CBC PROGRAMMES IMPACT IN NORTHWEST NUTS II REGION OF BULGARIA IN THE PERIOD 2007-2013

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Abstract: The purpose of the paper is to study the impact of the cross-border cooperation programmes in the Northwest Nuts II Region of Bulgaria in the period 2007-2013. The results to be achieved with the study is to assess the effectiveness of EU CBC programmes in one of the most backward EU NUTS II region and to identify the positive and negative effects of various interventions realized with EU funding. In addition, the study evaluates the outputs and results of different types of measures, incl. hard and soft projects and their influence on the local economic and sustainable development as well as their contribution to achieving the objectives of EU cohesion policy in the observed programming period. The conclusion made in the paper is directly related to the cross-border and transnational cooperation with specific focus on particular geographical area. Best practices and challenges are also identified and related to the needs and objectives of the target region in the new programming period 2014-2020.

Key words: CBC, Programmes, Impact, NUTS II Region

Introduction

Although subject to advanced processes of integration, the territory of the European Union does not yet represent a fully functional unit. The existence of deferring administrative systems creates barriers to the balanced development of different European regions. Border areas constitute approximately 40% of the EU's territory and are home to one third of its 500 million citizens. These areas are often economically weak, with relatively underdeveloped infrastructure and significantly higher unemployment in

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comparison to more central regions within their respective states (Bohm 2014; Тошић и Живановић, 2012; Ђерчан и др., 2011;).

In order to address these large disproportions among regions and to make the most backward cross border territories more advanced and competitive, the cross border cooperation was developed as a Community initiative in 1990. Ten years later, the so called INTERREG was reorganised as a formal "objective" of European Cohesion Policy.

European Cross-border cooperation aims to tackle common challenges identified jointly in the border regions and to exploit the untapped growth potential in border areas, while enhancing the cooperation process for the purpose of the overall harmonious development of the Union (http://ec.europa.eu/regional_policy/en/policy/cooperation/european-territorial/cross-border/#1).

In the past 25 years, the European Union has launched many cross border cooperation programmes, some of them implemented simultaneously for one and the same region because of the actual border with more than one neighbouring country. Although much progress has been made, difficulties remain in many areas, such as infrastructure, unemployment, healthcare, etc.

Goal, methods and working hypothesis

The present paper will focus on the role of the two INTERREG programmes implemented in the period 2007-2013 in the Northwest Nuts II Region of Bulgaria. It will include a brief overview of the objectives, priorities and financial resources allocated as well as a summary of projects implemented by types of measures. The main goal is to identify the positive and negative effects of various interventions realized with EU INTERREG programmes funding and to evaluate how the various types of measures (hard and soft) influenced the local economic and sustainable development.

The reason the Northwest Nuts II Region of Bulgaria was selected for this study is that according to EUROSTAT and various analysis this is the most backward region in the European Union. The Northwest Region of Bulgaria has a common border with 1) the Southwest Nuts II Region of Romania which is also suffering considerable economic and social challenges, and 2) the Southern and Eastern Serbia with similar socio-economic constraints. The three NUTS II territories in Bulgaria, Romania and Serbia are characterized by a wide geographical and environmental diversity. In the CBC programming documents (BULGARIA – SERBIA IPA CROSS-BORDER PROGRAMME

2007-2013 and ROMANIA – BULGARIA CROSS-BORDER COOPERATION PROGRAMME 2007-2013), it is considered that the strongest asset of these territories is their geographical location in the centre of the Balkan Peninsula on the Danube River with its strong potential for a large variety of applications. Owing to this assumption, the geographical location is “...underestimated when evaluating the factors of socio-economic, cultural and political development... and it is considered to be the major source of resources and wealth.” (K. Stoychev, Problems of the Geo-Economic Transition of the Balkan States, 2011).

The following *working hypothesis* will be verified: Because of the socio-economic characteristics of the Northwest Region of Bulgaria and the similar priorities and measures in both cross border cooperation programmes implemented in the period 2007-2013, the EU INTERREG spending in this region should have the highest impact and the results of the implemented cross border project should have immediate effect on local economy and community wealth.

Mainly *quantitative research methods* with some *qualitative elements* are applied to verify this hypothesis. The positive and negative effects of various interventions realized with EU funding within the CBC programmes are analysed, more particularly by types of interventions and their overall effect on key statistical indicators such as GDP, Employment rate and Investments in Research and Development activities (R&D). These indicators are selected for the analysis for two reasons: first, because they are used to measure the progress in achieving the objectives of Europe 2020 Agenda; and second, because *the development policies need to attract higher quality, more embedded investments*² which are measured mainly with the selected statistical indicators.

Theoretical background

The Nomenclature of territorial units for statistics, abbreviated NUTS (from the French version *Nomenclature des Unités Territoriales Statistiques*) is a geographical nomenclature subdividing the economic territory of the European Union (EU) into regions at three different levels (NUTS 1, 2 and 3 respectively, moving from larger to smaller territorial units).

The NUTS is based on Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics (NUTS), which is regularly updated.

² Peter Sunley, Urban and Regional Growth (2002)

NUTS 2 are the basic regions for the application of regional policies and for the purposes of cross border cooperation part or their entire territory forms another territorial structure - Euroregion.

The Association of European Border regions (ABER) sets the following criteria for the identification of Euroregions (Lochman 2009):

- An association of local and regional authorities on either side of the national border;
- A cross border association with a permanent secretariat and a technical and administrative team with its own resources;
- In the private sector, based on non-profit-making associations or foundations on either side of the border in accordance with the respective national law in force;
- In the public sector, based on inter-state agreements, dealing among other things, with the participation of territorial authorities.

In the case of INTERREG cooperation programmes, our target territory (the Northwest NUTS II Region of Bulgaria) implements the EU funded measures as part of a Euroregion since both cross border cooperation programmes can be determined as cross border associations with a permanent secretariat and a technical and administrative team with their own resources.

Socio-economic characteristics of Northwest NUTS II Region of Bulgaria

The Northwest Region includes 5 administrative units of NUTS III level - Vidin (BG311), Montana (BG312), Vratsa (BG313), Pleven (BG314) and Lovech (BG315) and 51 municipalities (LAU 1).

The National Strategy for Regional Development 2012-2022 determines as important characteristics and potential for development of the Northwest region the following:

- The favourable geographical location, preserved natural resources and cultural heritage are endowments for development of tourism and increasing the potential of tourist industry;
- The quality of environment increases the attractiveness of the territory for living, business and tourism;

- The transport infrastructure – Trans European Transport Corridors 4 and 7 (the Danube River), ports and ferry complexes, multimodal transport and the second bridge over the river at Vidin - Calafat are potentials for business development and tourism, as well as for effective cross-border cooperation;
- The Danube River has serious transport and energy potential and as a water resource is essential to the economic development of the region;
- Availability of quality and efficient use of land resources.

Figure 1 - Administrative units of NUTS III level in Bulgaria
Source: http://www.wikiwand.com/it/Nomenclatura_delle_Unit%C3%A0_Territoriali_per_le_Statistiche_della_Bulgaria

The so defined characteristics and potentials for development are taken into account in the two relevant for the region CBC programmes in the period 2007-2013 in terms of objectives and results to be achieved and measures and projects to be implemented.

The main socio-economic characteristics of the region are presented in Table 1.

Table 1 - Socio-economic characteristics of Northwest (Severozapaden) NUTS II Region of Bulgaria

Regions / districts	Territory (km ²)	Population (2014)	Municipalities	Settlements	Towns	GDP* (2015) (Million BGN)	GDP per capita (2015) (BGN)	Employment rate of population 15+ (2015) (%)
Bulgaria	111.002	7.153.784	264	5.302	257	83.612	11.574	49,10
Northwest	19.070	797.142	51	646	45	5.932	7.381	41,00
Vidin	3.033	93.361	11	142	7	570	6.034	40,90
Vratsa	3.620	175.169	10	123	8	1.678	9.494	37,50
Lovech	4.129	133.513	8	128	8	1.027	7.635	39,00
Montana	3.636	139.350	11	130	8	929	6.611	39,30
Pleven	4.653	255.749	11	123	14	1.728	6.710	45,20
% NW/BG	17%	11%	19%	12%	18%	7%	64%	

Source: National Statistical Institute

INTERREG programmes in the Northwest NUTS II Region of Bulgaria for the period 2007-2013

Of the 60 EU cooperation programmes in total for the period 2007-2013 with an allocation of EUR 6 billion involved in a wide variety of activities linked to the maturity of border cooperation, 2 with a total budget of approximately MEUR 229 (MEUR 11,6 for the CBC programme Bulgaria – Serbia and MEUR 217,8 for the CBC programme Romania – Bulgaria) are designed for some of the NUTS III administrative units in the Northwest region of Bulgaria. More particularly, the eligible districts that fall in the scope of the two CBC programmes and that are part of the Northwest region of Bulgaria are as follows:

- CBC Romania – Bulgaria programme – districts Vidin, Vratsa, Montana and Pleven;
- CBC Bulgaria – Serbia programme – districts of Vidin and Montana.

It should be noted that from all NUTS III administrative units that form the entire territory of the target region, only the district of Lovech is not included as eligible in any of the two CBC programmes.

**CBC Programmes Impact in Northwest NUTS II Region of Bulgaria
in the Period 2007-2013**

Table 2 - Summary of projects in the Northwest NUTS II Region of Bulgaria funded with-
in CBC Romania – Bulgaria Programme

Priority axis	Number of projects (completed or to be completed)	Contracted amount in EUR	Budget per NUTS III Units							
			Vidin	% of total	Vratsa	% of total	Montana	% of total	Pleven	% of total
Priority axis 1: Accessibility	13	38.276.556,80	/	0%	1.608.595,17	4%	/	0%	1.363.530,56	4%
Priority axis 2: Environment	9	25.096.247,75	93.874,97	0%	1.192.564,73	5%	85.536,54	0%	208.325,48	1%
Priority axis 3: Economic and Social Development	44	20.277.134,65	1.323.811,45	7%	2.882.494,00	14%	3.118.122,06	15%	2.163.505,30	11%
Priority axis: Technical Assistance	1	5.071.777,98	/	0%	/	0%	/	0%	167.275,55	3%
Total	67	88.721.717,18	1.417.686,42	2%	5.683.653,90	6%	3.203.658,60	4%	3.902.636,88	4%

Source: <http://www.cbcrromaniabulgaria.eu/index.php?page=proiecte-lista>

Notes:

1. The contracted amount is equal to that of the Subsidy contract which is signed with beneficiaries that might be outside the target area;
2. The share of the total budget per district is calculated as ratio: budget per NUTS III unit / total contracted amount.

Within the several calls for project proposals that were launched a significant number of projects were contracted in the eligible administrative units that are summarized in Table 2 and Table 3.

Table 3 - Summary of projects in the Northwest NUTS II Region of Bulgaria funded within CBC Bulgaria - Serbia Programme

Priority axis	Number of projects	Contracted amount in EUR	Average project value EUR	Budget per NUTS III Units			
				Vidin	% of the total	Montana	% of the total
Priority Axis 1: Development of small-scale infrastructure	19	8,263,121.07	434,901.11	3,914,109.98	47%	4,349,011.09	53%
Priority Axis 2: Enhancing capacity for joint planning, problem solving and development	41	5,664,404.00	138,156.20	4,282,842.05	76%	1,381,561.95	24%
Total	60	13,927,525.07	232,125.42	8,196,952.03	59%	5,730,573.04	41%

Source: <http://07-13.ipacbc-bgrs.eu/page.php?c=59>

Notes:

1. There is no information about budget allocations per NUTS III units. Therefore, the budget allocated to NUTS III administrative units is calculated on the basis of average project budget by priority axis;
2. The contracted amount is equal to that of the overall project budget allocated to all project beneficiaries (some might be outside the target area);
3. The share of the total budget per district is calculated as ratio: budget per NUTS III unit / total contracted amount.

Contribution of the two CBC programmes to the performance of selected key statistical indicators

Before comparing the basic values (2007) of the selected key statistical indicators listed above with their current values, it is important to emphasise that the two CBC programmes designed for the target region can be considered as supplementary to the other EU grant financing which comes mostly through the national operational programmes (OPs).

According to the ex-post evaluation of the Regional Development Plan of the Northwest NUTS II Region of Bulgaria for the period 2007-2013, the total amount of allocated funding from the OPs is about 1,3 billion Euro. The largest share of these funds are used for development of the transport, technical and environmental infrastructure (60%), followed by investments for enhancing the competitiveness of regional economy (27%) and improving the attractiveness of the living environment and living conditions in settlements (13%).

The overall effect of all these public funds by NUTS III units in the target area can be seen in Table 3.

Table 4 - *Comparison of selected key statistical indicators*

NUTS Units/year	GDP (million EUR)			Employment % Population 15-64			Investments in R&D (thousands EUR)		
	2010	2012	2014	2010	2012	2014	2010	2012	2014
<i>NUTS II Northwest region</i>	2.750	2.960	3.032	54,9	54,4	56,1	996	1.481	1.922
Vidin	280	280	291	48,7	52,2	55,3	/	266	/
Montana	425	460	475	55,4	53,3	55,9	/	/	/
Vratsa	785	866	858	58,1	57,9	64,4	/	/	380
Pleven	796	852	883	52,4	55,5	58,0	1.627	1.949	3.050
Lovech	464	502	525	59,8	52,9	51,0	1.361	2.229	2.336

As it was pointed, the two CBC programmes are supplementary because their contribution to the overall public funding is 102,6 MEUR or 14%³. However, we should not forget some important facts such as: 1) more than

³ Calculated on the basis of total contracted amount.

half of the projects are not completed yet; 2) the contracted amount is usually not fully spent because of savings as a result of public procurement procedures or financial corrections because of irregularities; and 3) only a part of the total contracted amount comes to the target region because not all project partners are from the respective NUTS III unit. Therefore, the actual financial contribution of INTERREG programmes is no more than a half (or even less) of the initially contracted amount.

Conclusion

The analysis shows that the overall public financial support for the Northwest NUTS II Region of Bulgaria has led to improvement of the selected statistical indicators and the CBC programmes have also their input to the present values of these indicators. Moreover, INTERREG initiatives are directly related to the specific problems and challenges of the Euroregion part of which is the respective NUTS II unit and their indirect effect is higher.

It should be also noted however, that the grant financing of various types of projects has positive as well as negative impact on the local economy and community behavior. The reason is that some projects which can be realized entirely or partially with financial instruments are still executed with grant support only. This leads to unjustified investments that consume the resources inefficiently and creates shortage in some segments of the regional socio-economic structure at the expense of others that might have greater needs and ought to receive public funds with priority.

On the other hand, as Michael Porter argues “...the places can create competitive advantage...and the local state can intervene to help identify the right opportunities” (Porter, 1990; Porter, 1995). Therefore, when designing the CBC programmes, the competent authorities must consider the NUTS II regions as part of a bigger Euroregion falling in the scope of the definitions given in this paper. Thus, these specific territories could benefit greater not only from INTERREG initiatives but also from mechanism such as European Group for Territorial Cooperation (EGTC) or European Economic Interests Group (EEIG) which can supplement efficiently the available EU, national or cross border financing. At the same time, because these mechanisms have their own investment strategies and act like local clusters, they inevitably will foster the regional integration in Europe and will increase the specialization of European regions (Krugman and Venables, 1990).

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NUTS - Nomenclature of Territorial Units for Statistics

<http://ec.europa.eu/eurostat/web/nuts/overview>

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