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SUMMARY

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**Subject: “Monitoring and ex-post assessment of the impact of EU
cohesion policy in Bulgaria”**

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1. Characteristics of the study

This dissertation has a total volume of 263 pages, of which an introduction, three chapters, conclusions, recommendations, a bibliography, and two appendices. The study provides the following in support of the conclusions provided herein: 82 tables, 13 figures, 2 graphs, and 9 maps. The bibliography contains 194 sources, of which about half are in Bulgarian and the rest - are in English.

Chapter I outlines the evolution, objectives, study methods, and definitions of the term "cohesion policy" and its types. Specifically, the evolution of the European Union's regional and structural policies ("EU" or "Union") as predecessors to EU cohesion policy is also analyzed in the context of EU enlargement and within European legislation. The five stages of EU enlargement towards federalization of the EU play an important role in consolidating EU cohesion policy and increasing the costs for cohesion throughout the Union's six multiannual financial frameworks.

Chapter II introduces a model of 52 indicators (horizontal and vertical) and outlines the results of the evaluation, conducted in this analysis. The goal of this analysis is to evaluate the impact of the European cohesion policy on socio-economic disparities in Bulgaria. Particularly, the analysis seeks to assess the economic, social, and territorial cohesion of Bulgaria with the EU within a set of 6 regions, a nomenclature of territorial units for statistics ("NUTS") 2 and a different set of 28 districts ("NUTS 3"). NUTS, i.e. „Nomenclature of territorial units for statistics" of Eurostat, has purely statistical purposes and is the hierarchical classification of regions (NUTS) that divides the European Union into territorial units on a population basis, the highest of which is NUTS 1, subdivided into NUTS 2(1), and into NUTS 3 (which is the lowest self-governed level with elected officials). NUTS 2 level of regions is used for programming of Structural and Cohesion funds.

Chapter III presents the results of a comparative analysis of Bulgaria and other EU Member-States in Central and Eastern Europe as well as states along the Danube ("Danube States") to illustrate the extent of the socio-economic and territorial transformation of Bulgaria following its EU membership. Finally, conclusions and recommendations regarding the effectiveness of the Union's cohesion policy in Bulgaria are provided.

Annex 1 presents a logical matrix of the model, applied in this study, of the evaluation and monitoring of the impact of European cohesion policy in Bulgaria, implemented in Chapter II (in tabular form) which

can be applied after the conclusion of each multiannual financial framework. **Annex 2** provides another tool, called „a map of regional growth” which presents the results of the assessment of Bulgaria’s growth per sector of the country’s NUTS - 2 and NUTS 3 regions, and ways to increase the effectiveness and impact of EU funds in Bulgaria.

2. Introduction

This topic is of considerable importance because it concerns the implementation of one of the essential European policies in Bulgaria and its impact during the first nine years of significant political, economic, and social transformations. The country is a net beneficiary of large-scale EU structural and cohesion funds, intended for countries with low development, incomes, and economic growth, i.e. countries with a “low level of cohesion” within the EU. This is why the European cohesion policy affects the entire population, mostly those living in poorer and rural regions who continue to experience economic hardship and poor economic and employment opportunities. After the completion of the first European budget for cohesion, Bulgaria achieved slower progress than other EU Member-States from the fifth EU enlargement (2004), inclusive of Romania (2007). After the entry of Bulgaria into the Union, regional inequalities have increased to such an extent that residents have been divided into three categories according to economic growth, incomes, and access to quality public services (health, education and infrastructure ect.). The first group is those living in Bulgaria’s capital, Sofia city and district, who have benefited the most from EU membership. The second category of citizens is those living in the ten bigger cities with moderate access to jobs and quality services. The rest of the population living in the remaining 18 districts are peripheral settlements and rural areas with minimum access to basic services and infrastructure.

This research is particularly relevant given the low impact of the EU Structural and Cohesion Funds in achieving a more balanced regional development and reducing Bulgaria's regional disparities. This study is further relevant because the country’s social and territorial cohesion deteriorated after its membership in the EU in 2007. Economic, social, and regional inequalities in Bulgaria have deepened along with insufficient studies to elucidate the reasons for this phenomenon. A major problem has been the ineffective programming of the Structural and Cohesion funds in Bulgaria, leading to an unbalanced distribution of EU funds across the country’s regions.

Over the years, different political and expert opinions in Bulgaria have described the importance of the EU cohesion policy and European funds across a spectrum of extremes. On the one hand, some have qualified the Structural and Cohesion funds as being complementary to the economy. On the other hand, others have estimated the potential of the funds to contribute to growth. These ambivalent opinions and insufficient independent evaluations of the successes and failures of EU cohesion policy in Bulgaria are due to the lack of criteria on where, how, and why the Structural and Cohesion funds are being invested. This would have not been an issue if the European method of cohesion would have been implemented by Bulgaria.

Therefore, one of the main tasks of the present study is to develop a model for ex-post assessment and monitoring of EU cohesion policy impact, based on the demand in Bulgaria for a transparent and independent tool for evaluation because the EU cohesion method has not been implemented. Primarily the elaborated logical matrix is based on the European method of cohesion adopted for Bulgaria, whose main strengths are transparency, reliability, and predictability.

The study aims to assess the effectiveness of the European cohesion policy and the first multi-annual financial framework (MFF 2007-2015) of the EU for Bulgaria. Numerous studies are available on the object but very few analyze the regional impact of the European cohesion funds on the economic, social, and territorial cohesion of Bulgaria with the EU which makes it actual for the professional community.

The study further analyzes the results of the cohesion policy implementation in Bulgaria during its first programming period. Methodologically, the dissertation research develops, tests, and introduces a model for the ex-post evaluation of the impact of EU cohesion policy in Bulgaria, to be used for assessment and monitoring of the impact of the European funds for cohesion during any subsequent EU financial framework.

The research has the following research tasks:

1. To study the evolution of cohesion policy, the establishment of European cohesion funds, and the objectives of the first to the sixth multiannual financial framework of the EU.

2. To analyze the international, regional, and national research and political concepts of growth, regional inequalities, and spacial territorial development.

3. To select indicators and construct a model for ex-post assessment and monitoring of the impact of the EU's cohesion policy in Bulgaria.

4. To implement the model of the ex-post evaluation of the cohesion policy impact in Bulgaria.

5. To compare of the level of cohesion of Bulgaria and the EU Member-States of Central and Eastern Europe, and all countries along the Danube basin (9 EU Member States and 5 non-EU Member States).

6. To prepare a logical matrix of a model for ex-post assessment, which evaluates the achievements and weaknesses of the economic, social, and territorial cohesion of Bulgaria with the EU and provides the practicing EU experts with a reliable and transparent tool for monitoring the impact of European funds on regional inequalities.

The time frame of the current research is the first **nine** years of membership of Bulgaria in the EU, which coincides with the duration of the implementation of the first European multiannual financial framework for the country, namely from 2007 to 2015.

The research provides the following hypothesis: the regional inequalities in Bulgaria after its membership in the EU have increased due to the incorrect planning and implementation of the first financial framework of the EU in Bulgaria. As a result, how the Structural and Cohesion funds have been absorbed has adversely impacted the territorial cohesion of Bulgaria and blurred the European vision of balanced territorial development.

The method of the present research is **interdisciplinary** and includes research of European and national legislation, a reformulation of the objectives laid down in the strategic documents of Bulgaria and the EU, desk analysis, open databases, statistics, scientific literature, research, and publications of Bulgarian, European and non-European authors. Other methods include different types of analysis such as etymological, ontological, semantic, and linguistic, as well as critical, discussion-based, content, and comparative analyses. Other methods such as observation, comparison, modeling, induction, deduction,

synthesis, classification, and historical methods have also been used. A significant part of the methodology of experimental research is the processing, selection, structuring, and analysis of the volume of statistical data and calculations of average indicators and shares.

The research methodology includes historic, complex, and systematic approaches so that the object is analyzed entirely and in-depth. The first part of the research presents significant international, evolutionary, political, and social theories about inequalities, growth, and optimal spatial (territorial) development of the regions, as well as studies of leading Bulgarian authors on European integration, the Common European market, and cohesion in Bulgaria within the EU.

The current study has elaborated and implemented a model for an ex-post assessment of the impact of EU cohesion policy in Bulgaria. The results of an empirical study on the economic, social, and territorial cohesion of the country are also presented. The territorial levels at which the study has been conducted are clearly distinguished – national, regional, and local levels.

The study further analyzes the effectiveness of European funds through a multilevel analysis. In the first phase of the analysis, the level of cohesion of the NUTS - 2 and NUTS 3 regions in Bulgaria has been assessed according to the so-called „cohesion threshold“ and the „poverty line“ in the European Union. The cohesion threshold and poverty line are defined according to a uniform GDP per capita indicator, as discussed below. Regions are eligible for aid from EU Structural funds depending on their category "more developed", "in transition", or "less developed". The EU Cohesion fund uses the indicator of gross national income to select regions eligible for financing under objective number one of the same fund. In the second phase of the study, this assessment is repeated, but according to the average economic and social development figures for Bulgaria, in the context of which the NUTS - 2 (3) regions are evaluated according to Eurostat classification of regions NUTS 1 (2) as the "more developed", "less developed" and "in transition". The third phase of the assessment has produced conclusions about the effectiveness of EU funds following an analysis of the distribution of the Structural and Cohesion funds in each of the NUTS - 2 (3) regions.

Thus, it made conclusions about the low social, economic, and territorial progress made by Bulgaria after implementing the first multiannual financial framework (MFF) of the EU. The first three phases include an analysis of quantitative indicators, while the fourth stage includes a qualitative analysis based on the

cohesion policy method and the distribution of EU funds. The results from the ex-post assessment of Bulgaria were compared to the rest of the countries of Central and Eastern Europe and the Danube states which add new aspects to the impact of the EU cohesion policy in the country.

One of the **research limitations** is the absence of statistical data for some of the regional indicators, which made it necessary to make our calculations. Another limitation is the absence of public data for beneficiaries of the Program for the development of rural areas, which limited the assessment of the impact of EU agriculture funds. Last but not least, it was avoided the complex and seemingly bureaucratic vocabulary for non-expert audiences has been another challenge.

3. Chapter I. Theoretical aspects of EU cohesion policy

3.1. Evolutionary theories of growth and optimal spatial (territorial) development

Chapter I presents founding and evolutionary concepts, and theories of optimal territorial development relevant to the subject matter of current research for a better understanding of regional inequalities. They all share a common idea that fundamental disparities may exist between the center and the periphery. Some concepts analyze the impact of the center on the periphery in developing and transitional economies, and the patterns that lead to recurring poverty in lagging behind regions. Ideally, the center helps overcome the backwardness of less developed regions and provides economic opportunities close to those in the center. In the worst-case scenario, policies are planned by powerful lobbies at the center, and resources are allocated in their interest. One of the issues in this context is the overwhelming influence of these powerful and prosperous regions at the national level, capable of translating to the European level, and their attempts to set the agenda for all EU regions.¹

Bulgarian scientific literature based on the context has identified two primary concepts - one pledging in favor of the top-down approach and concentration of resources in the most developed region and their re-distribution to the lagging behind regions. The other view - is about the distribution of resources depending on the level of cohesion of different regions whose basis are „the multilevel

¹ **Scutariu, A.** (2015). "Landmarks in the evolution of regional science ", The USV Annals of Economics and Public Administration, Volume 15, Issue 1 (21), p. 145

governance“ and „eligibility“ concepts. It combines the top-down with the bottom-up approach in policy making and capitalizes on the local potential and knowledge.

Critical attention is given to the concept of more developed regions helping the development of poorer ones. The conclusion from the experience of Bulgaria is that for this concept to succeed, more developed regions must have completed their respective cohesion process with the EU. Otherwise, they absorb EU funds allocated to the "less developed" areas until they achieve convergence, deepening regional inequalities, in turn, and leaving the poorer regions without support.

Another theory included in this part of the dissertation research states that regional inequalities are an outcome of the unfair redistribution of resources that caused the social revolutions of the mid-nineteenth century in Europe and the United Kingdom. This scientific concept assumes that profound economic and social disparities are a result of the actions of the center, with effects on the periphery. The power of the center further increases every time it has to allocate new assets, such as European funds. In societies with poorly functioning democracies and rule of law, the fiscal redistribution of the State empowers traditional groups to keep their power and control. Moreover, the unfair distribution of resources in the interest of a small group of people worsens the social coherence of societies in their trust in a common future to live and prosper together. The political, economic, and public impact of significant European funding on the small Bulgarian economy has so far been poorly analyzed. In addition, the role of fiscal redistribution of the government in deepening socio-economic inequalities and on the market, human capital, and technological advancement of Bulgaria is an under-researched area and can be analyzed further in a more methodological way. Finally, the theory for inequalities states that the social effect is as devastating as the economic one, and regional disparities have to be constantly monitored.

Not less important theory for the evolution of the cohesion policy is the political view of “regionalism” and the concept of "Europe of Regions". The views of contemporary authors have been reflected in this study, including those of Marco Brunanzo, Jan Bahe, Dan Marek, Michael Baun, Simon Bellmer, Richard Leonardi, Jean-Paulo Manzella, Carlos Mendes, Sasha Becker, Peter Egger, and John Buckler. To one degree or another, they all accept that economic prosperity (or the lack thereof) results from functioning (or poorly functioning) political and economic institutions.² The current empirical research, presented in Chapter III, demonstrates that the countries of Central and Eastern Europe, having

² **Agemoglu, D., Robinson, J.** (2012). „Why Nations Fail: The Origins of Power, Prosperity, and Poverty“. W.W. Norton & Company, N.Y., page. 542

more favorable political, administrative, and investment environments, achieve higher growth and better territorial cohesion within the EU despite their initially low convergence with the rest of the EU.

The next group of studies presents the views of **regional science** whose object is inequalities in terms of specific „locations”, and „areas”, and their economic, regional, and urban dimensions. Since its first appearance, this theory has focused on elements that „the economic theory does not touch: distance and location to the large markets”.³ Major works by Walter Isard, David Boyce, William Alonso, Ben Stevens, Alan Wilson, and Peter Nijkamp, as well as the distinguished economist, Paul Krugman, are analyzed in this part of the study. Other students and associates of Walter Isard who further developed his concepts are Adam Rose, Tony Smith, Karim Kurit, and Sushi Suzuki.

The evolution of the cohesion policy has been analyzed after researching the works of many contemporary authors such as Ian Bache, Marco Brunazzo, Simon Bulmer, Richard Leonardi, Gian Paolo Manzella, Carlos Mendez, Sacha Becker, Peter Egger, Michael Baun, Dan Marek, and John Bachtler. However, the empirical part of current research has shown that „location“ is not a major factor for better progress in cohesion.

The final group of concepts analyzes the theories of growth. Most of these studies explain the reproducing patterns of poverty, as results from the low levels of technological development, an underdeveloped market economy, and the loss of human capital. This group of theories is most relevant to the current study because "everyone suffers from the consequences of inequalities associated with economic instability, corruption, financial crises, increased crime, and impaired physical and mental health".⁴

3.2. Evolution of the European cohesion policy

The evolution of cohesion policy has been analyzed through historical, systematic, and holistic approaches and has been divided into three stages. A retrospective analysis starts with the emergence of

³ Scutariu, A. (2015) "Landmarks in the evolution of regional science", The USV Annals of Economics and Public Administration, Volume 15, Issue 1 (21), p. 143.

⁴ The speech of Antonio Guterres, Secretary-General of the United Nations on the day of Mandela (2020). "Inequality defines our time". Available on line: <https://news.un.org/en/story/2020/07/1068611>. Visited, on 20.07.2020.

the political idea in the middle of the 1950s of the 20th century, all the way to the 1990s of the last century when it was recognized as Objective 1 of the EU. The third stage of the evolution of European cohesion policy begins with the creation of the EU monetary union and continues up to today.

The first historical period is described as the new policy-emerging stage. It includes the development of the regional policy of its predecessor from the middle of the 1950s to the 1980s, of the 20th century when the common European market was established, and the EU Member-States adopted the rules of financial aid to the less developed regions to protect competitiveness and free market principles. Further, the first Structural funds and regional instruments were found, while a consensus between richer and poorer Member States on their increasing financial commitments to the lagging-behind regions was particularly difficult.

During its second stage, the cohesion policy was officially born; the first European multiannual framework was adopted in 1988, and later the concept of "socio-economic cohesion" became Objective 1 for the EU Member States. Legal research has shown that two fundamental treaties embodied the cohesion policy in the EU legislation architecture. These are the Single European Act and the Maastricht Treaty. The Single European Act in 1986 endorsed officially the term "cohesion" and "cohesion policy" for the first time since the intensive process of integration and the three enlargements of the Union, each having an impact on regional disparities. The other significant treaty during the same stage of the evolution of European cohesion policy is the Maastricht Treaty. With its adoption in 1993, socio-economic cohesion is been elevated to Objective 1 for EU Member-States. The Treaty is also known as the Constitution of the EU because has adopted many reforms that accomplished the first phase of the Union's federalization and also established the new Cohesion fund. Thereafter, each consecutive EU multiannual financial framework (MFF) had to allocate one-third to the lagging-behind regions.

The third period of cohesion policy evolution begins with the "Agenda 2000: for a stronger and wider Union" and, the introduction of the euro as a physical currency in 2002 and continues with the Fifth enlargement. The other most significant moments are the Lisbon Treaty (2009), which strengthens territorial cohesion and civic participation and ends with more recent challenges, identified as migration and refugees, BREXIT, and the consequences of the Covid-19 pandemic, all having an impact on the last two EU cohesion policy budgets.

Finally, an analysis of the European legal framework is done which has shown that the method of cohesion was fine-tuned in "Agenda 2000: for a stronger and wider Union" and by including the term "eligibility" for financing from the Structural and Cohesion funds. Later in 2006, after the fifth EU

enlargement, the European Commission introduced a new category of regions "in transition" in the NUTS classification of Eurostat, because of the statistical effect of the decline of the "cohesion threshold" in the EU. After the Fifth enlargement, the EU population increased by 20% and its GDP grew by a mere 7% making it impossible for the lagging regions from the previous four enlargements to continue to be eligible for funding from the Structural funds. This is why the European Commission created a new transitional category of regions to secure their access to EU funds, though only for one EU programming period. Nevertheless, these regions in transition existed earlier but were not part of the NUTS classification.

During each of these three historic periods, the political debate about lagging-behind regions and the approaches for their assistance ran in parallel with the entire evolution of cohesion policy. In this regard, the abstracts of speeches of the first members of the European Commission, responsible for regional policy, such as George Thompson, and Albert Borchet, members of the Malfatti Commission (1970 -1973), tasked with competition in the European Commission are been presented. Other studies from the early years when the idea of reducing inequalities in the EU emerged are also analyzed. In retrospect, the first attempts of the heads of state and government of France, Germany, Italy, and BENELUX⁵ countries to raise the "regional issue" for the "lagging-behind" region of Southern Italy are further presented. Another group of opinions declares that the Treaty establishing the European Coal and Steel Community in 1951 is the earliest instrument before the "real" emergence of regional policy in the 1970s within the EU.

The third group of researchers opines that socio-economic inequalities were addressed for the first time in the Treaty of Rome (1957), which created the oldest regional instruments for support of lagging-behind regions as the European Social Fund (1957) and the European investment bank, and later the European Regional Development Fund (1973). The spirit of the cohesion policy is best presented in the Treaty of Rome, which immediately after establishing the Common European Market (COM), stated that the regions with unusually low living standards, income, and economic growth could receive state aid without violating the rules and functioning of COM.

Further, the study analyzes the evolution of regional policy given the completion of the first phase of federalization within the European Union, recognized with the adoption of the Maastricht Treaty

⁵ BENELUX- abbreviation of the first letters of: Belgum, Netherlands, Luvembourg

(1992). This is the Treaty that elevated the socio-economic cohesion to Objective 1 for the Member States. Later, the ambitious “Agenda 2000: for a stronger and wider Union” and the Lisbon Strategy also called the “Lisbon-Gothenburg Strategy” for Europe in the 21st century, set the objectives for growth and jobs of the cohesion policy. At the beginning of 2010, European Commission launched a new strategic framework for Europe, known as the “Europe 2020 Strategy” which continues to be part of the EU Cohesion policies objectives up to today. During the last two decades, the implementation of the Lisbon Strategy was attempted mainly through the Cohesion policy for 2000-2006 and 2007-2013.

Another important aspect of the current research is the enlargement of the European community because it has contributed to the evolution of socio-economic cohesion to the most important objective for the Member States after 1993. After each of its five stages of enlargement, the territorial inequalities in the EU have expanded, and so is the EU cohesion policy budget which financed new approaches and instruments in the less developed regions. In the first few years following the creation of the European community in 1951, soon after the European Social Fund (ESF), the European Investment Bank (EIB), and the rural agricultural fund (Treaty of Rome, 1957) were all established. The second Structural fund for "lagging" regions was created alongside the first enlargement of the European Community and the entry of the United Kingdom, Ireland, and Denmark into the Union. This is when new regional inequalities appeared and the European Regional Development Fund (ERDF) was first established. The ERDF's main task was the development of regions, which struggled with structural problems such as those in Southern Italy and Ireland, starting in the 1970s. Finally, a lexical analysis has shown that the Structural funds were named after regions with structural social, environmental, and economic problems.

Finally, the study has analyzed the initial stage of the European regional development fund (ERDF) when it was reimbursing the costs for the poorest regions, to the MS which lasted until the end of the 1980s. ERDF reforms with the second and third EU enlargements are being also assessed. After the entry of Greece and Spain (1981), and Portugal (1986), new territorial inequalities emerged. In such a context, the concept of "cohesion" and "the cohesion policy" was officially "born" (1986). Other important moments for the evolution of cohesion policy are the adoption of the first Multiannual financial framework in 1988 as a wheel to the fourth enlargement of the Union with Finland, Sweden, and Austria (1995) when the regional disparities extended to the North. The main fund dealing with the new regional disparities is the newly established Cohesion fund (1994) by the Maastricht Treaty whose main tasks were to build the missing transport, energy, and ecology infrastructure and links with the new Member States.

In combination with the Structural funds, the Member States allocated a total of one-third of the second MFF (1993-1999).⁶ An analysis of the evolution of European cohesion policy, therefore, shows that in the 1980s, the European Community was in an intensive period of internal integration, establishing a new institutional and legislative architecture, and in parallel external enlargement.

3.3. General and related terms for cohesion and cohesion policy

After a retrospective analysis of the EU's structural, regional, and cohesion policy, this study analyzes some of the most important, general, and related terms. In the beginning, technical terms such as monitoring, evaluation, indicator, management, and P.O.L.K. principles of management, are defined. The concept of "cohesion" and its types - economic, social, and territorial - have been studied. The term "cohesion" and "cohesion policy" are clarified in comparison with the terms "convergence" and „coherence". The definition of the term "cohesion" has been used with its meaning from English as "connected/bound/joined/tied together", as well as "adhesion" and "connection". Clarifying the Latin root of the term "cohesion" also contributes to a correct introduction of the term "cohesion". Dimitar Hadjinikolov is one of the few authors in Bulgaria who studies the subject and outlines that the objectives of cohesion policy are long-term. He evaluates the impact of fiscal redistribution of European funds for the economy and concludes that the Bulgarian government redistributes a much larger share of the gross domestic product than other EU Member-States. About 30% of the investments made in Bulgaria are state-owned, while in the "more developed" Member-States, that percentage is approximately 15%, with the rest being secured from private investments.⁷ This fact has risen to the question about the role of European funds in the centralization of the economy after 2007. Next are formulated the terms "cohesion" and "cohesion policy" and distinguished from the term "cooperation". In general, the analysis shows that the term "cohesion", and respectively "cohesion policy", has no linguistic equivalent in the Bulgarian language and can be introduced directly with their English meaning of "cohesion" and "coherence". A distinction is made between the terms "cohesion" and "convergence" by deriving one characteristic for

⁶ **Ollikainen, M.**, (2017). „Mid-term Revision MFF 2014-2020“. Policy Department D-Budgetary Affairs Report. (EC), p.22

⁷ **Hadjinikolov, D.** (2014). "The cohesion policy objective is long term", available on line: <https://www.investor.bg/bloomberg-tv/461/a/celta-na-kohezionnata-politika-e-dylgosrochna-posochi-ekspert-248529/>, visited on 20.08.2020

each of them, namely for cohesion as a "process" and for convergence - as a "state". Since the Bulgarian language is also evolving, it is natural that after Bulgaria's EU membership, foreign words entered the Bulgarian lexicon. In this vein, the study concludes that the use of the terms "cohesion" and "cohesion policy" is more correct and precise, instead of "sbljavane" (сближаване) and "policy of sbljavane" (политика на сближаване). In addition, the term "cohesion" in linguistics is synonymous with the meaning of the term "cohesion policy", which means that it can be equated with the term "cohesion policy". Other terms analyzed are the EU's multiannual financial framework, "region" and "the European classification of regions – NUTS". Each of them is at the center of the instrumentalism and objects of the cohesion policy in the present study. Particularly the discrepancy between the budget and the actual agreements within the Community led to the adoption of the first Multiannual financial agreement between the European institutions and the Member States. The discrepancy between the budget and the actual arrangements within the Community led to the adoption of the first Multiannual financial agreement between the European institutions and the Member States.

Further, the study relies on the term “region” and the classification of NUTS regions of Eurostat, namely “Nomenclature of territorial units for statistics”, hereinafter referred to as NUTS regions. Regulation (EC) No.1059 of May 26/ 2003 defines the Nomenclature of NUTS regions as a „hierarchical classification of regions, which subdivides the European Union into territorial units, the highest of which is NUTS 1, which in turn is subdivided into NUTS - 2 and these in turn into NUTS 3”.⁸ In Bulgaria, the NUTS equivalent is regions NUTS 1, 2, and 3. The regions NUTS 1 are the North, East, South-West, and South-Central regions in Bulgaria. The territorial level at which the EU funds are programmed is the region's NUTS - 2(1). According to Bulgarian legislation, Bulgaria is comprised of the following six planning regions NUTS - 2: North-West Region (NWR), North-Central Region (NCR), North-East Region (NER), South-East Region (SER), South-Central Region (SCR) and South-West Region (SWR). As for the local level, Bulgaria introduced the 28 districts as the equivalent of the regions - NUTS 3.

Another group of studies and reports analyzes the types of cohesion in the EU, summarized as **social, economic, and territorial**. The strong social narrative of cohesion policy is analyzed by Dimitar Hadjinikolov who defines „social cohesion” as „a force that unites (holds together) social groups in a

⁸ Regulation (EC) No.1059/2003/26 May 2003 on the establishment of a common classification of territorial units for statistics (NUTS).

given society that differ in ethnicity, race, and gender".⁹ The term itself is from the field of social studies and arose in the middle of the 20th century. In addition to the social aspect, a considerable part of the analyzed studies bring out a moral narrative by linking it to "the belief that citizens share a common moral in the community, which allows them to trust each other".¹⁰ Economic cohesion is defined as a process in which the economies of different countries become more similar and coherent to each other. In other words, "economic convergence is achieved when two or more economies tend to reach a similar level of development and wealth".¹¹

Furthermore, the study analyzes the main competing views in the economic theory of convergence. The first is about absolute convergence, which assumes that because of their „backwardness”, poorer countries manage to catch up with richer ones. The second is about conditional convergence, where the availability of human, technological, market and other factors affect the probability of successful convergence. And the third hypothesis refers to "the club of long-term lagging countries that have similar structural problems and prospects"¹² and never come to reach convergence.

Research on available studies on cohesion and cohesion policy demonstrates that this subject matter has not been studied in depth in Bulgaria. The most distinguished author on the subject of European integration in Bulgaria is Ingrid Shikova. In one of her monographs, Professor Shikova analyzes the country's economic integration and concludes that, like any process, there are positive and negative impacts,¹³ but the Common European Market (COM) is one of the biggest achievements of the EU. Svetla Boneva is another researcher who conducts studies on economic cohesion and the impact of European funds on economic growth. According to her, cohesion policy goes beyond the simple redistribution of funds between individual regions in the Union and is oriented towards providing stimulus competitiveness

⁹ **Hadjinikolov**, D. (2014), „Cohesion policy and regional inequalities”, Conference „EU on crossroad”, „European studies”, Faculty of philosophy, Sofia University “St. Kl. Ohridski” and Foundation “Hans Zaidel”, page 126.

¹⁰ **Larsen**, C. A. (2015), „Social cohesion: Definition, measurement and developments”. Centre for Comparative Welfare Studies, Aalborg University, Denmark.

¹¹ Cambridge dictionary [online]:<https://dictionary.cambridge.org/dictionary/english/economic-convergence>. Accessed on 17.04.2021

¹² **Galor**, O. (1996). „Convergence? Inferences from Theoretical Models”. The Economic Journal, 106(437), 1056-1069. doi:10.2307/2235378

¹³ **Shikova**, I. (2011). “Policies of the European Union”. Sofia, Sofia University “St. Kliment Ohridski”, p. 2

and employment in European regions, creating new resources, and stimulating economic growth and sustainable development.¹⁴

Further, territorial cohesion is the EU's vision for reducing inequalities. Two evolutionary concepts are presented. In a broad sense, the concept of territorial cohesion refers to the objective of the European Union to achieve harmonious and balanced territorial development, so that citizens of the Union do not feel a difference in the quality of life in its different parts. It is "a fundamental pillar of sustainable development and a concept of spatial development".¹⁵ Bulgaria formally adopted the EU's vision by including it as the fourth priority in the NSRF for a „balanced territorial development“ but in practice, the current research has shown that inequalities between the „most developed“ regions and the „less developed“ regions have nearly doubled during the first 9 years of its membership in the EU.

Chapter III presents a comparative analysis of Bulgaria's socio-economic development with countries having comparable historical, political, and geographical features in Central and Eastern Europe. All Central and Eastern European countries have a unique model of development compared to the rest of Western Europe. The analysis of Member States from Central and Eastern Europe demonstrates that, without exception, they have significant internal regional disparities, characterized by one developed region, namely the country's respective capital, and a two-to-three-times poorer periphery. This outcome is important for the planning, implementation, and monitoring of EU policies, including for achieving socio-economic objectives.

The same Chapter presents the results from research on the Danube states which has shown a particularly low level of social cohesion in Bulgaria. The study of the two most developed Danube countries - Germany and Austria - has shown that their level of convergence is similar to the level of cohesion of their respective regions NUTS - 2(1) with the EU. This is not about their economic cohesion, but about the more harmoniously distributed wealth throughout the country.

¹⁴ **Boneva, S.** (2009). "Financing of cohesion policy (2007-2013)". Sofia: University of national and world economy (UNWE), p. 296

¹⁵ German annual report of special research. "Territorial cohesion", [on line]: https://books.google.bg/books?id=HiNjU8ozJuEC&printsec=frontcover&source=gbs_ge_summary_r&cad=0#v=onepage&q&f=false. Accessed on 11.08.2021

3.4. The „Berlin” method for the European Union cohesion policy

Another essential part of the current study is the definition of the „**cohesion threshold**“ and the method of cohesion policy of the EU. As was previously stated, initially both terms were enshrined in the Single European Act (1986). Two years later, Regulation No. 2052/1988, adopted the first EU MFF (1989-1993), and states that: „a list should be drawn up of the regions whose development is lagging; whereas this list should comprise administrative level NUTS - 2 (1) regions where per capita GDP measured in terms of purchasing power parity is less than 75% of the Community average, and other regions whose per capita GDP is close to that of regions under 75% and whose „inclusion is justified by special circumstances”.¹⁶ The other two categories of regions NUTS - 2 (1) „**in transition**” and „**more developed**” regions as part of the Eurostat classification NUTS are also subject to the current analysis. The study includes an additional category of so-called „**catching up**” regions NUTS - 2 (1), introduced by a pilot initiative of the European Commission in 2009.¹⁷ The Initiative has added two new criteria by which the „less developed” regions sub-divide into regions NUTS - 2 (1) with population **incomes below 50%** of the EU average and with **low economic growth** after 2013. Both criteria are included in the model, provided herein, for „Monitoring and ex-post evaluation of the impact of EU cohesion policy in Bulgaria“.

The „Berlin” method of cohesion is named after the meeting of the Council of EU, held in Berlin, (1999) when it was first adopted. The ambitious “Agenda 2000: for a stronger and wider Union” and the Lisbon Strategy (2001) presented an ambitious reform of European legislation on the functioning of Structural funds. These reforms adjusted the objects of cohesion in the EU by introducing the term "eligibility" for financing from Structural and Cohesion funds, impacting the subsequent, Fifth EU enlargement, which covered states from Central and Eastern Europe. The criteria defined **eligibility** in three categories of regions NUTS - 2 (1) for funding from the Structural and Cohesion funds, as listed

¹⁶ Council Regulation (EEC) No 2052 / 88 of 24 June 1988 on the tasks of the Structural Funds and their effectiveness and coordination of their activities between themselves and with the operations of the European Investment Bank and the other existing financial instruments.

¹⁷ European Commission staff working document, (2009). „Competitiveness in low-income and low-growth regions. The lagging regions report“. European Union, 2017.

below.¹⁸ It is noteworthy that “co-financing” entails that both the EU and the EU funds-recipient state provide funding for the intended project.

1. The regions NUTS - 2(1) “**in transition**” with a gross domestic product (GDP) per capita above 75% of the EU average can receive **up to 70% co-financing** from the Structural funds (**the fourth MFF**);

2. The “**less developed regions**” with a **gross domestic product (GDP) per capita below 75%** of the EU average and can receive up to **85% co-financing** from the Structural funds;

3. The “**catching up**” regions, namely regions with incomes below 50% of the EU average, defined as the EU „poverty line”, can receive up to **85% co-financing from the Structural funds** or more.

4. The „**catching up**” regions NUTS - 2 (1) that are below the „cohesion threshold” and with low growth after 2013, can receive up to **85% co-financing from the Structural funds**.

5. Regions NUTS - 2 (1) with gross national income (GNI) below 90%, can receive up to 85% co-financing from the Cohesion Fund (CF). The „eligibility” of the regions NUTS - 2 (1) for financing from the CF is defined with the criteria GNI of 90% from the EU average. The **sixth MFF (2021-2027)** set lower ceilings for co-financing from the Structural funds for the „less developed”, namely regions up to 70%, for the regions „in transition” - up to 55%, and for the „more developed” regions NUTS - 2 (1) - up to 40%.

The essence of the Berlin method is that it allocates Structural and Cohesion funds according to different formulas for each of the three categories of regions - „less developed”, „in transition” and „more developed” regions, and the most recently introduced „catching up” regions NUTS - 2 (1).¹⁹ Thus, the Structural and Cohesion Funds (SCF) are programmed depending on the level of cohesion of the respective region. The Berlin method registers the level of cohesion by using the difference between regional data for the specific indicator and the EU average. Therefore, the Berlin method guarantees transparency and predictability for stakeholders, and does not violate the competition rules of the Common European Market (COM).

Finally, the study concludes that the European method of cohesion works inversely to the regional well-being of Member States. In other words, the programming of Cohesion and Structural funds allocates

¹⁸ European Commission [online]:

https://ec.europa.eu/info/sites/default/files/about_the_european_commission/eu_budget/3_table_breakdown_of_eafpd_28.09.pdf. Visited on 21.12.2021.

¹⁹ Mrak, M., Richter, S., Szemler, T. (2015). „Cohesion policy as a function of the EU Budget. A perspective from the CEE Member-States “. The Vienna Institute for International Economic Studies, page 28

the highest intensity of co-financing from the Structural and Cohesion Funds (SCF) to the poorest Member States and regions NUTS - 2. This is how the EU achieves its objective for socio-economic cohesion and vision for balanced territorial development so that EU citizens do not feel big differences in incomes and opportunities.

In the end, European cohesion policy has been under external pressure from various political, social, and economic factors, but its method remains unchanged, which makes it effective, predictable, and transparent.

3.5. First to the sixth Multiannual financial framework of the EU

The last section of **Chapter I** presents the objectives and budget of the sixth multiannual financial framework (MFF). The length of each MFF varies between five (5) and seven (7) years, as follows: MFF (1988-1992): „Delor I" (5 years), MFF (1993-1999): „Delor II" (7 years), MFF (2000-2006): “Agenda 2000: for a stronger and wider Union” (7 years), MFF (2007-2013): „Building our common future" (7 years), MFF (2014-2020): „Europe 2020" (7 years). The last MFF (2021-2027), „Cohesion policy after 2020” is seven (7) years with a mid-term review. Last but not least, the study analyzes the EU-specialized legislation and the legal framework of Bulgaria for the management of EU programs. The legal research has shown that the objectives and the method of European cohesion policy have not been transposed after the country's membership in the EU in 2007. The new Law for the Management of European Structural and Investment Funds (LMESIF), adopted in December 2015, only introduced rules for the financial management of European funds, their management bodies, and publicity.

The theory presented in Chapter I demonstrates that today's European cohesion policy is a result of a long period of evolution, during which the European Union was also evolving and consolidating. As for Bulgaria, during the first years of EU membership, like all other European policies, the cohesion policy had to find its place in the country's economic and social life. The country's experience from its implementation during the first 9 years demonstrates that the main challenge for the Managing Authorities has been to keep the focus on disadvantaged regions because the EU cohesion policy method was not adopted. Furthermore, as a signatory of the European Convention on Human Rights, Bulgaria's failure to remedy the situation in the least developed regions may amount to discriminatory state conduct on account of socioeconomic status as a ground of discrimination. Moreover, these regions have depopulated most quickly, leading to worsening of their political representation as another adverse result.

The main problem of Bulgaria has come from the fact that the country has not transposed the European method of cohesion policy, leading to new inequalities. The impact of cohesion policy in Bulgaria has been assessed after conducting an empirical study as per the author's logic matrix that includes previously defined indicators, called „**Model for monitoring and ex-post assessment of the impact of EU cohesion policy in Bulgaria**“.

4. Chapter II. Model for ex-post assessment of cohesion policy impact in Bulgaria (2007-2015)

After the completion of the EU's first multi-annual financial framework for Bulgaria (2007-2015), the current empirical study analyses the effectiveness of the cohesion policy in Bulgaria. Due to the cohesion policy's wide scope and complexity, the model includes three groups of indicators that evaluate the economic, social, and territorial cohesion of Bulgaria, presented in Chapter II. After the conducted legal research, the study constructs a model, consisting of 52 indicators that includes 30 horizontal and 22 vertical indicators. The first group of horizontal indicators evaluates the first and second European objectives as defined in the “EU 2020” strategy, namely Objective 1. "**Socio-economic cohesion**" and Objective 2. „**Growth and jobs**". The second group of vertical indicators evaluates the implementation of the national priorities of Bulgaria, which are the „**basic infrastructure**”, „**human resources with a focus on employment**”, „**business climate and entrepreneurship**” and „**balanced territorial development**”, as outlined in the National Strategic Reference Framework (2007-2013), negotiated between Bulgaria and the European Commission.

The model of ex-post evaluation and monitoring of the impact of cohesion policy on regional disparities in Bulgaria does not include the Rural development funds. Their impact is analyzed solely regarding two criteria - **population living in rural areas** and the **share of funds per capita** from the first MFF of the EU for Bulgaria. It is such because, first, **the method** of the Common agricultural policy (CAP) differs from the cohesion policy objectives and, second, because there is **no public data** available for the subsidies, funded by the Rural Development Program (2007-2013) to elaborate a more in-depth analysis.

4.1. Horizontal indicators

The first group of 30 **horizontal** indicators evaluate the progress of the „socio-economic cohesion" of Bulgaria and the six planning regions NUTS - 2 between 2007 and 2015. The territorial cohesion is analyzed with the assessment of the distribution of Structural and Cohesion funds in each of the six regions NUTS - 2 of Bulgaria and as per the share of expenses in the four national priorities.

The general conclusion is that the cohesion progress and growth of Bulgaria are slower compared to the other MS from Central and Eastern Europe, and the country's social and territorial progress are even slower. Bulgaria could not pass the „cohesion threshold" of the EU according to the National Statistics Institute (NSI) of Bulgaria during the analyzed period. The country entered the European Union in 2007 with a very low level of economic convergence and by 2015 remained both below the „cohesion threshold" and below the „poverty line" in the Union, namely with 48% GDP per capita from the EU average.

The only Bulgarian region that achieved the most visible progress in cohesion with the EU is the South-West Region (SWR). For a relatively short time, the SWR passed the "cohesion threshold" by 2015, and soon after the expiry of the first MFF, joined the EU group of „more developed" regions. The analysis of the other regions has shown that at the point of entry into the EU, no Bulgarian regions had achieved convergence with the EU. The richest SWR (part of which is the capital city of Sofia), also had a „less developed region", with a GDP per capita of 67% of the EU average. By 2015, the region entered the group of EU regions „in transition" NUTS 2 (1), with a GDP per capita of 78% in 2015.

The assessment of the regional disparities between the SWR and the other 5 "less-developed" regions shows that during the first programming period, the latter had achieved the highest rate of growth. In parallel to the well-growing SWR, the other catching-up regions' GDP stayed below 50% of the EU average. The fact that none of these five regions' NUTS 2 crossed the "poverty line" demonstrates the slow progress in the territorial cohesion of Bulgaria. The main conclusion is that the South-West region benefited the most from the EU membership but the rest of Bulgaria progressed very slowly.

Table 1. GDP per capita from the EU average

Regions NUTS - 2 (1)	2007	2008	2009	2010	2011	2012	2013	2014	2015
Bulgaria			44	45	46	47	46	47	48

North-West Region	27	28	28	27	29	29	29	30	29
North-Central Region	29	30	30	29	31	32	32	34	33
North-East Region	35	37	36	36	37	39	38	40	40
South-Central Region	29	30	31	31	32	33	32	32	34
South-East Region	33	36	36	36	37	39	39	41	40
South-West Region	67	72	74	76	76	76	78	78	78

<https://ec.europa.eu/eurostat/databrowser/view/tgs00006/default/table?!lang=en>. Data updated on 19.7.2022.

The analysis of regional economic growth has shown that the South-West Region has the highest rise of GDP per capita in the country. On the contrary, the other five regions NUTS - 2 have a much slower increase with a slightly better economic performance of the South-East Region (SER). The smallest progress belongs to the poorest North-West region which barely achieved one percent growth of its GDP per capita by 2015. The later assessment of the regional distribution of EU funds has shown that these two regions NUTS - 2 are the biggest beneficiaries of Structural and Cohesion funds per capita.

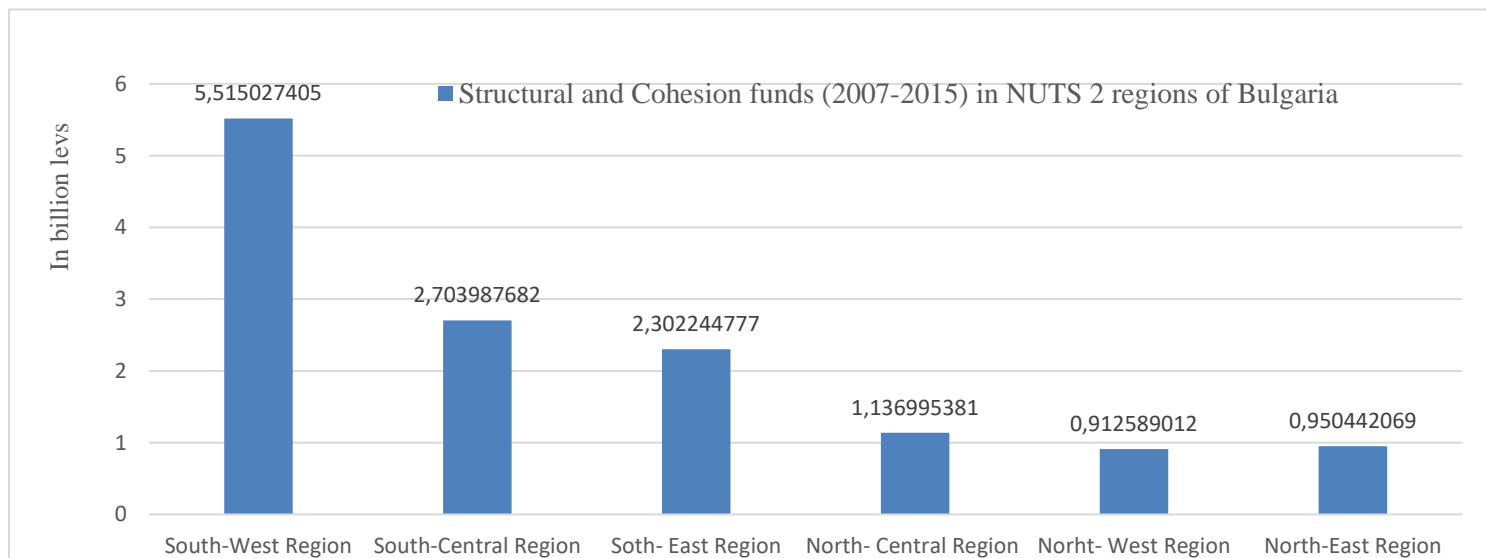
Further is analyzed the impact of the EU funds on the main economic sectors: „of **industry**”, „**services**” and „**agriculture**” has shown that the shares of the sectors of „**agriculture**” and „**industry**” in the GDP of Bulgaria have declined without even returning to the levels before 2007. This is the first evidence that the EU funds have not added sufficient value to these sectors. The only sector registering growth is the sector of "services" whose overall increase is equal to the growth of the Bulgarian economy (3,3%). However, during the first programming period, the sector of "services" was not eligible for EU funding because economic activities such as trade, restaurants, hotels, transport, and financial services are excluded from funding eligibility from the Structural funds. Overall the lowest share of the expenses funded by the 1st MFF of the EU belongs to the business in Bulgaria. Regarding regional impact of cohesion policy, the South-West and South-East regions are the highest recipients of EU Structural and Cohesion funds during the first programming period and are the only ones to have increased their shares in the GDP of Bulgaria.

In terms of the impact of the EU funds on regional growth, in all six NUTS - 2 regions, the Structural and Cohesion funds (SCF) are the major factor for the regions' growth. This conclusion is based on the assessment of their shares of the SCF in the GDP growth per capita. Based on an assessment of regional growth, the study concludes that the Bulgarian NUTS - 2 regions were advancing in four

different speeds. The highest speed was of the South-West region along with a 50% higher growth of GDP per capita than the other five regions NUTS - 2. The Southern regions (South-Central and South-East) have **above-average growth** estimated for Bulgaria, followed by the two North regions, (the North-East and North-Central regions) **which recorded average growth**. The region with the lowest growth below 1% is the North-West region.

Further, an assessment of the regional distribution of EU funds has shown that the three Southern regions are much bigger beneficiaries of EU funds. Namely, these three regions absorbed 78% from the first MFF (2007-2013) compared to the Northern regions (NUTS - 2). The biggest beneficiary of the EU funds in Bulgaria is the South-West region which absorbed almost half of the Structural and Cohesion funds during the examined period. On the contrary, the North-East and the North-West regions were much smaller beneficiaries of European funds. Due to the better economic indicators at the beginning of the first MFF, the North-East region was not adversely affected by a lower receipt of EU funds, while the North-West region was particularly affected. This is because the latter was in industrial decline and the lack of sufficient EU support had detrimental consequences for its growth. Thus, the study concludes that there is a direct link between economic growth and receipt of Structural and Cohesion funds. In other words, the EU funds can lead to growth, but they require careful planning in order to bridge the gap between poor and rich regions. This is one of the main substantiating proof of the study's hypothesis that EU funds have a role in deepening regional disparities in Bulgaria.

Figure 1. Gross distribution of Structural and Cohesion funds in NUTS - 2 regions of Bulgaria

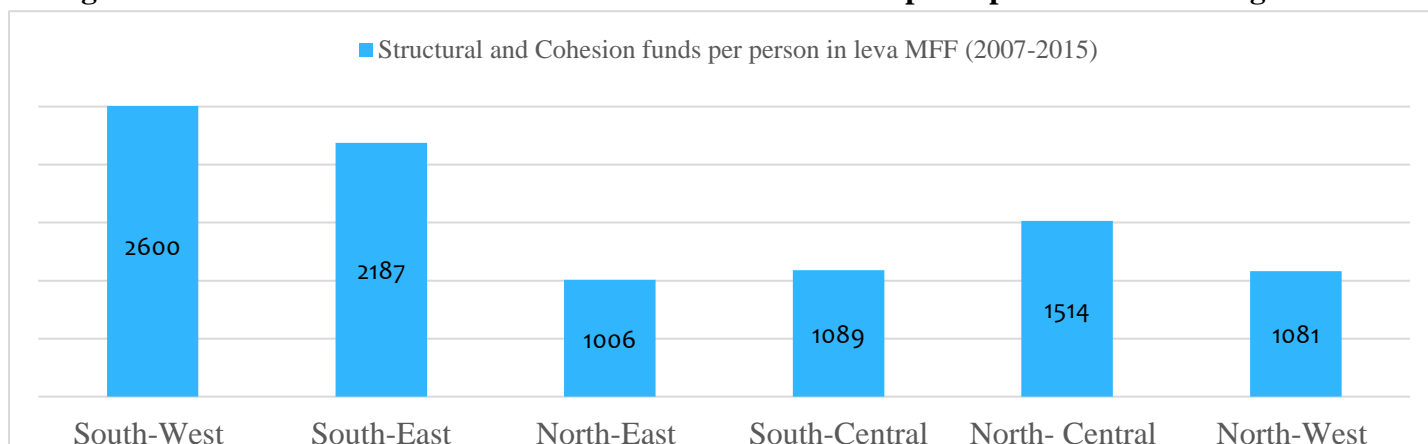


<http://umispublic.government.bg/prPlanningRegions.aspx?pr=32&list=1>. Data updated on 28.7.2022.

Regarding the programming of EU funds, the fact that half of the Structural and Cohesion funds are invested in the South-West region has contributed to deepening the regional inequalities in Bulgaria. The three South Bulgarian regions NUTS - 2 are **three times higher** beneficiaries than the Northern regions. The reason for this is that Bulgaria has not transposed the method of cohesion policy and nor introduced the „eligibility” criteria in the programming of European funds, which led to their concentration in the richest South-West region and Southern Bulgaria. However, during the first programming period, the South-West region did not fully complete its process of cohesion with the EU, and as such the region’s receipt of EU funds can be justified. As for the second and third MFF of the EU, the distribution of Structural funds in Bulgaria should be monitored, because the South-West region is expected to join the group of „more developed” European regions and to lose its eligibility for funding from Objective 1 of Structural and Cohesion funds by 2027. In addition, it is expected the effectiveness of the EU funds in Bulgaria to be improved and a more balanced territorial development to be achieved.

The next figure visualizes the SCF per capita in the six planning regions.

Figure 2. Gross distribution of Structural and Cohesion funds per capita in NUTS - 2 regions



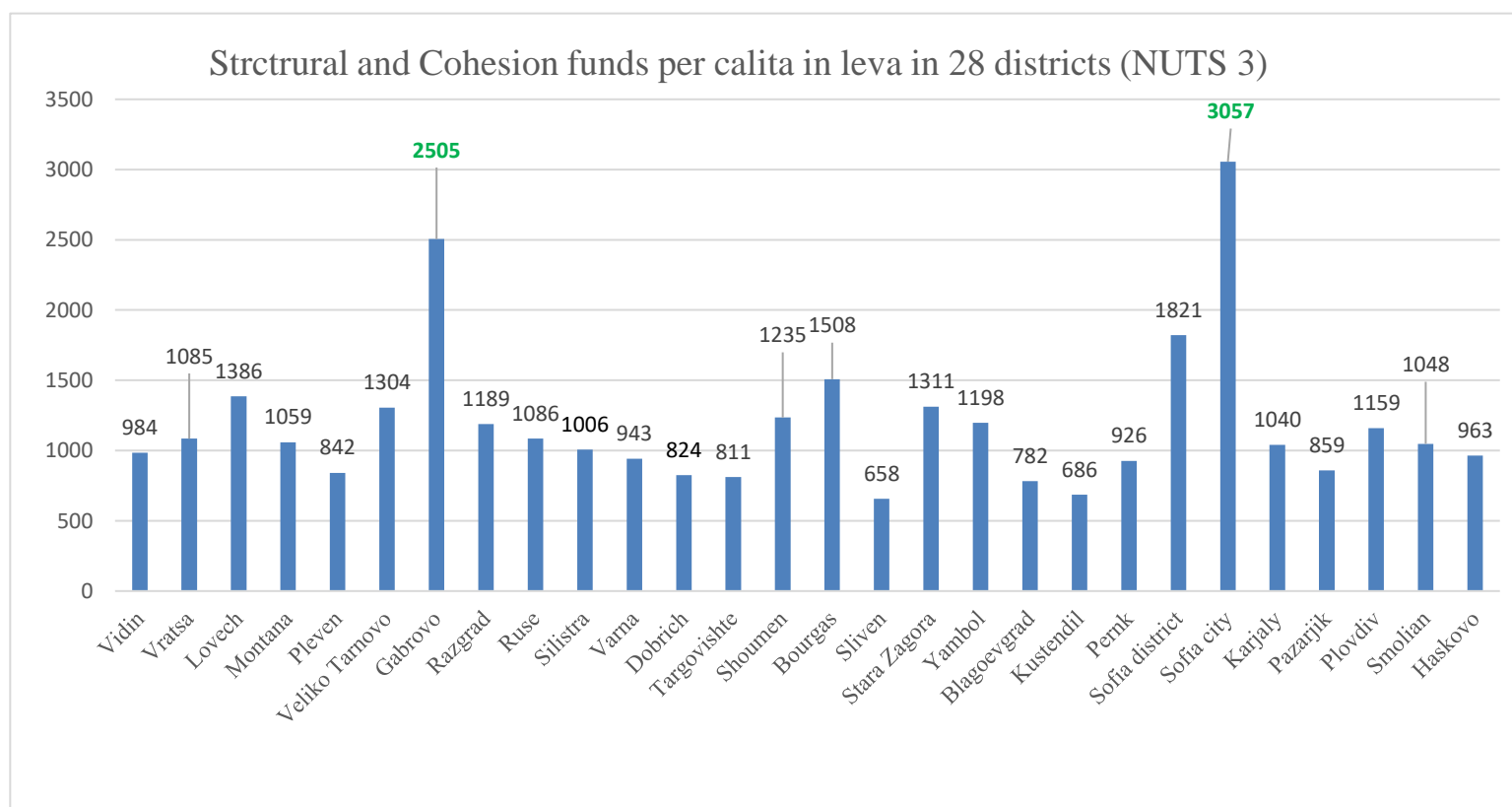
<http://umispublic.government.bg/prPlanningRegions.aspx?pr=32&list=1>. Data updated on 14.9.2022.

The planning problem of the EU funds in Bulgaria is most visible at the lowest territorial level, at the 28 districts (NUTS 3). **Two districts** (NUTS 3) have improved their cohesion with the EU, while **six** have been worsening. During the monitoring period (2007-2015), the number of „more developed” regions increased from **eight to ten**, **eleven to seventeen** - „less developed” regions out of 28, and one remained „in transition”. The districts NUTS - 3 which changed their category of cohesion from „transition” to „more developed” are Plovdiv, Ruse, and V. Tarnovo. The analysis has shown that in 2007 the „less developed” regions (districts NUTS 3) were **twelve** and by 2015 their number increased to

seventeen out of 28. The gap of inequalities increased because the **five districts** (NUTS - 3) „**in transition**” lost wealth and dropped down to the lowest, “least developed” category by 2015. At the same time, only two districts got richer and the number of „more developed” regions increased from eight to ten regions NUTS - 3. This is another argument that supports the conclusion that regional inequalities increased and the country became poorer after 2007.

The assessment of the NUTS - 3 regions according to the average SCF per person of BGN 2,558²⁰ in Bulgaria has shown that two districts (NUTS 3) have higher rates of average SCF per person than the remaining twenty-five districts. These are Sofia city, Sofia district and Gabrovo, with SCF per person of BGN 3,057 and BGN 2,505, respectively. All the other 25 districts (NUTS 3) are much lower beneficiaries of Structural and Cohesion funds. The gross values of SCF investments vary widely, between BGN 782 in Blagoevgrad to BGN 1,508 per capita in Bourgas. Further, the districts with the lowest growth are the smallest beneficiaries of EU funds. Figure 3 presents the differences in the distribution of Structural and Cohesion funds in the 28 districts (NUTS - 3).

Figure 3. Distribution of SCF in 28 districts of Bulgaria (2007-2015)



²⁰ The exchange rate of 1 Bulgarian lev (BGN) to 1 Euro is 1,95583 leva

<http://umispublic.government.bg/prPlanningRegions.aspx?pr=32&list=1>. Downloaded on 14.9.2022.

Another interesting correlation revealed in the study is between the two regions NUTS - 2 with increasing shares in the country's gross domestic product - the South-West and the South-East, and the European funds. The latter two registered higher growth that resulted in the study's conclusion that the EU funds generate growth.

Finally, the assessment of the lowest level NUTS 3 regions (municipalities) shows that the majority of ten „more developed” districts of Bulgaria have benefited the most from EU funds and the other eighteen NUTS - 3 districts have been losing wealth. The exception is Varna which is the smallest beneficiary. Lovech district is an example to the contrary because in 2007, it was „more developed” but despite the higher average SCF per person, this district dropped to the group of „less developed” regions by 2015.

Although the situation is improving in terms of **economic cohesion**, the **social and territorial cohesion** of Bulgaria is worsening. The large inequalities between the **North-West** region and the other **five NUTS - 2** regions have led to a chain reaction of territorial imbalances in the jobs, incomes and living standards of the Bulgarian population. Regarding the regional economic growth, four from six NUTS - 2 regions have lost economic shares in the gross national product of Bulgaria.

The assessment of the progress of **social cohesion** in Bulgaria has shown that after 2007, the majority of Bulgarian households have not felt a visible improvement. The analyzed social indicators show that the minimal progress in the economic cohesion of Bulgaria does not correspond to an improved social cohesion of the country. The growth of consumption of Bulgarian households has decreased on an annual basis, regardless of the increase in the gross disposable income and the double growth of the average salary. Subsequently, a comparison of the social cohesion of Bulgaria with the Member States from Central and Eastern Europe and countries from the Danube macro-region has shown a very low social convergence. Moreover, an analysis of the average salary per person has shown that Bulgaria's social cohesion is even lower even than some countries outside the European Union. By 2015, this country remains the only „catching up” Member State.

Regarding regional inequalities in the average salary per person, the biggest differences are assessed as between the South-West and North-West regions NUTS - 2. The large differences have resulted in labor migration flow from the periphery to the South-West region and Sofia city, and

depopulation of rural areas. A comparison of the average salary and growth rates of the six NUTS - 2 regions have shown that each of them grew significantly faster than the growth of the regional economy. Therefore, it is highly recommended that European funds support measures that increase the competitiveness and productivity of the Bulgarian economy. Another interesting aspect of the impact of European funds is that the average salary growth in the six NUTS - 2 regions and the investments of SCF per capita is comparable. The European funds have the greatest impact on the rise of wages in the South-West region. The conclusion is that EU funds are one of the major factors in the growth of the average salary per person in Bulgaria.

Further, an analysis of the labor market and unemployment rates has shown that, during the first programming period, the economy did not generate new jobs, despite the recorded GDP growth. Subsequently, unemployment in all six NUTS - 2 regions increased. The tight labor market led to increased unemployment rates, most visible in the „less developed“ regions of Bulgaria. It is an interesting fact that in both regions with economic growth above average, the South-West and South-East regions registered the highest absolute number of jobless people in 2013. The number in the South-West Region even crossed 100,000 unemployed people. This is one-third of the total number of unemployed for the same year. On the contrary, the North-East and North-Central regions registered a positive trend in the decline of unemployment mainly due to depopulation, migration, or others. The less-developed North-West region, without surprise, registered a high rise of unemployment.

In summary, regarding „**territorial cohesion**“, the situation in Bulgaria became even more complicated after its membership in the European Union. The country's economic cohesion is improving but regional economic and social inequalities are rising. By 2015, the South-West region (SWR) had progressed but all other five regions NUTS - 2 had remained 50% poorer than the SWR and below the „poverty line“ of the EU. Nevertheless, the South-West region could not act as a leader of change for the „less developed“ regions. The SWR managed to reach cohesion with the EU but at the expense of extracting other regions' wealth, including some of the EU funds, allocated to lagging-behind regions, to itself. This is a sign of centralization of the Bulgarian economy after 2007 because the gap of inequality between the South-West region and the other five NUTS - 2 regions significantly increased.

Other significant issues of the cohesion policy programming in Bulgaria are the low-added value of EU funds and the lack of continuity between Bulgarian governments on the implementation of „big projects“. Due to administrative problems at the start of the first programming period in Bulgaria, the

managing authorities of EU Operational Programmes did not have sufficient time to prepare enough regional analyses and to allocate EU funds to capitalize on their potential to achieve growth and jobs. The low-added value of the first MFF of the EU for Bulgaria is presented after the assessment of the share of EU funds in the GDP and a comparison of their gross size with the GDP growth. An additional tool for assessment of the added value of the EU funds is the Return of Investment Index (ROI).

A comparison of the share of EU funds in the GDP of Bulgaria, which is 3.17%, on average, annually, and the average growth of GDP, which is 2,3% after 2010, has shown that the EU funds have exceeded the net growth of the Bulgarian economy. Therefore, it is concluded that the gross investments from the European funds have very low added value. This conclusion has also been proven by the so-called Return on Investment Index (ROI) which is assessing the „broader" benefits of European funds. Its analysis demonstrates that the ratio between the price paid by European funds and the growth of the economy is very low compared to their added value in the EU. The estimations have shown that for one Bulgarian lev (BGN) paid by the EU funds, the achieved GDP growth per capita is BGN 0,61. This estimation, compared to the average return ratio on public investments in the EU of 1:3, is significantly lower. It means that the EU funds have been invested in sectors with low added value and the economy has not generated jobs. Here is another proof that the Structural funds have a low added value for jobs and incomes in Bulgaria. Finally, the study draws another conclusion that due to ineffective planning of Structural and Cohesion funds in Bulgaria, they have a low-added value which needs to be taken into account in the next programming period.

In addition, another category of EU development funds are agricultural funds. The latter have not led to better incomes in rural regions, nor to a reversal of rural depopulation trends. The assessment of the shares of EU funds for rural and urban areas regarding the population has shown that the agricultural funds have a share of 18% from the first MFF of the EU for Bulgaria, and the population living in rural areas is 27% of the total population of Bulgaria in 2015. Regardless of the fact that the agricultural funds are not part of Objective 1 for „socio-economic cohesion" during the first programming period, their effectiveness is assessed using demographic and social indicators. The evaluation of both indicators has shown that the greatest loss of population occurred in the rural areas, i.e. 64% compared to the decline in the urban areas - 36%. The conclusion is that the EU agricultural subsidies have no measurable impact on the demographic decline of the population living in rural areas.

Next, the current dissertation research analyzes the structure of expenses of the Structural and Cohesion funds in Bulgaria. In addition to regional inequalities, the other issue revealed in the study is the irregular allocation of EU funds between the four national priorities, as negotiated in the National Strategic Reference Framework (NSRF) (2007-2013). As a structure of expenses from the SCF, the largest share of the European funds belongs to the first national priority „**basic infrastructure**". The European funds invested in this priority are three times higher than in two other priorities: „**business**" and „**human resources**". The analysis of the impact of investments in "basic infrastructure" has shown that European funds are the main sources of capital investments in all Bulgarian regions, but in the poorest NUTS - 2 & 3 regions, they reach a share of more than 90% of the total capital expenditures of municipalities.

In conclusion, Bulgaria managed to improve its economic cohesion with the EU after 2007. Further, it achieves a growth major factor of which is the EU funds, most visibly in the South-West region and Sofia city, which benefited the most from the country's membership. On the contrary, the economic and territorial cohesion of Bulgaria deteriorated. The regional development model of Bulgaria after 9 years of implementation of the EU cohesion policy can be described as a more developed center that achieves cohesion and a significantly poorer periphery that remains below the EU poverty line taking shape. Territorial inequalities increased because the gap between the richest and poorest regions doubled.

Finally, the unbalanced distribution of the Structural and Cohesion Funds from the EU's first multiannual financial framework in Bulgaria led to bigger inequalities due to inappropriate planning. It resulted in the irregular distribution of European funds, more than five times higher in the most developed South-West region, impacting adversely the socio-economic development of entire Northern Bulgaria. Apart from the highest share of EU funds in "basic infrastructure", almost 80% of the European funds became invested in the three Southern regions (NUTS - 2), with the poorest regions losing opportunities for development, such as the North-West region, and Southern Bulgaria received significantly more advantages than Northern Bulgaria. Furthermore, the study of European funds by region has shown that the South-West Region is twice as large a beneficiary of funds from the SCF per capita than the average for Bulgaria. As such, the programming of EU funds has a role in the deterioration of the country's territorial cohesion after 2007 and has justified the need for a deep reform of the management of EU funds in Bulgaria, part of which requires the effective transposition of its method in the next EU MFF. That's why when programming the EU funds, the level of cohesion of each NUTS - 2 regions must be taken into account to avoid concentration of the Structural and Cohesion funds in the richer regions and to be

allocated to the peripheral and “less developed” regions, as is the funds’ prime purpose. It is strongly recommended that the programming of EU funds be improved so that the six regions (NUTS - 2), prioritize those of them that achieve the slowest growth and have lower incomes.

4.2. Vertical model indicators

This part of the research uses 22 indicators evaluating four national priorities negotiated between the EU and Bulgaria, as laid down in the National Strategic Reference Framework (NSRF) (2007-2013), namely: „**basic infrastructure**”, „**human resources with a focus on employment**”, “**business climate, entrepreneurship, and good governance**” and “**balanced territorial development**”. Unlike the horizontal indicators, which are permanent in the model, the vertical indicators are illustrative because they may vary depending on the national priorities, negotiated between Bulgaria and the EU. As for the agricultural funds, their impact is analyzed regarding their share in the first MFF of EU for Bulgaria and the change of population living in rural areas and their incomes.

After analyzing the first indicator of „**basic infrastructure**”, the study reveals a problem with regional planning of the newly constructed highways. The analysis of the data of the National Statistics Institute of Bulgaria has shown that the investments in Southern Bulgaria in the newly-built motorways are **seven times** higher than those in Northern Bulgaria. The big difference in funding from the EU funds between Northern and Southern Bulgaria was previously revealed as a result of irregular planning of the Cohesion fund investments in the construction of highways. The disbalance in transport connectivity between Northern and Southern Bulgaria has seriously deepened economic inequalities. In general, the basic infrastructure in Southern Bulgaria has been improved at the expense of the accessibility of Northern Bulgaria. Therefore, the large difference in transport connectivity between Southern and Northern Bulgaria is a part of the same EU funds planning problem.

Another argument for the poor planning of the EU funds is related to the lack of continuity between the Governments on the implementation of the EU „big projects”. For example, the poorest North-West region has lost allocated European funds for the construction of a motorway from Vidin to Botevgrad, which is being programmed for financing in the OP „Transport” 2010. The road section is part of the adjoining infrastructure of the Danube Bridge Vidin-Calafat and the Pan-European Corridor E-79.

The motorway was never accomplished because the new government (2009) relocated the EU cohesion funds to the construction of the third metro line in Sofia city. This is another example of how the EU funds can deepen inequalities in Bulgaria.

The next indicators of the priority "**Basic infrastructure**" are assessing the quality of railways and ports, the construction of waste depots, water, and sewage systems, and the digitalization of Bulgaria. The method of the World Bank registers a slight improvement in ports, but in general, the condition of Bulgarian railways is unsatisfactory. The Cohesion funds in ecology, respectively, for the construction of waste depots and water and sewage systems, are more balanced and achieve wider social impact by providing the population with drinking water and regional waste management systems. Another visible impact of the European Regional Development Fund (ERDF) is measured with investments in internet infrastructure. The funds from the ERDF have improved significantly the connectivity and access of the population in all six regions of NUTS - 2 with high-speed internet and digital services.

The second group of vertical indicators assesses the implementation of the priority, „**Human resources with a focus on employment**". The first indicators analyze the dynamics in the population in urban and rural areas, unemployment rates, together with early school dropouts. The population indicator demonstrates two additional problems. The first is related to the non-compliance of Bulgarian regions with the requirement of Eurostat for population, while the second is about the loss of population from rural areas. Overall, the good news is that the rate of population decline has slowed down after 2007 compared to the previous two decades.

Further, the study reveals that the most significant population loss comes from rural areas. After analyzing the demography of the urban and rural areas, it became clear that almost 70% of the total population decline comes from agricultural areas of Bulgaria. The comparison of the share of agricultural funds from the first MFF of Bulgaria and the share of the population living in the country's rural areas has shown that they are smaller beneficiaries than the urban regions, i.e. the rural population is 28%, receiving only 17% from the share allocated for agricultural funds from the MFF. Given the lower share of EU funds for rural areas, the study concludes that these funds have not led to an improvement of the living conditions in rural areas and have not protected the incomes of farmers.

Further, it should be outlined that if the European cohesion policy's main objective is to put the "lagging behind" regions back on the growth path, the objectives of the EU's common agricultural policy

is to preserve traditional productions and farmers' incomes, the diversification of economic activities and prevent the depopulation of rural areas. Therefore, the population is an evaluation criterion by which a conclusion can be drawn about the effectiveness of agricultural investments. The EU funds per capita in rural areas are comparable to those in urban areas, but their monitoring is difficult because of the absence of a public information module for the subsidies in rural areas.

The analysis of social cohesion of the Bulgarian regions confirms the initial observations from the horizontal indicators that on income, consumption, and regional unemployment, there is no measurable positive change. The regional analysis has shown that in 20 regions, unemployment rates were increasing above the average for Bulgaria and that EU funds, invested in social policies, also have low efficiencies. The social indicators assessed have shown that vulnerable groups have not improved much and the social inequalities in terms of income and jobs are worsening in Bulgaria.

The share of the population living with incomes below 50% of the average for Bulgaria increases and a conclusion is drawn that the protection of vulnerable groups in Bulgaria is low. Further, the average salary has doubled the difference between the North-West and South-West regions of Bulgaria. The last indicator has shown that the situation with early school dropouts is worsening and in the long term, the competitiveness of the Bulgarian economy is at risk. The ceiling of an 11% share of school drop-outs per year as laid down in the National Strategic Reference Framework (2007-2013) and was not accomplished.

The third group of vertical indicators evaluates the implementation of the third priority of the National Strategic Reference Framework (2007-2013), **„Encouraging entrepreneurship, improving the business climate and good governance“**. This group of vertical indicators further shows that European funds have little contribution to the growth of the economy. In general, the funds from the Structural funds for businesses have the smallest share. Moreover, the analyzed indicators of the business climate and entrepreneurship show that there are still many obstacles against businesses and start-ups in Bulgaria. The lower corporate tax introduced in Bulgaria in 2009 has not been a sufficient condition for encouraging business entrepreneurship. The other indicators such as other costs for business and a safe environment have also not improved. The business environment is still characterized by many barriers to cross-border trade, property registration, and insolvency resolution. In addition, the security of doing business in Bulgaria has increased, and firms are exposed to higher risks of corruption, theft, and robbery according to the World bank index.

The last group of vertical indicators is analyzing national priority 4, „**Balanced territorial development**”. As previously indicated, this analysis also demonstrates that social and economic inequalities in Bulgaria have grown since 2007. In this part of the research are assessed the population of the regions NUTS 2 and 3 and the economic cohesion of the regions NUTS 3. The assessment of the number of inhabitants has shown that the North-West region is smaller than the criteria of Eurostat for NUTS - 2 regions (800 000 - 3 000 000), namely, it is 783 909 inhabitants. In addition, eleven districts are below the requirement of Eurostat for the population size of the region NUTS 3 (150 0000 - 800 000 inhabitants). These findings resulted in making recommendations for administrative reform for the regions to fulfill the requirement of Eurostat for population size.

Further, the study has assessed the economic cohesion and growth of 28 districts and has made conclusions about the impact of Structural and Cohesion funds at the lowest territorial level. The overall number of „more developed” regions NUTS - 3 has increased by two, namely from eight to ten regions. At the same time the „less developed” regions NUTS - 3 have increased to five, namely from twelve to seventeen out of 28 districts.

An analysis of the economic growth of the 28 districts has shown that the most visible progress has been achieved in Sofia city and Sofia district. The earlier analysis of the territorial distribution of EU funds has indicated the concentration of European funds in Sofia city, Gabrovo, and in eight other districts which all are „more developed” districts (NUTS 3) according to the current analysis of their cohesion with the EU. As a result, the analysis concludes that the "more developed" districts are bigger beneficiaries of SCF than the remaining regions (NUTS 3).

It is of note that none of the six poorer districts in 2007 achieved visible progress, barely advancing by 1% GDP growth per capita. These are Vidin, Silistra, Kustendil, Pleven, Lovech, and Pernik. Left without sufficient opportunities for catching-up on their development, these six districts lag even further behind than the other regions NUTS 3 after 2007. „[It] was known that this could end with a negative result”.²¹

An in-depth assessment of the South-West region NUTS - 2 has shown that Blagoevgrad, Kyustendil, and Pernik, regressed to the category of „less developed” regions NUTS 3 which means that

²¹ Dimitrov, G. (2021) "How did Bulgaria get into the EU? (empirical sociological reconstruction of the Bulgarian European integration process)". Sofia University "St. Kl. Ohridski", Sofia, p. 22

the gap between them and Sofia city and Sofia district further increased. The geographic proximity of these districts to Sofia city and Sofia region has not favored their economic development.

The North-West region formed as the poorest because it included four „less developed” districts out of five by 2015, namely Vidin, Montana, Lovech, and Pleven. In 2007, Lovech was in the same group as Vratsa as a more developed district. In contrast, the North-Central region NUTS - 2 achieved the most significant progress because the number of „more developed” districts increased from one to three, namely the district of Veliko Tarnovo and Ruse joined the „more developed” district of Gabrovo by 2015 from the same group. In the South-Central region with two districts in transition in 2007 (Smolyan and Pazarjik), Pazarjik dropped into the group of less developed districts. Plovdiv in the South-Central region progressed the most, moving from a “less developed” in 2007 to a „more developed” district in 2015. These are three districts, namely Ruse, Veliko Tarnovo, and Plovdiv, which improved their level of cohesion with the EU. However, overall, it is concluded that Bulgaria is worsening its territorial cohesion after 2007 because the number of “less developed regions” grew from 2007 until 2015.

In conclusion, due to the absence of a method of comprehensive programming, the EU funds are concentrated in the most developed Sofia region, and in the districts which have registered the highest growth. The last Census (2021) shows that Bulgaria lost one million from its population since 2011, with the highest declines in Vidin, Smolyan, and Dobrich districts, which lost 25% of their population. Bulgaria needs to adopt criteria for financing from the Structural and Cohesion funds in the region NUTS 2 (3) because most of its territorial cohesion is very low. Currently, it is not clear why some of the more developed districts continue to be significant beneficiaries of EU funds. The very concerning conclusion are that the „less developed” and peripheral districts are left without sufficient support, exposing the government to risk of ongoing discrimination against the population based on the social-economic status of the population. Moreover, these regions are losing political representation because of depopulation. It can be concluded with a high degree of certainty that, as a result of the ineffective implementation of EU cohesion policy in Bulgaria, the European funds had a role in deepening inequalities in Bulgaria during the monitored period.

5. Chapter III. Comparing the cohesion of Bulgaria with the Member-States of Central and Eastern Europe and the Danube countries.

Chapter III compares the level of cohesion of Bulgaria with the Member-States from Central and Eastern Europe (CEE), with whom it has political and economic similarities. Special attention is given to the progress made by Romania, which is part of the second phase of the Fifth enlargement (2007) together with Bulgaria. Regarding the analyzed Danube countries, there are nine EU Member States out of fourteen.

The current Chapter hypothesis is that after their EU membership, the majority of Central and Eastern European countries follow the same old model for territorial development where the Central Capital areas are twice richer than the rest of their territory. Thus, the most visible progress in cohesion with the EU is done by their central Capital regions, compared to the significantly slow cohesion of the remaining regions. Fifty-nine regions NUTS - 2 (1) are analyzed from eleven (11) Member States of Central and Eastern Europe (CEE). The objective is to assess the level of cohesion of the CEE Member States and to compare it with the progress made by Bulgaria. From the results of the study, conclusions are drawn as to how far the CEE countries have achieved „comprehensive and balanced economic and social development" (Maastricht Treaty, Art. 130).

The model applied in this Chapter III has used the horizontal indicators for an evaluation of the economic, social, and territorial cohesion and the vertical indicators for the „catching up" regions NUTS – 2.

5.1. The cohesion of Member States of Central and Eastern Europe with the EU (2007-2018)

Despite a similar economic and political situation until 1990, the Central and Eastern Europe (CEE) countries have a different level of cohesion with the EU. The most developed is the Czech Republic, followed by Slovenia, Estonia, and Lithuania. Their progress is much quicker in cohesion with the EU than the remaining analyzed countries. According to Eurostat, the two most developed countries are the Czech Republic and Slovenia, without either of them having convergence with the EU in 2007. By 2018, Check Republic has entered the group of „more developed" NUTS 1(2) European countries.

The remaining six Central and Eastern European countries are „less developed", with a GDP per capita below the „cohesion threshold" in the EU. These are Bulgaria, Croatia, Hungary, Poland, Romania, and Latvia. In 2007, only Bulgaria has been a "catching up" country, with a GDP per capita below 50%

of the EU average. By 2018, the country has crossed the „poverty line,, achieving 52% of the EU average.²² Apart from this positive fact, Bulgaria has a very slow cohesion process compared to most other CEE countries due to political, institutional, and administrative barriers part of which is the problem with the planning of SCF.

The analysis in-depth has shown that the Member-States from Central and Eastern Europe below the „cohesion threshold“ vary in their level of convergence with the EU. Hungary and Poland, for example, have a GDP per capita of 71%, Romania and Croatia 65 %, and Bulgaria 52% of the GDP per capita of the EU average in 2018. The most visible progress has been made by the two Baltic countries - Estonia and Lithuania. Slovenia and Slovakia achieved good growth and have joined the group of „in transition“ countries. By 2018 the only „most developed“ country is the Check Republic. Overly the countries below the „cohesion threshold“ in the EU are seven and four above it. By 2018 including one that has achieved convergence with the EU, the Check Republic. The conclusion is that the majority of CEE MS are „less developed“ and still have to accomplish their process of cohesion with the EU.

Table 2. GDP per capita of the CEE countries (2010-2018)

Member-States from the Central and Eastern Europe (MS of CEE)	Category of cohesion according to Eurostat (2010)	GDP per capita to the EU average (2010)	Category of cohesion according to Eurostat (2018)	GDP per capita according to the EU average (2018)
Bulgaria	catching up	45	less developed	52
Check Republic	in transition	84	more developed	92
Estonia	less developed	66	in transition	81
Croatia	less developed	61	less developed	65
Hungary	less developed	66	less developed	71
Poland	less developed	63	less developed	71
Slovenia	in transition	85	in transition	87
Slovakia	in transition	76	less developed	70
Romania	less developed	52	less developed	66
Lithuania	less developed	61	in transition	81

²² Eurostat Year book, 38/2020. [on line]. https://nsi.bg/sites/default/files/files/pressreleases/ECP_GDP-Regional_2018_en.pdf.

Latvia	less developed	54	less developed	69
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<https://ec.europa.eu/eurostat/databrowser/view/tec00114/default/table?lang=en>. Downloaded on 21.8.2022.

The analysis of the GDP growth per capita has shown that the Baltic States and Romania are progressing far better than others. Thus the three countries - Lithuania, Litva, and Estonia are defined as leaders in the process of cohesion with the EU. Latvia also makes good advancements as Lithuania and Estonia, but due to its lower economic background in 2007, it could not change its category of cohesion. On the opposite pole are Bulgaria, Slovakia, and Slovenia, which have several times lower growth compared to the Baltic States during the same period. The case of Slovakia is interesting because the country enters as one of the three richest Eastern European countries with a GDP per capita above the „cohesion threshold“, but by 2018 returned to the category of „less developed" countries. Slovenia also experienced a similar slowdown between 2011 and 2016, but unlike Slovakia, it managed to get back on the path of growth by 2018. This means that the political and other obstacles which have slowed down the process of cohesion with the EU have been overcome. The conclusion is that for the success of the cohesion process, there must be political, institutional, and other conditions that support the euro integration of Member-States into the EU. As for Bulgaria, it achieves below-average growth for the Central and Eastern Member States. The higher growth of the Baltic States and Romania indicates more favorable political and institutional conditions that act in support of their catching-up development. At the opposite pole are Slovenia, Slovakia, and Hungary, which progress is significantly slower.

The regional analysis of the CEE countries has highlighted a new problem related to the large territorial disparities. The assessment of 59 NUTS - 2 regions revealed that only seven (7) are „more developed" in 2007 and their number has not changed by 2018. Two (2) of the richest regions in 2018 are Prague (CZ01) in the Czech Republic and Bratislava (SK01) in Slovakia, with GDP per capita 192% and 173% from the EU average in 2018. The other five (5) regions of NUTS - 2 which have convergence with the EU are Warsaw (PL91) in Poland with a GDP per capita of 156%, Bucharest, with 152% in Romania (RO32), Budapest with 145% in Hungary (HU11), the Sostinès regions 117% from Lithuania and Ljubljana 105% in Slovenia. It is noteworthy to outline that all seven (7) „more developed regions" coincide with the Capital central regions of the CEE MS. Later has been revealed the same pattern of one rich center and very poor periphery is been registered in all other „less developed “ the CEE MS. Their

Capital regions have between 50 % and 100 % higher gross domestic product than the rest of their territory.

After the analysis of the CEE Member-States can be summarized that regardless of their similar economic and political situation until 1990, the various countries have a different level of cohesion with the EU. The Central European countries as the Czech Republic, Slovenia, Slovakia, and Lithuania have higher cohesion with the EU than the rest of the CEE countries. Slovakia, Slovenia, and Croatia have slowed down their growth. This fact is important to the current research because it shows that the effectiveness of the cohesion process depends on other factors such as political and institutional conditions in the Member-States. If the CEE countries maintain the current growth rate, Romania and Latvia have a promising perspective of crossing the „cohesion threshold" by 2027. For Hungary, Bulgaria, and Croatia, the prognosis is rather negative. The other regions „in transition" NUTS - 2 which may complete the EU cohesion process by 2029, if maintain the current GDP growth are the capital regions of Bulgaria, Estonia, and the Czech Republic, (Strední Čechy and Jihovýchod).

Based on the findings revealed so far, it has been concluded that the social, economic, and territorial cohesion of the Central and Eastern European countries is improving. Those with a more favorable institutional and investment environment achieve higher growth, regardless of the negative effects of the global debt crisis. Another conclusion is that Bulgaria, Slovenia, Slovakia, and Hungary had achieved slower cohesion with the EU than other MS. The assessment of internal regional inequalities has shown that the inequalities are growing in Poland, Romania, and Bulgaria. The remaining problem for all Central and Eastern European Member States (MS) is that the „more developed" regions are achieving economic and social cohesion with the EU but the „less developed" regions advance much slower.

In conclusion, Bulgaria stays the MS with the lowest cohesion with the EU from all Central and Eastern European Member-States. To overcome these negative outcomes, Bulgaria has to take a comprehensive reform of the cohesion policy during the next program period. The most important action would be to implement the European method of cohesion and adopt its key criteria for „eligibility" of regions NUTS - 2 for financing from the Cohesion and Structural funds. Thus, the process of programming EU funds would become more transparent, proficient, and effective. After 9+ years of experience in the implementation of the European cohesion policy and insufficient progress, it is crucially

important for Bulgaria to take action to reduce the regional disparities because is losing human capital and do not capitalize on the economic potential of its territory.

5.2. Danube countries' socio-economic convergence (2007-2018)

The second part of Chapter III analyses the social and economic differences between the Danube states, which vary in traditions, populations, and level of cohesion with the EU. It has shown that the Danube countries have two different models of territorial development. The Western Member States from Upper Danube- Germany and Austria have more balanced regional development. On the opposite side are the Lower Danube countries which have one more developed Capital central region and a fifty percent poorer periphery. The same pattern of large economic and social cohesion is revealed in the bigger non-EU state. Another aspect of the socio-economic differences in the micro-region is the fact that three Capital cities (Belgrade, Budapest, and Vien) are located on the Danube river. At the same time, the regions NUTS 2 of Romania and Bulgaria along the Lower Danube are the poorest.

The demographic analysis has shown that the countries with high convergence with the EU have the most favorable demographic picture. These states are Austria, Germany, the Czech Republic, and Slovakia which have registered a positive trend of demographic growth. Here is proven the link between the higher level of cohesion and the population increase. Another finding is that the location is not a major factor in the good progress of cohesion with the EU. For example, Romania which is more peripheral has achieved better progress in cohesion with the EU than Slovakia, Hungary, and Slovenia which are more centrally located in the EU. This is concluded that there is no direct link between the location and the cohesion progress with the EU. However, as it was previously proven the favorable political, institutional and investment environment are most important for a successful and sustainable cohesion process with the EU.

Further, the more developed countries - Germany, Austria, and the Czech Republic, can play a bigger role in catching up development of less developed states from the Middle and Lower Danube. A positive fact is the quite advanced digitalization of the Danube Member States, which is a good prerequisite for deepening economic cooperation.

In terms of social cohesion, Germany, Austria, Slovenia, the Czech Republic, and Slovakia are improving the situation in terms of the incomes and consumption of their households. The other member-states register decline in the share of consumption in the GDP on annual basis and Bulgaria the most. The analysis of average salary added new facts about Bulgaria's very low social cohesion because its average wages were even smaller than those in Serbia, Bosnia and Herzegovina, and Montenegro which are non-EU states. For instance, the average salary in Montenegro is 2/3 higher than in Bulgaria which is not a Member State. Another finding is that cross-border transfers are increasing only in Bulgaria because the economy has not generated jobs. Part of the problem is that the labor market in Bulgaria is characterized by seasonal labor mobility and the cross-border transfers have secured the balance between the expenses and incomes of Bulgarian households. The very low average salary in Bulgaria resulted in the labor seasonal migration.

The other social indicators for monitoring the social cohesion of Danube States are the population with incomes below 50% of the national salary average, and unemployment. Its assessment has shown that Bulgaria has a higher share of the population (16%) than the other Members States. Along with the decline registered by other social indicators, is concluded that Bulgaria has the lowest progress in social cohesion with the EU, which justifies the need for reform and better planning of investment policies in the following programming periods.

Finally, the natural connectivity between the Danube states with the Danube river is a good prerequisite for further cooperation and deepening the economic ties, which nowadays are still insufficient and limited. Despite significant economic and social differences, the Danube countries have a serious untapped potential for economic and regional cooperation. The most serious proof of that is the decline in the transport of cargo and goods between the Upper, Middle, and Lower Danube. Bulgaria is performing better on this indicator and can work to achieve a leading position in the field of freight transport along the Danube.

In conclusion, the assessment of Danube countries has shown that Germany and Austria have much bigger economic advantages and can act as engines for the Danube Member-States with the lowest cohesion with the EU. More investments are necessary for developing the tourism potential, and new infrastructure such as ports, renewable energy systems, and real estate to capitalize on the microregion's advantages. Removing barriers and creating better conditions for deeper economic cohesion, private investments and trade can contribute to the sustainable development of the entire micro-region into the

EU. The regional financial instruments such as the "Danube" transnational program, the cross-border programs, as well as the Structural and Cohesion funds can be used more effectively if keep the focus on the less developed regions. The implementation of more strategic and integrated projects, and creating conditions for business, research and development, and innovations are recommended. As for the non-EU states, they can be supported to enhance the regional cooperation and exchange of know-how with the EU MS and in the long-term perspective of their euro integration.

Inference

Bulgaria has joined the European Union in 2007 and by 2015 had one of the most dynamic periods in its recent history because it had to adapt quickly to various European standards and achieve better socioeconomic cohesion with the European Union (EU). Due to lagging far behind the average development of the EU, the country received access to significant funding from the European Structural and Cohesion Funds (ESIF). The objectives of these funds in Bulgaria were to help the country achieve territorial cohesion with the EU, to improve the competitiveness of the economy, and to reduce the country's internal socio-economic disparities. After the fall of the Berlin wall, all former communist countries in Eastern Europe and particularly Bulgaria were disconnected by road, air, or rail from Western Europe. This was a big challenge for these countries to build the missing infrastructure and adjust to the European environmental and social standards and new European markets for a relatively short period of time. Bulgaria, in addition, had issues related to justice, rule of law, and human rights. As such, the cohesion policy of the EU was the main instrument for achieving these goals.

The large-scale funding from the EU funds allocated to Bulgaria caused significant changes in the country's small economy and its social and public fabric because the funds literally "flooded" the country. The aim of the State to absorb the EU funds had replaced all other national and local priorities and other than an improvement of public infrastructure, the EU funds triggered some negative outcomes. The EU funds have been the primary factor in the economic growth of Bulgaria from 2007- 2015. At the same time, they have low added value for the country's economic growth, negatively impacting the social and territorial cohesion of Bulgaria.

Regarding internal disparities, the EU funds have contributed to deepening the regional socio-economic differences between six Bulgarian regions instead of reducing them. The main reason was that Bulgaria did not effectively implement the EU method for programming the Structural and Cohesion funds.

The local governance had become more dependent on the central state and hardly gained local self-governance capacities.

The top-down approach in EU-funded projects' implementation is another argument for their low efficiency and low added value.

The EU funds strengthened the role of the state in the economy by making businesses more dependent on the government and are invested in sectors that have not registered growth.

Regarding the structure of expenses, the SCF in basic infrastructure was 5 times higher than investments in human capital development and business.

Bulgaria had improved its connectivity by road and railway and the internet users with the EU.

The newly constructed roads are 734 km., but the regional inequalities in transport accessibility expanded because almost 80% of the Structural and Cohesion funds were invested in the three Southern regions.

The highest beneficiary is the South-West region with almost half of the SCF from the first MFF of the EU for Bulgaria.

Except for the big gap between European and Bulgarian regions, significant disparities are revealed between the Northern and Southern regions of Bulgaria as well as between the South-West region and the other five NUTS 2 regions. In the first programming period, the difference between the North-West (less developed) and the South-West region (more developed) has doubled.

The population decline was reduced by 50% which proves the longer life of the population and better living conditions.

The deinstitutionalization of orphanages has been a successful policy implemented with the EU funds and more than 6300 kids were relocated to smaller type family centers- in total 66 centers and 14 transitional homes.

The cross-border transfers increased which helped the bills of thousands of households.

The EU funds are the main factor in the growth of GDP and average salary in Bulgaria.

The EU cohesion policy had a disciplinary effect on the public finances of Bulgaria. The budget deficit of Bulgaria was kept by the Bulgarian state within the Maastricht criteria of below 3%.

Other negative tendencies:

Despite the reduced trend in population decline, unemployment grew by 2,2 % from 2007 to 2015.

The EU funds have made local businesses less productive and entrepreneurial.

The state became the biggest client of works, goods, and services with above 65% share in the overall market.

The growth of household consumption declines by 2015 compared to 2007.

The growing fiscal redistribution from the State due to the significant funding from the EU has centralized the economy and the local self-governance.

New disproportions between regions in levels of income, access to better jobs, opportunities for entrepreneurship, and access to capital have appeared.

The cohesion funds have absorbed regional administrative capacity and made the „less developed“ regions more passive and rigid in implementing local economic policies and become more financially dependent on the central government.

The EU funds have low added value for economic growth and the creation of new jobs.

The EU funds did not help the Bulgarian economy to achieve higher competitiveness and productivity.

6. Recommendations

The assessment of the impact of the first Multiannual financial framework of the EU for Bulgaria has shown that the country achieves slower economic, social, and territorial cohesion with the EU than the other Central and Eastern European Member States. Therefore, Bulgaria needs to carry out reforms in the following directions:

➤ **Recommendations to State administration**

First and foremost, Bulgaria must introduce the European method of cohesion by focusing on the poorest regions, those with low growth and lower average salary. The State has adopted a specialized Law for the management of European funds but has not adopted the cohesion method and „eligibility “criteria for financing from the Structural and Cohesion funds.

The Government and the Managing authorities have to guarantee continuity in the implementation of the EU „large-scale” projects in Bulgaria.

The Government is to act accordingly to guarantee open data access to the funding from the Program for rural development areas.

The Structural funds have to support more visible investment in innovation, human resources, and public-private partnerships.

Another important action is for improving the control over the sustainability of public and private investments.

The Central coordination unit has to prepare and enforce a national qualification system for stakeholders, municipalities, and local partners, working on cohesion projects.

Separating the public procurement of supervision from the tenders for construction.

Introducing the quality control system in the EU-funded projects.

Improving the supervision of contracts of the tenders for construction.

Implementing more strategic and integrated projects with the added value measured with growth and jobs of „less developed “regions.

The EU funds have to support businesses' growth regionally. The enclosed map of growth per sector for Bulgarian regions NUTS 2 and 3 can be used as a tool for improving the efficiency of the EU funding in the next programming periods.

The government has to enforce the bottom-up approach for promoting the economic policies of regions NUTS 2 (3) and supported by the EU funds instead of the top-down approach which makes regions dependent on the central state.

Social measures have to be programmed in coordination with other economic measures.

Finally, the ex-post evaluation and monitoring of the EU-funded programs must become part of the mandatory functions of the Central Coordination Unit of Bulgaria.

➤ **Recommendations to Municipalities**

The regional and local administration of NUTS 2 (3) regions are advised to elaborate a mechanism for enhancing administrative capacity that provides experts working on the EU programs and projects for cohesion, with continuous training, supervision, and other forms of guidance and qualification. Municipal administrations have a leading role in the preparation of integrated territorial investments hereinafter the ongoing qualification of experts, working on EU programs is essential.

Providing technical assistance to Bulgarian municipalities to work and participate more actively in the horizontal programs of the EU and projects for cooperation.

Securing a mechanism for the maintenance of the municipal infrastructure built or reconstructed with EU funds.

Improving the supervision of contracts of the tenders for construction and the public procurements and grants awarding.

Guaranteeing the transparency of tenders for services, construction, and goods.

Implementing projects' quality control systems such as project implementation (ISO 2000).

➤ **Recommendations to Business**

In the next multi-annual financial framework (MFF), the EU funds should focus on measures increasing the competitiveness and productivity of the Bulgarian economy.

The Structural funds in Bulgaria have to encourage businesses to offer new products and develop innovations and increase investments in research and development.

Better justification of innovative start-ups for commercializing as part of technological modernization and internationalization of economic operators from Bulgaria.

More public-private partnerships in „less developed“ regions NUTS - 2 (1) that capitalize on the local advantages.

Improving the sustainability and long-term results of EU-funded projects.

Investments in Research and Development (R&D) have to continue to reach the target of 1.5% of GDP by 2029.

7 . Conclusion

After completing all the tasks, the research plan has been finalized and the dissertation purpose has been fulfilled. The object has been analyzed in a theoretical plan and from a practical point of view. The evolution of cohesion policy and the emergence of cohesion funds and their budget from the first to the sixth multiannual financial framework are analyzed. More important concepts on inequalities, growth, and regionalism are studied, and more important terms and types of cohesion are formulated.

Another important task is the selection of indicators for building a model for subsequent evaluation and monitoring of the impact of the cohesion policy on the economic, social, and territorial cohesion of Bulgaria. Conducting the empirical research on the developed model illuminated questions that led to conclusions about the impact of EU cohesion funds that have not been studied so far. Part of this task is the analysis of the results of the evaluation model, the preparation of conclusions and recommendations that are relevant for practice, and the implementation of reforms.

Methodologically, the dissertation research developed, tested, and verified a model for ex-post evaluation and monitoring of the impact of the EU's cohesion policy in Bulgaria. The developed logical matrix is prepared for experts working on European programs, the Managing authorities in charge of the implementation of European programs, and the Central Coordination and Management Unit in Bulgaria.

The effectiveness of the first financial framework of the EU for Bulgaria has been analyzed through a set of horizontal and vertical indicators. Territorial cohesion has been studied through an analysis of the distribution of cohesion funds concerning the well-being of the regions. The hypothesis of the study was proven after an analysis of the structure and distribution of cohesion funds, which concluded that the programming of European funds has a role in deepening regional inequalities in Bulgaria.

The next completed task is the comparison of the level of cohesion between Bulgaria and the countries of Central and Eastern Europe and the Danube macroregion, which provided additional knowledge about the country's progress in cohesion with the EU. In a broader context, the comparative approach with other countries brought out new aspects of the socio-economic development of Bulgaria after its membership in the EU.

Thus, in addition to the developed model, which can be used for studying the impact of any subsequent European multiannual financial framework, the research summarized some of the more important issues and " lessons learned " from the implementation of the first MFF of EU for Bulgaria and the nine years of its membership in the European Union.

Based on the summarized theoretical aspects and the conducted empirical research, it can be concluded that the **hypothesis of the research** has been proven. Namely, the poor planning of Bulgaria's first MFF resulted in increased regional inequalities in Bulgaria after its membership in the EU in 2007. The seriousness of the problem of the unbalanced distribution of EU funds from the first MFF of Bulgaria could not be assumed when formulating the hypothesis of the study.

Finally, it should be noted that the conducted research was a serious challenge because the results could not be predicted at the beginning, and the initial observations turned out to be much more serious. During the entire dissertation analysis, the subjective judgments and opinions of the author are limited, and the conclusions are drawn solely based on the results from the investigated indicators.

8. Scientific contributions in the dissertation research

The following scientific contributions of the dissertation research can be outlined:

1. The main theoretical concepts about the object are analyzed.
2. The European method of the subject has been presented and the "cohesion threshold" and "poverty line" of the EU for Bulgaria are formulated.
3. An assessment of the level of economic, social, and territorial cohesion of Bulgaria has been prepared, part of which is the analysis of regions NUTS 1 (2) and (3).
4. A method for ex-post evaluation and monitoring the cohesion of Bulgaria is prepared which includes indicators for the three types of cohesion.
5. The structure of expenditures and distribution of the first MFF of the EU in Bulgaria is analyzed at all territorial regions NUTS 1 (2) and (3).
6. A comparative analysis of the level of cohesion of Bulgaria to the countries of Central and Eastern Europe and the Danube states has been prepared.
7. Specific conclusions and recommendations are made to state and municipal administrations and businesses.

9. List of publications on the topic of the dissertation work

1. **Savkova, M. (2022). „Method of cohesion of European Union".** XIII National School for Doctoral Students and Young Researchers in Social Sciences. "Pathways to Sustainable Development: Social Science Approaches and Contributions." Institute for Population and Human Research, Bulgarian Academy of Science (BAS).
2. **Savkova, M. (2022). „The Covid-19 pandemic, a new threat to lagging behind regions "**, Annual scientific conference of the Bulgarian Association for European Studies (BAEI) on the topic: "65 years since the signing of the Treaties of Rome ". Bulgarian Association of European Studies (BAES), Sofia.
3. **Savkova, M. (2022). „What is the future of federalism and europeanisation of the European Union ?" (2022).** Perspectives for sustainable development. Globally and Locally - [Elektronski izvor]: thematic compendium/editors Edita Stojić Karanović, Kristijan Ristić. - Belgrade: International Scientific Forum "Danube - River of Cooperation", Belgrade, Serbia. ISBN-978-86-82825-23-4
4. **Savkova, M., (2021).„Monitoring and evaluation of the impact of the cohesion policy for EU Member-States from Central and Eastern Europe (2007-2018) "**, Volume 1. Reports in Bulgarian, Nineteenth International Scientific Conference - " Bulgaria's membership in the European Union: Thirteen years later ". Publishing complex - UNSS.
5. **Savkova, M., (2021). „Theoretical and legal dimensions of the EU cohesion policy in Bulgaria".** Collection of reports from a joint doctoral conference on the topic: "The (Im)possible EU-time of decisions for the common future": of the Department of "European Studies", Department of "Political Science" and Department of "Public Administration", Faculty of Philosophy at SU "St. Kliment Ohridski" and Freedom Foundation "Friedrich Nauman. Published by Sofia University and the Friedrich Naumann Freedom Foundation, Minerva Publishing House.
6. **Savkova, M. (2021). „Lessons learned from the last enlargement of the European Union "**. Perspectives of Sustainable Development, Climate Change, and Health - Globally and Locally - [Electronic source]: thematic compendium/editors Edita Stojić Karanović, Kristijan Ristić. - Belgrade: International Scientific Forum "Danube - River of Cooperation", 2021 (Belgrade: International Scientific Forum "Danube - River of Cooperation"). ISBN-978-86-82825-22-7. Belgrade, Serbia.
7. **Savkova, M. (2020). „Is the cohesion of Danube countries possible? "**. Socioeconomic and environmental aspects of sustainable development during the fourth industrial revolution. Thematic Compendium, Editors: Dr. Edita Stojić Karanović, Kristijan Ristić, International Scientific Forum "Danube - River of Cooperation", 2021 (Belgrade: International Scientific Forum "Danube - River of Cooperation").ISBN-978-86-82825-21-0. Belgrade.