



# Structural and Cohesion funds management – parallel between practice in Latvia and Bulgaria

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*Annotation:* This paper focus on the administrative practice in European Structural and Cohesion funds management in two different Member States – Bulgaria and Latvia. This programming period is the first for Republic of Bulgaria (till its accession in EU in 2007) and the second for Latvia (Latvia has become a Member State in 2004).

The Author gives an interesting analysis based on similarities and differences in EU Structural and Cohesion funds Management in these two countries.

## I. INTRODUCTION

At the end of 2013 one of the most important challenges that Bulgarian public administration is facing are connected to:

- overcome the difficulties in the implementation process of the operational programmes, financed by EU European funds;
- programming of the operational programmes for the next programming period.

The overcoming of this both challenges should go through the analysis of the achievements, lessons learnt and best practices as well as imperfections in the management and control processes of the EU funds in Bulgaria. In this regard is necessary to make an analysis on best practices in other member states that have more experience and better absorption level. This paper present an analysis of the architecture of the national institutional systems in management of the EU funds in Bulgaria and Latvia. On this bases are defined the advantages and gaps of each of this national systems in this countries.

## II. COMPARATIVE ANALYSIS BETWEEN RESULTS IN THE NATIONAL INSTITUTIONAL SYSTEMS IN THE EU FUNDS MANAGEMENT IN BULGARIA AND LATVIA

In 2013 Bulgaria is on its preparation to the effective programming of the New Programming Period 2017-2020. The efforts of the Bulgarian Administration have to be based on the lessons learned from the present period as well as on the good practice in the other Member States.

In this programming period (2007-2014) Bulgaria receive from European Structural and Cohesion funds 8 019 197 651 Euro (including national co-funding). This budget covers different socio and economic sphere in country through seven operational programmes as follows:

1. Operational Programme Transport – Managing Authority in the Ministry of Transport, Informational Technology and Communications
2. Operational Programme Environment – Managing Authority in the Ministry of Environment and Water
3. Operational Programme Regional Development – Managing Authority in the Ministry of Regional Development and Public Works;
4. Operational Programme Development of the Competitiveness of the Bulgarian Economy – Managing Authority in the Ministry of Economy, Energy and Tourism;
5. Operational Programme Human Resource Development – Managing Authority in the Ministry of Labour and Social Policy;
6. Operational Programme Administrative Capacity – Managing Authority in the Ministry of Finance
7. Operational Programme Technical Assistance – Managing Authority in the Council of Ministers.

The EU budget as well as national co-financing of each programme is presented in the Table 1.

These all seven programmes have different Managing Authorities in separate structures in the Bulgarian Administration. According to the Regulation 1828/2006 the Managing Authority may act with the help of one or more Intermediate Body. Intermediate Bodies are therefore specific decision of the Managing Authority, which has the final responsibility of the programme implementation. Several programmes in Bulgaria have Intermediate Body:

- OP Environment – one Directorate in the Ministry of the Environment and Water act as an Intermediate Body;
- OP Human Resource Development – this programme has three Intermediate Bodies:
  - Ministry of Education, science and youth
  - Agency for social assistance;
  - National Employment Agency

There is also another body with significant functions in the process of management – this is the Central

Coordination Unit within the Council of Ministers Administration.

Table 1: Budget of the Operational Programmes in Bulgaria [10]

OPERATIONAL PROGRAMME	Programme budget		
	Total	EU Funding	National co-funding
OP Transport	2 003 481 166 €	1 624 479 623 €	379 001 543 €
OP Environment	1 800 748 085 €	1 466 425 481 €	334 322 604 €
OP Regional Development	1 601 274 759 €	1 361 083 545 €	240 191 214 €
OP Competitiveness	1 162 215 552 €	987 883 219 €	174 332 333 €
OP Technical Assistance	56 819 427 €	48 296 513 €	8 522 914 €
OP Human Resource Development	1 213 869 575 €	1 031 789 139 €	182 080 436 €
OP Administrative Capacity	180 789 087 €	153 670 724 €	27 118 363 €

The Minister of EU funds Management in Bulgaria is the political figure, responsible for the whole process. All Managing Authority are functionally subordinate to the Minister. The Central Coordination Office (which includes three directorates in the Council of Ministers) is managed directly by the Minister.

On the Figure 1 is shown the Bulgarian Management System of EU funds management. There were different opinions about its effectiveness and also plans for change. The Minister for EU funds Management in Bulgaria Tomislav Donchev has repeatedly said that he stands behind the idea to create for the next programming period a

National Agency, which includes all managing authorities. However, this idea didn't meet support of the Ministries with the operational programmes.

The present intention of the Bulgarian Administration is to keep the same management structure (with Central Coordination Unit, Managing Authorities and Intermediate Body) during the next programming period.

The picture in Latvia is totally different. The budget for this Member State for the present programming period is **4 530 447 629** Euro. There is only one Managing Authority within the Ministry of Finance, responsible for the all three operational programmes.

The SCF programmes in Latvia are:

- Operational Programme Human Resource and Employment;
- Operational Programme Entrepreneurship and Innovation;
- Operational Programme Infrastructure and Services.

The institutional framework of EU funds Management in Latvia in this programming period is presented of the Figure 2.

In fact there are no dramatic differences between the management systems in Bulgaria and Latvia. Despite of the varied names of the administrations, the main operative work in Latvia is done again in the eight so called "line ministries". They are responsible for the implementation and first-step control of verification in the concrete filed of the operational programmes. The real role of co-operation institutions is as an Intermediate Bodies.

The main big difference between Bulgarian and Latvian systems is the fact of an only one Managing Authority – in this case this is the Ministry of Finance in Latvia.

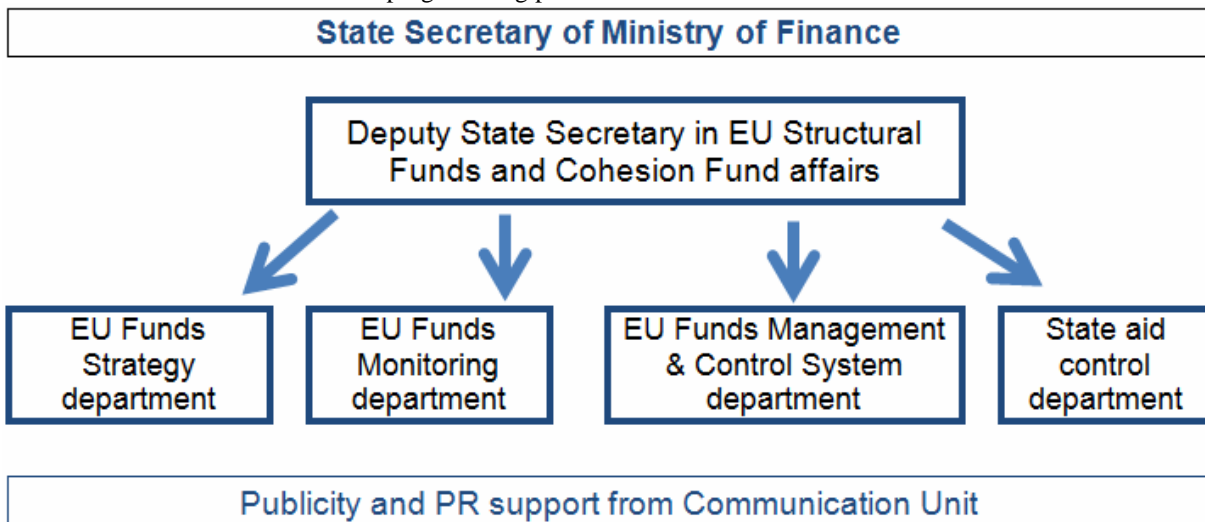


Figure 2, The institutional framework of EU funds Management in Latvia in this programming period

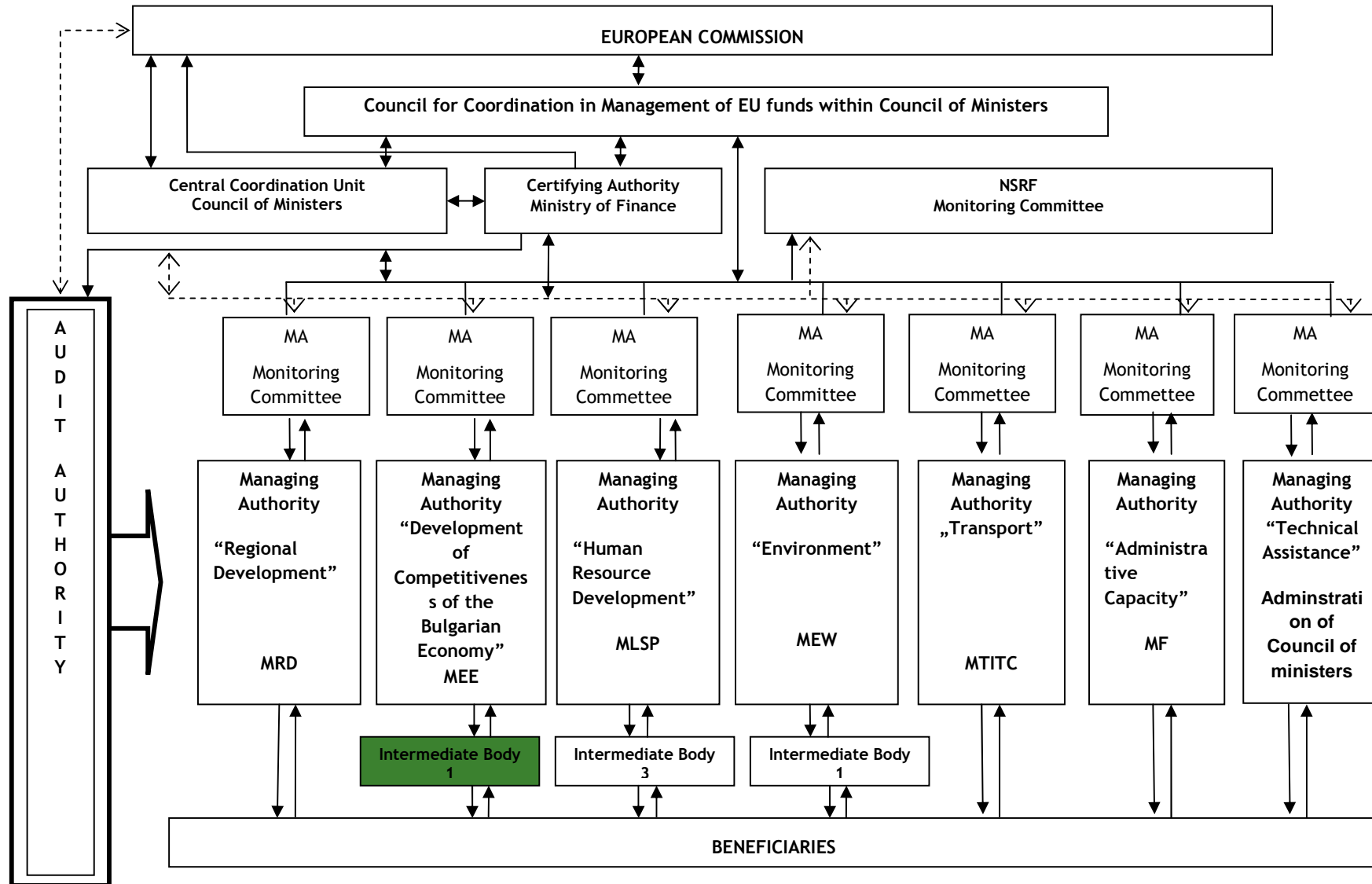


Figure 1. Institutional Framework of EU funds Management in Bulgaria in the period 2007-2013

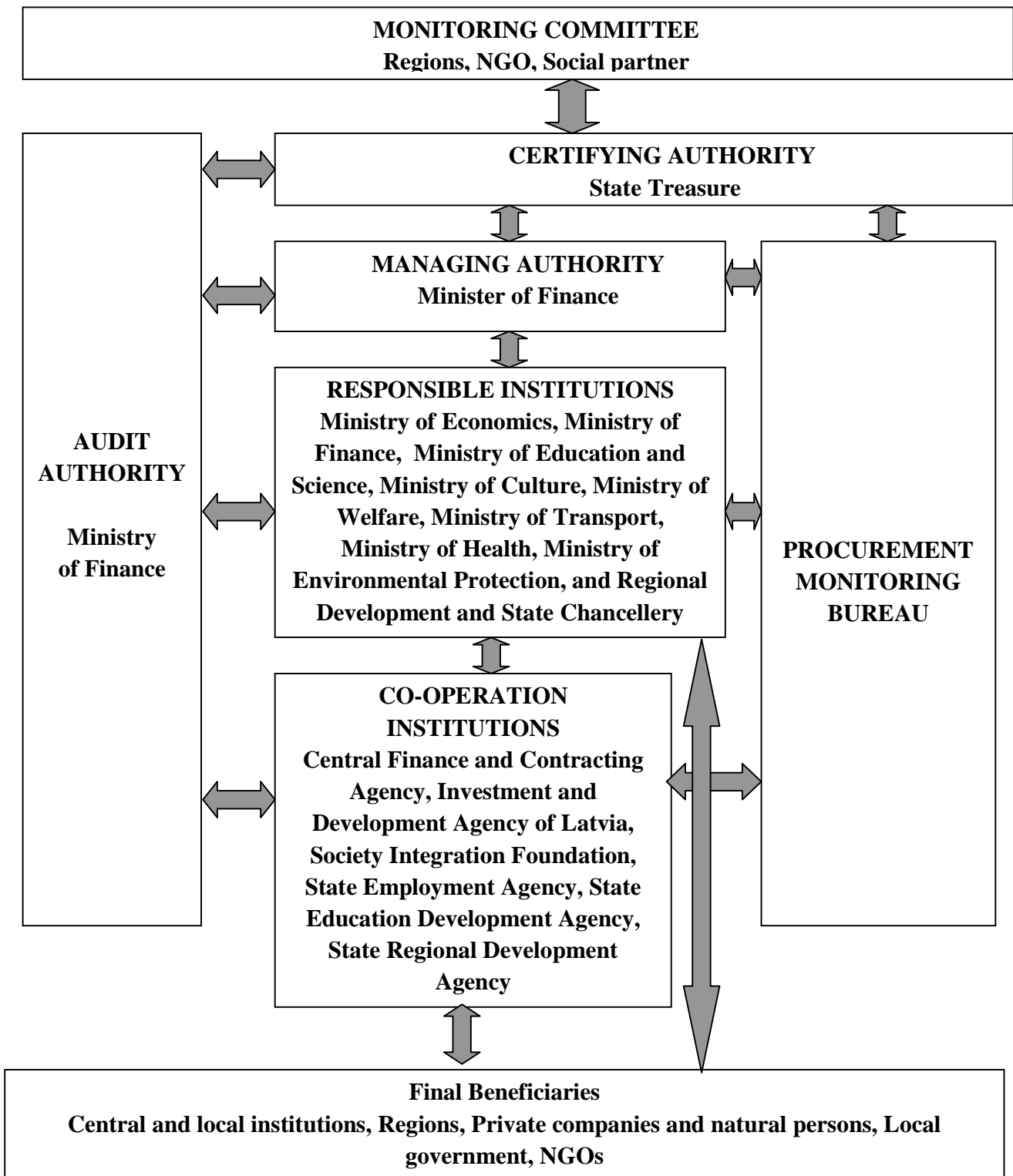


Figure 3. Institutional Framework of EU funds Management in Latvia in the period 2007-2013



There are different methods in analysis which management system is more effective and efficient. The key factors of such an analysis is the answer of the simple question what the Member State wants to do and of course – what is appropriate for its development – more centralized or decentralized system; several or many operational programmes...

The Latvian EU management gives more centralized model which has its advantages:

- Only one administration, responsible for the implementation of the operational programmes;
- Only one administration which has responsibilities to the European Commission;
- No miscommunication in decision-making processes (because the Top Management is the Minister of Finance);
- All information about the management process (percentages for absorption for instance) are collected in one place;
- Clear responsibilities of all organizations and institutions of the systems, based on the administrative hierarchy.

When we analyze the Latvian EU Management system, we have to mention that this system is effective in concrete circumstances such as:

- Latvia is smaller than Bulgaria country in size and population;
- Latvia receive smaller budget from European Union than Bulgaria;
- Latvia has only 3 Operational programmes.

So, this centralized administrative model of EU funds management is appropriate for small countries, where regional disparities are not so big.

On the other side, Bulgarian EU Management System has also its advantages:

- The Minister of EU funds Management in Bulgaria is the link between Bulgarian Administration and the European Commission on a strategic level;
- Each Managing Authority has more flexibility in the decision-making process in the programme implementation.

The System in Bulgaria should be changed not so much in terms of institutional framework, as to the implemented processes. For instance:

- To strengthen the coordination role of the National Coordination Unit (for programming and implementing programmes);
- To enhance understanding in the administration about the hierarchy in the system (the role of Managing Authority and the role of Intermediate Body);

The real effectiveness of one or other EU management system can be evaluated through the results in absorption of EU funds. The parallel between the Bulgaria and Latvia is shown on the table 2.

The results are undeniable that the Bulgarian Administration is more ineffective and inefficient. The reasons for this are various:

- First programming period for the Bulgaria as a Member State;
- Low administrative capacity;
- Ineffective management system.

In terms of the seven Managing Authorities is really necessary to improve coordination function of the Central Coordination Unit. The Coordination body is the only mechanism on the national level through which is possible to avoid many mistakes in the absorption process. Moreover, in case of low effectiveness of the operational programme, this Coordination Unit should have the obligation to intervene to correct imperfections, including by proposals to the Monitoring Committee for financial allocation between priority axes of the programme. Regarding this information, the logical hierarchical administration for the Central Coordination Unit is the Council of Ministers. In the practice of the absorption of the Structural and Cohesion Funds, best results were received in strong national coordination under the Deputy Prime Minister.

In conclusion, to receive good results in the next programming period, the Bulgarian Managing system of EU funds should be more flexible and to reflect the real advantages of the country. They were many projects about the strengthening administrative capacity of the Managing Authorities and beneficiaries in this present period. The dramatic change in this managing system will be no recommended, until you can be able to analyze the final results in 2015.

### CONCLUSION

Based on the analysis of the institutional systems for European co-financing in Bulgaria and Latvia as well as the absorption level of the European funds in this two countries, the author give proposals for improvements in the processes of management and control of the European funds in Bulgaria.

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Table 2. Absorption data for Latvia and Bulgaria, January 2013

Member States	Operational Programme	EU Funding (EUR)	Contracted EU funding		Payments to final beneficiaries	
			EUR	%	EUR	%
Latvia	Human Resource and Employment	583 103 713	603 366 297	103.5	458 986 303	78,7
Latvia	Entrepreneurship and innovation	736 730 949	676 761 395	91.9	414 205 289	56,2
Latvia	Infrastructure and services	3 210 612 967	2 998 711 191	93.4	1 710 189 763	53.3
<b>Total in Latvia</b>		<b>4 530 447 629</b>	<b>4 278 838 883</b>	<b>94.4</b>	<b>2 583 381 355</b>	<b>57.0</b>
Bulgaria	Transport	2 003 481 166	1 958 748 130	97.77	888 476 553	44.35
Bulgaria	Environment	1 800 748 085	2 612 358 947	145.07	326 848 550	18.15
Bulgaria	Regional Development	1 601 274 759	1 434 616 249	89.59	572 705 323	35.77
Bulgaria	Competitiveness	1 162 215 552	969 649 804	83.43	510 430 107	43.92
Bulgaria	Technical Assistance	56 819 427	47 601 977	83.78	19 646 847	34.58
Bulgaria	Human Resource Development	1 213 869 575	1 058 789 771	87.22	398 757 021	32.85
Bulgaria	Administrative Capacity	180 789 087	137 341 351	75.97	70 399 546	38.94
<b>Total in Bulgaria</b>		<b>8 019 197 651</b>	<b>8 219 106 229</b>	<b>102.49</b>	<b>2 787 263 947</b>	<b>34.76</b>

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