



Operational Program “Development of the Competitiveness of the Bulgarian Economy” 2007-2013 – challenges and results

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Abstract This paper analyses the benefits of the Operational programme “Development of the Competitiveness of the Bulgarian Economy” and also possibilities for its development, based on the analysis of the physical progress of the programme and Management and Control Systems, implemented by the Managing Authority.

Keywords: EU funds, cohesion policy of EU, Bulgaria absorption of EU funds.

I. INTRODUCTION

The end of 2012 marks six years since the accession of the Republic of Bulgaria to the European Union and also thirteen years from the beginning of development the first Bulgarian institutional system for Management European funds and Programmes. For this period of time, one of the main challenges in the work of Bulgarian public administration is efficient and effective absorption of the financial resources provided by European Funds and Programmes.

In this context, the paper analyses the challenges and results of the Operational programme “Development of the Competitiveness of the Bulgarian Economy” 2007-2013. This is the programme, mainly focused to the implementation of the first strategic objective of the National Strategic Reference Framework – Strengthening the Competitiveness of the Economy to achieve high and sustainable growth, and on its third strategic priority – Entrepreneurship Promotion, favorable business environment and good quality management.

This analysis is much more necessary taking into account the fact, which Republic of Bulgaria is now in negotiation phases for the next European Union Programming period (2014-2020 r.).

II. OPERATIONAL PROGRAMME “DEVELOPMENT OF THE COMPETITIVENESS OF THE BULGARIAN ECONOMY” 2007-2013 – CHALLENGES AND RESULTS

Operational programme “Development of the Competitiveness of the Bulgarian Economy” (OP DCBE) 2007-2013 is financed by the European Regional Development Fund and co-financed from the National budget. The total amount of the public resources is around 1,1 bill. euro. (€ 1 162 215 551).

The purpose of the OP DCBE is to achieve the strategic priorities and guidelines for development of the Bulgarian economy since accession to the European Union. The programme is aimed at solving the main problems and barriers in the economic development of the country, in the way of measures and activities executed to help successfully challenges to the Common Market. Through the programme the strengths of the Bulgarian Economy should be promoted in order to give the country its place in the European Economy.

The overall objective¹ [7] of OP "Competitiveness" is to develop a dynamic economy competitive at the European and world market.

To achieve this objective there are set of measures and activities that have to stimulate the economy of knowledge and innovations, development of competitiveness enterprises, increasing investments and export, building a favorable business environment in the following four priority axes²:

- Priority axes 1 – „Development of a Knowledge-based Economy and Innovation Activities”;

¹ Consolidated version of the OP “Development of the Competitiveness of the Bulgarian Economy” 2007-2013, after its amendment with the Decision of the European Commission from 20.07.2011 can be read at the following website: <http://www.opcompetitiveness.bg/uploadfiles/documents/2011/august/2007bg161po003annex.pdf>, p. 87

The webpage of the Managing Authority of the “Development of the Competitiveness of the Bulgarian Economy” is: <http://www.opcompetitiveness.bg>

² Ibid, p. 88

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- Priority axes 2 – “Increasing efficiency of enterprises and promoting supportive business environment”;

- Priority axes 3 – „Financial Resources for Developing Enterprises”;

- Priority axes 4 – “Strengthening the international market positions of the Bulgarian economy”.

As it was already noted, OP DCBE largely contributes to the implementation of the First strategic objective of the National Strategic Reference Framework (NSRF) – Strengthening the Competitiveness of the Economy to achieve high and sustainable growth, and on its third strategic priority – Entrepreneurship Promotion, favorable business environment and good quality management.

The answer of the question - “What are the results for the indicators under this strategic objective and this strategic

priority in the period 2006 – 2011?” - will show us the level of objectives achievement of the NSRF.

Table 1 are presented the indicators value over the years, as well as the baseline and target values for each analyzed indicator.

The overall assessment is that most of the target values will not be reached, which may be caused both for reasons connected to the change of the economic situation due to the global economic crises, and as well as the imperfections made on the programming process of development of the operational programme and establishing of management and control system of the Managing Authority.

Without going into unnecessary polemics, the impact of two factors is obvious

Table 1, The indicators value over the years

Strategic Objectives	Indicator	Baseline	2007	2008	2009	2010	2011	Q3 2012	Target	
1. increased competitiveness of the economy to achieve high and sustainable growth	Percentage of GDP per capita than the EU average	32.1% (2005)	40%	43.6%	43.8%	43.9 %	50.0%		51.2 (2013)	
	Growth of GDP	5% (2000-2006)	1.90%							5.73 % (2007-2013)
	Export GDP	60.8%	59.4 7 %	58.22 %	47.51 %	57.4 %1	66.51 %		89.77%	
Strategic priority	Indicator	Baseline	2007	2008	2009	2010	2011	Q3 2012	Target	
3. Fostering entrepreneurship, favorable business environment and good governance	Labour productivity	3.5% (2005)	3.2	3.5	-2.9	5.3	6.1		5	
	Foreign direct investment	11.7 bill. Euro (2000-2006)		19.2	22.4	22.1	21.6		21.7 (2007-2013)	
	Maximum number of days for registering a new company	32							1 (2013)	
	Maximum number of procedures for registering a new company	9							1 (2013)	

The value of the indicators for physical progress of the programme and its financial implementation are really evincible.

Table 2 give information about indicators for physical progress under first tow priority axes.

Table 2 (source CEADEF³)

Type indicator	Measure	Achieved so far	Target
Support innovative start-ups	Number	20	95-130
Innovations introduced ready to be put on the market	Number	20	76-104
R & D projects supported in the pre-market phas	Number	11	90
Supported R & D projects to market entry	Number	12	30-40
Researchers employed in enterprises	Number	33	110
Increase in production capacity in supported enterprises	%	34.52	15
Reducing the average age of technological equipment in supported enterprises	%	13.82	30
Supported SMP bring into use new technologies and products	Number	130	550
Certificates introduced in supported businesses	Number	331	537
Researchers employed in enterprises	Number	33	110

This method for Management and Control is shown in Figure 1.

³ CEADEF – Parliament Committee on European Affairs and oversight of the European Funds

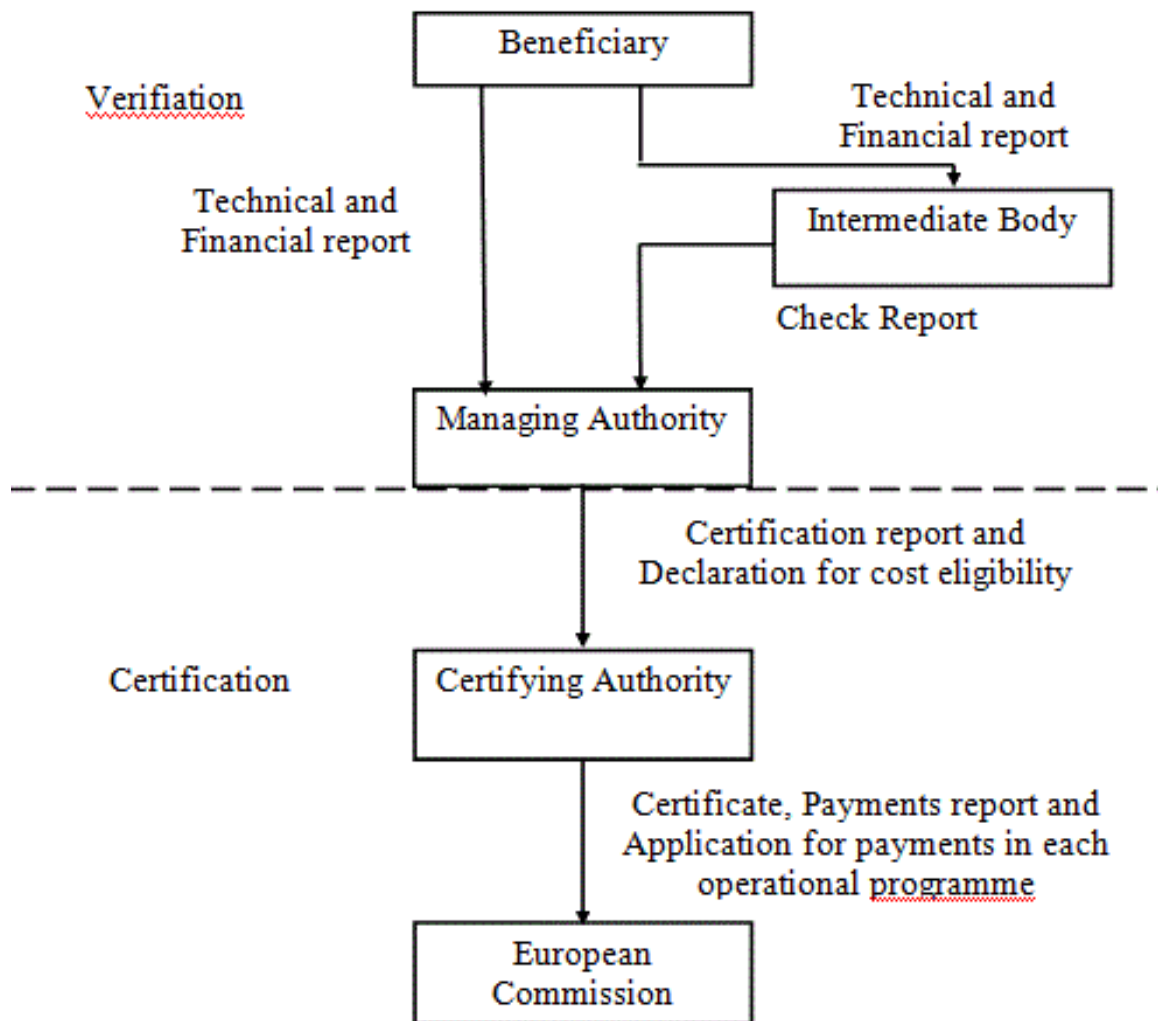


Figure 1, Key actors in the process of verification and certification

After administrative reorganization of the process, the Intermediate Body has been removed under this programme. In September 2012 the Directorate “European Funds for Competitiveness” is acting as a Managing Authority, without Intermediate Body. This means that the Directorate executes all European Regulations 1080/2006⁴, 1083/2006,⁵ and 1828/2006⁶ and acts directly to the programme

⁴ Regulation (EC) N 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund

⁵ Council Regulation (EC) N 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund

⁶ Commission Regulation (EC) N 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) N 1083 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) N 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund, Official Journal, L 371, Volume 49, 27 December 2006

beneficiaries (including those under Priority Axes 1 and 2).

The evaluation process duration of the projects proposals was determined in the previous analysis⁷ as one of the major problems facing the effectiveness of OP “Competitiveness”. The period for evaluation under this programme ranged from 4 months to over one year. On the other hand, the small proportion of the payments to direct beneficiaries (especially those that are Small and Medium Enterprises) is a result of the established management and control system. The programme is an example of the way how excessive checks and control levels ensure high security and irregularities prevention, but also significantly reduce the effectiveness of the operational programme⁸.

⁷ Angelov K., Effective organization and management of the processes of implementation, control and absorption of Structural and Cohesion Funds of the European Union, Sofia, 2011

⁸ Such is the opinion of Mr. Jean-Marie Seyler, director in Directorate General “Regional Policy”, European Commission,

In this regard, have been proposed managerial impacts, aiming quality development of the Control and Management Systems, to allow as preventing irregularities, but also intensification of the results from financial sources, provided to Republic of Bulgaria under the programme “Competitiveness” by ERDF. An important aspect is to increase the effectiveness of Internal Guidelines to prevent conflict of interests and compliance to the principle of impartiality and independence in the process of implementation and management of OP “Competitiveness”. Therefore, in December 2011, it was proposed “to consider as eligible to European Regulations transformation in the Intermediate Body that facilitate interaction with potential and actual beneficiaries (enterprises)”⁹.

Now we can point out that this recommendation, as well as our forecast has come true, and the argument of this is that we are in the middle of the reorganization of level management of the programme.

It is really a good opportunity as an Intermediate Body, under concrete grant procedures, to be invited non-governmental organizations with close links to companies in a particular sectors or planning region (NUTS2).

Such an approach does not exclude national presented branch organizations, which may also be involved. This way allow higher synergic between business and public administration. On the other hand it would reduce differences between planning regions, in the way of close relationship (e.g. geographical) between Intermediate Body and the enterprise.

Another approach to usage of public resource is involving organizations with specific technological competence to act as an Intermediate Body in grants procedures that require specific experience in project proposal selections and monitoring of project implementations. For instance in procedure with energy efficiency – there are certifying

expressed in the Sixth Meeting of the Monitoring Committee of the National Strategic Reference Framework (1 June 2011). Pointing out that “there are still problems with OP “Competitiveness”, and that the Managing Authority must accelerate payments to the beneficiaries, because the programme is the “backbone of the economy” and “if the funds do not reach companies, that directly reduce the positive impacts of the policies”, <http://www.eufunds.bg/document/2746>

⁹ Intermediate Body is “‘intermediate body’: any public or private body or service which acts under the responsibility of a managing or certifying authority, or which carries out duties on behalf of such an authority vis-a-vis beneficiaries implementing operations (article 2, Regulation 1083/2006). The practice, not only in EU 12, but also in Poland and Hungary, shows very good results in delegation and acting with Intermediate Body, that have proven its efficiency in interaction with a group of potential beneficiaries. European Regulations do not focus on the specific restrictive requirements not only for the private nature of the Intermediate Body, but also their number. The Managing Authority is responsible for this managerial decision. Synergistic interaction between different structure of civil society and public administration, as in Poland, Britain and Hungary, can be the basis of the effectiveness management of the resources, provided by Structural and Cohesion funds.

organizations in this field.

These challenges, related to the improvement of Management and Control Systems, are directly connect with the development of the financial programme implementation. By the end of this programming period it is necessary to execute only the really urgent ones. For the period 2014-2020 is possible innovative transformation for the overall Bulgarian systems for management.

Another key problem, identified by all stakeholders in the implementation process of the programme, is the difficulty of the beneficiary to find resources for co-financing the grant project. In order to overcome this problem, the Managing Authority has started the process for extension of the eligible project activities and increasing resource for financing engineering instruments.

This problem is compounded by the fact that for all calls expenses, already done by the beneficiary, are not eligible (the only one exception is the cost of consultancy services in connection to the preparation of project proposal) before submission of the project. These difficulties are minimized by the adoption of the Council Decree №258/07.09.2011, amending Decree № 236/2007 for detailed rules for eligible costs under OP “Competitiveness”. However, analyzing procedures already contracted, the Managing Authority has discovered a steady negative trend to delay payments to the beneficiaries.

VI. CONCLUSION

In this analysis is reported as achieved benefits but also challenges to overcome in the implementation of the objectives of the Operational programme “Development of Competitiveness of the Bulgarian Economy”. On the first place it is necessary to intensify in significant degree promotion of the innovations and knowledge based economy as an opportunity to generate sustainable growth, allowing for the foreseeable future to reach the EU average level of the social-economic development.

This requires, as further steps rethinking of the most effective ways of programme administration, as well as developing mechanism for credits co-financed part of the beneficiaries. The costs for project administration, long term for selection and approval, and also for reimburse of payments requested are among the main reasons for refusal of many potential and also present beneficiaries to support their company business through the financial aid of programme.



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