committee:

Chairperson:

Deputy Minister of the Regional Development and Public Works who is responsible for the administration of the Managing Authority functions in the Ministry of Regional Development and Public Works;

Secretariat:

Directorate General "Programming of the Regional Development" which is appointed a Managing Authority of the "Regional Development" Operational Programme.

Voting Members:

Ministry of Regional Development and Public Works

Ministry of Transport

Ministry of Economy and Energy

Ministry of Environment and Waters

Ministry of Labour and Social Policy

Ministry of Finance – MEUF Directorate (Central Coordination Unit)

Ministry of Finance – National Fund Directorate (Certifying Authority)

Ministry of Agriculture and Food Supply
Ministry of Ministry of State Administration and Administrative Reform
Ministry of Education and Science
Ministry of Health
Ministry of Culture
Ministry of State Policy for Disasters and Accidents
Council of Ministers
Agency for Economic Analysis and Forecasting
State Agency for Tourism
State Agency of Youth and Sports
National Statistics Institute
State Agency for Information Technology and Communications
National Agency of Fisheries and Aquaculture
Regional Development Councils
National Association of Municipalities in Republic of Bulgaria
Foundation for Local Government Reform
Bulgarian Association of Regional Development Agencies
Union of Private Bulgarian Entrepreneurs "Vuzrazhdane"
Confederation of Employers and Industrialists in Bulgaria
Bulgarian Industrial Capital Association
Bulgarian Chamber of Commerce and Industry
Union of the Bulgarian Business
Union of Economic Initiative
Confederation of Independent Trade Unions in Bulgaria
Confederation of Labour "Podkrepa"
"Promyana" Trade Union

According to the provisions of EC Regulation 1083 at the meeting of the Monitoring committee may also be present **observers in advisory capacity** from:

European Commission
European Investment Bank
Auditing Authority
Non-Governmental Organisations
National Council for Ethnic and Demographic Issues

The Monitoring Committee accepts Internal Rules of Procedure and Code of Conduct after proposal of the Head of the Managing Authority. The functions of the Secretariat of OPRD Monitoring Committee is performed by „Programming and Monitoring” Department within the Managing Authority.

Programme monitoring system

The Managing Authority and the Monitoring Committee carry out programme monitoring by reference to financial indicators and the indicators referred to in Article 37 (1)(c) of the General Regulation. In order to monitor OPRD implementation and evaluate its performance against the specific and operational objectives, a set of indicators are selected, as defined under each of the priority axes. Main criteria used are as follows:

- Relevance to the identified priorities and objectives;
- Reliability in terms of clarity of definition and ease of aggregation;
- Availability for an easily collection and incorporation in the monitoring system;
- Quantification to the set targets and, where appropriate, established baselines.

It is the responsibility of the Managing Authority to ensure that all data subject to the monitoring regime under the programme are collected. The MA is responsible also to provide appropriate guidance to beneficiaries to ensure that they understand the monitoring requirements. The MA is receiving reports from its regional departments, in order to follow the progress of priority axes/ operations implementation. These reports form the basis for the MA for further reporting to the national and EU institutions.

OPRD Managing Authority and its regional departments provide information and input data for the **unified Monitoring/ Management Information System (UMIS)** administered by the Central Coordination Unit at the Ministry of Finance. UMIS provides aggregated data for priority/ operation level reports and annual implementation reports, and is the basis for exchange of data with the Commission. The system is used by the means of access passwords that allow different levels of access depending on the user. It is envisaged that at least for the initial stage of UMIS implementation OPRD beneficiaries will not be its users.

The unit base of UMIS is the project corresponding to a given application for assistance. For each project a record is made in the system including: designation of the project, name and address of the operator/owner, total cost (planned and actual), starting date and date of completion (estimated and planned), cost breakdown by years and by expenditure components (planned and actual), financial sources, eligible and non-eligible costs, EU assistance granted, public and private eligible expenditure incurred and paid to contractors (invoices/receipts) on the basis of payment claims, payment claims submitted (dates and amounts), payments of EU assistance (amounts and dates), physical indicators related to the respective targets e.g. jobs created, breakdown by men and women (planned and actual) etc.

The territorial unit of UMIS is the municipality. Each project could be linked to a given municipality (or several if it covers various municipalities, being multi-municipal or multi-district project).

Interfaces between UMIS and other three Information Systems (SFC 2007, SAP accounting system used by the Certifying Authority and the Information system for monitoring of the EAFRD) will be also developed.

Computerised exchange of data at EC level

In Bulgaria, the unified IT system (UMIS) provides the aggregated data for priority/ operation level reports and annual implementation reports, and is the basis for exchange of data with the Commission. The Commission, the Managing Authority and the Central Coordination Unit at the Ministry of Finance (CCU) shall record into the computer system for data exchange (SFC 2007) the documents for which they are responsible in the format required and update them.

According to art. 40 (1) of Commission Regulation 1828/2006, the computer system for data exchange shall contain information of common interest to the Commission and the Member States, and at least the following data necessary for financial transactions:

- the indicative annual allocation of each Fund in each operational programme as set out in the NSRF;
- the financing plans for operational programmes;
- statements of expenditure and applications for payment;
- annual forecasts of likely payment of expenditure;
- the financial section of the annual reports and final implementation reports.

In addition, according to art. 40 (2) of Commission Regulation 1828/2006, the computer system for data exchange shall contain the following documentary aspects of common interest enabling monitoring to be carried out:

- the National Strategic Reference Framework and the Operational Programmes;
- the Commission decisions concerning the contributions of the Funds;
- the requests of assistance for major projects;
- the implementing reports in accordance;
- data on participants in ESF operations by priority;
- the description of management and control systems;
- the audit strategy and the reports and opinions on audits;
- the statements of expenditure concerning partial closure;
- the annual statement on withdrawn and recovered amounts and pending recoveries;
- the communication plan.

The CCU shall send to the Commission requests for access rights to the computer system for data exchange in a centralised manner. Exchanges of data and transactions shall bear an electronic signature within the meaning of Directive 1999/93/EC⁸³. The Member State and the Commission shall recognise the legal effectiveness and admissibility as evidence in legal proceedings of the electronic signature used in the computer system for data exchange.

The computer system for data exchange shall be accessible to the MA and the Commission via an interface for automatic synchronisation and recording of data with the UMIS. The date taken into account for the forwarding of documents to the Commission shall be the date on which the MA sends the documents into the computer system for data exchange.

In cases of force majeure, and in particular of malfunctioning of the computer system for data exchange or a lack of a lasting connection, the MA forwards to the Commission the documents required by Regulation (EC) No 1083/2006 in hard copy, using the forms set out in the Implementing Regulation. As soon as the cause of force majeure ceases, the MA shall record the corresponding documents into the computer system for data exchange without delay. By derogation, the date of sending is deemed to be the date of sending of the documents in hard copy.

6.3.2. Annual and Final Reports

In accordance with Article 67 of Council Regulation (EC) No. 1083/ 2006, the Managing Authority will submit an *Annual Implementation Report* to the European Commission, for the first time in 2008 and by 30th June in each year. The report will be examined and approved by OPRD Monitoring Committee before it is sent to the Commission. The Commission will review the main outcomes of the previous year with a view to improving

⁸³ OJ L 13, 19.1.2000, p. 12.

implementation. Any aspects of the operation of the management and control system raised may also be examined.

After this review, the European Commission could make comments to OPRD Managing Authority and to the Bulgarian Government. The Managing Authority will inform OPRD Monitoring Committee and will notify the Commission for the actions taken in response to those comments.

A *Final Report* will be submitted to the Commission by 31 March 2017. The final report will cover all information of the entire implementation period from 2007 to 2015.

6.3.3. Summary of the evaluation plan

In compliance with Articles 47, 48 and 49 of Council Regulation (EC) No 1083/ 2006 evaluations of OP "Regional Development" will be inseparable from the overall management and implementation arrangements as a tool for assessing the relevance, efficiency and effectiveness of the financial assistance deployed, as well as the impact and sustainability of the results achieved. Any evaluation carried out before, during and after the programming period under the responsibility of the Managing Authority or the Commission, as appropriate, will be done in accordance with the principle of proportionality laid down in Article 13 of the General Regulation. Evaluations will be carried out by experts or bodies, internal or external, functionally independent of the Certifying Authority and the Audit Authority. The results will be sent to the Monitoring Committee and to the Commission, and will be published according to the applicable rules on access to information.

Evaluations will be financed from the budget of Priority Axis "Technical Assistance" and will be carried out in compliance with methodology provided by the Commission. The Managing Authority will be responsible to organise the production and gathering of the necessary data and use the various types of information provided by the monitoring system.

In addition to mandatory *ex-ante evaluation* additional *on-going evaluations* will be carried out whenever it will be necessary or there is a need to analyse the implementation, management and especially the impacts of OPRD. However, the amount and scope of the evaluations will be defined later after the implementation has started. A separate "Evaluation" Unit has been established within the Managing Authority, which will be responsible for implementing evaluation actions during the programme implementation period. Part of the evaluation will be done when preparing the annual and progress reports that are based both on the monitoring information as well as on the experiences that have been received during the implementation. Part of the evaluations will be carried out as outside services and their content will be specified later. However, all the monitoring information will be in use of the evaluators.

Ongoing evaluations will be two types – a) mid-term, and b) interim as follows:

Mid-term evaluation will appraise the progress made, will measure the performance of OPRD implementation, contribution made for achieving its objectives and will provide the Monitoring Committee and the Managing Authority with adequate information and recommendations on the necessary corrective measures for improving the performance.

Interim evaluations will be carried out where programme monitoring reveals a significant departure from the goals initially set or where proposals are made for a revision. They could also address either implementation or management issues of an individual priority or key area of intervention, or can be "thematic".

Ex-post evaluation will be carried out by the Commission, for each objective, in close cooperation with the Managing Authority, in compliance with the provisions of Article 49 of Council Regulation (EC) No. 1083/2006.

The subject of each evaluation (external and internal) shall be set after their prior coordination with the head of MA and with view of OPRD exigencies.

Progress of evaluation projects shall be reported to the Head of MA on a regular basis with view of providing prompt information on OPRD management and implementation.

All findings, results and conclusions of external evaluations and analytical tasks (internal evaluations) shall be reported to the Head of MA with view of improving OPRD management.

All findings, results and conclusions of external evaluations and major findings of internal evaluations shall be reported to OPRD Monitoring Committee with view to reviewing and approving any corrective measures prescribed in the evaluations and subsequently be introduced into OPRD.

Evaluations will be carried out in accordance with the following evaluation plan:

| Evaluation | Period for conduction | Optionality |
|---------------------|---|----------------------------------|
| Mid-term Evaluation | April 2010 – September 2010 | Optional upon decision of the MA |
| Ex-post Evaluation | July 2015 – December 2015 (upon programme closure) | Mandatory |
| Interim Evaluations | Ad hoc | Optional upon decision of the MA |

6.3.4. Information and publicity

A Communication Plan will be drawn up by the Managing Authority for OP "Regional Development" and shall be approved by the Monitoring Committee. The Communication Plan will include at least the following:

- the aims and target groups;
- the strategy and content of the information and publicity measures to be taken by the managing authority, aimed at potential beneficiaries, beneficiaries and the public, having regard to the value added of Community assistance at national, regional and local level;
- the indicative budget for implementation of the plan;
- the administrative departments or bodies responsible for implementation information and publicity measures;
- an indication of how the information and publicity measures are to be evaluated in terms of transparency, awareness of operational programme and of the role played by the Community.

The MA will inform the Monitoring Committee of the following:

- the progress in implementing the Communication Plan;
- information and publicity measures carried out;
- the means of communication used.

The annual reports and the final report on implementation referred to in Article 67 of the General Regulation will include the following:

- examples of information and publicity measures for the operational programme taken in implementing the communication plan;
- the arrangements for the information and publicity measures referred to in Article 7 (3) including where applicable, the electronic address at which those data may be found;
- the content of major amendments to the communication plan.

The annual implementation report for the year 2010 and the final implementation report will contain a chapter evaluating the results of the information and publicity measures in terms of transparency, and awareness of the role played by the Community as provided.

6.4. Coordination of OPs, EAFRD, EFF, EIB and other financial instruments

6.4.1. Coordination at central level

As it is defined in the Community Strategic Guidelines on cohesion policy and further developed in the National Strategic Reference Framework, complementarity and coordination among the activities financed by ERDF, ESF, the Cohesion Fund, EARD, EFF, European Investment Bank and other financial instruments is of high importance for achieving complementarity among different objectives and thus – optimal impact on the socio-economic development of the country. Guiding principles are adopted for that reason at national level to put the demarcation line by:

- type of territories concerned (geographical demarcation);
- size of local administration;
- type of beneficiaries;
- type and/ or size of actions selected under each policy;
- existence of efficient administrative mechanism to ensure programme consistency.

NSRF gives also the framework of the administrative mechanism for avoiding possible overlapping during implementation of programmes, including:

- beneficiaries will be required to submit a declaration that the project is not receiving financing under any other programme;
- projects selection mechanism with cross-participation of MAs under each programme will be established;
- all selected projects will be included in a single system for management and monitoring (MIS).

Detailed information on complementarity and demarcation issues related to OP "Regional Development" is given under each of the priority axes.

The *Central Coordination Unit (CCU)* at the Ministry of Finance takes the leading role in the coordination at strategic (central) level. CCU participate in all Operational Programmes Monitoring Committees and acts as a Secretariat to NSRF Monitoring Committee.

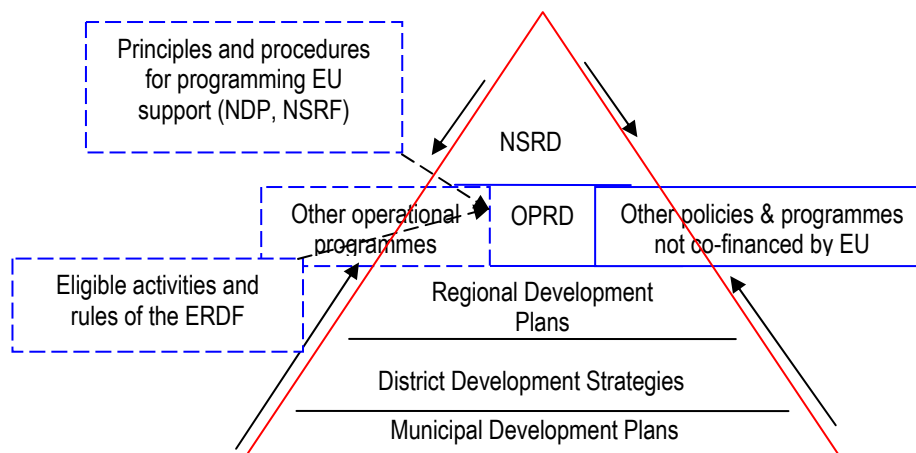
6.4.2. Coordination at regional level

Coordination of OPRD programming and implementation is regulated by the Regional Development Act, promulgated in State Gazette No.14/ 20.02.2004, amended in State Gazette No.32/ 12.04.2005. According to the respective statutory and administrative provisions:

Regional Development Councils (RDCs) are established in the planning regions as consultative bodies to the Minister of Regional Development and Public Works for conduction of the government policy for regional development at NUTS II level. As the planning regions are not administrative territorial units and do not have their own administration, the Regional Development Plans are prepared by the MRDPW and approved by the Council of Ministers but they have to be consulted with the Regional Development Councils. Through the RDCs these plans are coordinated both with the national and the district strategies, as well as with OPRD and the other OPs.

The link between regional development planning and EU support programming is presented below:

Planning and programming process in Bulgaria



The Regional Development Councils are chaired by one of the district governors on a rotation basis. The deputy chairman is a municipality representative. Members of the RDCs are representatives of all ministries acting as Managing Authorities for the operational programmes, the Ministry of Finance, District Governors of the districts within the planning region, as well as representative from the municipalities of every district accordingly. Representatives of citizens associations, non-governmental organisations, and other physical and legal entities, which deal with the issues of regional development are also invited to participate at the meetings. The organisation and activities of the RDCs are governed by Rules of Procedures adopted by the Minister of Regional Development and Public Works. The main functions related to OPRD implementation and the coordination at regional level include:

- Nominate members of OPs Monitoring Committees and experts for their working groups;
- Review the implementation of the different operational programmes at NUTS II level;
- Assist in the evaluation of the pipeline of projects for the OPs, incl. OPRD;
- Assist, upon request from the respective regional departments of the MA, with information the project selection process (reliability of applicants, contracts signed with different managing authorities, experience and track record on project implementation etc.) and propose evaluators and assessors with relevant expertise from the respective region;
- Assist the implementation of OPRD publicity and communication measures in the respective planning region.

While performing their functions, the Regional Development Councils interact and exchange information with district administrations and the District Development Councils, as well as the central executive bodies and their de-concentrated structures at regional and district level.

Within the administrative structure of the district administrations in the centres of the planning regions Directorates "Technical assistance, coordination and management of regional programmes and plans" are established, with staff of 12 to 15 experts. They are primarily acting as operative secretariats of the Regional Development Councils, being also assigned with functions and tasks for the purpose to assist and coordinate the implementation of all operational programmes at regional level.

District Development Councils (DDCs) are established in each of the 28 districts of Bulgaria (NUTS III level) as consultative bodies assisting the District Governors in implementing their functions under the Law. They are supported by secretariats, which are separate units within the district administrations. Members of DDCs are the mayors of the municipalities in the district, one representative of each municipal council,

representatives of the municipal associations on the territory of the district, delegated representative of the territorial structures of the nationally represented organisations of the employers and of the workers and employees. District Development Councils have the following main functions:

- Discuss and adopt District Development Strategies based on consensus of the specific local needs within the framework of the district development priorities;
- Assess the initiatives of municipalities and other local players for consistency with the district development strategy;
- Make proposals for conclusion of agreements for cooperation with other neighbouring districts for joint regional development activities;
- Contribute for carrying out of SF publicity.

OPRD Managing Authority will use the district development strategies as a basis for the eligibility rules and pre-defined selection criteria under certain operations.

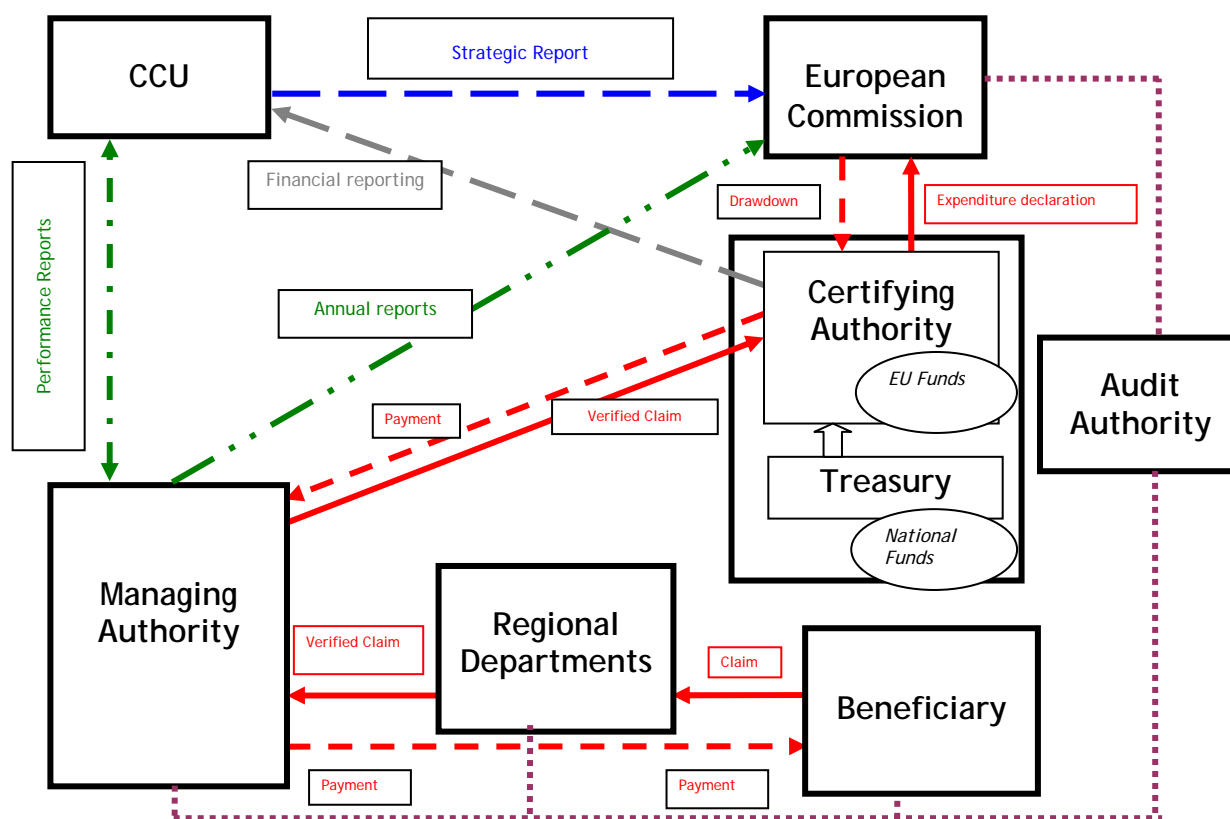
In addition to the legislative provisions, **28 Info Points at the NUTS III level** are envisaged under OP "Technical Assistance". They will provide general information on Structural Funds and Cohesion Funds and will direct questions of potential applicants to the appropriate managing authority (ideally, to its closest regional departments) for issues connected to a specific operational programme.

6.5. Financial management and control

6.5.1. Overall claim and certification processes

The following describes the processes of claim from the Beneficiary and certification of expenditure.

1. Beneficiaries are responsible for reporting and prove the accuracy, actuality of expenditure and the delivery of goods and services financed. They submit paid invoices or accounting documents of equivalent probative value to the central administration of the Managing Authority (in the cases of specific Beneficiaries) or to the regional departments of the MA (in all other cases).
2. The central administration of the Managing Authority/its regional departments receive and control the invoices, and verify the eligibility of expenditure.
3. Based on a forecast submitted by the Managing Authority, the Certifying Authority approves limits for payments with national and EU funds.
4. Based on the expenditures already executed, the Managing Authority sends a report on certification report to the Certifying Authority on a regular basis.
5. Based on the certified expenditure, the Managing Authority pays to the Beneficiaries.

OPRD financial management and flow of funds⁸⁴

6.5.2. Separation of functions and duties

Role of the Beneficiary

Once works and supplies are contracted and/or services are provided, invoices are issued by the contractor or supplier and submitted to the Beneficiary. After delivery of works, goods or services the Beneficiary carries out verification and pays the invoices with its own resources/pre-financing received from the Managing Authority.

The report on verification, the delivery of works, goods or services together with the paid invoices is then submitted to the regional departments of the Managing Authority. In regards with the work contracts the Beneficiary is obliged in its capacity of Contracting Authority to issue Certificates for works executed by the Contractor, proved by the Engineer, as well as invoices for payments done.

In order to ensure the necessary data and report to the MA/ its regional departments, the Beneficiary needs to establish a comprehensive and reliable accounting system at contract level. This task contains the maintenance (filing and archiving) of financial data, supplementary documents and reports consistent with the requirements of Council Regulation (EC) No. 1083/2006. Establishment of comprehensive and reliable accounting system will be one condition that is included to the agreement or contract that will be signed with the beneficiaries before they will get the financing. When signing the contract/ agreement it will be made sure that the beneficiaries have understood all the conditions that are included. If the conditions are not followed it will give a basis to suspend or reimburse the financing, if so wanted. The functioning of the accounting and

⁸⁴ The Chart is in compliance with National Strategic Reference Framework, adopted 20.06.2007, section 10 "Procedure for coordination and implementation of the strategy", p 125

bookkeeping system of the beneficiaries will be checked when the regional departments of the MA will carry on-the-spot checks.

Role of the regional departments of the MA

An obligation of the Regional departments will be the documents verification of the payment requests submitted by the Beneficiaries.

Beneficiaries submit their Request for payment, invoice and supporting documents (Financial and Technical reports) to the RD. The RD receives and controls the Financial and Technical reports in order to confirm the following:

- Verification of eligibility (the invoice applies to a project approved in the framework of the Programme and this can be certified);
- Formal check (the invoices have been issued to the beneficiary's name and address; the date of the invoices is after the date of the contract signature, etc.);
- Check of the contents (the invoices contain eligible expenditure included in the support sub-contract, which correspond to the objectives of the contract, etc.);
- Credibility check (the invoice is unique for the respective budget line; according to formal checks the invoices meet legislative requirements, etc.).

The Regional Department is responsible for the aggregation of information on expenditure submitted by the Beneficiaries and for certifying and submitting such expenditure to the MA on the 5th day of the month, including the information of the previous month (Request for Payment and invoices). RD also submits a Verification report to the Head of the Managing Authority. The report is completed at operation and priority levels.

With the Verification report the respective Regional Department confirms that:

- Expenditure on the operation is consistent with the provisions of National Rules for eligibility, detailed rules for eligibility of expenditure on the OPRD and Art 56 of Council Regulation No. 1083/2006;
- The intended purpose of the operation is consistent with the objectives of the relevant programme;
- The payment request is based on eligible expenditure actually paid by the Final Beneficiaries and supporting documentation is available;
- The certified expenditure has been paid within the eligibility period of the contract;
- Physical and financial progress is being monitored including on-the-spot checks where appropriate;
- There has been no overlapping of EU aid for the operation;
- Evidence of receipt of funding by the Final Beneficiaries is available (if applicable);
- Details of the underlying transactions are recorded, where possible on computer files and are available to the responsible Commission services and national authorities upon request;
- A satisfactory audit trail exists;
- Expenditure has been recorded in and reconciled with the accounting system of the Final Beneficiary;
- No financial control weakness, risk or irregularities have been identified related to the project in question, or if yes, corrective action has been/will be taken.

Role of the central administration of the Managing Authority

The Managing Authority ensures the aggregation of information on expenditure supplied to it by the Regional departments in Verification report, and for certifying such expenditure in Reports on Certification. The latter is completed at OP level and submitted to the Certifying Authority (CA). The Managing Authority submits to the CA Request for Funds, Report on Certification and Statement of Expenditure on a monthly basis. In case the Managing Authority does not submit a Request for Funds and Report on Certification it shall present to the Certifying Authority a Financial Report for the amounts paid up to the end of the previous month, including the last limit opened.

With the Reports on Certification the MA declares that:

- its functions as per Article 60 of the Regulation (EC) No 1083 from 11.07.2006 are carried out properly, respecting the principles of sound financial management;
- the operations are progressing smoothly and at satisfactory rate in accordance with the objectives laid down in the Operational Programme and in accordance with Regulation (EC) No 1083 from 11.07.2006.

Role of the Certifying Authority

The National Fund (Certifying Authority) is responsible for drawing up and submitting statement of expenditure and applications for payment as well as receiving funds from the Commission. According to Article 61 of the Council Regulation No. 1083/2006 the CA is responsible for:

- Sending the Commission updated forecasts of applications for payment for the current year, forecast for the following year and certified statements of expenditure and applications for payment in electronic format;
- Certifying statements of expenditure actually paid under OPRD that result from reliable accounting systems, and are based on verifiable supporting documents;
- Certifying that expenditure declared complies with applicable Community and national rules and has been incurred in respect to operations selected for funding in accordance with the criteria applicable to the programme;
- Ensuring for the purposes of certification that it has received adequate information from the Managing Authority on the procedures and verifications carried out in relation to expenditure included in statements of expenditure;
- Taking account for certification purposes of the results of all audits carried out by or under the responsibility of the audit authority;
- Maintaining accounting records in computerised form of expenditure declared to the Commission;
- Keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the general budget of the European Union prior to the closure of the operational programme by deducting them from the next statement of expenditure;
- Ensuring that final beneficiaries receive payment from the Structural Funds and Cohesion Fund as quickly as possible and in full on the basis of Request for Funds that is submitted by the Managing Authority on a regular basis;
- Reporting to the Commission any irregularities which have been the subject of initial administrative or judicial investigations, and informing the Commission, with reference back to any previous reports, of

the procedures instituted following all irregularities previously notified and of important changes resulting there from;

- Sending to the Commission a statement of the amounts awaiting recovery at that date, classified by the year of initiation of the recovery proceedings;
- After recovery, repaying the irregular payments recovered, together with interest received on account of late payment, by deducting the amounts concerned from its next statement of expenditure and application for payment to the Commission, or, if this is insufficient, by affecting a refund to the Community.

Role of the Audit Authority

According to Article 62 of Council Regulation No. 1083/2006 the Audit Authority is responsible in particular for:

- Ensuring that audits are carried out to verify the effective functioning of the management and control system of the operational programme;
- Ensuring that audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;
- Presenting to the Commission within nine months of the approval of the operational programme an audit strategy covering the bodies which will perform the audits, the method to be used, the sampling method for audits on operations and the indicative planning of audits to ensure that the main bodies are audited and that audits are spread evenly throughout the programming period;
- Submitting to the Commission an annual control report setting out the findings of the audits carried out during the previous 12 month-period ending on 30 June of the year concerned in accordance with the audit strategy of the operational programme and reporting any shortcomings found in the systems for the management and control of the programme;
- Issuing an opinion, on the basis of the controls and audits that have been carried out under its responsibility, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that statements of expenditure presented to the Commission are correct and as a consequence reasonable assurance that the underlying transactions are legal and regular;
- Submitting to the Commission at the latest by 31 March 2017 a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which shall be supported by a final control report.

The Audit Authority applies methodology regarding Article 62, (a) and (b) of the Council Regulation No. 1083/2006 checks which based on periodic reports provides Certifying Authority with reasonable assurance that the claim and certification processes are functioning properly.

According to Article 71 of the Council Regulation No. 1083/2006 the Audit Authority is responsible for making an assessment for compliance of the systems set up under the operational programme.

6.5.3. Flow of funds and budgeting

The Body for receiving funds will receive payments from the Commission in bank accounts for the ERDF maintained in EUR and opened in the Bulgarian National Bank. The funds not needed at particular moment will be placed on deposit with different maturity.

Funds from the EUR accounts will be transferred to OPRD BGN accounts every time a certificate has been submitted to the Commission by the Certifying Authority. The state budget co-financing will be transferred at

the same time from the central budget to OPRD BGN accounts based on internal letter submitted by the Certifying Authority to the state treasury.

For the period up to 2009 the EU and state budget co-financing are included in an extra-budgetary fund, the National Fund. The state budget co-financing is ensured in the form of transfer from the central budget to the National Fund budget, the maximum amount of which is approved in the Annual Budget Law.

The payment process to the Beneficiaries is executed through the system of the single account as a unified system of accounts and payment and reporting procedures for accumulating, safekeeping, paying and reporting of budgetary funds. Payments to Beneficiaries can be executed in national currency (BGN) only. The Certifying Authority and the Managing Authority will ensure that Beneficiaries receive the total amount of the public contribution as quickly as possible and in full. No amount will be deducted or withheld and no specific charge or other charge with equivalent effect will be imposed that would reduce these amounts, except in duly justified cases.

All payments are executed through the System for Electronic Budget Payments (SEBP) as a system for monitoring the payments initiated by the budget enterprises. The servicing organisation (the institution which services the SEBP payments of all budgetary enterprises) for OPRD Managing Authorities, as well as for the other OPs MAs, is the Bulgarian National Bank (BNB). Use of BNB automated system for Internet banking is obligatory and submission of paper payment orders is allowed only in exceptional cases such as technical impossibility to use the system for more than one day.

The hierarchical organisation of the accounts is as follows:

- first level spending unit – Certifying Authority
- secondary level spending unit – OPRD Managing Authority

Payment orders will be for the total amount of EU and state budget co-financing. The replenishment in the proportion as per the one approved for OPRD is ensured by the Body for receiving payments. The accounts will be operated based on double signature system requiring the signature of the Head of the Managing Authority and a senior financial officer (or respective authorised officials).

6.5.4. Eligibility of expenditure

As a rule, eligibility of expenditure of the operations will be subject to the following general criteria:

- they should be in compliance with the aim of ERDF interventions;
- they must be connected with the subject of the operations and they must be provided for in the estimated budget;
- they must be necessary for performance of the action;
- they must be reasonable and justified and they must accord with the principles of sound financial management, in particular in terms of value for money and cost-effectiveness;
- they must be actually incurred by the beneficiary, be recorded in his accounts in accordance with the applicable accounting principles, and be declared in accordance with the requirements of the applicable tax and social legislation;
- they must be identifiable and verifiable.

6.5.5. Irregularities

The Managing Authority should report to the Certifying Authority without delay all suspected and/or actual cases of fraud and/or irregularity as well as measures related thereto undertaken by the Head of the MA. A standard format of the Report on Irregularities will be used. On a quarterly basis, the Head of the MA should

report to the Certifying Authority on the follow up of the already reported cases of suspected and/ or detected irregularity/ fraud.

If there are no irregularities to be reported or to be followed up, the Certifying Authority should be informed quarterly and should receive from the Managing Authority a Declaration explicitly stating the name of the Operational Programme, the period and the absent of any irregularity suspected/ detected.

The Managing Authorities will establish and implement procedure of administrating and reporting irregularities following the detailed requirements set out in Section 4 'Irregularities' of Chapter II of the Commission Regulation setting out the rules for the implementation (EC) № 1828/2006. The Managing Authority will be responsible for ensuring that all entities involved (OPRD regional departments, Beneficiaries) are well aware of the definition of irregularities and proper reporting requirements are set and are under implementation.

6.5.6. Interest and exchange rate

The financial management of the EU co-financing is performed by the Body receiving payments ("National Fund" Directorate at the Ministry of Finance).

Any interest generated by the EU co-financing will be posted to OP "Regional Development" being regarded as a resource in the form of a national public contribution and will be declared to the Commission at the time of the final closure of the operational programme.

The amounts of expenditure incurred in national currency will be converted into euro using the monthly accounting exchange rate of the Commission in the month during which the expenditure was registered in the accounts of the Certifying Authority. This rate shall be published electronically by the Commission each month.

The exchange rate differences which arise between this exchange rate and the exchange rate used by the Bulgarian National Bank for conversion of the EU co-financing into BGN shall be born by the state budget.

6.5.7. Use of SAP accounting system

The Managing Authority will maintain double entry analytical accounting system covering all contractual and other financial operations pertaining to OP "Regional Development". The accounting system will have adequate records for all operations coded by priority, operation, contract, sources of funds, etc. Both the certifying and audit authorities will have access to this information.

The computerised accounting system used by the Managing Authority is the SAP R/3 based accounting system used by the Certifying Authority.

6.6. Horizontal issues

6.6.1. Public procurement and concessions

The operations and projects to be financed under OP "Regional Development" will be contracted fully in line with the EU legislation requirements for public procurement. The Bulgarian legislation on public procurement transposes the requirements of EU Directives 92/50, 93/36 and 93/37. The Public Procurement Act reflects the requirements of Directives 2004/17/EC and 2004/18/EC. It is compliant with the principles for free and fair competition, publicity and transparency and equal treatment of the candidates for implementation of public contracts. The Public Procurement Act and related secondary legislation contain regulations defining the different procurement categories – works, supplies and services, procurement procedures and rules for defining selection criteria for tenders evaluation. It also provides opportunities for additional specific requirements to the tenderers related with environmental protection, unemployment and creating jobs for people with disabilities.

According to the Bulgarian legislation the public procurement is regulated by the Public Procurement Act of 1 October 2004, amended with the Law for amendments to the Public Procurement Act, in force since 29 September 2006. Additional secondary legislation of high importance are the Rules for the implementation of the Public Procurement Act, the Ordinance for the award of small Public Procurement contracts and the Ordinance for the terms and conditions for the award of special Public Procurement contracts. Concession granting is regulated by the new Concessions Act (Prom. SG. 36/2 May 2006, amend. SG. 41/22 May 2007) and the Rules for its implementation, effective as of 1 July 2006.

The state policy in the field of public procurement is carried out by the Minister of Economy and Energy. A separate administrative structure is established with the Minister of Economy and Energy – the Public Procurements Agency that is responsible for ensuring efficiency of the public procurements system in Bulgaria, taking into account the principles of publicity and transparency; free and loyal competition; equality of all applicants. The state policy in the field of concessions is carried out by the Council of Ministers, which represents the State as a party to the concession contracts for state concessions, and by the Municipal Councils as party to the concession contracts for municipal concessions.

During the management of ERDF resources under OP "Regional Development", two specific cases of public procurement appear, either the procedure for the award of a works, a supply or a service contract implementing a grant scheme has been launched prior to the accession of Bulgaria to the EU, in which case the EU procedures and requirements will be applied in tender announcement and selection of beneficiaries, or the aforesaid procurement procedure is launched after accession, in which case it shall be carried out in accordance with the national legislation implementing the EU public procurement directives, i.e. the Public Procurement Act."

A new control system is set up and functioning, with the creation of the new directorate "Concessions and Public contracts" within the Commission on protection of competition. The directorate "Public contracts" is an out-of-court institution for review and resolution of public procurement-related disputes. The acts of the Commission on protection of competition can be appealed at the Supreme Administrative Court of Justice.

A public register of public procurements has been established, which includes the decisions for the opening of procedures for the assignment of public procurements, the announcements, intended for entry in the register, the information as to assigned public procurements and other information set out in the Rules for the implementation of the Act. A National Concessions Register has been established, which includes all notices related to the opening of concession granting procedures, data on signed contracts, and data on the implementation of signed contracts.

Every decision, action or lack of action on behalf of the contracting entities in the public award procedure prior to the conclusion of the public contract/ framework agreement shall be subject to legal review before the Commission for the Protection of Competition. The decision of the Commission for the Protection of Competition shall be subject to review before a three-member committee of the Supreme Administrative Court.

In accordance with the provisions of Article 27 of the Accession Treaty, during the management of ERDF resources under OP "Regional Development", the Managing Authority will be responsible for establishment of reliable system for conduction of public procurement procedures assuring the application of the requirements as stipulated in the EU public procurement directives and the Public Procurement Act.

OPRD Monitoring Committee will carry out the responsibility for additional control of the compliance to the public procurement procedures. If needed, MC may require an examination by the Public Procurements Agency of a certain procedure or may require certification of the tenders.

6.6.2. State aids

In accordance with article 54 (4) of the General Regulation, for State aid to enterprises within the meaning of Article 87 of the Treaty, public aid granted under operational programmes shall observe the ceilings in State aid. For that purpose any public support under this Programme shall comply with the procedural and material EC State aid rules applicable at the point of time when the public support is granted. The Member State, and in particular the Managing Authority of OP "Regional Development", is fully responsible for the compliance of Structural Funds operations within the Programme with the EC State aid rules.

The OP "Regional Development" will fully take into account the state aid rules and requirements as specified in the EC rules on State aid. Operations under the operational programme with reference and implications on state aids will be applied in compliance with the provisions of the State Aid Act (promulgated in the State Gazette, issue 24 October 2006, in force as of 01.01.2007) and with the procedural and material EC State aid rules applicable at the point of time when the public support is granted.

In accordance with Article 87(1) of the EC Treaty, "state aid" shall be any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods in so far as it affects trade between Member States.

Ministry of Finance has issued decree on the order for guaranteeing transparency of fiscal interrelations between state authorities, local authorities, state-owned and municipal-owned enterprises and the fiscal transparency in the frame of the defined enterprises, with objective to ensure transparency of fiscal interrelations between state authorities, local authorities, state-owned and municipal-owned enterprises, in order to be clearly presented:

1. State or municipal resources directly granted from state or local authorities to the respective state-owned or municipal-owned enterprises;
2. State or municipal resources granted from state or local authorities, by mediation of state-owned, municipal-owned enterprises or financial institutions;
3. The real use of the state or municipal resources granted.

Bulgaria has well-functioning institutions with clear and distinct competences. Regarding the surveillance, transparency and coordination of the state aid at national, district at municipal level, with the exception of state aid schemes or individual aid in the field of agriculture and fishery the competent authority is the Ministry of Finance and regarding surveillance, coordination and interaction with European Commission of the state aid in the field of agriculture and fishery the competent authority is the Ministry of Agriculture and Food Supply.

On the basis of the agreements achieved and the administrative capacity, which is built with the assistance of European Union, Ministry of Finance and Ministry of Agriculture and Food Supply will continue to implement their functions as regards coordination and monitoring of state aids. The ministries prepare annual reports on state aids in compliance with their competence. The Ministry of Finance after the prior coordination with the Ministry of regional development and Public Works prepares and submit to the European Commission a notification of regional map for state aids. As regards their competence the Ministry of Finance and the Ministry of Agriculture and Food Supply adopt, consider and evaluate the notifications for state aids for their compliance with the legislation of European Commission on state aids, as well as monitor drafts on new and amendment of operative state aids for their compliance with the policy of EU performed as regards state aids.

For ensuring transparency and reporting of state aids, Ministry of Finance and Ministry of Agriculture and Food Supply keep registers and archives of information as regards the following:

- all notifications submitted including those submitted to the European Commission;

- decisions by European Commission as regards state aid schemes, as well as individual state aid measures;
- granted *de minimis* aids;
- state aids falling within the scope of block exemption regulations;
- other data necessary for the monitoring and transparency of state aids;

The administrative capacity will be used completely and effectively, while the unjustified and noncompliant claims for state aids will be controlled in conformity with the state aids policies in the country and EC. The managing authority applies duly the requirements of Bulgarian and EU legislations as regards state aids. It carries out the measures, set out in the State Aid Action Plan adopted by EU, with view of implementation of Lisbon Strategy "less and better targeted State aid".

6.6.3. Implementation Partnership

Partnership is one of the key principles of structural funds programming and implementation. In conformity with article 11 of Council Regulation (EC) 1083/2006 partnership covers not only the arrangements during OP "Regional Development" preparation phase (as described in Annex 1) but will be followed during all stages of programme implementation by means of:

1. Membership of OPRD Monitoring Committee and its working groups will be established on the principle of partnership in order to ensure greater involvement and shared responsibility of all parties involved in the process of local and regional development.
2. Use of the Regional Development Councils and their secretariats to consult and facilitate OPRD implementation and project selection, which ensures greater transparency and programme ownership.
3. Inter-municipal, public-private and other local and regional partnerships will be promoted by providing incentives for their application through the eligibility and selection project criteria.

Since the programme will be mostly oriented to interventions falling within the scope of competences of local and regional authorities, the following key partnership players have been considered as essential gearing factors for local and regional development:

- National Association of Municipalities in the Republic of Bulgaria;
- Regional associations of municipalities;
- Regional and economic development agencies;
- National Professional municipal associations;
- NGOs (resource centres, umbrella organizations) established as national, regional or local organizations with scope of work that covers larger territory, or have strong capacity and mobilizing role at local level;
- Municipal Development Agencies.

National Association of Municipalities in the Republic of Bulgaria

National Association of Municipalities in the Republic of Bulgaria (NAMRB) is a representative and defender of the interests of the local authorities and helps building a strong, responsible and sustainable local self-government, provides services, aimed at widening the scope of its competence and capacity, and develops effective partnership relations with the central authorities, Bulgarian and international associations. This association ensures utmost degree of representation of the local authorities, having as members all the 264 Bulgarian municipalities. One of its strategic goals is to achieve sustainable, useful and equitable partnership between local and central authorities, in order to guarantee the decentralization of governance. The association assists local authorities in the EU accession process of Bulgaria, through organising different

activities, disseminating of information and provides expertise to municipalities for participation in European and international programmes and projects.

NAMRB has built strong relationships with the regional associations of municipalities in the country and is been considered as a key partner in the preparation and implementation of the operational programme. In addition, it contributes for the communication plan for raising public awareness and publicity among the association members in order to submit relevant and qualitative project proposals to be funded under programme measures in solving concrete investment needs of the local authorities.

Regional associations of municipalities: 12 Regional associations of municipalities are operational in Bulgaria covering more or less the whole territory of the country in terms of municipal representation and membership. Presently, 4–5 regional associations have already developed a good administrative and organizational capacity. The rest are still weak and mostly donor-dependant.

Regional and economic development agencies (RDAs): These organizations could also been seen as a reliable actor on the local and regional level taking into consideration that somewhat 10 of them have been established and are actively functioning since 8–10 years. In addition, the regional development agencies are been nationally represented within the Bulgarian Association of Regional Development Agencies (BARDA). These organizations could possibly play a key role as partners in SF implementation, since they are good conductor for viable public-private partnerships, have some accumulated knowledge and experience within the pre-accession environment and have established dense network countrywide.

National professional municipal associations: These actors are in fact national associations of municipal experts in various fields (National association of the municipal financial officers; National association of the municipal environment specialists; National association of the municipal PR specialists; National association of the Secretaries of municipalities; National association of the municipal Architects, etc.). Their role will be important in preparation and implementation of projects with a focus on specific area of interest for the local dimension.

NGOs (resource centres, umbrella organizations) established as national, regional or local organizations with scope of work that covers larger territory, or have strong capacity and mobilizing role at local level: There are already established and working NGOs within many cities in Bulgaria (mostly in the cities, not small municipalities or villages). These NGOs and resource centres have developed good experience and knowledge in pre-accession funds; created good image within the community, established good work contacts and partnerships with public authorities; they have the public trust and have accumulated good level of expertise.

Municipal development agencies/centres: These organizations were been established mainly with the purpose to develop and implement municipal projects and support their overall implementation on the local level. They were been given the role to assist the process of proposal development, project management and realization; often, because of their status of NGO, these municipal centres were used to apply for funding under grant schemes and funding programmes where only NGOs were eligible.

In general, the above-described actors could play an important role in the local and regional development due to the fact, that they have already (although only to some extent and not fully) established professional potential and accumulated experience within the pre-accession environment. Another important factor is that these actors often function as umbrella organizations with good representation from the relevant field. In addition to that, these are been built networks with fair territorial cover on the national scale.

6.6.4. Sustainable development

According to Art 17 of Council Regulation (EC) 1083/2006 the objectives of the structural and the cohesion funds shall be pursued within sustainable development principles. In this context, the strategic framework of

OP "Regional Development" is build upon three main spheres of interventions, all related to the main pillars of sustainable development policy. These are:

- ✓ The first sphere is the *economic sphere*: strengthening of economic competitiveness and related enhancement of employment as a mean for improving living standards, social situation and decreasing of depopulation level.

By intervening in this sphere, OPRD will create a more favourable business environment, especially for the tourism sector, improve competitiveness of cities and urban areas, services, infrastructure facilities etc. and will stimulate therefore strengthening and start-up of new activities in peripheral and poorly urbanised areas.

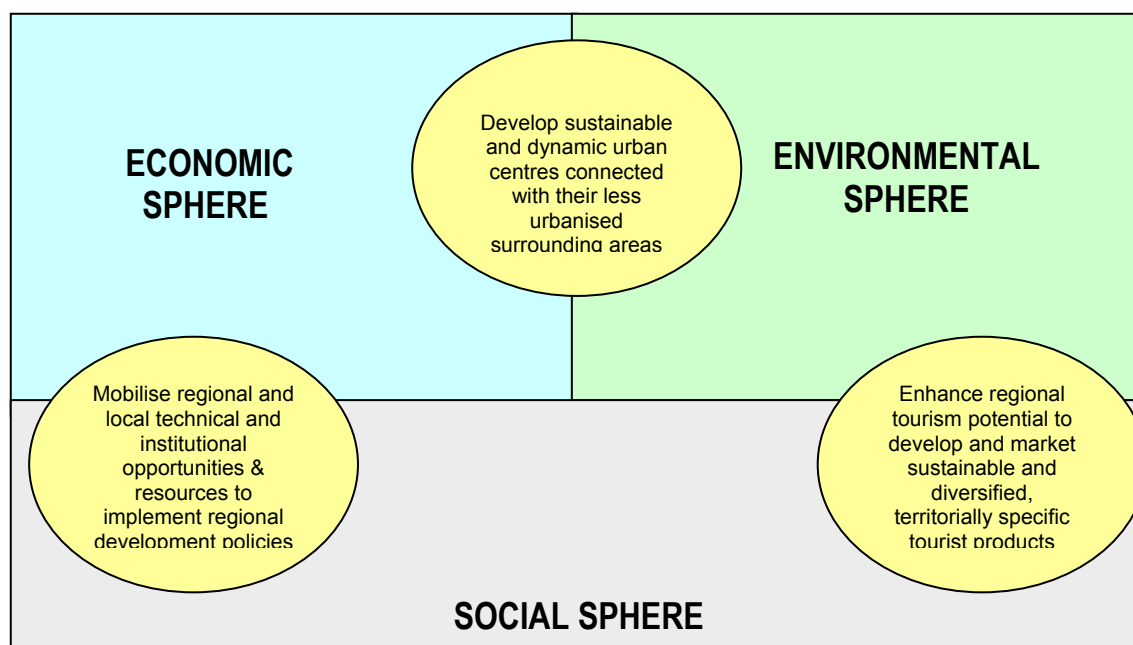
- ✓ The second sphere is the *social sphere*: interaction, establishment of cooperation networks and capacity in order to overcome development disparities between and especially inside the six NUTS II level planning areas and fight social isolation of small municipalities.

By intervening in this sphere, OPRD aims at putting people in contact, at improving administrations efficiency in territorial management, at identifying and working towards the removal of formal and informal barriers to development, at elaborating common strategies, etc.

- ✓ The last sphere of intervention is the *environmental sphere*: implementation of the "polluter pays", the "public has the right to know" and the "preventive control" principles are intended to be an important condition for protection and improvement of the environmental situation and the human health.

By intervening in that sphere the programme aims at finding acceptable environmental solutions to address the effects of urbanisation, traffic growth and infrastructure construction, as well as promoting energy efficiency in service of better competitiveness and quality of life.

OPRD strategic framework



Projects co-financed by the operational programme will fully respect the provisions of the Environmental Impact Assessment Directive, Habitats and Birds Directives. Appropriate screening criteria will be applied at the projects selection stage to ensure that the projects are compliant with the above mentioned Directives. The Bulgarian authorities will take appropriate actions (e.g. guidance, trainings for beneficiaries etc. based on the best Community practices) to assure that the projects will comply with these requirements. Co-financing of

projects having negative impact on potential Natura 2000 sites (i.e. sites, that in the Commission's view need to be designated, but were not designated by Bulgaria), will not be permitted.

OPRD Managing Authority will be responsible to ensuring that sustainable development principles are taken into consideration during elaboration of project selection criteria, and in particular:

- assessment of the ecological supply ability of the area into consideration;
- compliance with the minimum requirements of the biological diversity;
- provisions for maintenance of architectural, landscaping and cultural values;
- preference to land-preserving solutions in case of developments.

As provided in the National Strategic Reference Framework, within the Bulgarian context the application of sustainable development as a horizontal policy across programmes and projects includes also energy efficiency, taking into account especially the amended "Energy Efficiency Act" in effect of 1 July 2007 and the "Promotion of the use of renewable energy sources, alternative energy sources and biofuels Act" of 7 June 2006. The Acts embody the state policy with respect to energy efficiency and supply of energy efficient services through a coordinated system of measures and activities at national, sectoral, district and municipal level with the purpose of increasing competitiveness, security of energy supplies and environmental protection

6.6.5. Equality and non-discrimination

All priorities and activities within OP "Regional Development" are based on the principle of equality and non-discrimination. Those principles will be observed during all stages of management and implementation of the programme in accordance with Article 16 of Council Regulation (EC) No. 1083/2006 and as regulated by Bulgarian legislation:

- Article 6 of the Constitution of the Republic of Bulgaria states that all people are born free and equal in dignity and rights, as well as that all citizens are equal before the law. No limitations of the rights or privileges shall be allowed based on race, nationality, ethnic affiliation, sex, origin, religion, beliefs, political affiliations, personal and public position or property;
- The Protection Against Discrimination Act (in force since 1 January 2004) is built on the constitutional principle for equality and establishes the mechanism for its practical application. It envisages also at least 40% representation of women in management bodies, which is in conformity with the European standards for balance participation in the decision-making processes.

More specifically, interventions are envisaged to be financed under OPRD Priority Axis 1 "Sustainable and integrated urban development" for neighbourhoods with dominant roma population, as well as for making social infrastructure and public transport system friendlier to disabled people. Also, by means of the activities under Priority Axis 2 "Regional and local accessibility" people living in isolation and in underdeveloped areas will get access to better services and economic development possibilities, thus improving quality of life.

Legally defined gender equality proportion will be respected in OPRD Monitoring Committee's and its working groups' composition, as well as the participation of disadvantaged groups' organisations depending on the subjects in question. As part of its duties, the Monitoring Committee will be responsible also for observing the effectiveness and correctness of the equality principle implementation.

The OP "Regional Development" will ensure the respect of equal opportunities between men and women and the integration of the gender perspective in the implementation of the activities co-financed by the programme. All priorities and activities within the operational programme are based on the principle of equality and non-discrimination.

OPRD Managing Authority will ensure the prevention of any discrimination especially in the implementation of administrative procedures connected to the access to financial resources. Equal opportunity issues will be

also taken into consideration during elaboration of project selection criteria, including in particular the following indicative aspects:

- participation of the equal opportunity target groups in the course of project preparation and the extent to which their needs and requirements are taken into consideration;
- promotion of physical and communication accessibility of disadvantaged people (disabled, roma, unemployed, youth, people living in isolation and in underdeveloped areas, etc.);
- existence of cooperation between organisations and institutions of different equal opportunity target groups and the organisations working for their interests;
- possibilities for atypical employment (part-time work, flexible working hours, distant work, etc.) thus expanding the composition of possible employees;
- appropriate human resource and expertise available to ensure prevalence of equal opportunities and non-discrimination in the project.

It will be the responsibility of OPRD Managing Authority to provide beneficiaries with guidelines on all practical issues concerning equality and non-discrimination issues.

6.7. Use of flexibility facility

OP "Regional Development" will use the flexibility facility provided under Article 34 of the General Regulation.

The practical arrangements ensuring identification of the use of the flexibility facility (the projects to be counted under each operation within the flexibility facility) will be specified by OPRD Managing Authority.

Information on flexibility facility will be covered in the annual reports (according to Chapter 8 and Annex XVIII of the draft Implementing Regulation). In case of exceeding the limits, the expenditure linked to these activities will be considered as ineligible and will lead to financial corrections (during the life-time of the programme or at closure).

In case, that a project under OPRD is financing ESF-type of activities (such as education or training), it will have to follow ESF eligibility rules. These cross-financed projects or operations will be subject to a single call for applications or a single call for tenders, as appropriate.

7. Capacity building for successful OPRD implementation

Having in mind lessons learned from the pre-accession period (3.2) especially inconsistent programming of pilot investments; loss of funds; failure to reach objectives; frustration among beneficiaries and implementers and the specific local institutions capacity issues (3.8) especially capacity gaps to overcome in smaller municipalities and predominantly in municipalities with population under 10 000 people (limited human and financial resources, lack of units/departments for identifying project ideas, preparation of project proposals, application procedures, project management, implementation and reporting), MA envisages the following capacity building measures (Table 33:)

Table 33: Addressing the capacity building issues identified by UNDP EU funds capacity assessment 2004-2006

| Issues / measures | Size | | | | | | | Sofia |
|---|--|---|--|--|--|--|---|---|
| | Under 10 000 | 10-20 000 | 20-50 000 | 50-100 000 | Over 100 000 | | | |
| Limited information | ++ National info campaign, OPRD training | ++ National info campaign, OPRD training | - National info campaign, OPRD training | - National info campaign, OPRD training | - National info campaign, OPRD training | - National info campaign, OPRD training | - National info campaign, OPRD training | - National info campaign, OPRD training |
| Lack of specialised units Limited specialised HR | +++ Staffing (CM decree) for all projects | + Staffing (CM decree) for all projects | - Staffing (CM decree) for all projects | - Staffing (CM decree) for all projects | - Staffing (CM decree) for all projects | - Staffing (CM decree) for projects over 20 mln. Euro | - Staffing (CM decree) for projects over 20 mln Euro | - Staffing (CM decree) for projects over 20 mln Euro |
| Limited experience with pre-accession instruments | +++ OPRD specific training | ++ OPRD specific training | + OPRD specific training | - OPRD specific training | - OPRD specific training | - OPRD specific training | - OPRD specific training | - OPRD specific training |
| Limited financial resources (co-financing) | +++ National budget FLAG | ++ National budget FLAG | + National budget FLAG JESSICA | - National budget FLAG JESSICA | - National budget FLAG JESSICA | - National budget FLAG JESSICA | - National budget FLAG JESSICA | - National budget FLAG JESSICA |
| Limited financial resources (project preparation) | +++ FLAG | ++ FLAG | + FLAG | - FLAG | - FLAG | - JESSICA | - JESSICA | - JESSICA |
| Limited financial resources (bridging financing) | +++ FLAG | ++ FLAG | + FLAG | - FLAG | - FLAG | - JESSICA | - JESSICA | - JESSICA |
| Limited training on project | +++ Staffing (CM | +++ Staffing (CM decree) for all | ++ Staffing (CM decree) for all | ++ Staffing (CM decree) for all | ++ Staffing (CM decree) for | - Staffing (CM decree) for | - Staffing (CM decree) for | - Staffing (CM decree) for |

| management | decreed) for all projects | projects | projects | projects over 20 mln E | projects over 20 mln E | projects over 20 mln E | | | | | | |
|--|------------------------------|--|----------|---|---------------------------|--|---|--|---|--|---|--|
| New planning instruments – integrated plans | - | - | - | ++ | ++ | ++ | | | | | | |
| | | | | Training | Training | Training | | | | | | |
| | | | | Consulting | Consulting | Consulting | | | | | | |
| New financial instruments – JESSICA | - | - | - | ++ | ++ | ++ | | | | | | |
| | | | | Training | Training | Training | | | | | | |
| Lack of feasibility studies and mature technical projects | +++ | PHARE Mapping, Phase 1 and 2; OPRR eligible activity | +++ | PHARE Mapping, Phase 1 and 2; OPRR eligible activity | + | PHARE Mapping, Phase 1 and 2; | - | PHARE Mapping, Phase 1 and 2; | - | PHARE Mapping, Phase 1 and 2; | - | PHARE Mapping, Phase 1 and 2; |
| Lack of partnership skills | +++ | Mediation | ++ | Mediation | + | Mediation | - | - | - | - | - | - |

Legend:
 +++ Very Serious Problems Identified
 ++ Serious Problems Identified
 + Some Problems Identified
 - No Problem Identified⁸⁵

Based on the above stated approaches for addressing the capacity gaps a detailed action plan for strengthening the administrative capacity of beneficiaries will be elaborated and communicated to the Commission by the end of March 2008.

7.1. Addressing Limited Information and Training Issues⁸⁶

7.1.1. Horizontal National Measures (General Strategy)⁸⁷

The Regulations in the field of EU funding for the period 2007-2013 emphasize the role of the Managing Authorities in managing and implementing the respective operational programmes. However, building of capacity for the management of financial resources in compliance with the EU Regulations is a shared responsibility of all administrative structures involved. Thus the capacity building activities for EU funds absorption are performed by different public bodies, including the Managing Authorities and the coordination

⁸⁵ Although there are no problems identified in some cases MA also envisages capacity building measures (for ex. Because of the new informations, rules, criteria etc.).

⁸⁶ Based on the recommendations of the UNDP assessment Bulgarian government implemented National information campaign and training programme in 2006-2007 which impact has not been measured yet. For this reason MA will organize new assessment of the capacity of the OPRD beneficiaries during the autumn 2007.

⁸⁷ Source: NSRF, Ch. 11.

and financial control structures within the Ministry of Finance, at central, regional and local level in a complementary manner and close coordination.

At central level capacity building for absorption and effective management of the resources from the Structural Funds and the Cohesion Fund of the EU is an important part of the Strategy for Modernisation of the State Administration – from Accession to Integration 2003-2006, adopted on 26.09.2003 by the Council of Ministers. Based on the strategy several measures have been implemented for:

- Strengthening the capacity of the MAs in the framework of the community support and the sectoral and regional operational programmes and the Cohesion Fund;
- Preparation of the administrative structures for programming, management, monitoring, control and evaluation of the OPs;
- Capacity building for planning and programming of projects at regional level;
- Elaboration of mechanisms for partnership in the programming of the resources from the Structural Funds.

7.1.2. Horizontal National Information and Training Measures

Currently the efforts are more concentrated on the continued capacity building at the regional, district and local levels. Following the recommendations from the EC Monitoring report from May 2006 and September 2006 the Bulgarian government continues to deliver capacity building to guarantee the implementation of Structural and Cohesion Funds prioritizing the regional, district and local levels. At national level capacity building activities for ensuring effective and efficient absorption of EU resources are funded through several financial sources.

Each year resources from the national budget are allocated to *the Institute of Public Administration and European Integration (IPAEI)*. The Institute is a specialized body for training courses in the area of strengthening the administrative capacity and its programme covers a wide range of general training on Structural Funds themes. During 2006 approximately 380 representatives of the central, district and local administrations were trained in the following topics:

- *Regional policy of EU: new tendencies and assessment of the impact;*
- *Project cycle management;*
- *Management of European projects in real environment;*
- *Joint agriculture policy: new tendencies and assessment of the impact;*
- *EU policies and instruments for cross border cooperation;*
- *EU educational and vocational training programmes;*
- *Practical preparation for management of a project cycle;*
- *Projects and programmes coordination and management;*
- *European standards for waste management.*

In addition under the projects Regional policy of the EU, EU budget, Relations between Bulgaria and the EU – project "Team Europe" between the Ministry of Foreign Affairs of the Republic of Bulgaria, the Ministry of Foreign Affairs of the Kingdom of Denmark and the project Regional policy of the EU and the Structural Funds of the MSAAR and IPAEI 268 trainees have been trained.

For the next two years (2007-2008) the programme of the IPAEI envisages key trainings to be given to all levels of administration on the following topics:

- *Development of strategies and formulation of policies. Coordination and consultations, preliminary impact assessment;*
- *Strategic management and planning;*

- *Projects management;*
- *Counteraction to the corruption in the process of the EU Funds absorption;*
- *Budget of the European Union;*
- *EU Cohesion policy and Structural Funds;*
- *European Social Fund – opportunities for investments in human resources;*
- *European Regional Development Fund – opportunities for financing;*
- *Project Cycle Management;*
- *Policy for the management of the cultural heritage – grant schemes and projects – regional cooperation;*
- *Preparation, tendering and control of public procurement;*
- *Practical guidelines for projects development.*

In 2007 approximately 1200 people will be trained on these issues.

The Public Finance School within the Ministry of Finance is also performing in 2007 several training courses including:

- "Preparation and implementation of projects under the Structural and Cohesion Funds" - conducted repeatedly in 7 sessions in 2007 with an aim to be completed by 280 employees of the regional and local administrations in Bulgaria covering:

- *Norms and institutions;*
- *Financial management;*
- *Partnership and cooperation opportunities;*
- *Information and publicity.*

- "Design and preparation of investment projects, opportunities for public-private partnership" - 7 sessions in 2007 for approx. 280 employees of the regional and local administrations.

- "Content and use of the audit manual under the Structural and Cohesion Funds" - 2 sessions in 2007 for 80 staff members in key implementation structures and local level administration.

The Communication strategy budget in 2007 envisages 30 000 to 50 000 euro to be allocated to each Managing Authority for information and publicity measures. Moreover, Ministry of Finance communication strategy budget provides about 1 mln. Euro from the national budget for information, communication and capacity building in 2007 with a focus on districts and municipalities.

During this programming period (2007-2013) two Operational Programmes in Bulgaria will be dealing with the capacity building - OP "Technical Assistance" managed and administered by the MoF and OP "Administrative Capacity" managed and administered by the MSAAR.

OP "Technical Assistance" envisages establishment of a national network of 28 district info points, which will provide general information on the Cohesion Policy in Bulgaria and will present the conditions and parameters for funding projects through the European Structural Funds to all stakeholders and potential beneficiaries. They will function as resource centres to the population in the respective districts. They will competently direct and forward questions of potential applicants to the respective Managing Authority, as well as will identify needs and organize training workshops on issues concerning project cycle management, knowledge on EU Structural Funds and Cohesion Fund, Public Procurement Law procedures, etc.

OP "Administrative capacity" under its priority axis II, Operation 2.2. "Competent and effective state administration" aims to create conditions for acquisition of professional skills and qualification by the state officials, for continuous professional training, incl. officials from municipalities – main beneficiary under OPRD. Within activity 2: "*Training of the civil servants and capacity building for implementation of the acquis*", this operation envisages trainings on one hand on general issues concerning the implementation of acquis, and

on the other hand trainings on specialized issues like Public Procurement Law (PPL), Concessions Law, Public-Private Partnerships project management, strategic planning, project cycle management, etc. The administrative capacity of the units exercising coordination/control functions in terms of PPL and PPP will be strengthened.

7.1.3. Specific OPRD Information and Training Measures

One of the main responsibilities of the Managing Authority is to ensure that the institutions involved in the implementation and the beneficiaries of the operational programme have sufficient capacity and are ready to perform their tasks during the implementation. Thus in regard to OPRD capacity building activities are performed in several directions.

In order to ensure that there will be sufficient capacity to implement the programme at all levels the staff of the Managing Authority (incl. its regional departments) responsible for the implementation and management of EU funds has been receiving constant on-the-job training when preparing the OPRD and when developing the administrative procedures for its implementation. Additional training sessions have been and are organised according to the functional characteristics of the occupied position, including the newly recruited staff.

In 2006 in the framework of Twinning project BG03-SPP-02 "Preparing MRDPW's central and regional structures for managing future ERDF-type programme and projects" (Italy, UK, Ireland) more than 600 representatives of the local and regional authorities participated in training seminars at regional level aiming at encouraging partnership in project preparation process in the context of OPRD 2007-2013 preparation. A series of trainings on EU Regulations, Project Selection and PCM, and Monitoring addressed to the Directorates for Technical Assistance, Coordination and Management of Regional Programmes and Plans at NUTS II level were also held up with the support of the Twinning project.

Moreover, to guarantee the proper functioning of the OPRD Monitoring Committee established by Council of Ministers' Decree No 182/ 21.07.06 trainings have been and will continue to be organized (through the technical assistance resources) for its representatives from the regional, district and local level.

Regarding the potential beneficiaries under the OPRD, there are three main groups of beneficiaries – local authorities, NGOs, central ministries and agencies having certain responsibilities for conducting the governmental policy in the respective sectors (education, health, culture, road infrastructure, tourism) that are at different stages of readiness to be active and reliable counterparts in the process of OPRD implementation.

Taking the experience of project demand scanning under PHARE ESC the Managing Authority of OPRD has undertaken a very detailed analysis of project capacity and absorption related to all OPRD operations under PHARE project (PHARE BG2004/016-711.11.02. Phase 1 / Year 2004 "Support for preparing good quality strategic documents, promotion of partnership and cooperation and assistance for project development capacity"). This exercise has identified key strengths and weaknesses among the three main groups of beneficiaries and also identified a first "batch" of projects and their promoters/partners to be assisted to develop and implement projects.

The MA has embarked on a training programme (0 Annex 13) to address the problems identified above and at the same time to prepare an adequate pipe-line of projects. Assistance to project development and to their promoters (beneficiaries) is carried out in the same process. The PHARE Absorption project will begin this process and a further Phare project (currently at tendering stage) will continue this work over the next 18 months. Objectives of the Programme are:

- to increase beneficiaries' capacity to identify and prepare appropriate projects;
- to prepare a list of projects ready for submission under the different OPRD operations: the current PHARE project will develop at least 200 (out of 1 500) projects to stage of "viability" as project ideas and the successor PHARE project will take these and other projects to finalization stage;

- to ensure adequate capacity among promoters to actually implement the funded projects.

In the framework of Phase 1 of the PHARE project two main types of support to project development at local, regional and central level are envisaged:

- *Intensive modular assistance* where the purpose is to provide extensive assistance to develop the projects to an advanced stage of preparation. The trainings will be carried out for groups of promoters as support is structured in 3 modules for each group. The groups will be formed on regional level depending on the number of projects (between 2 and 4 groups in a region).
- *Thematic assistance* will be offered to projects for some operations that are perceived as requiring less extensive support but rather a stronger focus on the specific features of the respective operation.

The ministries and agencies appointed as specific beneficiaries under the OPRD are covered by the thematic assistance as well (120 projects proposed).

Recognizing that the preparatory phase of the MA beneficiaries is very important and they have to be widely supported in the initial period of OPRD implementation, during the two types of modular support outlined above in light of the implementation there will be given special attention on understanding and implementing the project eligibility and selection criteria, as well as public procurement rules and financial mechanisms.

The programme shall be implemented until the end of 2007, when an assessment of its results will be done and a mid-term action plan for strengthening OPRD beneficiaries' capacity will be prepared. Therefore, special attention will be paid to:

1) *detailed elaboration of project proposals* (there is a provision of services to be delivered under PHARE, 2nd Phase project), and

2) *specific training programmes exclusively designed for and related to facilitating the implementation of OPRD operations*, as follows:

- training programme for capacity building in elaboration and implementation of integrated urban regeneration plans/strategies,
- training programme for capacity building in using the JESSICA instrument in relation to OPRD,
- training programme for capacity building in implementing energy efficiency measures and using the potential of the renewable energy sources,
- training programme for capacity building in preparation of preliminary studies, feasibility studies, assessment of demand and feasibility, social-economic and financial appraisal as well as other kinds of technical documentation necessary for preparation of projects to apply for funding under the OPRD operations,
- training programme for capacity building in environmental issues concerning OPRD projects as Environmental Impact Assessment, SEA, NATURA 2000 issues and their integration in OPRD projects preparation and implementation, etc.

These issues will be additionally addressed through information campaigns and training provided by TA of OPRD (5.5.2. 5.5.3.).

Apart from the PHARE project stated above during the 2007 – 2013 programming period *the Technical Assistance Priority Axis within the OPRD* will continue to pay specific attention to building up capacity of OPRD beneficiaries at regional, district and local level in addition to the MA strong emphasis on the human resources aspect within the technical assistance budget. Training of staff of all organizations involved at all territorial levels and at all stages – programming, planning, management, monitoring, control and implementation of the OPRD, project generation and project pipeline development, awareness raising,

strengthening the capacity of the potential beneficiaries, dissemination of information, knowledge and skills throughout the country will be supported.

7.2. Addressing the lack of specialised units or responsible civil servants and limited skills on project management

7.2.1. Horizontal National Measures

The issue of supporting the beneficiaries' capacity in managing and implementing EU financed projects is resolved at national level through a special decree proposed by the Ministry of Finance and adopted by the Council of Ministers. The Decree lays down the conditions and requirements for hiring specialized staff, including civil servants, in managing infrastructural projects. Eligible activities and expenditure are:

- Project preparation, incl.
- Technical documentation preparation
- Tender dossier preparation
- Tendering Procedures conducting
- Project management

7.2.2. Specific OPRD Measures

MA will provide consultancy assistance (5.5.3.) for identifying project ideas and elaboration of OPRD relevant project proposals, development and maintenance of a pipeline of "ready-for-funding" projects. Special attention will be paid to the smaller municipalities.

Currently this type of assistance is provided through PHARE BG2004/016-711.11.02. Phase 1 / Year 2004 "Support for preparing good quality strategic documents, promotion of partnership and cooperation and assistance for project development capacity".

7.3. Addressing the lack of feasibility studies and mature technical projects

To be addressed only through the OPRD.

Preliminary, feasibility studies, assessment of demand and feasibility, social-economic and financial appraisal as well as other kinds of technical documentation necessary for preparation of projects will be supported by the OPRD (eligible expenditures).

Till the end of the year this type of assistance will start through Phase 2 of the PHARE project "Support for preparing good quality strategic documents, promotion of partnership and cooperation and assistance for project development capacity".

7.4. Addressing the lack of financial resources (PPF, cofinancing, bridging financing)

To be addressed at the national level.

For the first three years of the programming period the national cofinancing for all municipalities and other beneficiaries is ensured by national budget.

New national financial instrument Fund for Local Authorities and Governments (FLAG) is specially created to address the financial issues:

- Project preparation
- Co-financing

- Bridging financing

This issue will be address also through aggregating additional investment funds using the JESSICA financial engineering instrument. The JESSICA initiative targets PPPs or other revenue generating urban projects included in integrated urban regeneration and development plans, with a view to achieve leverage and recycling for OPRD resources invested in such projects. This initiative also offers the possibility to take advantage of outside financial and managerial expertise from specialist institutions such as the EIB, the Council of Europe Development Bank and other international financial institutions, to create stronger incentives for successful implementation by beneficiaries, by combining grants with loans and other financial tools. JESSICA allows a continuous availability of funds and is expected both to leverage substantial amounts of investment into areas in need of economic and social cohesion and to speed up their integrated development.

7.5. Addressing the new planning and financial instruments

To be addressed trough the OPRD.

New and not well known issues for the beneficiaries are:

- Integrated urban development/rehabilitation plans;
- JESSICA;
- RES and energy efficiency;
- Natura 2000.

These issues will be addressed trough training and consulting provided by TA of OPRD (5.5.3.).

7.6. Addressing the lack of partnership skills

This issue will be addressed through training and consulting provided by the TA of the OPRD (5.5.3.).

8. Financial provisions

8.1. Priority axis by source of funding (in euro)

| | Community Funding (a) | National counterpart (b) = (c) + (d) | Indicative breakdown of the national counterpart | | Total funding (d) = (a)+(b) | Co-financing rate (e) = (a)/(d) | For information | |
|--|-----------------------|--------------------------------------|--|------------------------------|-----------------------------|---------------------------------|---------------------------------|---------------|
| | | | National Public funding (c) | National private funding (d) | | | EIB contributions ⁸⁸ | Other funding |
| Priority Axis 1: Sustainable and Integrated Urban Development (ERDF) | 713 207 778 | 125 860 196 | 125 860 196 | 0 | 839 067 974 | 85% | 0 | 0 |
| Priority Axis 2: Regional and Local Accessibility (ERDF) | 340 270 886 | 60 047 803 | 60 047 803 | 0 | 400 318 689 | 85% | 0 | 0 |
| Priority Axis 3: Sustainable Tourism Development (ERDF) | 185 379 579 | 32 714 043 | 32 714 043 | 0 | 218 093 622 | 85% | 0 | 0 |
| Priority Axis 4: Local development and co-operation (ERDF) | 76 220 679 | 13 450 708 | 13 450 708 | 0 | 89 671 387 | 85% | 0 | 0 |
| Priority Axis 5: Technical Assistance (ERDF) | 46 004 623 | 8 118 463 | 8 118 463 | 0 | 54 123 086 | 85% | 0 | 0 |
| Total | 1 361 083 545 | 240 191 214 | 240 191 214 | 0 | 1 601 274 759 | 85% | 0 | 0 |

8.2. Annual commitment from Funds (in euro)

| | Structural Funding - ERDF (1) | Cohesion Fund (2) | Total (3) = (1)+(2) |
|------------------------------|-------------------------------|-------------------|----------------------|
| 2007 | 98 985 808 | 0 | 98 985 808 |
| 2008 | 144 902 458 | 0 | 144 902 458 |
| 2009 | 197 301 454 | 0 | 197 301 454 |
| 2010 | 207 904 474 | 0 | 207 904 474 |
| 2011 | 222 581 831 | 0 | 222 581 831 |
| 2012 | 237 341 086 | 0 | 237 341 086 |
| 2013 | 252 066 434 | 0 | 252 066 434 |
| Grand Total 2007-2013 | 1 361 083 545 | 0 | 1 361 083 545 |

⁸⁸ A Memorandum of Understanding for the development and financing of infrastructure in the framework of the Bulgarian government's transport and basic infrastructure investment plan (2007-2013) was signed on 5 October 2006 aiming to ensure financing to projects according to the financial budget forecast for utilisation of EU Structural and Cohesion Funds amounting up to 500-700 MEUR per year for the period 2007-2013. EIB funding will be defined under Credit Agreement between the Republic of Bulgaria and European Investment Bank for the period 2007-2015. This Credit Agreement is designed as a credit line aimed at co-financing a number of projects and Measures receiving EU grant support during the 2007-2013 Programming Period and which comply with EIB sector eligibility criteria to be defined in subsequent structural programme loan contracts. Projects within the Transport OP, Environmental OP, Regional Development OP, Rural Development Programme, OP for Competitiveness of the Bulgarian Economy and Human Resources Development OP could potentially be supported by the Credit Agreement. The extent of co-financing resources from national budget and IFI loans is to be approved by the Ministry of Finance.

8.3. Indicative breakdown of the Community contribution by category in the Operational Programme "Regional Development" 2007-2013 (in euros)

| Priority Theme | |
|----------------|----------------------|
| Code* | Amount** |
| 10 | 13 610 835 |
| 11 | 3 402 709 |
| 22 | 217 773 367 |
| 23 | 54 443 342 |
| 24 | 6 084 043 |
| 25 | 40 832 506 |
| 28 | 27 221 671 |
| 35 | 51 040 633 |
| 40 | 7 880 674 |
| 42 | 3 089 660 |
| 43 | 6 179 319 |
| 44 | 7 077 635 |
| 50 | 105 620 083 |
| 52 | 68 054 177 |
| 53 | 41 553 881 |
| 55 | 19 464 856 |
| 56 | 64 882 853 |
| 57 | 18 074 509 |
| 58 | 64 882 853 |
| 59 | 47 637 924 |
| 61 | 176 396 427 |
| 75 | 73 702 674 |
| 76 | 70 163 857 |
| 77 | 42 806 077 |
| 78 | 32 325 735 |
| 79 | 27 357 779 |
| 81 | 23 518 843 |
| 85 | 26 954 161 |
| 86 | 19 050 462 |
| TOTAL | 1 361 083 545 |

| Form of finance | |
|-----------------|----------------------|
| Code* | Amount** |
| 01 | 1 361 083 545 |
| TOTAL | 1 361 083 545 |

| Territory | |
|--------------|----------------------|
| Code* | Amount** |
| 01 | 1 078 842 456 |
| 02 | 6 951 734 |
| 05 | 196 033 461 |
| 10 | 5 444 334 |
| 00 | 73 811 560 |
| TOTAL | 1 361 083 545 |

* The categories are coded for each dimension using the standard classification.

** Estimated amount of the Community contribution for each category.

9. ANNEXES

9.1. ANNEX 1: OPRD 2007-2013 Programming and Partnership Process

EU cohesion policy principle of partnership requires that the identified partners shall participate and submit their comments and proposals in a transparent manner as from the very beginning of the process of programming, as well as in the process of implementation, monitoring and evaluation of the programme. This principle comprises mechanisms for consultation and participation at the national and regional level, which will ensure the involvement of relevant associations of employers, syndicates and NGOs. Equal opportunities for men and women and all social groups are other important principles, which should be taken into account in the course of the programming process.

In the period 2000-2006 the Regional Operational Programme was the only operational programme developed as a part of Bulgaria's preparation for EU accession and for participation in EU cohesion policy. Although based on structural funds programming principles and rules, this was mainly a "learning exercise" as no support from the structural funds was possible. Nevertheless, ROP was used as a reference document especially for the Economic and Social Cohesion measures and as a basis for PHARE Multi-annual Programming Document 2004-2006. The assessment of this experience is controversial but the key perceived gaps are related to funding and implementation. However, this was definitely a period of sensitising and gaining of experience amongst a wide range of regional and local actors.

Drafting OPRD for the period 2007-2013 was entrusted to a Working Group under the responsibility of the MRDPW, by virtue of its role as a future Managing Authority. The working group has started work in October 2004 with wide participation and representation of over 40 stakeholders representing various institutions both at national and regional levels, i.e. managing authorities, line ministries, state agencies, Regional Development Councils, associations of municipalities, regional development agencies, business and the employers' associations, syndicates, NGOs and other relevant parties. The following partners have provided inputs and contribution to the programme preparation:

| | |
|--|---|
| Council of Ministers | State Agency for Youth and Sport |
| Directorate "Management of European Union Funds", Ministry of Finance | State Agency for Information Technologies and Communications |
| Directorate "National Fund", Ministry of Finance | Agency for Economic Analysis and Forecasting |
| Ministry of Economy and Energy | Bulgarian Agency for Small and Medium-sized Enterprises Promotion |
| Ministry of Environment and Water | Road Executive Agency |
| Ministry of Agriculture and Food Supply | Executive Agency for Fisheries |
| Ministry of Labour and Social policy | Confederation of Independent Trade Unions in Bulgaria |
| Ministry of Transport | Confederation of Labour "Podkrepa" |
| Ministry of Culture | Bulgarian Industrial Association |
| Ministry of Health | Bulgarian Chamber of Commerce and Industry |
| Ministry of Education and Science | University of National and World Economy |
| Ministry of State Administration and Administrative Reform | University of Architecture, Civil Engineering and Geodesy |
| Relevant directorates of the Ministry of Regional Development and Public Works | National Statistical Institute |
| National Association of Municipalities in the Republic of Bulgaria | Bulgarian Association of Regional Development Agencies |
| Foundation for Local Government Reform | |

Union of Private Economic Enterprise
National Center for Territorial Development
Bulgarian Association of Industrial Capital
Tourism Agency
National Institute for Cultural Monuments
Regional Development Council of the
Northwestern Planning Region
Regional Development Council of the North-
central Planning Region
Regional Development Council of the
Northeastern Planning Region
Regional Development Council of the
Southeastern Planning Region
Regional Development Council of the South-
central Planning Region
Regional Development Council of the
Southwestern Planning Region

The Managing Authority has participated in a broad consultation process and discussions held in the shape of four forum meetings organized by the Agency for Economic Analysis and Forecasts for achieving consensus on the operational programmes. A wide range of participants from over 80 institutions (i.e. local, regional and national bodies, NGOs, academic entities, scientists and even political parties) attended these meetings, which have produced a set of useful suggestions and recommendations.

In accordance with the provisions of the Regional Development Act, in the period February – March 2006, the operational programme itself was presented and agreed with the members of the six Regional Development Councils at NUTS 2 level. The meetings were held in Montana (Northwestern region), Rouse (North-central region), Varna (Northeastern region), Bourgas (Southeastern region), Plovdiv (South-central region) and Kjustendil (Southwestern region). The meetings of the Regional Development Councils were attended by 42 representatives of state administrations (deputy ministers, experts), 56 representatives of NUTS III district administrations (district governors, deputy district governors, experts), 24 local authorities (mayors, municipal officials), 6 regional associations of municipalities, 6 regional development agencies, 15 business organizations, 4 syndicate organizations and 7 other NGOs.

In addition, in March and April 2006, a preliminary awareness campaign on the contents of the operational programmes was organized by the Foundation for Local Government Reform in each NUTS II planning region, where all managing authorities have presented their draft operational programmes to the local authorities and the public in general. These awareness information meetings were useful for receiving feedbacks and reactions from the potential final beneficiaries under the programme. A total number of about 480 participants have taken part. About 80% of the local authorities have participated. All members of the six Regional Development Councils were invited. More than 60 participants from the NUTS III district administrations (district governors and specialists) and about 30 regional and local NGOs attended the informational meetings. Moreover, the events were widely reflected by the local and regional media.

The 10th version of OPRD (Priority 3 Sustainable Tourism Development) was presented and consulted during a conference "Tourism in Central Balkan at the eve of EU accession" organized by Regional Tourism Association "Stara Planina" and the State Tourism Agency on 24-25 November 2006 in Sevlievo and attended by nearly 70 participants representing different types of actors in tourism development: district governors, municipalities, regional and local tourism associations, individual businesses, national tourism associations, central ministries and agencies (State Tourism Agency, Ministry of Regional Development and Public Works, Ministry of Agriculture and Forests, Commission for customers' protection).

9.2. ANNEX 2: OPRD 2007-2013 Legislative Framework

EU legislation

Operational Programme "Regional Development" is prepared in accordance with the commitments assumed under *the Strategy for Participation of Bulgaria in EU Structural and the Cohesion Funds* and the provisions under *Chapter 21 of the Accession Treaty*. The following EU documents are taken into account in the process of OP preparation:

- Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund;
- Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999;
- Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund;
- Directive 2004/17/EC of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors;
- Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts;
- Chapter 21 "Regional Policy and Coordination of Structural Instruments" (CONF-BG 56/01) and the Common EU Position on Chapter 21 (CONF-BG 80/01);
- Community Strategic Guidelines for Cohesion adopted on 6.10.2006 following a Decision of the Council of 18.8.2006;
- EC Working Paper Cohesion policy and cities: the urban contribution to growth and jobs in the regions
- Regulation of the Commission No 438 of 2 March 2001 laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards the management and control systems for assistance granted under the Structural Funds;
- Commission Regulation (EC) No 448/2001 of 2 March 2001 laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards the procedure for making financial corrections to assistance granted under the Structural Funds;
- Commission Regulation (EC) No 448/2004 of 10 March 2004 amending Regulation (EC) No 1685/2000 laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards the eligibility of expenditure of operations co-financed by the Structural Funds and withdrawing Regulation (EC) No 1145/2003;
- Commission Regulation No 1159/2000 – regarding the measures for supplying information and transparency on the Structural Funds aid;
- Directive of the Council and the European Parliament No 42/2001, regarding the evaluation of the environment impact of the separate plans and programmes;
- Council Directive 89/665/EEC of 21 December 1989 on the coordination of the laws, regulations and administrative provisions relating to the application of review procedures to the award of public supply

and public works contracts, as amended by Directive 92/50/EEC of 18 June 1992 relating to the coordination of procedures for the award of public service contracts;

- Council Directive 92/13/EEC of 25 February 1992 coordinating the laws, regulations and administrative provisions relating to the application of Community rules on the procurement procedures of entities operating in the water, energy, transport and telecommunications sector;
- Directive for the evaluation of the environmental impact (85/337/EEC and its amendment with 97/11/EC);
- Regulation 1059/2003 of the EC, regarding the Classification of the EU regions (EU NUTS);
- Strategy for economic and social renovation of Europe – adopted by the European Council in Lisbon, 23-24 March, 2000.;
- Report of the Commission for the Spring Session of the European Council and Parliament – COM (2005) 24 from 2 February, 2005 – A new start for the Lisbon Strategy.

National legislation

The Constitution of the Republic of Bulgaria sets the main goal and the territorial level at which regional policy should be carried out and defines the main intervention tools. Pursuant to the Constitution, Bulgaria is a unitary state with local self-government and it is the obligation of the state to establish conditions conducive to the balanced development of the different regions of the country, and to assist the territorial authorities and activities through its fiscal, credit and investment policies. Article 135 defines the division of the country's territory into municipalities and districts and points out that the districts are the administrative-territorial units entrusted to ensuring correspondence between national and local interests, while municipalities are the administrative-territorial units at which level self-government is practiced.

Accordingly, *the Regional Development Act* of February 2004, which substituted the one in operation since 1999, defines the current framework for regional development planning and programming in Bulgaria. As the EU funds are expected to be the biggest financial resource to support regional development actions, which following the principle of co-financing will mobilise significant national resources, the Regional Development Act inevitably covers substantial part of the programming framework for EU structural funds. The Act specifies the objectives and principles of regional policy in Bulgaria, defines the NUTS II planning regions in Bulgaria, which are all eligible under the "Convergence" objective to be used as a basis of regional policy, the range of planning documents of different kind and on different levels, the requirements to their content and the relations between them, the bodies responsible for preparation, implementation and monitoring of different plans and programs and the funding sources for regional development actions.

The Local Self-government and Local Administration Act regulates the execution of local self-government in municipalities and the functions of local administration. *The Municipal Budgets Act* defines the sources of municipal revenues (own and shared), as well as the subsidies from the State budget, ceded to the municipalities. *The Administrative-Territorial Organization Act* regulates the establishment of administrative-territorial units, as well as the order for any administrative-territorial changes. Districts' borders and administrative centres are specified by a President's Decree. Closely related to regional development is the *Spatial (physical) Planning Act* dealing with the use, protection and building of the territory as well as with the required spatial and urban development schemes and plans. The Act defines, among others, the types of land uses, the types of planning documents (national and regional spatial plans, master and detailed urban plans) and the general requirements as to their content. *The Environmental Protection Act* requires the carrying out of obligatory environmental impact assessments (EIA) for national, regional and district development plans and programs, as well as for spatial and physical plans and their amendments on specific conditions.

In addition the Operational Programme "Regional Development" will have also cross-references with the following legislative documents:

- Law for protection and development of culture - This law shall determine the basic principles and priorities of the national cultural policy, the culture organisations and the bodies for protection of culture, of its national identity and the ways for support and financing of culture activity and creators;
- Law for the energy efficiency - This law settles the public relations with regard of the implementation of the state policy for raising the energy efficiency and providing energy effective services;
- law for the local government and the local administration - This law shall provide the public relations, connected with the local government and the local administration;
- Law for the medical establishments - This law settles the structure and activity of the medical establishments in the Republic of Bulgaria;
- Law for the non-profit corporate bodies - This law settles the constituting, registration, the structure, the activity and the termination of the non-profit corporate bodies;
- Law for the public education - This law shall provide the structure, the functions and the management of the system of the public education;
- Law for the public procurement - This law determines the principles, the terms and the order of assigning public procurement for the purpose of providing efficiency in spending the budget and non-budget funds, as well as of resources related to implementation of activities of public importance defined by the law;
- Law for the roads - This law settles the public relations connected with the ownership, the using, the management, keeping, construction, repair, maintenance and financing of the roads in the Republic of Bulgaria;
- Law for the state property - This law settles the acquisition, management, using and disposition of real estate and chattel - property of the state, unless a special law stipulates otherwise;
- Law for tourism - This law shall settle the public relations connected with the implementation of management and control in tourism, the interaction of the state and the municipalities at the implementation of the activities connected with tourism as well as the participation of non profit corporate bodies and individuals in these activities;
- Law of health - This law settles the public relations in connection with the preservation of the health of the citizens;
- Law of the concessions - This law shall provide the conditions and the order for granting, fulfilment and termination of concessions;
- Law of the internal audit in the public sector - This law shall provide the essence, the principles and the range of the internal audit in the organisations of the public sector, the statute and the functions of the structures and the persons who implement it, as well as the audit activities in funds and programmes of the European Union;
- Law on cultural monuments and museums - This act provides the museums development, exploration, educating, protection and popularization of cultural monuments, which are taken place in Republic of Bulgaria which purpose is to help people` s education in patriotically spirit and to treat the common inheritance;
- Law on spatial planning and development of the municipality of Sofia - This Law shall regulate the specific rules and norms for the spatial planning and development on the territory of the Municipality of Sofia;
- State aid law - This law shall regulate the conditions, the order and the procedures for notification of granting state aid according to Art. 88, paragraph 3 of the Treaty establishing the European Community, the categories of state aid compatible with the Common market, the obligation for

- reporting, gathering and storing data, as well as the assessment of the compliance of state aid, regarding which it is not necessary the European commission to be informed;
- Law for the municipal property - This law settles the acquisition, the management and the disposition of municipal property, unless a special law provides otherwise;
 - Law of preservation of environment - This law shall provide the public relations, connected with the preservation of environment for the present and the future generations and the protection of human health;
 - Law of protection from discrimination - This law settles the protection against all forms of discrimination and contributes to its prevention;
 - Law on Financial Management and Control in the Public Sector – This law settles the main principles and the rules of the financial management and control in the public sector;
 - Law of the state financial inspection - This law shall provide the objectives, the principles and the scope of the activity for state financial inspection as well as the statute and the functions of the Agency for state financial inspection;
 - Ordinance of the Council of Ministers № 145/7.07.2005, for the organization and coordination of EU issues (State Gazette 58 / 15.07.2005);
 - Decision of the Council of Ministers № 312/2002 on adopting a strategy for the participation of Bulgaria in the Structural Funds and the Cohesion Fund of the EU;
 - Ordinance of the Council of Ministers № 171/2.08.2002, on establishing a Co-ordination Council of the NDP and for the co-ordination of the process of preparing the programme documents for the participation of Republic of Bulgaria in the EU Structural Funds and the Cohesion Fund (last Amendment State Gazette №84 from 21 October 2005);
 - CoM Decree No 36/21.02.2006 for adopting Ordinance on Management, Monitoring, Evaluation, Control for effective implementation and information provision of the Operational Programme "Regional Development";
 - Rules for the implementation of the Public Procurement Law;
 - Rules for the implementation of the Law of the concessions;
 - Ordinance for the award of small public procurement contracts;
 - Decree of the Council of Ministers № 55/12.03.2007 defining conditions and order for nomination of executor on behalf of beneficiaries of contracted grant financial support from the EU Structural Funds and from the EU PHARE Programme;
 - Decree of the Council of Ministers No 62/21.03.2007 for endorsement of national rules for eligibility of expenditure of Operational Programmes, co-financed by the EU Structural Funds and Cohesion Fund, within the 2007-2013 financial frame;
 - Decree of the Council of Ministers No 121/31.05.2007 Lying down the provisions for awarding of grants under the operational programmes cofinanced by the Structural Funds and the Cohesion Fund of the European Union, and under the PHARE Programme of the European Union.

9.3. ANNEX 3: Municipalities, falling in the scope of agglomeration areas

| | | | | | |
|----|-------------------|----|---------------|----|----------------|
| 1 | Aksakovo | 30 | Kardzhali | 59 | Rakovski |
| 2 | Asenovgrad | 31 | Karlovo | 60 | Razgrad |
| 3 | Avren | 32 | Karnobat | 61 | Rodopi |
| 4 | Aytos | 33 | Kaspichan | 62 | Ruse |
| 5 | Balchik | 34 | Kazanlak | 63 | Sadovo |
| 6 | Beloslav | 35 | Kostinbrod | 64 | Samokov |
| 7 | Belovo | 36 | Kuklen | 65 | Sandanski |
| 8 | Blagoevgrad | 37 | Kyustendil | 66 | Septemvri |
| 9 | Botevgrad | 38 | Lom | 67 | Sevlievo |
| 10 | Bozhuriste | 39 | Lovech | 68 | Shumen |
| 11 | Burgas | 40 | Lyaskovets | 69 | Silistra |
| 12 | Byala Slatina | 41 | Maritsa | 70 | Sliven |
| 13 | Cherven Bryag | 42 | Mezdra | 71 | Smolyan |
| 14 | Chirpan | 43 | Montana | 72 | Sofia |
| 15 | Devnya | 44 | Nova zagora | 73 | Sopot |
| 16 | Dimitrovgrad | 45 | Novi Pazar | 74 | Sozopol |
| 17 | Dobrich | 46 | Panagyurishte | 75 | Stamboliyski |
| 18 | Dobrich-rural | 47 | Parvomay | 76 | Stara Zagora |
| 19 | Dolna Mitropoliya | 48 | Pazardzhik | 77 | Svishtov |
| 20 | Dolni Dabnik | 49 | Pernik | 78 | Targoviste |
| 21 | Dulovo | 50 | Peshtera | 79 | Troyan |
| 22 | Dupnitsa | 51 | Petrich | 80 | Tundzha |
| 23 | Elin Pelin | 52 | Pleven | 81 | Varna |
| 24 | Gabrovo | 53 | Plovdiv | 82 | Veliko Tarnovo |
| 25 | Gorna Oryahovitsa | 54 | Pomorie | 83 | Velingrad |
| 26 | Gotse Delchev | 55 | Popovo | 84 | Vidin |
| 27 | Harmanli | 56 | Provadiya | 85 | Vratsa |
| 28 | Haskovo | 57 | Radnevo | 86 | Yambol |
| 29 | Kameno | 58 | Radomir | | |

Annex 3a: Territorial Scope of Urban Agglomeration Areas

| | Agglomeration areas | Municipality |
|---|--|------------------|
| | Capital agglomeration area | |
| 1 | Sofia | Sofia City |
| | | Bozhuriste |
| | | Botevgrad |
| | | Elin Pelin |
| | | Kostinbrod |
| | | Samokov |
| | Agglomeration areas of the 6 large cities | |
| 1 | Plovdiv | Plovdiv |
| | | Assenovgrad |
| | | Kuklen |
| | | Maritsa |
| | | Parvomay |
| | | Rakovski |
| | | Rodopi |
| | | Sadovo |
| | | Stamboliyski |
| 2 | Varna | Varna |
| | | Avren |
| | | Aksakovo |
| | | Beloslav |
| | | Balchik |
| | | Devnya |
| | | Provadya |
| 3 | Burgas | Burgas |
| | | Kameno |
| | | Aitos |
| | | Karnobat |
| | | Pomorie |
| | | Sozopol |
| 4 | Rousse | Rousse |
| 5 | Pleven | Pleven |
| | | Dolna Mitropolia |
| | | Dolni Dabnik |
| | | Cherven Bryag |
| 6 | Stara Zagora | Stara Zagora |
| | | Radnevo |
| | | Chirpan |

Total 36 agglomeration areas
Total 86 municipalities

| | Agglomeration areas | Municipality |
|----|--|-------------------|
| | Agglomeration areas of medium-size cities, incl. Panagyuriste | |
| 1 | Pazardjik | Pazardjik |
| | | Belovo |
| | | Septemvri |
| | | Peshtera |
| 2 | Haskovo | Haskovo |
| | | Harmanli |
| | | Dimitrovgrad |
| 3 | Veliko Tarnovo | Veliko Tarnovo |
| | | Gorna Oriahovitza |
| | | Lyaskovetz |
| 4 | Sliven | Sliven |
| | | Nova Zagora |
| 5 | Shoumen | Shoumen |
| | | Novi Pazar |
| | | Kaspichan |
| 6 | Dobrich | Dobrich town |
| | | Dobrich rural |
| 7 | Yambol | Yambol |
| | | Tundja |
| 8 | Pernik | Pernik |
| | | Radomir |
| 9 | Vratsa | Vratsa |
| | | Byala Slatina |
| | | Mezdra |
| 10 | Gabrovo | Gabrovo |
| | | Sevlievo |
| 11 | Kazanlak | Kazanlak |
| 12 | Blagoevgrad | Blagoevgrad |
| 13 | Vidin | Vidin |
| 14 | Kardjali | Kardjali |
| 15 | Karlovo | Karlovo |
| | | Sopot |
| 16 | Kyustendil | Kyustendil |
| 17 | Targovishte | Targovishte |
| | | Popovo |
| 18 | Montana | Montana |
| 19 | Lovech | Lovech |
| | | Troyan |
| 20 | Silistra | Silistra |
| | | Dulovo |
| 21 | Razgrad | Razgrad |
| 22 | Petrich | Petrich |
| | | Sandanski |

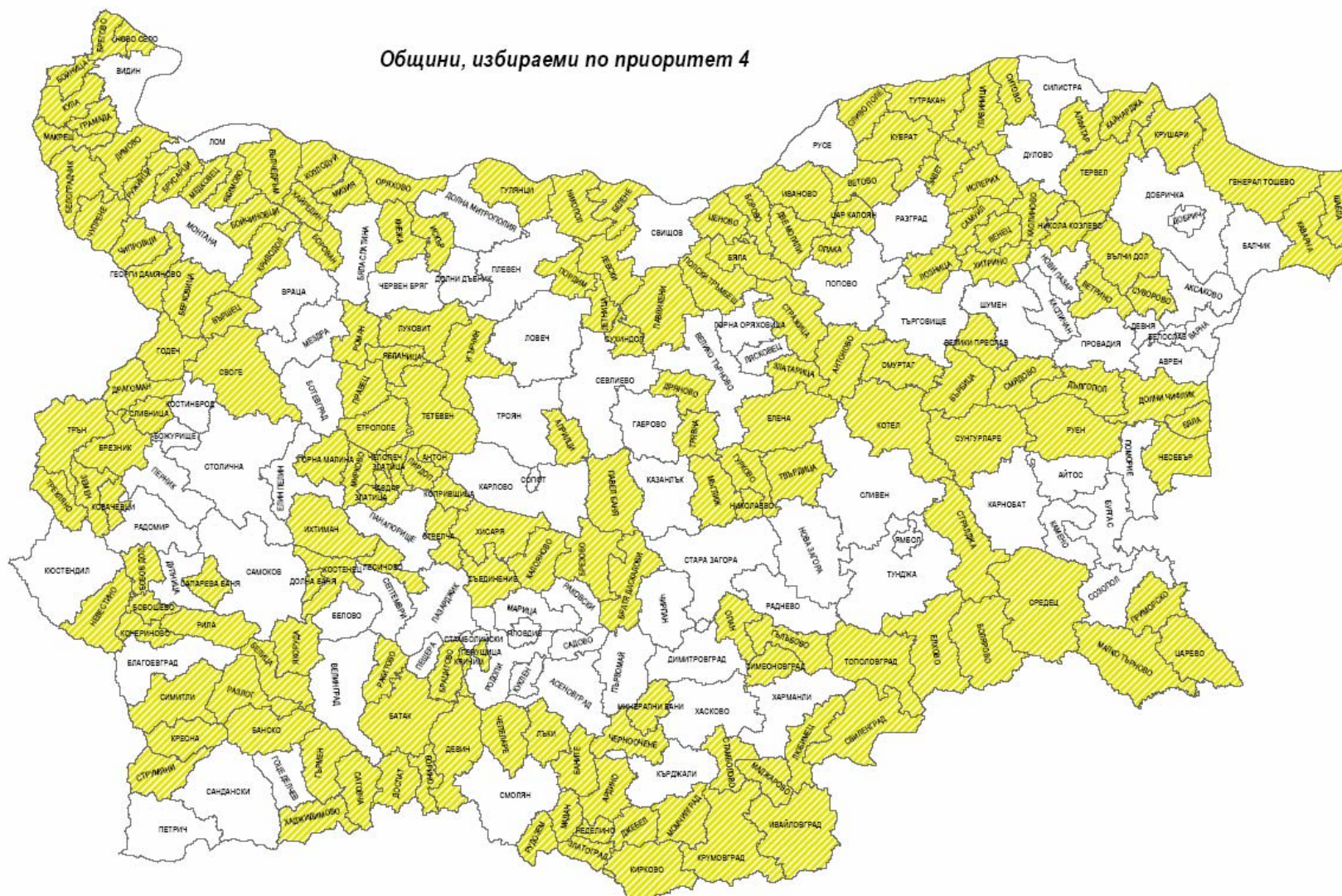
| | | |
|----|---------------|---------------|
| 23 | Dupnitsa | Dupnitsa |
| 24 | Svishtov | Svishtov |
| 25 | Smolian | Smolian |
| 26 | Velingrad | Velingrad |
| 27 | Lom | Lom |
| 28 | Gotse Delchev | Gotse Delchev |
| 29 | Panagyuriste | Panagyuriste |

9.4. ANNEX 4: Municipalities, eligible under Priority axis 4, operation 4.1.

| | | | | | |
|----|------------------|-----|----------------|-----|----------------|
| 1 | Alfatar | 61 | Hitrino | 121 | Primorsko |
| 2 | Anton | 62 | Ihtiman | 122 | Rakitovo |
| 3 | Antonovo | 63 | Iskar | 123 | Razlog |
| 4 | Apriltsi | 64 | Isperih | 124 | Rila |
| 5 | Ardino | 65 | Ivanovo | 125 | Roman |
| 6 | Banite | 66 | Ivaylovgrad | 126 | Rudozem |
| 7 | Bansko | 67 | Kaloyanovo | 127 | Ruen |
| 8 | Batak | 68 | Kaolinovo | 128 | Ruzhintsi |
| 9 | Belene | 69 | Kavarna | 129 | Saedinenie |
| 10 | Belitsa | 70 | Kaynardzha | 130 | Samuil |
| 11 | Belogradchik | 71 | Kirkovo | 131 | Sapareva banya |
| 12 | Berkovitsa | 72 | Knezha | 132 | Satovcha |
| 13 | Boboshevo | 73 | Kocherinovo | 133 | Shabla |
| 14 | Bobov dol | 74 | Koprivshtitsa | 134 | Simeonovgrad |
| 15 | Bolyarovo | 75 | Kostenets | 135 | Simitli |
| 16 | Borino | 76 | Kotel | 136 | Sitovo |
| 17 | Borovan | 77 | Kovachevtsi | 137 | Slivnitsa |
| 18 | Borovo | 78 | Kozloduy | 138 | Slivo pole |
| 19 | Boychinovtsi | 79 | Kresna | 139 | Smyadovo |
| 20 | Boynitsa | 80 | Krichim | 140 | Sredets |
| 21 | Bratsigovo | 81 | Krivodol | 141 | Stambolovo |
| 22 | Bratya Daskalovi | 82 | Krumovgrad | 142 | Straldzha |
| 23 | Bregovo | 83 | Krushari | 143 | Strazhitsa |
| 24 | Breznik | 84 | Kubrat | 144 | Strelcha |
| 25 | Brezovo | 85 | Kula | 145 | Strumyani |
| 26 | Brusartsi | 86 | Laki | 146 | Suhindol |
| 27 | Byala | 87 | Lesichovo | 147 | Sungurlare |
| 28 | Byala | 88 | Letnitsa | 148 | Suvorovo |
| 29 | Chavdar | 89 | Levski | 149 | Svilengrad |
| 30 | Chelopech | 90 | Loznitsa | 150 | Svoqe |
| 31 | Chepelare | 91 | Lukovit | 151 | Tervel |
| 32 | Chernoochene | 92 | Lyubimets | 152 | Teteven |
| 33 | Chiprovtsi | 93 | Madan | 153 | Topolovgrad |
| 34 | Chuprene | 94 | Madzharovo | 154 | Tran |
| 35 | Dalgopol | 95 | Maglizh | 155 | Treklyano |
| 36 | Devin | 96 | Makresh | 156 | Tryavna |
| 37 | Dimovo | 97 | Malko Tarnovo | 157 | Tsar Kaloyan |
| 38 | Dolna banya | 98 | Medkovets | 158 | Tsarevo |
| 39 | Dolni chiflik | 99 | Mineralni bani | 159 | Tsenovo |
| 40 | Dospat | 100 | Mirkovo | 160 | Tutrakan |
| 41 | Dragoman | 101 | Mizya | 161 | Tvarditsa |
| 42 | Dryanovo | 102 | Momchilgrad | 162 | Ugarchin |
| 43 | Dve mogili | 103 | Nedelino | 163 | Valchedrum |
| 44 | Dzhebel | 104 | Nesebar | 164 | Valchi dol |
| 45 | Elena | 105 | Nevestino | 165 | Varbitsa |
| 46 | Elhovo | 106 | Nikola Kozlevo | 166 | Varshets |

| | | | | | |
|----|------------------|-----|-----------------|-----|----------------|
| 47 | Etropole | 107 | Nikolaevo | 167 | Veliki Preslav |
| 48 | Galabovo | 108 | Nikopol | 168 | Venets |
| 49 | Garmen | 109 | Novo Selo | 169 | Vetovo |
| 50 | General Toshevo | 110 | Omurtag | 170 | Vetrino |
| 51 | Georgi Damyanovo | 111 | Opaka | 171 | Yablanitsa |
| 52 | Glavinitsa | 112 | Opan | 172 | Yakomovo |
| 53 | Godech | 113 | Oryahovo | 173 | Yakoruda |
| 54 | Gorna Malina | 114 | Pavel banya | 174 | Zavet |
| 55 | Gramada | 115 | Pavlikeni | 175 | Zemen |
| 56 | Gulyantsi | 116 | Perushtitsa | 176 | Zlataritsa |
| 57 | Gurkovo | 117 | Pirdop | 177 | Zlatitsa |
| 58 | Hadzhidimovo | 118 | Polski Trambesh | 178 | Zlatograd |
| 59 | Hayredin | 119 | Pordim | | |
| 60 | Hisarya | 120 | Pravets | | |

Municipalities, eligible for support under Priority axis 4, Operation 4.1.



9.5. ANNEX 5: Municipalities eligible under Priority Axis 3, Operation 3.1.

| | | | | | |
|----|-------------------------|----|-----------------|-----|----------------|
| 1 | Aksakovo | 51 | Kaolinovo | 101 | Razlog |
| 2 | Ardino | 52 | Kardzhali | 102 | Rodopi |
| 3 | Asenovgrad | 53 | Karlovo | 103 | Rudozem |
| 4 | Aytos | 54 | Karnobat | 104 | Ruen |
| 5 | Belene | 55 | Kazanlak | 105 | Ruse |
| 6 | Beloslav | 56 | Kirkovo | 106 | Sadovo |
| 7 | Berkovitsa | 57 | Knezha | 107 | Saedinenie |
| 8 | Blagoevgrad | 58 | Kostenets | 108 | Sandanski |
| 9 | Bobovdol | 59 | Kostinbrod | 109 | Satovcha |
| 10 | Botevgrad | 60 | Kotel | 110 | Septemvri |
| 11 | Boychinovtsi | 61 | Kozloduy | 111 | Sevlievo |
| 12 | Bratsigovo | 62 | Krivodol | 112 | Shumen |
| 13 | Bratya Daskalovi | 63 | Krumovgrad | 113 | Silistra |
| 14 | Byala (Rousse district) | 64 | Kubrat | 114 | Simitli |
| 15 | Byala Slatina | 65 | Kyustendil | 115 | Sliven |
| 16 | Chernoochene | 66 | Levski | 116 | Slivo Pole |
| 17 | Cherven Bryag | 67 | Lom | 117 | Sopot |
| 18 | Chirpan | 68 | Lovech | 118 | Sredets |
| 19 | Dalgopol | 69 | Loznitsa | 119 | Stamboliyski |
| 20 | Devin | 70 | Lukovit | 120 | Stara Zagora |
| 21 | Dimitrovgrad | 71 | Lyaskovets | 121 | Straldzha |
| 22 | Dobrich | 72 | Lyubimets | 122 | Strazhitsa |
| 23 | Dobrich town | 73 | Madan | 123 | Sungurlare |
| 24 | Dolna Mitropolia | 74 | Maglzh | 124 | Svilengrad |
| 25 | Dolni Dabnik | 75 | Maritsa | 125 | Svishtov |
| 26 | Dryanovo | 76 | Mezdra | 126 | Svoqe |
| 27 | Dulovo | 77 | Momchilgrad | 127 | Targovishte |
| 28 | Dupnitsa | 78 | Montana | 128 | Tervel |
| 29 | Dve Mogili | 79 | Nikopol | 129 | Teteven |
| 30 | Elena | 80 | Nova Zagora | 130 | Topolovgrad |
| 31 | Elhovo | 81 | Novi Pazar | 131 | Troyan |
| 32 | Elin Pelin | 82 | Omurtag | 132 | Tryavna |
| 33 | Etropole | 83 | Oryahovo | 133 | Tundzha |
| 34 | Gabrovo | 84 | Panagyurishte | 134 | Tutrakan |
| 35 | Galabovo | 85 | Parvomay | 135 | Tvarditsa |
| 36 | Garmen | 86 | Pavel Banya | 136 | Valchedram |
| 37 | General Toshevo | 87 | Pavlikeni | 137 | Valchi Dol |
| 38 | Glavinitsa | 88 | Pazardzhik | 138 | Varbitsa |
| 39 | Gorna Oryahovitsa | 89 | Pernik | 139 | Veliki Preslav |
| 40 | Gotse Delchev | 90 | Peshtera | 140 | Veliko Tarnovo |
| 41 | Gulyantsi | 91 | Petrich | 141 | Velingrad |
| 42 | Hadzhidimovo | 92 | Pleven | 142 | Vetovo |
| 43 | Harmanli | 93 | Polski Trambesh | 143 | Vidin |

| | | | | | |
|----|------------|-----|----------|-----|-----------|
| 44 | Haskovo | 94 | Popovo | 144 | Vratsa |
| 45 | Hisarya | 95 | Provadia | 145 | Yakoruda |
| 46 | Ihtiman | 96 | Radnevo | 146 | Yambol |
| 47 | Isperih | 97 | Radomir | 147 | Zavet |
| 48 | Ivanovo | 98 | Rakitovo | 148 | Zlatograd |
| 49 | Kaloyanovo | 99 | Rakovski | | |
| 50 | Kameno | 100 | Razgrad | | |

ANNEX 5a: Municipalities excluded from support to investments in developing tourist attractions and related infrastructure

Black Sea coast

Varna
 Nessebar
 Balchik
 Sozopol
 Primorsko
 Bourgas
 Tsarevo
 Kavarna
 Pomorie
 Dolni Chiflik
 Avren
 Shabla
 Byala

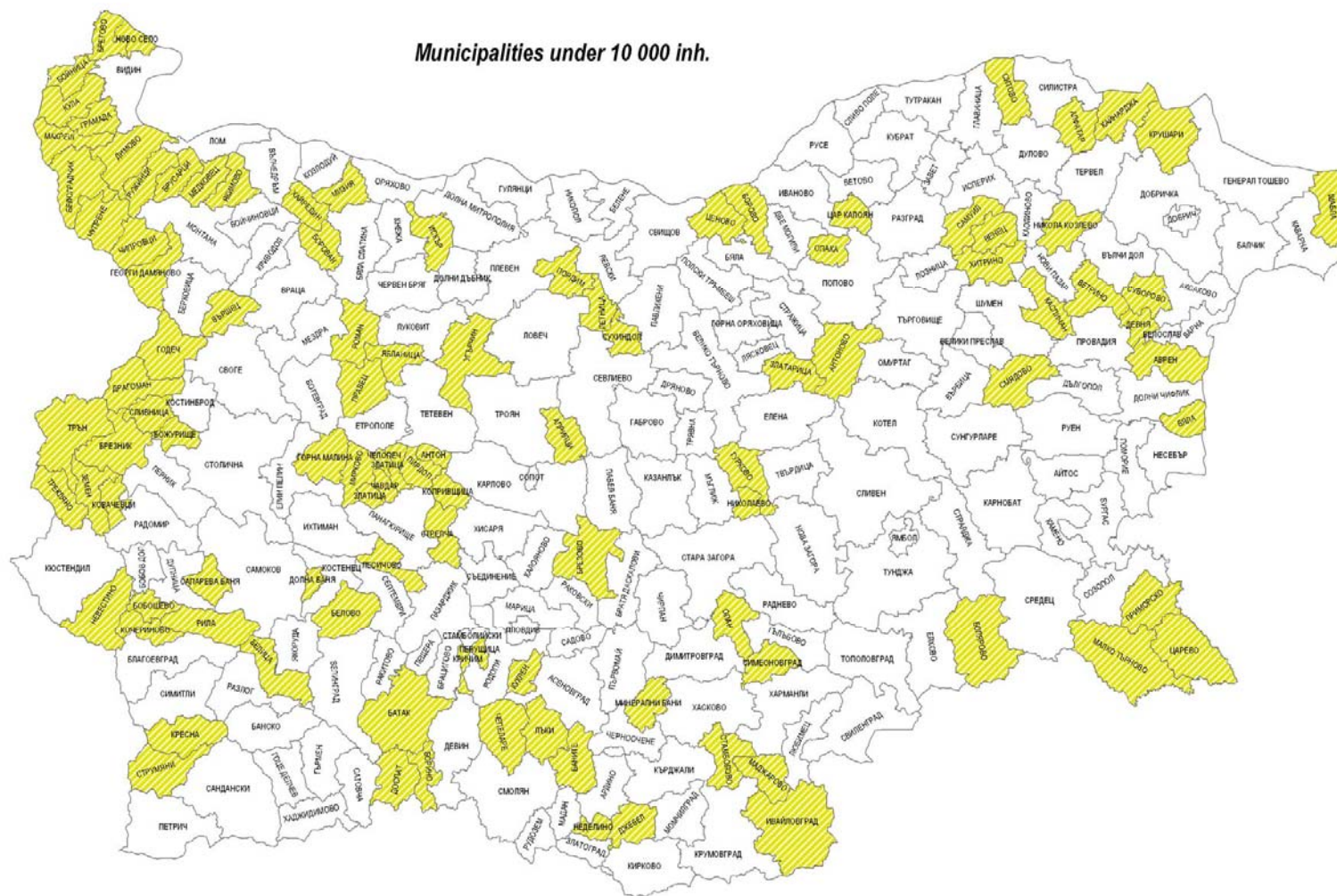
Biggest ski-resorts

Samokov
 Chepelare
 Smolyan
 Bansko

Biggest cities

Sofia
 Plovdiv

Municipalities with population less than 10 000 inhabitants



9.6. ANNEX 6: Tables and figures

Table 1. Main indicators on tourism development in Bulgaria

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | Growth 1998-2005 | Average annual growth rate, 1998-2005 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|------------------|---------------------------------------|
| International visitors, '000* | 5 240 | 5 056 | 4 922 | 5 104 | 5 563 | 6 241 | 6 982 | 7 282 | 39,0% | 5,6% |
| annual growth, % | -30,5% | -3,5% | -2,7% | 3,7% | 9,0% | 12,2% | 11,9% | 4,3% | | |
| International tourists¹, '000* | 2 667 | 2 491 | 2 785 | 3 186 | 3 433 | 4 048 | 4 630 | 4 837 | 81,4% | 11,6% |
| annual growth, % | -10,5% | -6,6% | 11,8% | 14,4% | 7,8% | 17,9% | 14,4% | 4,5% | | |
| Visitors for tourism & recreation, '000* | 1 973 | 2 085 | 2 354 | 2 756 | 2 993 | 3 532 | 4 010 | 4 090 | 107,3% | 15,3% |
| annual growth, % | -15,5% | 5,6% | 12,9% | 17,1% | 8,6% | 18,0% | 13,6% | 2,0% | | |
| Total nights spent in accommodation facilities², '000* | 11 762 | 10 127 | 10 494 | 11 210 | 11 827 | 13 762 | 15 315 | 17 124 | 45,6% | 6,5% |
| annual growth, % | 0,1% | -13,9% | 3,6% | 6,8% | 5,5% | 16,4% | 11,3% | 11,8% | | |
| Nights spent by foreigners | 5 197 | 4 382 | 5 170 | 6 190 | 7 055 | 9 142 | 10 304 | 11 624 | 123,7% | 17,7% |
| annual growth, % | -5,1% | -15,7% | 18,0% | 19,7% | 14,0% | 29,6% | 12,7% | 12,8% | | |
| Nights spent by Bulgarians | 6 565 | 5 745 | 5 324 | 5 020 | 4 772 | 4 620 | 5 011 | 5 500 | -16,2% | -2,3% |
| annual growth, % | 4,6% | -12,5% | -7,3% | -5,7% | -4,9% | -3,2% | 8,5% | 9,8% | | |
| Number of beds in accommodation facilities², '000* | 199 | 187 | 190 | 173 | 178 | 186 | 213 | 242 | 21,7% | 3,1% |
| annual growth, % | 3,8% | -6,3% | 1,6% | -8,6% | 2,6% | 4,9% | 14,3% | 13,8% | | |
| Bed-occupancy rate³, %* | 28,8% | 26,3% | 25,9% | 27,1% | 28,5% | 32,4% | 33,7% | 35,4% | 22,9% | 3,3% |
| Average length of stay of international tourists¹ | 1,9 | 1,8 | 1,9 | 1,9 | 2,1 | 2,3 | 2,2 | 2,4 | 23,3% | 3,3% |
| Nights spent in July-August - total, %* | 47,2% | 45,7% | 43,7% | 43,1% | 41,7% | 42,9% | 44,1% | 43,5% | | |
| Revenues from international tourism, Mio Euro** | 869 | 881 | 1168 | 1119 | 1242 | 1500 | 1789 | 1955 | 125,0% | 17,9% |
| annual growth, % | -11,2% | 1,4% | 32,6% | -4,3% | 11,0% | 20,8% | 19,3% | 9,3% | | |
| Expenditures for international tourism, Mio Euro** | 463 | 496 | 587 | 628 | 812 | 911 | 1075 | 1040 | 124,8% | 17,8% |
| annual growth, % | 35,4% | 7,2% | 18,3% | 6,9% | 29,4% | 12,2% | 18,0% | -3,2% | | |
| Net revenues from international tourism, Mio Euro** | 406 | 385 | 582 | 491 | 430 | 589 | 714 | 914 | 125,3% | 17,9% |
| annual growth, % | -36,2% | -5,2% | 51,1% | -15,5% | -12,5% | 37,0% | 21,3% | 28,1% | | |
| Average spending, Euro*/** | | | | | | | | | | |
| Per international visitor | 166 | 174 | 237 | 219 | 223 | 240 | 256 | 268 | 61,9% | 8,8% |
| Per international tourist | 326 | 354 | 420 | 351 | 362 | 370 | 386 | 404 | 24,1% | 3,4% |
| Daily (per night spent) | 167 | 201 | 226 | 181 | 176 | 164 | 174 | 168 | 0,6% | 0,1% |
| GDP in tourism (direct), Mio Euro*** | 456,8 | 404,3 | 549,2 | 554,6 | 605,7 | 729,4 | 862,7 | 968,9 | 112,1% | 16,0% |
| annual growth, % | 72,9% | -11,5% | 35,8% | 1,0% | 9,2% | 20,4% | 18,3% | 12,3% | | |
| % of the national GDP | 4,0% | 3,3% | 4,0% | 3,6% | 3,7% | 4,1% | 4,4% | 4,5% | | |
| GDP in tourism (direct+indirect), Mio Euro*** | 1 438,5 | 1 397,8 | 1 835,6 | 2 011,2 | 2 094,8 | 2 490,6 | 2 964,7 | 3 412,1 | 137,2% | 19,6% |
| annual growth, % | 49,6% | -2,8% | 31,3% | 9,6% | 4,2% | 18,9% | 19,0% | 15,1% | | |
| % of the national GDP | 12,5% | 11,5% | 13,4% | 13,2% | 12,6% | 14,1% | 15,2% | 15,9% | | |
| Employment in tourism (direct), '000*** | 75,8 | 61,2 | 65,5 | 66,2 | 65,4 | 99,8 | 110,5 | 114,2 | 50,6% | 7,2% |
| annual growth, % | 59,6% | -19,3% | 7,0% | 1,1% | -1,2% | 52,5% | 10,7% | 3,3% | | |
| % of the national employment | 3,4% | 2,9% | 3,4% | 3,1% | 3,1% | 3,5% | 3,8% | 3,9% | | |
| Employment in tourism (direct+indirect), '000*** | 237,4 | 209,8 | 217,3 | 237,8 | 224,3 | 338,0 | 376,6 | 398,6 | 67,9% | 9,7% |
| annual growth, % | 38,7% | -11,6% | 3,6% | 9,4% | -5,7% | 50,7% | 11,4% | 5,8% | | |
| % of the national employment | 10,7% | 9,8% | 11,4% | 11,2% | 10,8% | 12,0% | 13,0% | 13,6% | | |
| Capital investment in tourism (public & private), Mio Euro*** | 165,7 | 274,3 | 300,6 | 400,3 | 405,0 | 454,8 | 554,0 | 683,7 | 312,6% | 44,7% |
| annual growth, % | 6,1% | 65,6% | 9,6% | 33,2% | 1,2% | 12,3% | 21,8% | 23,4% | | |
| % of total investment | 11,1% | 14,9% | 13,9% | 14,4% | 13,4% | 13,2% | 13,6% | 14,9% | | |

¹ less the transit visitors; ² incl. rest homes; ³ rest homes not included

* National Statistical Institute data; ** Bulgarian National Bank data; *** World Travel and Tourism Council data (data for 2000-2005 are estimates); **** Eurostat data and own calculations; ***** World Tourism Organisation data and own calculations

Table 2. Advantages and disadvantages of Bulgarian tourism

| Advantages | | Disadvantages | |
|---------------------------------------|--------------|--|--------------|
| Tourism resources | 53,0% | Operational | 49,0% |
| incl. | | incl. | |
| Nature, natural resources & diversity | 18,5% | Low infrastructure conditions | 16,5% |
| Cultural and historic heritage | 17,2% | Lack of qualified and experienced staff | 11,4% |
| Climate | 4,3% | Bad coordination and lack of interaction | 5,9% |
| Preserved & unspoiled environment | 3,9% | Bad marketing and advertising | 4,3% |
| Traditional cuisine | 3,0% | Monostructural tourism - seaside&skiing | 3,5% |
| Mineral springs | 2,6% | | |
| Traditional handicrafts & folklore | 2,1% | Product offer | 21,0% |
| Tourism offer | 26,0% | incl. | |
| incl. | | Insufficient and low quality advertisement and promotion | 8,6% |
| Tourism product variety | 9,0% | Low quality of services | 7,1% |
| Price (Value for money) | 7,3% | Insufficient information to tourists | 2,7% |
| Hospitality | 3,0% | | |
| Quality of services | 2,6% | | |
| Qualified human resources | 2,1% | Framework & Policy | 20,0% |
| Support/complementary | 12,0% | incl. | |
| incl. | | Lack of tourism strategy & national policy | 6,3% |
| Accommodation infrastructure | 5,2% | Overbuilding & not properly located infrastructure | 5,9% |
| Tourism infrastructure | 2,6% | Legal framework & frequent changes | 2,4% |
| Geographical situation of the country | 2,6% | | |
| Other | 9,0% | Other | 10% |

Source: Survey amongst tourism industry and journalists, Strategic framework for Tourism Planning and Development in Bulgaria and Main Directions of Strategy for the Development of the Bulgarian Tourism for 2006-2009, Phase A: Final Report. Technical assistance to the Bulgarian State Tourism Agency, Planet Consortium, September 2006.

Note: Responses with less than 2% are not included.

Table 3. Main tourism indicators by NUTS II regions, 2005

| NUTS II regions | % of the national total | | | | Share of intern. tourism (nights) | Average length of stay | Bed occupancy rate | Bed density per sq.km | Nights spent per 100 inh. | |
|-----------------|--|--------------------|-----------|------------|-----------------------------------|------------------------|--------------------|-----------------------|---------------------------|---------------------------------------|
| | Beds in accommodation facilities, '000 | Nights spent, '000 | | | | | | | | Revenues from accommodation, Mio Leva |
| | | Total | Bulgarian | Foreigners | | | | | | |
| North West | 0,8% | 0,8% | 2,3% | 0,1% | 0,4% | 6,7% | 2,8 | 25,4% | 0,2 | 32 |
| North Central | 4,3% | 3,7% | 9,7% | 0,8% | 2,9% | 15,0% | 1,7 | 20,1% | 0,6 | 54 |
| North East | 36,7% | 38,2% | 22,8% | 45,5% | 36,2% | 80,8% | 6,1 | 43,0% | 4,4 | 505 |
| South East | 37,3% | 34,7% | 21,4% | 41,0% | 29,7% | 80,2% | 7,4 | 52,1% | 6,1 | 754 |
| South Central | 10,1% | 10,3% | 25,7% | 3,0% | 8,7% | 19,8% | 2,4 | 25,5% | 0,9 | 90 |
| South West | 10,6% | 12,2% | 17,7% | 9,6% | 21,9% | 53,4% | 2,2 | 25,8% | 1,3 | 99 |
| | | | | | | | | | | |
| Total | 240 | 17 124 | 5 500 | 11 624 | 485 | 67,9% | 4,3 | 37,7% | 2,2 | 218 |

Source: NSI and own calculations

Table 4. Spatial concentration of tourism on district and municipal level

| | Beds in accommodation facilities | Nights spent | | | Revenues from accommodation |
|---------------------------|----------------------------------|--------------|-----------|------------|-----------------------------|
| | | Total | Bulgarian | Foreigners | |
| 2005 | | | | | |
| Leading 5 districts | 80,6% | 82,8% | 59,7% | 94,4% | 86,9% |
| Leading 10 districts | 91,5% | 92,7% | 80,9% | 98,5% | 94,6% |
| Leading 5 municipalities | 66,6% | 71,0% | 35,5% | 88,6% | 80,7% |
| Leading 10 municipalities | 76,4% | 80,7% | 52,5% | 94,6% | 87,6% |
| Leading 20 municipalities | 85,3% | 88,6% | 71,7% | 98,0% | 93,5% |
| Change 1998-2005 | | | | | |
| Leading 5 districts | 7,5% | 7,6% | -2,6% | 0,2% | 6,9% |
| Leading 10 districts | 3,7% | 3,6% | -0,9% | -0,2% | 3,7% |
| Leading 5 municipalities | 12,3% | 12,0% | -4,3% | 1,4% | 11,6% |
| Leading 10 municipalities | 14,0% | 14,1% | 2,9% | 4,9% | 8,2% |
| Leading 20 municipalities | 12,2% | 11,1% | 5,8% | 4,8% | 3,5% |

Source: NSI and own calculations

Table 5. Main tourism indicators by groups of municipalities, 2005

| | Beds, '000 | Nights spent, '000 | | | Revenues from accommodation, Mio Leva | Share of intern. Tourism (nights) | Average length of stay | Occupancy rate | Nights spent/bed | Bed density per sq.km | Nights spent per 100 inh. |
|---|------------|--------------------|-------|----------|---------------------------------------|-----------------------------------|------------------------|----------------|------------------|-----------------------|---------------------------|
| | | Total | Bulg. | Foreign. | | | | | | | |
| Black Sea coast municipalities (13)* | 72% | 71% | 40% | 86% | 64% | 82% | 7,1 | 49% | 71 | 32,5 | 1788 |
| Municipalities with big ski resorts (4)** | 6% | 5% | 8% | 3% | 4% | 47% | 3,1 | 22% | 62 | 4,6 | 754 |
| Big cities (2)*** | 6% | 9% | 12% | 8% | 22% | 57% | 1,8 | 31% | 108 | 10,3 | 103 |
| Municipalities with big spa resorts (4)**** | 2% | 3% | 9% | 1% | 2% | 14% | 3,2 | 36% | 113 | 1,7 | 475 |
| All other (243) | 15% | 12% | 31% | 2% | 8% | 14% | 2,0 | 19% | 56 | 0,4 | 37 |
| Total | 240 | 17 124 | 5 500 | 11 624 | 485 | 68% | 4,3 | 38% | 71 | 2,2 | 218 |

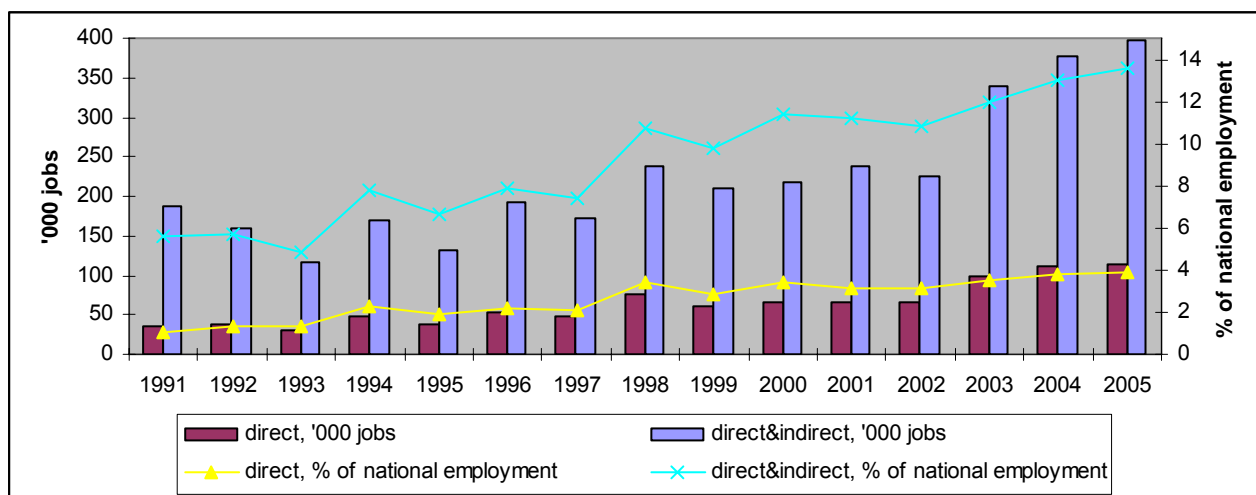
Source: NSI and own calculations

* Varna, Nessebar, Balchik, Sozopol, Promorsko, Burgas, Tsarevo, Kavarna, Pomorie, Dolni Chiflik, Avren, Shabla, Bjala;

** Samokov, Chepelare, Smoljan, Bansko

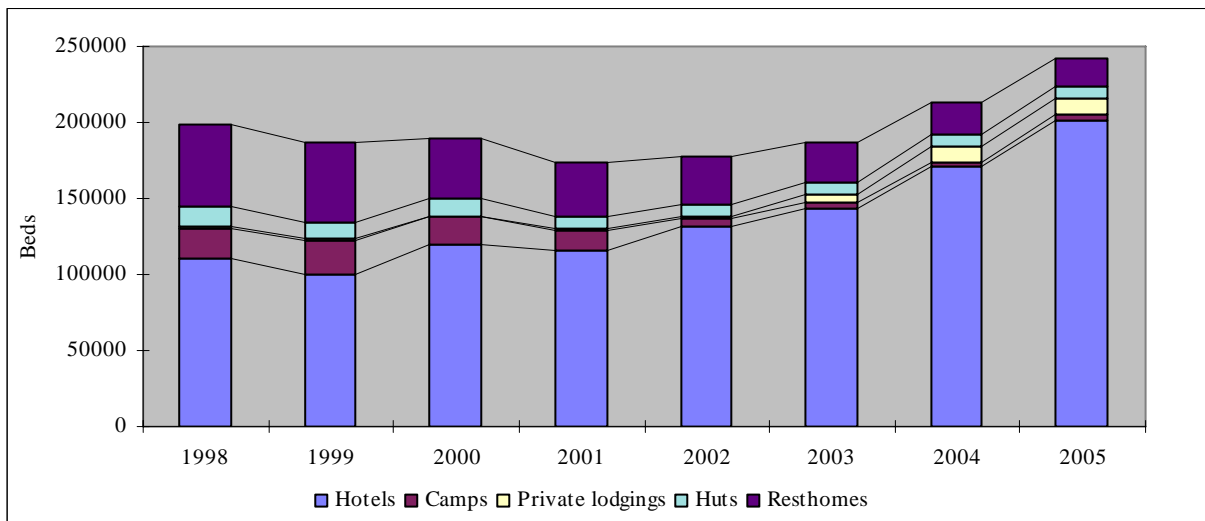
*** Sofia, Plovdiv

**** Velingrad, Hissarya, Pavel Banja, Sandanski

Figure 1. Impact of tourism on employment

Source: World Travel and Tourism Council data

Figure 2. Changes in tourism accommodation in Bulgaria (1998-2005)



Source: NSI data

Figure 3. Bed-capacity of accommodation establishments by category (1998-2005)

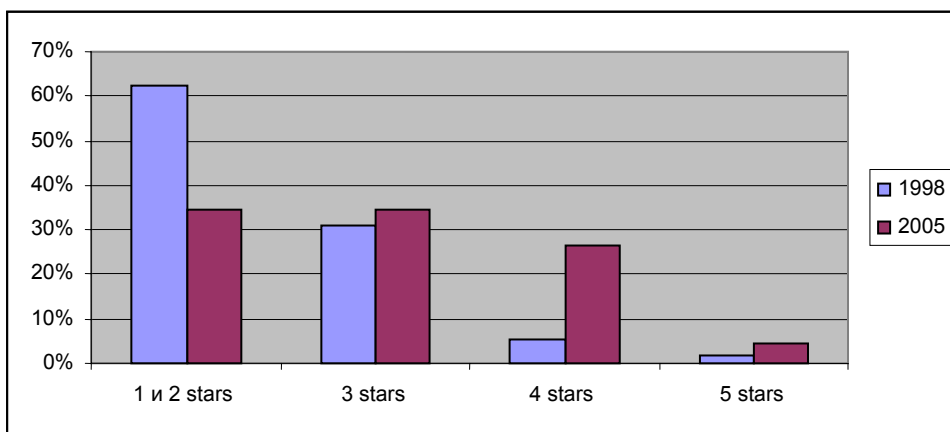
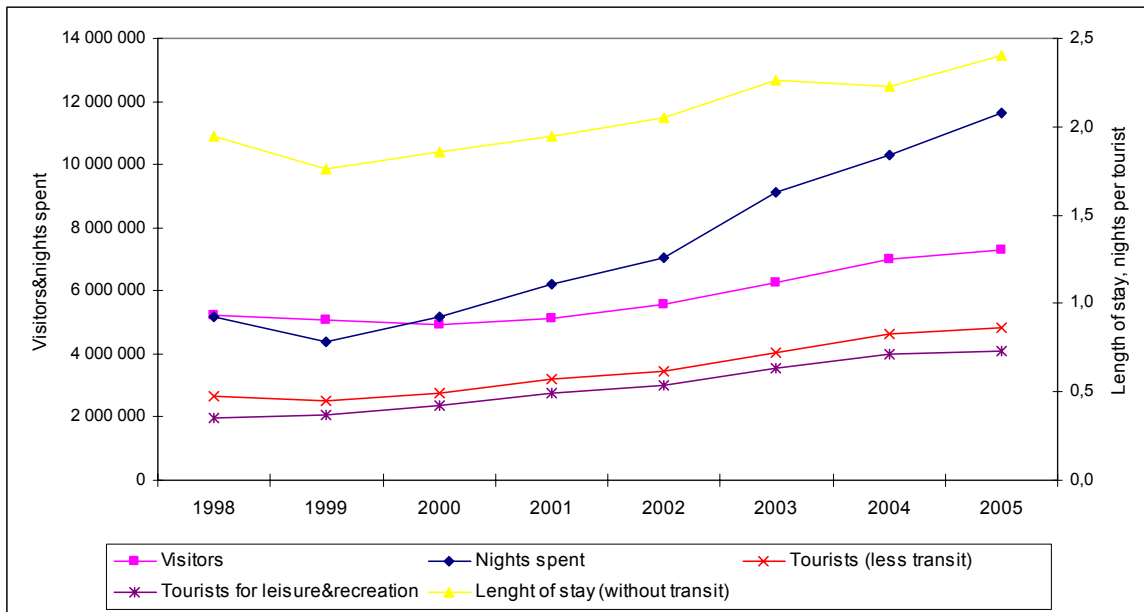
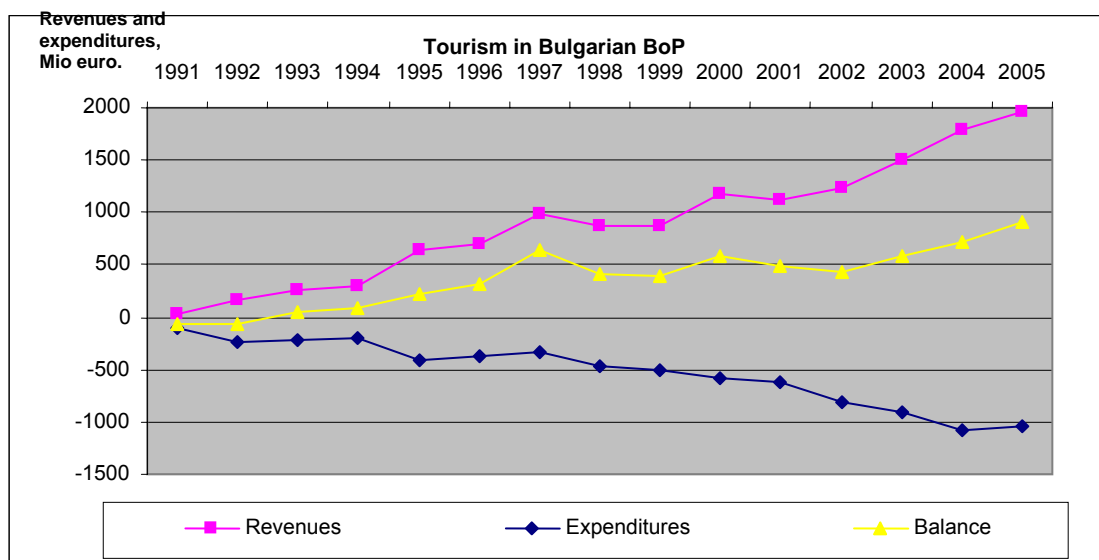


Figure 4. Trends in inbound tourism of Bulgaria (1998-2005)



Source: NSI data

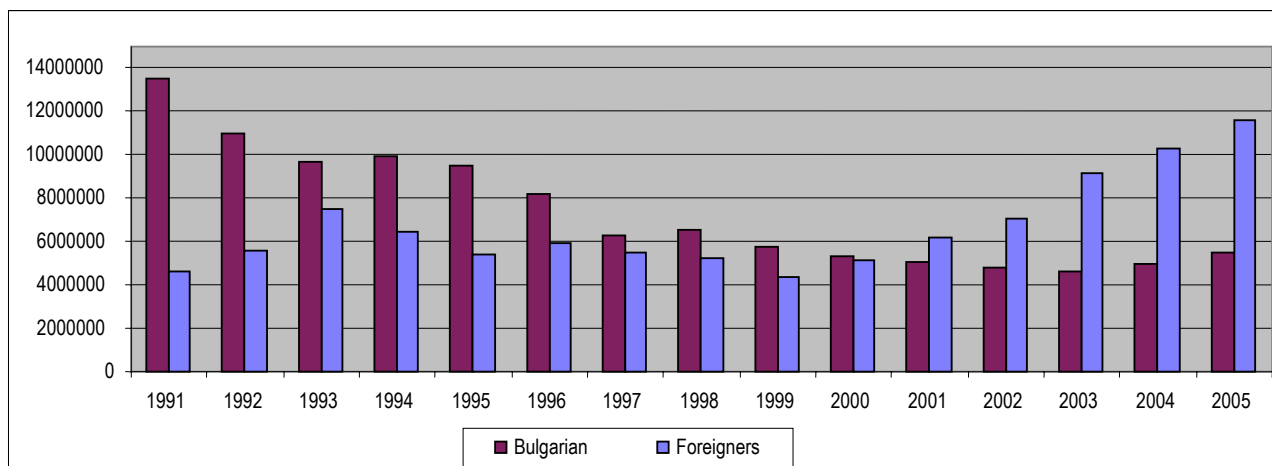
Figure 5. International tourism revenues and expenditures in Bulgaria



Source: Bulgarian National Bank data

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Figure 6. Tourism within the country: nights spent in tourism accommodation



9.7. ANNEX 7: Ex-Ante Evaluation Report of OPRD

9.8. ANNEX 8: Strategic Environmental Assessment of OPRD**EXECUTIVE SUMMARY OF THE ENVIRONMENTAL ASSESSMENT OF THE OPERATIONAL PROGRAMME "REGIONAL DEVELOPMENT 2007 - 2013"**

The environmental assessment (EA) of the operational programme "Regional development 2007 - 2013" (OP - RD) is drawn up as an integral part of the preliminary assessment of the program in compliance with European and Bulgarian legislation.

The main objective of OP – RD is improvement in the quality of life and work with a better access to basic services and new possibilities for enhanced regional competitiveness and sustainable development via determination of the high-priority axis to be realized and funded by the European fund for regional development (EFRD) in the period from 2007 to 2013.

The coherence of the ecological strategy of OP – RD in relation to national policies and the strategic guidelines of the Community is clearly described in OP – RD and has been assessed during the performance of the environmental assessment made by EC experts with regard to the most relevant strategic and planning documents.

The selected environmental strategy concerning OP – RD is fully complied with the respective needs and purposes in the way the latter are identified in all fundamental strategic documents. The strategy focuses on a small number of priority axes with the aim of efficient achievement of the objectives, as follows:

- Sustainable and integrated development of urban regions;
- Regional and local accessibility;
- Sustainable tourism development;
- Establishment of regional and local networks, cooperation and capacity building;
- Technical aid.

Current state of the components and factors of environment and the factors concerning their possible development without implementation of Operational programme "Regional Development"Current state of the components and factors:

| Components and factors | State |
|-----------------------------|---|
| Atmospheric air | At a national level the quantity of emissions of certain atmosphere air pollutants - NO _x , NH ₃ and NMVOC as well as greenhouse gases in comparison with their levels for the year 2004 show a trend of slight increase. A decrease trend is observed for the emissions of SO _x and methane. |
| Geology and hydrogeology | According to data from the preformed systematic monitoring after the year 1998 the quality of groundwater meets the requirements for threshold concentrations at the majority of the supervision points within the network. At certain locations are observed exceeded concentrations of Fe and Mn related both to the lithological peculiarities of the deposits and the existence of manganese concretions in the sediments of the water bearing horizons as well as to past or present industrial activities. High nitrate values have been recorded in groundwater which most frequently is due to not implemented good agricultural practices. |
| Hydrogeology, Surface water | A durable trend for improvement of surface water quality is being ascertained both in short –term and in long-term perspective. In recent years a comparatively sustainable level is being maintained both with regard to certain indicators (BOD ₅ , COD, nutrients, oxygen parameters, etc.), as well as along separate water valleys. The mean annual concentrations of heavy metals in surface water in the country are decreasing in recent years and so are the contents of substances of synthetic origin (detergents, pesticides, oil products, cyanides, etc.). |
| Lands and soils | In recent years there have not been registered any new levels of soil contamination with heavy metals and metalloids. No areas have been registered as contaminated with polyaromatic hydrocarbons (PAH) at such levels that have dangerous impact on soils, including in the regions of large potential sources. All measured contents of polychlorinated biphenyls (PCBs) fall significantly below the referential background values. |
| Landscape | All types of landscapes are found in the country. More severe landscape disruptions are observed in |

| Components and factors | State |
|----------------------------------|---|
| | regions where mineral resources are extracted. |
| Biodiversity and protected areas | Bulgaria is characterized by rich biodiversity. In the country there are 94 mammal species, over 400 bird species, 36 reptile species, 16 amphibian species, 207 Black sea and river fish species, about 27 000 insect species and other invertebrate animals, between 3500 and 3750 higher plant species and more than 6500 lower plant species and fungi. The total area of protected areas at the date of 31.12.2003 equals 545 004 hectares or 4,9% of the whole territory of the country. Out of them 543 238 hectares are protected areas pursuant to art. 5 of the Protected areas act and 1766 hectares include other protected areas (national parks and historical landmarks). |
| Waste | <i>The quantities of generated waste</i> are relatively constant – in the period from 1999 to 2003 they are about 12 million per annum. In 2004 the total quantity of generated waste is up by 12 % in comparison to 2003. Production form about 70 % of the total quantity of generated waste, household waste – about 25 % and hazardous waste – 5 %. The total quantity of generated hazardous waste for the year 2004 is lower with about 16 % in comparison with the year 2003. By <i>the organized collection</i> of household waste are serviced about 84 % of the population. <i>Disposal of waste</i> is the basic method for waste handling. |
| Harmful physical factors | In urban regions is observed unfavorable acoustic environment as a main ecological problem is caused by the traffic noise comprising 80-85 % of the total noise load in large populated areas. The radiation state is good with the exception of spot contamination of soils caused by the Chernobyl accident. |
| Cultural heritage | On the territory of the country the architectural and archeological monuments of culture are the most numerous. The overall state of cultural monuments is relatively grave, especially as far as archeological monuments are concerned. There are about 13 500 archeological monuments of culture registered (26 out of them are reserves) that have comparatively even distribution on the territory of the country as the great majority of them are situated outside of populated areas. The remaining cultural monuments including architectural, art, historical and park art are about 45 000 and are concentrated mostly within populated areas. |

Development of components and factors of environment without implementation of the Operational programme "Regional development":

| Components and factors | Expected development of the components without implementation of the program |
|----------------------------------|--|
| Air | A trend for increase of air pollution in the cities due to non-implementation of sustainable systems for management of city transport. Preservation of the emission level in industrial zones without modernization and construction of treatment facilities. Preservation of the emission level from heating for domestic needs with hard fuel and black oil. |
| Surface and groundwater | Trend towards the increase of the deficiency of water for drinking and domestic needs and irrigation due to the constant increase of drinking water loss and increase in the use of water for industrial needs. Deterioration in the quality of surface and groundwater due to discharge of non-treated waste in the ground and into water sites. |
| Land and soil | Increase in diffuse soil contamination caused by contaminated industrial terrain and discharge of not treated waste water. |
| Landscape | Trend for deterioration due to the continuation of the process of disposal of the waste originating from populated areas to non regulated dumps. |
| Biodiversity and protected areas | It is expected for biodiversity to develop in a negative direction as a result of the increased air pollution in populated areas by the transport. In case the infrastructure is not being developed – roads, etc., and in case no new production enterprises are constructed, then no impact on biodiversity is expected. |
| Waste | Deterioration trend due to continuation of the disposal of waste originating from populated areas to non-regulated dumps. |
| Harmful physical factors | Increase in the noise caused by the transport due to the traffic passing across main roads in populated areas and not implementation of sustainable systems for city transport. No development of radiation parameters is expected. |
| Cultural heritage | Danger of stealing and / or destruction of archeological, historical or cultural monuments. Risk from building collapse due to liquefaction of the loess substrate in the areas of the Danube river terraces. |
| Health risk | Deepening of the inequality between inhabitants of small populated areas regarding the provision of medical services. |

Characteristics of environment that may be considerably influenced.

The territories that will be significantly influenced by the realization of the program are those included into or bordering on the determined servitude for the routes of the highways "Tracia", "Maritsa" and "Hemus". These are territories in the municipalities of Chirpan, Stara Zagora, Nova Zagora along the Tracia highway route, territories in the municipalities of Chirpan, Dimitrovgrad, Haskovo, Harmanli, Lubimets and Svilengrad along the route of Maritsa highway and territories in the municipalities of Lukovit, Lovech, Pleven, Sevlievo, Tarnovo, Popovo, Targovishte, Shumen along the route of Hemus motorway. The areas in the vicinity of the main international road E-79 would also be affected.

The characteristics of the environment components for these territories are presented in Supplement No 2 to the Environmental assessment.

Existing ecological problems that may have relevance to the program.

The main ecological problems having relevance to the Operational programme "Regional Development" are connected with the following:

- Quality of atmospheric air in bigger cities;
- High level of water loss along the water supply networks and deterioration in the quality of surface and groundwater caused by discharge of not treated waste water;
- Biodiversity – protected areas having conflicts with tourism and building-up along the Black Sea coast that is destroying virgin nature;
- Soils – soil contamination including a great number of non-regulated dumps polluting water and soil;
- Waste - a large number of non-regulated dumps and problems with their closure;
- Higher level of noise load in the cities;
- Cultural heritage - endangered by not complied infrastructural projects.

Objectives for environmental protection at national and international level having relevance to the programme and the way in which such objectives are taken into consideration.

In the *National strategy for environment 2005 – 2014* are formulated 6 strategic objectives. In the Operational programme "Regional Development" are envisaged a great number of measures that are expected to contribute to the achievement of national objectives related to environmental protection.

Possible considerable impacts on environmental components and factors.

In the Operational programme "Regional Development" are set forth priority axes for regional development for the period from 2007 to 2013 as it is expected that more considerable impacts on the environment will result from the realization of priority axis No 1 – *Sustainable and integrated development of urban regions* and from priority axis No 2 – *Regional and local accessibility*. Irrespective of the considerable possible impacts on air, water, soils, protected areas and the protection of cultural heritage, noise and waste decrease, the realization of OP RD may also be accompanied by certain negative impacts on environment. Such effects are expected to occur mainly during the construction period – dust, noise, waste, etc., but also during the period of operation of the facilities, mainly resulting from failures, damages and /or accidents. The probable negative consequences from the development of regional infrastructure may have unfavorable impact on protected areas under NATURA 2000, sensitive areas and sites included in the national environmental protection network and on natural habitats of rare species as well as on archeological monuments of culture.

Measures for prevention and reduction of the impacts on environment by the program's realization.

In the following Table are proposed measures for reduction of the impacts from implementation of the Operational programme "Regional Development".

| Priority axes for development | Measures for reduction of the potential impacts on environment |
|-------------------------------|--|
|-------------------------------|--|

| Priority axes for development | Measures for reduction of the potential impacts on environment |
|---|--|
| <i>PA 1. Sustainable and integrated urban development</i> | <p>During the development of road infrastructure there should be taken into consideration the optimal use of existing routes.</p> <p>Introduction of flexible organization of transport during rush hours – change in the traffic light units regime; warnings for possible traffic jams, air control of the traffic flow:</p> <ul style="list-style-type: none"> • A switch to cleaner transportation fuels such as bioethanol, biodiesel, methane and others. <p>Maintenance of road pavement (streets and sidewalks) clean from dust; Use of "silent" street pavement and construction of noise-protection facilities;</p> <p>Upon performance of activities related to water supply and sewerage systems to be given a priority to the reduction of water loss including replacement of pipe network due to amortization as well as modernization and reconstruction of constructed waste water treatment plants (WWTP);</p> <p>Upon development of energy infrastructure a priority is to be given to the use of renewable energy sources;</p> <p>Upon construction of new sites to be developed and implemented low-waste technologies or waste free technologies, know-how and other water, energy and material saving technologies;</p> <p>Upon preparation of projects for new sites should be given a priority to technologies by the use of which is generated the smallest waste quantities;</p> <p>Upon preparation of projects for new sites is to be taken into account the necessity of construction a local WWTP and implementation of local system for waste management;</p> <p>During the design phase the boundaries of cultural monuments in close proximity should be taken into considerations, and measures to protect biodiversity should be put in place. Specifically for each separate case, layout of facades facing streets with heavy traffic;</p> <p>Construction of noise protection facilities;</p> <p>Development and realization of plans and programs for protection of biodiversity, cultural monuments and cultural heritage;</p> <p>Upon designing of infrastructure minimal negative impact on landscapes is desired;</p> <p>Planning of systems of green areas and zones harmonized with the landscape and development of the territories;</p> <p>During construction works measures are to be taken for limiting harmful emissions of dust, noise, vibrations and waste.</p> |
| <i>PA 2. Regional and local accessibility</i> | <p>Upon development of road infrastructure there should be taken into consideration the optimal use of existing routes;</p> <p>Maintenance of road pavement (streets and sidewalks) clean from dust;</p> <p>Construction of noise protection facilities;</p> <p>Taking of steps for reduction of emissions in industrial zones via modernization and construction of treatment facilities;</p> <p>Qualitative change in the structure of fuels used for domestic heating;</p> <p>In the design phase there should be taken into consideration the boundaries of the cultural monuments situated near the sites, as well as the security zones of the former and the protected zones and habitats;</p> <p>During the design phase the boundaries of cultural monuments and their protected areas, protected areas and habitats in close proximity should be taken into considerations, and measures to protect biodiversity should be put in place.</p> <p>During the performance of construction activities are to be taken measures for limiting the harmful emissions of dusts, noise, vibrations and waste.</p> |
| <i>PA 3: Sustainable development of tourism</i> | <p>The projects for tourism development are to be prepared in compliance with the norms for recreational load and observing the status of the respective territory;</p> <p>Priority ecological tourism development and development of other alternative types of tourism;</p> <p>In developing of road infrastructure are to be taken into account the optimal use of existing routes;</p> <p>During the design phase the boundaries of cultural monuments and their protected areas, protected areas and habitats should be taken into considerations, and measures to protect biodiversity should be put in place.</p> <p>Timely planning and implementation of measures for biodiversity protection.</p> <p>Upon developing of projects for new sites there should be accounted the necessity of construction of local waste water treatment plants (LWWTP) and the implementation of waste management system;</p> |

| Priority axes for development | Measures for reduction of the potential impacts on environment |
|--|--|
| | During the performance of construction works are to be taken measures for limiting the harmful emissions of dust, noise and waste. |
| <i>PA 4: Establishment of regional and local networks; cooperation and capacity building</i> | Development of national urban regulation solutions for the territory surrounding streets and roads; During the performance of construction activities are to be taken measures for limiting the harmful emissions of dust, noise, vibrations and waste. |

Motives for making a choice between the considered alternatives and description of the methods for making environmental assessment and difficulties related to the collection of the information being necessary thereto.

In the considered Operational programme "Regional development" and the Regional plans for development are not provided alternatives. Such alternative possibilities may be sought at the level of detailed urban regulation plans in the cases when there may be considered alternative grounds for infrastructural sites such as main waste water treatment plants (MWWTP), domestic waste landfills, types of ecological transport, etc. It is necessary to include environmental and biodiversity protection criteria in the project selection process.

The team carrying out the assessment views the zero alternative (i.e., rejection and non-implementation of the program) as unacceptable as such alternative would contribute to aggravation of the existing ecological problems in the country.

For assessment of the impacts on the components of environment is used the modified Leopold matrix.

The difficulties in gathering the necessary information may be summarized in two directions. On the one hand, the latest available data are from the year 2004, and on the other, there is no information for many of the components and factors of environment as per regions for planning.

Description of the necessary measures in connection with the plan's implementation.

The proposed measures for supervision and control during the plan's implementation are described in the table below:

| Components and factors | Measures | Periodicity Terms | Responsible body |
|-------------------------|---|--|--|
| Air | Control of emissions in atmospheric air around highway routes, in urban environment and industrial zones | <ul style="list-style-type: none"> For highways – monthly for a period of 5 successive years In urban environment – as per validated plans In industrial zones – establishment of common database of continuous controlling measurements of large installations and database collected on the ground of annual mobile emission measurements | Municipalities Regional Inspectorate for Environment and Water Protection (RIEWP) Environment Executive Agency (EEA) Road Executive Agency (REA), Inspectorates for Public Health Control (RIPHC) |
| Surface and groundwater | Control of water use for industrial needs and drinking and domestic needs; monitoring of surface and groundwater | Annually Quarterly, or as per validated plans | Ministry of Regional Development and Public Works (MRDPW) Water supply and sewerage companies; Basin directorates, RIPHC EEA |
| Ground and soil | Monitoring of soils adjacent to newly constructed industrial sites | Annually or as per validated plans | EEA RIEWP |

| Components and factors | Measures | Periodicity Terms | Responsible body |
|----------------------------------|--|---|--|
| Landscape | Control on the performance of recultivation measures after completion of the sites construction | Continuously | County and municipal administrations |
| Biodiversity and protected areas | Control of observation of the requirements of the Biological Diversity Act and the Territory Protection Act. Implementation of specific measures for biodiversity protection and safeguarding of protected natural areas and habitats, which should be relevant to the nature of the project. During road infrastructure construction the planned routes should take into account existing protected areas and habitats, included in Annex No.1 of the Biological Diversity Act. During the construction of tourist infrastructure the existing protected natural areas and habitats of rare and endangered species should also be taken into account. Prevention and control of deforestation and wildlife and fishery depletion by poaching activities. Environmental and Biodiversity criteria must be taken into account in the activity selection process. | Before approval and during the site construction period During the design and construction phase During the design and construction phase During the design and construction phase Continual Continual | Ministry of the Environment and Water, RIEW Ministry of the Environment and Water Ministry of the Environment and Water Ministry of the Environment and Water Ministry of Agriculture and Food Supply Ministry of the Environment and Water |
| Waste | Control on unregulated waste disposal | Continuously | RIEW – Municipal Waste Municipalities - Construction Waste |
| Harmful physical factors | Monitoring of noise levels | Upon construction of new sites at specified points in populated areas. During the operation period of industrial enterprises: – Annually or as per validated plans | EEA RIPHC |
| Cultural heritage | Supervision by archeologists and experts during excavation works for possible presence of cultural monuments | During the performance of excavation works | Municipalities Technical supervisors of the sites National Institute of Cultural Monuments(NICM) |

The measures proposed in the table should be included as part of the overall system for monitoring, control and assessment of the program's implementation.

The indicators of ecological monitoring as per Priority axes are given in the Table below:

| Priority axes for development | Indicators for ecological monitoring | Unit of measurement |
|--|--|--|
| Priority Axis 1 – Sustainable and integrated urban development | | |
| Operation 1.1 Social infrastructure | Electricity consumption in public buildings Heating energy consumption in public buildings Water consumption in public buildings Electricity consumption from alternative and renewable sources | kWh kcal m ³ % of total consumption |
| Operation 1.2 Housing | Population included in the power distribution network Electrical energy consumption Population included in the gas distribution network Heating energy consumption Population included in the water supply network Electrical energy consumption from alternative and renewable sources (population) | % kWh/consumer % kWh/consumer % kWh/consumer |
| Operation 1.3 Organization of economic activities | Newly established enterprises Cleaning and restoring of contaminated areas in industrial zones; Removal of small-scale ecological pollution | number hectares hectares |
| Operation 1.4. Improvement in physical environment and risk prevention | Green areas ; Street networks with rehabilitated pavement Construction of bicycle routes and lanes, pedestrian zones; Air quality – emissions in the atmosphere above the standard level (excessive concentrations above the threshold level during 1 calendar year); Noise – exceeding the norms; Restoration and renovation of historical and cultural monuments located in the cities. | m ² % of total pavement km number of violations/year number. number. |
| Operation 1.5. Sustainable urban transport systems | Air quality – emissions in the atmosphere above the standard level (excessive concentrations above the threshold level during 1 calendar year); Emissions of greenhouse gases; Reduction of noise contamination – exceeding the norms Passengers transported by public transportation | number of violations/year m ³ number number |
| Priority Axis 2: Regional and local accessibility | | |
| Operation 2.1: Regional and local road infrastructure | Newly-constructed roads (including next to landfills) Implemented measures for environmental and biodiversity protection at the planning stage | km. number |
| Operation 2.2: Information – communication networks and services; | Populated areas equipped with broadband connections (ADSL, cable, satellite, wireless communication networks) Implemented measures for environmental and biodiversity protection at the planning stage | number number |
| Operation 2.3. Access to sustainable and efficient energy resources | Population included in gas distribution networks; Air quality – emissions in the atmosphere above the standard level (excessive concentrations above the threshold level during 1 calendar year); Deforestation (decrease of the deforested areas) Protection of species diversity and natural habitats when using alternative energy sources. | % of total No integrated population number hectares number of species |
| Priority Axis 3: Sustainable development of tourism | | |

| | | |
|--|---|--|
| Operation 3.1. Enhancement of tourism attractions and related infrastructure | Protection of biodiversity through the endorsement of environmentally-friendly natural, cultural and historical attractions; New construction Forested areas (area increases) Maximal protection of natural habitats and the species diversity they contain. | number hectares hectares number |
| Priority Axis 4: Establishment of regional and local networks; cooperation and capacity development | | |
| Operation 4.2: Spatial planning and project development | <ul style="list-style-type: none"> Planned projects related to environmental protection; Realized projects related to environmental protection | number number |
| Operation 4.3: Small-scale local investments | Reconstructed roads used by two or more municipalities; Green areas and parks; Campaigns connected with environment. | km. m ² number |
| Operation 4.4: Inter-regional cooperation | Trainings and seminars connected with environment | number |

Consultations conducted and reflection of their results

In accordance with the requirements of art. 19 of *Regulation on the conditions, order and methods for performance of environmental assessment of plans and programs* it is necessary for the assignor of the respective plan to conduct consultations with the public, the interested institutions and third parties that are likely to be affected by the respective plan.

In connection with these requirements the assignor has conducted consultations in the order envisaged for agreeing of the project's plan including the following:

| Consulted parties | Stated opinions and commentaries |
|---|---|
| Written information provided to the <i>Competent body – MEW</i> | Guidelines of MEW regarding the scope and contents of the environmental assessment (Letter No. 04-00-2819/15.12.2005) |
| Sending of information on the scope and contents of the EE and the schedule for conducting of consultations to the <i>Competent body – MEW</i> | Opinion of MEW on the sent information on the scope and contents of the Environmental assessment and the Scheme for consultation conducting (Letter No. 04-00-179/31.01.2007) |
| Sending of information on the scope and contents of the EE and the schedule for conducting of consultation to MEW, "National service for nature protection" Directorate, Basin directorates, RIEWP | All standpoints and comments received are taken into account in the elaboration of the Environmental Assessment. |
| Sending of preliminary environmental assessment to MEW | Received commentaries on the EA report |
| Publishing of preliminary assessment in the web site of MRDPW, notice for providing of location for public access and sufficient technical capacity (at the press centre of MRDPW – 17-19, St. St. Cyril and Methodius Str) and times for presenting the program's project, the environmental assessment and the relevant materials and setting 14-day term for expressing of opinions thereon. | All standpoints and comments received are taken into account in the elaboration of the Environmental Assessment. |
| Review of the Program and the Preliminary assessment | Written commentaries and remarks on the part of MEW |
| | Final opinion on EE of the Minister of environment and water |

All standpoints and comments received were taken into account in the elaboration of the Environmental Assessment. A complete summary of the consultations, which have taken place is included in Attachment 3 of the SEA report.

9.9. ANNEX 9: Indicative breakdown of funds by operations.

| Priority Axes by sort of funding (in euro) | % of priority axis | Community funding (a) | National public funding (b) | | Total funding (c) = (a) + (b) | Co-financing rate (%) (d) = (a) / (c) | EIB contribution | Other funding | Total (euro) |
|---|--------------------|-----------------------|-----------------------------|-----------|-------------------------------|---------------------------------------|------------------|---------------|----------------------|
| Priority Axis 1: Sustainable and Integrated Urban Development (ERDF) | 52,40% | 713 207 778 | 125 860 196 | 15 | 839 067 974 | 85 | | | 839 067 974 |
| Operation 1.1: Social Infrastructure | 33,40% | 238 189 621 | 42 033 463 | 15 | 280 223 084 | 85 | | | 280 223 084 |
| Operation 1.2: Housing | 4,77% | 34 027 089 | 6 004 780 | 15 | 40 031 869 | 85 | | | 40 031 869 |
| Operation 1.3: Organisation of Economic Activities | 14,31% | 102 081 266 | 18 014 341 | 15 | 120 095 607 | 85 | | | 120 095 607 |
| Operation 1.4: Physical Environment and Risk Prevention | 28,44% | 202 801 448 | 35 788 491 | 15 | 238 589 939 | 85 | | | 238 589 939 |
| Operation 1.5: Sustainable Urban Transport Systems | 19,08% | 136 108 354 | 24 019 121 | 15 | 160 127 475 | 85 | | | 160 127 475 |
| Priority Axis 2: Regional and Local Accessibility (ERDF) | 25,00% | 340 270 886 | 60 047 803 | 15 | 400 318 689 | 85 | | | 400 318 689 |
| Operation 2.1: Regional and Local Road Infrastructure | 80,00% | 272 216 709 | 48 038 243 | 15 | 320 254 952 | 85 | | | 320 254 952 |
| Operation 2.2: ICT Networks | 5,00% | 17 013 544 | 3 002 390 | 15 | 20 015 934 | 85 | | | 20 015 934 |
| Operation 2.3: Access to Sustainable and Efficient Energy Resources | 15,00% | 51 040 633 | 9 007 170 | 15 | 60 047 803 | 85 | | | 60 047 803 |
| Priority Axis 3: Sustainable Tourism Development (ERDF) | 13,62% | 185 379 580 | 32 714 043 | 15 | 218 093 623 | 85 | | | 218 093 623 |
| Operation 3.1: Enhancement of Tourism Attractions and Related Infrastructure | 70,00% | 129 765 705 | 22 899 830 | 15 | 152 665 535 | 85 | | | 152 665 535 |
| Operation 3.2: Regional Tourism Product Development and Marketing of Destinations | 15,00% | 27 806 937 | 4 907 107 | 15 | 32 714 044 | 85 | | | 32 714 044 |
| Operation 3.3: International Tourism Marketing | 15,00% | 27 806 937 | 4 907 107 | 15 | 32 714 044 | 85 | | | 32 714 044 |
| Priority Axis 4: Local Development and Cooperation (ERDF) | 5,60% | 76 220 679 | 13 450 708 | 15 | 89 671 387 | 85 | | | 89 671 387 |
| Operation 4.1: Small-scale Local Investments | 92,86% | 70 776 345 | 12 489 943 | 15 | 83 266 288 | 85 | | | 83 266 288 |
| Operation 4.2: Inter-regional Cooperation | 7,14% | 5 444 334 | 960 765 | 15 | 6 405 099 | 85 | | | 6 405 099 |
| Priority Axis 5: Technical Assistance (ERDF) | 3,38% | 46 004 623 | 8 118 464 | 15 | 54 123 087 | 85 | | | 54 123 087 |
| Operation 5.1: Management, Monitoring, Evaluation and Control | 44,57% | 20 504 623 | 3 618 463 | 15 | 24 123 086 | 85 | | | 24 123 086 |
| Operation 5.2: Communication, Information and Publicity | 18,48% | 8 500 000 | 1 500 000 | 15 | 10 000 000 | 85 | | | 10 000 000 |
| Operation 5.3: Capacity Building of OPRD beneficiaries | 36,95% | 17 000 000 | 3 000 000 | 15 | 20 000 000 | 85 | | | 20 000 000 |
| Total | 100,00% | 1 361 083 545 | 240 191 214 | 15 | 1 601 274 759 | 85 | | | 1 601 274 759 |

Note: In compliance with requirements of the SF Regulation for management at priority level, the allocation between operations is indicative only. The Managing Authority will decide upon reallocation, if necessary, depending on the absorption without prior approval of the European Commission. The figures at the level of specific operations are approximate (max +/- 1 euro), due to the uneven total amount of OPRD financing.

9.10. ANNEX 10: Law for the Roads

**9.11. ANNEX 11: Indicative list of municipalities, eligible under Priority axis 2, Operation 2.3
Access to Sustainable and Efficient Energy Resources.**

The following list is not exhaustive regarding the eligible municipalities that could benefit from the operation. The general eligibility criterion for the municipalities is "no gas distribution licence granted or not included in the gas distribution regions".

| Municipality | Branch from/to |
|---------------------|-----------------------------------|
| Silistra | Dobrich-Silistra |
| Nikopol | Levski-Nikopol |
| Bansko | Kresna-Bansko |
| Vidin | Montana-Vidin |
| Smolian | Asenovgrad-Smolian |
| Kardzali | Dimitrovgrad- Kardzali |
| Lom | Ruzinzi-Lom |
| Svishtov | Distribution branch - Svishtov |
| Karlovo | Rakovski-Karlovo |
| Sopot | Karlovo-Sopot |
| Razlog | Bansko-Razlog |
| Goze Delchev | Bansko-Goze Delchev |

Note: The project for Silistra has been proposed for financing under the KIDSF. Decision is pending.

9.12. ANNEX 12: Potential for use of RES and gas pipeline projects maps

9.13. ANNEX 13: Training programme for increasing capacity of beneficiaries under OPRD

TRAINING PROGRAMME

For increasing capacity of beneficiaries under OPRD

Rationale

1. The main resources of the OPRD are addressed to support projects solving regional disparities and problems as well as to increase the standard of life in the Bulgarian regions. The main groups of beneficiaries under the programme are:

- Local authorities;
- NGO's;
- Central Ministries and Agencies having certain responsibilities for conducting the governmental policy in the respective sectors – education, health, culture, road infrastructure, tourism.

2. The Beneficiaries from the three groups have different readiness to be active and reliable counterparts in the process of OPRD implementation.

3. The Managing Authority of OPRD has undertaken a very detailed analysis of project capacity and absorption related to all OPRD operations. This exercise has identified key strengths and weaknesses among various beneficiaries and also identified a first "batch" of projects and their promoters/partners to be assisted to develop and implement projects. The documentation relating to this unprecedented exercises is available.

4. The main conclusion of the analysis shows that:

- Municipalities face difficulties in prioritizing their needs but more important their tools for development;
- Municipalities generally have difficulty in conceiving of non-infrastructure responses to development problems: they also tend to propose smaller "isolated" rather than strategically or operationally integrated projects;
- Municipalities as well as NGO's have still deficiency in project preparation, identification and justification - especially in terms of economic and social outcomes - of the project idea;
- Maturity of the projects is based on project based initiative, which starts when a particular financing scheme is launched, and in many cases there is no preliminary preparation;
- The state administration has to carry out the national policy laid down in the strategic documents and in that respect they have to identify how their priorities could be integrated in and supported by the OP RD based on complementarity's principle.

Objective of the Programme

5. The MRDPW has embarked on a programme to address these problems and at the same time prepare an adequate pipe-line of projects. Assistance to project development and to their promoters (beneficiaries) is carried out in the same process. Consultants under the Phare Absorption project will begin this process and a further Phare project (currently at tendering stage) will continue this work over the next 18 months.

- To increase Beneficiaries' capacity to identify and prepare appropriate projects;
- To prepare a list of projects ready for submission under the different OP RD operations: the current Phare project will develop at least 200 projects to stage of "viability" as project ideas and the successor Phare project will take these and other projects to finalization stage;
- To ensure adequate capacity among promoters to actually implement the funded projects.

Results

6. Anticipated results are:

- Trainings carried out for local authorities and NGO's in project identification and preparation;
- Advisory assistance given to state administration about designing operations in a manner that stimulates project generation.

Means

7. The provisions for implementation of the programme have been incorporated in projects, financed by PHARE, named PHARE BG2004/016-711.11.02. Phase 1 / Year 2004 - Support for preparing good quality strategic documents, promotion of partnership and cooperation and assistance for project development capacity. As stated a Phase 2 project worth up to 4.5MEUR is in process of tendering. The project is part of signed with the EC financial agreement for PHARE 2004.

Duration

8. Duration is as follows:

Phase 1 – Started 09/2006 – completion date 11/2007.

Phase 2 – Starting 11/2007 – end 2008.

Training/Capacity-building programme methodology

9. The approach adopted by the consultants is based on a previously successful project in which they were engaged in the Czech Republic in 2003-4 and has been refined and adapted to Bulgarian circumstances.

10. Phase 1 of the programme is divided into two main Components.

- *Component A – Project identification (Duration December 2006 – April 2007);*
- The methodology of this component is aiming at supporting potential Beneficiaries in identifying their priority projects and giving initial project ideas, which could be further improved and developed. It has involved the following key tools and steps:
 - A template is designed on which all interested persons are requested to describe their projects,
 - Guidance is prepared and delivered to beneficiaries on filing out the template,
 - The template was widely disseminated and significant practical support was given to all regional and local authorities, interested NGO's through delivery of "open" information sessions in all regions and follow up advice (telephone, individual meetings etc),
 - As a result over 1500 project proposals have been submitted by the deadline of 9 February 2007.
- Meanwhile the national agencies and ministries also have been consulted as to formulate their place in the OP RD and the way of coordination for implementation purposes of the national policies' priorities towards the ones of OPRD;
- The training was also organized where over 30 MRDPW officials were trained in a two day workshop to apply the systems and tools for project identification, selection and appraisal;
- Based on the selection process of projects a list of 460 most ready, feasible and relevant projects is established;
- The project promoters which are included in the list are going to receive training support under Component B;
- *Component B – Project development (Duration May 2007 – October 2007);*
- It is envisaged to provide 2 main types of support to project development:

a) **Intensive modular assistance** where the purpose is to provide extensive assistance to develop the projects to an advanced stage of preparation. The trainings will be carried out for groups of Promoters as support is structured in 3 modules for each group. The groups will be formed on regional level depending on the number of projects (between 2 and 4 groups in a region).

b) **Thematic assistance** will be offered to projects for some operations that are perceived as requiring less extensive support but rather a stronger focus on the specific features of the respective operation.

- The Ministries and Agencies appointed as beneficiaries under the programme will be covered by the thematic assistance as well.

Content of Programme

11. The trainings will focus on:

- **Relevance** – ensuring that the project idea is indeed relevant and potentially eligible to a given operation (ie project objectives, results and outputs, promoter and partners are clearly relevant to the operation, the project addresses a problem and provides benefits to relevant target groups clearly consistent with the operation, all other formal aspects of relevance are satisfied).
- **Feasibility** – ensuring that the project idea is free from any major potential impediment and, insofar as can be assessed at an early stage, will be feasible subject to further development (ie co-financing support will be in place, adequate technical capacity exists, sufficient commitment by partners is in place, there is a clear vision on how to develop the project, demand for project results and activities has been assessed).

12. Projects that pass these two stages (**conceptualisation and design**) are considered "viable" as project ideas: they will then pass to stages of more detailed **elaboration and finalisation**, supported by the Phare Stage 2 project.

13. Support to projects and their promoters is given (at least up until November 2007) through modules involving up to 25 persons, and around 15 projects, in up to 19 separate programmes throughout the country.

Content of Module 1:

14. As a result of the training the participants will:

- Learn, understand key stages of project development methodology and the corresponding Project Preparatory Matrix;
- Identify exactly where their own project is in terms of its development;
- Re-assess the "problem" or "need" their project is intended to address;
- Re-identify project partners according to their various contributions;
- Re-examine relevance according to objectives, target groups, beneficiaries, results, other.

15. Before Module 2, participants are expected to discuss/plan with relevant partners documentation developed and show results in writing.

Duration of the training under Modul 1 – 1.5 days, provisionally scheduled for July 2007

Content of Module 2:

16. As a result of the training the participants will:

- Commit (on behalf of their partners (present or absent) to agreed results, outputs, project objectives and understand how they are appropriate to the intended operation;
- Identify demand or how to assess demand;

- Consider preliminary activities and identify most likely options (consider whether the same results could no be achieved better by other activities) (options analysis);
- Assess (re-assess) in function of likely activities, rough cost/size of project;
- Apply feasibility test and identify problems and actions.

Duration of the training under Module 2 – 2 days, provisionally scheduled for September 2007.

Content of Module 3:

17. As a result of the training the participants will:

- Define key elements of demand indicating appropriate sources;
- Define likely activities;
- Examine a typical application form and fill out certain fields;
- Define all further steps required to develop project;
- Indicate partner commitment to current project and future action plan.

Duration of the training under Modul 3 – 1 day, provisionally scheduled for October 2007.

Follow-up activities (Stage 2)

18. As the training programme envisages support for the Beneficiaries in the initial period of the OP RD implementation, the MA will further elaborate an action plan for strengthening administrative capacity as attention will be paid on:

- Detailed elaboration of proposals – there is a provision of services to be delivered under PHARE, 2nd Phase project;
- Specific training.