

**A thesis submitted to the Department of Environmental Sciences and Policy of
Central European University in part fulfilment of the
Degree of Doctor of Philosophy**

**Pathways to Sustainability: The Case of Environmental Policy Integration in EU
Structural and Cohesion Funds in Bulgaria**

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**May, 2011
Budapest**

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ABSTRACT OF THESIS submitted by:

Keti MEDAROVA-BERGSTROM for the degree of Doctor of Philosophy and entitled:
*Pathways to Sustainability: the Case of Environmental Policy Integration in the EU
Structural and Cohesion Funds in Bulgaria*

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Against the backdrop of multiple and interrelated global crises, the need to transform our society and place the economy on a sustainable, low carbon and resource efficient pathway of development becomes acute. This dissertation contributes to the debate on the transition towards green economy and long-term sustainability. It does so by examining the concept of environmental policy integration (EPI) as ways of facilitating and enhancing integrated development pathways. Specifically, it analyses drivers, barriers and instruments to enhance EPI in the context of the 2007-2013 EU Structural and Cohesion Funds programmes in Bulgaria, which provide considerable financial resources to foster economic and social development.

The adopted methodological approach includes qualitative research methods such as in-depth interviews, participant observation and archival research. The analysis of EU funds investments is based on the development path approach which can be understood in terms of the likely scope each path provides for the generation of synergies and trade-offs for the environment and the economy.

The analysis concludes that the most influential driver for EPI in the programming of EU funds in Bulgaria is the European policy context through top-down policy and funding transfers. It led to the institutionalisation of novel policy instruments (e.g. Strategic Environmental Assessment) as well as a number of institutional innovations that have been conducive to EPI to some extent (i.e. inter-institutional working groups). Investment in basic environmental infrastructure in relation to obligations stemming from EU environmental *acquis* in the field of wastewater and waste management scored relatively high on the investment portfolio of the EU funds programmes. At the same time however, the observed Europeanisation effects posed considerable pressure on the adaptation capacity of Bulgaria. The EU-led priority-setting coupled with the lack of a coherent planning process was challenged by the nature of domestic bureaucratic politics where informal rules are the determining factor for policy-making. For instance, decision-making networks at central levels tend to be formed on the basis of political party affiliation, like and trust; the negotiations and informal communication between the European Commission and national authorities provided additional pressures on the agenda and priority-setting while NGOs pursued informal channels of influence through lobbying and “bypassing” national authorities to report implementation deficits to EU institutions. Additional barrier appeared to be the limited administrative capacity and understanding of the need for environmental integration and the opportunities environmental investments offer in terms of economic and social gains (win-wins). Subsequently, investments with potential impacts on declining sustainability received considerable support with road building constituting a first order priority, seen as

key to foster economic development. Investments in development paths that favour risk management, natural capital and absolute decoupling of economic developments from environmental pressures did not receive much attention.

The post-2013 financial period will offer new opportunities for Bulgaria to frame its development pathway in the context of the transition to a low carbon and resource efficient economy up to 2020 and beyond. This dissertation therefore provides detailed policy recommendations on how to enhance EPI in the future EU funds programmes in Bulgaria.

To Jonas

To my parents

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List of Abbreviations

AEAP	Agency for Economic Analysis and Prognosis
CCU	Central Coordination Unit
CEC	Commission of the European Communities
CF	Cohesion Fund
CM	Council of Ministers
G-20	Group of 20 Finance Ministers and Central Bank Governors
GDP	Gross Domestic Product
GPP	Green public procurement
IB	Intermediary body
EAGGF	European Agricultural Guidance and Control Fund
EC	European Commission
EERP	European Economic Recovery Plan
EIA	Environmental Impact Assessment
EPI	Environmental Policy Integration
EPRC	European Policies Research Centre
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
ISPA	Instrument for Structural Pre-Accession
MA	Managing Authorities
MC	Monitoring Committees
MF	Ministry of Finance
MEW	Ministry of Environment and Water
MRDPW	Ministry of Regional Development and Public Works
MTC	Ministry of Transport and Communications
MEE	Ministry of Economy and Energy
MEW	Ministry of Environment and Water
NCSA	National Capacity Self-Assessment
NDP	National Development Plan
NRP	National Reform Programme
NSDS	National Sustainable Development Strategy
NSRD	National Strategy for Regional Development
NSRF	National Strategic Referential Framework
OECD	Organisation of Economic Co-operation and Development
OP	Operational Programme
OPAC	Operational Programme Administrative Capacity
OPC	Operational Programme Competitiveness of the Bulgarian Economy

OPE	Operational Programme Environment
OPHD	Operational Programme Human Resources
OPRD	Operational Programme Regional Development
OPT	Operational Programme Transport
OPTA	Operational Programme Technical Assistance
OSI	Open Society Institute
p.e.	Population equivalent
PPS	Purchasing Power Standards
RDP	Regional Development Plan
SAPARD	Special Accession Programme for Agriculture & Rural Development
SEA	Strategic Environmental Assessment
TEC	Treaty establishing the European Community
TEN-T	Trans-European Transport Networks
TFEU	Treaty on the Functioning of the European Union
UMIS	Unified Monitoring and Information System
UNCED	United Nations Conference on Environment and Development
UNCSD	United Nations Conference on Sustainable Development
UNEP	United Nations Environmental Programme
WCED	World Commission on Environment and Development
WWTP	Waste-Water Treatment Plant

1 Introduction

“If we fail to convincingly make the case for green growth, country by country, we will not succeed in putting the world on a sustainable growth path, nor will we be able to prevent the impacts of climate change, serious energy security concerns, material scarcity and global food and water shortages. Green growth is in fact the only way forward for our planet”
Yvo de Boer, Executive Director of the UNFCCC

1.1 Background

Against the backdrop of multiple and interrelated global crises, the need to transform our society and place the economy on a sustainable, low carbon and resource efficient pathway of development becomes acute. Increasing pressures on natural resources, climate change and ecosystems are intertwined with new demographic trends and growing economic instability that emerge as some of the key challenges that need to be tackled without further delay. The 2008 financial and economic crises for instance triggered new global initiatives seeking “smarter” and “greener” ways out of the crisis and beyond (OECD 2009; UNEP 2011). While these have gained certain prominence, including a commitment by the G-20¹ Heads of State and Government to move towards a green economy (G20 2009), their concrete characteristics and means of practical implementation remain yet to be defined.

These new global concerns and trends inevitably affect the evolving political landscape in the European Union both in terms of societal needs and policy responses. In 2008, the European Economic Recovery Plan (EERP) (CEC 2008b) prescribed a number of “greener” ways (e.g. through boosting actions on climate change, energy and resource efficiency) of going about the development pathways that lay ahead, which were subsequently taken on board in the new overarching economic strategy Europe 2020 (EC 2010c). These, however, give rise to further fundamental questions including: how to define the green economy in the European context? What factors will facilitate or impede an

¹ The Group of Twenty (G-20) Finance Ministers and Central Bank Governors was created in 1999 to bring together industrialized and developing economies on a regular basis to discuss key issues concerning international economic development affairs.

effective transition? What governance modes and actors would drive and implement the transition to a greener economy across European countries? What policy instruments should be applied to deliver the green economy? What challenges and possible trade-offs will less developed countries in the EU face? The next few years will be critical for seeking to respond to these questions and making strategic policy choices that will determine EU's Member States transition pathways well beyond the 2020 horizon.

The debate about the green economy is ultimately one about creating synergetic effects for the economic, social and environmental domains. In this sense, the issue is not necessarily a new one. In fact, in many ways, it builds on past discourses about sustainable development and environmental policy integration (EPI) but this time it is reinforced by the political momentum of the unfolding global crises and the quest for new development pathways. As early as 1987, the World Commission on Environment and Development (WCED) identified the problem of global governance as following: *“Those responsible for managing natural resources and protecting the environment are institutionally separated from those responsible for managing the economy. The real world of interlocked economic and ecological systems will not change; the policies and institutions must”* (WCED 1987). The sustainable development agenda embraced at the United Nation's Conference on Environment and Development (UNCED) in Rio de Janeiro (Brazil) in 1992 called for enhanced balance between the ecological, social and economic aspects of policy-making and EPI was subsequently argued to form an “essential element of governance for sustainable development” (Lafferty 2002). Twenty years later in the context of the Rio+20 Summit, which is taking place in June 2012, the integration of environmental concerns into other policies continues to form a central part of the global discourse on green economy and sustainable development (Earthsummit2012).

The green economy debate is also one about investments and related questions of their scale, scope, focus and timing. UNEP estimates that 2% of the global GDP (approximately €900 billion) will be needed annually up to 2050 to kick-start the transition towards a low-carbon and resource efficient economy in key sectors such as energy, buildings, manufacturing, agriculture, transport, tourism, forestry, water and waste management (2011). At EU level, it is estimated that the investments (both public and private) necessary to deliver the low carbon economy amount to €270 billion annually up to 2050 (EC 2011d). These are massive investments that might appear difficult to secure as the political choices for them will have to be made under time pressure and will inevitably entail a number of trade-offs. While the majority of investments are expected to come from the private sector, the role of public financing remains essential in terms of creating a momentum, providing strategic direction and leveraging additional financial resources (IEEP et al. 2011). Understanding driving forces and impediments in investment planning especially in the context of the green economy therefore becomes relevant for policy-making and at the same time intriguing from academic point of view.

1.2 The case of EPI, EU funds and Bulgaria

This dissertation contributes to the debate on the transition towards green economy and long-term sustainability. It does so by examining approaches to environmental policy integration as ways of facilitating and enhancing integrated development pathways. It then analyses these approaches in the context of the EU Cohesion Policy and its funding instruments – the EU Structural Funds and the Cohesion Fund² – which main aim is to foster economic, social and territorial cohesion in European regions through a range of investments.

² EU Structural Funds and the Cohesion Fund are referred to as “EU funds” hereafter.

Bulgaria is chosen for an in-depth case study as it is a considerably under-researched new Member State of the EU.

The concept of EPI can be traced back in the 70s but it gained significant prominence after it featured in the Brundtland report (WCED 1987) and Agenda 21 (UNCED 1992). In the EU, it is a key policy principle with a “quasi-constitutional” provision in the Lisbon Treaty (Jordan and Lenschow 2010). In the academic literature, it has been discussed in relation to transitions to sustainability (Lenschow 2002a) and the search for policy response that could connect seemingly incompatible goals of economic competitiveness, social development and environmental protection (Jordan and Lenschow 2010). It is argued to help attain synergies (“win-wins”) between policies by providing a framework for resolving potential conflicts in a sector and reducing overlapping and inconsistent activities (Stead 2006). Hence, it offers an integrative approach to sectoral policy-making by incorporating environmental concerns at an early stage of policy formulation (Lafferty and Hovden 2003). The concept of EPI is suggested to be particularly important for countries in transition (e.g. countries in Central and Eastern Europe which experienced significant structural and institutional transformations from planned economy to market economy and democratic rule of law) as it can offer innovative governance mechanisms for developing integrated policies in the pursuit of sustainable development (Medarova-Bergstrom *et al.* 2010). Could therefore EPI be seen as a useful approach, if applied timely and properly, facilitating the current transitional agenda – the one towards a green economy?

EU Cohesion Policy³ and its funding instruments exemplify an interesting area of research on EPI. Essentially, it constitutes one of the most influential development policies,

³ EU Regional Policy was developed in the 60s as and the EU structural funds - European Regional Development Fund (ERDF), European Social Fund (ESF) and the European Agricultural Guidance and Control Fund (EAGGF) were first created with the aim to correct regional imbalances within the EU, providing financial assistance to Member States for agriculture and industry projects, as well as structural unemployment. In 1988, the Structural Funds were integrated under the umbrella of Cohesion Policy. A new instrument, the Cohesion Fund, was established in 1993 aimed to support transport and environmental projects. A number of reforms followed and in the 2007-2013 programming period the ERDF, ESF and the Cohesion Fund were arranged under one single regulatory framework under the umbrella of EU Cohesion Policy. EC (2008). "European Commission - Regional Policy: History." Retrieved November 2009, from http://ec.europa.eu/regional_policy/policy/history/index5_en.htm.

operating within a complex multi-level governance system in the EU, that has the potential to determine the development objectives and pathways in most new Member States (EPRC 2010). While the policy is adopted at EU level, the programming and implementation of funding programmes and projects is undertaken at national/regional levels. EU funds provide considerable support through the Structural Funds (i.e. European Regional Development Fund (ERDF), European Social Fund (ESF)) and the Cohesion Fund to Member States. This support is provided in the form of co-financing for development / investment programmes and projects aimed to bring economic convergence and social cohesion across the ‘Europe of Regions’ (Szegvari 2004). Over the years, regions have become important planning units under EU policies and EU funds have played a significant role in the process of shaping the socio-economic and institutional profiles of regions. New strategic management tools have been adopted, new governance mechanisms have evolved and new regional identities have emerged (Narodoslawsky and Berger 2002).

Furthermore, EU funds are increasingly seen as important tools in support for sustainable development through investment in environmental protection and the introduction of different instruments that enhance environmental integration (Lenschow 2002b; Ferry et al. 2008a; Nordregio 2009; IEEP et al. 2011). In the past however, they also exhibited some deficiencies from sustainability point of view e.g. promoting mainly large scale ‘end-of-pipe’ environmental solutions coupled with poor transparency and public participation. Furthermore, in some cases investment project tended to have significant negative impacts on the environment particularly through support for large scale transport and energy infrastructure projects or unsustainable tourism developments (Bankwatch 2002; Lenschow 2002b; Adelle et al. 2008; IEEP et al. 2011). This means that on the one hand EU Cohesion Policy and its funds can be considered as an opportunity for new Member States to move

towards a greener economy. On the other hand, they might require difficult trade-offs, especially if some of these reinforce a business as usual scenario which can lock countries into carbon-intensive and resource inefficient development patterns on the long-term.

Similar to CEE countries, Bulgaria entered a state of democratic and economic transition in the late 1980s, fuelled in large part by the collapsing centralised economy orchestrated mainly from Moscow. The centrally-planned economic model promoted during the communist times was characterised by strictly political top-down priority-setting and the lack of public involvement, the rule of law, transparency and accountability. During the transition period, Bulgaria experienced a significant structural shift to market liberalization and pluralist democracy. In this shift, however, “not enough attention was devoted to the institutional aspects of transition” (OECD 1999). Institutional reforms seriously lagged behind the rapid economic changes and newly emerging environmental challenges, as the old “culture” of public institutions persisted in many ways. Environmental issues were dealt with primarily by environmental authorities and did not receive much attention in sectoral policy-making where “environmental protection [was] largely considered a by-product of restructuring” (Andonova 2002).

Bulgaria is a new Member State to the EU since January 2007. In the course of EU accession, Bulgaria had to transpose a massive body of EU legislature (including environmental) and to restructure its administrative and planning structures in line with the requirements of the Union’s regulations and eligibility requirements for EU funding under considerable time pressure. EU Structural and Cohesion funds were anticipated as an opportunity for financing a number of projects in the economic, social and environmental domains. The current 2007-2013 EU funds programmes and projects⁴ therefore constitute an important case for examining factors and impediments for EPI. They can provide useful

⁴ The EU budget, including the EU Structural and Cohesion Funds are “programmed” for a period of 7 years. The current programming period and associated programmes is between 2007 and 2013. The previous programming period was between 2000-2006 and so forth.

insights for future governance processes and the integration of environmental objectives into investment planning on the pathway to a green economy.

1.3 Research aim and objectives

Against this background, the research aim of this dissertation is **to analyse how environmental considerations are integrated in the programming of 2007-2013 EU Funds programmes in Bulgaria**. To attain this aim, it is translated into 4 operational objectives, which are the following:

Objective 1:

Objective 1 is to examine how EPI as a policy process and an output is ensured in the programming of EU funds programmes in Bulgaria;

Objective 2:

Objective 2 is to identify key driving forces for and barriers to EPI in the EU Funds programmes in Bulgaria and discuss their implications for EPI;

Objective 3:

Objective 3 is to examine how EU funds investments are used in support for environmental policy integration; and

Objective 4:

Objective 4 is to provide policy recommendations for strengthening the integration of environmental concerns into the generation of post-2013 EU funds programmes and how to use EU funds for a transition towards green economy in Bulgaria.

1.4 Research gap and policy relevance

Research on EPI has received considerable attention since the 1990s. Some have focused on the actual meaning of EPI - both positive and normative (Lafferty 2002; Lenschow 2002a; Lafferty 2006; Lafferty and Knudsen 2007) whereas others have explored different governance modes and policy instruments for EPI in the context of sectoral and cross-sectoral policy-making (Lenschow 2002b; OECD 2002b; Hertin and Berkhout 2003; EEA 2004; Persson 2004; EEA 2005b; Nilsson and Eckerberg 2007; Jacob et al. 2008; Jordan and Lenschow 2008; Jordan and Lenschow 2010). Most recently, the issue of EPI is analysed at different levels of governance notably in the context of a 6th EU Framework Programme's research project on "Environmental Policy Integration in Multi-level Governance" (Ecologic 2008)⁵. A book by Gorla *et al.* (2010) explores driving forces and barriers to EPI at national and regional levels. It suggests that evidence from CEE countries (i.e. new Member States) is still scarce. Jordan and Lenschow also argue that the current research challenge for EPI is to "identify what facilitates and what impedes EPI within and across different levels of governance" (2010). This dissertation contributes to the existing knowledge through an in-depth analysis of the driving forces and barriers for EPI in the context of the EU Structural and Cohesion Funds programming in Bulgaria which is a complex governance process involving the interaction between EU, national and regional levels. Moreover, it brings an additional element to the debate notably regarding the type and mix of investments that can enhance EPI and potentially deliver greener development pathways in Bulgaria.

The literature on EPI in the specific context of EU Regional and Cohesion Policy has not been thoroughly researched. Some of the early work of Lenschow draws largely on EU

⁵ EPIGOV is a research project, supported by the 6FP, on the modes of governance employed at global, EU, national and regional/local levels to support the integration of environmental concerns into other policy areas. The preliminary findings of this dissertation have contributed to one of the EPIGOV Papers on EPI in CEE countries (lead author Keti Medarova-Bergstrom together with Prof. Tamara Steger and Adam Paulsen) and was later published as a chapter in a book. See: <http://ecologic.eu/projekte/epigov/index.htm>

regional policy but focuses mainly on examining governance modes and challenges for EPI (Lenschow 2002b). There are a number of expert evaluations, reports and grey literature that have studied the role of EU funds in delivering sustainable development and environmental protection. These however, have largely focused on past programming periods and explored practices and investments in old Member States. This dissertation therefore bridges this gap by exploring EPI in the 2007-2013 EU funds programmes in the context of a new Member States such as Bulgaria.

Assumptions about the factors driving or impeding EPI are largely derived from research on EPI in economically developed old Member States of the EU. Bulgaria is an example of a new Member State and a country in transition from planned to market economy where the factors for the integration of environmental concerns in other sectoral policies and their intensity can be anticipated to differ. Analysis of EPI in new Member States/accession countries and EU funds is therefore considered highly relevant both from academic and policy perspectives (CEC 2004; Coffey and Dom 2004).

EU Cohesion Policy has been going through a review process since 2008. Insights from new Member States are relatively limited, not least on the subject of environmental policy integration, and the knowledge base about opportunities and challenges is yet to be developed more thoroughly. An in-depth analysis of Bulgaria could be useful to EU policy-makers to understand some of the factors underpinning the success of EPI in EU funds programmes / projects in view of the adoption of the post-2013 Cohesion Policy Regulations, which is expected towards the end of 2013. While the findings might not necessarily be attributable to all new Member States they can provide some specific insights to the future programming periods. It can serve as a pilot study for a larger comparative EPI study across other new Member States or candidate countries. Most importantly, the findings can be useful to

national/regional authorities in Bulgaria to strengthen and “green” the planning of the post-2013 EU funds programmes, which will begin in 2012.

1.5 Structure of the dissertation

The dissertation is structured in the following way. First, it reviews the available literature on drivers and barriers for EPI, EU Cohesion Policy and Bulgaria which leads to establishing the analytical approach and developing an evaluation framework. Then, it presents the methodological approach including methods for data collection and analysis. Chapter 5 provides an overview of the 2007-2013 regulatory framework of the EU Cohesion Policy by setting the policy context and analysing specific environmental provisions. Chapter 6 briefly discusses the role of pre-accession funds in Bulgaria as transitional instruments from accession to membership. Next, the broader policy framework for national and regional planning in Bulgaria is discussed setting out the background to understanding the actual programming process for EU funds programmes, which is then examined in more details. Chapter 8 presents the key environmental challenges in Bulgaria and elaborates on the investment context for environmental measures by pinpointing the importance of EU funds in this regard.

Chapter 9 moves onto the central theme of this dissertation notably the exploration of EPI as a process by studying the process of priority-setting for the environment, political commitment, the understanding of environmental integration as a horizontal principle, the institutional and partnership mechanisms for integration, the administrative culture and the role of capacity, skills and knowledge for EPI. This chapter also explores in depth the application of the Strategic Environmental Assessment (SEA) as a key procedural instrument for EPI in the context of EU funds programmes. Chapter 10 then discusses EPI as an output by analysing specific objectives and measures for the environment by applying the

development path analysis. It discusses different win-wins and win-losses for the environment and the economy in the context of EU funds programmes. It also explores additional tools for integration such as project selection criteria and environmental indicators. An analysis of the progress in implementation by December 2009 is also conducted in this chapter. Next, a discussion of findings takes place which focuses on analysing issues concerning Europeanisation effects, the role of domestic bureaucratic politics, the knowledge and capacity deficits, the institutionalisation of policy integration tools, the mix of investment pathways and their implications for EPI. The conclusions draw some additional remarks on the broader policy picture and raise fundamental questions about the role of EU funds in Bulgaria but also in the EU on the road towards a green economy. Therefore, the concluding chapter of this dissertation sketches the changing landscapes and strategic orientations of EU Cohesion Policy which set the background for the specific policy recommendation presented in chapter 14 concerning the greening of EU funds post- 2013 and beyond.

2 Literature review

*“In many ways, EPI constitutes one of the guiding axioms of green thinking and practice”
(Jordan and Lenschow 2010)*

2.1 Defining environmental policy integration

It is important to review the available literature and provide a working definition of environmental policy integration in the context of this dissertation. EPI can be defined as a “guiding principle for the planning and execution of policy” in any sector (Lafferty and Hovden 2003) leading to “higher environmental protection and greater sustainability” (EuropeanEcoForum 2003). The Organisation for Economic Co-operation and Development (OECD) defines it as “early co-ordination between sectors and environmental objectives, in order to find synergy between the two or to set priorities for the environment, where necessary” (OECD 1996). Specifically, it means integrating environmental needs in policy processes and outputs aiming to bring “substantial policy change in the different domains [of government]” (Jacob and Volkery 2003).

EPI into other policy sectors is considered as a way of facilitating sustainable development. In doing so, there are two distinct normative interpretations of EPI – one of “strong” EPI and one of “weak” EPI. While the former implies some sort of “principled or overarching societal objective” for EPI as suggested by Lafferty and Hovden (2003), the latter entails the pursuit of synergetic effects or win-win solutions within a process of more balanced weighing of a wider set of principled priorities / objectives (e.g. economic, social and environmental) (Jordan and Lenschow 2010). Issues of “weighing” different policy objectives however are not fully resolved in the EPI literature. Lafferty’s argument for “environmental overarching priority” is made as attempts to integrate the three pillars of sustainable development might lead to “watering down” the efforts for environmental

protection by shifting the focus of priorities' agendas on social and economic benefits. In the context of EU Cohesion Policy, which primary objectives are economic and social ones, however, a principled priority for the environment is not plausible and a more nuanced interpretation of EPI would be more appropriate.

In this dissertation, I follow more closely Collier (1994) who develops a three-fold definition of EPI: (1) to achieve sustainable development and prevent environmental degradation; (2) to remove contradictions between policies and to shape mutually supportive policies; and (3) to acknowledge mutual benefits. Nilsson and Persson (2003) therefore frame EPI as a way to increase the “rationality and effectiveness of policy-making”, where different actors are brought together, the knowledge base is enlarged and a “win-win” situation can be achieved in a cost-effective way. They further argue that “EPI involves consideration of positive and negative environmental aspects at an earlier and more anticipatory stage and hence contributes to greater effectiveness in achieving environmental goals” (Nilsson and Persson 2003). This argument emphasises the assumption that EPI stands for environmental problem prevention rather than problem solving as environmental concerns tend to be regarded as costs if they come later in the policy-making process while the possible benefits remain often invisible. The focus on early policy design phase is critical so to “identify and develop mutually beneficial options” (IEEP 2004) and to prevent the undermining of any environmental objectives.

2.2 Factors for EPI

This dissertation is concerned primarily with the question of how EPI as a policy process and an output can be achieved. The EPI literature has identified different factors which can both enhance or obstruct EPI but findings are not conclusive (Jordan and Lenschow 2010; Sgobbi 2010). They are largely derived from empirical studies in more

economically developed countries and tend to draw on theories of new institutionalism and network theories. A comprehensive review of these factors is presented in the following chapters.

2.2.1 High-level political commitment and leadership

According to Hertin and Berkhout (2001), the antagonistic relationship among different sectors often produces conflicting goals and ‘zero-sum’ solutions. Lafferty underlines that the most important task to adapt the governance for sustainable development therefore is to establish a clear “political mandate for goal-directed change” (2002) and to ensure strong leadership to steer the decision-making towards EPI. High level political commitment is considered a critical factor for EPI that can bring substantive behaviour change towards EPI and hence its absence is symptomatic for a failure (Peters 1998). As depicted by Jordan (2002) the ‘hardware’ (i.e. the institutions and procedures of governance) together with the ‘software’ (i.e. knowledge necessary to execute EPI) require also ‘electricity’ i.e. political will to ensure policy integration.

To translate the political commitment into concrete action, however, an overarching policy framework (e.g. Sustainable Development Strategy (SDS)) is necessary. It should stipulate a strategic vision for EPI and a high level governmental body should take over the leadership towards EPI. Although experiences with SDS show mixed results due to weak implementation (EEA 2005a; Herodes et al. 2007; Steuer 2008), these high level strategic documents remain important frameworks for long-term strategic objectives and stable horizontal coordination of actions and therefore constitute an essential indicators for EPI. They can also resolve recurring issues of *what* should be integrated into *what* (see (Nykvist 2008b)).

Hertin and Berkhout (2003) and Lenschow (2002a) claim that in practice environmental concerns tend to be ‘layered’ or ‘added’ to sectoral objectives rather than being integrated. This means that sectoral objectives themselves often retain their traditional formulations and fail to challenge their underlying rationale. Political commitment and leadership are key to ensure an appropriate priority-setting so that environmental objectives are “moved from periphery to centre in regional, national and local decision-making” (Lafferty 2002) particularly in relation to economic and social ones (see chapter 2.1). Furthermore, in sectoral policy-making, where environmental actors tend to play often a marginal role, it is essential that political commitment towards EPI is present. It is argued that when “the responsibility for a policy initiative lies with the sector actors, the opportunity for EPI seems stronger than if the initiative lies with environmental actors” (Nilsson and Persson 2003). Leadership as a factor for EPI warrants sound facilitation, co-operation and communication among various stakeholders in the policy-shaping. Lenschow (2002a), however, perceives it as a rather top down approach and “pressure from above” to policy-making and suggests the importance of “societal backing”, i.e. public support “from below”, as supplementary to the top-down approach (see 2.2.5).

2.2.2 Institutional mechanisms to steer integration

Efforts to achieve EPI have a strong institutional dimension – across sectors and tiers of governance. Specific institutional mechanisms to drive integration are required to address the ‘departmentalisation’ depicted in the Weberian model of bureaucracy leading to ‘agencification’ and ‘specialisation’ of a single sector. Under this logic, sectoral administrations tend to be “independent, fragmented, and working to relatively narrow mandates with closed decision-making” (EEA 2005b; Sgobbi 2010). The institutional mechanisms to steer integration require the examination of “governmental architecture,

interaction of actors within and outside government, power structures, resource allocation, budgeting and capacity” (Persson 2004). This means to examine the institutional set up for formulating, adopting, implementing and monitoring the incorporation of environmental policy considerations in sectoral policies.

EEA (2005b) suggests that it is uncertain whether successful EPI would require the establishment of new institutions or simply ascribe new mandates to existing ones. Yet, departmental restructuring is viewed as an important organisational factor for EPI. It can be implemented in many ways and EEA (2005) suggest, for instance, the establishment of ‘green governments’ or ‘mega governments’, environmental units within sectoral administration, inter-governmental committees, and advisory councils. Several country case studies show experiences with institutional approaches to integrated policy-making – the UK’s “Rolls Royce” coordination system where all constituent parts of the government commit to commonly agreed objectives (Russel and Jordan 2008) and the Swedish “sectoral responsibility” coupled with established traditions in public management practices (Jordan and Lenschow 2010). Yet, as Russel and Jordan have demonstrated that a “favourable institutional framework is a necessary but insufficient condition for stronger EPI” (Russel and Jordan 2008).

To tackle the above shortcomings in dealing with cross-cutting issues, mechanisms for institutional restructuring can be complemented by clear *co-ordination and communication mechanisms* (Hertin and Berkhout 2003) and by introducing special networking and communication models at the level of civil servants (OECD 2001; EEA 2005b; Sgobbi 2010). The aim is to improve the information flow and enrich the knowledge base without duplicating activities and structures (Hertin and Berkhout 2003) but also avoiding counterproductive actions. However, EEA (2005b) argues that sometimes the

effectiveness and quality of communication cannot be guaranteed as it reflects the dominant administrative cultures and individual working styles or due to information deficits.

2.2.3 Administrative culture and capacity

Hertin and Berkhout (2003) suggest that sectoral administrations tend to formulate sectoral policies with little regard to the environment due to deeply-rooted beliefs and norms. These have often determined an administrative culture that usually lacks incentives for innovation, holds bias towards integrated technological response and produces an unstable bargaining context. According to Lenschow (Lenschow 2002a), most sectoral policy makers maintain the retrogressive attitude that the environment is a constraint “forcing them to trade off economic gain for some illusive environmental objectives” (Lenschow 2002a) or as Dror (2004) claims the environment poses “insurmountable hurdles to many development projects”. In CEE countries, according to Carmin and VanDeveer (2004) the administrative culture of institutions still bears many of the “entrenched and inefficient bureaucratic” legacies from the centrally planned economy and their capacity appears to be “under-equipped to steering their societies” through transition (Dror 2004). A EEA typology of institutional structures finds that in “former communist countries”, political and strategic decisions tend to be taken within the party structures and not within the administrative structures which leads to lack of both vertical and horizontal policy coordination which hampers EPI (EEA 2005b).

The EEA proposes investing in capacity and resources for EPI as a way to enhance progress towards environmental integration (2005a). This means “efforts and strategies intended to increase the efficiency, effectiveness, and responsiveness of governmental performance” (Carmin and VenDeveer 2004) and identify possible ‘win-win’ solutions as well as to formulate them into “innovation-oriented policies” (Hertin and Berkhout 2003).

Historically, capacity building focuses on enhancement of regulatory measures, technological innovation and resource availability. In CEE countries, Carmin and VanDeveer (2004) claim that capacity-building programs largely failed because they focused on numerous training programs and technological advancement without seeking to comprehend the fundamental constraints on individual capabilities. Reportedly, efforts and investment in the transposition of EU *acquis* also did not automatically lead to its effective enforcement and implementation (Jehlicka and Tickle 2004).

Grindle (1997) suggests a more integrative approach is applied entailing the development of human and social capital concurrently to the organisational and institutional capacities. Carmin and VanDeveer (2004) argue that this integrative approach should be applied to the entire policy arena, meaning not only the environmental administration but also other sectors' administrations, which activities have direct and indirect impact on the environment, and also civil society and pro-development associations. EEA (2005b) maintain that administrative culture and practices with regards to EPI can be promoted in a (1) top-down manner – improved strategic planning, budgeting and auditing⁶ practices, or (2) bottom-up fashion – internal management tools, institutional change and enhanced co-ordination mechanisms. Bottom-up approaches are reported as particularly important as they might trigger a feeling of ownership among administrators (EEA 2005b). EU funding schemes have had a significant role in decentralisation of power to sub-national (regional) level. Sceptics of its effectiveness report mixed results by creating “uncertainty and inexperience” at the regional level (Carmin and VenDeveer 2004). Yet, the literature on administrative capacity and culture for EPI is fairly limited especially for the regional level in new Member States.

⁶ Auditing practice includes systems for regular reporting and evaluation of the progress towards EPI.

2.2.4 Procedural instruments

Policy-making procedures constitute a “sequence for implementing a system for EPI in a sector government department” (Lafferty 2002). They embody legally binding “routine procedures... applied as tools for decision support” such as *ex ante* strategic impact assessment tools and monitoring systems. These factors are termed as methodological by Eggenberger and Partidario (2000), entailing different impact analyses and assessments such as cumulative assessment, risk assessment, technological assessment, and cost/benefit analysis. Furthermore, Nilsson (2005) elaborates that EPI can facilitate learning by the introduction and integration of *ex post* evaluations, ‘positive experiences’ and ‘checkpoints’ for implementation into policy design. Assessments and monitoring procedures are important factors for EPI because they not only reveal how scientific knowledge is managed and how monitoring control is exercised, but also can be valuable secondary sources of data. SEAs and policy appraisals for instance are found to generate additional benefits such as creating new administrative capacities, facilitating policy learning and strengthening transparency and public participation (Jordan and Lenschow 2010; Medarova-Bergstrom et al. 2010).

These procedural instruments for EPI have the potential to strengthen common procedures, routines and practices in policy-making, and according to some have the highest potential for policy innovation in terms of environmental integration (Jacob et al. 2008). EPI literature takes account of several countries expanding their repertoire of instruments, however, they have done this in a fairly piece-meal fashion (Jordan and Lenschow 2010). Procedural instruments and tools for EPI are not mutually exclusive and often require an appropriate mix to be deployed. A cross-country study, exploring tools for EPI, however shows that such instruments often face significant political resistance (Jacob et al. 2008) and can bear some administrative costs. Therefore, their formalisation and institutionalisation in the policy-making process will be insufficient unless capacities and knowledge are harnessed towards ensuring their effective application in practice (Medarova-Bergstrom et al. 2011).

2.2.5 Stakeholder involvement

Collier (1994), Lenschow (2002a) and OECD (2001) argue that public participation at an early stage of decision-making is a foremost bottom-up factor for EPI. The rationale for such an argument is that an ‘open government’ (Collier 1994) is more democratic and more efficient. Public involvement of an array of stakeholders such as NGOs, trade unions, pro-development associations, etc. in policy-making delivers better and legitimate decisions. Active participation educates and empowers citizens and groups who can contribute their knowledge and expertise. Thus, stakeholders’ interests are better articulated and consequently better accommodated (Bryson and Einsweiler 1988). Lenschow (2002a) argues that EPI is achievable only if there is a combination between political leadership and public participation. Hence, a benefit from local knowledge could be acquired and larger public acceptance and legitimacy of activities and policies could be ensured (IEEP et al. 2011).

2.2.6 Knowledge management and learning

This factor emphasizes the role of science and learning for bringing policy change. It assesses the role of scientific communities and their participation in the policy process of formulation and implementation of EPI. Persson (2004) identifies *science* and *knowledge* as major factors for EPI arguing that knowledge should be interpreted as experience gained as ‘learning’ which can be applied to policy-making, supplementing a technocratic approach. The concept of learning offers important insights to studying factors for attaining EPI and policy change. Narodoslawsky and Berger (2002) suggest that policy change occurs in three ways: (1) top-down manner (rational steering), (2) bottom-up (through *learning*), or (3) combination of the two. Nilsson and Persson (2003) and Jacob and Volkerly (2003) examine EPI as a policy outcome, implying a learning process as a mechanism for policy change.

Nilsson studied EPI as policy learning that has brought significant “evolution in the characteristics of the policy network, as well as changes in the institutional context” (Nilsson 2005). Hertin and Berkhout (2003) argue that EPI is “social learning in the wider sense of a change of worldviews, norms, and values” (single-loop) which can bring particular behaviour changes (double-loop). They argue that if “sectoral (and environmental) departments “learned” that environmental concerns can be reconciled with other policy objectives” (Hertin and Berkhout 2003), sectoral actors can reframe their objectives, strategies and decision-making processes (Nilsson and Persson 2003; Nilsson 2005), preventive policies can be easily formulated and ‘win-win’ solutions can be attained. However, it should be noted that it might be very difficult to discern political rhetoric from real change in attitudes.

Nilsson (2005) identifies three types of learning: (1) *technical or instrumental* learning occurring as a contribution towards enhancing the application of policy instruments for better attainment of policy objectives; (2) *political* learning is also concerned with advancing policy objectives but through symbolic action and argument, and (3) *conceptual* learning occurring rarely and causing fundamental normative changes in beliefs and paradigms as well as change in the common understanding about policy goals and objectives. He claims that EPI is a “special case of conceptual learning...reframing towards key dimensions of sustainability” (Nilsson 2005). Procedurally, Hertin and Berkhout (2003) suggest that for the purposes of attaining EPI, learning and knowledge exchange should occur between both environmental and non-environmental sectors by: (1) *horizontal communication* for the development of joint coherent overall strategy for promoting innovations; or (2) providing environmental *scientific and technical expertise*, incorporated into sectors developments in order to address pollution at source. Nilsson argues, however, that central governments who have a “bargaining model of decision-making” may often

constrain learning because of “positioning wars and strategic uses of knowledge” (Nilsson 2005).

2.2.7 International policy context

Most EPI literature focuses largely on exploring domestic factors that can enhance or obstruct EPI. EPI is however both a multi-sectoral and multi-level governance challenge (Jordan and Lenschow 2010). External factors (i.e. international or European policy context) are likely to have a role in determining progress towards environmental integration (Nilsson and Persson 2003; Nykvist 2008b). Discussions usually focus on the role of EU as a supranational actor influencing EPI although most empirical evidence draws on studies examining the implementation of EU environmental *acquis* at national level rather than EPI *per se*. Nilsson and Person (2003) argue that the European policy context influences national policy-making by creating “new framings of problems and issues..., which spur innovative solutions and new ways to effectively mainstream environmental issues on policy”. These created both opportunities and constraints (Nilsson and Persson 2003). Yet, the literature on this issue is rather scares and inconclusive (Nykvist 2008b).

At the EU level the discourse has slowly changed throughout the years from environmental “clean-up” to “integration” and only in the mid-1990s (Kraemer 2003) was there a unique political momentum for EPI (Unfried 2000). Kraemer (2003) argues that the biggest challenge with regards to environment and EPI would be the EU enlargement among other things. On the other hand, Baumgartl (1997) suggests EU enlargement is a unique chance for the East to “leap-frog” to Western higher environmental standards. The European context can at the same time impose constraints for the strict environmental regulations resulting in lower standards and norms. For example, Nilsson and Persson (2003) suggest that in countries which had stricter environmental regulations in the past, the accession process

towards the EU brought more constraints than benefits in terms of environmental policy integration. This is usually the case of developed countries that have long traditions in environmental protection such as Sweden. Therefore, the influence of the European policy context can be equally studied as an opportunity and also as a threat. It is interesting to study whether the EU can be a driving force for enhancing environmental performance if there is no political will and capacity for it at the national level. The opposite is also valid – can the environment be better integrated if the EU performs a more hands-off interaction with the nation state?

Academic work on the “Europeanization” of CEE countries explores the “dynamics of EU influence on such factors as Member State policy content, policy styles, state structures and processes” (Carmin and VenDeveer 2004). It can happen in three possible scenarios: (1) *hierarchical institutional model* - EU prescribes the necessary change in the nation states, (2) *changes in the incentives* for the policy actors coming, for instance, from the single market dynamics, and (3) *change in actors’ interests*, values and beliefs through learning. In CEE countries, according to Carmin and VanDeveer (2004) the process of “Europeanization” reflects the first model, notably a top-down manner of influence where a CEE state should adapt in order to accommodate EU policy-making, which exclusively limits the role of domestic agency and action.

At a regional level, Börzel (2003) claims that the ‘Europeanization’ of the regions can be assessed as being an opportunity and a threat depending on what kind of interdependency relationship is established between the region, nation state and the EU. Her study showed that ‘Europeanization’ has seriously jeopardized the region’s autonomy and limited their capacity rather than building it. Börzel notes that in pursuing sustainable development, regional prerogatives should not be “fenced in” but instead regions should participate substantially in EU decision-making.

So far the literature review explored the concept of EPI by discussing different factors that can both be conducive and impeding EPI. These will be used later for constructing the analytical framework for this dissertation. Before this however a review of literature examining different approaches for environmental integration in the EU Cohesion Policy and its funding instruments will take place in the next chapter.

2.3 EPI in EU Cohesion Policy

EU Regional and Cohesion Policy have historically aimed to foster economic development and social cohesion in Member States and lagging behind regions. Sustainable development and environmental protection have however been gaining prominence in the programming and implementation of EU funds programmes and projects throughout the years. This chapter presents a review of the key developments that have occurred in EU Cohesion Policy with regards to the integration of environmental concerns into the funds interventions.

2.3.1 Evolution of environmental integration approaches

The European Regional Development Fund (ERDF) is one of the two main funding instruments, which is of particular importance for this dissertation. It was created in 1975 with a mandate to correct regional imbalances, industrial change and structural unemployment. The initial reforms that took place between 1979 and 1984 were related to the shifting of the funds to southern European regions and the evolving role of the European Commission “from a bookkeeper” to that of a “development agency” which has increased its influence in financial resources allocation. Important reforms in 1998 have re-channelled the funding to more environmental activities – mainly direct investments for environmental infrastructure and environmental technologies (Fiedler and Artim 2006). It is important to

note here that increased funding for environmental projects does not constitute immediately attaining environmental policy integration, especially when the negative impact on the environment of other projects is neglected. Nevertheless, the type of projects being financed under the structural funds constitutes a criterion for studying EPI as an output as it provides insights on environmental integration at a project level.

Lenschow's (2002) research of the historical development of the structural funds showed that Regulations from 1988 favoured the use of funds primarily for environmental infrastructure which rendered environmental protection a secondary consideration, i.e. there were no operational steps undertaken to link environmental protection and regional development. At that time, the environment did not constitute a priority area for the Funds and only a few national/regional programmes referred to the environment as a development objective (Ferry et al. 2008b). In addition, a number of guiding documents were issued by the Commission with regards to assessing the environmental impact of investment programmes (IEEP et al. 2011). Lenschow however argued that in the context of EU funds EPI should be "more than a reminder of the legal obligations in the environmental *acquis* of the EU". Moreover, "the conflict between regional development programmes and environmental protection remains often unresolved on the ground" (Lenschow 2002a). Lenschow's (2002a) identified the following problem areas: funding for environmental programs and projects within the EU funds is limited to environmental infrastructure (water treatment and supply and waste management); SEA and EIA application is relatively weak; environmental indicators for monitoring the funds' performance need to be developed for regional and national levels; there is no integration of environmental Directives such as the Habitat Directive; and participation of environmental actors is limited to strictly environmental activities.

A series of reforms in 1993 therefore followed to enhance the integration of environmental objectives. Importantly, in 1995 a Commission Communication was adopted “Cohesion Policy and the environment” which established that “environment and regional development are of complementary character” and that “the environment itself is a major factor for regional development” (CEC 1995). The regulatory reforms aimed at addressing problem areas such as the planning and monitoring of the funds, the limiting eligibility criteria for environmental projects, and the predominant investments in ‘end-of-pipe’⁷ projects. Environmental sustainability has become a horizontal principle in the programming of the EU funds and the allocation of EU financing has become conditional upon the incorporation of environmental considerations (Lenschow 2002a; Narodoslowsky and Berger 2002). Member States were also required to include an appraisal of the environmental situation and environmental impact of the plans and projects and to provide information regarding the involvement of environmental authorities in the planning and implementation process. The revised Regulations were also supported by notes and guidance prepared by the Commission to advise how Member States should take the environment into account in the development and implementation of EU Funds programmes. At that time, the Commission undertook a more “indirect steering role” relying on active initiatives by Member States. This however did not prove to be very effective approach and soon the Commissioner for Environment at that time, Margot Wallström, warned that EU funding could be withheld in case of breaches of EU environmental *acquis* (Lenschow 2002b).

Narodoslowsky and Berger (2002) identified additional problem areas such as the lack of process-based initiatives preventing continuity of environmentally harmful activities; public authorities being the main and only policy actors; and consultancies acting as ‘gate-keepers’ between the region’s needs and the financial opportunities. Lenschow (2002b)

⁷ End-of-pipe solution – originally, end-of-pipe is used for technologies such as scrubbers on smokestacks and catalytic converters on automobile tailpipes that reduce emissions of pollutants after they have formed (EEA online). In this context it is used as a solution which addressed the effect of pollution rather than addressing the cause of it.

further elaborates that a balance between “old” (traditional regulatory approaches) and “new governance” is necessary in order for EPI to be effectively achieved. She argues that in the context of the ERDF an effective and legitimate EPI is possible if sectoral co-operation and operational guidance are connected in a process of learning where active societal involvement is ensured.

The second funding instrument of interest to this dissertation – the EU Cohesion Fund - was created to financially support the poorest EU member states in terms of developing their transport and environmental infrastructure. Initially, the fund was regarded as a big disappointment from the perspective of environmental protection (Lenschow 2002a). Key issues included the inability to incorporate environmental projects into a long-term coherent regional development program and also to address the impacts on the environment inflicted by other infrastructure projects. Essentially, there was a bias towards large, usually transport, infrastructure projects impeding the funding for small scale and innovative projects (Bankwatch 2005). A couple of rounds of reforms culminated in the increased role of the Commission in performing checks on the spot, availability of funding and technical assistance for groups of projects, and the requirement for conducting EIA for transport projects. A concern was also the transparency of the project design and implementation as well as the inclusion of regional and local actors in the decision-making.

Since 2000, both ERDF and the Cohesion Fund have been subject to further reforms within a more comprehensive framework for integrating environmental considerations into all aspects of programme development and implementation. The investment portfolio expanded to include albeit relatively small co-financing for measures stimulating clean and efficient energy and transport systems as well as nature protection projects (ADE 2009). Environmental sustainability was set out as “horizontal theme” and environmental authorities were encouraged to actively participate in the full policy cycle of regional programmes

(Wilkinson 2007). The Regulations introduced the partnership principle, strengthened monitoring and evaluation requirements as well as information and publicity. Further guidance was published in the form of Commission working papers and technical documents, the most important of all to be the handbook on Strategic Environmental Assessment for EU funds programmes (GRDP 2006). This type of ‘procedural guidance’ is considered to have played a crucial role for enhancing environmental integration (Lenschow 2002b).

Overall, EU structural funds have played a significant role in ‘shaping regions’ in old Member States via the introduction of new forms of co-ordination and mobilisation of a wide range of stakeholders to gradually become “a laboratory for developing new governance patterns” (Narodoslawsky and Berger 2002). They also contributed towards strengthening regional identities and the formation of alliances between regional actors. These are evaluated as ‘unintended effects’ of the structural funding and therefore should be regarded as a mechanism enhancing institutional capacity including for better environmental integration. However, the regional development policies exemplify the complexity of the multi-level nature of policy-making within the EU, where the main actors – the EU, national governments and regional/local actors – do not always follow the same pattern of behaviour and change, and therefore different levels of EPI can be attained (Narodoslawsky 2002).

Although the new regulatory framework introduced a number of novel instruments for integration, their effectiveness varied considerably across Member States. The existence of national or regional sustainable development strategies, for instance, appeared to be a critical factor for the success of environmental integration and the contribution of Structural Funds to sustainable development (GHK et al. 2003). Moreover, these policies and strategies often improved coherence and coordination among the different funds for the different measures. For instance, the Austrian national policy sets out strong goals for renewable energy which are considered to have provided an effective platform for effective spending from EU

Structural Funds (EEA 2009). Other tools considered successful in integrating sustainability considerations during the 2000-2006 period include the development of booklets, manuals and checklists especially in relation to project generation, appraisal and selection; these were often aided by specialised assistance from the administration, appointing Sustainable Development specialists (cross-cutting issues managers), applying special project selection techniques where sustainable development and environmental considerations were given special treatment or more weight in the scoring system (EPRC et al. 2009; IEEP et al. 2011).

There is a growing body of literature on successful examples and good practices for environmental integration in EU funds programmes and projects in Europe (GHK et al. 2005; ENEA-REC 2009; EPRC et al. 2009; IEEP et al. 2011). In Ireland, for instance, the use of structural funds has led to the emergence of new regional identities and networks of social learning (Narodoslawsky and Berger 2002). Austria focused on the establishment of eco-regions, placing an emphasis not only on environmental integration within regional development but also across other sectors (Narodoslawsky and Berger 2002). In the Nordic countries, regional actors have launched their own initiatives and a variety of projects have been developed by bottom-up participants (Clement 2002). The UK's national and regional authorities developed additional horizontal priorities for sustainable development beyond those of the EU and the structural funds claiming that different regions have different needs, preferences and capacities in order to mobilize the available resources and generate alternative developments (Wells et al. 2004). French authorities have developed a specific "climate proofing" tool, which is used in regional programmes ex-ante to monitor GHG emissions and thereby plan the EU co-financed investments in a way that a "carbon neutrality" of the programme is ensured (ENEA-REC 2009). Most of these novel approaches to environmental integration are limited to old Member States.

2.3.2 Challenges to environmental integration

While some innovative instruments have been developed and successfully applied, there were a number of factors which one way or another hindered environmental integration. Some of the most common factors are considered to be the unfamiliarity with the concept of sustainable development and how it could be operationalised in practice. Taking sustainable development considerations during project selection for instance was sometimes obstructed due to difficulties to translate and enforce a horizontal theme into the project scoring systems (GHK et al. 2003). This meant that policy innovations in the regulatory framework are important but could often be insufficient to deliver the desired outcome for sustainable development if not properly enforced in the implementation systems.

One of the critical points often highlighted in external ex-post evaluations is that there was too much focus on the environmental pillar, and not so much on integrated approaches reflecting the three-dimensional nature of sustainable development (EPRC et al. 2009). This is known to be largely due to the lack of clear definition and understanding of what sustainable development actually implies in the context of EU Cohesion Policy (Ferry et al. 2008b). Furthermore, it has been pinpointed that environmental actors often lacked capacity to engage in the preparation of programmes (Bankwatch 2005). Even if their participation took place, it was often perceived that the actual decision-making remained largely in the economic actors (IEEP et al. 2011).

During this period, little was done to reform monitoring and reporting systems to measure results and outcomes for sustainable development with the exception of a few front-running Member States. The use of indicators has been often limited to measuring progress towards sustainability by focusing primarily on economic measurements. Even if there were environmental and social indicators set out, they were usually treated separately and not in an integrated manner. Rarely any alternatives or trade-offs were quantified or reported (EPRC et al. 2009). The use of green public procurement (GPP) has been also fairly limited during

2000-2006 period although EU funds programmes offer a substantive opportunity in this respect (EEA 2009).

In CEE countries, environmental concerns were usually integrated as a horizontal priority in National Development Plans, EU funding programs and measures, and sectoral operational programs such as energy, transport and rural development (Fiedler and Artim 2006). In spite of being set out as a horizontal principle, the operationalization of environmental sustainability is found to be poor in practice due to limited time and experience (Fiedler and Artim 2006) and the high costs of implementation and administrative drawbacks (Kluvankova-Oravska n.a.). In those countries, EU funds were also used to support projects with negative impacts on the environment (e.g. road building, traditional energy supply side facilities, etc.) which can potentially lock them into carbon- and resource-intensive patterns of development.

To summarise, this chapter shows that there has been considerable evolution in approaches and achievements for environmental integration in EU's Cohesion Policy and respective EU funds programmes and projects at national/regional levels. These include both an increase and diversification of investments in a number of environmental themes beyond environmental infrastructure (e.g. climate change, biodiversity and eco-innovation) but also the deployment of innovative procedural and organisational instruments that can facilitate further EPI. These however have occurred mainly in old Member States and their effectiveness varied considerably. The available literature further maintains that implementation on the ground often remains weak while investments in environmentally dubious developments persist (IEEP et al. 2011).

2.4 EPI in Bulgaria

Research on EPI in Bulgaria has been fairly limited. Two studies - one in the field of transport (Medarova 2005) and another one in regional development (Nedev n.d.) provide some insights on environmental policy integration and sustainable development in Bulgaria. In the transport sector, Medarova (2005) studies EPI as a policy process and a policy output. Her findings show that EPI as a process suffers from serious deficiencies such as lack of an overall policy framework (National Sustainable Development Strategy), political commitment towards EPI and proper public participation. On the other hand, EPI as a policy output has been relatively more successful, entailing the introduction of regulatory, market-based and information policy instruments. She argues that this phenomenon of having positive output from a weak policy process is due to external factors and in particular the EU accession process and the requirements for higher environmental standards stemming from the transposition of EU environmental legislation (Medarova 2005). This dissertation builds on this study by exploring more in-depth the factors enhancing and impeding EPI in the context of 2007-2013 EU funds programmes and projects.

Nedev (n.a.) has conducted a rather descriptive study on sustainable regional development in Bulgaria. He follows the historical development of the regions and delves into many planning documents and regional initiatives for sustainable development. He claims that the EU pre-accession funds have had a significant role with regards to regional sustainable development by financially supporting institutional capacity building and environmental infrastructure projects. He suggests that the most serious problem for regional development is the weak decentralisation in the country, which often impedes the multi-level governance system of regional development. However, his study focuses on the pre-accession period and does not provide comprehensive insights on drivers and barriers for environmental integration. In fact, given the relatively little research done on the issue of environmental

policy integration not least in the context of EU funds programmes and projects, this dissertation can substantiate some of the knowledge currently lacking in the literature.

Based on the literature review of EPI and Cohesion Policy/EU structural funds presented in the previous chapters, the next chapter presents several complementary analytical perspectives that underpin the analytical framework of this dissertation. The analytical framework distils a set of evaluation criteria for EPI which is then applied to the case of EU funds programmes and projects in Bulgaria. These criteria are used in the document analysis of documents and coding of interview so as to identify driving forces and barriers to EPI.

2.5 Analytical framework

The analytical framework for this dissertation approaches EPI as a policy *process* and a policy *output*. Studying EPI as both a process and an output will help illuminate the relation between substance following the procedure (Lenschow 2002a) which is being suggested to add value to an EPI study (Persson 2004). The assumption that a strong policy process for EPI will lead to the articulation of positive policy outputs has been challenged by Medarova (2005) in a study on EPI in the transport sector in Bulgaria. Therefore, it will be important through a broader study of EPI in regional development and its financial instruments in Bulgaria to better understand the driving forces and barriers for EPI as well as the relationship between EPI as a policy process and an output.

Nilsson and Persson (2003) propose studying EPI as an *outcome*, implying a change in the environmental performance due to improved sectoral policies. Hertin and Berkhout (2003) argue, however, that “the link between policy measures and processes and policy outcomes is extremely difficult to establish” and therefore falls outside the scope of this dissertation. Moreover, EPI as an outcome meaning the actual impact on improving environmental performance due to interventions supported by EU structural funds is likely to

become tangible in a longer-term period of time. Linking EPI and environmental performance would, nevertheless, constitute a challenging question for further research.

This analytical approach is less concerned with examining the normative interpretations of EPI as a process and focus instead on describing and explaining ways in which different policy actors interact to develop and apply ‘positive’ manifestations of EPI. In order to do this, several points of departure are proposed – exploring EPI through political systems, policy analysis, multi-level governance and Europeanisation perspectives.

2.5.1 Political systems perspective

Jordan and Lenschow (2010) propose two possible perspectives to study EPI as a governing process – a political systems perspective and a policy analysis perspective. The former implies that understanding EPI requires an exploration of the underlying political system and governance processes in which the different policy actors engage and employ a set of instruments for integration. While much of the EPI literature makes use of new institutionalism theories by arguing for the importance of institutional frameworks to steer integration, Jordan and Lenschow (2010) stress that these are insufficient conditions to achieve effective EPI. Therefore, looking at **informal rules** and **bureaucratic politics** might provide greater insights into the driving forces and barrier to EPI.

As Schout and Jordan point out “the bureaucratic political view focuses on the more obscure forces of power and the games that people in organisations plays...the extent to which the environment is incorporated depends on pressure, arguments, deliberate manipulation of information, lobbying, etc.” (2007). Also, this perspective suggests that further understanding of the social, legal and **administrative traditions** of a polity would help identify and understand the “frames of reference” in which sectoral administrations operate and therefore, understand their cognitive predispositions with regard to EPI.

2.5.2 Policy analysis perspective

A particularly useful public policy perspective to understanding EPI, complementary to the political systems one presented above, draws on the classical policy stages approach and offers a way to study EPI through a set of **operationalized mechanisms, instruments and tools at each stage of the policy process**. This would entail:

- 1) influencing the objectives of a sectoral policy making ex ante;
- 2) targeting the allocation of resources in support of certain sectoral policy objectives;
- 3) focusing on structuring and coordinating the interaction of sectoral actors by changing the administrative system; and
- 4) monitor and evaluate the impacts of policy instruments (Jordan and Lenschow 2010). The policy analysis perspective is particularly useful as it links the policy process for EPI to the development and application of concrete policy instruments and outputs. It follows closely the logic of intervention of the particular policy area. Therefore, it allows examining the relationship between EPI as a policy process and policy output which is what this dissertation is mostly interested in.

2.5.3 Multi-level governance perspective

EPI is a cross-cutting issue which operates in a complex multi-level governance context – not only **vertically, involving different levels of governance** (EU, national, regional and local) but also **horizontally, involving a diverse range of policy actors** and their vested interests at each level (Jordan and Schout 2005) and (Nykqvist 2008a). A multi-level governance perspective would be useful as it can help the analysis to explore “the dispersion of authority away from central government – upwards to the supranational level, downwards to subnational jurisdictions, and sideways to public/private networks” (Hooghe and Marks 2001). Moreover, Lenschow and Jordan (2000) have argued that EPI can only be achieved if explored and addressed properly at all governance level within the EU polity. EU Cohesion

policy operates in such multi-level governance system involving EU, national and regional/local levels). General EU Funds Regulations and strategic orientations are set out at EU level but the responsibility of setting policy objectives and creating administrative structure occurs at lower levels of the governance system. However, it has been argued that this decentralisation posed a serious challenge for the Commission to ensure that EPI is delivered on the ground (Wilkinson 2007). For instance, Lenschow (2002b) discusses different governance approaches to EPI in this context and claims that successful EPI very much will depend on the provision of an operational guidance provided by the EU and the active involvement of civil society. The exploration of complex interactions between the different levels of governance and their significance for EPI in the context of EU funds in Bulgaria is aided by perspectives drawing on the concept of Europeanisation.

2.5.4 Europeanisation perspective

The concept of Europeanisation has gained significant prominence in European studies in trying to explain the interplay between the different levels of governance in the European Union in terms of shaping policies, institutions and values. Most studies approach Europeanisation in a “top-down” fashion by drawing attention to the impact of EU policies on Member States, through what is framed as **downloading**. Schout and Jordan argue that the European integration process has required national and regional administrations within the multi-level polity of the EU had to adapt their policies and administrative structures to horizontal policies such as quality of legislation, subsidiarity and consistency and go ahead to suggest that EPI is in fact one of these horizontal objectives (2007). As the literature review has showed, the effectiveness of EPI can depend on external factors such as the European policy context. It can be assumed that this is particularly valid for the case of EU Funds programmes in a new Member States such as Bulgaria. Therefore, the analytical approach

will add an Europeanisation perspective in the attempt to explain the downloading of horizontal objectives such as EPI to national and regional planning of EU funds.

In order to do this, the analytical approach to this dissertation builds on the work of Radaelli (2006), Grabbe (2002) and Borzel (2002). While Radaelli establishes some of the foundations of the Europeanisation conceptions, Grabbe elaborates on ways to study Europeanisation on CEE countries. Borzel on the other hand, focuses on Europeanisation effects in the context of European environmental policy and national policy-making. Therefore, a combination of the three approaches is deemed most appropriate for this dissertation. Radaelli provides a systematic definition of Europeanisation which entails a process of: a) construction; b) **diffusion** and c) **institutionalisation** of formal and informal rules, procedures, policy paradigms, styles, shared beliefs and norms which were first defined in the EU policy process and then incorporated in the logic of domestic (national and regional) discourse, political structure and public choices (2006). This dissertation is mostly interested on the latter two mechanisms as a way to translate EPI objectives in the planning of EU funds programmes in Bulgaria.

Grabbe builds on this definition and proposes a framework for studying Europeanisation in CEE countries through the mechanisms that deliver a degree of institutionalisation and policy formulation. From the proposed mechanisms we take:

- a) **models** (meaning the provision of legislative and institutional templates) and
- b) **money** (aid and technical assistance).

The models are linked to the *downloading* concept, which entails the legal transposition and harmonisation with EU law whereas the financial transfer assist Member States in strengthening the administrative capacities necessary to implement extensive policy transfer. Most importantly, the co-financing requirement attached to European assistance programmes

has a secondary effect of allocating national resources to a particular policy area and hence having an impact on the agenda and priority-setting in CEE countries.

The propositions of Grabbe with regard to Europeanisation pressures to accession countries arguably is particularly appropriate as it is grounded on the premise of asymmetric power relations between the EU and the Member State during the accession process. Most of the planning of EU funds programmes was done between 2004 and 2007 while Bulgaria became a full member of the Union only in 2007, therefore, the interplay between the different actors at the different levels of governance is likely to be framed by similar asymmetric power relations, which has considerable impact on the mechanisms of Europeanisation pressures (Grabbe 2002). She argues that the process of enlargement and the associated with it export of EU legislation, the so called “Europeanisation effects” were stronger for new Member States where the Commission tended to define a “maximalist” version of the *acquis communautaire*. At the same time, accession countries were in no place to opt-out any part of policy transfer and there was an inherent incentive for agreement driven by the desire for a full membership.

However, it is precisely the maximalist agenda, the reduced time frames to accommodate this agenda and the strong willingness to join the Union, which pose certain challenges to the Europeanisation impacts, particularly in terms of the institutionalisation of policies, institutions and values in such countries. This is also linked to the concept of **policy “misfit”**, which implies that the less the European policy fits to the domestic regulatory structure, the higher the adaptation costs in implementation and lower the willingness of public and private actors to comply (Borzel 2002). This proposition is particularly useful in the context of this dissertation for several reasons. The evaluation framework based on the literature review on EPI assumes a role of the European policy context as a factor that facilitates the attainment of environmental policy integration. The European “push” factor

appears to have stronger implications in the case of countries like Bulgaria. At the same time, the policy misfit proposition could be helpful to explore barriers and limits to the Europeanisation effects with regard to EPI in the context of EU funds programmes.

2.5.5 Evaluation framework

Based on the literature review and the different analytical perspectives presented above, I develop an evaluation framework which operationalizes success factors for attaining EPI into a set of *procedural criteria*. This set of criteria is then applied to the case of EPI in the EU funds programming in Bulgaria in order to evaluate the performance of EPI as a policy process. At the same time, a set of *substantive criteria* is also developed in order to capture the manifestations of EPI as an output. The assumption is that there is a relationship between the EPI as a process and the subsequent EPI output, which will be tested in the case of integrating environmental concerns into the EU funds programming process in Bulgaria. The aim will be also to identify both driving forces and barriers for EPI in Bulgaria.

1) **EPI as a policy process will be evaluated through a set of procedural criteria:**

- **Priority-setting for environment** – this criterion assesses the positioning of environmental objectives in the EU funds programmes compared to economic, social and other objectives. It evaluates what the operational objectives and principles for EPI are and whether there are clearly illustrated benefits for EPI in the policy outputs;
- **High level political commitment and leadership** – this criterion evaluates the commitment to EPI goals and the communication of this commitment within the government. High level political commitment usually comes from the very top of the executive power and is articulated in an overarching policy framework or political statements. Leadership is not necessarily occurring at the top but it can be executed by

an institution that acts as “catalyst” for EPI, facilitates the debate on EPI and bridges the gap between political and administrative agendas.

- **Institutional mechanism to steer integration** – this criterion evaluates organisational restructuring for EPI such as integrated departments, new institutions, or new mandates. It also entails the establishment of novel governance mechanisms for co-operation, co-ordination and communication (e.g. working groups, task forces, etc.) with regards to EPI in EU funds programmes. This criterion also looks into a range of policy actors or networks of actors who can be more or less influential in driving the EPI agenda in EU funds programmes;
- **Policy-making rules and procedures** – this criterion refers to a set of legally binding or formal rules on policy-making for formulation, implementation, budgeting and enforcement of policies but also the usefulness of environmental assessments, evaluations, monitoring and feedback procedures, and external independent auditing and reporting mechanisms. It also assesses the participation of the regional authorities in the policy-making at a national level;
- **Administrative culture and capacity** – administrative culture criterion helps analyse some of the underlying informal policy-making rules, administrative traditions and political preferences in order to unpack the understanding about environmental integration among the policy actors. Administrative capacity is linked to this as it implies the development of specific sectoral understanding, expertise and skills for dealing with cross-cutting themes such as the integration of environmental concerns. It also includes strategies and practices to increase effectiveness⁸ and efficiency⁹ of the policy process;

⁸ Effectiveness - is the ability to fulfil the goals of a policy.

⁹ Efficiency – is the ability to implement a policy at the lowest possible cost.

- **Stakeholder involvement** – this criterion assesses who, when and how can be involved in a policy process, i.e. the participation and interplay of different policy actors including environmental authorities, environmental NGOs, municipalities, etc. throughout the policy process of EU funds programming. The participation can be in the form of public consultations and involvement in working groups. The effectiveness of participation can be ensured by transparency (clear communication procedures) and clear procedures for feedback;
- **Knowledge management and learning** – this criterion evaluates the input from a more interdisciplinary scientific research into policy-making and how it is communicated to policy-makers. Also, it includes mechanisms for incorporating lessons learnt from experience (herein, particularly important as it can illuminate the lessons learnt /not learnt from pre-accession to membership). Learning can occur as (1) instrumental – culminating in a change in the adoption and implementation of policy instruments and formulation of policy objectives; (2) political – enhancing policy-making but via symbolic action and rhetoric; and (3) conceptual – causing fundamental changes in beliefs and common understanding about policy objectives. EPI is stronger when learning occurs at a conceptual level and when there is a reorientation of sectoral goals towards more issue-oriented agendas; and
- **European policy context** – this criterion evaluates the influence of the EU for EPI in the programming of EU funds, the process for which was initiated when Bulgaria was still an accession country. It assesses the interplay between the EU and national level through studying the EU Regulations, guidelines and negotiations surrounding the 2007-2013 EU funds programming in Bulgaria.

2) **EPI as an output can be evaluated by the following substantive criteria:**

- **Environmental goals and objectives** – this criterion evaluates environmental goals and objectives and how they are compatible with the traditional economic/social goals and objectives of EU funds programmes;
- **Strategies, programs and plans** – this criterion assess the development of specific policy statements, strategy, program and plans for EPI including a time perspective¹⁰.
- **Share of environmental investments** – this criterion assesses the financial resources earmarked for environmental measures / projects (environmental projects, mitigation measures, education, awareness, capacity, etc.) from the EU funds programmes;
- **Environmental integration instruments** – this criterion looks at the application of environmental integration instruments for EPI, for example SEA, project selection criteria, indicators, etc. This includes the development and application of environmental indicators in EU funds programmes which are supposed to aid the monitoring and reporting towards environmental objectives and targets. It can also include the development and application of some sort of eco-conditionality which aims to enhance environmental integration throughout the project selection process and facilitate the financing of sectoral projects which are likely to improve the state of the environment.

¹⁰ Successful EPI can be attained only if a long-term time perspective is provisioned as it corresponds to the idea of sustainable development (Persson 2004).

Table 1: Evaluation framework with criteria for EPI as policy process and output

EPI as a policy process	EPI as a policy output
<ul style="list-style-type: none"> • Priority-setting for environmental concerns • High level political commitment and leadership • Institutional mechanism to steer integration • Policy-making rules and procedures • Administrative culture and capacity • Stakeholder involvement • Knowledge management and learning • European policy context 	<ul style="list-style-type: none"> • Environmental goals and objectives • Environmental strategies, programs and plans • Share of environmental investments • Environmental assessment procedures • Environmental indicators • Environmental projects selection criteria

3 Methodology

3.1 Methodological approach

The methodology for this dissertation entails both a deductive and an inductive approach via qualitative methods. The development of an analytical framework derived from conceptualisations of EPI presupposes a deductive nature of the study. However, the aim of the study will be to seek opportunities for induction too, oriented towards “exploration, discovery, and inductive logic” (Patton 2002). This presupposes understanding of interrelations between the dimensions of the collected data without limiting the findings to the specific definitions identified at a preliminary stage.

Qualitative methods are chosen because they provide broad detailed information with increased depth of understanding about processes and policy outputs. The combination of several research methods pursues *triangulation*, aiming at enhanced validity by bringing “different kinds of evidence to bear on the problem” (Esterberg 2002) and thus balancing the strengths and weaknesses of each type of data. The following chapter present more thoroughly the research methods undertaken particularly with regard to the ways the data was collected and analysed.

3.2 Research methods

3.2.1 Archival research

Archival research is a valuable method for studying policy content and policy outputs. It entails the collection and analysis of public records, notably governmental documents (Esterberg 2002). It also includes the collection of secondary data and media accounts, which can provide information regarding the content and quality of the policy output and how it was negotiated, bargained, agreed and opposed. Secondary data sources will be used to enrich the primary information and strengthen the reliability of research findings. Frankfort-Nachmias

and Nachmias (1996) suggest that secondary data can also display and explain change. Access to governmental documents, secondary data and media accounts was ensured through web pages, information centres in the relevant governmental institutions, received upon request for access to public information, and the subscription to an information mailing list. I have been subscribed the mailing list of the Bulgarian environmental NGOs monitoring the EU funds for regional development in Bulgaria. It allowed me to follow the process of their involvement as well as provide me with an access to the extensive documentation. I have also been granted many planning documents by the Ministry of Environment and Water during my pilot research in the winter of 2005 and my participant observation in the winter of 2007.

Archival research allowed me to study EPI as a policy output and address both Objectives 1 and 2 of my dissertation. I was be able to identify and analyse goals and objectives of EU funds programmes, as well as the statements, strategies, programs and plans, budgets and types of investment projects for regional development in Bulgaria. For instance, evidence of political commitment was found in an overall policy framework underpinning the EU funds programming and also in political statements about EU funds priorities; institutional mechanism for integration are reflected in the Internal Structure Acts and Codes of Conduct of the governmental institutions under study; the law-making rules is found in the Normative Acts Law¹¹; stakeholder involvement is found in the Minutes of working groups meetings; the influence of the EU accession is found in written comments during the negotiations of the EU funds programmes, the monitoring reports of the European Commission, in the guidelines for eligibility for EU funding and in evaluation reports of the Court of Auditors of the EU.

¹¹ Legal Acts Law - State Gazette N 27/03.04.1973. Last amended State Gazette N 55/17.06.2003

3.2.2 Interviews

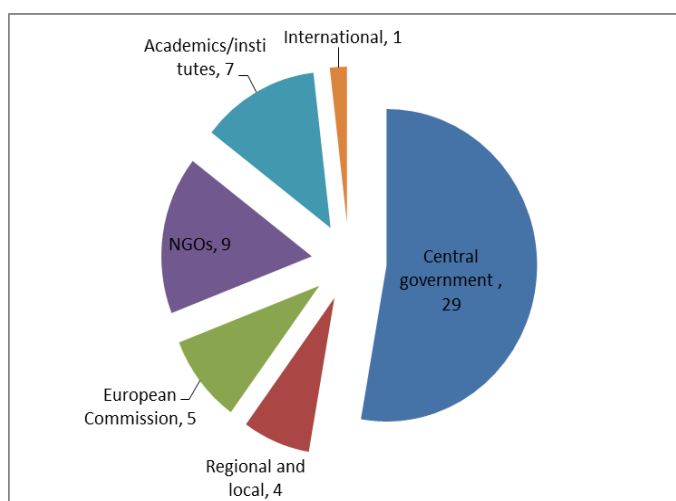
In order to study EPI as a process I conducted 55 in-depth semi-structured open-ended interviews with preliminary identified stakeholders in the specific area (list of the interviewees is enclosed in Annex 1). An interview guide was developed, based on the analytical framework of this dissertation, which included two types of questions – questions addressing factual information and opinions (Esterberg 2002). They were semi-structured and open-ended so that they could capture the respondent's point of view “without predetermining those points of view through prior selection of questionnaire categories” and “without being pigeon holed into standardised categories” (Patton 2002). Depending on the different actors, additional questions were raised during the interviews in order to relate to the actor's field of expertise or to explore a novel perspective or insight.

Purposeful sampling¹² was deployed for identifying and approaching key policy actors. Still, a “snowball effect”¹³ was pursued so to pinpoint at more “information-rich key informants” (Patton 2002). The main actors in the case of EPI in EU funds programming in Bulgaria include: national authorities, the European Commission, environmental NGOs, municipalities, consultancies/academics and international organisations. Most interviews were conducted with representatives of the central authorities, NGOs and the European Commission as the most influential actors in the EPI process. The figure below shows a distribution of interviews with the different groups of interviewees.

¹² Purposeful sampling – selection of respondents who hold specific knowledge regarding the topic of the dissertation, i.e. policy stakeholders who participated in the process of EPI and EU funds programming.

¹³ Snowball effect – accumulation of new contacts of knowledgeable people who are potential respondents.

Figure 1: Type and number of interviewees



Interviews were a key method for studying EPI as a process. They were ideal method to complement the archival research which could not reveal informal patterns of interaction among the actors or implicit preferences and opinions. It helped me map the relevant policy actors and analyse the patterns and intensity of their interactions; examine how priorities were set out; seek for an institution acting as a “catalyst” for EPI; determine any informal communication mechanism; and examine the interplay between the nation state and the EU. It also helped me to explore what the understanding about EPI of policy actors is, how it changed between accession and membership, what the driving forces and barriers for a integration are, and what the dominant administrative culture is. This method was be particularly important for addressing Objectives 2 and 3, and allowed a deep understanding of newly emerging factors for EPI and the significance of each of the factors for EPI.

Interviews were conducted in three waves. First, in 2005 some preliminary interviews were conducted as part of scoping exercise. Most interviews were conducted in 2007 during the field research in Bulgaria. A third wave of interviews took place in 2010. The last wave

of interviews¹⁴ was already half way in the implementation of EU funds programmes and projects and allowed the interviewees to share more insights with regard to the implementation of programmes. In few cases, interviewees preferred to send written responses instead of having a face-to-face interview. In this case, I have prepared more detailed questionnaires.

All interviews were transcribed for the purpose of conducting coding and narrative analysis. This allowed the criteria from the analytical framework to be identified but also to map emerging new themes and categories.

3.2.3 Participant observation

Participant observation is a method for examining how individuals interact in a particular setting (Esterberg 2002). Participant observation was executed in the form of an internship at the premises of the MEW, at the Department responsible for EU funds programming for environmental measures (i.e. the managing authority). It allowed me to understand the institutional set up, the interactions among the policy actors, bargaining powers, negotiations, etc. and thus was suitable for studying EPI both as a policy process and an output. Officials from this department also sat in the working groups developing all Operational Programmes for EU funds and were responsible for policy coordination. In addition, I have conducted interviews with those officials. The period of the internship/participant observation was three months (March-May 2007) as a full time position. The timing of the participant observation was good as this was the time when the EU funds programmes are being negotiated with the European Commission and subsequently finalised and adopted. It therefore provided me with additional insights to understand EPI

¹⁴ It should be noted that the third wave of interviews was conducted in conjunction to a research/consultancy project, commissioned by the European Commission (DG Regional Policy) and led by IEEP where a case study on Bulgaria was prepared by the author of this dissertation. The Bulgarian case study is expected to be published in 2011. Permission was granted that the data and analysis can be used for the purpose of this dissertation.

factors such as administrative culture, implementation capacity, political commitment, knowledge management and learning, and EU influence. It was a valuable tool for identifying an institution “catalyst” for EPI and any informal patterns of communication and co-operation among policy actors. It is the main method for addressing research objectives 2 and 3 of this dissertation.

To analyse the participant observation notes I have developing memos and more specifically *analytical memos*. Writing memos is a process of making meaning via coding (Esterberg 2002) which developed further my analysis. I was writing memos throughout my entire internship which helped me elucidate my pre-determined but also newly emerging themes within the policy process of EPI in regional development and the planning of the structural and cohesion funds.

In addition to the participant observation, it needs to be noted also that I have had various other opportunities to collect data and gain valuable insights about EU funds at EU, national and regional levels. During my field research in Bulgaria in 2007, I have participated in a research project on the integration of the Rio Conventions’ objectives (climate change, biodiversity and desertification) in the regional planning in Bulgaria. I established relations to Bulgarian academics and international organisations (e.g. UNDP Bulgaria) and also met with local and regional authorities working on this subject. Following this, I have worked with CEE Bankwatch Network and Friends of the Earth Europe in Brussels which allowed me to explore some practical aspects of the programming and implementation of EU funds in CEE countries. During this time I was able to attend numerous conferences/seminars in Brussels dedicated to the issue of EU funds and environmental integration and met informally with various EU stakeholders including the European Commission, European Parliament, professional organisations and NGOs. I have also participated in the meetings of the ENEA

network¹⁵ as a NGO representative which provided me with additional insights on the recent developments in Member States. Later, at IEEP I have also participated in a several research projects which provided additional opportunities for informal meetings with EU officials on the topic of environmental integration in EU funds.

3.2.4 Data analyses

3.2.4.1 Content analysis

A content analysis was conducted for identifying specific themes and categories (coding) in governmental documents, secondary sources and other accounts. Importantly, content analysis does not limit the researcher to its purely quantitative features but also allows to “focus more on the meanings of the texts”, which is known more as *latent analysis* (Esterberg 2002). Considered to be the “most deductive of all forms of data analysis” (Ezzy 2002), the coding in content analysis is developed “through logical deduction from the pre-existing theory”, thus empirical data is tested against the theoretical framework. Basically, all units and categories are preliminarily coded and interpretation is conducted by “reviewing each unit of analysis and categorising it according to the predefined categories” (Ezzy 2002). In this dissertation, the main themes entail the procedural criteria for evaluating EPI as a process and the substantive criteria for assessing EPI as an output, pre-determined in the analytical framework. Content analysis helped me address research objectives 1, 2 and 3 of this dissertation.

¹⁵ The European network for environmental authorities (ENEA) was set up in 2004 in order to contribute to the integration of the environmental and sustainable development policies within the regional policy programmes of EU Member Countries and Candidates for accession to the EU. It brings together experts from environmental administrations, international organisations such as the Regional Environmental Centre, and environmental NGOs such as World Wildlife Fund, Birdlife International and Bankwatch.

3.2.4.2 Thematic analysis

As content analysis will deduct from the collected data, I will supplement it by deploying a thematic analysis, which is inductive in nature and allows detecting newly emerging themes in the data. This analysis represents a version of the *grounded theory* where via *open coding* and *development of themes* the risk to miss what is in the data is minimum. The next step requires a *focused coding* which resembles the open coding as I go through the data “line by line” but this time the goal is to focus on the developed themes after the open coding. The notes from the participant observation were subject to this analysis. Such an approach is important to be undertaken as it will warrant identifying new factors for EPI, as required in research Objective 2 and 3 of this dissertation.

3.2.4.3 Narrative analysis

For the purposes of analysing the conducted interviews I will look at the interviews as *inscriptions of narrative production* and at the interview transcript as a *narrative* (Czarniawska 2004). Esterberg states that by answering open-ended questions the respondents are telling a story (2002). Applying an analytical framework is a deductive approach, but I have not constrained the potential insights of the respondents only to the preliminary established categories of meaning. I have looked for newly emerging themes and aimed at revealing the potential sense of the data. This is very important as research objective 2 of this dissertation is concerned with identifying new factors and strategies for EPI, typical for countries like Bulgaria.

Coffey and Atkinson (1996) suggest three main analytical approaches to the transcribed interviews: (1) noticing relevant phenomena, (2) collecting examples of those phenomena, and (3) analysing those phenomena in order to find commonalities, differences, patterns, and structures. First, the different narratives of the respondents will be compared

and then the newly emerged themes will be interpreted in order to explore the EPI as a process and an output and establish the links between them in the context of EU funds programming in Bulgaria.

3.2.4.4 Development path analysis

The development path analysis is used to analyse the type of interventions/investments supported by EU funds in Bulgaria. The approach is developed within a research project “Cohesion Policy and Sustainable Development”, commissioned by DG Regional Policy and undertaken in 2010, which I was involved in within a consortium led by the Institute for European Environmental Policy (IEEP). This analysis is used to respond to research objective 3 of this dissertation.

The different development paths can be understood in terms of the likely scope each path provides for the generation of synergies (“win-wins”) and trade-offs (“win-losses”) as they are formalised in the “four capitals model” of sustainable development. This model is argued to offer a way to evaluate potential synergies and trade-offs across the capitals - man-made capital, environmental capital and human and social capital (GHK et al. 2005). A description of the four types of capital is presented in Box 1.

Box 1. Four capitals model of sustainable development

Manufactured Capital: Manufactured (or human-made) capital is what is traditionally considered as assets that are used to produce other goods and services. Examples include machines, tools, buildings and infrastructure.

Natural Capital: In addition to traditional natural resources, such as timber, water, and energy and mineral reserves, natural capital includes natural assets that are not easily valued monetarily, such as species diversity, endangered species and the ecosystems which perform ecological services (e.g. air and water filtration). Natural capital can be considered as the components of nature that can be linked directly or indirectly with human welfare.

Human Capital: Human capital generally refers to the health, well-being and productive potential of individual people. Types of human capital include mental and physical health, education, motivation and work skills.

Social Capital: Social capital, like human capital, is related to human well-being, but on a societal rather than individual level. It consists of the social networks that support an efficient, cohesive society and facilitate social and intellectual interactions among its members. Social capital refers to those stocks of social trust, norms and

networks that people can draw upon to solve common problems and create social cohesion. Examples of social capital include neighbourhood associations, civic organisations and cooperatives.

Source: (GHK et al. 2005)

This analysis builds on the four capital model by relating interventions / co-financed by EU funds to potential development pathways depending on the likely win-wins and trade-offs these interventions might generate. Given the focus of this dissertation on the ERDF and the Cohesion Fund, the focus of the analysis is mainly on the synergies and trade-offs between environmental and economic objectives, i.e. between the manufactured and natural capital. While potential synergies between natural and social/human capitals can be also relevant in the context of green jobs and capacity building, this issue is touched upon later in the dissertation but is not the primary focus of this analysis.

The different types of EU funds interventions are specified in a system of “categories of expenditure” developed by the European Commission. This system is used to attribute each expenditure type to a different Development Path (see Annex 3). Based on it, the development path analysis is then applied on the EU funds allocations in Bulgaria in order to identify the share of funds being allocated per each development path. An overview of the different Development Paths, the type of interventions attributed to them and the likely synergies and trade-offs is presented in Table 2.

Table 2: Development paths

Strategic Approach	Development Path	Description of the types of intervention	Nature of Synergy / Trade-off with Environmental Impact
Business as usual	No Natural capital impacts	Interventions with no direct natural capital impact and no obvious indirect impact – e.g. pure social capital investment	Win-irrelevant to natural capital
	A: Declining sustainability	Interventions leading to obvious loss of natural capital (e.g. motorways and habitat fragmentation, conventional energy systems and pollution)	Win – Absolute Loss
	B:	Interventions that help to meet	Win - Relative

	Environmental compliance and man-made capital / environmental infrastructures	environmental legislation (regulation & standards and to mitigate environmental impacts (e.g. environmental infrastructure, mitigation measures)	Win (but Absolute Loss)
Active environmental management	C: Risk management	Interventions to reduce hazards and manage risks (e.g. climate change adaptation, e.g. invasive alien species response coordination)	Win – Avoidance of Relative / Absolute Loss
	D: Clean-up, restoration, conservation and investment in natural capital	Interventions to clean-up pollution and contamination from previous activities (e.g. land remediation/restoration, brownfield redevelopment) as well as conserving natural and cultural assets, including proactive investment in these assets	Win – Absolute Win
Pursuing environmental sustainability	E: Eco-efficiency	Interventions to improve resource efficiency of existing activities (strong relative wins) (e.g. modal shift, energy efficiency)	Win – Some Relative and some Absolute Wins
	F: Decoupling	Interventions that have the potential to decouple economic activity from pressures on the environment/natural capital (absolute wins) (e.g. new industrial activities / technologies (e.g. renewable energy), reduced consumption patterns)	Win – Absolute Win

Source: (IEEP et al. 2011)

3.1 Validity, limitations and ethics

Qualitative research usually provides broad detailed information with increased depth of understanding about situations and processes. Compared to quantitative methods where the validity and credibility of the research depend on the sound techniques, qualitative research “hinges to a great extent on the skills, competence, and the rigour of the person doing fieldwork” (Patton 2002). Acknowledging that value free and pure ‘truth’ social research is impossible as well as the important role of “preconceptions”, I followed rigorously the methodological procedures (Patton 2002). For the purposes of this dissertation I pursued the objectivity and validity of research findings to the best possible extent within the boundaries

of my competence. Additionally, the utilisation of *triangulation* of data sources was intended to increase the accuracy and credibility of findings (Patton 2002).

In order to avoid any bias in reporting my findings, I have sought a broad variety of respondents representing different interests and pursuing different agendas in the field of EU funds not limiting the data to environmental actors or sources. Data was collected through a dedicated one-year field research in Bulgaria in 2007 but also collected and updated in the following 3 years. This means that I have validated some of the findings during the third wave of interviews in 2010 and by following other secondary data / independent reports published recently on the programming of EU funds in Bulgaria.

One of the main limitations of this dissertation includes a lack of any other analysis of the practical implementation of EPI in Bulgaria especially in the context of EU funds. The data obtained through the numerous interviews, participant observation and informal meetings with EU officials was therefore very valuable. One issue however was linked to the high turnover in central administration dealing with EU funds which meant that often respondents were new to the job and did not possess information about the whole programming period, which lasted around 2 years (between 2005 and 2007). To address this, I had to seek sometimes people who no longer worked in the central administration in order to find information about the whole programming process. The *snowball effect* also assisted me to obtain additional contact which were not familiar to me at the beginning of the field research but were recommended by respondents are relevant and information-rich policy actors. At the same time, the lack of openness of the public administration in Bulgaria created another challenge as often officials tended to paint a very positive picture about the integration of environmental concerns into EU funds; they were often unwilling to discuss barriers and difficulties. I used personal contacts in some institutions which helped me acquire some of the information about difficulties and issues with regard to EPI. Interviews

with NGOs and municipalities were also helpful for identifying some of the issues and barriers for EPI.

Another limitation is related to the development path analysis. The attribution of categories of expenditure to the different development pathways is based on expert judgement of the research consortium (part of which was myself). Nevertheless, the categories of expenditure are sometimes a bit ambiguous and it is unclear what exactly they might entail. For example, the category “clean urban transport” is likely to include expenditure for environmentally sound public transport but it is also possible to include expenditure on facilities for disabled people. These details cannot be discerned at the level of “categories of expenditure” and therefore were investigated through further research within several short cases of win-wins/trade-offs. The choice of one in-depth case study of Bulgaria allowed an investigation of some of these details.

Whereas rigour deals with correct methods, ethics deal with correct moral conduct (Ezzy 2002). “Researchers have an obligation to promote the integrity of research and to ensure that they comply with the ethical tenets of science in the planning, implementation, and dissemination of research” (Esterberg 2002). Transparency and respect accompanied all activities during the field research and the writing of this dissertation. During the field research and especially while conducting interviews the goal was to inspire trust and confidence in respondents and “acknowledge the right of others to hold values, attitudes, and opinions that differ” from my own (Esterberg 2002). Direct quotations from the interviewees were incorporated into the text only after an informed consent from their side was granted to me. In some cases, I have not disclosed the exact personality of some respondents when this was explicitly requested. Some respondents were willing to discuss the research questions only in the comfort of knowing that the information they provide could not be used against

them afterwards. Recording techniques during interviewing were deployed in a manner that has not caused any personal harm.

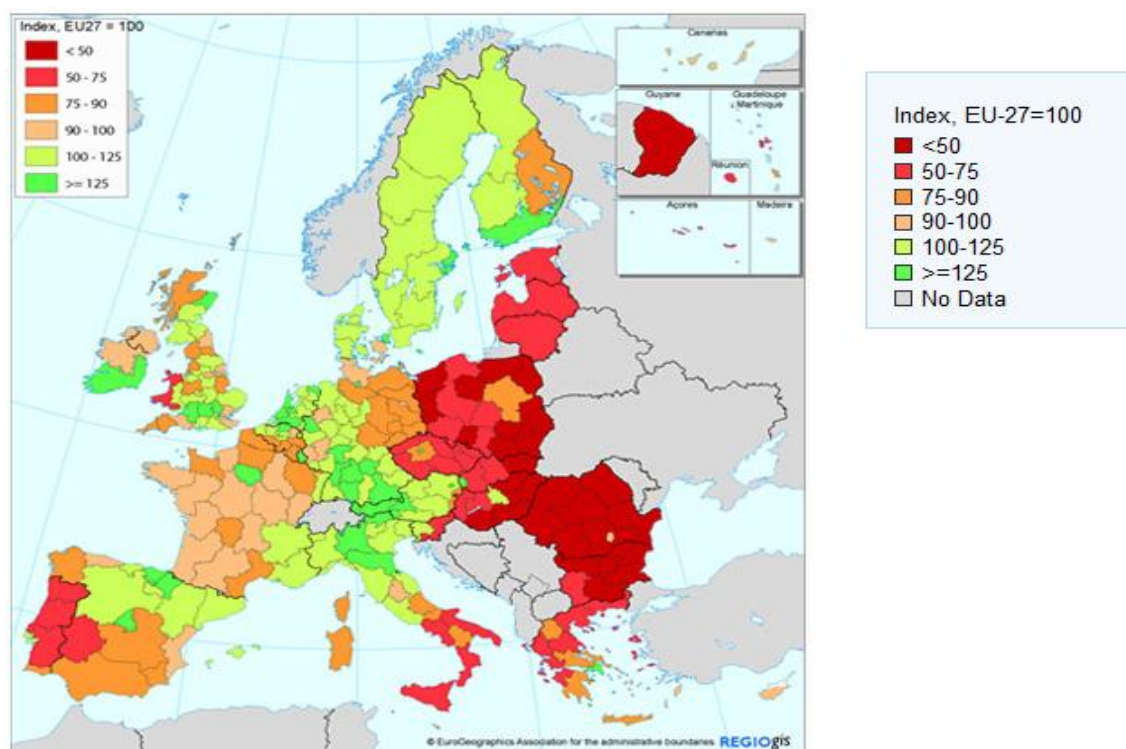
Some of the preliminary findings from the field research contributed to a research paper within the 6FP project “Environmental Policy Integration and Multi-Level Governance (EPIGOV)” and was later published as a chapter in a book (Medarova-Bergstrom et al. 2010). The analysis of investments in Bulgaria also contributed to a research project commissioned by DG Regional Policy of the European Commission, which is published in 2011 (IEEP et al. 2011).

The next chapter explores more in-depth EU Regional and Cohesion Policy by presenting its main goals, principles and key issues in the debate. It further presents the environmental provisions of the current 2007-2013 regulatory framework, arranging EU funds, which frames the analysis of the Bulgaria case in the following chapters.

4 EU Regional Policy and Cohesion Policy

EU Regional policy was created back in 1965 and was intended to reduce economic and social disparities across the EU. It sought to improve conditions within European regions with regard to economic growth, employment and per capita income levels; it also aimed to address concrete economic problems of a region related to industrial decline or geographic remoteness (Cini 2007). The Treaty on the Functioning of the European Union sets out the legal basis for EU Cohesion Policy in article 174 as follows: “[i]n order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion. In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions” (TFEU 2008). Figure 4 shows the existing gap in regional disparities across EU Member States that EU Cohesion Policy aims to tackle.

Figure 2. Regional disparities across EU27 GDP/head (PPS), 2005



Source: DG Regional Policy, European Commission

The European Regional Development Funds (ERDF) was the first financial instrument set out in 1975 in the pursuit of the EU Regional Policy objectives followed by other Structural Funds (e.g. European Social Fund (ESF) and the European Agriculture Guidance and Guarantee Fund). However, it was the Single European Act in 1986 which provided the legal basis for an “integrated cohesion policy” (DGRegio 2008a). Further reforms in the 80s and 90s coupled with the accession of Greece, Spain, Portugal and Ireland (so called “cohesion countries”) led to the establishment of the Cohesion Fund in 1993 and shifting of the focus from economic disparities within regions to solidarity action with the poorer Member States. The 1988 reforms brought further changes which placed EU Structural Funds under the umbrella of EU Cohesion Policy and introduced important policy principles such as multiannual programming, strategic orientation of investments and the involvement of local partners (DGRegio 2008a). Nowadays, EU Cohesion Policy incorporates the two Structural Funds (ERDF and the ESF) and the EU Cohesion Fund and sets out different policy objectives which try to combine both historical dimensions of the evolved policy, notably convergence and solidarity with poorer Member States on the one hand and regional development on the other.

The TFEU establishes that the ERDF’s aim is to *“help to redress the main regional imbalances in the Union through participation in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions”* (article 176) while the Cohesion Fund shall provide *“financial contribution to projects in the fields of environment and trans-European networks in the area of transport infrastructure”* (article 177). Environmental measures can be financed in line with the EU’s 6th Environmental Action Programme (EAP); energy efficiency, renewable energy, and sustainable transport initiatives outside the trans-European networks are also eligible (IEEP 2010).

“Regions” in the context of EU Cohesion policy are defined based on the system of NUTS¹⁶ (nomenclature of territorial units for statistic), which divides each country into three levels of statistical units (NUTS regions), according to population size. The EU is currently divided into 271 'NUTS 2' regions (between 0.8 and 3 million people), all of which are covered by EU Cohesion Policy.

For the 2007-2013 programming period, EU Cohesion Policy has the second biggest EU budget line of €347 billion (InfoRegio). This is approximately 36% of the total EU budget. Half of it –€177 billion – are allocated to new Member States including Bulgaria. The key objectives of the 2007-2013 Cohesion Policy include (InfoRegio):

1) Convergence

This goal focuses on modernizing and diversifying economic structures in less developed regions of the EU 27 (majority of these are in new Member States). Under this objective fall 99 regions which per capita GDP is less than 75% of EU. The available budget under this objective is €283 billion, constituting 81.5% of the funds budget. Under this objective a Member State can apply for financing with projects in the area of: research and technological development (RTD), innovation and entrepreneurship, information society, environment and risk prevention, tourism, culture, transport and energy networks, education and health.

2) Regional competitiveness and employment

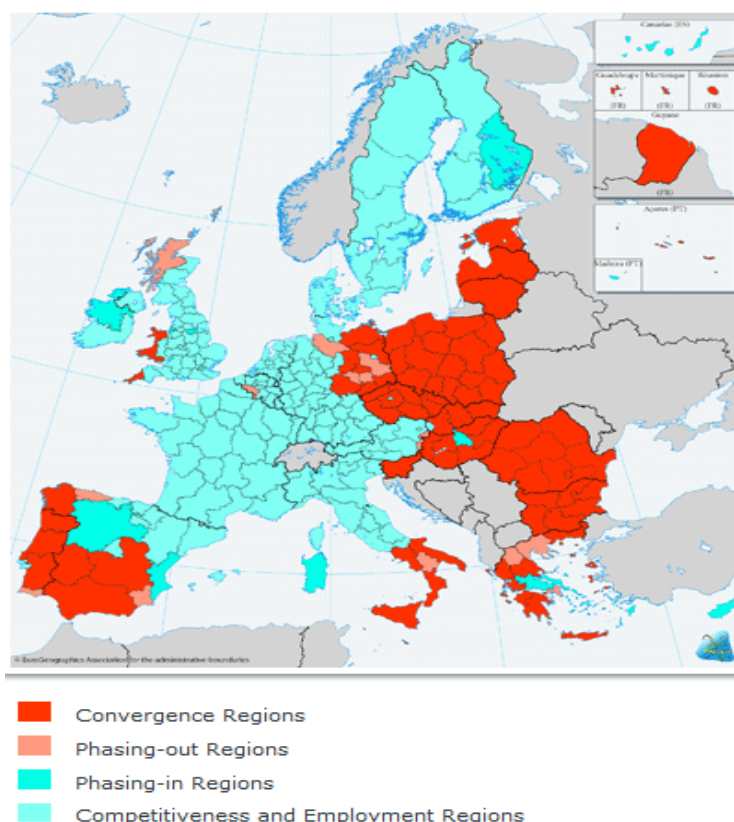
For the regional competitiveness and employment objective all regions not covered by the Convergence objective, which are 172 regions, are eligible for funding. The budget for this objective is €55 billion, which is 16% of the total budget. Under this objective the following priorities can be financed: innovation and knowledge-based economy, environment and risk prevention and access to transport and telecommunications services of general economic interest.

¹⁶ As specified in Regulation 176/2008/EC of the European Parliament and of the Council of 20 February 2008 amending Regulation (EC) No 1059/2003 on the establishment of a common classification of territorial units for statistics (NUTS) by reason of the accession of Bulgaria and Romania to the European Union

3) Territorial cooperation

This objective focuses on cross border co-operation and affects approximately 500 million EU citizens, which lives in cross border areas. The amount of €8.7 billion (2.5% of the total budget) available for this objective includes: €5.6 billion for cross-border, €1.8 billion for transnational (Baltic Sea, Alpine and Mediterranean regions) and €445 million for inter-regional co-operation (INTERREG IVC, Urbact II, Interact II and ESPON). The following actions can be financed under this objective: development of economic and social cross-border activities, transnational cooperation and bilateral cooperation between maritime regions and efficiency of regional policy through interregional promotion and cooperation, the networking and exchange of experiences between regional and local authorities.

Figure 3. Eligible areas in the EU under the Convergence Objective and the European Competitiveness and Employment Objective¹⁷



Source: DG Regional Policy, European Commission

¹⁷ “Phase-in regions” are covered by the Regional competitiveness objective. However, they used to be under the 75% threshold that would qualify them for inclusion in the convergence group. They receive extra funding to help them “phase in” to their new objective.

To support these objectives the three funds (ERDF, ESF and the Cohesion Fund) are brought together under the 2007-2013 Cohesion Policy (see Table 3). This dissertation studies the ERDF and the Cohesion Fund.

Table 3. EU regional policy objectives and corresponding financial instruments

Objective	Funding instrument
Convergence objective	ERDF + ESF+ Cohesion Fund
Regional competitiveness and employment objective	ERDF + ESF
European territorial cooperation	ERDF

Source: DG Regional Policy, European Commission

The Community Strategic Guidelines for Cohesion adopted in 2006 stipulates the strategic orientation of financial allocations in the EU regions in the 2007-2013 programming period (Council 2006). There are five main Regulations, which arrange the programming, implementation, evaluation, auditing, institutional architecture and implementing rules of EU funds in Member States - General Regulation 1083/2006/EC, ERDF Regulation 1080/2006/EC, ESF Regulation 1081/2006/EC, Cohesion Fund Regulation 1084/2006/EC and Commission Implementing Regulation 1828/2006/EC¹⁸. The management of EU funds is based on key principles:

- 1. Strategic approach** – development of National Strategic Referential Framework (NSRF) is required, which identifies strategic goals for long-term development of each Member State. The main management document are Operational Programmes which are adopted after negotiations with;
- 2. Multi-annual programming** – EU funds support seven year funding programmes which are aligned to EU priorities and objectives;

¹⁸ See InfoRegio, Legal texts - http://ec.europa.eu/regional_policy/information/legislation/index_en.cfm

3. **Concentration of financial resources** – concentration of resources can be based on geographical criterion (e.g. 80% of the financial resources are channelled towards regions under the convergence objective). The concentration can be also thematic which implies that EU funds programs and projects shall establish a clear link with EU's overarching strategies such as the Lisbon and Goteborg strategies. For example, article 9 of the General Regulation 1083/2006/EC stipulates that EU funds should target measures that are in line with the Integrated Guidelines for Growth and Jobs (2005-2007) through earmarking 60% of funds under the Convergence and 75% of fund under the Regional competitiveness objectives. Through the earmarking exercise, concentration of funds is encouraged towards the objectives of the renewed Lisbon Strategy (no such earmarking is envisioned with a view to the objectives of EU's Sustainable Development Strategy from Goteborg;
4. **Decentralization** – this principle aims at increasing the role of regions, urban authorities and other local actors in order to ensure the “shared management” across the different levels of decision-making, create ownership of the process and link EU funding to regional priorities and needs;
5. **Partnership** – this principle requires that the establishment of long term partnerships aiming at shared responsibilities: Commission - Member State – regions – other partners;
6. **Additionality** – EU funds should not substitute national financing but bring outcomes which are greater than if supported only by national budgets;
7. **Co-financing** – the EU funds provide co-financing to national financing. It varied between 50 to 85% depending on the region;

8. **Simplification** – in order to cut administrative burden and improve the uptake of EU funds, there are efforts to simplify the programming and financial management, clarifying the role of the managing authorities, etc.

The 2007-2013 EU Cohesion Policy includes a number of provisions arranging the integration of environmental concerns both in the programming process and in the investment portfolio of EU funds. A detailed review of these is presented in the next chapter.

4.1 Environmental provisions in the 2007-2013 Cohesion Policy

The General Regulation 1083/2006/EC is the key legal act laying down general provisions for EU funds. Among other things it sets out the key principles guiding the programming and implementation of the funds including respective environmental provisions. Importantly, it introduces sustainable development as a horizontal principle in article 17 which stipulates that *‘the objectives of the Funds shall be pursued in the framework of sustainable development and the Community promotion of the goal of protecting and improving the environment as set out in article 6 of the Treaty’*¹⁹. The way this is formulated however creates certain ambiguity. It is unclear if horizontal principle should be sustainable development (including its three economic, social and environmental pillars) or its environmental dimension only. In the past, the interpretation of sustainable development as a horizontal theme has posed similar challenges to national and regional authorities especially in view of operationalising it into the everyday practice of managing the funds (Ferry et al. 2008b). Former article 6 of the TEC (current article 11 of the TFEU) stipulates that *“[e]nvironmental protection requirements must be integrated into the definition and implementation of the Union policies and activities, in particular with a view to promoting*

¹⁹ Article 6 of the Treaty establishing the European Community (TEC) became article 11 of the TFEU after the Lisbon Treaty entered into force in December 2009.

sustainable development.” Therefore, sustainable development as a horizontal principle could be understood as a requirement to align EU funds programmes to the EU Sustainable Development Strategy but also as cross-compliance with EU environmental *acquis*. Furthermore, Recital 22 of the Preamble of the General Regulation 1083/2006/EC prescribes that the ‘*activities of the Funds and the operations which they help to finance should be consistent with the other Community policies and comply with Community legislation*’. This includes also EU environmental legislation.

EU environmental policy is underpinned by several principles. They are enshrined in the TFEU in article 191 (2) and include the polluter pays principle, precautionary principle, preventive action and tackling pollution at source. The General Regulation 1083/2006/EC which governs EU funds programmes refers explicitly to these principles in article 52, which prescribes that the contribution of EU funds can be modulated in light of *inter alia* protection of the environment and in particular through the precautionary principle, principle of prevention action and the polluter pays principle. This means that EU funds will provide lower co-financing rate in cases where charging systems can be introduced to cover not only investment costs but also environmental externalities (EC 1999a).

The Community Strategic Guidelines as set out in Council Decision 2006/702/EC, establishing the strategic framework for 2007-2013 Cohesion Policy, contain stronger language with regard to the environment. They call for strengthening synergies between environmental protection and growth, stressing that environmental (including climate) measures can have numerous ancillary effects on competitiveness, innovation, energy security and job creation. They recommends a number of concrete measures which can be supported by EU funds in this respect *inter alia* energy conservation, renewable forms of energy and the promotion of rail, and environmentally friendly modes of transportation in

cities, as well as protection against certain environmental risks (desertification, droughts, fires, and floods) (Council 2006).

EU funds are important source of financing environmental measures in Member States and regions. The different Funds' Regulations specify what kind of measure with both direct and indirect environmental relevance can be financed by each Fund and under each objective. Table 4 provides a summary of the different measures eligible for financing under the 2007-2013 EU funds.

Table 4. Environmental measures eligible for co-financing under EU funds

Objective/Fund	Environmental measures
Convergence Objective	
ERDF	<p>Research and technological development, innovation and entrepreneurship (Article 4.1):</p> <ul style="list-style-type: none"> • clean technologies and environmental research and innovation. <p>Environment (Article 4.4):</p> <ul style="list-style-type: none"> • waste management; • water supplies; • urban waste-water treatment; • air quality; • integrated pollution prevention and control; • rehabilitation of contaminated sites and land; • promotion of biodiversity and nature protection (including Natura 2000); • aid to SMEs to promote sustainable production patterns through the introduction of cost-effective environmental management systems; • adoption and use of pollution-prevention technologies. <p>Prevention of risks (Article 4.5):</p> <ul style="list-style-type: none"> • development and implementation of plans to prevent and cope with natural and technological risks <p>Tourism (Article 4.6):</p> <ul style="list-style-type: none"> • promotion of natural and cultural assets as potential for the development of sustainable tourism; • protection and enhancement of the cultural heritage in support of economic development; and • aid to improve the supply of tourism services through new higher value-added services. <p>Culture (Article 4.7):</p> <ul style="list-style-type: none"> • protection, promotion and preservation of cultural heritage; • aid to improve the supply of new higher value added cultural services. <p>Transport (Article 4.8):</p> <ul style="list-style-type: none"> • integrated strategies for clean urban transport; • better modal balance; • reduction of environmental impacts. <p>Energy (Article 4.9):</p> <ul style="list-style-type: none"> • the improvement of Trans-European energy networks to increase the security of energy supply; • improvement of energy efficiency; and • the development of renewable energies

	Education (Article 4.10): <ul style="list-style-type: none"> aid for education and vocational training that increases the attractiveness and quality of life. Health (article 4.11): <ul style="list-style-type: none"> investments to develop and improve health provision which contribute to regional development and quality of life in regions.
Cohesion Fund	Environmental measures in relation to the implementation of EU environmental policy (Article 2.1b) <ul style="list-style-type: none"> energy efficiency and renewable energy; clean public transport, interoperability and intermodal transport systems.
ESF	Access to green jobs (Article 3.1b) <ul style="list-style-type: none"> Enhancing access to employment in the sector for environmental services and products. Enhancing human capital in environmental measures (Article 3.2a) <ul style="list-style-type: none"> Reforming to integrate sustainability in education and training systems; Lifelong learning programmes; Enhancing human potential for research and innovation. Strengthening institutional capacity for environmental measures (Article 3.2b) <ul style="list-style-type: none"> Mechanisms to improve policy and programme design, monitoring and evaluation; Managerial and staff training and support to socio-economic and non-governmental actors to improve delivery of policies and programmes.
Regional Competitiveness and Employment Objective	
ERDF	Innovation and Knowledge Economy (Article 5.1): <ul style="list-style-type: none"> enhancement of regional R&TD and innovation capacities; innovation in SMEs by promoting university-enterprise cooperation networks, by supporting business networks and clusters of SMEs and by facilitating SMEs' access to advanced business support services, by supporting the integration of cleaner and innovative technologies in SMEs; promotion of entrepreneurship by facilitating the economic exploitation of new ideas creating new financial instruments and incubation facilities. Environment and risk prevention (Article 5.2): <ul style="list-style-type: none"> rehabilitation of physical environment; development of infrastructure for biodiversity and NATURA2000 sites; energy efficiency, renewable energy sources and energy efficient management systems; clean and urban public transport; develop plans and measures to tackle natural disasters; protection and enhancement of natural heritage.
European Territorial Cooperation Objective	
ERDF	<ul style="list-style-type: none"> development of eco-tourism; protection and management of natural and cultural resources, prevention of natural and technological risks; development of marine spatial plans; and strengthening links between urban and rural areas.

Source: (IEEP 2010)

While EU Funds Regulations foresee various possibilities to invest in natural capital, it is up to Member States to establish the scope and scale of environmental investments through the process of preparing their NSRF and respective Operational Programmes. According to

the Commission's figures, planned expenditure for environmental measures across EU27 amounted approximately to €105 billion (CEC 2008c), which is 30 per cent of the total EU funds for the 2007-2013 period and double the environmental allocations in 2000-2006. The majority of these planned investments are devoted to direct infrastructure investments related to the implementation of EU water and waste treatment legislation, renewal of contaminated sites and pollution reduction. Sustainable energy (€9 billion), public transport (€6 billion), biodiversity (€2.7 billion) and adaptation to climate change (€6 billion) measures receive less attention in national/regional spending plans while traditional support for road and air transport maintains considerably high level of support (€43 billion) (IEEP 2010; Medarova-Bergstrom et al. 2011).

Compliance with the EU environmental *acquis* concerns also horizontal legislation such as the EU SEA and EIA Directives. The General EU Funds Regulation sets out the requirement for Member States to conduct ex-ante, on-going and ex-post evaluations of the Operational Programmes which should take into account “*the objective of sustainable development and of the relevant Community legislation concerning environmental impact and strategic environmental assessment*” (Article 47). The EU SEA Directive 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment was applied to almost all Operational Programmes (with the exception of programmes under the European Social Fund). While SEAs are applied “upstream” at a more strategic level for plans and programmes, the Environmental Impact Assessment (EIA) is applied “downstream” at the level of projects. The EU EIA Directive 2003/35/EEC prescribes that prior to receiving “development consent”, certain public and private projects likely to have significant environmental effects by virtue, *inter alia*, of their nature, size or location are made subject to an EIA.

Major investment projects (the total cost of which is above €50 million) are compulsory subject to an EIA in line with EIA Directive 2003/35/EEC. The Commission has retained powers over the decision-making concerning major projects and requires that Member States submit to the Commission as part of the official project documentation ‘an analysis of the environmental impact’ (Article 40(f) of the General EU Funds Regulation 1083/2006/EC). This means that if the Commission is dissatisfied with the quality or procedural performance of EIA, it could decide not to approve a project.

Additional requirements for major projects were further developed during the implementation phase of the 2007-2013 Cohesion Policy. For instance, the European Commission required that major projects in the field of water and waste are an integral part of long-term management plans that are based on national/regional circumstances and investment needs. In 2009, this requirement was further formalized in the form of conditionality with DG Environment developing a check list for water and waste major projects which establishes the requirement as a pre-condition in order to get the approval of the Commission for co-financing (DGEnvironment n.a.). The general issues that the Commission will check in this respect include the Accession Treaty and the obligations assumed to fulfil in relation to the transposition of the environmental legislation, the application of the EIA and SEA procedures as well as the polluter pays principle, taking into account Natura 2000 and provisions laid down in the Climate Adaptation White paper. Concretely with regard to waste projects, the Commission will seek to ensure that the waste hierarchy and best available techniques are applied and that major projects are part of a national waste management plan or waste prevention programme in line with the Waste Framework Directive. Concerning water projects, the checklists look for compliance with the Urban Waste Water Treatment Directive and the Water Framework Directive (coherence with River Basin Management Plans).

Indicators are not arranged in the EU Funds Regulations but in two working documents developed by DG Regio, which are of recommending nature and establish an output-result-impact indicator system. Typical output indicators refer to “number of projects” and result indicators relate to the effects of the intervention for instance the number of households connected to water supply systems for instance. Impact indicators are linked to longer term targets to which the intervention would contribute achieving, for instance, by 2013. Member States are also encouraged to report on “core indicators” (these include output and result indicators) which were agreed between the Commission and Member States as a set of minimum reporting requirements linked to strategic objectives that could be aggregated at EU level. This is usually done within the annual implementation reports, strategic reports (every three years) and final report on the implementation of EU funds programmes.

Member States are obliged to carry out on-going evaluations throughout the implementation of the programmes. These are usually planned within the so called evaluation plans, which are often part of the Operational Programmes as approved by the European Commission. Once approved though, the responsibility of undertaking on-going evaluations is assumed by the Managing Authorities, which should commission such evaluations according to the domestic circumstances. While such approach allows for flexibility and tailoring the evaluations to the actual needs of the managing authorities instead of imposing yet another procedure with strict deadline, there is a danger that new Member States which have fairly low evaluation culture will experience significant problems with bringing these forward. Importantly, the on-going evaluations supposedly should accommodate the SEA reporting on environmental indicators required under article 10 of the SEA Directive three years after the OPs have been approved.

The Commission also established a Joint Assistance in Supporting Projects in European Regions (JASPERS) as a novel instrument for the 2007-2013 Cohesion Policy in cooperation

with the European Investment bank (EIB), the European Bank for Reconstruction and Development (EBRD) and KfW. It is designed to provide technical assistance to new Member States at different stages of the project management cycle (project preparation, selection and implementation). Its objectives include building up the sector capacity to prepare and implement projects, full absorption of EU funds, fulfilment of EU requirements and Application of international standards (JASPERS n.a.) The focus of the technical assistance is usually on major projects, however, there are a number of other smaller scale projects that JASPERS has been involved up to now – horizontal initiatives e.g. combining EU grants with public private partnerships, CBA/application guidelines, training workshops and small projects e.g. urban infrastructure (Auria 2009).

The partnership principle sets out the requirement for Member States to organise close cooperation with socio-economic partners and non-governmental organisations during the preparation, implementation, monitoring and evaluation of OPs (Article 11 of the General EU Funds Regulation 1083/2006/EC). According to Article 63 of the General Regulation 1083/2006/EC Member States establish Monitoring Committees (MC) for the OPs, which are chaired by the managing authorities and include representatives of other relevant authorities, socio-economic and environmental partners. Members of the European Commission are also members of these committees but together with environmental groups they usually have the status of observers and do not have voting rights. Importantly, the MC are tasked with deciding upon the project selection criteria, reviewing periodically progress made towards achieving the targets of the OPs, examining the results of the OPs interventions, approving the annual and final reports on implementation. They meet at least two times per year.

This chapter examined the regulatory framework that underpins the 2007-2013 EU Cohesion Policy. It reviewed environmental provisions both with regard to opportunities for financing environmental measures but also for environmental integration through procedural

and institutional mechanisms. The next chapters proceed with examining the policy frameworks in Bulgaria which also need to be taken into account before the analysis of EPI in EU funds programming takes place.

5 Experience and lessons from pre-accession

In 1998, the European Commission adopted a Communication on accession strategies for the environment, which set out the requirement for accession countries to develop investment strategies as part of their implementation plans related to the transposition of the EU environmental *acquis* in terms of scale and timing of funding (CEC 1998). It has been estimated that the necessary investments, linked to the implementation of the so called investment-heavy” legislation (see Table 5) for the 10 Central and Eastern European countries amounts to €120 billion. In 2000, the total cost of environmental financing needs in Bulgaria were estimated to be €8.6 billion (CEC 2001) of which financing for water, waste and air quality sectors accounted for €3.1 billion in the run up to 2006 (MEW 2003).

Table 5. Main ‘Investment-heavy’ EU Directives

Water Supply/Wastewater Treatment Urban Wastewater Treatment Directive Drinking Water Directive Dangerous Substances into Water Directives Nitrates Directive	Waste Management Landfill Directive Municipal Waste Incineration Directives Hazardous Waste Incineration Directive Packaging Waste Directive
Air Pollution Control Large Combustion Plants Directive Fuel Quality Directives Air Quality Directives	Industrial Pollution Control IPPC Directive VOC Solvents Directive

Source: (CEC 2001)

The financing was to be mobilized through national and international public but also private sources. EU pre-accession funding was intended to play a role, but it could ensure only part of the necessary investments. It has been estimated that for instance accession countries would need to invest between 2 and 3% of their GDP in the following years for meeting the expected investment needs. Already at this time, it was considered that this might

be a particular issue for some countries such as Bulgaria, which according to the World Bank estimates would need to invest up to 11% of its GDP (WB 2000). Tracking data on environmental expenditure back in 2000 was not possible. The earliest figures, however, show that in 2006, budgetary expenditures for the environment accounted for 0.8% of the GDP (MEW 2007c). This was 13 times lower than the estimated needs. This figure almost doubled in 2007, but the allocated funding was still far lower than what was needs (MEW 2007c).

The *Agenda 2000* further proposed that assistance from the EU budget should also be made available through the Instrument for Structural Pre-accession Assistance (ISPA), the revised PHARE programme and the new agriculture and rural development instrument for pre-accession (SAPARD) (CEC 1997). Subsequently, the ISPA was established and some €500 million were pledged for meeting investment needs stemming from the EU environmental *acquis* between 2000 and 2006 in pre-accession countries. In 2001, a follow up Commission Communication laid out concrete investments needs together with strategic guidelines on planning investment programmes. It has been underlined already at that time that while actualized project pipelines are important, a strategic long term planning and prioritisation of investments is a must (CEC 2001).

From EPI perspective, it is important to examine shortly some experiences and lessons learned from the implementation of two pre-accession instruments in Bulgaria – ISPA and PHARE. These are examined in the next chapter.

5.1 Instrument for Structural Pre-accession Assistance (ISPA)

The ISPA pre-accession fund was established in 2000. Bulgaria became eligible for ISPA financing as of 2004. It was intended to prepare the 10 CEE countries for the Cohesion Fund

by financing large-scale transport and environmental projects (EC 1999b). Article 3 of the ISPA Regulation 1267/1999/EC stipulates that a balance shall be struck between the support provided for environmental and transport measures. However, it has been further specified that this means that 50% of the ISPA funding should target transport projects while the other 50% should be dedicated to strictly environmental projects (DGRegio n/a). This was a very strong signal to accession countries that a specific amount of the available funding should address environmental problems. These were mostly associated with preparations to meet the obligations stemming from the transposition of the ‘heavy-investment’ Directives (Table 5). The co-financing rate for ISPA projects was 75%, which meant that the remaining 25% need to be matched through public or private sources.

Furthermore, the ISPA Regulation establishes that the minimum cost of eligible measures is €5 million (EC 1999b). This implied that larger projects are favoured in order to qualify for funding. This of course had a significant negative impact on the opportunities for smaller projects to qualify for funding. Moreover, for smaller countries it was a particular challenge as it implied that it would be difficult to absorb the funds. The European Commission realized that this constituted a barrier for the funds’ uptake and allowed that smaller projects are grouped and submitted en bloc for financing (Stoczkiewicz pers.comm.).

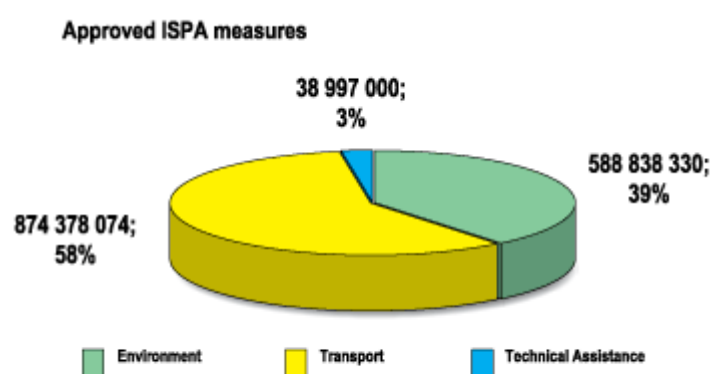
The EC developed further guidance on the financial assistance available through ISPA in which specified general criteria that needed to be met. It included a ‘sustainability’ criterion, which meant that projects should be in line with ‘EU norms and standards’. Sustainability, however, was also meant in terms of financial sustainability. Further instructions were set out with regard to compliance with EU *acquis* and the application of environmental principles such as polluter pays, preventive action and precautionary principle. All projects were compulsory subject to an Environmental Impact Assessment. However,

priority was granted to large-scale technology-based facilities in big agglomeration (DGRegio n/a).

During the pre-accession period, key topic of discussion concerning EU funds in accession countries was the absorption capacity of the respective countries, or in other words, are accession countries and future members of the EU capable of utilizing the available funds. Because of the strong focus on absorption, questions regarding the quality of spending, including their environmental implications, often remained of secondary importance (Stoczkiewicz pers.comm.).

In Bulgaria, ISPA became available in 2004. Annually, between €83 and €125 million were made available for large projects in the field of environment and transport. Figure 4 below shows distribution of funding between the two main sectors. It indicates that based on the total cost of the projects there is slight bias towards transport projects which take up to 58%. Some 3% are allocated to technical assistance, which is usually related to strengthening the capacity of central authorities in view of preparatory activities for the 2007-2013 EU structural and cohesion fund.

Figure 4: Approved ISPA funding in Bulgaria



Source: MRDPW

5.1.1 Environmental projects

A dedicated ISPA Strategy for the Environment was developed by external consultants and adopted by the Bulgarian Ministry of Environment and Water in 2003. The Strategy dealt strictly with the identification of a pipeline of large projects aimed at the construction of environmental infrastructure in 3 sectors – water, waste and air. The Strategy states that it is fully driven by the ISPA Regulation 127/1999/EC and the scope of eligible projects for funding is strictly linked to the implementation of EU environmental *acquis*. A detailed environmental criteria is established for the selection of projects, however, it is unclear how this criteria was applied to the indicative list of projects proposed for financing in the Strategy. Furthermore, there is no clear prioritization among the projects, however, the proposed list of projects gives stronger focus to wastewater projects and landfills particularly in bigger cities (MEW 2003).

By 2010, ISPA has supported the financing of 22 projects (see Table 6). Out of this, 16 projects target water related issues (9 waste-water treatment plants and 7 integrated water cycle projects), followed by 2 waste projects (1 including the construction of 5 regional landfills and 1 regional waste management centre) and 1 project aimed at addressing air pollution problems cause by energy production. The projects for integrated water management in Sofia, Varna, Shumen and Balchik include a set of different measures such as water supply and sewerage systems as well as wastewater treatment. The project in Gorna Oriahovitza managed to save around €5 million which were reallocated for supporting measures in the same city and the city of Lyaskovetz such as management plans and feasibility studies for the improvement of water supply systems. Out of the two waste projects, the first one has an explicit focus on the construction of landfills and the closure of illegal dumps. The so called regional waste management centres attempt to better accommodate the waste hierarchy embedded in the EU waste legislation by supporting the

implementation of a set of measures among which the collection, recycling and landfilling of household wastes.

Table 6: Environmental project financed by ISPA in Bulgaria

Sector	Project	Total cost (€ mln)
Water supply	Integrated water cycle Sofia	€58
	Integrated water cycle Smolian	€24
	Integrated water cycle Varna	€25
	Integrated water cycle Balchik	€21
	Integrated water cycle Shumen	€30
	Integrated water cycle Sliven	€21
	Integrated water cycle Kyustendil	€21
	Integrated water cycle Rousse	€47
	Integrated water cycle Rousse	€47
Waste water treatment	Urban WWTP Gorna Oriahovitza	€15
	Urban WWTP Pazardgik	€17
	Urban WWTP Blagoevgrad	€11
	WWTP Bougras	€10
	WWTP Turgovisgte	€15
	WWTP Lovech	€18
	WWTP Montana	€17
	WWTP Sevlievo	€14
	WWTP Popovo	€12
	WWTP in Maritza Basin (Stara Zagora and Dimitrovgrad)	€43
Waste	5 regional landfills – Montana, Ruse, Sevlievo, Silistra, Sozopol	€55
	Regional waste management centre Kurdgali	€14
Pollution/air quality	SO ₂ emission reduction in power generation facilities Maritza Iztok 2	€72
SUB-TOTAL		€560 million
Technical assistance	Water sector investments Sofia	€1.5
	Institutional Strengthening of two implementing agencies and the ISPA stakeholders	€16
	Preparation of Cohesion /Structural Fund projects in Water and Solid Waste Sectors in Bulgaria	€19
TOTAL		€596.5 million

Source: Own calculations based on data from MEW and MRDPW, 2010

The total cost of the environmental projects supported by ISPA is €506.5 million (out of which €415 million is ISPA co-financing). As discussed above, the investment needs in the accession years were estimated by the MEW at €3.1 billion. This indicates that the allocated total funding, including co-financing from ISPA and national financing, is far below the expected needs. Furthermore, many of the projects could not be realized between 2004-2006, the so called ‘n+2’ rule, where projects co-financed by ISPA can be finalized beyond 2006

but within the frame of 2 additional years, was applied. 2008 however, proved to be a difficult deadline for completing the projects due to delays in tendering procedures, the deadline for 10 projects was extended until the end of 2010. A 2009 report by the MEW states that these projects are not going to meet the 2010 deadline either. This indicates not only that the necessary financing was not found but also that the available funding is difficult to absorb (MEW 2009b). The implication of all this is that securing financial resources for the implementation of the EU environmental *acquis* continued to be a priority during the programming of the 2007-2013 EU structural and cohesion funds.

5.1.2 Transport projects

As discussed earlier, 58% of ISPA financing or €874 million in total is approved to support transport projects between 2004 and 2006 in Bulgaria. ISPA's contribution is €408 million, which is in line with the 50-50 distribution between transport and environmental projects (ISPA's contribution for environmental projects being around €415 million). Still, the total cost of transport projects is with some €300 million higher than the total cost of environmental projects. This is mostly due to the considerably higher amount of funding attracted through International Financial Institutions (e.g. the European Investment Bank) – some €305 million compared to €60 million for environmental projects.

Table 7: Transport projects finance by ISPA in Bulgaria

Nº	Title	„Total (EUR)“	„ISPA grant (EUR)“	„Nat. cofinancing (EUR)“	„IFI (EUR)“
1	Transit Roads Rehabilitation Project III	38 500 000	28 875 000	9 625 000	
2	Sofia Airport Reconstruction, Development and Extension: Lot B1 - New Terminal and Related Infrastructure	121 621 622	45 000 000	16 621 622	60 000 000.00
3	Plovdiv-Svilengrad Railway Electrification & Upgrading	340 000 000	153 000 000	37 000 000	150 000 000.00
4	Construction of Lulin Motorway-Sofia Ring Road-Daskalovo Junction	148 450 000	111 337 500	37 112 500	
5	Construction of Cross-border, Road/Rail Bridge over the Danube River at Vidin-Calafat	225 806 452	70 000 000	60 761 284	95 045 167.52
	Total-Transport	874 378 074	408 212 500	161 120 406	305 045 168

Table 7 shows that the number of approved transport projects is only 5 compared to 22 environmental projects. They are fewer in number but each of them is larger in scope and subsequently – more expensive. The investment portfolio demonstrates a diversity of projects with 1 supporting the rehabilitation of transit road, 1 project aimed at the extension and modernisation of the Sofia airport, 1 railway upgrade, 1 motorway construction and 1 bridge construction. Only one of the projects however can be considered to promote a greener and cleaner transport mode – the electrification and upgrading of the Plovdiv-Svilengrad railway with a total cost of €340 million. ISPA's contribution for this single project is €153 million, which is 37% of the entire ISPA portfolio for transport. Yet, air and road swallow the bigger portion of the EU financing.

5.2 PHARE

Created in 1994, the Programme of Community aid to the countries of Central and Eastern Europe (PHARE) is the main EU financial instrument of the pre-accession strategy for the Central and Eastern European countries. With €10 billion between 2000 and 2006, its main priority area of intervention includes institutional capacity-building and investment financing. The information and data about PHARE in Bulgaria is relatively scarce and in fact very patchy and fragmented. The EU co-assistance provided through PHARE usually benefited a large number of small institutionally-focused projects. Some of the most important ones from the perspective of this dissertation promote environmental investments and projects for technical assistance (including twinning projects) to public authorities which are aimed to strengthen their capacity to transpose the EU *acquis* in preparation for EU membership. For example, it has been reported by many of the public officials who were

interviewed in the field research that PHARE co-financed project were used to prepare significant part of the technical documentation and developing the respective capacities for a large part of the programming process in Bulgaria (Ilieva pers.comm.). Of course, the main aim of these projects was generic administrative capacity but little focus was paid to strengthening capacities for improving environmental governance and ensuring the integrating environmental concerns into the future programming processes and documents.

As far as environmental investments are concerned, PHARE provided assistance for the closing of Eleshnitsa uranium mines and the construction of waste-water treatment plants in Madan, Rudozem, Zlatograd and Razlog, which are small cities in Bulgaria. Additionally, twinning projects for air quality, water management, quality of drinking water, waste shipment, fuel quality, chemicals, GMOs were also financed. Two cross-border cooperation projects also took place with PHARE support in the area of biodiversity conservation/sustainable development, ambient air quality management with Romania and water management of Arda River with Greece. With regard to water management, another cross-border project was launched concerning the Mesta/Nestos River which developed institutional capacities for environmental governance through the creation of Joint Technical Working Group and aided the elaboration of the first draft river basin management plan.

Interestingly, €12,3 million from the 2005 Bulgarian General Budget were allocated following the floods during the summer months which required additional PHARE financial assistance. A special programme was subsequently designed to give support to the rehabilitation of flood-damaged infrastructure and the preparation of flood prevention strategies was co-financed by PHARE. This is important to acknowledge that already at that time EU financial assistance was made available to respond to and also to prevent future extreme weather events. In this sense, some capacity has been developed in relation to climate change adaptation, risk prevention and preparedness (CEC 2007).

A 2007 Commission report on the implementation of PHARE noted that while Bulgaria has made a significant progress in a number of policy areas with PHARE assistance, there are still a number of issues that needed further improvement among which are the “programming, monitoring and procurement capacity for regional policy; horizontal environmental legislation, water quality, integrated pollution prevention and control, waste management” (CEC 2007). However, at this time, issues related to the dysfunctional judicial system, corruption and fraud were more pressing from the perspective of EU membership and subsequently received higher priority in the post-2006 programming period.

5.3 From EU pre-accession to Structural and Cohesion Funds

Pre-accession funds ISPA and PHARE were available in Bulgaria between 2004 and 2006. They were intended to be a learning process for the receipt of the EU Structural and Cohesion Funds between 2007 and 2013. They promoted mainly investments in transport and environmental projects as well as institutional capacity-building. Bulgaria had relatively little time to manage the pre-accession funds and actually “learn” from them given that the programming of the post-2006 programmes had to commence already in 2005. Still, there are few interesting experiences and lessons learned which can be useful to take into account for the analysis of the 2007-2013 EU funds programmes and projects.

The preparations of environmental projects suffered a number of shortcomings. Particular problems included the preparation of feasibility studies on the technical and financial parameters of the proposed projects, tackling issues related to the property of land for the location of projects, preparation of the tender procedures in line with EU legislation and the application of the EIA (Hristova pers.comm). Moreover, ISPA promoted a distinct project pipeline approach. This project-based approach was found to often allocate funding to the ‘next project’ and not necessarily to the ‘best project’ (GHK 2002). EU Structural Funds

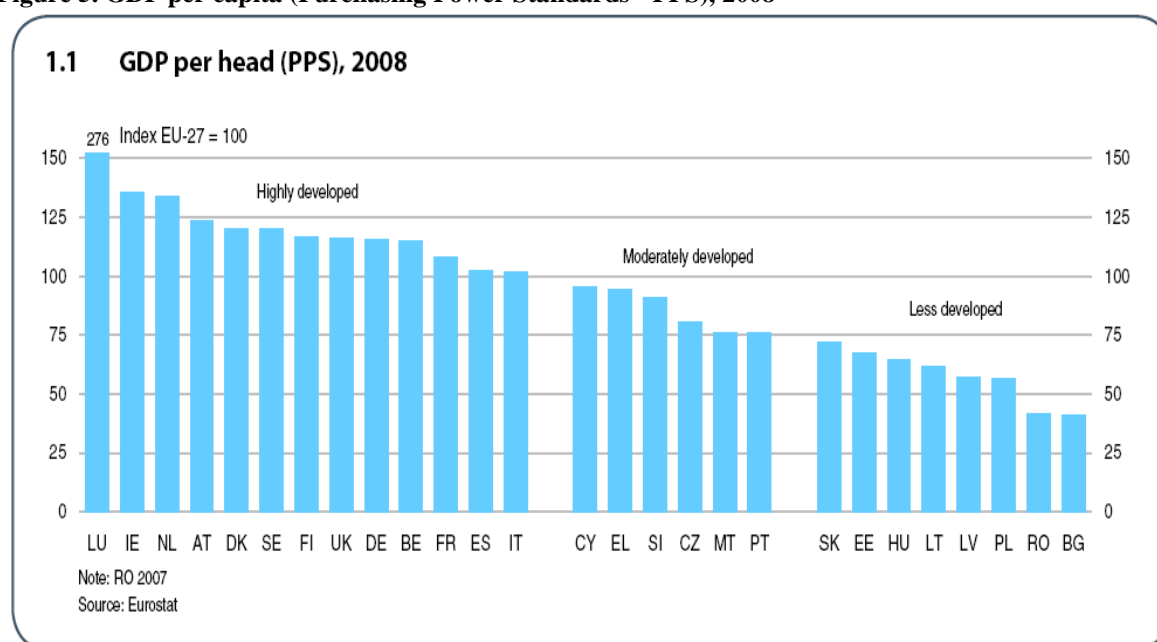
and the Cohesion Fund require moving away from the project-based approach to a more strategic approach. This means that a comprehensive planning process has to underpin the selection of priority actions, identification of concrete measures and investment allocations. Explicit link have to be established to existing regional development planning processes and national development plans so that the ‘additionality’ of EU funding can be demonstrated.

With ISPA, the European Commission had a considerable power over the decision-making process regarding ISPA projects. The decision-making power over larger projects eligible for co-financing under the Cohesion Fund and the ERDF is still under the jurisdiction of the EC, however, majority of funds are to be planned by the national authorities, under the share management principle. National authorities however have still relatively little experience in such programming activities given that the ISPA instrument entailed quite a different approach. PHARE contributed to the capacity-building exercise during accession but it failed to build specific administrative capacity with regard to planning environmental investment and enhancing environmental integration in other non-environmental programmes/projects. This has had significant implications on the way national authorities approached the planning of the 2007-2013 EU funds and indicates some of the common challenges they faced, notably moving away from piecemeal approach of project pipelines to strategic programme planning. This problematique is the essence of the next chapters, which delves into question how the post-2006 EU structural funds in Bulgaria are programmed and what the implications for environmental integration efforts are.

6 Framework for EU funds programming in Bulgaria

Between 2004-2008, the average annual GDP growth in Bulgaria regions was 6% (Stefanov et al. 2010). In spite of this, the economic and social disparities between Bulgarian and European regions remained considerable. The situation was further aggravated by the economic crisis which in 2008 led to a sharp fall in exports and inward foreign direct investments. GDP per capita expressed in purchasing power standards is significantly lower in Bulgaria. Figure 6 shows that Bulgaria falls within the group of “less developed” countries and ranks lowest among EU Member States according to this indicator.

Figure 5. GDP per capita (Purchasing Power Standards - PPS), 2008



Source: European Commission, 5th Cohesion Report

Intra-regional disparities are more acute compared to inter-regional ones, which is explained by the relatively balanced human settlements network and the fact that bigger cities are located in each of the regions. Yet, disparities are increasing in all territories due to the inherent structure of the economy and the inability to adapt these to new emerging challenges

(Marinov 2006). Furthermore, he has argued that Bulgaria has relatively weak traditions in development planning whereas regional development approaches, legislation and planning have been introduced to a large extent in the context of the EU funds programming. Against the background of the economic crisis, the significance of ERDF and Cohesion Fund financing has increased considerably (Stefanov et al. 2010). In fact, he argues that the importance of EU-funding to the transport sector, preserving the environment, and development of tourism and culture is even greater than the national funding. These observations are of particular importance for understanding the process of the 2007-2013 EU funds programming.

The next sub-chapters examine briefly the existing regulatory and policy frameworks for national and regional planning which present some of the opportunities and challenges of EU funds programming context. The context of environmental investments is also briefly reviewed to demonstrate the role of EU funds for financing environmental measures. The last sub-chapter presents some of the current and newly emerging environmental challenges which EU funds programmes have to respond to.

6.1 Strategic planning

6.1.1 National Development Plan

A 2007-2013 National Development Plan (NDP) of Bulgaria was adopted in December 2005 in line with the Community Strategic Guidelines for Cohesion. It constitutes the main national strategic document setting out the long-term public investment goals and objectives of the country (AEAP 2005). It outlines investment priorities for the use of Cohesion Policy funds, the Common Agricultural Policy and the Common Fisheries Policy of the EU. The 2007-2013 NDP sets out the two key development goals of the country:

- 1) To attain and maintain high economic growth by dynamic knowledge economy in accordance with the principles of sustainable development; and
- 2) To improve the quality of human capital and to achieve employment, income and social integration levels, which provide high living standards.

Essentially, the goals of the NDP are fully in line with the renewed Lisbon Strategy for growth and jobs of the EU, placing a focus on dynamic knowledge economy and employment. “Sustainable Development” referred to in the first goal refers to “the sustainable socio-economic development” as it is explained in the Plan. According to EPRC report, these goals are “virtually identical” to the goals of the previous 2000-2006 National Development Plan (EPRC 2005). In order to accomplish these goals, the NDP also sets out the main priority areas of intervention, which include:

- Increasing the competitiveness of the Bulgarian economy;
- Developing human resources and improving social infrastructure;
- Improving and developing basic infrastructure;
- Developing rural areas and stimulating agriculture; and
- Sustainable and balanced regional development.

The priority “sustainable and balanced regional development” however does not necessarily relate to promoting the three pillars of sustainable development. Its purpose is instead to address existing regional disparities through classical economic and social interventions for example boosting regional economic activities and business development, developing professional workforce and enhancing cross-border cooperation (EPRC 2005).

6.1.2 National Reform Programme

Bulgaria has prepared a National Reform Programme (NRP), which is intended to provide a policy framework for medium-term economic policy. It is designed in response to the Community Integrated Guidelines for Growth and Jobs (2005-2008), in line with the renewed EU Lisbon Strategy for growth and jobs (EC 2005). The document presents a set of priorities and measures in the fields of macro- and microeconomic development, labour market and human capital development, which aim to achieve high levels of growth and employment. It is stated that “it provides the national response of Bulgaria to the challenges of the Lisbon Strategy” (NSFR 2006). The fundamental aspects of the NRP – growth and employment and education – reflect to a large extent the National Development Plan’s goals and, in particular those related to entrepreneurship, innovation, R&D, balanced regional development, education and training. In this sense, it provides complementary strategic orientations to the National Strategic Referential Framework for EU funds.

6.2 Regional planning

Bulgaria is a relatively centralised unitary state with local self-government (Marinov 2006). In Bulgaria, the Constitution sets out the governance structure at different territorial scales (State Gazette 1991). Article 135 stipulates that “[t]he territory of the Republic of Bulgaria shall be divided into municipalities and districts”. A municipality is a legal entity with its own budget and property and constitutes the basic administrative territorial unit at the level of which self-government is to be practiced (article 136 and 141). In Bulgaria, there are currently 264 municipalities. Municipalities are governed by the Municipal Council, which are directly elected, while the mayor acts as the executive powers. The Municipal Budgets Act defines the sources of municipal revenues (own and shared), as well as the subsidies from the State budget, conceded to the municipalities.

Districts on the other hand, are “an administrative territorial unit for the conduct of a regional policy, the implementation of state governance on a local level, and the ensuring the concurrence of national and local interests”, which in essence are ‘deconcentrated’ administrations of the central government. Districts are different from ‘regions’ referred to in the context of EU Cohesion Policy and correspond to the NUTS 3. In 2000, in close relation to the accession of Bulgaria to the EU and the allocation EU funds, additional 6 “planning regions” corresponding to the NUTS 2 level were created.

6.2.1 Regional Development Act

The Regional Development Act of February 2004 (StateGazette 2004), defined the framework for regional development planning and EU funds programming in Bulgaria. The Act specified the objectives and principles of regional policy in Bulgaria, defined the NUTS 2 planning regions (all eligible under the “Convergence” objective), the range of necessary planning documents to be developed at different levels of governance, the bodies responsible for the preparation, implementation and monitoring of different plans and programs and the funding sources for regional development actions.

The Act sets out six planning regions. These, however, are not formal territorial administrative units and are used only for the purposes of regional statistics, regional policy and planning (linked to EU Cohesion Policy). Planning regions in Bulgaria include:

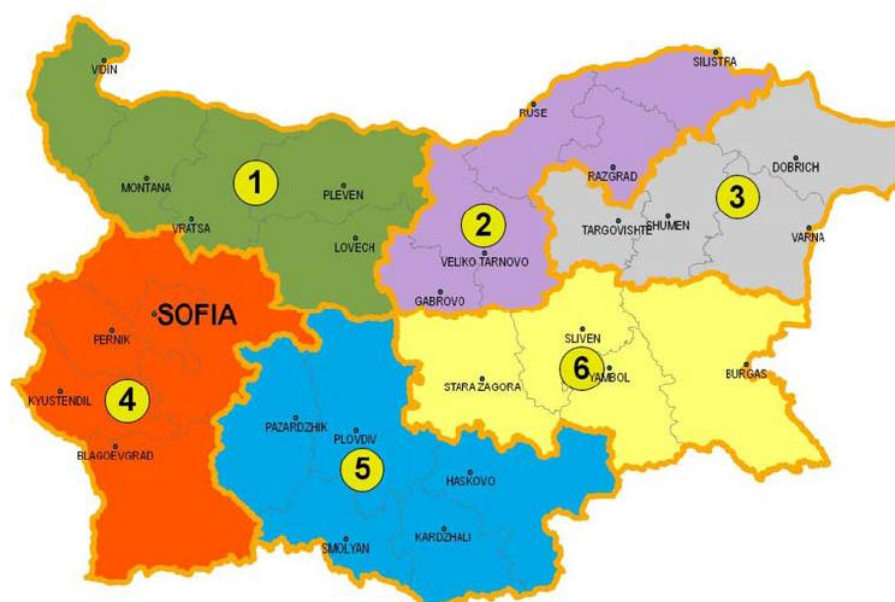
- 1) North-western planning region with central town – Vidin, including the districts of Vidin, Vratsa, Montana, Pleven and Lovech;
- 2) North-central planning region with central town – Rousse, including the districts of Rousse, Veliko Tarnovo, Razgrad and Gabrovo;
- 3) North-eastern planning region with central town – Varna, including the districts of Varna, Targovishte, Shoumen, Silistra and Dobrich;

- 4) South-eastern planning region with central town – Bourgas, including the districts of Bourgas, Sliven, Jambol and Stara Zagora;
- 5) South-central planning region with central town – Plovdiv, including the districts of Plovdiv, Kardjaly, Haskovo, Pazardjik, Smolyan;
- 6) South-western planning region with central town – Sofia, including the districts of Sofia, Sofiyska, Kyustendil, Blagoevgrad and Pernik.

Figure 6. Planning regions in Bulgaria

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

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



Source: Operational Programme Regional Development

6.2.2 National Strategy for Regional Development

The National Strategy for Regional Development 2005-2015 (NSRD) was adopted with Council of Ministers Decision 294 of 21.04.2005 and promulgated in State Gazette issue 42 on 17.05.2005. It was prepared by the Ministry of Regional Development and Public Works (MRDPW) in accordance with Article 9 of the Regional Development Act. The NSRD sets out the strategic orientations of the Bulgarian regional development policy and therefore determines the long-term aims and priorities. It builds on comparative social and

economic analysis of the six planning regions, overall and specific goals and policy priorities, planned actions to achieve the objectives as well as provisions for monitoring, evaluation and updating of the Strategy.

The primary goal defined in NSRD is the achievement of a sustainable and balanced development of the regions in the Republic of Bulgaria, in line with the objectives for economic and social cohesion of European regions enshrined in the EU Treaties. The main priorities for achieving this goal are:

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

The Strategy adopts a ‘top-down’ approach to regional development by establishing a nation-wide framework of objectives, priorities and actions. This approach is complemented by a bottom-up planning as well.

6.2.3 Regional Development Plans

Regional Development Plans (RDP) are developed in light of the National Strategy for Regional Development but set out directions for development in medium term. Furthermore, they are developed for the period 2007-2013 and in this sense, they are coherent with the timeframe of the Operational Programmes for EU funds. The RDP were prepared in

compliance with Article 11 of the Regional Development Act and were adopted with Council of Ministers Decrees 1014-1019 from 30.12.2005.

6.2.4 District Development Strategies

The District Development Strategies determine the objectives and priorities for the development of districts and the activities required for their achievement. They are elaborated in compliance with the National Regional Development Strategy and according to the visions for the regional territorial planning of the district.

6.2.5 Municipal Development Plans

The Municipal Development Plan identifies objectives and priorities for the development of the municipalities and the financial resources for its implementation. They are elaborated in compliance with the forecasts of the National Regional Development Strategy.

For a country with little traditions in strategic and regional planning, there appears to be a large number of planning processes and documents that are supposed to provide a strategic and coordinated framework for the 2007-2013 EU funds programming. At national strategic level, the two key documents (National Development Plan and National Reform Programme) are strongly aligned to the EU Lisbon Strategy for growth and jobs giving a de facto priority to economic and social objectives. It is also important to note that Bulgaria does not have a National Sustainable Development Strategy which can offer a more balanced set of overarching strategic priorities and stir EU funds' investments in this regard.

The process of planning for regional development seems even more complicated involving several tiers of government. Many of the planning documents however were developed parallel to each other and it is unclear how they informed each other and how their

objectives, targets, activities and time tables were coordinated. Instead of a complementary “top-down” and “bottom up”, the planning for regional development is argued to be “chaotic” (Konstantinov 2011). Overall, it can be said that there is a lack of coherent approach to the planning process, a problem with the coordination of content at strategic level with input from other levels of planning and also a lack of skills and understanding amidst various participants about the complexity and scale of the planning process. Some of these observations are extremely useful in the analysis in the next chapters.

6.3 EU Funds programming

6.3.1 National Strategic Referential Framework

The National Strategic Reference Framework (NSRF) has been prepared pursuant to Article 27-28 of the Council Regulation 1083/2006/EC laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund. It is a mid to long-term strategic document, describing the role of the Structural Funds during the period 2007-2013 in support of the wider development strategy of Bulgaria. The NSRF is the key national planning document, which sets out the strategic orientation for the allocation of EU Structural Funds and the Cohesion Fund. In this sense, it prescribes how Community assistance from the Funds is congruent with the Community Strategic Guidelines on Cohesion, and identifies the link between Community priorities (as enshrined in the Lisbon and Goteborg Strategies) on the one hand and the National Reform Programme and the National Development Plan, on the other. The NSRF is a framework instrument for the preparation of the Operational Programmes of the Funds.

The main purpose of the NSRF is to establish priority interventions to be funded by the EU in Bulgaria which are necessary for the economic development, by investing in the necessary infrastructures, human potential and supporting favourable business environment

and social inclusion. It puts a strong emphasis on the overarching objectives of the EU Lisbon Strategy and particularly on the need to prioritise investments directed towards the development of a knowledge-based economy to sustain Europe's growth in a more competitive world market (NSFR 2006). The main strategic priorities in Bulgaria for the use of EU funds between 2007 and 2013 include:

- **Priority 1** “Improving Basic Infrastructure”;
- **Priority 2** “Increasing the Quality of Human Capital with a Focus on Employment”;
- **Priority 3** “Fostering Entrepreneurship, Favourable Business Environment and Good Governance”; and
- **Priority 4** “Supporting Balanced Territorial Development”.

There is in total 7 Operational Programmes (OPs) under the National Strategic Reference Framework for the period 2007-2013. These present more specific objectives and intervention priorities in conjunction to the 4 overarching strategic goals as enshrined in the NSRF. Most of the OPs are sectoral for example – addressing transport, environment, employment and competitiveness of the economy. OP Regional Development is different in this regard as it supports Priority 4 of the NSRF intended to promote balanced territorial development. The 7 OPs include:

- OP “Transport”
- OP “Environment”
- OP “Regional Development”
- OP “Competitiveness”
- OP “Human Resources”
- OP “Administrative Capacity”

- OP “Technical Assistance”

A brief overview of the objectives, scope and budgetary allocations of each OP is presented below.

6.3.2 Operational Programmes

6.3.2.1 OP Environment

The Bulgarian Operational Programme “Environment” (OPE) was approved by the European Commission on 7 November 2007. It is aimed to improve and develop basic environmental infrastructure, particularly with regard to water and wastewater treatment facilities as well as waste management infrastructure. The OP priorities are mainly linked to the fulfilment of legal obligations undertaken by the Bulgarian state during the pre-accession process (compliance with the Directive 91/271/EEC regarding urban wastewater treatment, Directive 75/442/EEC on waste and Directive 99/31/EEC on landfill of waste) but also to the fulfilment of the national policies in the sector environment. The total budget of the OP is around €1.8 billion, from which €1.5 billion is EU co-financing, the rest is national co-financing. The OP is the second largest Programme in Bulgaria accounting for 22% of the total NSRF budget, in terms of Community financing after OP “Transport”. The programme is financed by the ERDF and the CF. It comprises four (4) priority axes as follows:

- Improvement and development of water and wastewater infrastructure in settlements over 2000 p.e.

This first order priority intervention foresees the financing of indicative projects such as:

1) the construction of wastewater treatment plants and construction of sewage networks within agglomerations of settlement with more than 10,000 p.e.²⁰; 2) the construction of

²⁰ The size of agglomerations in terms of generated pollution load is measured in “population equivalent” (p.e.). This is the organic biodegradable load that has a five-day biochemical oxygen demand (BOD5) of 60 g of oxygen per day, or in a more popular terms – the organic biodegradable load generated by one person per day (DG Environment).

waste-water treatment plants and construction of sewage networks within agglomerations of settlement with PE between 2,000 and 10,000 and for settlements with p.e. below 2,000; 3) the development and updating of river basins management plans; 4) equipment for the detection and measurement of leakages and facilities for sludge treatment from urban waste water treatment plants. The total budget of the priority axis accounts for 71.3% of the total financial resources of the OP. It will be financed through a little more than €1 billion under the Cohesion Fund;

- *Improvement and development of waste treatment infrastructure*

A waste-focused priority axis envisages the financing of the following type of activities: 1) the construction of regional facilities for municipal waste treatment (mainly landfills), including the construction of waste recycling centres; 2) the decommissioning and consequent rehabilitation and closure of existing municipal landfills that do not comply with the requirements of the legislation and the modern technical standards; 3) the construction of regional facilities for recycling of construction and demolition waste; 4) the construction of installations for recovery of the emitted methane gas emissions from the municipal waste landfills for the production of electricity; 5) the construction of facilities for pre-treatment including composting, sorting, and separation of waste; and 6) the preparation/review and update of regional/municipal waste management plans. Approximately, 20% of the total financial resources of the OP are dedicated to this axis, which are to be financed by the European Regional Development Fund with €312 million.

- *Preservation and restoration of biodiversity*

The third priority is focused on nature conservation activities closely related to European legislation concerning Natura 2000 among which are: the development and update of the management plans for protected areas and zones of NATURA 2000 network, increasing the

awareness of municipalities and the public with regard to NATURA 2000 network and creating the management bodies for NATURA 2000 sites. The axis attracts 5.8% of the total financial resources of the OP, with €88 billion to be financed by the European Regional Development Fund.

- Technical assistance

The total budget of this axis is 2.5% of the total budget of the OP, with €40 million coming from the ERDF. A number of supporting activities are envisaged to be implemented under the technical assistance including: assessment and selection of submitted projects; organization of the meetings of OPE Monitoring Committee; financing certain activities of the managing authority; undertaking OP audits and controls, as well as training courses for strengthening the capacity of the relevant to the OP bodies; and carrying out studies, experts reports, statistics, tests and evaluations, as well as activities improving the publicity of the OP.

The main beneficiaries of the OP are municipalities, associations of municipalities, regional associations; water supply and sewerage companies; River basin management Directorates of the MEW and Ministry of Agriculture and Forestry for Natura 2000; and non-governmental organizations.

6.3.2.2 OP Transport

On 7 November 2007, the Operational Programme “Transport” was approved by the European Commission. The total financial allocation to the OP is a little over €2 billion, with EU co-financing providing on average 81% through the European Regional Development Fund and Cohesion Fund (€1.6 billion). The OP aims to develop basic transport infrastructure primarily of European significance by giving priority to projects aligned to the Trans-European Transport Network corridors (TEN-T). Although the programme is structured

around five priority axes of interventions, which indicate possible measures for funding, they are not going to be selected on the basis of open competition as this is the case of the other OPs. Instead, it includes in an Annex a list of indicative ‘major projects’ (the cost of which is above €50 million as stipulated in the General EU Funds Regulation) which are planned for receiving financial support under the OP. The OP sets out five key priority axes:

1) *Development of railway infrastructure along the major national and Pan-European transport axes*

The first priority axis entails the construction, modernization and reconstruction of national railway infrastructures with two objectives – addressing railway bottlenecks along the Trans-European Network for Transport and also improving cross-border connections between the main railway network of Republic of and those of neighbouring countries. Four major rail projects are planned altogether under this priority axes, all along the main TEN-T priority axes. Most of them are aimed at connecting the capital city of Sofia and have a strong focus on modernization and rehabilitation of existing railway lines. These include:

- 1) electrification and reconstruction of the Svilengrad –Turkish border railway line;
- 2) modernization of the Vidin-Sofia railway line;
- 3) modernization of the Sofia-Pernik-Radomir railway lines; and
- 4) modernization of Sofia-Plodiv railway lines.

There are four smaller projects indicated as ‘alternative projects’ which means that they are also lined up for eventual financing but are of second priority order. They are smaller in size and cost, and are less focused on establishing connections to the capital city. The total allocation under this priority is €580 million of which €464 million from the Cohesion Fund

and €116 million national co-financing. The main beneficiary is the National Railway Infrastructure Company.

2) *Development of road infrastructure along the major national and Pan-European transport axes*

This priority axis gives a strong priority to the development of road infrastructure (the allocated budget is twice the size of the railway priority). The main activities include the construction of mainly of new but also the rehabilitation and modernization of the existing motorways that are on national and European importance across the TEN-T. Notably, this entails the following major projects:

- 1) Construction of Struma motorway;
- 2) Connection of the Hemus Motorway to the Sofia Ring Road (Trans-European transport corridor IV);
- 3) Construction of Maritza Motorway - from 5 to 72 km;
- 4) Modernization of road section E-79 Vratza - Botevgrad on the spread of Trans-European transport network;
- 5) E-79 motorway Vidin – Montana; and
- 6) I-5 Kardjali-Podkova (rehabilitation of 12 km existing pave, 16.5 km new construction of two new sections).

The total allocation for this priority is €990 million, provided as co-financing from the EU Cohesion Fund (€792 million) and national co-financing (€198 million). The main beneficiary is the National Road Infrastructure Fund.

3) Improvement of inter-modality for passenger and freight

The objective of this priority intervention is to facilitate inter-modal transfers of passengers and freights to more 'ecology oriented' transport modes by improving the network of combined transport terminals, notably in the capital region of Sofia (MTC 2007). The main activities under this priority axes include and the development of Sofia Metro network and the construction or upgrading of several inter-modal transfer points within the capital city's public transport system, such as the central railway station and the Sofia airport.

The anticipated investments under this priority axis 3 are €211 million, which is a co-financing from the European Regional Development Fund (€179 million) and national co-financing (€32 million). The "Metropolitan" JSC is the beneficiary for the Sofia metro extension, while the National Railway Infrastructure Company is the main beneficiary for project concerning the inter-modal transfer points.

4) Improvement of the maritime and inland-waterway navigation

Priority axis 4 of the OP aims to develop also water transport. It aims to improve the navigation along inland waterways, notably the Danube River (part of TEN-T priority axes 18) by removing bottlenecks in the Bulgarian-Romanian section of the river. It is foreseen that the following projects are financed under this priority intervention:

- 1) the establishment of a Vessel Traffic Management and Information system;
- 2) Improvement of the navigation on the Danube in joint Bulgarian - Romanian parts: from rkm 530 to rkm 520 - Bathin from rkm 576 to rkm 560 – Belene; and
- 3) River Information Services System in the Establishment of Bulgarian part of Danube River.

Main beneficiaries are the Executive agency for exploration and maintenance of the River Danube and Bulgarian maritime infrastructure company. The total budget is €157 million, of which €133 million from the Cohesion Fund and €24 million as national co-financing.

5) Technical assistance

Similar to other OPs, OP Transport includes separate priority axis and budget line for technical assistance which aims to strengthen the administrative capacity of the managing authority, ensure reliable information flow and publicity with regard to managing, monitoring and evaluating the OP. Further actions planned for financing are related to improving the policy frameworks in the area of transport development, notably the preparation of a General Transport Master Plan for Bulgaria, and the preparation of a Strategic Business Development Plan for the Development of Railway Transport. The total budget for this priority is €66 million.

The expected results from the OP by 2013 foresee 880 km of rehabilitated motorways, 206 km of new motorways, 781 km of rehabilitated railway tracks and 7.1 km new metro-line tracks with 11 metro stations (InfoRegio).

6.3.2.3 *OP Regional Development*

Operational Programme “Regional Development” was approved by the European Commission on 5 November 2007. Its total budget is €1.6 billion, with €1.4 billion co-financing from the European Regional Development Fund. The OP pursues integrated development solutions by incorporating territorial factors for growth and has an explicit regional emphasis. In this sense, it is not similar to any of the other Operational Programmes which are strongly centralised sectoral programmes. It sets out the following aim: “Improvement of the life and work environment quality level and offering better access to the

main services and new opportunities of an increased regional competition rate and sustainable development”. Specific objectives include:

- Creation of sustainable and dynamic town centers connected with their less urbanized peripheral territories, thus the opportunities for prosperity and development are being increased;
- Guaranteeing better accessibility to road, informational and communication, electric power networks within the region which are very slow in their development;
- Development of the regional tourist potential for appearing on the market and selling tourist products, being sustainable and diverse, territory-specific and with higher added value;
- Mobilization of the regional and local technical and institutional opportunities and resources for realization of the regional development policies.

The general aim and objectives are to be fulfilled through measures under 5 axes of priority interventions:

1) *Sustainable and integrated urban development*

A key objective of this priority axis is to support projects that will improve the competitiveness of cities and other urban functional areas by “accelerating their economic, social, spatial and environmental potential” (MRDPW 2007). Therefore, it includes a broad range of actions from alleviating poverty, promoting social inclusion, improving the access of all citizens to their living places, basic services and facilities, open spaces, general and professional education and health care. Concretely, projects will be financed in 4 main directions: 1) improving social infrastructure (in this account educational, health, social care and cultural infrastructures); 2) improving housing conditions for disadvantaged and vulnerable urban communities; 3) organisation of economic activity which is focused on

optimising urban infrastructure in view of attracting more investments and creating business opportunities; 4) improving the physical environment and risk prevention, by focusing on urban regeneration and other amenities, green recreational spaces and small –scale climate adaptation measures; and 5) sustainable urban transport, including basic infrastructure and traffic management systems. This priority axes has received the highest budget allocations – 52% of the total OPs budget, which entails €713 million from the ERDF and €126 million from national co-financing.

2) Regional and local accessibility

This priority axis relates primarily to the renovation and development of state and local road connections to provide better road accessibility between the different regions and within urban areas. While OP Transport focused on developing road infrastructure of European significance, OP Regional Development will support roads of national and regional importance (no similar priority is envisaged for rail connectivity between regions though). The allocations to this priority axes amount to €400 million in total, with ERDF contribution of €340 million and national con-financing - €60 million.

3) Tourism sustainable development

Sustainable tourism development is another priority of the OP especially with regard to developing regional potentials, new services and products. It focuses on developing tourism attractions and related infrastructure, product development and marketing of destinations and national tourism marketing. €185 million are allocated from the ERDF and €33 million national-co-financing to this axis.

4) Local development and cooperation

The focus on this priority is on local development is in two directions – improving local conditions for attracting investment and enhancing inter-regional cooperation. The measures will be supported by €89 million, out of which €76 from the ERDF.

5) Technical assistance

As in other OPs, the last priority axis promotes technical assistance, which aims at providing financial support to activities aimed at strengthening the programming, management, monitoring, evaluation, information and control of the OP, reinforcing the managing authorities and beneficiaries' administrative capacity for implementation and ensuring high levels of EU funds absorption. The total budget allocation for the technical assistance measures is €54 million (€46 million from the ERDF).

The selection of projects under OP Regional Development will be carried out based on open competition through tender procedures. These will not include major projects as this was the case in OP Environment and Transport. The beneficiaries of the OP are more numerous in comparison to OP Environment and Transport which support fewer but larger projects with only one beneficiary. They usually include central administration bodies, municipalities, NGOs and private operators.

Operational Programme "Regional Development" takes into account the policy objectives and development priorities set out in the National Strategy Regional Development. However, a large number of implementation actions stemming from the NSRD are also of sectoral nature and fall inside the scope of other Operational Programmes defined by the National Strategic Reference Framework (MRDPW 2007).

6.3.2.4 OP Competitiveness

The OP called 'Development of the competitiveness of the Bulgarian economy' (OPC) was approved by the European Commission on the 26 September 2007. It aims at developing a dynamic and competitive economy closely in line with the renewed EU Lisbon Strategy of the EU for growth and jobs. Its objectives are to foster efficient production processes in Bulgarian enterprises and strengthen their business potential. Its total budget is

slightly more than €1 billion and is to be co-financed by the ERDF. The total budget of the OP is approximately €1.16 billion and the Community assistance through the ERDF (€988 million). Main beneficiaries of the OPC include a wide range of entities among which Bulgarian companies, both from the productive and service sectors; public bodies and non-governmental organizations, providing business support services and/or operating business incubators; public bodies and institutions, educational and/or research organizations, NGOs and other entities included in cluster networks, etc. Specifically, it envisages 5 priority axes:

1) Development of knowledge-based economy and innovative activities

This priority focuses on supporting measures for business start-ups or existing enterprises with the aim of developing their innovative potential. This entails support for the creation and commercialization of innovations in enterprises and protection of industrial property rights and also measures for developing pro-innovative infrastructure. The total budget for this priority axes amounts to €246 million, out of which €210 million from the ERDF.

2) Increasing efficiency of enterprises and promoting supportive business environment

Key actions envisaged under this axis include the improvement of technologies and management in enterprises, the creation of business support infrastructure and the promotion of business networking and clustering. These activities receive the biggest share of the OP's budget - €594 million (the share of ERDF co-financing is €505 million).

3) Financial REsources for Developing Enterprises (FREDE)

The operations planned under FREDE priority will focus on providing support for guarantee funds, support for micro-loan funds, support for venture capital funds investing in SMEs and support for creating or extending the operation of existing business networks in Bulgaria. €200 million is allocated to these priority interventions, with the ERDF contributing with €170 million.

4) Strengthening the international market positions of Bulgarian economy

The fourth priority intervention has an explicit international dimension. It envisages activities which will promote the investors' advantages of Bulgaria, the internationalisation of the Bulgarian enterprises and improve of the certification infrastructure. The total budget is €87 million with €74 million con-financing from the ERDF.

5) *Technical assistance*

The fifth priority intervention envisages activities aimed to aid the managing and intermediary authorities in the process of management, monitoring and evaluating the OP and strengthen the absorption capacity. Activities under this priority receive €30 million ERDF con-financing (€35 million is the total budget).

The expected outcomes of the OP implementation by 2013 include raising the public expenditure on R&D by 1.15%; increase the export share of the GDP ratio by 30%; reducing overall energy intensity by 25% compared to 2004 levels and creating additional capacity of 16 GwH for renewable energy production (related to the needs of Bulgarian enterprises); creating 2120 jobs in total, 300 jobs concretely in the research area; each 32.3% contribution of SMEs to the GDP.

6.3.2.5 OP Technical Assistance

In addition to the fact that each OP contains a priority axis dedicated to technical assistance aimed to aid managing and intermediary authority, a separate OP called “Technical Assistance” has also been prepared by the Bulgarian government and managed by the Council of Ministers. On 7 November 2007, the OP Technical assistance was also approved by the European Commission. Its total budget is €57 million, €48 million of which comes as co-financing form the ERDF.

Approximately, 50% of the total budget of this OP is allocated to its first priority measure, aimed to support the administrative tasks related to the management of EU Funds at central level. Another 20% are foreseen to cover expenses concerning the development and support to the Unified Monitoring and Information System (UMIS), which is an integrated information system which purpose is to ensure information flow in-between the different governance levels of the EU funds management. The rest of the budget is aimed at communication and publicity activities.

6.3.2.6 OP Human Resources Development

Two more OPs are co-financed by EU funds in Bulgaria, particularly by the European Social Fund. These are not the key focus of this dissertation, however, they form part of the context for environmental integration opportunities and are important in terms of the future Cohesion Policy in the promotion of green jobs, awareness raising and education.

OP “Human Resource Development” (OP HRD) aims at improving the quality of life, creating job opportunities and achieving high employment rates, promote lifelong learning and strengthen the education system, promote social inclusion. The OP was approved by the European Commission in October 2007 and has a total budget of €1.2 billion, out of which €1 billion is co-financing from the ESF.

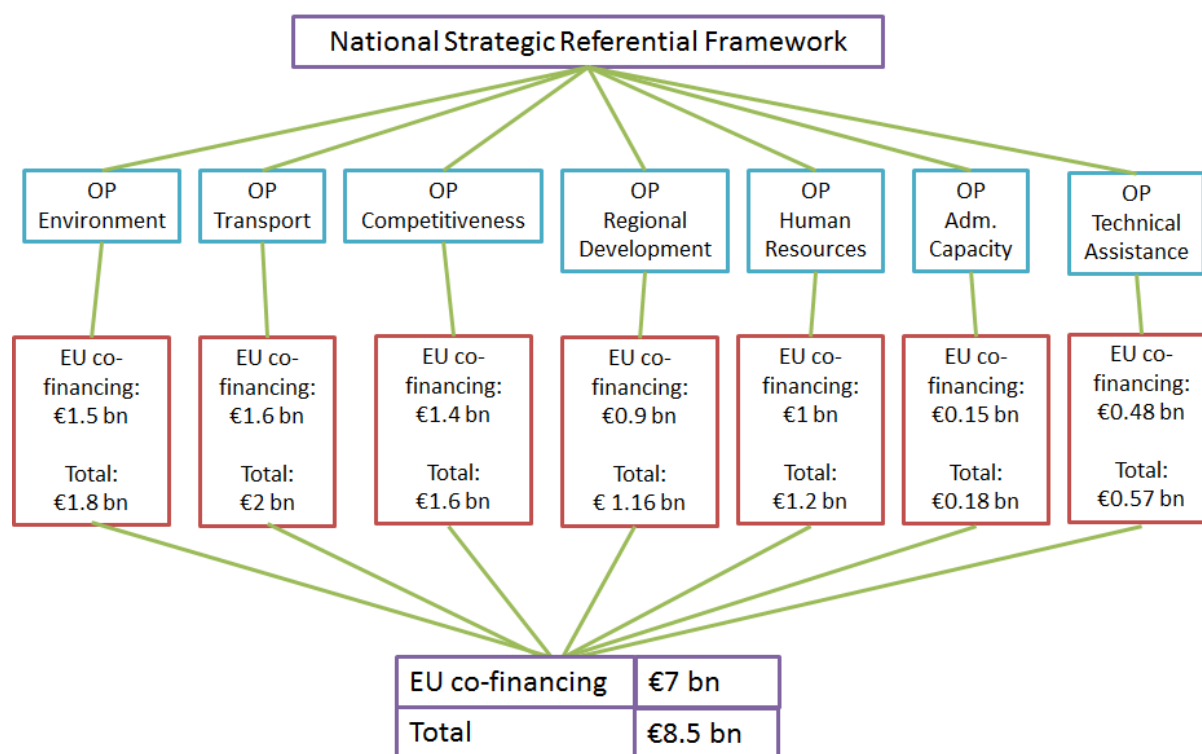
6.3.2.7 OP Administrative Capacity

The second OP co-financed by the ESF is the OP “Administrative Capacity” (OPAC). It was approved in October 2007 and has the total budget of €180 million (€154 million from the ESF). Its key aims are to improve the administrative capacity as well as the transparency and accountability of central level authorities and the judicial system. Key priorities include: good governance, human resource management, improving the administrative services to citizens and again technical assistance. Essentially, the envisaged activities are so similar in a

way to the OP TA. It is relatively difficult to identify the exact demarcation between the two OPs. In any case, there are approximately €400 million from all OPs that are dedicated to activities for strengthening administrative capacity and the provision of technical assistance.

A summary of all OPs and their corresponding funding allocations from EU funds and their total budgets are presented in Figure 7. The focus on this dissertation is on the 4 biggest OPs – Transport, Environment, Regional Development and Competitiveness.

Figure 7. Hierarchy and funding allocations of EU funds programmes in Bulgaria



6.3.3 Institutional framework

The so-called Central Coordination Unit (CCU) in the Ministry of Finance has been established already in 2002 within the Strategy for the participation in EU Funds. It was tasked with leading the coordination of the operations of the Structural and Cohesion Funds

at the highest central level. It is chaired by the Minister of Finance and its members are the Deputy Ministers from the various Ministries responsible for the management of EU funds. In order to strengthen and ensure better coordination at strategic level, an additional Council chaired by the Minister of Finance, and consisting of the Ministers of Economy and Energy, Environment and Water, Transport, Regional Developments and Public Works, Labour and Social Policy, State Administration and Administrative Reform, Agriculture and Forestry was established. Importantly, this Council was established under the direct order of the Prime Minister.

All Operational Programmes are governed by a streamlined institutional structure, which is prescribed explicitly in the General EU Regulation 1083/2006/EC. The institutions responsible for the planning, implementation and management of the OPs are the so called Managing Authorities (MA) of the OP according to Article 60 of General Regulation 1083/2006/EC. According to Article 59 par. 2 of General Regulation 1083/2006/EC, the so called Intermediate Body (IB) is also set up to assist the MA in activities which are mainly related to the preparation, implementation, monitoring and control of activities. A Council of Ministers decree (Decree 965 of 16.12.2005) officially nominated the names and location of the MA and the respective IB, which were established already during the Chapter 21 negotiations on accession. Furthermore, the CCU has provided the MA with guidance based on the requirements of the General Regulation 1083/2006/EC on how to prepare the OPs within the scope of the NSRF.

A special Committee for Project Selection and Coordination is designated by the MA for executing the following tasks:

- Final prioritization of projects that are already assessed by the MA/IB with a view to establish the final list of projects approved for financing under the OP; and

- Examination of the projects from the point of view of territorial and sectoral coordination.

The Committee will consist of representatives of the MA, representatives of the competent Departments of MEW, representatives of the IB and representatives of ministries/institutions of relevance for the OP.

The implementation of the OPs is monitored by the so called Monitoring Committees (MC) established for this purpose, according to Articles 63 – 66 of General Regulation 1083/2006/EC. These committees consist of representatives of MA of other OPs but also other interested stakeholders among which representatives of the socio-economic partners, trade unions and business associations, which have all voting rights. Additionally, as observers, members of the Monitoring Committees are also representatives of the European Commission and environmental organizations. Interestingly, in Bulgaria the Working Groups which were set up to develop the Operational Programmes were subsequently transformed into MC. The MC not only retained the same institutions but also the same persons, representing these institutions, who participated in the development of the OPs. This way, the knowledge, experience and institutional memory of the programming period could be transferred into the implementation and monitoring phases of the policy cycle.

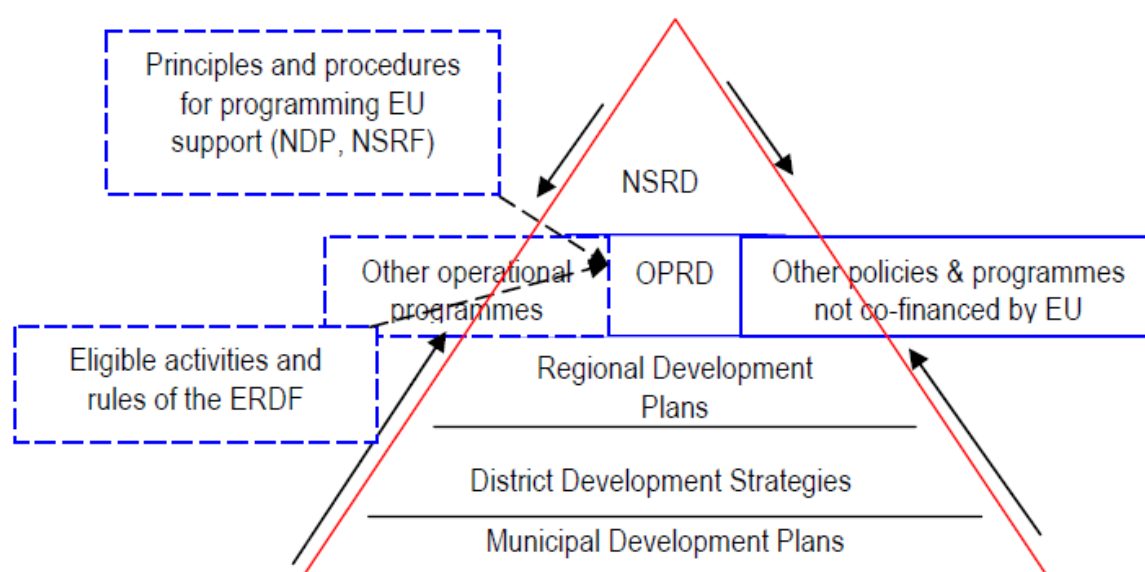
6.4 Discussion and concluding remarks

Overall, the programming of 2007-2013 EU funds in Bulgaria was a continuous process which was launched in 2004 with the process of preparing the National Strategic Referential Framework in line with Article 27-28 of the Council Regulation (EC) No 1083/2006 and officially concluded with the approval of the Operational Programmes at the end of 2007. It was also a complex process which involved different levels of governance from local/regional to EU levels (i.e. had a clear vertical dimension) and therefore reflected the

multi-level governance system that EU Cohesion Policy operates in. At the same time, various policy actors were engaged at each level of governance and contributed to the policy process (horizontal dimension) through different negotiation, consultation and coordination mechanisms. This effectively provided three years of carrying the process, which means that there were a number of different entry points to promote and enhance the integration of environmental concerns. For a country with little traditions in planning, particularly planning of investment programmes, the timing was however of critical importance. In fact, many sub-elements of the programming process have undergone serious time pressures which often resulted in sub-optimal solutions and little coherence from EPI point of view.

As far as OP Regional Development is concerned the programming process, was particularly complicated as it had to be in line also with the general regional planning process in Bulgaria as stipulated in the Regional Development Act. Figure 8 below illustrates this process by showing the interplay between municipal, district, regional and central levels of planning but also demonstrating the influence of the EU Regulations and guidance.

Figure 8. Planning and programming process in Bulgaria



Source: OP Regional Development

In practice, however, the process is reportedly far from being based on the established rules. It appears that many of Municipal Development Plans and District Development Strategies were developed in parallel with the Operational Programmes and therefore could not provide the necessary input regarding problems, investment needs, priorities, etc. Essentially, this made the process strictly centralised rather than ensuring the necessary balanced combination of national and local priorities. Previous research on regional planning in Bulgaria (Marinov 2006) found that typical problems included the production of “uncoordinated and unbalanced planning documents” which are not based on proper analyses and often constitutes mere “shopping lists” of politically desirable projects. Marinov (2006) also found that when the available financial prognoses were aggregated at the central level, the required funding needs were between 7 to 8 times higher than what was originally anticipated.

The process is best described by the Director of the Public centre for environmental protection and sustainable development in Varna: *“a national plan is drawn, it is then dropped to district level. The district level administration hires a consultancy company which copies what is in the national plan changing only the analysis of the situation putting data concerning the concrete district. Then, it is the municipalities’ turn to follow the same process”* (Iliev pers.comm.). There were reportedly other problems related to the development of some municipal plans where the public consultations were undertaken in the following way: *“an official reads the draft plan, then the district governor states that it is a good plan and approves it”* (Iliev pers.comm.). These types of practices put additional questions for the credibility of the process in terms of public participation and civic control. Generally, at that time the relevant stakeholders at district and municipal levels had fairly low knowledge about the requirements and opportunities of these planning processes and

therefore they did not engage pro-actively. Similarly, environmental NGOs exerted fairly low pressure on the development of these plans (see more in chapter 9.4.4 on partnership).

Significant impediment in the planning process was the lack of coordination in the planning process between different levels of governance but also across different sectors. EU funds envision a wide investment portfolio, the programming of which requires robust coordination so as to ensure complementarity of actions and avoid overlaps and conflicts between OPs. Several respondents during the field research expressed concerns that the NDP itself was developed under great time pressure and its scope did not adequately identify appropriate national development objectives and priorities (Pers. communication with a representative of national authorities). Local and regional development plans are another example. They are supposed to inform and guide the investments provided by EU funds which meant that in order to receive EU co-financing, projects need to be part of long-term development plans. Instead, these same planning documents have been revised (several times) in order to seize new investment opportunities stemming from EU funds programmes. A recent OSI report also finds that the EU funds “*programming is performed mainly on the basis of the European requirements without taking into consideration much of the national specificities*” (Konstantinov 2011). For instance, it is being found that conditions and requirements have been transposed from the European into the national documents in the case of landfills without analyzing the opportunities and the way of their implementation in the respective terms (Konstantinov 2011). According to the Bulgarian Strategic report on Cohesion Policy, the lack of effective integrated planning of the investment process is one of the main challenges in the programming period. It is illustrated with an example from the water management sector. A huge part of the projects proposed for indicative financing were not based on regional strategic sectoral management plans but rather on shopping lists of

projects without coordination and additionality between these and the overall strategy of the region (MF 2009).

The European Commission itself had a considerable steering role in the entire programming process. For example, only after “*strong recommendations*” from the Commission, it has been decided that a separate Operational Programme Regional Development will be created (Marinov 2006). Activities related to water supply and wastewater treatment were originally planned under the OP Regional Development (following the adopted approach during the pre-accession period). Under the advisement of the European Commission, however, those were consequently moved to OP Environment.

The decisive role of the European Commission particularly for enhancing EPI in terms of scope and scale of EU funds allocations is discussed in detail in chapter 8. Some of the drawbacks of the planning system in Bulgaria are discussed further in the subsequent chapters. The discussion about coordination and coherence of the programming process resurfaces in the search for drivers and barriers for EPI.

7 Environmental challenges in Bulgaria

In order to analyse critically EU funds programmes and actions for environmental integration, they need to be contextualised in terms of the actual environmental challenges and assets in Bulgaria. There are positive trends with regard to improving the regulatory base and institutional set up for environmental protection and management in Bulgaria over the years mainly due to requirements to harmonise national legislation and comply with the EU *acquis*. Many of EU's environmental Directives once translated into the national legislation require significant investments to ensure their enforcement and implementation. However, the available funding both from public and private sources remains relatively low and is recognised as one of the key challenges in this sector (MEW 2009a). Environmental integration in non-environmental issues, however, is largely recognised as a challenge for central and local administrations and the need to strengthen good governance mechanisms and apply sound policy instruments is underlined (MEW et al. n.a.).

Heavy industrial development in some regions in Bulgaria has left a legacy of pollution hot spots, posing severe adverse impacts on air, water and soil, which have not always been addressed sufficiently in the past. According to the National Strategy for the Environment 2009-2018 and Action Plan, approved by a Decision of the Council of Ministers on the 15 May 2009, Bulgaria faces a number of 'new' environmental challenges as well. One of the most serious challenges stems from the strong link between economic growth and environmental pressures which is related to a large extent to inefficient resource use. The energy intensity of the Bulgarian economy is, for example, six times higher than the EU-27 average (EC 2007). Volumes of traffic generated are steadily increasing which coupled with extremely old vehicle fleet makes the transport sector a significant source of pollution. Air pollution and energy wasteful building stock form two of the key environmental issues in urban areas. Booming tourism infrastructure has posed serious threats to coastal and

mountain territories. The National Strategy also underlines that climate change is not being adequately addressed so far in Bulgaria while issues such as desertification and floods increase in their occurrence and severity.

The National Strategy for the Environment 2009-2018 and Action Plan contain a set of analyses of key environmental problems in Bulgaria, including a separate analysis of regional development investments needs based on acute regional environmental problems. The analysis concludes that the main regional environmental problems include:

- **Poor air quality** in bigger cities;
- **Significant losses of the water supply networks and deteriorating the quality of surface and underground waters** due to untreated waste water;
- **Biodiversity – protected areas**, which are affected by massive tourism development and construction along the Bulgaria coastline;
- **Soil pollution**;
- Large number of **unregulated dumpsites** and problems associated with their decommissioning;
- Increased **noise pollution** in urban areas; and
- **Threatened cultural heritage** by uncontrolled infrastructure development.

Further to this list, the analysis emphasises a number of additional problems linked to the unsatisfactory condition of the physical environment and urban areas, increasing use of natural resources, poor energy performance of majority of residential buildings, ‘extremely unsatisfactory’ condition of green areas and places for recreation (MEW 2009a). The Strategy also underlines that climate change is not being addressed adequately so far in Bulgaria while issues such as desertification and floods increase in their occurrence and severity. In fact, climate change as such is not framed and articulated as a challenge in the national strategic and programming documents on EU funds. The issue of extreme weather

events and risk prevention is underlined in the environmental analysis of the NSRF but is further discussed only in OP Regional Development with regards to floods and fires.

The NSRF and OPs include analyses of the environmental situation in Bulgaria and its regions in view of concrete priorities for EU financing. The table below represents concrete environmental challenges which EU funds aim to address in Bulgaria between 2007 and 2013. Some data is also used from the draft National Sustainable Development Strategy and additional literature which illustrates better the status of concrete environmental issues.

Table 8. Key environmental challenges in Bulgaria

Environmental theme	Challenges
Management of water resources	<p>Water quality in Bulgaria is at satisfactory level with the water supply system covering 98.8 per cent of the Bulgarian population in 2004. Unresolved issues, however, include losses during distribution which sometimes lead to water regimes and the lack of water reservoirs (affecting 51.6 per cent of the population in 2004) (NSFR 2006).</p> <p>The waste water treatment and sewerage facilities however fall well below EU standards. 69.2 per cent of the population is connected to sewerage systems (mainly in towns compared to rural areas) while 39.9 per cent is connected to waste water treatment plants (WWTPs). Discharges of untreated waste water have been increasing between 2003-2004 compared to 2002 mainly due to higher industrial production (MEW 2007b).</p>
Waste management	<p>The overall total quantity of generated waste has been steadily increasing between 2000 and 2004 which is largely attributed to an increase in industrial waste (7 per cent of the total among of waste generated). At the same time, a decrease could be observed in the generation of municipal solid waste for the same period (MEW 2007b). 84.2 per cent of the population is included in an organised municipal waste collection system, which includes predominantly cities. In addition, in November 2009, the European Commission is taking Bulgaria to the European Court of Justice for failing to put in place an adequate network of disposal installations for household waste in Sofia (EC 2009).</p> <p>86.5 per cent of the total generated quantities of waste are landfilled. The majority of landfills do not meet current EU and national standards while the high number of illegal landfills aggravates the situation. Separate collection and recycling was introduced in 2004 only with regard to packaging waste. Overall, separate collection and recycling rates are low. There are no composting and incineration with energy recovery facilities.</p>
Air pollution	<p>Although a steady decrease in air pollutants could be observed between 1999 and 2004, a persistent problem regarding air pollution is caused by large combustion plants and thermal power plants.</p>
Energy consumption	<p>According to Eurostat, the Bulgarian economy consumes 8 times more energy for the production of 1000 euro of GDP compared to the EU in</p>

	<p>2004.</p> <p>Approximately, 70 per cent of the primary energy resources are imported mainly from the Russian Federation.</p> <p>Bulgaria has set out a target for 10 per cent RES by 2010 but is unlikely to meet it. Currently, renewable energy comes from hydro power plants and some wind turbines. Only 1 per cent of the population being connected to a gas-distribution network.</p> <p>The share of the transport sector in the total energy consumption has been steadily increasing and forms 26.9 per cent of the total energy consumption in 2004. The National Statistical Institute also shows that the energy consumption in the transport sector itself has been increasing by approximately 7 per cent on average per year between 2000 and 2004 which has resulted in increased greenhouse gas emissions (MEW 2007a).</p>
Sustainable transport	<p>At the same time, the passenger traffic by public transport has been decreasing annually by 3.7 per cent for the same period. Additionally, the number of private cars has increased by 22,4 per cent with 40 per cent of all private car fleet in Bulgaria being more than 20 years old (MEW 2007a).</p> <p>Noise from the transport sector constitutes 80-85 per cent of the total noise pollution in urban areas. 88 per cent of the freight traffic is serviced by road.</p>
Nature and biodiversity	<p>Bulgaria is one of the richest countries in terms of biological diversity in Europe and offers almost all main types of natural habitats represented in Europe. By 2010, the protected areas and protected zones within the National Environmental Network should cover at least 15 per cent of the territory of the country (MEW 2007b).</p>

Source: MEW

7.1 Financing for the environment

Bulgaria faces a number of “old” and “new” environmental challenges most of which require significant investments. EU funding, first through the pre-accession funds and later through the Structural and Cohesion Funds, has been largely seen as a key financial source to secure investment needs in the environmental sector in Bulgaria. Historically, the share of public expenditure dedicated to environmental projects as a share of the national GDP is low.²¹ In 2008, around 1 per cent of the GDP was dedicated to public expenditure in the area of environmental protection with more than half of that coming from EU funds (EC 2010d). This means that EU funding targeting environmental actions is of particular importance,

²¹ In 2004, the share of public expenditure dedicated to environmental projects accounted for 1.71% of the national GDP according to data published in the OP Environment.

especially with regard to implementing obligations under EU Directives in the field of wastewater and waste management. A 2009 report on the budget of the Ministry of Environment shows that EU funds constitute the single biggest source of funding for environmental expenditure and the prognosis up to 2011 does not foresee a significant change in this trend (MEW 2010).

Although there is a potential for attracting private investments for certain environmental projects (e.g. clean and efficient energy, SME modernisation, etc.), this potential has not been fully exploited yet. The importance of EU funding to open up new market opportunities and leverage additional financial resources to environmental projects remains rather high. In the post-crisis context of reduced public budgets and shrinking private investment activity, the importance of EU funds in countries like Bulgaria is therefore enhanced. For instance, foreign direct investment (FDI) in electricity production, which as a sector attracts the largest share of FDI in Bulgaria, has contracted almost three times from €670 million in 2004 to €201 million in 2008 (BIA 2010).

At local levels, 11% of municipal expenditures are directed at investments. At the same time, however, about half of municipal investment expenditures are financed through central budget subsidies (these vary over the years within a wide range – from 45 to 70%) (Marinov 2006). Besides, these financial resources are generally limited and vary considerably across municipalities. 82% of municipalities state that they are able to co-finance projects, however mainly with small amounts - 41% up to €25,000 per year and 24% - between €25,000 and €50,000 per year (for the small municipalities with less than 10,000 inhabitants the respective shares are 69%, 52% and 13%) (Marinov 2006). This raises another issue related to the ability of beneficiaries (in most case municipalities) to provide the necessary co-financing in order to implement EU funds programmes.

This chapter showed that Bulgaria is faced with a number of acute environmental issues. Some of these are related to the implementation of EU environmental *acquis* and ensuring higher environmental standards. A key problem remains the resource and energy inefficiency of industrial processes. Other issues relate to impacts of global phenomena such as climate change which can have irreversible effects not only on the environment but also on economic and social development. Most importantly, these environmental challenges require significant financial resources. Arguably, EU funds have played and are likely to play a considerable role in dealing with these challenges. Furthermore, environmental integration in other policies and good governance remain a challenge at various levels of administration. Interestingly, none of the strategic documents on the environment in Bulgaria discuss any trade-offs between planned sectoral development and environmental protection nor potential co-benefits which environmental measures can bring to other policy domains.

Against this background, the next chapter brings us to the analysis of EPI as a policy process. While chapter 6 introduced the overall programming process and the general institutional framework, the next chapter delves into the specific challenges and opportunities in the governance process from an EPI perspective. Ultimately, the analysis aims to provide better understanding of common drivers and barriers for EPI.

8 EPI as a process

This chapter explores EPI as a policy process following the criteria established in the evaluation framework as presented in chapter 2.5.5. It analyses the role of the environment in the process of priority-setting for EU funds programmes. It also examines the political commitment (or the lack of it) and the common understanding about sustainable development and environmental integration. The key policy actors and their interactions are discussed in depth in order to understand the driving forces for EPI and identify institutional innovations that can be conducive or impeding EPI. The application of Strategic Environmental Assessment (SEA) is then examined in detail as it constitutes one of the key procedural instruments tasked with delivering EPI in the context of EU funds programmes in Bulgaria.

8.1 Priority-setting for the environment

The strategic priority-setting for the EU funds in Bulgaria was established within the process of developing the National Strategic Referential Framework (NSRF). It was adopted by the Council of Ministers in December 2006 and approved by the European Commission in early 2007. The NSFR sets out four strategic priorities for Bulgaria between 2007 and 2013 which entail:

- 1) Improving basic infrastructure;
- 2) Increasing the quality of human capital with a focus on employment;
- 3) Fostering entrepreneurship, favourable business environment and good governance;
- and
- 4) Supporting balanced territorial development.

The strategic objectives formulated in the NSRF do not articulate an explicit priority for the environment as such nor do they stipulate environmental policy integration as an

objective or a principle. First order priority is given to the development and improvement of basic infrastructure, which entails mainly transport but also water and wastewater infrastructure. It has been reaffirmed many times at the highest political level, especially by the new government which came into power in September 2009, that primary priority is the construction of road infrastructure (MF 2009). Road building is largely seen as the main driver for growth and development. Essentially, this priority is also linked to the EU Trans-European Transport Network (TEN-T)²² which envisions a number of strategic transport corridors to pass through Bulgaria and for which considerable funding resources are necessary (Decision 884/2004/EC and Council Regulation 1791/2006/EC). Reference to the environment is indeed made in relation to “basic infrastructure” but it is limited to water supply, waste water treatment and to some extent waste management. In this sense, this priority is related to EU legislation enforcement rather than environmental protection. Apparently, this was noted by the European Commission in the comments sent back on the initial drafts of the NSRF. A MEW representative elaborates: *‘the environment is undervalued in the NSRF. This is one of the comments from the Commission. There is no understanding of its importance, neither for small- and medium sized enterprises, nor for innovation and change’* (Pers. Communication with a representative of MEW).

Article 9 of the General EU Funds Regulation requires that “Convergence” regions earmark 60% of EU funds for achieving the Lisbon Strategy objectives for growth and jobs. Bulgaria and Romania were exempted from this requirement. Yet, the Bulgarian authorities decided as an “act of good will” to show commitment to EU’s overarching economic objectives and proposed that Lisbon-related activities are given priority in the OPs. For the Bulgarian administration Lisbon-related activities translate into transport infrastructure,

²² The idea of Trans-European Networks (TEN) emerged at the end of the 1980s in connection to the integrated single market. European policymakers believed that to enable an integrated market, the freedom of movement for goods, persons and services need to be ensure through the provision of transportation, energy and telecommunications networks that linked the regions making up that market. Also, it is considered that the construction of these networks would bring economic growth and employment and hence they were incorporated as priorities in the Lisbon Strategy for growth and jobs and the Community Strategic Guidelines for Cohesion. The legal basis for TEN is provided in article 170 of the TFEU.

research and development, and human capital. *‘[W]e need growth and employment – there is nothing else that could narrow the big gap between Bulgaria and other Member States ... this means growth and Lisbon’* (Gladnishki pers.comm.). This means that there is a strong strategic orientation of the Bulgarian EU funds documents towards the Lisbon Strategy. Although all strategic documents in paper reaffirm that they are in line with both Lisbon and the EU Sustainable Development Strategies, there is less evidence from the interviews or from the actual content of the documents in support for the latter. In this sense, at strategic level economic and social objectives and priorities are given a de facto priority in the EU funds programmes.

The EU funds Regulation indicate the scope of interventions that can be supported by the different financial instruments (Regulations 1083/2006/EC, 1080/2006EC, 1084/2006/EC and 1082/2006/EC). Several interviewees explained that relevant for Bulgaria measures were “picked” from the Regulations and subsequently “transferred” into the different sectoral Operational Programmes (pers. Communication with a representative of the Council of Ministers), which essentially constituted the process of priority-setting. A representative of the Ministry of Regional Development on the other hand argues that there was some attempt to “marry” investment priorities of the municipalities to what is eligible under the EU Funds Regulations but admits that this was not always possible. For example, she stresses that municipalities demanded priority to be given to the rehabilitation and modernisation of regional railways but this was not accepted since priority should be given to large scale high speed rail along the TEN-T (Pers. Communication with a representative of the NAMB).

Interviewees with representatives of the Council of Ministers acknowledged that the already established EU priorities along the TEN-T corridors in a way “substituted” the strategic planning process in this sector as transport projects located along these corridors are more likely to be co-financed by EU funds. Interviews with an official from the Ministry of

Transport verified this statement. He explains this also with the lack of proper analysis of national investment needs/problems and the lack of national strategic framework which should guide the priorities in the OP. Indeed, the Bulgarian Strategy for the development of transport infrastructure by 2015 was adopted in June 2006, which is 2 years after the start of the development of OP Transport. Furthermore, the Strategy prescribes mainly transport developments which should happen in view of Bulgaria's membership in the EU and the implementation of the TEN-T projects (MTC 2006). Therefore, what happened in practice is that EU priorities were translated directly into the NSRF and subsequently into the Operational Programme Transport regardless of what national priorities or investment needs might have been. A representative of the MTC stressed that: *"A project cannot get financing if it is not part of TEN-T. The way the OPT was developed more or less was that people looked at the map with the corridors and picked up different projects along the corridors. For this reason, there was a critic from the EC that there is too much focus on the TEN-T corridors"* (Nigohosyan pers.comm.). Nevertheless, OP Transport remained focused predominantly on TEN-T development while OP Regional Development included measures to rehabilitate and construct new national / regional roads that did not fall within the TEN-T network. Also, road transport is given much stronger priority over other modes of transport (this is discussed in detail in chapter 9).

Environmental infrastructure, dealt with in OP Environment, receives the highest biggest budget among all OPs, which means that it is considered a priority action. This however is to a large extent the result of the investment needs related to the obligations that Bulgaria has committed to undertake during" Directives. Already at the beginning of the programming process, the European Commission demanded that significant share of the funds is channelled to meet the necessary investments, which was communicated during informal discussions. This means that the European Commission played a considerable role

in setting a priority for environmental infrastructure in the Bulgarian OPs justifying it on the grounds of investment needs stemming from the implementation of EU environmental *acquis*. It also means that there is no understanding among decision-makers of the potential benefits that environmental investments can bring to the economic and social domains and that these are unlikely to be a priority in the absence of investment-heavy legal obligations to implement EU *acquis*. Representatives of the Council of Ministers who led the programming of the NSRF state that: *‘The transposition of the EU environmental acquis comes along with the need for massive investments...at the end the question is who gets how much?’* (pers. Communication). According to a representative of the MEW: *“The EU has the environment high on its agenda therefore we cannot escape from the environment. This is also one of the reasons why there is a separate OP dedicated to the environment. If Bulgaria has been developing its own strategies for development outside of the requirements of the EU, the environment would not have found such prominent place. Also, there would not have been such high share of funds allocated for environmental measures”* (pers. Communication with a representative of the central government).

At the same time, EU’s dominant role during the negotiation process of the OPs did not always result in optimal priorities from an environmental perspective. For example, the Ministry of Regional Development originally envisioned the provision of financial support to smaller municipalities to promote and install facilities for separate collection of waste. Such a measure was seen as important from the perspective of investment needs identified at municipal level. The European Commission however disagreed with the inclusion of such measures in the OP. The objection was on the grounds of competence over waste investments which are supposedly concentrated in the Ministry of Environment ((Ivanova pers.comm.)). Waste priorities under OP Environment however concern larger regional facilities and

therefore, options for smaller scale municipal projects for waste management could not be accommodated.

To summarise, the process of priority-setting in EU funds programmes was strongly influenced by EU priorities (e.g. road building along the EU TEN-T, which is framed as a driver for growth and development) but also obligations stemming from the implementation of investment-heavy Directives in the field of water and waste infrastructure. The European Commission played a considerable role in securing a priority for environmental infrastructure which was backed by considerable funding allocation from EU funds. In the absence of such obligations and pressure from the Commission during the OP negotiations, it is unlikely that the environment would have received significant financial support. The priority-setting process was also challenged by the shortcomings of the planning processes in Bulgaria (as discussed in details in chapter 6) which failed to provide a strategic vision for public intervention and a coordinated and coherent framework for priorities that bridge EU objectives with national/regional needs and circumstances.

8.2 Political commitment

A strong political commitment and will at highest political level to integrate environmental objectives into policy-making is usually emphasised as one of key factors for success of such efforts. Examining the political commitment towards environment can be done by exploring the discourse towards the environment in political statements and an overarching strategic framework such as the National Sustainable Development Strategy. Some of the findings of the interviews contribute to understanding the political commitment for EPI (or the lack of it) in the context of EU funds.

There is a considerably high political attention and commitment towards the effective use of EU funds in general. During the accession, the benefits of an EU membership were

usually presented to the public in relation to the significant flows of funding expected from the EU Cohesion Policy. The importance of Community funding was clearly stipulated in the 2002 Strategy for the participation of Bulgaria in the EU Funds and in 2004 the overall political coordination task was attributed to the Minister for Finance. The operational coordination and planning tasks for the preparation of the National Strategic Referential Framework were assigned to the Agency for Economic Analysis and Prognosis, an executive Agency under the Ministry of Finance. The coalition government of Sergei Stanishev (2005-2009) maintained similarly high political commitment and appointed a special Minister responsible for EU funds, who was made a Deputy Prime Minister. This placed EU funds among the overarching priorities in Bulgaria at that time.

The newly elected in 2009 government of Boiko Borisov came into power after conducting a powerful electoral campaign in which the words “EU funds” and “new motorways” gained high political currency. In fact, one of the main slogans of the government is closely linked to the promise for accelerated EU funds absorption for the construction of new motorways as a key driver for economic growth. The government adopted a strong hands-on approach on managing EU funds with the Prime Minister, Boiko Borisov, announcing officially that: *“All the decision-making power is in me”* (TRUD 2010). Tomislav Donchev, the Minister responsible for EU funds, conveys the mandate of his post by stating that: *“All Bulgarian citizens look forward to the benefits of EU funds. These include new roads, motorways, railways, wastewater treatment plants, landfills, renovated schools, kinder gardens, vocational training and employment measures”* (Donchev 2010). However, it could also be argued that while EU funds featured high on the political agenda in Bulgaria, there was no formal commitment to the environmental or environmental integration for that matter. Moreover, politicians often were pre-occupied with short- and medium terms problems linked absorption capacity and allegations for fraud (Kostadinov 2010).

The somewhat “commitment” towards the environment is at present definitely higher compared to previous political regimes or during the first years of the transition towards market-economy. Although the political support for enhancing environmental infrastructure under the EU funds is seemingly high, it is triggered by the obligation to implement the respective EU environmental legislation in the field of water supply and wastewater treatment. In this sense, one can argue that there is political commitment to ensure enforcement of the legislation rather than a commitment to pursue an environmental agenda. Moreover, the commitment towards investing in environmental actions does not translate immediately into commitment towards environmental integration in the context of EU funds.

The interview analysis shows different perceptions regarding the political commitment to environmental protection and integration. Some express a view that there is clear political commitment to the environment which is reflected in the provision of considerable financial support for the development of basic environmental infrastructure through OP Environment. In that sense, the MEW (the managing authority for OP Environment) has been seen to become a “rich” institution (Boris pers.comm.). “Rich” however does not mean necessarily “more powerful” in terms of steering a higher level political commitment for environmental concerns across EU funds programmes. The commitment to co-finance environmental infrastructure is also triggered by obligations stemming from the implementation of EU “investment-heavy” Directives rather than being a manifestation of genuine political will to enhance and preserve the natural environment in Bulgaria. It also does not imply necessarily improved coherence and the re-prioritisation of the objectives of non-environmental OPs so that they support more environmentally friendly interventions.

Others maintain that there is definitely high level commitment towards the environment but what they usually mean by this is strengthening the general legal basis for

environmental protection through the transposition of considerable body of EU environmental *acquis*. A representative of the Ministry of Economy and Energy states that ‘[a]s you know, in the last couple of years there are a number of processes of harmonisation with European and international legislation in the field of the environment, which reflects very clear the political commitment towards the environment’ (pers.comm.). In this case, the relation to EU funds is not always made straightforward although it implies stronger cross-compliance requirements for EU funds programmes (e.g. SEA for instance).

A third group of interviewees interpret the presence of political commitment by pinpointing at the application of concrete policy instruments / tools that have been developed under the different OPs, which supposedly reflect the political commitment towards environmental integration (e.g. environmental project selection criteria). While these instruments are indeed valid tools for integration, their application occurs at more operational levels of programme management. In fact, they are developed through technical assistance contracts, proposed by the managing authorities and adopted by the Monitoring committees. In this sense, they are a technical tool for environmental integration rather than an evidence for political commitment.

Non-state actors are perhaps most critical and do not hesitate to claim that there is no real political commitment towards environmental integration. This is because their understanding of environmental integration goes beyond the direct financial support for environmental infrastructure, the improved legal framework for environmental protection and the application of a set of technical tools. In this sense, their understanding of environmental integration in the context of EU funds programmes is perhaps closest to the way it is understood in the EPI literature. As an NGO representative puts it “*there is a strong political hypocrisy, not commitment*” (Hlebarov pers.comm.).

The divergent views on the question of political commitment show that there are different interpretations of what “environmental integration” actually means. Respondents tend to bring the discussion from political to the administrative levels by showing examples of political commitment through a strengthened legal framework or a diverse set of procedural instruments. This however is symptomatic of the fact that there is no high level political vision for integrated development pathways and supporting narrative which conveys the importance of the environment as part of this development vision. Bulgaria does not have a National Sustainable Development Strategy to set out a strategic vision for integrated development objectives and provide a framework for a meaningful discourse towards environmental integration. To understand better this issue, the next chapter offers an analysis of the common understanding of sustainable development and environmental integration in the EU funds programmes. The analysis also tries to provide insights on how EU funds programmes have approached and operationalised the requirement stipulated in General EU funds Regulation 1083/2006/EC to incorporate sustainable development as a horizontal principle.

8.3 Understanding environmental integration

The General EU funds Regulation 1083/2006/EC requires that sustainable development is integrated as a horizontal issue in EU funds programmes (article 17). The interpretation and operationalisation of this horizontal theme is to be found usually in a National Strategy for Sustainable Development. The NSDS is usually the instrument which sets out the overarching national framework for long-term development and establishes environmental integration into all sectoral domains as a key principle. It is intended to create common understanding of its meaning while putting forward actions, targets, indicators and

responsible institutions for its implementation. In this sense, the NSDS should be one of the strategic documents underpinning the programming of EU funds in Bulgaria.

Bulgaria does not have a NSDS. In the past, some attempts were made by the Ministry of the Environment and Water to develop a NSDS but these attempts proved to be unsuccessful. Back in 1999, Bulgaria overtly declared its “strong political will and commitment to implementing Rio’s principles and Agenda 21” (MEW 1997) and in April 2001, a preparatory process to develop a National Sustainable Development Strategy was started (Gercheva and Shoumkova n.a.). For this purpose, a National Commission on Sustainable Development (NCSD) was set up as an inter-governmental body. Established by a Decree of the Council of Ministers, the NCSD was initially chaired by the Deputy Prime Minister and the Minister of the Regional Development and Construction²³. The Commission foresaw wide representation of national, regional and local administrations, business and NGOs at its assemblies. A special focus was granted to energy and transport matters for attaining sustainable development. However, no final product came out of the process – there was no NSSD developed and soon afterwards the commission ceased its operation (Radev Pers. communication).

Later, in 2007, the attention to the lack of a NSDS resurfaced as part of the negotiations surrounding the development of the NSRF and OPs, with the EC requesting that the Bulgarian government develops a NSDS which could frame the long term vision and priorities for development of the country. This way, the NSRF and respective OPs could demonstrate how the EU funds would be ‘additional’ to and complement the achievement of already established long-term national development objectives and priorities. A rather obscure inter-service process of drawing a NSDS was initiated, this time coordinated by the

²³ After 2001 the Ministry of Regional Development and Construction is renamed into Ministry of Regional Development and Public Works.

Ministry of Economy and Energy largely drawing on the 2005 renewed SD Strategy of the EU and the Lisbon Strategy for growth and jobs.

An extensive 130 page document was drafted in 2007 focusing on the four environmental themes as set out in the EU Sustainable Development Strategy – energy and climate, sustainable transport, natural resource management including biodiversity and sustainable consumption and production. The document, however, was never approved by the Council of Ministers and currently could be found at the MEW's web page titled 'Draft NSDS'. It clearly says that instead of the NSDS to underpin the NSRF and the OPs, it is in fact the NSRF, the National Reform Programme and the OPs, which underpin the content of the NSDS.

Although the MEE is stipulated to be the coordinator of the Strategy in charge also of its implementation, it practically disowned it. The NSDS is nowhere to be found at the web site of the MEE and in no ways underpins or is coordinated with other strategic documents developed by the government. Furthermore, the Strategy reads like a compilation of environmental themes with their analysis of problems and opportunities, however, it does not contain any objectives or priorities.

Therefore, instead of referring to the National SDS, the NSRF and the OPs refer to the EU SDS by stipulating that together with the Lisbon Strategy, they provide the strategic orientations for the EU funds programming in Bulgaria. In the lack of a common discourse towards sustainable development and EPI, Table 9 shows how the NSRF and the OPs have treated sustainable development and environmental integration as horizontal principles.

Table 9: Approaches to sustainable development and environmental integration under the NSRF and the OPs

Strategic/planning document	Approaches to sustainable development and environmental integration	Assessment
NSRF	<u>Approach:</u> "Horizontal policies – sustainable development, including energy efficiency"	SD is not seen as a three pillar development pathway, but one

	<ul style="list-style-type: none"> Sustainable development of territorial communities presumes the achievement of stable economic growth, in conjunction with social welfare and full possibilities for social inclusion. Environmental protection as a horizontal priority is associated with sustainable development, which will be promoted through the integration of environmental issues at all stages of programming and implementation of the NSRF. Compliance with EU environmental acquis (EIA, SEA and Birds and Habitat Directives) Energy efficiency should therefore, as a matter of principle, be treated as a horizontal priority across programmes and projects 	<p>that prioritizes economic and social objectives.</p> <p>Environment (energy efficiency in particular) is a cross-cutting issue at each stage of the policy cycle.</p> <p>Environmental integration is translated into <i>legal compliance</i> with EU environmental <i>acquis</i> and has a strong <i>instrumental</i> features</p>
OP Environment	<p><u>Approach:</u> 'Compliance with Community policies and EU legislation'</p> <ul style="list-style-type: none"> SD is linked to the objectives set out in the EU SDS Strategy, the 6EAP and Community environmental legislation Environmental protection is linked to the principles – 'polluter pays', 'public's right to know', 'preventive action' and SEA/EIA as instruments to implement these principles 	OP Environment refers to SD and environmental protection as separate issues to be dealt with; compliance with EU legal basis is the main driver
OP Transport	<p><u>Approach:</u> 'Coherence with EU policies'</p> <ul style="list-style-type: none"> Protection of the environment and sustainable development Principles – 'precautionary', 'prevention and protection of the environment', 'polluter pays', 'public's right to know' and 'the protection of human health'. EU environmental policy should be applied particularly the EIA, SEA, Habitat and Birds Directive 	Sustainable development and environmental protection are interpreted as the same thing; they are ensured by the application of procedural instruments so as to ensure coherence with EU policies
OP Regional Development	<p><u>Approach:</u> Horizontal issue - sustainable development</p> <ul style="list-style-type: none"> Three-pillar approach to SD Project selection should take into account the following: assessment of the ecological supply ability of the area into consideration; compliance with the minimum requirements of the biological diversity; provisions for maintenance of architectural, landscaping and cultural values; preference to land-preserving solutions in case of developments. Focus on energy efficiency as an issue to be integrated into project selection 	Perhaps, the most integrated approach - three-pillar approach to SD, which inspires an integrated set of objectives for urban development and tourism where co-benefits could be realised for all three pillars
OP Competitiveness	<p><u>Approach:</u> Horizontal issue: sustainable growth and environmental protection</p> <ul style="list-style-type: none"> SD means costs from pollution and benefits from environmental investments 	Cost and benefits of environmental pollution and environmental assets

	<ul style="list-style-type: none"> • EIA, Birds and Habitat Directives • To be reflected in project selection criteria • Training, guidance to be provided to beneficiaries 	
OP Human Resources	<u>Approach:</u> Sustainable development as a horizontal issue. <ul style="list-style-type: none"> • Looking into the three pillars but main focus on social pillar • Environmental sustainability shall be translated into additional qualification and training course as well as awareness raising on environmental protection 	Focused on social pillar and is unclear how SD as a horizontal issue will be taken forward
OP Technical assistance	<u>Approach:</u> Sustainable development as a principle of the EU economic policy <ul style="list-style-type: none"> • Contribute to the economic prosperity by encouraging the sustainable development in Bulgaria through better absorption rate of the SCFs, raising efficiency, promoting transparency and accountability in its activities. 	SD seen as improving good governance and technical data

Sources: NSRF and OPs

It could be observed from the document analysis that an explicit reference to sustainable development and environmental protection (not integration) is included in a separate section in the NSRF and all OPs usually called ‘horizontal issues’. The way the different instruments interpret and operationalize these horizontal issues vary considerably. The NSFR establishes that sustainable development is about social and economic objectives while environmental protection should be integrated horizontally in an instrumental manner (through legal compliance with EU legislation and by applying procedural instrument such as SEA and EIA). In most OPs, on the other hand, sustainable development and environmental protection are used interchangeably as if they are the same thing. They are mostly interpreted and framed as “compliance” or “coherence” with respective EU strategies (EU SDS, 6EAP) and environmental *acquis* (primarily SEA, EIA, Birds and Habitats Directives). OP Competitiveness interprets sustainable development from the point of view of cost and benefits of environmental pollution and natural assets respectively, while OP Regional

Development offers a more ‘integrated’ three pillar understanding of sustainable development.

The documents also refer to key principles of sustainable development e.g. “polluter pays”, “preventive action” and “precautionary principle”. However, it is unclear how they should be applied or translated in the context of EU funds programmes and projects. The “polluter pays” principle, for instance, is of primary importance for the internalisation of externalities which could be applied as a conditionality for environmental integration in EU funds programmes. One clear contradiction in this respect could be identified in OP Competitiveness, which stipulates that the principle of polluter pays should be applied, albeit it provides direct support to companies and industry to meet environmental standards. Although this financial support is vital for the Bulgarian industrial sector, in a way, this type of financing could be seen as paying public money to the polluter to innovate.

The interview analysis showed that the requirement to include a section dedicated to sustainable development in each OP was required during the negotiations by the European Commission. Therefore, national authorities had to elaborate a separate section on establishing sustainable development as a horizontal issue. Authorities experienced difficulties in interpreting the concept of sustainable development due to several reasons – lack of national SDS which would provide a common discourse, lack of more detailed guidelines from the Commission and lack of imagination among central authorities on what it could actually mean in the context of the Operational Programmes. Therefore, it is not surprising that the understanding of the concept is rather divergent across OPs and it is often limited to legal compliance with EU environmental legislation and the application of procedural instruments. For example, the one whole paragraph appears word by word in both OP Transport and OP Competitiveness and although it undertakes a sensible approach to

sustainable development (developing environmental project selection, providing guidance and training, etc.) it implies that there is no ownership to its meaning.

When discussing their understanding of sustainable development, national authorities tend to juxtapose economic growth and environmental sustainability as two separate issues. The relationship and potential synergies between the environment and economic development in the context of Cohesion Policy, although articulated in the Community Strategic Guidelines, are not grasped by the authorities. Therefore, they are considered as two separate set of goals which are more likely to be attained one after the other meaning that Bulgaria first needs growth and only then could think about the environment. Their interpretation of economic development / growth includes building basic infrastructure (mainly transport). A representative of the national authorities states in the interview that: *“yes, it is very nice to talk about green investments and green jobs, but we should not forget that the main condition for growth is infrastructure”*. Municipalities on the other hand, have a different understanding according to which any local development means sustainable development. As a representative of the National association of municipalities in Bulgaria puts it: *“everything that will be financed is for the benefit of the environment”* (Georgieva pers.comm.). At the same time, they also admit that that operationalizing sustainable development as a horizontal principle downstream is challenging a municipalities largely see sustainable development *“as a section in the project application form that needs to be filled in with something”* (Georgieva pers.comm.).

This chapter indicates that there is no common understanding to sustainable development / environmental protection as a horizontal issue in the EU funds programmes and projects in Bulgaria. The EU Regulations themselves are a bit ambiguous what needs to be integrated into what and there is no further guidance on how horizontal issues should be operationalized in the context of programmes and projects. The requirement for addressing

such horizontal issues however was reinforced during the OP negotiations which led to the formulation of artificial sections of the OPs offering divergent interpretations of what sustainable development means. The lack of NSDS exacerbates the situation by failing to provide a meaningful and comprehensive framework that defines sustainable development and environmental integration at strategic level. The implication for EPI is that the lack of understanding of its meaning creates barriers to its operationalization and implementation of EU funds programmes and projects.

8.4 Institutional and partnership mechanisms

The literature underlines institutional factors as an important determinant for EPI. This chapter is dedicated to identifying and exploring different institutional mechanisms which can enhance EPI in the context of EU fund programmes in Bulgaria. There are a number of novel institutional developments that were introduced or strengthened during the EU funds programming.

8.4.1 Inter-institutional working groups

The NSRF and all seven Operational Programmes are developed within specially designed inter-institutional working groups (WG). The first inter-institutional coordination mechanisms of this sort were created already during the EU accession process. In fact, a special working group was then established tasked particularly with ensuring the mainstreaming of environmental concerns in sectoral policies (pers. Communication with a representative of the European Commission). It is unclear if the experience of this group has been transferred to the working groups in charge of the NSRF and the OPs.

The NSRF and OP WG were chaired by the respective managing authorities (in the case of Bulgaria, these are usually Directorates in the respective Ministries which are established to carry out the programming of the EU funds in a given sector). These working groups are a relatively novel institutional mechanism which involved not only representatives of the different Ministries, but also non-governmental actors, business and associations and sometimes environmental groups. They are usually composed by experts from the respective central administration (Ministries), the Agency for Economic Analysis and Forecasts, the State Agency of Youth and Sports and the National Statistical Institute, but also of the National Association of Municipalities of the Republic of Bulgaria, Employers Association of Bulgaria, Bulgarian Chamber of Commerce and Industry, Bulgarian International Business Association, Union of the Private Bulgarian Entrepreneurs “Vazrajane”, Bulgarian Industrial Capital Association, Bulgarian Industrial Association, Union for Economic Initiative, Confederation of Labour “Podkrepa” and Confederation of Independent Trade Unions in Bulgaria, Bulgarian Regional Development Association, National Council for People with Disabilities, Bulgarian Association of the Social Enterprises. In other words, major socio-economic partners were systematically represented as permanent members of these WG. Environmental organizations are not always represented.

The working groups were tasked with engaging the different stakeholders in an inclusive consultation process at every stage of developing the NSRF and OPs – socio-economic analysis, SEA, SWOT analysis, priority setting and identification of measures. Still, there is an overt misbalance in the members of these groups, which were dominated to a large extent by governmental institutions. Sometimes the effectiveness of these WG was put into question when there were asymmetric power relations of its voting member. For instance, some Ministries were sending senior administrators who “negotiated” their interests better if they had juniors from other administrations sitting against them (Vrancheva

pers.comm). Furthermore, non-governmental partners were granted “observers” status, which also limits the opportunities for environmental organisations to have an influence on the policy-making process. The effectiveness and coordination within the WHG depended very much on the personal skills and capacity of its members and therefore varied significantly across the different WG.

MEW’s role, although a fully-fledged member of the working groups that developed different OPs, could be assessed as relatively insignificant from a policy coordination and environmental integration point of view. Its role was mainly to represent the authority in charge of environmental protection and ensure complementarity of actions between OP Environment and other OPs. At the same time, there is no evidence found that it played a significant role in steering environmental integration, promoting greener measures under non-environmental OPs or securing overall programme coherence. A representative of the Ministry of the Transport stated that: *“there was a representative [of the MEW] in the WG. They presented their expertise and commented on the texts of the OPT. There were no big arguments. The negotiations with the European Commission were more important for determining the outcomes. The OP was developed so to correspond to the EU funds Regulations so to get financing from them* (Chervenkova pers.comm.). An NGO representative explains that: *“MEW does some things but often in problematic sectors refuses to react as it is supposed to. The economic interests are so intertwined inside, hence the MEW does not have neither the power nor the willingness to act. This is also in other Ministries. The only actors which are pushing for the environmental considerations to be taken into account are NGOs and the European Commission”* (Hlebarov pers.comm.).

8.4.2 Negotiations between the European Commission and managing authorities

A recurring theme in this dissertation appears to be the role of the European Commission to steer efforts towards EPI in the context of EU funds programmes. Specifically, the formal negotiations accompanying the discussions and the approval of the NSRF and the OPs provided an important avenue to pressure national managing authorities to strengthen the integration of environmental concerns into the programming process. Specifically, the EC demanded larger share of the financing to be allocated towards measures implementing EU environmental legislation. An explicit demand from the EC was that environmental protection and sustainable development are articulated as horizontal principles in the texts of the OPs. Therefore, all OPs included a reference to the EU SDS for instance. Additionally, they required cross compliance with EU environmental *acquis*. For example, requirements for the proper application of the EU SEA and EIA Directives have been reiterated many times in formal negotiations and informal correspondence to the point where these two instruments are recognised by Bulgarian authorities as the key instruments for environmental integration. OPs had to include a non-technical summary of the SEA and explain in its main text how it influenced the final content of the OPs. EC reportedly insisted that the cost-benefit analysis of major transport projects considers environmental considerations (Chervenкова pers.comm.). Also, EC maintained that the partnership with non-state actors should be reinforced and demanded that national authorities explain how public consultations were carried out and how the submitted comments were taken on board. As a consequence, the final versions of the NSRF and OPs included a number of provisions with EPI relevance or reference. A representative of the central government stressed: “*When the EU recommends something, this means we have to do it*” (pers.comm.). The actual

effectiveness and result of these provisions however varied significantly and many of them remained largely on paper.

Sometimes however the European Commission gave rather controversial recommendations / instructions to the national authorities. This very much depends on the personal ambition and capacity of the concrete EC officials. Some of them used different leverage points to demand that additional environmental integration actions were undertaken. At the same time, it has happened that those instructions are not necessarily always in favour of the environment. For instance, when MRDPW proposed to envision financial support for small scale recycling schemes at local level, the EC did not agree as according to them such smaller scale activities did not justify financing from the EU (Ivanova pers.comm.). Again in the context of the OP Regional Development, managing authorities wanted to include more environmental indicators but the EC advised them to limit the number of indicators used in the OPs.

8.4.3 Public forums and national round tables

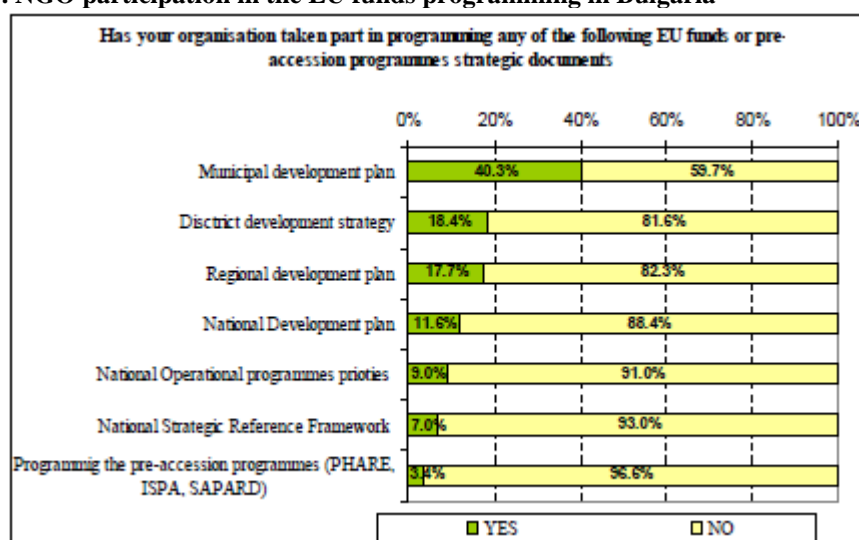
Public consultations in the format of “forums” were organised in February 2006 to provide input into the preparations of the NSRF. In fact, according to national experts who were involved in the preparations of the NSRF the consultation process was a challenging novelty for the administration at that time but is now considered a valuable lesson learned and is regarded as relatively successful (Gladnishki pers.comm.). Others are more critical and find the process “sporadic and the priorities in the final versions of the documents considerably mismatch the ones discussed during the forum” (Konstantinov 2011). One of the impediments at that time was to determine what an “interested” and/or “affected” stakeholder is and what nationally “represented” stakeholders are in order to involve all of them in a meaningful programming process. In few occasions, the help of professional

facilitators was used during *National Round Tables* debates organised specifically for the purposes of the programming of the NRSF. At the same time, the administrators claim that many of the stakeholders were not fully prepared and informed to participate in and /or to constructively contribute to such a planning process (Gladnishki pers.comm.).

8.4.4 Partnerships

The partnership principle as set out in article 11 of the General EU funds Regulation is considered a key principle in the programming and implementation of the Operational Programmes and related measures as it explicitly identifies environmental organisations as “partners”. The involvement of NGOs in the planning process underpinning EU funds in Bulgaria is showed in Figure 9. The data is based on a survey conducted by the OSI among 156 NGOs in Bulgaria. The results suggest that only 7% of the NGOs took part in the preparation on the NSRF and 9% participated in the preparations of the OPs.

Figure 9. NGO participation in the EU funds programming in Bulgaria



Source: Civil Society Index 2008-2010 as cited in (Hristova 2011)

In Bulgaria, the most common “partners” in the programming of EU funds programmes are often professional organisations which represent the business or professional community in the area of a respective intervention. They sometimes refer to environmental NGOs as well. The experience of environmental organisations in the programming of the different OPs varies significantly. Environmental groups often are recognised as “partners” only in relationship to OP Environment. As far as sectoral OPs and respective interventions are concerned, environmental groups are seen as less relevant partners. It should be noted, however, that one reason for this is also related to the fact that environmental groups themselves often lack expertise to engage in non-environmental OPs (e.g. regional development and competitiveness). Another reason however is that officials are unwilling to engage with NGOs that can be critical to the proposals made. The representative of the environmental association For the Earth, Ivaylo Hlebarov, explains the situation as follows: *‘The Bulgarian administration looks for partners, but they look for NGOs who are not critical and willing to go into conflict. The administration does not take easily critical remarks from NGOs. There has been some case when some opening towards NGOs could be observed but this is the case only when it is convenient for them ... the MEW collaborates with NGOs, however there are no traditions to work with critical NGOs...’*(Hlebarov pers.comm.).

The extent to which environmental NGOs could actually influence the decision-making process linked to the EU funds programming was also quite different. For instance, environmental organisations managed to influence OP Environment so to be included in the list of beneficiaries eligible for funding under Priority axis 3 on biodiversity preservation and NATURA 2000. Bulgarian nature conservation organisations possess significant expertise in this field and are well placed to carry out projects in this area. On the other hand, NGOs submitted several times comments to the draft OP Transport arguing for reallocating funding

towards cleaner modes of transport, but these were largely disregarded (Kovatchev pers.comm.). NGOs felt that they were involved too late in the process so as to change the final design of the documents. That is why non-profit organizations were also preparing their independent viewpoints addressed to official authorities (Oriniakova 2009).

As already mentioned, there is an overt sensitivity about the role of environmental NGOs in the context of EU funds. Generally, the perception is that if an NGO is willing to act more critically and challenge the policy process through monitoring and control mechanisms, it is unlikely to become a beneficiary of EU funds at the same time. Therefore, there was an informal division among environmental NGOs – on the one hand, nature conservation organisations which work closely with the Ministry of environment on the designation of Natura 2000 sites and they were made eligible for funding under OP Environment. On the other hand were other NGOs which work was focused on providing critical comments, monitoring and civic control. Managing authorities have not always demonstrated collaborative spirit towards such NGOs. One such example is the project for the construction of a Centre for the treatment of hazardous waste in Radnevo. The project, which included the construction of an incinerator of hazardous waste, faced serious opposition from the local community which did not want to have such a facility in their backyard. Environmental NGOs played a crucial role in informing and educating the local people of the risks and implications of such a project in the vicinity of their homes. The MEW at the same time, was very keen on promoting the project as it would have helped Bulgaria to meet obligations related to waste management of hazardous waste under the EU *acquis* and the Basel Convention. A MEW official explained that NGOs were sabotaging the project by stressing that “*NGOs were bribed to meddle the water and to prevent these projects from happening*” (Hristova pers.comm). The general reluctance to work with environmental NGOs is expressed by other representatives of the central administration: *To what extend we can have*

partnership with NGOs ...I do not know...they come, we talk...yes, the policy is like this, Brussels really insist on the partnership but I do not agree... What civil society? Some quasi experts come to my office and I have to lose my time explaining them simple things which they do not want or are able to understand.” (pers.comm. with representative of central government).

8.4.4.1 Environmental NGOs

The role of environmental NGOs to act as a driver and catalyst for EPI needs to be explored more in-depth. There are a number of environmental NGOs in Bulgaria. Generally, they could be considered among the best organised civil society organisations in the country despite the fact that most activities linked to national planning and policies are concentrated in the capital city. However, only few of them work concretely on ensuring environmental integration in EU funds related issues and generally suffer from lack of capacity to fully engage in the relevant political processes. This can be attributed to the fact that meaningful engagement in the institutional mechanisms set out during the programming period requires significant financial and human resources for participation. For example, the best organised and somewhat influential NGOs are those that are part of pan-European networks such as Birdlife, WWF or CEE Bankwatch Network which could to some extent ensure long-term financing and stability for their members in Bulgaria.

A number of bottom up projects have been initiated focused on improving public participation and sustainability of EU funds programmes by these organisations. Traditionally, Bulgarian NGOs possess knowledge and expertise which is usually sector-or theme-specific. For example, nature conservation is traditionally a strong area of expertise and environmental NGOs could more successfully engage in the context of EU funds. NGOs are usually active also in sectors which are likely to have significant negative impacts on the environment such as transport and power generation while other policy areas such as regional

development and competitiveness, two important areas concerned with EU funds programming, lacked any environmental NGO engagement. Moreover, there is some sensitivity in terms of the self-identification of NGOs as discussed shortly above. On the one hand, they are willing to be recipients of EU funds and at the same time, exercise civil monitoring and control over their effective, transparent and sustainable use. This was not always easy as it created some divisions among NGOs and determined the nature of their relationship with the central administration.

One of the important organisations from the perspective of coordinating a platform for environmental NGOs and facilitating their participation in the political process of EU funds is Bluelink Information Network. Established in 1998, it was created as a joint initiative of eight non-governmental organisations and over the years established itself as a major platform for coordination of and information sharing among Bulgarian environmental NGOs. Part of their duties is the organisation of annual national assemblies, where issues of strategic and operational nature are discussed and agreed upon. For example, in 2002 at the National NGO Conference “Vitosha – 2002”, a common procedure for the selection of environmental NGO representatives to participate in different policy-making processes was elaborated and adopted. This procedure guaranteed a transparent and inclusive process for the nomination and selection of legitimate NGO representatives in various political processes and working groups. It was applied in the selection of NGO representatives in the working group that developed the OP Environment (Bokova pers.comm.).

In September 2004, the managing authority at the MEW, being familiar with the procedure and Bluelink in its coordination function, invited environmental NGOs to designate their representatives in the WG for the elaboration of the OP using the communication mechanisms established by BlueLink. Each NGO, which has the right to participate in the elections, can nominate one representative for each open position.

According to the procedure, two NGO representatives (each including a titular and a substitute) were elected to participate in the working group on OP Environment – first elected was Petko Kovatchev, Director of the Green Policy Institute, Sofia and second representative – Galya Bardarska, member of the Managing Council of the “Global Water Partnership for Central and Eastern Europe” (MEW 2007b). The procedure however was applied only for the OP Environment. The managing authorities of other OPs sought other avenues to attract NGO representatives in the respective working groups. The managing authority for OP Transport for instance contacted a nature conservation NGO which they knew previously. No environmental NGO representatives participated in the working groups on Regional Development and Competitiveness. The managing authorities of the OP Competitiveness reportedly had a database with selected NGOs according to their expertise and intended to involve them in the project selection process if their expertise was necessary (Ilieva pers.comm.)

Another initiative that Bluelink started in 2005 was linked to developing regional NGO capacities to work on EU funds. The idea for the project came externally, from the Dutch environmental group Milieu Contact CEE and was subsequently financed by the Matra programme of the Dutch Ministry of foreign affairs. The project “Public participation in sustainable regional development in EU-accession countries Bulgaria and Romania” had cross-border dimension and involved two other regional environmental NGOs from the north-east planning region – one from Varna (Public Centre for environmental protection and sustainable development) and another from Svishtov (Earth Forever) (Bluelink 2005). One of the objectives of the project was to develop NGOs’ capacity to engage actively and constructively in the regional planning process by developing concrete environmentally related pilot projects. These should be developed together with the respective regional/local authorities and communities who should afterwards apply for EU funding with those. The

key organisations involved in the project had the responsibility to identify and collaborate with other smaller, local organisations in the development of pilot project and subsequently to create regional non-governmental networks that work on sustainable regional development issues. Since there are usually no environmental NGOs from smaller towns, collaboration was established with 9 NGOs from relatively bigger cities such as Targovishte, Silistra, Sumen and Razgrad (Iliev pers.comm.). Two successful pilot projects were developed for Balchik and Albena where a participatory planning process was organised for the creation of bicycle lanes; in Dobrich a project for the preservation and restoration of wetlands was developed.

The second objective of the project was to engage NGOs in the monitoring of EU funds activities and to ensure that environmental concerns are taken into account in the programming process. This type of activities has been carried in close cooperation with CEE Bankwatch Network which has been following already the pre-accession funds ISPA and PHARE. The success of these types of activities at regional and local levels has been fairly limited especially with regard to the programming process where most of the decision-making took place at central level, in Sofia, and the ready decision were 'downloaded' to district and municipal levels (Iliev pers.comm.). The project also envisioned an official visit to Brussels for a group of NGOs who were given an introduction to EU institutions and the policy process of EU funds from EU perspective. Participants had also the chance to meet personally key people in charge of EU funds affairs in Bulgaria particularly in the Bulgarian Permanent Representation in the EU, European Commission, European Parliament and OLAF. The opportunity to meet with EU institutions was used by the NGO to not only familiarise themselves closely with the EU policy-making process but also to inform the relevant EU officials about concrete issues on the ground concerning the sustainability of EU

funded programmes and projects; particular interest was expressed concerning Natura 2000 violations linked to infrastructural development (Iliev pers.comm.).

A follow up to this project also pursued in the framework of the “Structural Funds team for sustainable future” initiative (Bluelink 2008). The project has built on the previous experience of sustainable pilot projects and aimed to develop good practices and enhance the collaboration with local authorities in view of developing their capacity to forge sustainable projects for financing under EU funds. The project initiative was extremely ambitious and this time included NGOs from other CEE countries into a larger CEE network. However, the financing of this project was exhausted in 2009 and no substantive follow up could be ensured (Kosterink pers.comm.).

Similarly, another follow up activity, the so called “Civic coalition for the sustainable use of EU funds” focused on the monitoring of the EU funds programming in Bulgaria, which was set up in 2005 and actively contributing to the some of the public forums. However, it had to significantly limit the scope of its activities afterwards due to limited financial resources. Its web site has not been active since 2006. Still, a group of enthusiastic NGO people managed to set together and publish a critical midterm assessment of the implementation of EU funds programmes from the perspective of civil society (Kovatchev pers.comm.). The final report was presented in Bulgaria and also at a press conference in Brussels in 2010, however, the attention it generated was low and it is unclear if it is going to be taken into account in the forthcoming on-going planned by the managing authorities in 2010/2011.

8.4.5 Monitoring Committees

Following the completion of the programming process, the inter-institutional working groups responsible for the development of the OPs, were transformed into Monitoring Committees (MC). They retained not only the same institutions in its structure but also the

same individuals. This way a certain level of consistency of the policy process was achieved and certain institutional memory was built. Overall, the working groups established a useful coordination mechanism, so the idea to transfer the collaborative spirit and experience gained into the MC can be regarded as positive. However, it should be noted that the MC have one single task linked to the actual decision-making process, notably to approve the project selection criteria. Apart from this, the key objective of the Monitoring committees is monitoring, meaning overseeing the implementation. Once the list of respective project selection criteria was approved, the actual decision-making process over the selection of projects was to be carried out by a smaller ‘steering committee’. Those on the other hand were composed by ‘experts’ from the different Ministries, tasked with assessing projects based on their technical specifications. Therefore, information concerning on their composition and operation is not publicly available. In Poland, for instance, these project selection committees were more transparent and included environmental NGOs as their members and in this sense had a more direct impact and opportunity for “greening” the actual decision-making (Bankwatch 2005).

Although the Monitoring committees could be considered an important institutional innovation with the potential to facilitate partnership and policy integration during monitoring stage of the programme cycle, they are regarded as relatively weak mechanisms in the practice. The European Commission is their biggest advocate, arguing that this is a powerful tool in the hands of partners and NGOs, where issues can be raised and discussed. Managing authorities however tend to regard them as merely consultative mechanisms, which key objective is to report progress towards implementation to the European Commission (Gladnishki pers.comm.). For example, information provided by project beneficiaries to the members of the MC is usually rather brief and focuses on the financial status and progress of implementation of the different projects.

If we take a closer look at the Monitoring committee of OP Transport as one example – its members are 35, which is already quite a lot of people and puts under question the ability of such a formation to operate effectively in practice. Out of these 35 regular members, 17 are coming from central administration (7 members are only from the Council of Ministers administrations, only 1 representative of the MEW), 5 district administration, 2 municipalities, 1-2 representatives of the European Commission and the remaining are split between a number of socio-economic partners including labour unions, professional organisations and a national association of the handicap in Bulgaria. There is no environmental NGO (MT 2010). In this sense, the entire architecture of these Monitoring committees is set out in a way that inherently presupposes asymmetric allocation of power in favour of the representatives of state authorities.

Municipalities therefore consider the MC as structures which are used to “legitimise” already made decisions at central level (Georgieva pers.comm.). NGOs are also increasingly critical by noting that actual influence on the decision-making process is minimal because they have the status of observers and no voting rights compared to other members. Moreover, NGOs report that common problems with the functioning of the MC are attributed to lack of access to timely provided documentation as well as unclear and changing code of conduct. However, they also recognise the challenge of NGO capacity to fully engage with the issues at stake during MC in a sensible manner (Bankwatch 2005). The growing scepticism about the effectiveness of MC leads to diminishing interest by NGOs to participate. Therefore, as it will be discussed later, environmental NGOs often seek informal channels for policy influence and environmental integration.

Furthermore, the membership in these monitoring committees is governed by an Order of the Minister. This means that becoming a new member can be quite a difficult procedure requiring the approval from the highest political level. In other words, it also

means that MCs are relatively rigid structures and although they were aimed to be inclusive, this does not appear to be easily enforceable in practice. Furthermore, the Monitoring committees meet on average once per year, which could be considered insufficient if active control of EU spending is pursued.

8.4.6 “Bypassing” national authorities

Since, the formal mechanisms for partnership and collaboration were perceived as ineffective, environmental NGOs also sought informal channels to ensure better environmental integration in the programming of EU Funds programmes. NGOs state that “lobbying” in addition to participation in WG and MC is very important in order to promote their positions (Oriniakova 2009). Another way is “bypassing” national authorities and addressing environmental concerns directly at EU level (Weber and Christophersen 2002). For example, they have sent regular letters to the European Commission across the different Directorates in order to inform them about irregularities during the planning process in terms of the required procedures (e.g. SEA) or with regard to the content of the OPs. The NGOs have also organised trips at least once a year to Brussels when they organised meetings with as many as possible representative of EU institutions (not only the Commission, but also Parliament and Court of Auditors) in order to “complain” and put pressure on these institutions which in turn to insist on strengthening the environmental integration in Bulgarian OPs. Interestingly, the input that environmental NGOs provide to the EU institutions in these informal mechanisms is considered extremely useful since they mostly provide objective information about the situation on the ground. In this way, NGOs provide an alternative stream of information flow, which national managing authorities might not always be willing to share with the EU. In fact, a representative of the Commission who requested to remain anonymous shared that if the Commission relies on this type of informal

interaction with environmental NGOs to receive information about irregularities on the ground.

This chapter discussed various institutional and partnership mechanisms introduced by the 2007-2013 EU funds programming process. Some of them constitute interesting cases of institutional innovations that ensured inter-institutional communication and coordination and enabled the participation of non-state actors in the planning process. While they can be considered an important step to institutionalise new governance mechanisms and improve policy coordination, they did not seem to provide sufficient scope for actual integration of environmental considerations in the NSRF and OPs. The European Commission appear to have been a considerable “push” factor from above for advocating environmental integration and partnership provisions during the formal negotiations and informal communication with managing authorities. The second “push” factor from below were environmental NGOs which engaged in the established coordination mechanisms but also sought informal channels to green the OPs. They often did additional lobbying or “bypassed” national authorities and complained directly to the EU institutions.

Some of these informal modes of governance pinpoint to the importance of such “unwritten” policy-making rules to provide additional insights for understanding the success or failure of EPI in the context of EU funds in Bulgaria. The subject of informal policy-making styles and actor interactions is linked to another big theme in the EPI literature – administrative culture and capacity. These issues are examined in the next chapters.

8.5 Administrative culture

Observed and documented during the participant observation, many of the issues discussed in this chapter bring important insights to understanding what drives and/or obstruct EPI in EU funds programmes in Bulgaria. Some additional insights were brought by

interviews. What comes quite strongly from the research is that there are fundamental contextual issues linked to bureaucratic politics and administrative culture. They do matter and have certain implication for EPI.

The first issue is linked to the overt “politicisation” of the EU funds programming. As discussed in chapter 8.2 dedicated to the subject of political commitment, there has always been strong political appetite towards EU funds in general. The influx of EU funding made certain Ministries, including the environmental one, seemingly “rich” (i.e. being recipients of EU funds) which in turn increased the political interests in managing these structures. Hence, there was a strong political pressure on the programming process and specifically on the appointment of high level and administrative personnel affiliated to the political parties in power in the governing structure of OPs. For example, the political architecture of the coalition government (2005-2009)²⁴ was mirrored in the decision-making power structure of the two Departments at the Ministry of Environment and Water in charge of OP Environment. The Socialist Party appointed a “red” Deputy Minister to oversee the managing authority for OP Environment (i.e. in charge of the programming process), while the Party for Rights and Freedom appointed its own Deputy Minister responsible for the implementation of the approved projects under OP Environment. In this sense, both parties could exert influence on the allocation and actual management of funds. In fact, the socialists were so committed to exercise as much control as possible over the programming of OP Environment that when the Director of the managing authority was fired for political reasons in 2006 his position remained vacant. The “red” Deputy Minister himself acted informally as a Director of the managing authorities for several months towards the finalisation of the OP. This institutional arrangement was not well received by the European Commission which has sent several waves of commentaries claiming that a Deputy Minister cannot act as an administrative

²⁴ The Coalition government included the Socialist Party “Coalition for Bulgaria”, centre right party led by the previous king Simeon the Second and the Movement for rights and freedom (also known as the Turkish party).

Director and such should be hired immediately. For several months however no such Director was hired and much of the planning of the OP was done behind closed doors where the Deputy Ministry together with a small closed network of people gathered and discussed the finalisation of the OP.

The other side of coin regards political appointments throughout the administrative skeleton of the managing authorities/intermediary bodies. Hiring of new staff is often limited to people who are close to the political circles of the ruling government while firing experts who are affiliated with the political parties in opposition. In the Ministry of Transport for example, political appointments made it possible for a junior expert to become the head of the unit responsible for the programming of OP Transport. A Representative of the MTC who preferred to remain anonymous commented on the recurring practice of political promotions *“The person who is now director of unit became such straight from the position of a junior expert – these are obvious things, they are political appointments”*. At the same time, an expert at the Ministry of Regional Development and Public Works with 9 years of experience with pre-accession funds and later with the programming of OP Regional Development was fired for being political affiliations to one of the political parties in the previous government with the change in government in 2009. Albeit a bit speculative, there is considerable evidence collected during the participant observation and the interviews suggesting that there is a strong “politicising” effect on EU funds programmes especially when it comes to high level appointments or making people redundant. A representative of environmental NGO Za Zemiata stresses: *“The MEW is not doing a good job, not because the experts are not good but because the political hat is very strong. There is strong political pressure from above which hampers expert decisions. The salaries are not good and combined with the political pressure there is high turnover of staff. People do not want to sign documents which justify*

political decisions. Key positions are taken by people with political connections” (Hlebarov pers.comm.).

Moreover, the relations between the different managing authorities are often based on personal acquaintances, some of which are also based on belonging to the ruling party. The level of coordination and the effectiveness of the programming process therefore often depended on inter-personal relations among administrators. Towards the finalisation of OP Environment for example, the managing authority received a phone call from the Ministry of (at that time) natural disasters, which requested that €25 million is made available for risk prevention and disaster management under OP Environment. The text of the OP was changed accordingly by adding up a new sentence under the Water priority axes concerning the development of River Basin Management Plans where it was added: “special attention will be paid to risk prevention for natural disasters. The River Basin Management Plans will be integrated with those for disaster prevention and protection. The integration will include the introduction of modern information systems aimed to manage water bodies in the country in real time” (MEW 2007b).

Because of the high level of “personalisation” of the coordination/planning processes, much of the discussions and decision-making often happens informally, for example, on the stairs where few people gather to smoke a cigarette or during lunch breaks. This means that the entrance to some decision-making at an operational level depends on the inclusion of people in certain closed circles where not everybody is welcome. Most common filters include political party affiliation or feelings of “like” and “trust”. There is a generally high level of mistrust. For example, at the Ministry of Environment the folder containing the draft SEA report disappears one morning. The entire Directorate was overtaken by a massive paranoia that there are “spies” among their colleagues who play political games. The folder was found on somebody’s desk two hours later. The SEA is a public document which does

not contain information which can be misused. Yet, the accident stirred significant nuisance and suggests that the working environment is far of being collegial and collaborative within a single Directorate. Another time, right after the submission of the OP Environment to the European Commission at the beginning of 2007, comments and remarks are sent back to the managing authority. The comments are received informally via email correspondence. Only few people receive them and are not allowed to show them to the rest of their colleagues. In fact, many actions or correspondence within the managing authority for OP Environment was kept to the knowledge of a small group of people who formed the inner circle around the acting as Director Vice-Minister.

Another issue is the salient arrogance and self-confidence among national authorities that they know best. For instance, the Ministry of Transport was in contact with an international environmental consultancy which offered to provide a training course to the Ministry's staff on integrating environmental valuation methods in the cost-benefit analysis of major transport projects to be financed under OP Transport. The offer was rejected on the grounds that the Ministry's staff knows how to do this type of analysis and such training is unnecessary: *"the director said: 'No, thank you! We know this stuff, there is no need.' He truly believes he can but he cannot. Cost benefits analysis is not an easy thing."* (Nigohosyan pers.comm.).

Criticism is not received well neither when it comes from the EU nor from civil society. Some of the comments received from the European Commission on the content of draft EU funds programmes have been rather critical especially at the beginning of the programming period. They have been perceived quite negatively, often as interference with the OP's internal affairs. For example, when in March 2007 critical comments were received by the desk officer from DG regional Policy responsible for OP Environment, the reaction of MEW's officials included general resentment: *"What do they want?"*, *"What does he know*

about Bulgaria?” and “We know better and our OP is the best”. Similar attitudes have been deterring EPI in the sense that driving forces for EPI are usually external (EC, NGOs) and is difficult to penetrate the closed actor networks and overcome the political pressures under which these operate. A representative of the MTC claims: “The EC is good as far as it can push you to follow certain procedures but not to teach you how to implement them effectively. There are significant factors obstructing the process such as mentality and culture of the administrative official” (Nigohosyan pers.comm.).

8.6 Capacity, skills and knowledge

A particular challenge in relation to both programming and implementation of EU funds programmes and projects in Bulgaria concerns the capacity of all stakeholders engaged in the process – central administration, non-governmental organisations and beneficiaries. A survey in 2006 showed that the municipal development capacity for project elaboration with regard to human resources, knowledge and experience is concentrated primarily in a limited number of large and more urbanized municipalities with a developed non-governmental sector. These are mainly the municipalities that have benefited from the opportunities of the “learning by doing” method provided by pre-accession instruments (UNDP 2006). Moreover, there is lack of feasibility studies and mature technical projects, as indicated by 54% of the municipalities. The lack of spatial and cadastre plans impedes project development as municipalities often lack funding to carry out the necessary studies (MRDPW 2007). With regards to environmental issues and environmental integration, a National Capacity Self-Assessment from 2002-2004²⁵ showed a recognition among officials of the importance of integrating environmental matters into development and management practices (including

²⁵ MEW, UNDP and GEF – Bulgarian National Capacity Self-Assessment for Global Environmental Management, <http://chm.moew.government.bg/ncsa/indexEn.htm>

regional development and EU funds management) but revealed a limited knowledge, capacity and skills among administrators to deal with such issues.

Various measures were undertaken to address the issue of administrative capacity of different stakeholders in order to enhance the implementation process within all Operational Programmes. The track record of training courses, seminars and information days organised with the aim to improve the administrative capacity of managing authorities, beneficiaries and non-governmental sector is truly impressive. For instance, a total of 146 various training courses and seminars on the EU Cohesion Policy and the management of the Structural and Cohesion Funds have been held within the Operational Programme “Administrative capacity”. As many as 681 employees of the central administration involved in the processes of management of EU funds in Bulgaria have been trained. Large-scale information campaigns and information days presenting OP Competitiveness and Regional Development were carried out across the entire country. Managing authorities were often sent within the so called twinning projects on field visit and seminars abroad with the aim to observe good practices in managing EU funds programmes and projects including many environmental related projects. And yet, all reports evaluating the overall management of EU funds in Bulgaria, the issue of low capacity of all stakeholders remains one of the key impediments for the programming and implementation funds. There is definite lack of targeted training and capacity-building concerning the development of environmental projects and environmental integration.

A more effective instrument for capacity- and skills building appears to be the organisation of various study visits within the so called ‘twinning projects’. Twinning projects are usually financed by EU funds and target central administration officials. The idea is that through these projects, a new Members States could learn from the experiences of old member States regarding success factors for the effective management of EU funds

programmes and projects. Often these projects have very practical element and could present valuable lessons learned for the officials. On the other hand, those projects rarely have an environmental focus; they are instead sector specific or concern general issues related to project management. Of course, these could be useful when they regard projects in the field of environmental infrastructure. Yet, there value added is related mostly to the new knowledge and skills that officials receive with regard to project management.

A special training dedicated to the issues of integrating environmental objectives into policy-making at local, regional and national level was carried within the frame of the Rio Conventions project.²⁶ Approximately, 350 officials from all levels of governance have been trained between 2008 and 2010 on this topic. Before the training sessions, a survey among the administration officials showed that 80% of them have not even heard about ‘global environmental problems’ linked to the 3 UN Conventions (Dimitrova pers.comm.). After the training sessions, the knowledge about these Conventions was definitely increased at national, regional and local levels of governance. In addition, the job descriptions for experts in DG Strategic Planning of Regional Development in the MRDPW were updated in view of new requirements for better knowledge concerning global environmental issues and national and European legislation. What remains unclear though is whether and how the knowledge provided through the training sessions will be further utilised in the everyday work of these officials.

There are additional issues which exacerbate further the issue. The lack of administrative capacity was often addressed by hiring new people in the management structure of the EU funds. In some cases administrations almost doubled and tripled. For

²⁶ The project *Integrating Global Environmental Issues into Bulgaria's Regional Development Process* (working title: Rio Conventions Project) is a joint initiative of the United Nations Development Program, the Ministry of Regional Development and Public Works and the Ministry of Environment and Water, financed by the Global Environmental Facility. The long-term goal of the project is to embed global environmental concerns into the processes of regional and local development, as well as spatial planning in Bulgaria. The project objective is to build capacities of MRDPW and MoEW for mainstreaming global environment into the formulation and implementation of regional and local development, as well as spatial planning policies [<http://www.rioconventions.org/>]

instance, the MA of OPC employed 82 new people. Furthermore, national authorities working with EU funds receive double salaries as a measure to keep experts on a long term basis. However, the turnover of staff is extremely high. People stay of few years and then move to better employment opportunities. Therefore, retaining knowledge and skills has been challenging in view of improving the system of EU funds implementation and building institutional memory: *“biggest problem is the huge turnover, many people come, take what they need – knowledge, skills, connections, contacts – and leave”* (Nigohosyan pers.comm.).

With regard to technical support to enhance the knowledge base for the preparation of some OPs, the help of external European/international consultancies is often used. The central administration however is not accustomed to working with external experts and the delivered outputs and generated knowledge / policy advice rarely have any influence on the actual decision-making. An external consultancy was hired to prepare a technical report on developing appropriate project selection criteria for the project selection process for the OP Environment. The consultants spent relatively little time at the premises of the MEW and worked mostly in isolation as the officials openly demonstrated distance between “us” and “them”. The consultants requested several times information from the managing authorities to feed into the report and better link it to the domestic circumstances. If this information was at all provided, it was usually piecemeal. Hence, the final report was a very technical document with little relevance to the already on-going preparatory process for OP Environment. The managing authorities considered that the report was of low quality, no relevance to the Bulgarian context and that they could have written a much better report. While claims that the report was not of high quality are not entirely groundless, the managing authorities themselves had a considerable role in making it be this way. Eventually, the €100,000 budget report was parked on a shelf and a small group of administrators developed a simpler set of

criteria to be used in the OP. This is only one example how money from EU funds are used for technical studies which in practice fail to aid or inform the policy-making process.

Another problem is often linked the inability to retain the gained knowledge and build strong basis for institutional memory. Within the MRDPW, there has been considerable expertise developed in relation to the work carried on the implementation and reporting at regional/local level under key international conventions (e.g. UN Framework convention on climate change, etc.). Since 2000, a number of experts from the MRDPW have built considerable knowledge base with regard to environmental issues at local levels. They have also been part of various inter-ministerial groups coordinated by the MEW in relation to the obligations under the respective Convention (Dimitrova 2007). A continuation of such efforts can be found more recently in the framework of the Rio Conventions project by the Ministry of Regional Development together with UNDP Bulgaria. To avoid being seen as externally driven, the project established a small office at the premises of the Ministry of regional development, so that beneficiaries of the project services and deliverables could be in immediate contact with the secretariat. Importantly, this way the project also aimed to create a stronger ownership of the project among officials. The project was designed to deliver a number of very practical project outputs with substantial relevance for improving both the policy-making process and the content of regional development policies from the perspective of environmental integration actions. It aimed to establish an ‘expert’ working group which will bring officials from the different Ministries including transport, environment, energy and economy and share good practices on the integration of environmental objectives in their planning process and programmes. It also aimed to develop guidelines on these good practices and promote them to sectoral/regional administrations (Dimitrova 2007). Although originally the project did not target EU funds programmes but a wider regional policy framework, the deliverables can be helpful to OPs in many ways. For example, the guidelines

on environmental integration were published at the end of 2010 in Bulgarian language and can be promoted to policy stakeholders beyond the MRDPW including the managing authorities for EU funds programmes. Concrete recommendations are made with regard to the integration of 7 environmental indicators in the system of regional planning in Bulgaria which can be also complementary to those already set out in EU funds programmes (see chapter 9.5 on indicators).

There are often institutional barriers to knowledge uptake. These can appear between two directorates of the same Ministry depending on the ownership level to certain knowledge generation. For example, the strong ownership of the Directorate on regional planning to the outputs from the Rio Conventions project ensured that the deliverables of the project are integrated into the relevant policy processes and administrative practices. The project leader of the Rio Conventions project notes that the project was launched very successfully as it was backed up by the Head of the Directorate who showed strong commitment to the project (Dimitrova pers.comm.). Also, the authorities from the directorate felt as strong ownership to the project and they actively engaged by providing ideas about the main activities. This had a significant impact of the uptake of new knowledge and recommendations developed within the frames of the projects. At the same time, the Directorate responsible for the OP Regional Development, which is a separated Directorate, appeared more reluctant to absorb the generated knowledge despite the fact that the expertise was useful to their work.. In February 2010, the secretariat of the Rio Conventions project send an official letter to the Deputy Minister at the MRDPW EU funds affairs, Liliana Pavlova, in the context of OP Regional Development presenting the 7 indicators and recommending that these indicators can be taken into account in preparing the Terms of reference of the planned mid-term evaluation of OP regional Development (Dimitrova pers.comm.). The letter remained without a response though. At the end of 2010, the Ministry awarded a contract for the mid-term evaluation to a

Bulgarian consultancy which is anticipated to deliver a final report by February 2011. According to the scarce information on the web site of OP Regional Development however the midterm evaluation is planned to focus on three main questions regarding changes of the physical environment, the relevance of the OP in a midterm perspective and progress of its implementation. Therefore, it is not possible to assess if propositions about the 7 environmental indicators will be integrated into the mid-term evaluation.

8.7 Strategic Environmental Assessment

Moving towards the procedural manifestation of EPI during the policy process, this chapter discusses Strategic Environmental Assessment (SEA) as a critical tool for integrating environmental concerns into the governance system for sustainability. Its application and influence on the policy-making can be a useful indicator for measuring the progress towards EPI. In fact, the SEA is one of the most interesting mechanisms to promote EPI in the context of EU funds programmes, and therefore, this chapter examines the application of SEA in Bulgarian OPs in depth.

There is a growing body of literature that looks into SEA as a procedural instrument for EPI (ImperialCollegeConsultantsLtd. et al. 2001; Dalal-Clayton and Sadler 2005; GRDP 2006). SEA can be defined as a systematic process for evaluating the environmental consequence of a proposed policy, plan or program (and its alternatives) in order to ensure that they are fully and appropriately addressed at the earliest stage of decision-making on par with economic and social consideration. Ultimately, its “purpose is to inform decisions not to produce a study” (REC 2004). It shall include a report on the findings of this evaluation for the purpose of publicly accountable decision-making (Therivel and Partidario 1996). The benefit of performing SEA could be summarized as follows:

- promotes integrated environmental and development decision-making;

- facilitates the design of environmentally considerate policies and programs;
- provides alternative solutions and options for development;
- enhances cross sectoral coordination;
- provides a mechanism for public participation (Dalal-Clayton Sadler 2005).

The benefits which SEA as a planning and assessment tool provides are in line with the objectives for integrating environment concerns into the decision-making regarding plans and programmes. Therefore, the EU has strengthened the evaluation requirements for the 2007-2013 Cohesion Policy by including an environmental dimension (SEA) in the compulsory ex-ante assessment. The General Regulation 1083/2006/EC sets out the requirement for Member States to conduct ex-ante evaluations of the OPs which should take into account *‘the objective of sustainable development and of the relevant Community legislation concerning environmental impact and strategic environmental assessment’* (Article 47). The EU SEA Directive 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment had to be applied to all Operational Programmes. The Directive requires that an environmental assessment is carried out during the preparation and before the adoption of programmes; it prescribes the preparation of an environmental report, which elaborates the likely environmental effects and identifies potential alternatives; it also includes a public consultation with the public, environmental authorities and other Member States (in the case of transboundary impacts). Approval of the Programmes by the Commission was conditional to compliance with the requirements of the SEA Directive (CEC 2009a). A special handbook on its application to EU funds programmes was published in February 2006 by the European Commission to aid the process of evaluation of the 2007-2013 Operational Programmes. It is valuable as it provides a procedural guidance to the application of SEA as a management tool for environmental integration parallel to the

programming process (Table 10). DG Regional Policy of the European Commission also published a working document which briefly discussed the requirement for the application of an SEA as part of the ex-ante evaluation (EC 2006b).

Table 10. Logical links between the steps in the programming process and SEA

Typical programming steps	Logically corresponding SEA steps
Determine the overall objectives of the programming document and the main issues it should address	Determine environmental issues, objectives and indicators that should be considered during the SEA process
Possible consultations with other relevant competent authorities	Compulsory consultations with environmental authorities Consultations with concerned public recommended
Analysis of the development context	Evaluate the current situation and trends and their likely evolution if the programming document is not implemented
Propose development objectives and priorities	Assess proposed development objectives and priorities
Propose measures and eligible actions	Assess proposed measures and eligible actions Assess cumulative effects of the entire programming document
Propose evaluation criteria and monitoring system	Evaluate proposed evaluation criteria system Evaluate proposed monitoring system
Compile the proposed programming document and hold consultations with authorities and stakeholders	Compile the Environmental Report and hold consultations with environmental authorities and the public
Formal decision on the programming document and inform public about the decision	Take into account Environmental Report and results of consultation in decision-making Inform environmental authorities and the public on how the outcomes of the SEA have been taken into account

Source: GRDP 2006

Importantly, the EU SEA Directive sets out explicit provisions for carrying out public consultation, thereby institutionalizing the SEA procedure as a platform for public participation, dialogue and learning. Involving environmental authorities and the general public in planning activities is commonly recognized as a way to enhance environmental integration efforts, resolve potential conflicts and trade-offs, capitalize on local knowledge and expertise and create ownership of the decision-making process. The consultation process however can be time-consuming while the identification of non-governmental organizations

could also be challenging, therefore a choice needs to be made with regard to the mix of tools for carrying the public consultations. Yet, it has been reported that public consultation, especially when organized at an early stage of planning and when understood as a process, can yield higher acceptance of the respective plan or programme and enable identification and successful resolution of conflicts (CEC 2009a).

In Bulgaria, the EU SEA Directive was effectively transposed in the national legislation, which entered into force on the 1 July 2004. The Bulgarian Environmental Protection Act (entered into force in 2002) sets out general provisions on “environmental assessments”²⁷ in Chapter 6, while the detailed conditions, procedure and methods for environmental assessment of plans and programs are arranged in a separate Regulation, part of the secondary legislation that entered into force on 1 July 2004. The Regulation stipulates the stages of the environmental assessment and prescribes that: “environmental assessment is performed parallel to the development of the plan and program and the statement [on the assessment] is issued before the adoption of the respective plan and program” (article 3, point 2 of the Regulation). It also clearly stipulates the requirement for disseminating information and consulting affected/ interested stakeholders. The responsible administrative authority that adopts a statement on the SEA is the Ministry of the Environment and Waters. The legal framework for SEA in Bulgaria is therefore established. However, there is relatively little practical experience with SEA in general and with SEA for EU Funds OPs in particular. There is certainly some past experience and traditions in the application of EIA-type of assessment in Bulgaria, which to some extent have an impact on establishing the SEA systems and the methodological approaches that underpin these.

²⁷ In the Bulgarian legislation, the SEA is referred to as “environmental assessment”

8.7.1 *Past experience with environmental assessments*

In Bulgaria, environmental assessments of spatial planning documents was required by the law already in 1992 and approximately 130 assessments were carried out for local urban plans since 1997 (Dalal-Clayton and Sadler 2005). Main legal acts arranging assessments in spatial planning included Environmental protection act (1991), EIA Regulation (1993 and 1995) and the Territorial and Settlement Planning Law (1973). In May 1999, within the so called ‘Sofia EIA Initiative’ a big workshop was organized in Bratislava where authorities, NGOs, and experts agreed that the process of regional development planning constitutes a unique opportunity for the creation of complete SEA system in CEE countries. The conclusions of the workshop were organized systematically in the form of principles and recommendations for SEA in regional planning as follows:

- Multi-disciplinary and multi-stakeholder team of experts is required;
- Establish the SEA team in parallel to the planning team since the beginning of the planning stage;
- SEA should be based on sound public participation as required by the Aarhus convention;
- SEA should put forward environmentally friendly modifications of the development plans;
- SEA findings should be stipulated in a report which should be publicly available and should serve the basis for monitoring; and
- Need for capacity-building among CEE policy-makers and practitioners through transfer of know-how moderated by EU Member States.

In the past, Bulgaria has had some experience in assessment systems linked to the traditional land use planning and permits for construction and building (Dusik et al. 2001). Usually, these assessment systems were grounded on technical expertise and formal planning procedures guided by land use legislation throughout the 90s which required some elements of “strategic” assessment by provisions for applying EIA at the level of plans and programs (Dusik et al. 2001; Dalal-Clayton and Sadler 2005). The assessment in itself was an *environmental analysis* which included mapping of environmental vulnerability, resource potentials and identifying possible effects on the environment (Dalal-Clayton and Sadler 2005). The available literature on this subject suggests the following challenges of the past assessment practices:

- Demand for methodological / procedural guidance on how to integrate the assessment in the land use planning;
- Limited public involvement mechanisms;
- Content-related issues;
- Rarely any effect on the actual decision making; and
- In general, spatial planning gives little focus on alternatives, nor takes into account cumulative, health and social impacts.

Ultimately, the experience in CEE countries and Bulgaria in particular is positive as there is already some experience in SEA type of assessment which can be used as a basis for further developments in this direction. The research, however, illuminated the “need for the development of a flexible legal framework which outlines the types of strategies that require SEA, and defines the basic SEA elements which should be incorporated into the planning framework for strategic action” (Dusik et al. 2001). After 2000, there was a significant policy

transfer on SEA within the EU accession process which gave the start of a significant institutionalization of these assessments through adopting the relevant legislation, establishing the necessary institutions and developing detailed procedures.

The first SEA type of assessments were carried out much later in relationship to the first draft Regional Development Plans and were linked to the transposition of the EU SEA Directive in the Bulgarian legislation. For instance, there were two big pilot projects of SEA type of assessment in relation to regional development. One of them was undertaken as part of a World Bank project for the development of the Black Sea Region. Based on the legal provisions and little experience in land use planning, the pilot assessments were a positive exercise which culminated in the articulation of several key lessons learnt:

- Need for improved coordination among environmental and planning authorities;
- Early scoping for SEA;
- Parallel to the planning process; and
- Strong public involvement and a clear mechanism how the public input to be taken into account.

The number of these early initiatives and pilot projects allowed to gain some experience with SEA type of assessments and also to identify crucial points for the improvement linked to regional development planning.

The second pilot study was conducted in July 2003 by the Regional Environmental Center experts in collaboration with POVVIK Ltd. – a Finish / Bulgarian consultancy company who undertook an Environmental Assessment of what was the first version of the Regional Operational Program of Bulgaria. The purpose of this pilot project was to test the recently developed *Manual on Environmental Assessment of Plans and Programs*, which constituted the main methodology for conducting EA in Bulgaria. The consultants also put

forward a proposition about environmental scoring sheet for the design and selection of projects for regional development. The conclusions of the study suggested that indeed the manual seems to be an effective guiding tool and highlighted the need for developing Terms of Reference for the assessments at an early stage of the planning process (POVVIK-OOS et al. 2001). It is unclear though if and how this Manual was actually taken into account in the application of SEA in the 2007-2013 EU funds OPs.

Within the programming for the 2007-2013 EU funds programmes, the Bulgarian authorities had to undertake SEA for the respective Operational Programs. The SEA Directive however was transposed in 2004 which means that the actual time to develop the respective practice was fairly short. Arguably, there was no practical experience with applying SEA especially in the context of Operational Programmes for EU funds. This posed a number of challenges for exploiting the full potential of SEA as a tool to foster environmental policy integration in the EU funds programmes for example the lack of procedural and technical guidance, limited administrative capacity and available trained and knowledgeable experts to carry out timely, robust and useful SEAs. The application of the SEA in terms of its challenges and implications for environmental policy integration are discussed in detail below.

8.7.2 Application of SEA in the 2007-2013 EU funds programmes

Annex 1 and 2 of the Bulgarian Regulation on environmental assessment, setting out the scope of application for SEA, does not refer to Operational Programmes for EU funds but only to the Regional Development Operational Programme. This created a general uncertainty during the programming process if the OPs should be subject to SEA. The General Regulation on EU Funds 1083/2006/EC is also considered vague on the practical application of SEA for Operational Programmes (Metodieva pers. communication).

Therefore, DG Environment of the European Commission had to send an official letter to the Bulgarian Ministry of Environment requesting the performance of SEAs for all OPs (Metodieva pers. communication). Hence, a series of Decisions by the MEW were adopted prescribing that SEA is carried out as part of the ex-ante evaluation for the 4 bigger Operational Programmes – Environment, Transport, Regional Development and Competitiveness (MEW 2006). With regard to the three OPs related to administrative capacity building, technical assistance and human resources development, it has been decided that no SEA should be carried out.

The series of Decisions by the MEW require that the SEAs are in compliance with article 86 of the Bulgarian Environmental Protection Act which stipulates the content of the SEA including objectives of the plans/programme, baseline conditions and current state of the environment, EU and international objectives for environmental protection, significant adverse impacts on the environment, mitigation measures, consideration of alternatives, monitoring and non-technical summary. The Decision related to the OP Transport further prescribes that the SEA should formulate conclusions on the benefits of the different transport modes with regards to the likely environmental impact and in conjunction with objectives enshrined in the National Strategy for Environment. Furthermore, it recommends the use of further guiding SEA documents available at national and EU levels.

The responsible authorities for managing the SEAs are the managing authorities in the Ministries governing the respective OPs. The competent authority for approval of the SEAs is the Ministry of Environment and Waters, which consulted the content of the SEAs and issued Statements in this regard. In the case of the OP Environment, there was an issue with the fact that the responsible authority for the SEA application and the competent authority to approve the SEA was the Minister for Environmental Water. Therefore, a distinction had to be made that the responsible authority for the SEA was the Director of the Cohesion Policy Directorate at

the MEW while the competent authority was the Minister. This was done so that controversy related to possible conflict of interests could be avoided (Metodieva pers. com.). The SEAs themselves were outsourced to external consultancy companies, which were required to be registered experts pursuant to article 83, para 9 of the EPA.

The SEA were formally carried out as part of the ex-ante evaluations, which traditionally analyse economic and social trends. In this sense, they were also meant to be carried out simultaneously to the development of the Operational Programmes. By integrating the SEA assessment into the broader ex-ante system, environmental considerations could have been regarded on par with economic and social ones. At the end, however, the SEAs were carried under the umbrella of the ex-ante but were conducted separately. They followed different methodology, served a slightly different function than the ex-ante and therefore had different impact on the content of the OPs. Furthermore, the formal communication between the national authorities and the EC regarding the need for SEA for the OPs caused further delay in the SEA application, which affected the time available for conducting the public consultations.

The next sections review the SEAs for the 4 OPs – Environment, Transport, Regional Development and Competitiveness and analyse their content, effectiveness and influence on the decision-making. Table 11 presents a summary of the SEA for OP Environment.

Table 11. Summary of SEA for OP Environment

OP Environment	completed
Legal basis	EU SEA Directive EPA SEA Regulation
Timeframe	SEA started in June 2006 Final SEA report – January 2007 SEA statement – 21.2.2007
Procedure	Integral part of the ex-ante International consultancy with no Bulgarian participation
Method	Analysis of the relevance of OP objectives to the needs and coherence with CSG, EU policies and other OPs, which included a correlation matrix of strategy versus needs
Consultation	Consulted:

	WG on OPE (assessment matrix) General public (questionnaire) Competent authority Method: MEW web site MEW information centre
Foreseen impacts on the environment	OPE optimal “The OPE causes mainly very positive environmental impacts to the benefit of the quality of life of the population and of the preservation and restoration of biodiversity”
Alternatives	No alternatives considered
Mitigation measures	Preventing/mitigation measures during the construction stage have to be examined and included in the EIAs of the specific projects
SEA indicators	Concrete proposals are made with regard to impact indicators, as such are not part of the OP including: <ul style="list-style-type: none"> • Quality of surface water • Quality of groundwater • Volume of discharged waste water • Volume of treated waste water • Volume of untreated waste water • Population connected to WWTP • Population connected to sewerage systems • Population connected to water supply systems • Total municipal waste generation • Population served by municipal waste treatment facilities/ installations • Collected municipal waste • Recycled municipal waste • Processed waste treated by type of treatment method - composting, sorting and separation • Municipal waste disposal • Capacity of landfills compliant with the requirements of the legislation • Protected endangered species • Protected areas under Birds directive • Protected natural habitats • Protected areas under Habitats Directive
Influence on OPE	SEA measures to be reflected in the project selection criteria; SEA measures to be checked during on-the-spot checks; SEA reporting every three years

Source: SEA OP Environment

Both the ex-ante and the SEA for the OP Environment were unique processes compared to other OPs. Since the substance of the OP was strictly linked to environmental measures, both the ex-ante and the SEA were carried out in close relation to each other, adopted similar methodologies and produced similar results. They involved foreign consultants without Bulgarian participation. They applied a non-EIA based methodology which at the end allowed more strategic recommendations for improving the content of the OP to be

formulated (Metodieva pers. com.). A number of recommendations and comments were made already in the interim SEA report. For example, the interim SEA report identified *inter alia* the following weaknesses of the OPs:

- Lack of explicit reference to what the OP actually supports in each sector and why; and
- No reference regarding the total financial needs per each sub-sector.

According to the SEA, all these recommendations were taken on board and reflected in the subsequent version of the OP drawn in November 2006.

Furthermore, the SEA carried out a ‘coherence assessment’ between the OP and EU Community Strategic Guidelines and also other OPs. The SEA also found that the OP is coherent and in support for the National Strategy for Environment and Action Plans 2005-2014 particularly Priority axes 3 which envisions activities linked to the protection of biodiversity. Potential trade-offs are also discussed in view of determining the level of their acceptability. Recommendations are made with regard establishing a “close and constructive co-operation between the responsible Ministries for OPE, OP Regional Development and OP Transport” in view of regional and transport infrastructure on the one hand and environmental protection on the other hand, especially regarding NATURA 2000 areas.

Table 12. Summary of SEA for OP Transport

OP Transport	
Legal basis	EU SEA Directive NEPA SEA Regulation
Timeframe	Preparation for OPT started October 2004 Final report: 12 October 2006
Procedure	Part of the ex-ante Bulgarian consultant
Method	Matrix for environmental impacts
Consultation	Consulted: Environmental authorities; WG on OPT; Method:

	Web-site In the Ministry's premises SEA Consultation period: 15 September-6 October 2006
Foreseen impacts on the environment	OPT is assessed to have positive environmental impacts for aid quality, reducing congestions and improving quality of life
Alternatives	Two alternatives – development of projects with EU financial support or without financial support
Mitigation measures	Potential mitigation measures are put forward only for priority axes 2 – road infrastructure. These include: recommendations to take into account visual impacts, landscapes, air pollution; requirement for Noise minimization plan and mitigation measures against water pollution Recommends a Plan for environmental monitoring; Plan for environmental management and Plan in the case of pollution Recommends environmental requirements to be incorporated in the tender documents for the major projects, so that the contractor follows appropriate environmental practices during construction stage
SEA indicators	Proposed indicators per type of impact: Resource use, climate change, air quality, health, noise, vibrations, land use, biodiversity, landscape changes, water, waste, toxic substances, incidents
Influence on OPE	OPT states that the 'SEA results will not lead to changes in SOPT priorities axis'. According to the OP Transport, the SEA influenced the selection process for major projects by the application of environmental criteria (20%)

Source: SEA OP Transport

Overall, the SEAs were not entirely conducted “parallel” to the development of the OPs. Work on developing the OPs was launched October 2004 whereas the Decisions by the MEW on the need for SEA were adopted in June 2006 and the final SEA reports were presented some time at the beginning of 2007. Actually, the SEA of the OPT explicitly stated that: “SEA rules require that the SEA report examines what will be the state of the environment if OP Transport is not going to be implemented. This is a theoretical question as the development and application of the OP Transport 2007-2013 is in already well advanced stage of its planning, so it is apparent that the question is when and not if”. This means that the SEA could not consider the so called “zero alternative” as the SEA was carried out at a considerably later stage of the planning of the OP Transport and it was unlikely that any potential SEA recommendations on the objectives and priority measures of OP Transport. Still, a discussion takes place with regard to alternative scenarios, these however, focuses on

two scenarios – one if there is funding for transport development in Bulgaria and another – if there is no funding. It does not however consider alternative scenarios with regard to the possible mixes and balance of transport modes.

The SEA examines likely significant environmental impacts per priority axes, meaning per transport mode, however, the discussion is kept at a rather general level and there is no attempt for specificity, quantification or link to concrete targets. The potential trade-offs between positive economic impacts and negative environmental impacts are not discussed. Furthermore, often the likely impacts are only recognized during the construction phase of the interventions whereas there is little or no discussion as far as long term impacts, e.g. GHG emission, ecosystems and biodiversity or land use, are concerned. Focus is given to impacts on air quality, noise and water pollution.

Environmental benefits stemming from the different types of transport for instance are not discussed as it is required in the MEW Decision on the SEA screening for OPT from June 2006 (MEW 2006). The assessment of cumulative and secondary impacts is identified as impossible at this stage and is therefore proposed to be considered during the monitoring stage. At the same time, the fact that the OP Transport includes a list of Indicative major projects while the SEA focuses on the priority axes which look at transport modes in general, is considered as a challenge in terms of preparing a Monitoring plan that will be adequate and effective. Therefore, the SEA recommends that the priority axes 4, which is intended to assist managing authorities with technical assistance, should foresee concrete funding for environmental monitoring. The gaps in data and their quality are recognized as another challenge for establishing a proper monitoring system.

MEW's Statement on the SEA regarding OP Transport recommends detailed mitigation measures to be undertaken during the construction phase of major projects. Moreover, it puts forward a more comprehensive list of indicators per priority axes

(excluding for rail infrastructure). None of these indicators, however, are taken into account in the final version of the OP Transport, which contains a list of indicators per priority axes all of which are strictly linked to progress in terms of time saved, kilometres constructed, etc.

Table 13. Summary of SEA of OP Regional Development

OP Development	Regional completed
Legal basis	EU SEA Directive NEPA SEA Regulation
Timeframe	Start: December 2006 Final report: 14 February 2007
Procedure	Part of ex-ante External/Foreign consultants
Method	Matrix of environmental impacts
Consultation	Consulted: MEW, Regional inspectorates, River Basin directorates and national parks Method: MRRB web site MRRB press centre
Foreseen impacts on the environment	OPRD will have an favourable impact on the environment as a whole
Alternatives	Zero alternative considered by the consultants, but concluded to be unacceptable since 'since the existing ecological problems of the country can be aggravated' (POVVIK-OOS 2007)
Mitigation measures	Long lists of mitigation measures per priority axes
SEA indicators	<ul style="list-style-type: none"> • Electric power consumption in public buildings • Heat energy consumption in public buildings • Water consumption in public buildings • Electric energy consumption from alternative and restorable sources • Population connected to the electric power transmission network • Electric power consumption • Population connected to the gas-distribution network • Heat energy consumption • Population connected to the water-supply network • Electric power consumption from alternative and restorable energy sources (population) • Newly created enterprises • Cleaning and restoration of contaminated areas in industrial zones; • Cleaning of small-scale ecological contaminations • Construction of local roads sections • Areas of greenery • Street networks with rehabilitated pavement • Construction of bicycle paths and alleys, and pedestrian zones • Air quality – emissions in the atmosphere above the standard level; • Noise – above the standard level • Restoration and restoration of historical and cultural monuments, located in the towns • Air quality – emissions in the atmosphere above the standard level; • Green gases emissions • Reduction of noise contamination – above the standard levels • Passengers transported by public transport

	<ul style="list-style-type: none"> • Newly constructed roads, including to the dung-hills • Settlements connected with broad-range connections (ADSL, cable, satellite, wireless communication networks) • Population, connected to the gas-distribution networks • Air quality – emissions in the atmosphere above the standard levels; • Forests cut • Natural, cultural and historical attractions being ecologically developed • Built-up areas • Forests cut • Afforested areas • Project planned and related to the environment protection • Project realized and related to the environment protection • Roads restored being used by two or more municipalities or small road sections constructed • Green areas and parks • Environment related campaigns • Environment related training and seminars
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Source: SEA OP Regional Development

Table 14. Summary of SEA for OP Competitiveness

OP Competitiveness	Completed
Legal basis	EU SEA Directive NEPA SEA Regulation 2006 EC letters clarifying the need for SEA
Timeframe	Preparation for OPC started August 2004
Procedure	Part of ex-ante
Method	Two different analysis: 1) concerning the environmental relevance of OPE objectives and priorities; and 2) compliance of OPC with national strategies and plans
Consultation	Consulted: WG on OPC MEW, Regional inspectorates, River Basin directorates General public
Foreseen impacts on the environment	OPC is assessed to have mainly indirect positive impact on the environment
Alternatives	The SEA considered potential negative environmental impacts in case the OPC is not taken forward including aging technologies, untapped renewable energy potential, low compliance with EU environmental standards, etc.
Mitigation measures	Requirement for EIA procedure where applicable Priority in project selection to be given to: <ul style="list-style-type: none"> • Projects that have foresee the deployment resource efficiency measures and technologies • Projects that promote the deployment of EMAS and eco-label • Support to SMEs which will help the transition towards more environmentally sustainable economy • Support for information and consultative systems for know-how transfer, experiences and practices in the field of sustainable development • Support to business centers which develop and apply the principle of sustainable development • Raising the awareness of business managers about environmental protection and sustainability requirements
SEA indicators	Concrete SEA indicators are proposed per priority axes in two directions –

	<p>environmental relevance and environmental impact:</p> <p>1.1. number of innovations per year</p> <p>1.2. % of eco-innovations per year of the total number of innovations</p> <p>2.1. number of companies supported in order to meet environmental standards per year</p> <p>2.2. number of companies that introduced EMAS per year</p> <p>2.3. number of products that received eco-label per year</p> <p>2.4. number of energy saving technologies per year</p> <p>2.5. number of RES per year</p> <p>3.1. number of companies supported through micro-credit or guarantees in order to meet environmental standards per year</p> <p>3.2. number of companies supported with risk capital for the realization of eco-innovations per year.</p> <p>In terms of environmental impact, the following indicators are being proposed:</p> <ul style="list-style-type: none"> • Change in the quantity of industrial waste water treated (m3/per year) • Change in the quantity of industrial waste water reused (m3/per year) • Change in the quantity of industrial air emissions (tones/per year) • Change in the quantity of generated hazardous waste from industry (tones/per year) • Change in the energy consumption of companies (kwh/per year) • Change in the quantity of energy produced by renewable energy sources in companies (kwh/per year)
Influence on OPE	Influenced the OPC in terms of project selection and indicators

Source: SEA OP Competitiveness

The case of the OPC SEA is again very different in terms of the used methodology. It does not look into impacts on the separate environmental components, but rather performs an analysis of the environmental relevance of the aims, objectives and priorities of the OPC as well as an analysis of the alignment of these with other national environmental and sectoral strategies and plans. Interestingly, the SEA for the OPC discusses possible trade-offs that can arise between the construction of renewable energy facilities and natural habitats, bird species and NATURA 2000 sites. However, no concrete recommendation is prescribed in the mitigation measures to address potential trade-offs in this regard.

The SEA gives clear instructions how to integrate environmental measures horizontally during the project selection process. For example, it had influenced the OPC to include an explicit text that says that a priority should be given to projects that integrate measures for eco-innovation, EMAS, EE/RES. It also recommends a number of relevant indicators, some

of which actually made it to the final official list of indicators in the OPC. For example, SEA indicators reflected in the official OPC indicator system include the following:

- share of energy from RES in all energy consumed by supported enterprises (5% by 2010, 10% by 2013); and
- number of energy effective technologies/processes/solutions introduced in supported enterprises (55 by 2010, 250 by 2013).

8.7.3 Discussion

Given that SEA for EU funds programmes was a relatively new procedure, many difficulties and drawbacks could be observed. For example short timeframes, methodological dilemmas and varying quality of the SEA reports, limited capacity of managing authorities to carry out the procedure and relatively poor public participation. For instance, the SEA for OP Environment was carried out by a larger team with foreign participation and the assessment adopted more generic scope focusing on its strategic elements. On the other hand, the SEA for Transport applied a more classical EIA-based methodology exploring the impacts in detail which at the end deterred drawing more strategic conclusions and recommendations. The SEA for OP Competitiveness carried out analysis of the environmental relevance of the OP's aims, objectives and measures as well as of their alignment with national strategies and plans. The methodology approaches were different and therefore the usefulness and adequacy of SEAs to deliver EPI considerably varied.

Importantly, SEAs were not performed as an integral part of the programming process, where every step of the SEA corresponds to a logical step in the programming process (see Table 10 in previous chapter). The OP programming was launched at the end of 2004 or beginning of 2005, whereas the SEAs were launched some time mid 2006 and

finalized in 2007, shortly before the adoption of the OPs. Some of the delay was caused by uncertainty among central administration regarding the need of an SEA especially for OPs that envision support for smaller projects. The process of clarifying this caused some considerable delays in the SEA. For example, in 2005, the MEE which is the managing authority for the OP Competitiveness sent an official inquiry to the MEW whether the OP needs to be subject to an SEA. Given that the types of measures envisioned for support under the OP usually do not require an SEA according to the Bulgarian legislation, the response from the MEW was negative. The Managing authorities proceeded with a formal ex-ante assessment procedure, within which they nevertheless decided to include a short environmental analysis of the OP based on self-developed methodology by an external expert. Shortly afterwards, an official visit from DG Environment was carried out to oversee the programming process. The need for SEA for the OPs was discussed in length and the MEW wrote an official letter to the managing authorities of OP Competitiveness that a formal procedure for an SEA of the OP is needed. A new formal procedure had to be launched including publishing a call for technical assistance, hiring a consultancy, conducting public announcements and consultation, and producing a final report (Ilieva pers.comm.). In a way, the SEA for OP Competitiveness went two times through an assessment procedure. This case also shows that at that time the MEW and the managing authorities lacked experience in implementing the SEA procedure.

One of the key weaknesses of SEAs for all OPs is the lack of proper consideration of alternative development options. As the SEAs were carried out later in the programming process, the assessment of alternative development options was not conducted, as the OPs aims, objectives and priorities were already agreed upon. The consideration of alternatives is important from EPI point of view as it could allow for a change in the investment patterns from more business as usual towards greener pathways. It could also ensure sustainability of

the function in many of the environmental measures in OP Environment too. For example, instead of discussing different sites of landfill construction, it could have questioned the landfill development at the first place and prioritized separate collection systems and pre-treatments techniques in the waste management priority axes. Instead, the SEAs focused on mainly on identifying impacts, proposing mitigation measures for already determined measures and outlining potential indicators.

Importantly, in the process of preparing the OPs, the European Commission explicitly requested that managing authorities include a text which explains in details the SEA procedures with a focus on two issues – how the public consultations were carried out and how the SEA's findings were taken on board. Each OP contains a non-technical summary of the SEA in an Annex and an explanation how its recommendations were taken on board. What sounded good on paper however did not reflect necessarily what actually happened in practice. In this sense, the fact that the OPs contain a section on SEA does not mean that the SEA's findings and recommendations had a significant impact on greening their objectives and measures.

Still some positive trends are also observed. For example, in the case of OP Regional Development due to recommendations of the SEA, the actions under Priority axes 3 concerning tourism development included explicit language on the need to prioritise measures fostering eco-tourism. OP Transport included explicit environmental criteria for the selection of major projects, which accounts for 20% of the total points received during project selection. OP Regional Development also included a special environmental project selection criteria e.g. the inclusions of environmentally friendly technologies, know how; water and energy savings technologies in proposed project. A good example of this are projects aimed at renovation of public buildings which during the implementation show that

majority of financial support going for renovations which include compulsory energy efficiency measures.

Another positive trend is the integration of some recommended SEA indicators in the OPs. For example, OP Competitiveness included two indicators recommended in the SEA: share of energy from RES in all energy consumed by supported enterprises (5% by 2010, 10% by 2013) and number of energy effective technologies/processes/solutions introduced in supported enterprises (55 by 2010, 250 by 2013). In the case of OP Regional Development, a few SEA indicators were also taken up in the OP indicators system per priority axes. These included reduction of GHG, energy savings from buildings, population benefiting from refurbished buildings, renovated multi-family buildings and social housing.

The institutional set up for conducting and approving SEA for the OPs is an important element of this analysis. The development of the different OPs was a rather closed sectoral process implying limited coordination and communication between authorities and stakeholders. The SEAs however created an opening for institutional innovation and mechanisms for enhanced collaboration with environmental authorities and stakeholders. This was achieved through the involvement of the competent authority for SEA (MEW) and environmental groups in the OP Working Group and through a public consultation. Firstly, the Working Groups responsible for the developed of each OP included representatives of the Environment Ministry, which were consulted on the SEA process and content through a questionnaire prepared by the SEA consultants and through one dedicated session of Working Group, which focused on discussing the SEA. The competent SEA authority is the Ministry of Environment, which has been involved at several stages of the SEA – it was consulted during the screening and scoping of the SEA, with regard to the content of the SEA and it issued statements on the SEA reports for each OP. In those statements, it gave further recommendations for improvements of the OPs especially in terms of the mitigation measures

and indicators. Environmental organisations were also consulted through a public consultation process which included the publication of the SEA on the web site of the respective managing authority and posting information on the information boards at their premises. The time short timeframe and the passive publication of information raises questions concerning the effectiveness of the public consultations.

The delayed SEAs also suffered from significant time pressure which resulted in reduced scope for public consultation and participation. The general delays in the SEA were also used to justify shorter public consultation periods (sometimes limited to 16 days as this was the case of OP Competitiveness). The engagement of environmental groups was also rather limited. The requirements for public consultation within the SEA is one of the major mechanisms for NGOs and the general public to get involved in the planning processes. However, only a limited number of NGOs submitted any concrete comments to the public consultations. Comments were sent only to the SEA of OPs Transport and Environment. Comments by the NGO community concerning those 2 OPs since Bulgarian NGOs have stronger expertise in environmental and transport related issues. No comments were sent to OPs Regional Development and Competitiveness. This also shows that Bulgarian environmental groups remain to a large extent reactionary while missing opportunities for policy influence in the planning process that can lead to significant environmental improvements. Moreover, NGOs comments to OPs Transport and Environment were not taken into account by the managing authorities as they were considered too radical and not constructive. In general, major impediment is the lack of common ground for a “*constructive dialogue among stakeholders, ability to identify problems together and ability to take criticism*” (Troeva Pers. communication). In this sense, the SEAs could be considered as a missed opportunity for inclusion, engagement and capacity building of non-state actors for environmental integration in the different OPs.

According to article 25 (2) of the Bulgarian Regulation on environmental assessment of plans and programmes there is the possibility to exercise control over the quality of SEA. An inter-governmental commission within the MEW was set up shortly after the SEA legislation was adopted for reviewing the scope, content and procedure for SEA. The commission follows the already existing administrative practice for reviewing and approving EIA of investments projects. Its mandate to issue statements and propose amendments for the SEA based on which the Minister of environment and water takes a final decision on the SEA report. The commission consists of one permanent representative from the Ministry of regional development, two representatives from the MEW, a representative from the Ministry of health and two academics holding expertise in SEA and regional planning. The commission assembles when there is an actual program/plan going through an assessment procedure. In 2005, for instance 6 out of 7 statements issued by the commission were on the EA of the regional development plans (EEA 2005).

This commission for SEA could be regarded to have the potential for intergovernmental expert-based coordination mechanism that exercises quality control to some extent. Its performance, however, suffers from some critical shortcomings which do not allow optimization of the assessment process. The usual period for getting familiarized with the relevant documents under discussion is one week (possibly longer but judged on a case by case basis) while the documents themselves are usually available only at the premises of the Ministry or the regional authorities' offices. Therefore, the commission functions within limited access to documentation on the SEA. Of course, the ultimate goal is efficiency of the process but it also induces non-informed participation or refusal to participation. Stelian Dimitrov, the regional development expert of the commission puts it this way: *“Obviously you have 200 pages ... I cannot go to the Ministry and read documents there. For this reason,*

I did not attend some of the commission's assemblies because I was not prepared' (Dimitrov pers. communication).

8.7.4 SEA as an instrument for EPI

Arguably, the SEAs are seen by the Bulgarian administration increasingly as one of the key instruments of environmental integration in the EU funds programmes. This has been acknowledged in different planning documents but also reinstated by a large number of the interviewees. One of the reasons for this is inevitably the requirements of the EU legislation on SEA that Bulgarian authorities have to comply with. Furthermore, it has been emphasized by the EC officials during the negotiation process of the Bulgarian OPs. The EC explicitly requested that the results of the SEA are incorporated in the OP texts, which led to the inclusion of a section with a simple narrative on the procedure of conducting SEA in Bulgaria, how the SEA Directive was complied with and how the public consultation was carried out.

Even though there is growing recognition of the role of SEA as an important tool for environmental integration in EU funds programmes, the capacity of managing authorities and the competent SEA authority as far as SEA in EU funds programmes is concerned is fairly low. Some felt that SEAs were a burdensome procedure, a formality required by the EU Regulations on EU funds and national legislation on SEA. The benefits that this planning instrument can offer decision-makers, are still rather undervalued. Some managing authorities argue that *“our OP will not have a significant impact on the environment so we do not need SEA”* (Ilieva pers.comm.) Of course, the experience with EU funds programming and accompanying procedures and rules such as the SEA are a new and often difficult, which fostered natural resistance to what was sometimes seen as a resource- and time- intensive procedure. Some saw the SEA as *“yet another procedure”* that needs to be performed to get

the job done instead of considering it a valuable management tool for environmental integration.

The different SEAs used different terminology - some refer to environmental impact assessment, ecological assessment, strategic environmental assessment, or even “review of environmental dimension”. This in turn resulted in significant differences in the methodological approaches applied by the consultants - from “*coherence with environmental legislation*”, “*relevance with environmental objectives*” to “*assessing impacts*”. The use of different methodologies meant that the SEA reports produced different results which had a varying degree of usefulness for the OP development. According to the MEW, SEA which were more general in scope focusing on strategic interventions were considered more useful in terms of drawing conclusions useful for the OP. SEA which focused on detailed assessment of impact were found less relevant as they could not deliver strategic recommendations (Metodieva pers. communication)

The fact that the SEA was part of the wider ex-ante assessment could in theory be seen as an opportunity to ensure that environmental considerations are treated on par with social and economic ones. In practice, the SEAs were carried out separately and were mostly “added” to the socio-economic analysis. The Bulgarian experience showed that the environmental dimension of this ex-ante evaluation exercise was to a large extent watered down by social and economic dimensions.

Two of the OPs – Transport and Environment – both contained List of indicative major projects. These are integral part of the OPs however they were not properly addressed in the SEAs. This could be considered a major drawback of the methodologies given that the lists of major project provided more specific indication of what exactly the OP is going to finance. In this sense, the SEAs missed the opportunity to explore the specific cumulative impacts and prescribe concrete mitigation measures and indicators for the major projects.

The environmental indicators included in the SEA were supposed to create the basis for the so called SEA reporting as required under article 10 of the EU SEA Directive 2001/42/EC. Pursuant to this, Managing Authorities are required to carry out a report on the impact of the OP on the environment, with the first such report due in mid 2010. This is not explicitly arranged in the EU Funds Regulations but shortly addressed in a Commission working document which created significant ambiguity on how it should be carried out in practice. The Commission working document (2006a) only advises that the SEA reporting should be integrated to the general monitoring and reporting system of EU funds programmes. The SEA reporting in the case of the Bulgarian OPs was not made integral part of the general reporting system of EU funds programmes. The lack of knowledge how to proceed with it led to a general delay in the procedure with the 2010 deadline not being met. The competent authority for SEA at the MEW was unable to develop a common approach to all OPs and the different managing authorities had to seek individual approaches to accommodate the SEA reporting. In the case of OP Transport, an external consultancy will be hired to carry out an independent assessment based on the SEA indicators in the beginning of 2011. The issue of SEA monitoring of OPs is therefore still pending.

In general, a systemic problem of the SEA system relates to collecting or getting access to data and statistics at a regional level. There is an obvious scarcity of regional statistics, which makes assessment and monitoring activities a difficult task. Another problem is that the cost of data is relatively high, which makes it difficult to access relevant data. Providing financial resources to access data and deliver the SEA therefore becomes essential. Financial resources under the technical assistance budget of the OPs were used to finance the SEAs. This is one positive example of using EU funds to support proper technical support and information to underpin assessment procedures for EPI.

Table 15 shows some of the key characteristics (procedural and substantive) of the current SEA system in Bulgaria and establishes their implications and potential to enhance EPI in the context of EU funds programmes. While a number of procedural, methodological and capacity issues deterred the SEAs to effectively green the OPs, there were a few positive outcomes. Most importantly, the SEAs are now recognised as the main instrument for integration of environmental concerns in the regional development planning by most authorities. In this sense, EU funds programmes presented a good test case for SEAs and facilitated their institutionalisation among other environmental policy instruments.

Table 15. Characteristics of the SEA system for EU funds programmes in Bulgaria and implications for EPI

Characteristics of SEA for EU funds programmes in Bulgaria	Implication for EPI
Legal compliance with EU SEA Directive and respective Bulgarian legislative acts	SEA is institutionalised as a key instrument for EPI in EU funds programmes.
SEA as part of the ex ante evaluation	The environmental dimension of the ex-ante evaluation largely ‘added’ rather than integrated with the social and economic analysis
Weak administrative capacity	SEA is still perceived as an additional procedure which needs to be complied with and diligently reported to the EU (e.g. SEA is still not perceived as a useful planning tool; its benefits for improved governance are still undervalued) Uncertainty about procedural steps and follow up (e.g. question of SEA reporting still unresolved); technical guidance needed
Late execution	Reduced communication and coordination between different actors, which decreases the chances for integration and policy coherence Missed opportunity to influence and modify the OP’s objectives and priorities. SEAs had an effect on the choice of some measures, project selection criteria and indicators (yet, relatively weak “greening” effect on OPs) Missed opportunity for inclusions and capacity building of non-state actors and building awareness among the general public
Different methodological approaches	Varying quality and usefulness of the SEA reports for improving and greening OPs (e.g. EIA type of methodology is less relevant, objective-led assessment would be more suitable from EPI perspective)
Lack of statistics and data	Limitations to access and utilisation of data, statistics and technical support especially at lower levels of governance posing challenges to EPI instruments (not only SEA, but also indicators)

9 EPI as an output

9.1 Environmental objectives and measures

The previous section examined the governance process that underpinned the programming of EU funds in Bulgaria and explored coordination mechanisms and the strategic environmental assessment as instruments for environmental priority-setting and integration. The next step of the analysis is to explore what environmental objectives, measures and investments are included in the National Strategic Referential Framework and the four biggest Operational Programmes Environment, Transport, Regional Development and Competitiveness. The remaining three OPs – Administrative Capacity, Human Resources Development and Technical Assistances do not contain any explicit objectives/priorities regarding the environment and therefore are not included in the analysis.

The total amount of EU Cohesion Policy funding available to Bulgaria for the period 2007-2013 is €7 billion. Funding is provided through all Cohesion instruments – Cohesion Fund, European Regional Development Fund and the European Social Fund. In the NSRF, no explicit objective for the environment is formulated. OP Environment is dedicated to addressing only environmental issues and therefore all its objectives are linked to the environment. However, environmental objectives and concrete measures to improve environmental performance of transport, urban development, energy and industry are included under the remaining OPs. OP Regional Development for instance includes a number of measures also linked to climate change adaptation particularly linked to risk prevention. Table 16 presents an overview of the different environmental objectives, priority axes and measures. Also, it indicates the amount of EU co-financing allocated²⁸ to the different priority axes/measures.

²⁸ The data under analysis is taken from the Operational Programmes and information provided by the European Commission on the allocation of funding per category of expenditure. Purely sectoral OPs provide fairly easy and straightforward data about Community funding for environmental measures or measures which could indirectly benefit the quality of the environment. There is however an issue

Table 16. Overview of environmental objectives, measures and allocations of EU co-financing

Document	Environmental objectives	EU co-financing
NSRF	None of the strategic objectives included in the NSRF explicitly refers to ‘the environment’. However, an environmental dimension is included in the explanations of two strategic priorities: <i>Priority 1: Improving basic infrastructure</i> (which includes environmental); and <i>Priority 4: Balanced territorial development</i> (one of the discourses to this priority is set out in the NSRF as ‘[p]reserving the environment and biodiversity, conservation of natural and cultural capital, adequate spatial and urban planning are integral parts of the Bulgarian national strategy’)	n/a
	Priority axes	
	<i>Priority axis 1: Environmental infrastructure for growing economy and quality of life</i> (including sustainable energy and disaster management) <i>Priority axis 4: Sustainable urban development</i> (including integrated and multi-modal transport systems and the revival of the natural attractions)	n/a
OP Environment	Environmental objectives	
	Improvement, preservation and recovery of the natural environment and development of environmental infrastructure	
	Priority axes and potential measures	
	<i>Priority axis 1: Improvement and development of water and waste water infrastructure</i> (includes 11 major projects for integrated water supply management and sewerage)	€1.027 million
	<i>Priority axis 2: Improvement and development waste infrastructure</i> (includes 22 regional centres for waste management and the Sofia waste management plant)	€312 million
	<i>Priority axis 3: Preservation and restoration of biodiversity</i> (e.g. development of NATURA 2000 management plans; increasing awareness of municipalities and the public on NATURA 2000; establishing the management bodies for NATURA 2000; implementation of activities in the NATURA 2000 management plans; protecting and restoring biodiversity; and mitigating the impact of climate change in biodiversity)	€88 million
OP Transport	<i>Priority axis 4: Technical assistance</i> (e.g. administrative capacity; data collection and analysis; evaluation; and communication plan)	€40 million
	Environmentally relevant objectives	
	Achieving a balance between transport modes	
	Priority axes	
	<i>Priority axis 1: Development of rail infrastructure along the TEN-T</i> (3 major projects for modernisation of railway lines along the TEN-T corridors)	€464 million
	<i>Priority axis 3: Improvement of intermodality of passengers and</i>	€179 million

with accounting the exact amount of Community funding for environmentally relevant measures which are part of more integrated priority axes and interventions. For example, in OP Regional Development a wide range of measures could be financed under ‘integrated urban development’ some of which are explicitly environmental (improvement of physical environment) but others only contain an environmental element (energy efficiency in housing). As the indicated allocations provide data at the level of operations, it makes it difficult in these cases to provide more accurate data about the environmental element in these measures. Therefore, the provided data on allocations should be regarded more critically and as indicative whereas more in-depth analysis could be made at the stage of implementation of concrete projects under the different operations.

	<i>freight</i> (one major project – Sofia metro)	
	Priority axis 5: Technical assistance (Preparation of a General Plan for Monitoring of the Environment and its implementation (monitoring based on ecological indicators per mode of transport))	n/a
OP Regional Development	Environmentally relevant objectives	
	To develop sustainable and dynamic urban centres	
	Priority axes and potential measures	
	Priority axis 1: Promoting integrated urban development	
	Measure: Integrated projects for urban and rural regeneration	€176 million
	Measure: Improvement of physical environment and risk prevention (including measures for rehabilitation of industrial sites and contaminated land and risk prevention)	€203 million
	Measure: Promotion of clean urban transport	€68 million
	Priority axis 2: Improving accessibility of regions (e.g. access to sustainable and efficient energy sources (mainly gas distribution and to a lesser extent RES development))	€51 million
	Priority axis 3: Sustainable tourism development (e.g. eco-tourism)	
	Measure: Promotion of natural assets	€19 million
OP Competitiveness	Measure: Protection and development of natural heritage	€65 million
	Priority axis 4: Local development and co-operation	
	Measure: RES – solar	€8 million
	Measure: RES - hydroelectric, geothermal and other	€ 3 million
	Measure: Energy efficiency	€6 million
	Measure: Management of household and industrial waste	€7 million
	Priority axis 5: Technical assistance (e.g. training on environmental issues – NATURA 2000, EIA, SEA and other tools for integrating environmental concern into regional development)	n/a
	Environmentally relevant objectives	
	Encouraging innovation and improving efficiency of enterprises	
	Priority axes	
OP Competitiveness	Priority axis 1: Knowledge-based economy and innovation	
	Measure: Assistance to SMEs for the promotion of environmentally-friendly products and production processes	€23 million
	Measure: Mechanisms for improving good policy and programme design, monitoring and evaluation	€57 million
	Priority axis 2: Increasing efficiency of enterprises	
	Measure: Renewable energy – wind and solar	€55 million
	Measure: Energy efficiency and co-generation	€92 million
	Measure: Management of household and industrial waste	€28 million

The overview of priority axes and respective measures illustrate the policy choices that needed to be done given the limited budget available through the OPs. There were a number of trade-offs that needed to be made in terms of giving priority to some issues, while excluding others. For example, the National Environmental Strategy underlines air quality as a number one issue especially in urban areas and also pollution hot spots. Still, none of the

OPs include measures to address the problem of air pollution. The biggest focus is granted to measures linked to the implementation of the EU environmental *acquis* in the field of waste water, water resource management and waste management.

In the case of big infrastructure-focused OPs such as Environment and Transport, the priorities were also established to a large extent based on existing pipeline of projects rather than on a strategic long-term vision for public intervention. Managing authorities were requested to demonstrate that there is “readiness” to start the implementation of EU funds programmes by showing a “shovel ready” project pipeline. Some of these were identified during the pre-accession period (see chapter 5). However, this project-based approach which underpinned the pre-accession period, contradicts to the principle of “strategic approach” which should guide the 2007-2013 EU funds programmes. Such project pipeline is often applied at regional and local levels. For example, when the Municipal Development Plan for Varna was developed the local authorities published a call for proposals to put together a project pipeline in order to determine the scope of the Plan (Iliev pers.comm.). This means that the project pipeline informed the development of objectives and priorities instead of the other way around.

The next chapter provides more in-depth analysis of the different types of interventions planned for co-financing by EU funds and links them to different development pathways.

9.2 Analysis of measures

9.2.1 Development path analysis

The development path approach elaborated in the methodology chapter of this dissertation (chapter 4.2.4.4) is the analytical tool used to assess the different types interventions planned for financing by EU funds in Bulgaria between 2007 and 2013. The

funding allocations per each “category of expenditure” (see Annex 3) is taken from aggregated statistical data of Dg Regional Policy (DGRegio 2007). To summarize, EU funds interventions can be attributed to 6 different development paths as presented in Table 17.

Table 17. Types of interventions and development paths²⁹

Strategic approach	Development path	Type of interventions
Business as usual	A	Declining sustainability
	B	Environmental compliance and man-made capital / environmental infrastructures
Active environmental management	C	Risk management
	D	Clean-up, restoration, conservation and investment in natural capital
Pursuing environmental sustainability	E	Eco-efficiency
	D	Decoupling

Source: (IEEP et al. 2011)

The analysis shows that most EU funding is allocated to Development path E which pursues environmental sustainability through eco-efficiency. Approximately, €1,620 million is allocated for these types of measures as shown in Figure 2 which is 30% from the total funding available for Bulgaria³⁰ (Figure 3). Development path B (environmental compliance) and A (declining sustainability) receive €1,375 million (25%) and €1,234 million (23%) respectively. Development path B envisions measures linked to ensuring compliance with EU environmental legislation through the construction of man-made environmental infrastructure. Development path A entails measures which are likely to contribute to declining sustainability as these include different measures which could lead to loss of natural capital.

Development paths D which envisions activities to clean up pollution or actively invest into natural capital is allocated €417 million (8%) while development path F, which

²⁹ For more detailed description of the types of interventions, see chapter 4.2.4.4.

³⁰ Here, by total funding is meant the total EU funds allocated for categories of expenditure included in the DPA, but not the overall amount of EU funding available to Bulgaria, which would include a wider range of interventions (i.e. social ones as well).

includes activities that could potentially decouple economic activities from environmental pressures and facilitate behaviour change, receives approximately €706 million (13%). Development path C, pursuing the reduction of natural hazards and management of risks, scores the lowest with €36 million for risk prevention measures (1%).

Figure 10. EU funding by development path

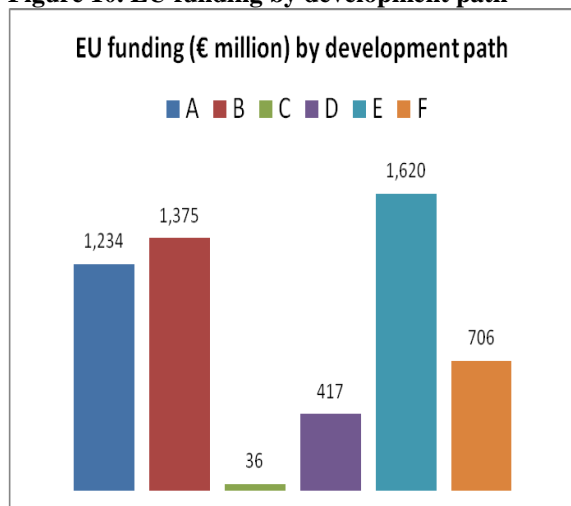
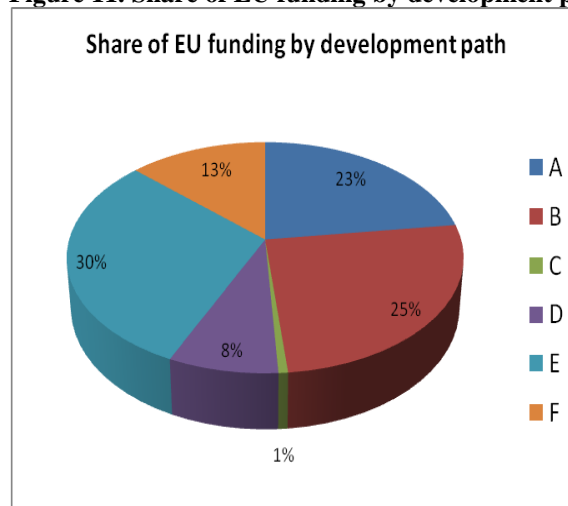


Figure 11. Share of EU funding by development path



Source: own calculations

EU funds allocations in **development path A** mostly entail the construction of road infrastructure, which means that there inevitably will be some trade-offs. The SEA of OP Transport states that there will be significant and direct negative impacts on the local environment including noise, air quality and will contribute to increased formation of smog. Other long-term medium negative impacts include impacts on climate change, trans-boundary pollution and resource use. Impacts on the land use and biodiversity are expected to be medium in their intensity while those on landscapes are expected to be irreversible. From economic and social point of view, however, the planned road investments are expected to have significant positive gains for traffic safety, accessibility and economic activity (ECO 2006). The environment-economy trade-offs of road investments under OP Transport are not discussed further in the SEA. Given the first-order priority given to road building in EU

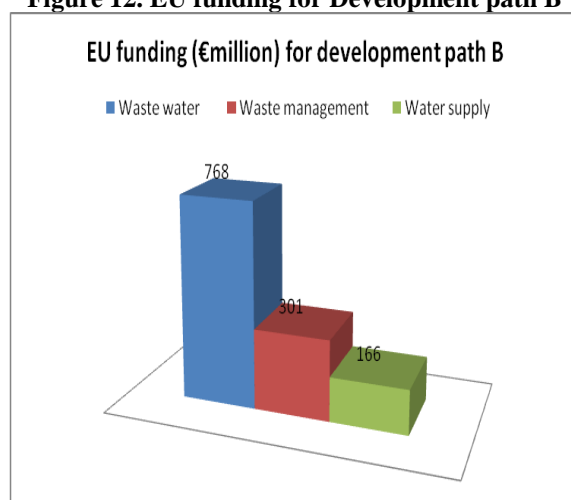
funds, the negative environmental impacts are considered as acceptable in the SEA as long as they are minimised and mitigated. Potential mitigation measures are proposed including an assessment of the landscape changes that a road construction can cause, the development of a plan for planting of trees along the road, the development of noise mitigation measures and the deployment of measures to prevent the contamination of water resources around the main routes. Furthermore, a General plan for monitoring of the environment and its implementation is being suggested as a potential tool during the implementation of OP Transport together with a plan for environmental management. None of the mitigation measures are reflected formally in text of the OP nor are environmental indicators included in the proposed indicator system of the OP. Only the General Plan is further integrated in the text of the OP and is envisioned to be prepared by 2010. By the time that this dissertation is being completed (April 2011), no such plan is yet developed.

The final text of OP Transport refers to the findings of the SEA but does not represent its findings very objectively. In fact, it states that the measures for road development under the OP will deliver triple ‘wins’ by ‘improving of transport access, reducing noise pollution level and environmental pollution, enhancing environmental friendly way of transport, improving quality of life and to creating better jobs’ (MTC 2007). This means that the trade-offs are not recognized and objectively discussed. It is declared though that environmental impact assessment will be carried out for each of the projects put forward for co-financing under the OP in order to assess more precisely the likely negative environmental impacts and propose mitigation measures.

Bulgaria has transposed EU environmental legislation (the so called ‘investment-heavy’ Directives related to water, wastewater and waste management) as part of its accession process. These require significant investments and the EU Cohesion Fund is designed to secure part of these investments. Therefore, it comes as no surprise that close to

one-fourth of the total EU funding in Bulgaria is allocated to activities under **Development path B** related to the construction of man-made environmental infrastructure such as water supply systems, waste water treatment plants and the management of industrial and household waste (see Figure 11).

Figure 12. EU funding for Development path B



Source: own calculations

With regard to the water sector, the Strategy for Management of Water Supply and Sewerage (CM 2004) sets out the following investment needs for the 2007-2013 period:

- rehabilitation of the water supply infrastructure in settlements – € 2.8 billion;
- building of new water sources and water supply infrastructure, including dams, drinking water treatment plants, water supply networks – € 1.1 billion;
- collection and treatment of waste water – € 2.9 billion;

This makes in total €6.8 billion, which is equal to the total EU funds allocated to Bulgaria for the entire 2007-2013 period for all measures. In comparison, priority axes 1 of the OP Environment dedicated to water measures allocates approximately €1 billion for water related projects. This on the one hand shows that there is a big discrepancy between the established investment needs for meeting water quality standards as prescribed by the EU water legislation and the available EU funds. While EU funds cannot cover the entire cost of projects, in countries like Bulgaria, they remain one of the main sources for such investments. On the other hand, it is questionable to what extent the calculations are realistic and if budgeting for large-scale technology-based projects are not artificially scaled up in their cost, subsequently inflating the scale of necessary investments. Importantly, there is no consideration of more cost-effective small-scale solutions could be realised at a lower cost. For example, eco-system based approaches could complement technical solutions to water purification in smaller cities while their cost will be significantly lower. Such options are not considered. Also, some of the incomplete ISPA projects appear on the project pipeline of the Cohesion Fund so there might be some additional funding available from pre-accession, which also need to be taken into account.

Highest allocations are planned for Development path E which pursues eco-efficiency. Figures 5 and 6 illustrates the types of measures and the amount EU funding allocated to each of them. It can be observed that more than 60 per cent of funding under development path E is allocated for the promotion of cleaner transport systems which entail railways, urban transport, intelligent systems and multi modal transport. It should be noted that all investments into rail are targeting high speed railways along the Trans-European Transport Network (TEN-T) (€464 million). Financial support targeting SMEs and industrial modernisation in view of more efficient production processes and improved quality standards get as much as 20 per cent of the total support under this path. Energy efficiency and renewable energy investments are largely underinvested together with softer measures linked to the re-skilling and training activities for workers in restructuring sectors (see Figures 12 and 13).

Figure 13. EU funding for Development path E

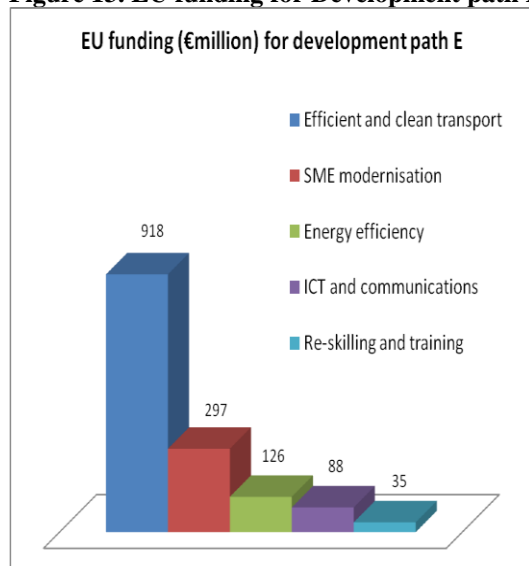
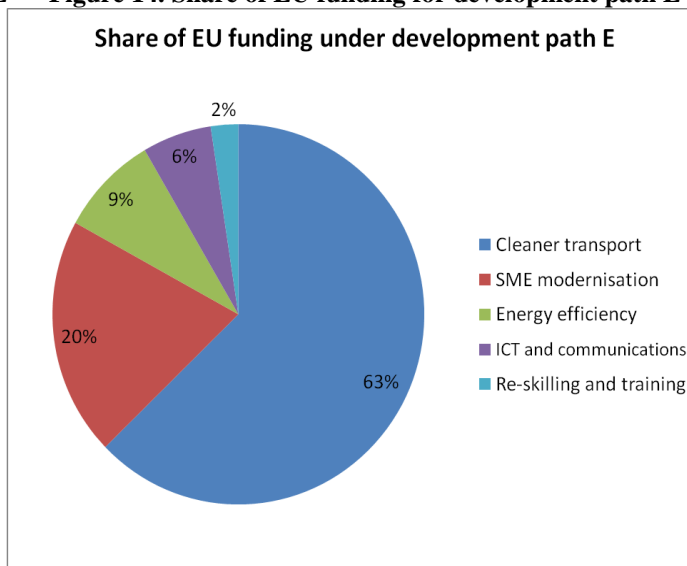


Figure 14. Share of EU funding for development path E



Source: own calculations

Development path C concerned with the management of natural hazards receives the lowest allocation of EU funds. OP Regional Development discusses that Bulgaria is particularly vulnerable to floods, fires and desertification which would require certain investments. €36 million are therefore allocated to activities for risk prevention mainly related to floods and fires. Broader issues linked to climate change adaptation are not discussed in other OPs in terms of the vulnerability of economic sectors and public infrastructure and hence no allocations are made in this regard.

9.2.1.1 Win-wins

The discussion of win-wins focuses on the interventions supported by EU funds in Bulgaria, which are likely to have positive co-benefits for and impacts on the environment and the economy. There is a growing body of literature which shows that investments in natural capital can generate important ancillary impacts on fostering competitiveness, creating jobs, ensuring energy security, minimising energy poverty, achieving policy objectives in a cost-effective manner (EC 2011b). Several examples are discussed in detail.

SME modernisation and innovation

Operational Programme Competitiveness (OPC) provides EU funding which is aimed to enhance knowledge- and innovation-based economy in Bulgaria by providing support for SMEs and research and development. As it was discussed earlier, the Bulgarian economy is the most inefficient one compared to the EU average and significant investments are necessary to address this issue. Therefore, the OPC is designed to provide EU funds for the modernisation of Bulgarian enterprises in order to improve the energy efficiency of products and production

processes, stimulate the development of clean technologies and ensure the compliance with international quality standards such as the Eco-management and audit scheme (EMAS). These positive impacts of the OPC are all recognised in the SEA which the OPC was subject to in 2006 (MEE 2007).

Table 18. “Win-wins” under OP Competitiveness

OP Competitiveness	EU funding
Priority axis 1: Knowledge-based economy and innovation	
Measure: Assistance to SMEs for the promotion of environmentally-friendly products and production processes	€23 million
Measure: Mechanisms for improving good policy and programme design, monitoring and evaluation	€57 million
Priority axis 2: Increasing efficiency of enterprises	
Measure: Renewable energy – wind and solar	€55 million
Measure: Energy efficiency and co-generation	€92 million
Measure: Management of household and industrial waste	€28 million
Total win-wins	€255 million

Source: OP Competitiveness

By June 2010, however, there are no calls for tenders concerning energy efficiency and renewable energy measures under Priority axis 2. According to the Indicative annual work programme of the OPC, the first call for tenders with regards to energy efficiency and renewable energy measures are planned to be announced in the third quarter of 2010. This means that between 2008 and 2010, which is a period of active implementation of the OPC, no measures concerning energy efficiency and renewable energy have been financed. This constitutes a significant delay in the implementation of these measures and implies considerably low absorption rate of EU funds for such win-win interventions.

According to the managing authority of the OPC the main reasons for the extremely slow implementation of the OPC in general and the energy efficiency and renewable energy measures in particular are as follows:

- The global financial and economic crisis that had negative impact on Bulgarian enterprises, which could not continue their contribution in the form of co-financing for EU funded projects;
- The significant administrative burden and complexity of the procedures related to the implementation of the OPC; and
- The general lack of capacity and preparedness of the Bulgaria business to apply for the available EU funding (Pers. communication with representative of state authorities).

At the beginning of 2010, the managing authorities have acknowledged the considerable delay in the implementation of these measures, and subsequently undertook a number of actions to address the identified implementation impediments. Correction measures included specific actions to simplify the application procedures and encourage beneficiaries to apply for funding and information campaigns targeting beneficiaries which aim is to inform them better and well in advance about the requirements of the application process. Furthermore, preliminary draft guidelines for application to upcoming calls for proposals within the OPC were published, costs attributed to consultancy services for the preparation of project proposals were made eligible for reimbursement under the OPC, and the Manual for application and project selection were revised in view of shortening the timeframe for project appraisal for the benefits of the beneficiaries.

Since the beginning of 2010, all these measures are considered to have a positive impact on speeding up the implementation of the OPC and improving its general absorption. However, given the unprecedented delay it is yet to be seen if the available funding could be absorbed by

2013. Unfortunately, this situation could potentially compromise the realisation of genuine win-win interventions linked to one of the most serious issue concerning the Bulgarian economy – its inefficiency.

Energy efficiency and renewable energy in public infrastructure

The building stock in Bulgaria is also highly inefficient. The share of the buildings' energy consumption in the country's final energy consumption is substantial – approximately 40% (23.5% of which is contributed by residential buildings). The housing stock is characterised by a high number of prefabricated panel residential buildings -more than 18,900 blocks of flats, located in 120 housing estates, constructed in the 1960s and 1980s, and very poor heat insulation. Potential for savings from heat energy are estimated at 35-40 per cent on the average (EnEffect 2008). Targetted investment for improved energy efficiency, therefore, could deliver important co-benefits e.g. lower energy bills, decreased energy consumption, decreased greenhouse gas emissions, etc.

In this respect these measures constitute a clear win-win with in the context of EU funds programmes. The integration of energy efficiency measures as part of the renovation works of publicly owned buildings including educational, social and cultural buildings is promoted under the OP Regional Development. Although primarily these projects are intended to address the aggravated condition of the public building stock, the inclusions of energy conservation measures such as energy audits, insulation of windows and doors, modernisation of heating systems, etc. are made conditional to receiving EU funding. This way, a number of projects considered as good practice have been realised in the in small municipalities across the entire country (EUFunds).

The OP Regional Development sets out interim and long term indicators for energy savings from refurbished savings at 44 400MWh by 2009 and 119 000MWh by 2015 as a result of the funded measures. However, there is no monitoring and reporting on the progress made in relation to these indicators yet. Civil society organisations report that often there is no quality control over projects while the practice has showed cases when insulation works were carried out with low quality materials, putting under question the actual outcome for improving the living conditions and energy saved (CCSUEUF 2010).

Sustainable transport

The biggest share of investments under development path E is dedicated to sustainable and efficient transport systems, predominantly the construction of railways and urban transport. These could constitute win-win measures as they could bring benefits for improved mobility and accessibility while being more environmentally friendly. OP Regional Development aims to achieve, through targeted investments in clean urban transport, an increase in the number of passengers using trolley, tram and underground transport (Sofia) with 30% by 2013. For this, indicative measures eligible under the OP include: development of traffic management plans and establishment of automated systems for traffic management and control; improvement of basic infrastructure access and affordability to the city bus stations; and renovation of the public transport infrastructure. The long term target would be to ensure 5% increase in the use of public transport services by the general population of the country by 2015.

Overall, public transport services and infrastructure is in poor condition requiring significant public investments which are not sufficiently supported in the current OPs. The railway services do not meet the requirements of the passengers, especially in terms of frequency

and duration of travels while the rolling stock is in poor technical and sanitary conditions. Further investment needs identified in the OP Regional Development note common problems with bus services and the lack of complex multi-modal service (bus – bus or bus – train). Privately run mini-bus inter- and intra-city services have become very popular to the public but they are not very environmentally friendly.

At the same time, the explicit focus on railways projects along the Trans-European Transport Network (TEN-T) is linked to addressing international passengers and freight transport, while no attention is given to developing inter-rail connections for passengers traffic across regions, for instance. Furthermore, any large scale transport infrastructure could potentially generate some *unintended losses* in terms of land use and habitat fragmentation. Nevertheless, in a country like Bulgaria where transport infrastructure remains number one development objective, railway infrastructure is an important alternative to road building, which is discussed further under win-loss interventions.

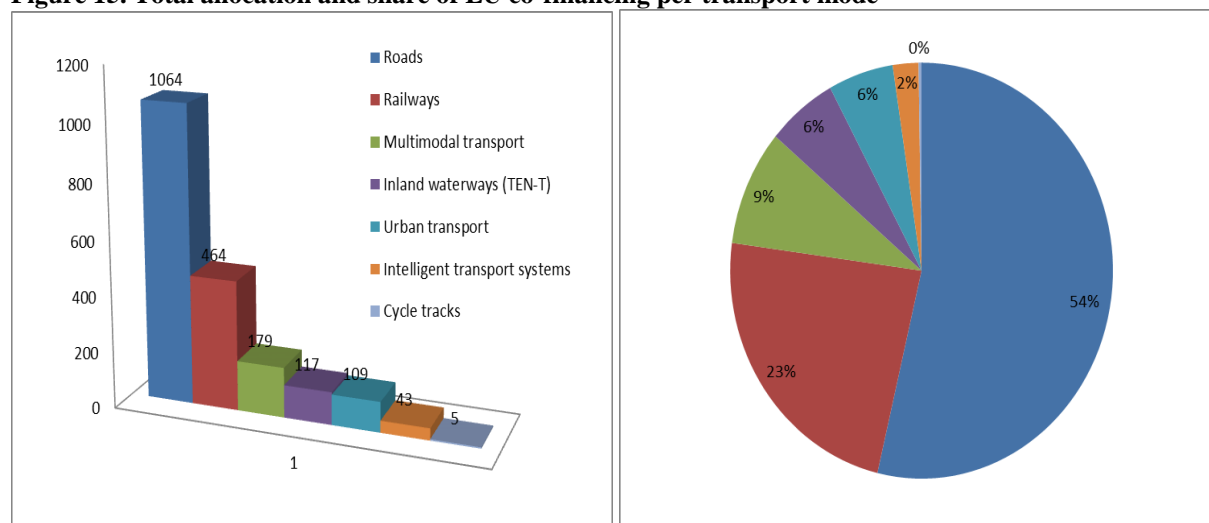
9.2.1.2 Win-losses

Road infrastructure

OP Transport is the Operational Programme with the largest budget of €2 billion in Bulgaria. The construction of road infrastructure with EU funds is declared to be a number one priority of the previous and current governments which is illuminated in the allocations of EU funds per transport mode in Figure 14 below. Although the OP states a number of times that the OP aims to ensure the balanced development of different types of transport modes, an explicit priority is given to road infrastructure. Funding support for road construction takes up to 54% of the total funding of the OPT (more than €1bn) and is two times more than the support for railways (€464). The development of multimodal transport on the other hand is translated into

support for one single project in the capital city, the Sofia metro development project (receiving €179).

Figure 15. Total allocation and share of EU co-financing per transport mode



Source: own calculations

As mentioned earlier, this priority is strongly linked to the planning of EU TEN-T corridors. This is made explicit also through the introduction of project selection criteria for the choice of major projects envisioned under the OPT, by giving most weight to the criterion linked to the access of the Bulgarian transport system to the European TEN-T network. In this sense, there is no discussion about the possible losses that can be generated by this mode of transport. On the contrary, the environmental analysis of the OP together with the SEA even attempt to justify these investments by arguing that the construction of motorways would lead to environmental wins by reducing air and noise pollution. However, there is no analysis of the potential impact on greenhouse gas emissions; no environmental indicators are foreseen to measure the impacts of the Programme and relevant major projects on the environment or GHG emissions. Furthermore, in the long-term the economic “win” might also become a “loss” due to

technological lock-in effects trapping bounding Bulgaria to carbon intensive infrastructure in the next few decades.

According to the interviewees, the Monitoring Committee of the OPT discussed the fact that the planned major projects for road construction did not foresee bypasses around major cities along the corridors. At the same time, there is not available national funding to construct such bypasses. It appears that key road projects would actually pass through the centers of cities meaning that they are unlikely to solve air and noise pollution problems and could instead aggravate the traffic. The issue of lack of funding for bypasses as part of major projects for road construction is considered by municipality stakeholders as one of the key omissions during the programming of OP Transport (Pers. communication with representative of local administration).

9.2.2 “Green” anti-crisis measures

Interestingly, as part of the EU-wide Economic Recovery Plan (CEC 2008b), amendments in the ERDF Regulation allowed the reallocation of funds with or without formal changes in the Operational Programmes in order to harness available funds into energy efficiency and renewable energy measures in housing . The introduced amendments were accompanied by a capacity building and awareness raising exercise by DG Regio, which together with their counterparts in DG Environment organised seminars for the geographical desk officers at DG Regio, which are responsible for the OPs in different countries. The aim was to educate them for the win-win opportunities and ancillary benefits that such investment could offer in a wider economic sense. The intention was that afterwards the geographical desk officers will contact the managing authorities in Member States and negotiate respective reallocations.

In the case of Bulgaria, the exercise was successful although again EU-driven. It was successful because while in 2004 energy efficiency in housing was not high priority in EU funds programmes, the awareness about such win-win measures increased especially among municipalities. As discussed previously, municipalities carried out changes in their Municipal Plans in order to include energy efficiency and renewable energy measures among the priority needs and hence – justify investments under OP Regional Development. There was a definite signal from ‘below’ that there is a demand for funding for such measures. Subsequently, Bulgaria was among the 14 Member States which reallocated EU funds for “green” anti-crisis measures which included energy improvements in social and public building housing (EC 2010a).

Reportedly, in 2009, €91 million from the tourism and urban development priority axes of the OP Regional Development were re-allocated towards energy efficiency measures in educational and municipal building stock (Bankwatch 2010). Further actions were undertaken to expand the financing options by exploiting the opportunities under the JESSICA instrument, which is designed to provide innovative financing means in the form of revolving funds for urban development. Although these reallocations do not change significantly the overall investment portfolio, they are important as they showed that there is already some “green” thinking underway at lower levels of governance. However, it is also evident that there was a significant push from above. The EU provided a “carrot” in the form of additional EU funding but also ensured a collaborative mechanism of persuading geographical EU officer who in turn made a strong case to the national managing authorities. This also showed that in the presence of an influential driving force, changes in investments could happen in the mid-term period of the

EU funds programmes which means that there is some flexibility throughout the seven year programming period.

9.3 Environmental project selection criteria

Applying environmental criteria in the project selection process is argued to constitute an effective way to promote more environmentally sounds projects (ENEA-REC 2009) and hence facilitate environmental policy integration at a programme level. The analysis found that some of the SEAs influenced the final texts of OPs which envisioned the application of specific environmental project selection criteria. For example, based on the SEA, OP Competitiveness states that specific project selection criteria will be developed to boost eco-innovation, ensure “upgrade of technologies” and “compliance with recognised international standards”, “energy saving technologies” and “introducing renewable energy sources” by granting more points to those considerations and that environmentally friendly projects can be financed preferentially (MEE 2007). Similar criteria are used under OP Regional Development for stimulating the incorporation of energy efficiency and renewable energy measure into public buildings renovation programmes as discussed in chapter 10.2.1. OP Regional Development further stipulates that environmentally friendly technologies, know how and water and energy saving technologies will be favoured through environmental project selection criteria applied across all financed measures.

OP Transport states that environmental project selection criterion will contribute 20% to the total score thereby stimulating the selection of more environmentally sound projects. It is however difficult to see how this is going to be applied in practice when all projects planned for financing are already indicated and majority of them favour road building. A representative of

the Ministry of Transport clarifies: *“Under the environmental criteria there are two considerations – 1) protection of the environment from pollution and 2) appropriation of land. This is very vague. If you read the OPT, one might think – yes, the environment is high on the agenda, it is regarded, etc. but if you read concretely about criteria and indicators – it is unclear how the environment is taken into account”* (Nigohosyan pers.comm.)

It is important to note in the discussion concerning project selection criteria, that sometimes criteria is set out in a way which could deter the implementation of an environmentally related projects. For example, measures for energy efficiency specifically for multi-apartment buildings require that only associations based on an agreement of all families are eligible for funding. This means that if families could not form an association, they cannot qualify for the funding. It appears that the inability of households to organise themselves in such associations constitute one of the barriers for the low uptake of funding for such measures (Bankwatch 2010). This means that ill-defined project selection criteria or minimum requirements in the application process might impede environmental integration in investment decisions. This particular example shows that if the criterion is set in a way that it does not correspond to common societal traditions, e.g. no existing traditions of households to form associations and act collectively, the investment programme is unlikely to be successful.

9.4 Implementation of environmental measures

According to the Bulgarian Strategic Report on Cohesion Policy, there is no substantial progress in the implementation of measures supported by EU funds in the field of environmental infrastructure between 2007 and September 2009 (MF 2009). Overall, the report shows that the implementation of all seven OPs is slow, however, the implementation of environmental

investments is particularly problematic. Government figures show that by 30 August 2010 project proposals with the total costs €2.7 billion (€2.3 billion EU co-financing) have been approved (34% of the total funding available for the whole programming period). However, project proposals approved is one way to track the implementation of OPs, whereas another indicator is to look into the actual payments, which appear to be much lower - €627 million have been paid in the form of advance (the Community contribution to this is €528 million), interim and final payments under the projects within the seven operational programmes. Therefore, the actual disbursement of funds is 7.9 per cent of the total allocations (EUFunds)

According to the Bulgarian Strategic Report published at the end of 2009, the implementation of interventions under the different Operational Programmes by September 2009 concerning measures under the different development paths are summarized in Table 19.

Table 19. Progress in implementation and EU funds' absorption, 2009

Operational programme	Rate of absorption per OP	Rate of absorption per priority axis
OP Transport	Contracts signed total €231.3 million	Two infrastructure projects have been approved: <ul style="list-style-type: none"> • Extension of the Metropolitan Sofia Project; and • Electrification and reconstruction of the Svilengrad-Turkish border railway line
OP Regional Development	Contracts signed total €287.4 million; Disbursements under the contracts signed amount to €19.4 million.	Priority Axis 1. Sustainable and Integrated Urban Development Sub-priority 1.1 in the field of educational, social and cultural infrastructure 62 contracts totalling €121.7 million grants have been signed with municipalities (these include measures for <i>energy efficiency</i>); Contract signed with Ministry of education for the renovation and <i>energy efficiency</i> of educational infrastructure amounting to €0.9 million; Sub-priority 1.4 have been signed 17 landslide fortification contracts with municipalities totalling €7.5 million are grants aimed at the fortification and stabilization of more than 30 <i>landslides and landslips</i> ; and Contracts have been signed with Ministry of Interior on <i>fire prevention</i> amounting to €7 million.
		Priority Axis 2. Regional and Local Accessibility

		29 contracts totaling €62 million grants have been signed aimed at the reconstruction and rehabilitation of over 310 km of municipal roads
		Priority Axis 4. Local Development and Cooperation Sub-priority 4.1, 58 contracts totaling €26.8 million have been signed – including introduction of energy efficiency measures
OP Environment	Overall, progress made concerns the technical parameters of interventions	<p>Priority Axis 1. Improvement and development of water and waste water infrastructure 157 contracts for granting financial aid within the procedure ‘Technical assistance for drafting investment projects’;</p> <p>29 contracts within the procedure ‘Improvement and development of <i>water and wastewater infrastructure</i>’ are under implementation; and Minister of Environment and Water has signed one order on the award of a grant within the procedure ‘Development of <i>river basin management</i>’</p> <p>Priority Axis 2. Improvement and development waste infrastructure 33 contracts for granting financial aid within the procedure ‘<i>Technical assistance</i> for drafting investment projects’ totalling €10.4 million are under implementation</p> <p>Priority Axis 3. Preservation and restoration of biodiversity Minister of Environment and Water has issued three orders on award of grants within the procedure ‘Development of the <i>NATURA 2000 Network</i>’;</p> <p>7 orders and 16 contracts signed for granting financial aid within the procedure ‘Preservation and restoration of the <i>biological diversity</i> of the Republic of Bulgaria’, to an aggregate amount of €23.3 million</p>
OP Competitiveness	726 contracts totalling €377.4 million grants signed Funds paid amount to €0.8 million	<p>Priority Axis 1. Development of Economy Based on Knowledge and Innovations 40 contracts signed of a total value of OP-provided co-financing amounting to €16.2 million</p> <p>Priority Axis 2. Enhancing the Efficiency of Enterprises and Development of Favourable Business Environment Concrete measures regarding improving the <i>energy efficiency</i> of enterprises however have not been announced yet. According to the indicative annual work programme of the OPE a call for tender would be launched for a first time in the third quarter of 2010.</p>

Source: Bulgarian Strategic Report on Cohesion Policy

To link the discussion back to the development pathway, Figures 15 and 16 also show the absorption of EU co-financing (both contracted and actually paid) per OP and per development pathway. Figure 15 shows that there is no significant progress to be reported for OP Environment at all. There is also a discrepancy between the rate of contracts signed and funds actually paid.

Figure 16 demonstrates that there is significant different between the amounts of contracts signed across the different development pathways. Furthermore, the rate of contracts signed is much lower than the initially allocated funding in 2007.

Figure 16. Absorption of EU funds per OP

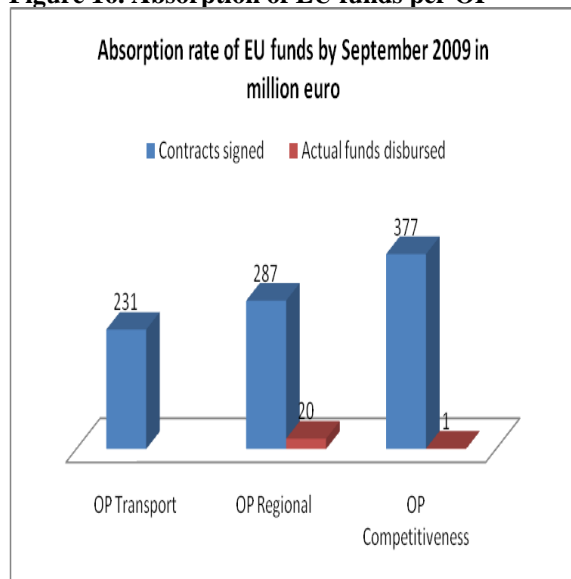
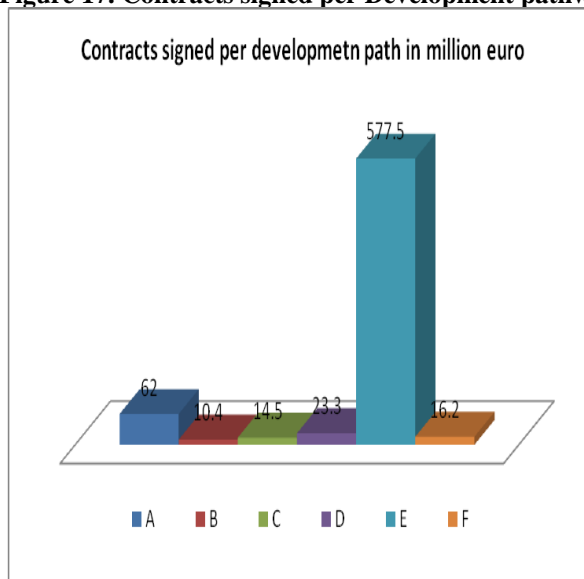


Figure 17. Contracts signed per Development pathway



Source: Bulgarian Strategic Report on Cohesion Policy

It should be noted that the high rate of absorption under development path E could be explained by the fact that the accounted measures include overall funding disbursed for housing and education infrastructure where the energy efficiency measures are only a small part of the renovation works. Therefore, from the available data it is difficult to discern the share of funding dedicated to energy efficiency measures within the total funding for overall renovation.

There are different main factors that can be attributed to the slow implementation and absorption rates of EU funds programmes. Some of the most commonly identified during the interviews and in other reports include:

- Late start of the OPs and inadequate accessibility and purposefulness of information on the possibilities for application under the individual OPs;
- Lack of means of beneficiaries to pre-finance projects;
- Lack of quality consulting services on the Bulgarian market;
- The involvement of additional procedures: expropriation of land (which sometimes could last 3-4 years), environmental impact assessments, archaeological studies and cost-benefit analysis (in the case of OP Transport for instance);
- In some of the Operational Programmes there were problems related to the great number of project proposals submitted, which required a longer period of time to evaluate them and/or to engage more evaluators compared to the initial expectations of the Managing Authorities; and
- Delay in the signing of contracts due to complicated administrative procedures.

Furthermore, it needs to be mentioned that the European Commission has repeatedly pointed at weaknesses in the Bulgarian EU funds audit and control systems and subsequently froze payments under OPs Transport in 2008 on the grounds of fraud and mismanagement (Stefanov et al. 2010).

A new issue was identified also during the interviews with representatives of the municipalities, which are the main beneficiaries of EU funds. They report that Managing Authorities, especially at middle and lower administrative levels, try to “reinsure” themselves against possible irregularities in projects documentation. They tend to introduce numerous bureaucratic procedures, for instance, requiring up to seven copies of the same document, which demands significant human- and time-resources from the beneficiaries.

The issue of slow implementation is critical from environmental integration perspective. While implementation deficits can be observed for all OPs, there are specific negative consequences for environmental investments. It means that Bulgaria is unable to absorb the allocated funding for environmental interventions and therefore a request for higher allocations in the post-2013 period might be difficult to make. On the other hand, delaying the implementation of EU environmental *acquis* can lead to infringement procedures for Bulgaria. The cost of inaction to address issues such as climate change adaptation and risk prevention, for instance, can lead to higher economic losses incurring in the future. According to some interviewees, due to slow implementation rates, it is very likely that in the next budgetary period after 2013, Bulgaria will retain the same priority interventions for constructing basic transport and environmental infrastructure, which fall largely under development path A and B instead of planning more innovative and synergetic investment mixes.

9.5 Environmental indicators

Indicators are important tools designed to monitor the progress of a programme or a project against a pre-defined target or an objective. Environmental indicators therefore can be a useful instrument for environmental policy integration in EU funds programmes if they are set out *ex-ante*, e.g. (during the SEA procedure) and are geared to concrete programme's objectives/targets. They can then be used for monitoring and reporting purposes during and after (*ex-post*) the implementation of a funding programme. A Commission guiding document on indicators specifies that minimum "core" indicators should be developed for each OP. They should be aggregated at EU level so to enable comparisons across Member States. Generally, indicators used in EU Funds programmes tend to be economic and social indicators, e.g. GDP growth or

jobs created, but sometimes include environmental ones as well. They also tend to be “output” indicators rather than “outcomes/result” indicators as arguably it is fairly difficult to establish a “clear causal relationship between a plan and programme and the (negative) effects, which are observed” (Barth and Fuder 2002). The Commission recommends that potential environmentally-related core indicators (EC 2006a) can include:

1) Renewable energy

- Number of projects promoting renewable energy
- Additional capacity of renewable energy production

2) Climate change

- Reduction greenhouse emissions (CO₂ and equivalents, kt)

3) Environment

- Additional population served by water projects
- Additional population served by waste water projects
- Number of waste projects
- Number of projects on improvement of air quality
- Area rehabilitated (km²)

4) Risk prevention

- Number of projects
- Number of people benefiting from flood protection measures
- Number of people benefiting from forest fire protection and other protection measures

These are of course of indicative nature and Member States are encouraged to develop their own indicators systems taking into account economic, social and environmental indicators.

The SEA which was performed for each of the OPs identified a set of environmental indicators, which to some extent influenced the final OP indicators. An overview of environmental indicators established in the NSRF and the 4 main Operational Programmes is presented in Table 20.

Table 20. Environmental indicators in the NSRF and OP in Bulgaria

Strategic/Operational document	Indicators
NSRF	<ul style="list-style-type: none"> Population connected to WWTP, target by 2013 – 66% of the population
OP Environment	<ul style="list-style-type: none"> Population connected to WWT plants Additional population served by WWT projects Number of new and rehabilitated WWT projects Population served by integrated waste treatment systems Number of integrated waste treatment systems % of total Natura2000 to be mapped/managed Number of mapped protected areas and zones N2K Number of N2K management plans
OP Transport	<ul style="list-style-type: none"> People using the metro Capacity of the metro system Length of metro line Modernised intermodal terminals Length of rail tracks for transport terminal General plan for monitoring the environment
OP Regional Development	<ul style="list-style-type: none"> Energy savings from refurbished buildings Reduced GHG emissions
OP Competitiveness	<ul style="list-style-type: none"> Share of energy from RES consumed by supported enterprises (Mid-term target – 5%; Long term target – 10%) Number of energy efficiency technologies/processes/solutions introduced in supported enterprises (Mid-term target – 55; Long term target – 250)

Source: NSRF and OPs

At a strategic level, only one environmental indicator is set out concerning treatment of wastewater. Logically, OP Environment contains the highest number of “environmental” indicators as it finances strictly environmental measures. The remaining non-environmental OPs contain few environmentally related indicators mainly in relation to sustainable transport and

energy, and GHG emissions. Output indicators are most commonly used whilst “impact / result” indicators are less popular (e.g. population served by integrated waste treatment systems). Environmental indicators are linked to specific quantified and time-bound targets only in the case of the NSRF and OP Competitiveness. This means that in the case of OP Environment, Transport and Regional development, it is unclear what the proposed indicators will be measured against and how progress/achievement of results will be accounted for.

Initially, the MRDPW wanted to establish a wider set of environmental indicators for OP Regional Development. However, under the “advisement” of the European Commission during the OP negotiations, the Managing Authorities settled for a smaller but manageable sub-set of ‘core’ indicators (Dimitrova 2007). Later, the MRDPW continued to explore potential environmental indicators in conjunction with the Rio Conventions project, under the auspices of which, a broader set of environmental indicators was developed in 2010 focusing on climate change, biodiversity preservation and desertification/land use in the context of broader regional development planning. These include:

1. Relative share of territories subject to anthropogenic impact (infrastructure, residential areas, industrial sites);
2. Share between forest, agricultural and urbanised territories;
3. Expenditures for long-term assets with ecological purpose;
4. Expenditures for long-term assets with ecological purpose per capita;
5. Share of territories with a high erosion risk;
6. GHG emissions (in CO₂ equivalent) per capita; and
7. Expenditure on energy efficiency and renewable energy sources.

Although this list is not the most comprehensive set of environmental indicators, they are a good starting point for expanding the indicators base for regional development. The focus on expenditure (indicators 3, 4 and 7) implies that they could be useful in the more specific context of EU funds programmes. Interestingly, the last indicators had to be slightly modified after some consultation with the Bulgarian Energy Efficiency Agency, which requested that the indicator is tailored to the needs for reporting towards the 20/20/20 targets of the EU climate and energy package and Europe 2020 Strategy. The indicator was consequently changed to “extent to which the EU 20/20/20 targets are met”. In relation to this, the Energy Efficiency Agency is currently in a process of establishing a monitoring system at the level of NUTS2 regions, which aims to provide a platform for data collection in support of the 7th indicator (Dimitrova pers.comm.).

It should be noted that there are certain issues related to development of environmental indicators in the context of EU funds programmes that need to be taken into account. For instance, in order environmental indicators to become an integral part of regional spending plans and programmes, targeted financial resources and technical guidance to the specific administrations will be required. The Rio Conventions project created awareness about the need for such monitoring/reporting tools and developed a set of environmental indicators geared to the specifics of regional policy. Yet, a comprehensive regulatory and implementing framework need to be established in order to operationalize them in practice. Questions related to how to make indicators part of a plan or a programme, what kind of reporting mechanisms are required, how and who to collect the data, bring us back to the discussion on how knowledge is harnessed to improve the performance and effectiveness of policy making. Another problem concerns the availability of technical data and methods for processing and analysing data particularly at regional and local levels. An indicator could be useful in the policy-making process and spur

learning and better planning, only if the data is available and usable. It has been recognised that while data is available regarding some environmental problems such as air quality, there is little data available for other environmental issues such as GHG emission for example (Zaharieva-Shopova n.a.).

10 Discussion of findings

This dissertation aims to explore the integration of environmental concerns into the EU funds programmes in Bulgaria as this is enshrined in the concept of environmental policy integration (EPI). An evaluation framework was developed based on a literature review of state of the play EPI (see chapter 3.5.5). The review focused on identifying factors for delivering EPI as a policy process and a policy output and distilled two sets of evaluation criteria – one procedural and one substantive respectively. The evaluation framework was then applied to the case of the programming and implementation process for EU funds between 2005 and 2010 in Bulgaria. The previous chapters therefore examined extensively the governing processes that underpin the integration of environmental concerns in the EU funds programmes by focusing on identifying both exogenous and endogenous drivers and barriers to EPI as a process and an output. They explored a number of different instruments for EPI that can enhance EPI at different stages of the policy process. They also determined the different development paths and associated “win-wins” and “trade-offs” that planned investments under OPs can generate in Bulgaria.

This chapter will reflect on the analysis of findings from the field research and engage in a discussion seeking to provide meaning to EPI in Bulgaria. The discussion will be aided by several theoretical perspectives as described in the analytical framework for this dissertation (see Chapter 3.5.5).

10.1 Europeanisation ‘push’ or ‘Brussels said’

It can be observed that in the case of integrating environmental concerns into the EU funds programming in Bulgaria, the role of the EU policy context exerts the strongest influence in the ways EPI manifests itself and delivers concrete policy outputs. This significant “push from above” usually is facilitated through the following mechanism:

- 1) ***Formal requirements for compliance*** with EU legislative obligations governing EU funds which incorporate a number of provisions for environmental integration but also through cross-compliance with EU environmental legislation (including both thematic (waste, waste water, biodiversity) and horizontal (SEA, EIA));
- 2) ***The allocation of significant share of EU funds*** towards environmental measures; and
- 3) ***Informal communication and negotiation processes*** between the European Commission and managing authorities (central government).

The first mechanism is linked to the *downloading* of EU policies into national policy systems as described in Europeanisation theories. In this sense, it resembles what Grabbe describes as Europeanisation effects through the provision of policy templates for the transposition and harmonisation with EU law (Grabbe 2002). For example, the EU funds Regulations need to be transposed directly into the national legal systems, which means that the respective environmental provisions (establishment of SD as a horizontal principle, targeting environmental measures, partnership with environmental organisations) become part of the legally binding requirements of the national regulatory framework governing EU funds in Bulgaria. At the same time, there are legally binding requirements, which require that all EU funds programmes and projects must be in line with the EU environmental *acquis*. These include environmental objectives and principles (polluters pays for example) enshrined in the Lisbon Treaty, thematic

legislation in the field of waste, waste water, water, biodiversity, etc. but also with horizontal legislation such as the SEA and EIA Directives. This form of cross-compliance with the SEA and EIA Directive facilitated also the introduction of other EPI instruments such as compulsory assessment procedures at the level of EU programmes (SEA) and projects (EIA) and also the related consultation procedures with interested stakeholders.

The second mechanism is also linked to the typology developed by Grabbe, which suggests that Europeanisation effects can be found through the transfer of financial means. This is in fact easily validated in this dissertation given that its subject is EU Cohesion Policy and its funding instruments. In this sense, not only environmental objectives could be integrated into the policy formulation and spending programmes respectively, but the funds themselves become drivers for environmental integration and change. EU funds allocated for a diverse range of environmental and environmentally-related interventions take up considerable share of the total EU funds allocations in Bulgaria, which means that overall environmental investments scored relatively high in the EU funds investment portfolio. A more in-depth analysis of the types of interventions showed however that the high share of environmental investments is strongly motivated by the investment needs arising from the implementation of the so called “investment heavy” Directives, which Bulgaria has legal obligations to comply with within fairly short deadlines, and comprise of a number of large scale technology based projects for basic environmental infrastructure in the field of waste water treatment and waste management. Other environmental measures, which were linked to local and regional investment needs (air pollution for example) or to contemporary environmental challenges such as climate change received much lower financial support. Investing in smart green solutions in energy and transport systems, or improving the productivity and resource efficiency of the Bulgarian economy were not that

popular either. The millions of euro dedicated to technical assistance were rarely used for technical support in terms of enhancing the environment in sectoral investments or for supporting studies designed to improve environmental integration. Therefore, it could be argued that while EU funds acted clearly as a key funding instrument to help Bulgaria implement the EU environmental *acquis* and avoid potential infringements, deeper integration towards eco-efficiency and sustainability development pathways was not achieved.

A third mechanism emerges from the field research perhaps as the strongest driver for EPI in the EU funds programmes in Bulgaria, which in some ways reinforced also the previous two - the formal negotiations and informal communication between the European Commission and the managing authorities in charge of the programming process. Although EU funds operated under the shared management principle meaning that managing authorities are the ones to set out the objectives, priorities and investments for EU funds programmes, what “Brussels said” appears to have influenced heavily the process of priority-setting, the share of funds allocated to the environment, the application and incorporation of the SEA findings into the EU funds programmes, the partnerships established particularly with environmental NGOs. Given that Bulgaria was still an accession country when the EU funds programming was taking place, the power relations between the EU and Bulgaria were rather asymmetric which provided a large margin of manoeuvring for the European Commission in terms of demanding provisions for environmental integration, for instance it has been requested that Bulgaria develops a National Sustainable Development Strategy to frame the programming process for EU funds. It should be noted of course, that often the ambition in these demands depended on the personal willingness to enhance environmental considerations of the negotiating officer from the European Commission. However, it appears that there was a set of minimum requirements that every

negotiating officer was trying to coerce the Bulgarian authorities to accept and apply to the EU funds programmes. Since the EU funds programmes had to be approved by the European Commission, it provided sufficient leverage to shape the negotiations into a one-directional down-stream process.

Nevertheless, it should be noted that this top-down pressure from the European Commission was not always necessarily to the benefit of environmental integration. For example, the Lisbon agenda for growth and jobs was extremely influential during the programming period and was a driving force for earmarking significant amounts of funds for competitiveness measures and traditional industry, transport and energy infrastructures. Although Bulgaria was officially excluded from the obligation to earmark 60% of its EU funds to Lisbon related measures, the Bulgarian negotiators at that time voluntarily committed large share of the funds for measures which were in line with the Union's strategic objectives for growth and jobs but were not necessarily favourable to the environment and the carbon footprint of the country. EU funds are also strongly promoting investments in support of the EU TEN-T network which is focused on the construction of new large scale transport infrastructure networks which gave an impetus to the Bulgarian administration to prioritise the construction of new transport facilities, mainly roads, as the number one priority in the use of EU funds in Bulgaria. This in some ways leads to a slightly different discussion, one related to competing policy goals and policy coherence at EU level, which might appear as a critical deterring factor for EPI in investment policies such as the EU Cohesion Policy.

Furthermore, it appears that this top-down policy transfer coupled with the requirements posed during the negotiations delivered partially an EPI agenda. On paper Operational Programmes are written so that they address horizontal issues such as sustainable development,

they often have some sort of reference to environmental protection, they all claim that the SEA findings were integrated and reflected in the final versions of the programmes, they all consulted extensively the public and engaged with NGOs. In practice however, a lot of this “compliance on paper” with environmental integration provisions is easily challenged as illuminated by the field research. Importantly, while EU based initiatives promoting EPI give guidance and structure, they may not create sufficient substance regarding the meaning of EPI at the national level. This proposition bears significant importance in terms of EPI having in mind the rigid administrative culture and little experience first with horizontal objectives like EPI and second with funding mechanisms like EU funds in CEE countries. An emerging question is the extent to which this top-down approach is effective at promoting and essentially implementing EPI. Even if EU funds were programmed within the frame of a strictly orchestrated process by skilful and experienced negotiators at EU level, the success of EPI will mostly depend of what follows afterwards on the ground, of if substance follows the procedure (Lenschow 2002a).

This process, while providing guidance and structure for formulating EPI, fails to nourish an administrative culture capable of comprehending, in its own right, the benefits of integrated policies and the necessary administrative capacity to put forward innovative alternatives and progressive solutions. For instance, the understanding of sectoral administration for EPI is limited to following formal procedures and applying policy instruments rather than changing the underlying rationale for EU funds programmes and engaging proactively in the integration of environmental concerns into the entire policy cycle. For example, the introduced new policy instruments suffered poor implementation and rarely informed the planning process. Also, lack of capacity and knowledge how to make use of the funds once they are allocated and put forward meaningful projects is another symptom of the problem. Therefore, since efforts to build EPI are

mainly pushed by the EU accession and early membership processes, it is often perceived as “interference” in domestic policy-making due to internal or domestic resistance woven into the fabric of bureaucratic and administrative culture. Essentially, no ownership of the EPI process was created domestically, which is a critical precondition to a successful environmental integration. It validates previous propositions that such a top-down “policy transfer” appears to be incomplete as policies “suffer from technical deficiencies, lack of political support, implementation and enforcement obstacles” (Ürge-Vorsatz et al. 2004).

The analysis of findings points at the characteristic and the nature of the bureaucratic political system as one of main impediments for achieving a genuine environmental integration in the EU funds programming in Bulgaria. The particularities of the domestic politics and their implications for EPI as a policy process and an output are discussed more in details in the next section.

10.2 Domestic bureaucratic politics

The analysis in the previous chapters identified a set of barriers and challenges for EPI as a policy process and an output, which are all linked to the particularities of the domestic bureaucratic system, which carry some left-overs from previous regimes in terms of routines, sectoralisation and political pressures on the policy formulation. The decision-making styles therefore are often a reflection of the structure of policy actors, their norms, values and bargaining power. The policy-making rules, practices and routines attributed to “old” ways the government operated were additionally challenged by the transfer of novel practices, instruments and policy-making styles from the EU, which are associated with the “turn” to “new” modes of

governance, which presuppose inclusive and participatory policy-making and the application of new policy instruments³¹ as discussed in the previous section.

EPI was largely challenged by the domestic politics of the Bulgarian context firstly and mostly because EU funds are extremely politically charged topic. Public spending in Bulgaria is heavily driven by EU funds, which leverage the scarce national public financing and most of the loans through international financial institutions. Therefore, the political interest towards the funds had a considerable impact on the constellation of actors involved in the process but also on the power relations and intensity of their interactions. Evidence was found that politics often played a role in the distribution of decision-making power in establishing EU funds management structures. Political appointments and firings are a common practice.

At an administrative level decisions are often dealt with in closed networks that depend on political party affiliation but also on interpersonal relations in which "like" and "trust" form the basis for inclusion in the network. Furthermore, the planning process was rather opaque and uncoordinated, intentionally concentrating power at the centre where priorities and objectives were determined and then transferred downstream to districts and regions (in the case of OP Regional Development). In the case of strictly sectoral programmes, municipalities also played a rather marginal role. The Ministry of Environment and Water remained fairly weak with their main concern often being the total budget which they will manage rather than taking a proactive role for environmental integration across programmes.

For environmental groups, EU funds also created a crisis of identity. They had to choose between receiving funds for environmental projects (OP Environment envisioned funding for environmental NGOs for projects in the field of nature conservation) or being critically involved

³¹ Jordan, check

in the planning and monitoring of the EU funds programmes. They could either be the good cop or the bad cop but never both. The perceptions of the sectoral administration towards environmental NGOs were rarely positive and involved them in certain structures to the extent they were in compliance with the established rules but never considered them as an equal partner in the policy-making process. At the same time, the capacity of environmental NGOs was often challenged, constrained by limited human and financial resources to support their participation in official institutional arrangements. Lack of expertise in certain domains such as regional development and competitiveness further prevented them from actively engaging in the respective processes. They did however often acted as a driver for EPI by seeking informal channels of influence through lobbying or “bypassing” national authorities and reporting to EU institutions concerns over lack of environmental integration and implementation on the ground.

The analysis of findings further points at a lack of political commitment and strategic vision towards integrating environmental objectives in other public sectors. Bulgaria is the only Member State of the EU which does not have a Sustainable Development Strategy and hence there is no strategic vision for EPI. As a consequence environmental objectives fail to become broad societal objectives, and are simply “added” to sectoral objectives (Antypas et al. 2004). One reasons for this is that EU funds programmes were developed in highly centralised fashion where sectoral interests and preferences tend to be dominant to the agenda. At the same time, sectoral administrations traditionally lack of understanding of the benefits of integrated policies and the importance of early consideration of environmental concerns in other public policies. Most importantly, they also appear not to be interested in enhancing knowledge in this direction as this is somebody else’s responsibility. Although this is not a problem occurring only in Bulgaria, it is an important impediment for EPI. According to Nilsson and Persson (2003) if “the

responsibility for a policy initiative lies with the sector actors, the opportunity for EPI seems stronger than if the initiative lies with environmental actors,” which requires strong political commitment and ownership to the integration agenda by the sectoral policy makers (Lenschow 2002).

10.3 Knowledge and capacity deficits

Besides the domestic political context that appears restrictive to the EPI agenda, there are issues of capacity which should also be taken into account. The pre-accession funds targeting administrative capacity appear to have been insufficient to prepare the public administration of the scope and scale of reforms stemming from the EU membership not only in terms of the transposition of EU *acquis* but also the establishment of the necessary institutional structures and associated administrative capacities at all levels of governance for the proper implementing of this legislation. Many of the procedures and requirements embedded in the EU funds regulations put significant pressure onto the relatively young administration which was insufficiently prepared for the programming process. Furthermore, there are little traditions and culture for common public management practices such as planning, reporting and evaluation. Basically, many of the new management requirements that came along with EU funds in Bulgaria could not capitalize on any domestic experience or practice but had to start from square one. This is fully valid also for the application of instruments and mechanisms for environmental integration such as SEA, environmental indicators, reporting, etc. Moreover, most of these procedures had to be done in fairly short timeframes which posed additional challenges to their effective implementation.

Linked to the issue of administrative capacity is also another obstacle identified for EPI in the EU funds programmes in Bulgaria. This relates to the poor knowledge management with regard to the environment. Evidence in support of this proposition can be found at strategic level of planning in Bulgaria but also at more operational level of administrative management of technical assistance and knowledge production projects. At a strategic level for instance, planning in Bulgaria often follows general paradigms enshrined in strategic EU policy documents such as the Lisbon Strategy for growth and jobs or the Community Strategic Guidelines for Cohesion. For example, the construction of large-scale transport infrastructure is strongly promoted as a means to achieve European integration, economic development and connectivity. Such conceptions appear appealing to the Bulgarian politicians as large infrastructure projects are visible and can reap high political dividends; they are appealing to the Bulgarian administrators who are familiar with building them and most likely have a couple of “shovel-ready” projects in the drawer from the 80s. Easily, building transport networks becomes the main political motto and therefore first order priority for the utilization of EU funds in Bulgaria. Recent studies question this politically “high-jacked” conception by arguing that building basic infrastructure is one of the pre-conditions but is not sufficient on its own to deliver regional development (OECD 2002a). Instead, investments in infrastructure should be based on rigorous needs assessments and traffic forecasts and most importantly should be coupled with investments in human development, innovation, education etc. as part of an overall integrated development strategy. There is no research to inform the decision-making on EU funds programmes and no strategic studies to provide insights on the development pathways suited and needed in Bulgaria. The lack of a national development plan to inform such balanced investment

portfolio also contributed to further fragmentation and sectoralisation in priorities and gave priorities to easy political choices.

At a more operational level, there is no system of generating and actually incorporating new knowledge into the everyday decision-making processes underpinning the EU funds programmes. The lessons learnt from the pre-accession process were to some extent transferred into the structural funds, however, they were inherently based on different principles (the pre-accession required the application of projects, while the structural funds require a complex system of strategic planning with its attributes). A number of twinning projects for exchange of knowledge and good practices took place, however, they often concerned general EU funds project management issues rather than knowledge and skills targeting the enhancement of the environment under sectoral programmes and projects. Furthermore, even if some officials were specifically trained they were unlikely to remain after a few years in the public sphere or they were made redundant due to political reasons. There is often mistrust in externally delivered knowledge in the form of consultancies and technical assistance, which further deters the use of knowledge for the policy-making. Progressive initiatives such as the Rio Conventions project remain limited in their impact on the decision-making process and its deliverables are likely to be used only within the institution that commissioned and paid for the project. Ultimately, the lack of knowledge, ideas and entrepreneurship for environmental and “win-win” actions at lower administrative level – municipalities, which are the main beneficiary – lead to a more significant barrier EPI, which is the inability to put forward meaningful projects and utilized the available funding. As a result, initially allocated funds for environmental measures might end of underutilized and ultimately reallocated to other measures.

10.4 New policy instruments and institutional innovation

Despite the fact that there are significant barriers to attaining EPI in the context of EU funds programmes in Bulgaria as discussed in the previous chapters, the research findings suggest that the “push” for environmental integration from above facilitated some sort of “instrumental” environmental integration. Most importantly, if there was no exogenous pressure on adapting policies, rules and institutions to better accommodate environmental requirement and investments, it is unlikely that a purely domestically driven policy process would have delivered the extent of environmental integration which could be observed currently in the EU funds programmes. For example, most prominently EU funds programmes were the first ever investment programmes to undergo strategic environmental assessments (SEA) as this is required under the SEA Directive. The field research therefore undertook an in-depth investigation of the application, quality, effectiveness and usefulness of the SEA as an integration instrument in EU funds programmes. The SEA was explicitly requested by the European Commission in the context of the programmes. National authorities struggled to deliver within the tight deadlines but also suffered from a lack of experience in such procedures. Despite the fact that the application of the SEA faced many challenges and produced significant shortcomings, managing authorities are starting to recognise this procedural instrument as a key tool for environmental integration and are convinced that considerable knowledge and experience has been gained, which will be effectively utilised in the next round of EU fund programmes post-2013. In fact, the 2007-2013 EU funds programmes helped to institutionalise the application of SEA as required by the national SEA Regulation adopted in 2004.

Attributable also to the role of EU is the establishment of novel institutional mechanisms which in part were intended to facilitate policy coordination and integration (e.g. EU Funds

regulations required the establishment of inter-institutional coordination mechanisms based on the partnership principle where environmental authorities and NGOs are supposedly key actors). It should be noted that the practice of establishing inter-institutional working groups has been gaining some prominence prior to the EU funds programming. The EU funds programmes enhanced such institutional mechanisms with regard to ensuring the participation of regional partners and environmental organisations. However, the success of such institutional mechanisms is inherent not to their establishment but to their effective functioning. The latter, however, in the case of EU funds programmes in Bulgaria was to a large extent challenged by domestic politics, asymmetric information flows and power relations among horizontal actors. While the Ministry of Environment and Water was a member of all these new structures, its role was often limited to ensuring there are not overlaps between environmental investments planned under different programmes rather than acting as a leader for deeper integration. Environmental NGOs at the same time were not always perceived well especially if being critical therefore environmental NGOs often sought other informal channels of influence and pressure (e.g. reporting directly to the European Commission in case of legal or procedural violations, “blaming and shaming” in published reports). The Europeanisation effects on the general style of policy-making and horizontal coordination mechanism have been weaker as there are no legally binding ways to ensure control over their implementation. Essentially, such a top-down approach to transferring EPI and its toolbox could be conducive to advancing integration to some extent but only in the short run. It is not likely to deliver a genuine integration agenda and spur learning unless it is substantiated with strengthened capacity, bottom-up initiatives and domestically driven and politically motivated reforms in rule- and policy-making.

EPI was found to be enhanced through environmental projects selection criteria in non-environmental programmes, e.g. EE/RES in housing. This is considered an important tool to enhance environmental considerations by favouring more environmentally sound projects within the scoring and selection procedure. The practice is still in maturation. The use of environmental indicators, as tools to strengthen EPI during monitoring and reporting, is also somewhat fragmented. Although the SEAs distilled a number of environmental indicators, some of which were taken up in the OPs, it is unclear if these will underpin effective monitoring and reporting at this point of time. The current challenge is linked to the requirement for SEA reporting of OPs, which is being delayed indefinitely due to lack of knowledge how to actually do it. Appropriate environmental indicators system are yet to become a growing concern given the call for improving performance and result-orientation of future EU funding and therefore should be one of the key issues on the reform agenda of the future EU funds.

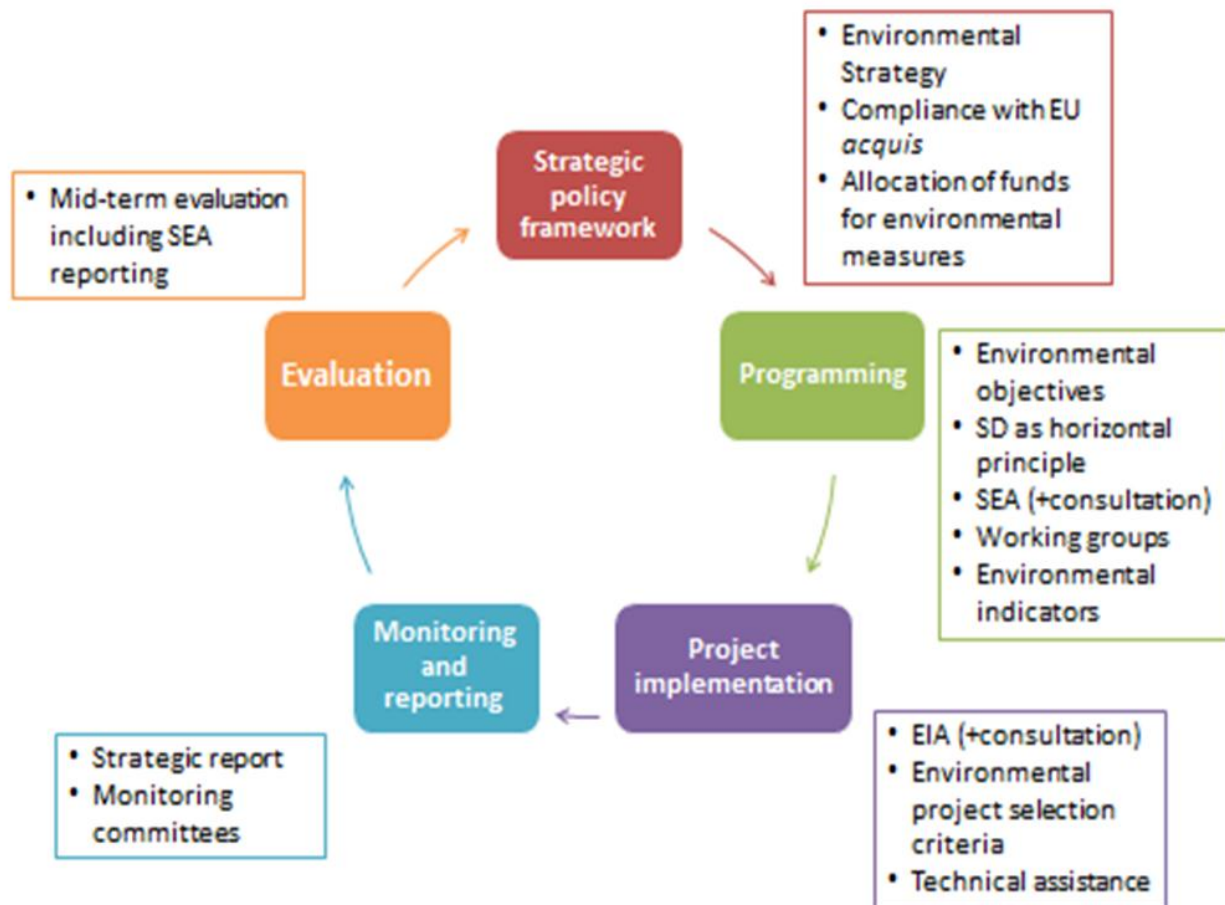
The overall repertoire of integration tools and instruments in the context of EU funds programmes in Bulgaria however can be assessed as fairly limited compared to growing experience and good practices developed in this respect in other countries. There is growing evidence that Member States and regions have developed on their own terms a number of procedural instruments (e.g. carbon accounting tools, green public procurement, evaluation techniques, project selection scoring systems, etc.) and institutional mechanisms (e.g. sustainability managers, advisory councils, etc.) that have enhanced the integration of environmental and climate change objectives under structural funds programmes (ENEA-REC 2009; Medarova-Bergstrom et al. 2011). Although such instruments usually entail additional administrative costs, their benefits are likely to outweigh the costs on the long-term. Importantly, as governance innovations of this sort are critical for EPI, they will require targeted investment in adaptive

management capacities to take up on such instruments and modify them to the national/regional circumstances in Bulgaria. This is perhaps one of the areas that will require significant attention in the post-2013 programming in Bulgaria if environmental integration and the pursuit of the green economy are to be ensured on the long-term.

Figure 18 demonstrates that there are a number of instruments available at each stage of the programme cycle, which are in position to deliver EPI to some extent. These can be strategic, procedural and organizational (Jacob *et al.* 2008) and a mix of them was found at each stage. Most of them were introduced by the EU funds Regulations or through the transposition of the general EU environmental *acquis* in Bulgaria (SD as horizontal principle, monitoring committees, SEA, etc.). Few of them were already part of the policy framework in Bulgaria, such as the National environmental strategy or the working groups. It also shows that at the earlier stages of the policy cycle there are more instruments available, while towards later stages, there are fewer instruments available. One reason for this could be linked to the Europeanisation effects on the specific context of the EU funds programmes. Policy transfers can occur at the programme stages where the European Commission has competence to interfere such as strategic policy framework, programming and projects implementation, hence the higher number of instruments found. At the same time, no EU competences at later stages of the programme cycle, the fewer the instruments. Most importantly, as discussed earlier however, the fact that these instruments were established along the programme cycle does not necessarily mean that they have delivered integration as their implementation was often rather poor in practice. In any case, the policy cycle approach could be used for further elaborating the instruments mix in the post 2013 period. It will also be interesting to see which instruments and their mixes are conducive to the different development pathways of investment options. The scope of this dissertation

however cannot answer these additional questions, therefore they could constitute important questions for future research.

Figure 18. Policy instruments and institutional mechanisms for EPI along the programme-cycle



10.5 A mix of investment pathways

Besides the identification of factors and instruments for EPI, this dissertation also applied the development path analysis to examine the allocation of EU funds for investments that can facilitate “win-wins” and “trade-offs” for the environment and the economy. The analysis showed that majority of EU funds is allocated to development paths A (declining sustainability),

B (compliance with EU environmental legislation) and also E (eco-efficiency). EU funds for eco-efficiency (Development path E) entailed mainly investment in railways and public transport and to a lesser extent to energy efficiency and SME modernisation; compliance with EU legislation (development path B) mainly regarded investments related to obligations stemming from the EU environmental legislation in the field of waste water, water and waste management; declining sustainability (development path A) receives the third biggest share of EU funds by supporting mainly the development of road transport which can pose adverse impact on the environment and climate change. EU funds allocations for road building are two times higher than the allocation of EU funds for more environmentally friendly modes of transport. This means that based on the amount of EU funds allocated the construction of roads is the biggest priority not only in OP Transport but overall for EU funds in Bulgaria (road building receives 1/7 or 14% of the total EU funds allocations in Bulgaria for 2007-2013). Investments in road building are presumably a “win-loss” intervention from the perspective of EPI. However, developing transport infrastructure in general and road building in particular are considered by the government as a key investment to foster economic growth. Therefore, there is no discussion nor recognition of the potential trade-offs they pose on the environment and technological lock-in effect on the long-term.

Operational Programmes at the same time envision the implementation of a number of important “win-win” measures for example energy efficiency in housing and eco-innovation in SMEs, which can bring important co-benefits for the environment, energy poverty and competitiveness. Such measures receive fairly low amount of EU funding regardless of the co-benefits deliver. Moreover, these co-benefits are currently not indicated clearly in EU funds programmes. Such win-win opportunities need to be accounted for as contributing to the

objectives for economic and social cohesion but also communicated clearly to potential beneficiaries at lower levels of governance. These are still low hanging fruits and there are further opportunities that have been missed or underfinanced for example investing in climate change adaptation, green infrastructure and ecosystem services, wider integrated programmes for sustainable regional/urban development (i.e. interventions that can be attributed to development paths C, D and F). Investments in basic environmental infrastructure can also be improved by considering eco-system based approaches for solving water purification problems instead of large-scale technology-based facilities where this is feasible or enhancing more sustainable options such as prevention, reuse and recycling instead of constructing landfills.

A considerable issue in the actual implementation of environmental measures is the low capacity of various actors to make good use of the available funds. As a result the absorption of EU funds is extremely low. There are two implications of this – it is difficult to demand higher EU funds allocations for environmental and win-win measures for the future post-2013 period given the inability to absorb what is currently available. Second, non-compliance with EU environmental *acquis* means possible infringement procedures. For example, the transitional periods for the implementation of the EU Urban Waste Water Framework Directive 91/271/EEC include interim targets for the compliance with articles 3, 4 and 5(2) laying down provisions for collecting system for wastewater for agglomerations with more than 10,000 p.e. by December 2010.³² At the same time, other environmental issues simply require urgent actions (e.g. climate change and related problems with desertification and flooding). Therefore, the post-2013 EU funds programmes in Bulgaria will require a different mix of investment pathways in order to be

³² Transitional periods and interim targets for the implementation of UWWTD in EU-10 and EU-2 can be found on the web pages of DG Environment of the European Commission, http://ec.europa.eu/environment/water/water-urbanwaste/legislation/pdf/transitional_periods_eu10_eu2.pdf

aligned to changing political priorities of the EU and at the same time responding to emerging challenges on the ground.

10.6 Summary

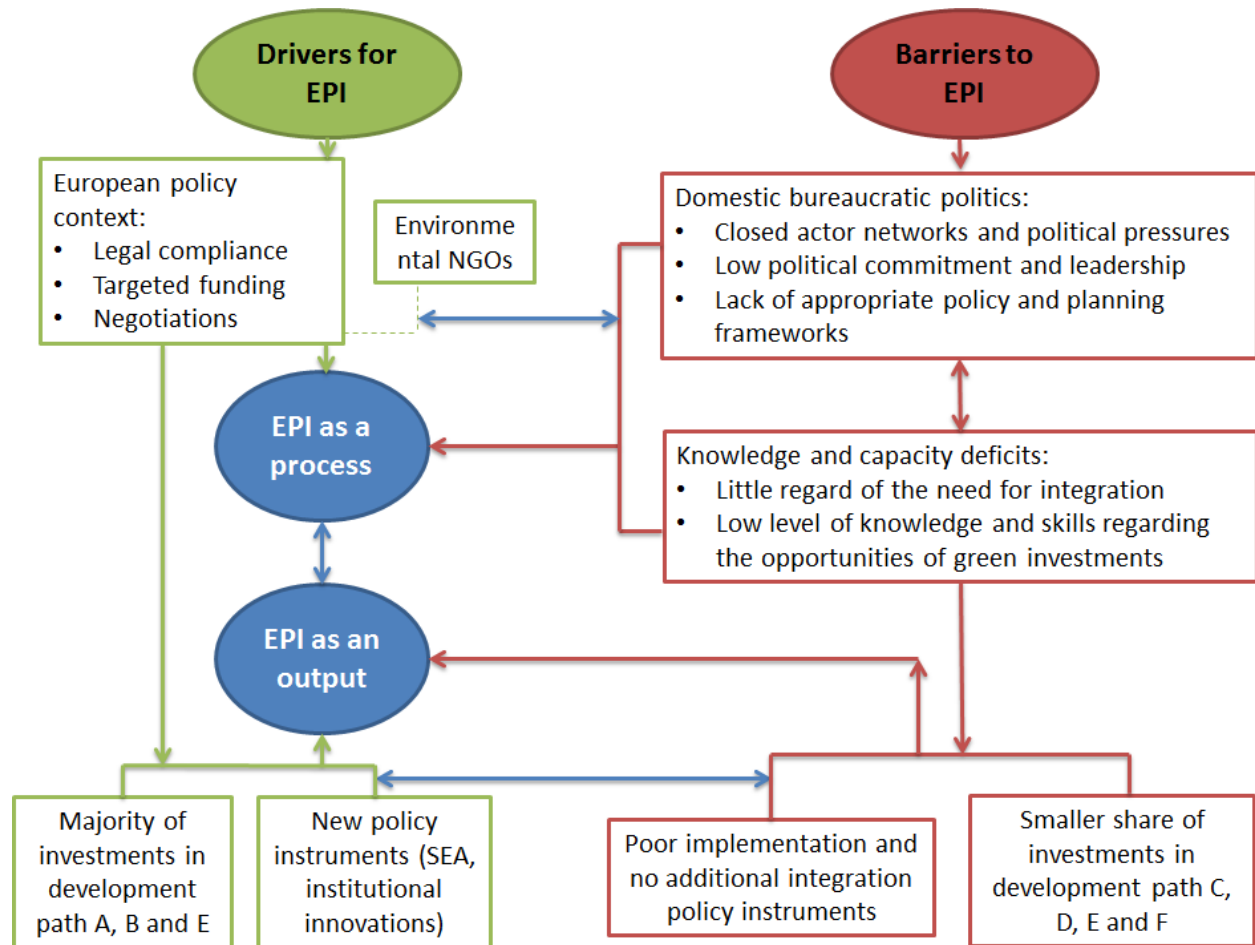
In summary, the in-depth investigation of the drivers and barriers for environmental policy integration (EPI) in the context of the EU Funds programming in Bulgaria showed some mixed results. The European policy context of accession and early membership appears to be the single most significant driver for environmental policy integration through a top-down policy and funding transfers as well as the negotiation process between the European Commission and governmental officials. One can argue also that EU funds and the opportunities they provide themselves could be seen as drivers for “win-win” actions in OPs. Looking at EPI as an output, the European policy context also brought the introduction and institutionalisation of novel policy instruments (e.g. SEA) which have been identified by officials as the key tool for environmental integration in EU funds programmes. Furthermore, a number of institutional innovations could also be identified as potentially conducive to EPI such as inter-institutional working groups and monitoring committees. All these, ‘new’ policy instruments however are largely motivated by the already existing regulatory framework which was transferred from the EU to national levels. Yet, they could be regarded as initial stepping stones in emerging ‘new’ modes of governance that can give impetus to further efforts and actions in achieving environmental integration. Under the pressure from the EU, investment in basic environmental infrastructure scored relatively high on the investment portfolio of the EU funds programmes (development path B), however, investment in activities that lead to declining sustainability (i.e. transport infrastructure)

(development path A) remained a first-order priority also inspired by competing EU policy objectives for competitiveness and accessibility.

At the same time however, the observed Europeanisation effects of transferring policy content, institutional structures, values and beliefs posed considerable pressure on the adaptation capacity in Bulgaria. The lack of coherent planning approach coupled with the lack of an overarching framework (e.g. National Sustainable Development Strategy) that establishes a strategic vision for integrated development has exacerbated the situation. The “policy misfit” could be assessed as considerable given the established administrative routines, rules and practices of extremely centralized and sector-specific policy-making. While the legally required minimum obligations were often met on paper, these endogenous factors to some extent are the reason why the downloading of the EPI did not materialize in substantive terms in the context of EU funds programmes. New policy instruments faced relatively poor implementation and novel institutional mechanisms for policy coordination were challenged by entrenched interests, politically dictated preferences and limited culture of consultation and inclusiveness. Furthermore, no additional tools and mechanisms apart from the legally required ones could be identified. Therefore, it could be argued that the main barrier for EPI in Bulgaria is the characteristics and nature of domestic bureaucratic politics where the informal rules of the game seem to matter. For instance, decision-making networks at central levels are formed on the basis of political party affiliation, like and trust; the negotiations and informal communication between the EC and national authorities provided additional pressures on the agenda and priority setting while NGOs sought informal channels of influence through lobbying and “bypassing” national authorities and reaching out to report implementation deficits to EU institutions.

An additional barrier which is also related to the specifics of domestic bureaucratic politics is the poor knowledge management, skills building and retaining of qualified staff. This adds to the limited administrative capacity and understanding of the need for environmental integration, the opportunities environmental investments offer in terms of economic and social gains (win-wins) and the ability to develop meaningful projects. Subsequently, there is no explicit objective for the environment at strategic level and subsequently relatively little investments have been allocated to measures which deal with decoupling economic development from environmental pressures, natural capital, risk management and eco-efficiency (apart from large scale railways). The established linkages between drivers and barriers of EPI as well as their impact on EPI as a policy process and an output are illustrated in the Figure 19.

Figure 19: Driver and barriers for EPI process and output in EU funds programmes in Bulgaria



11 Conclusions

This dissertation aimed to explore the ways in which the environment was taken into account in the programming of the EU funds in Bulgaria for the period 2007-2013. It follows the notion that environmental integration seeks to enhance synergetic effects between seemingly competing policy goals in the pursuit of sustainable development and is in line with current thinking related to the transition towards green, resource efficient and low carbon economy. The case of EU Cohesion Policy and its structural funds and the cohesion fund was selected as it provides considerable financial transfers from the EU to new Member States intended to foster regional development, boost the GDP and bring prosperity and well-being. Bulgaria, the youngest and least developed member of the EU, was chosen as a single country case study in order to allow an in-depth investigation of the research questions, which include: how environmental objectives and concerns were integrated into the planning of EU funds in Bulgaria, what the key drivers and barriers for EPI were, what investment mixes were planned and what lessons can be learned for the future EU funds programmes post-2013.

Bulgaria will receive approximately €7 billion euro from the EU Structural and Cohesion Funds for the period 2007-2013 for investing in basic infrastructure (predominantly transport and environmental) and to some extent providing support for enterprises, research and innovation. EU funds constitute large part of the public financing in the country, driving national co-financing and additional private investments and loans. Therefore, it can be argued that the ways EU funds are going to be allocated in Bulgaria are going to have significant impact on the development pathway of the country. More than ten years into transition, Bulgaria is hard pressed to consider the environment as having a prominent role in policy-making when economic considerations remain consistently high on the political agenda. This pressure is

therefore considerably challenged by the domestic political context trapped into old paradigms and routines, the limited administrative capacities and poor knowledge management for environmental integration.

The 2007-2013 Cohesion Policy created a new momentum for the environment in Bulgaria, bringing substantial funding resources for environmental infrastructure such as waste management, water supply and waste water treatment. These are measures that have the potential to realise significant win-win benefits for improving the state of the environment, quality of life and attractiveness of regions. The integration of environmental concerns into other policy areas was also enhanced through the provision of funding support for clean and efficient transport and the modernisation of small-and medium-sized enterprises. The programming of EU funds programmes also introduced novel institutional mechanisms for policy coordination and environmental integration which could be considered as potential tools for enforcing partnerships. The positive experience from the multi-stakeholder Working Groups which developed the NSRF and the OP was transferred to the respective Monitoring Committees and allowed for building some institutional memory in this regard.

Yet, several issues emerge from the analysis of environmental integration in the 2007-2013 EU funds programmes in Bulgaria. The first regards the opaque planning process and somewhat EU-led priority-setting. The priority setting of EU funds programmes in Bulgaria is linked to obligations stemming from the harmonisation of national legislation with the EU environmental *acquis* as well as the transport corridors which are envisioned to pass through Bulgaria as part of the Community TEN-T. A first order priority for economic development is the construction of large scale road transport systems, which is likely to have negative environmental and climate impacts and potentially lock the country into carbon intensive paths of development in the long

term. This was further aggravated by the lack of national policy frameworks, outlining a vision and strategic priorities in the different sectors taking into account regional problems and investment needs. The lack of a comprehensive National Development Plan and clear sectoral policy frameworks led to little strategic vision in the planned investments and hardly any prioritization among the different types of measures, which subsequently have created practical impediments for the effective implementation of the Funds. This obstructed the programming process of the EU funds programmes and posed further challenges to their implementation, which could be observed in terms of the extremely low absorption rates.

The second issue is linked to the relatively low understanding and appreciation of the objectives for sustainable development as well as the role of the environmental integration and environmental investments. Although large amount of investments are channelled for environmental infrastructure and the policy formulation process was aided by the application of a set of policy instruments such as Strategic Environmental Assessment and the establishment of novel multi-stakeholder structures, often these are considered as measures arising from the EU accession obligations and requirements. Therefore, environmental provisions in EU funds programmes and projects are limited to what is usually formally required under the EU Regulations and do not extend to additional innovative measures, complementary integration instruments, proofing tools, etc. Moreover, their effectiveness varied significantly and in the future they need to be strengthened. While SEA is increasingly seen as an important tool for environmental integration, the lack of experience and methodological guidance resulted in varying quality of assessments and different degree of greening the OPs.

The third issue is the limited capacity of the different policy actors to engage effectively in the programming and implementation of EU funds programmes – at the level of public

administrations - managing the complex processes of EU funds programme planning and managing projects while having high turnover of experts and political appointments or “clean-ups”; at the level of beneficiaries - generating ideas, developing projects proposals and implementing them; and at the level of environmental groups - failing to a large extent to act as a civil society corrective and establish itself as a driver for integrated development visions. The underlying political context, traditional policy-making styles, the closed circles in which decisions are often made and the asymmetric power relations among the policy actors further impeded any bottom-up initiative for EPI. The economic crisis posed additional challenges to public budgets and beneficiaries to secure the necessary co-financing and loan guarantees, which aggravated further their ability to implement most of the projects.

The analysis of investments, showed that majority of EU funding is allocated to development path E which includes predominantly measures for efficient transport systems, large scale railways. Development path B and A receive second and third biggest share of the funding, which comes as no surprise given the expected investment needs/objectives for basic infrastructure development linked to the transposition of EU *acquis* in the environmental sector but also the business as usual approach to economic development through traditional infrastructure building. Still, there are a number of win-win cases that were identified such as energy efficiency measures in housing or SME support which are likely to bring along important ancillary benefits to the social and economic domains. Such integrated solutions are unfortunately the exception rather than the rule. At the same time, measures linked to risk management and decoupling of economic activities from environmental pressures (development paths C, D and F) received much less support.

The post-2013 period will offer new opportunities for Bulgaria to frame its development pathway in the context of the transition to a low carbon and resource efficient economy up to 2020 and beyond. The currently low EU funds absorption rates and the slow implementation of projects coupled with the lack of imagination and capacity of all policy stakeholders, could potentially result in retaining the current development objectives focused very much on manmade basic infrastructure in the field of transport and environment. A genuine transition agenda however will require bolder political choices to be made at different tiers of governance without further delay.

Against the background of changing political landscapes, a new architecture of “laggers” and “winners” in Europe is likely to emerge defined on the basis of indicators beyond the traditional GDP. Climate resilience, low carbon transport and energy systems, resource efficiency and ecosystem services are inevitably going to become essential factors underpinning structural change and delivering prosperous, cohesive and sustainable societies on long term. EU Structural and Cohesion funds could play an important role in this respect if they are reformed accordingly. As demonstrated they can be a critical fiscal instrument that facilitates policy integration and delivers positive spill over effects for “greener” development pathways and institutional capacities if utilised in a smart and intelligent way. Traditional sectors already suffer consequences of new environmental challenges and enhanced investments in environmental management and adaptive capacities will need to be stepped up early enough to as to cushion the scale of the transition management costs. Moreover, this agenda will require not only getting the mix and scale of investment right but also moving away from the development of traditional infrastructures and economic models or in other words reforming and phasing out environmental harmful subsidies and spending. This is a highly contentious and politically sensitive issue. It

raises also an important issue concerning policy coherence at EU level and the reforms needed across all EU policy areas. While there are signs of political will at highest EU level to adhere to this transition agenda, it is yet uncertain if the EU itself is ready to walk the talk and deliver on the necessary policy changes and provide a strong signal to Member States for green actions.

While a regulatory push from above in the context of EU Cohesion Policy appears decisive for EPI in countries like Bulgaria, it cannot be sufficient on the long term. Without support and ownership for the EPI agenda from below, environmental integration will inevitably remain at the level of political rhetoric and will be determined by the lowest common denominator. Informal governance modes underpinned by “unwritten rules of the game” have a considerably powerful leverage on the decision-making process. Therefore, I argue that if the notion of EPI is internalised into the agenda of those networks, they might become a potent driver for integration within a policy domain or even across the government depending on the governance level at which they function. For this to happen however a meaningful discourse towards EPI is necessary where the co-benefits of environmental integration and green investments are framed as clear win-wins for economic and social development. The “win-win” narrative can be appealing if it is framed in a meaningful way and is coupled with targeted capacity-building and awareness-raising about the actual costs and benefits of EPI. Arguments for differentiated responsibility and backwards mind-sets, norms and values however are likely to persist presenting the biggest challenge to the transformation agenda in Bulgaria.

In this regard, the next chapter presents an overview of the changing political landscape in the EU which shows that there is a certain “turn” to greener thinking about the development pathway that lay ahead. It is also complemented by a set of policy recommendations how EU funds can be harnessed to deliver EPI and the green economy agenda in Bulgaria.

12 Looking ahead: changing Europe, changing perspectives

“We are looking for a new growth model, in the EU and elsewhere, based on innovation and green growth, inter alia. Such a growth model needs to harness all endogenous growth assets, most of them being regionally-based. Regional policy is thus crucial to unleash the growth potential of our economies.”

Angel Gurría, Secretary-General OECD

With time, the political, economic and physical contexts of the European Union are changing. Its leaders and institutions change too. With them, the political commitment, discourses and actions towards environmental sustainability are inevitably changing as well. What in the 90s was the “Cardiff process” for environmental policy integration and later culminated in the EU Sustainable Development Strategy, is currently being framed and articulated as the transition towards a low-carbon economy and resource efficient economy (Barroso 2010).

In the run up to 2020, these new discourses will go through an arduous test. While they are in a way recycled old concepts and principles, it remains to be seen if they will set out an important point of departure towards a genuine paradigm shift and be able to mobilise more ambitious and stringent actions for policy change. In any case, stepping up environmental action in different sectoral policies has proven to be one of the most challenging and somewhat unsuccessful efforts in the EU particularly in terms of implementation at national and regional levels of polity. Therefore, the principle of environmental policy integration remains valid and becomes even more important in terms of understanding its drivers and barriers and translating

its evolving toolbox into concrete outputs in order to deliver the new EU priorities and commitments towards a “smart, sustainable and inclusive growth” (EC 2010c).

12.1 Changing political landscapes for EU Cohesion Policy post-2013

In 2008, the financial and economic crises hit Europe and since then have had a significant impact of the political agenda of the Union. The focus has moved to short- and medium-term stimulus actions and the “growth and jobs” mantra returned with new strength. Yet, the crises gave impetus globally to a new “green” thinking in terms of new sources of growth, employment, competitiveness and energy security. The 2008 *European Economic Recovery Plan* set out an exit strategy from the economic crisis with a clear focus on innovation and greening EU investments: “The EU level can act as a catalyst for such “smart action”, combining EU policies and funds to help Member States maintain or pull forward investments which will create jobs, boost demand, and strengthen Europe's capacity to benefit from globalisation” (CEC 2008b). Key elements of the proposal included *inter alia* re-programming Structural Funds operational programmes towards energy efficiency and renewable energy sources in social housing up to 4% of the ERDF. Reportedly, 14 Member States seized this new opportunity and harnessed funds for energy efficiency and renewable energy in the housing sector, among which is also Bulgaria (EC 2010a).

The emerging green thinking has been taken forward and in 2010 it was enshrined in the new European overarching economic *strategy ‘Europe 2020’* (EC 2010c). The Strategy can be regarded as an important milestone in facilitating the transition to a green economy by establishing objectives and targets for 2020 including: smart growth (based on knowledge and

innovation); sustainable growth (promoting resource efficient, greener and more competitive growth); and inclusive growth (ensuring jobs and social inclusion) economy. While the Strategy carries much of the language and content of its predecessor, the Lisbon Strategy for growth and jobs, it takes a much stronger stance on pursuing sustainability, resource efficiency and low-carbon futures. The need for EU action under the “sustainable growth” objective stresses the competitive advantage of eco-technologies, the need to implement emission reduction commitments and strengthen resilience to climate risks and the aim of decoupling growth from energy and resource use. The Strategy proposes five headline targets relating to the three priorities which include *inter alia* 20-20-20 climate and energy targets (including an increase to 30% emission reduction “if conditions are right”); and 3% of the EU’s GDP to be spent on R&D.

The Strategy is supported by 7 ‘flagship initiative’, 3 of which are of particular importance in the pursuit of green economy. The ‘*Innovation Union*’ *flagship initiative* was launched in 2010 to shape the strategic goals of the EU with regard to knowledge and research. The pivotal role of innovation and research in the field of energy security, clean transport, climate change, resource efficiency, environmentally-friendly production methods and land management is emphasised. The ‘*Industrial policy for the globalisation era*’ was developed also in 2010 with the aim to establish a framework for the future European industrial policy. The initiative also maintains the support for the transition to greater energy and resource efficiency as well as the promotion of technology and production methods that reduce natural resource use. The last and most recent flagship initiative is ‘*Resource efficient Europe*’, which aim is to support the shift towards a resource efficient and low-carbon economy through a number of policy actions (EC 2011c). This initiative is critical as it is the only one to capture broader environmental issues to some extent, which appear to be sliding away from the main EU agenda

due to the lack of any debate on the development of a 7th Environmental Action Programme. Importantly, all EU policies are supposed to be re-aligned during their on-going reform processes so as to deliver the new EU Strategy and its flagship initiatives including the future Cohesion Policy.

The EU Cohesion Policy itself has been going through its own reflection process seeking a reform agenda for the post-2013 programming period. The debates were launched back in 2007 and largely have been focusing on the general architecture, priorities, effectiveness and simplification of the future Policy. In addition, climate change in particular has been climbing up the policy agenda in conjunction with the EU Climate and energy package and growing awareness of the likely impacts on European regions. DG Regional Policy published a study “**Regions 2020**” which analysed the potential climate change impacts on regions. It argued that European regions are to experience asymmetric impacts with Southern and Eastern Europe suffering most damage, which can further exacerbate the existing economic and social disparities (DGRegio 2008b). Therefore, climate change was framed as an issue, which can cause structural changes to entire economies dependent on vulnerable sectors such as agriculture and tourism and hence provided a rationale for the future Cohesion Policy to give more priority to climate change actions. In 2009, the emblematic ‘**Barca report**’ requested by the former Commissioner for Regional Policy Danuta Hübner argued that EU Cohesion Policy requires a radical reform and recommended a number of reform options *inter alia* to concentrate resources on fewer but strategic priorities (among which one is argued to be climate change as one candidate), to promote a stronger place-based agenda (meaning the provision of funds on the basis of local assets and potentials instead of promoting the same growth model “one size fits all” across the EU) and to strengthen the effectiveness and quality of spending.

The review process of the future Cohesion Policy should be seen also in conjunction to two other parallel processes. The EU ***budget review***, which was launched in 2007, was intended to provide a “no taboo” review of EU’s spending outside the framework of official negotiations which historically have been focusing on net balances and correction mechanisms instead of the value added, priorities and quality of EU spending. Although the initial good intentions have been toned down over the years and a number of institutional changes in 2009 (European Parliament elections, new European Commission, Lisbon Treaty entering into force) postponed the long-awaited review, a Commission Communication was finally adopted in October 2010 (EC 2010b). Although it does not come forward with proposals for the necessary critical changes that European budget need to address by 2020, it still recognises the pivotal role of climate change and resource efficiency in the future budget deliberations. It also calls for the future multi-annual financial framework post-2013 to support fully the implementation of the Europe 2020 Strategy, the mainstreaming of climate change in sectorial policies including Cohesion Policy through changes in their goals-setting, earmarking of funds for such measures and ensuring monitoring and reporting of financial streams. This implies that the funding instruments which operationalize EU Cohesion Policy and which are part of the next multi-annual financial framework are required to accommodate more prominently investments linked to climate change and sustainable energy.

The second process is linked to defining ***territorial cohesion***, which is the new objective for Cohesion Policy as introduced by the Lisbon Treaty. Article 174 of the Treaty on the Functioning of the European Union, which entered into force in December 2009, stipulates that: *‘In order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion’*. Although

the initial debates did not consider a strong environmental dimension to the definition of territorial cohesion, the 5th Cohesion report published in November 2010 however provides an interpretation of territorial cohesion which has strong environmental implications. In fact, it states that the vision for “harmonious development” underpinning Cohesion Policy does not include only economic development and support to social group but also “environmental sustainability and respect for the territorial and cultural features of different parts of the EU” (EC 2010d). In this way, the new objective for territorial cohesion provides an additional rationale and a framework enshrined in the Treaty for the EU Cohesion Policy to act upon environmental issues, invest in natural assets and develop local potentials respectively.

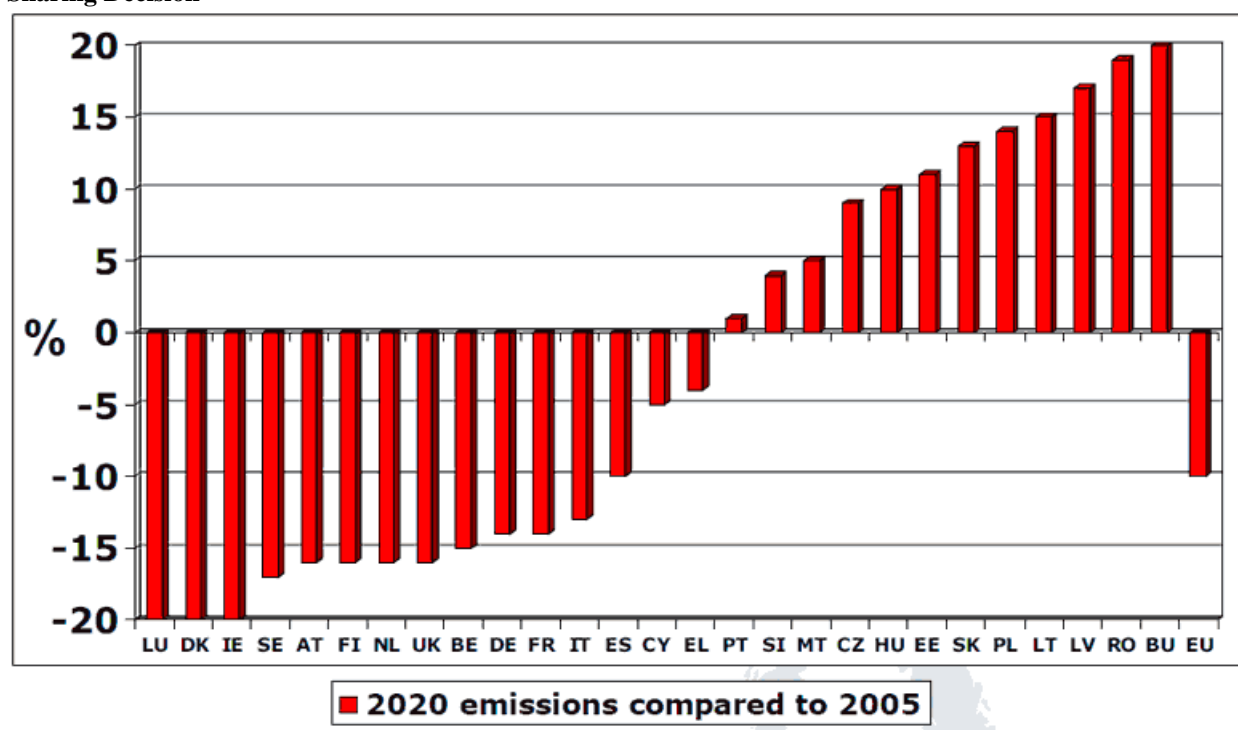
The *5th Cohesion Report* is also critical as it takes stock of the performance of the policy in terms of environmental sustainability among other things. While it recognises that EU funds have contributed largely for improving quality of life through investments in basic environmental infrastructure and aided regions to meet their obligations stemming from the EU environmental legislation, it also points at examples where investments were implemented at the expense of the environment particularly with regard to greenhouse gas emissions, land use and habitat fragmentation. The need for a reform in this direction is clearly indicated. A 2011 Commission Communication elaborates on the ways the current and future Cohesion Policy can contribute to the sustainable growth objective of the Europe 2020 Strategy by arguing that EU funds should invest more and better. While the former implies stepping up investments for green projects, the former points at the need for environmental integration cutting across EU funds programmes such as better environmental assessments, green public procurement, indicators and reporting and strengthened participation of environmental authorities and organisations in the policy-making process (EC 2011b).

Climate change did not feature high on the political agenda during the negotiations of the current 2007-2013 financial perspectives and EU Cohesion Policy respectively. However, after the financial framework was agreed a process of developing a new EU climate and energy policy was launched. In 2008, the so called *EU Climate and Energy package* was agreed which set out the following EU targets by 2020: a reduction in EU greenhouse gas emissions of at least 20% below 1990 levels; 20% of EU energy consumption to come from renewable resources; and a 20% reduction in primary energy use compared with projected levels, to be achieved by improving energy efficiency (CEC 2008a).

It should be noted though that Bulgaria is allowed to increase its greenhouse gas emissions for non-ETS sectors³³ under the Efforts Sharing Decision (EP 2009), part of the EU Climate and energy package. The arrangement rests on the principle of common but differentiated responsibility where Member States with lower GDP per capita are given some flexibility in achieving the 20% target for emission reduction. Bulgaria has received considerable concessions in that respect by being allowed to instead increase its emissions by 20% (see Figure 20).

³³ The so-called Effort Sharing Decision establishes annual binding greenhouse gas emission targets for Member States for the period 2013–2020. These targets concern the emissions from sectors not included in the EU Emissions Trading System (ETS)— such as transport, buildings, agriculture and waste.

Figure 20. EU Member States 2020 targets for emissions reduction compared to 2005 levels under the Efforts Sharing Decision



Source: DG CLIMA

This means that stepping up EU funds investments in achieving emission reductions in Bulgaria and reforming carbon-intensive investments (e.g. motorways) will be difficult to justify on grounds of compliance with EU climate and energy legislation. However, postponing actions in this respect might bring more long term costs to the economy as a whole, loss of competitive edge and lagging behind in the development and uptake in new technologies. Moreover, infrastructure planning and investment decisions have an impact on the development pathway of a country in the next several decades and therefore, decisions to invest now in carbon intensive infrastructures will lead to the so called “technological lock-in” effect on the long-term. While Europe is now committing to step up efforts to de-carbonise its transport and energy infrastructure by 2050 (EC 2011d), Bulgaria is likely to end up locked-in traditional infrastructure of the past.

Moreover, Bulgaria will have to sooner and later de-carbonise its infrastructure, so there is a strong economic case to already now undergo a considerable shift in investment patterns and reap out the related benefits earlier rather than later. Importantly, the EU Climate and Energy package established targets for renewable energy and energy efficiency which will require significant investments, which indicate that EU Cohesion Policy will play some role in assisting poorer Member States such as Bulgaria to comply with this new legislation.

Furthermore, the intensified efforts to address climate change gave impetus to other policy developments such as the *White paper on climate change adaptation* which was published in 2009 (CEC 2009b). It stresses that climate change adaptation need to be mainstreamed in all EU policies in order to address the climate vulnerability and ensure the resilience of European regions and economic sectors. It concretely calls for developing methodologies for climate-proofing infrastructure projects incorporating them into the TEN-T and TEN-E guidelines and guidance on investments under Cohesion policy. It also requires that Member States and regions adopt national or regional climate change adaptation strategies by 2012. Clearly, the climate adaptation agenda is to pose certain obligations for Bulgaria, which are also linked to the future planning of EU funds in terms of new infrastructural development but also the implementation of a number of adaptation activities within the frame of the requirement for adaptation strategies, which might led to additional investment needs. Bulgaria has not developed such a strategy, so this is yet to be undertaken.

In March 2010, EU Head of State and Government also adopted a 2050 vision and 2020 headline target for biodiversity. In 2011, the EU proposed a new EU biodiversity strategy to 2020 which adheres to the 2050 vision and 2020 headline target by setting out specific targets, some of which are of direct or indirect relationship to the future Cohesion Policy. For instance,

target 1 concerns the conservation and restoration of nature, while target 2 regards the maintenance and enhancement of ecosystems and their services. The concept of green infrastructure is embedded considerably in the EU Strategy which can be linked to the opportunities for investments in natural capital and eco-system based approaches to services traditionally provided under Cohesion Policy by technology based facilities. The proposed Strategy explicitly calls for ensuring a better uptake and distribution of existing funds for biodiversity under Cohesion Policy and maximising co-benefits of various funding sources (EC 2011a)

Essentially, there is evidence that the current thinking developing at EU level in the context of the debate on the future Cohesion Policy is likely to position climate change, resource efficiency higher and green infrastructure on the policy reform agenda, which will arguably have influence on the way investments are channelled post-2013. In fact, *EU funds could turn into one of the key instruments to steer the transition towards resource-efficient and low carbon future* especially for newer Member States such as Bulgaria, which are hard pressed at home with escalating national budget deficits and declining foreign investments. The question is if Bulgaria is prepared, willing and equipped to catch the train to greener development pathways based on eco-innovation, new jobs and skills, decarbonisation of transport and energy systems and resource efficient industry and if not who is going to pay the bill for being late again?

13 A roadmap to a green economy – integrating the environment into the post-2013 EU funds in Bulgaria

This is the final chapter of this dissertation. It responds to the findings about drivers, barriers and instruments for EPI in the context of EU funds programmes in Bulgaria. Against the background of the changing political landscape and priorities at EU levels concerning the turn towards greener development pathways, this chapter provides a number of policy recommendations how to better integrate the environment in the programming of the post-2013 EU funds programmes in Bulgaria and how to harness funds so as to kick start the transition towards the green economy. The recommendations mainly target national authorities in Bulgaria which are in charge of the programming activities. The programming process for the post-2013 EU funds programmes is to begin in 2012 at national/regional level and therefore these recommendations are quite timely. They can be useful to other new Member States as well as candidate countries. While the recommendations do not target the reform agenda of the overall EU Cohesion Policy, some of them can be useful to trigger some greener thinking about the way ahead.

The recommendations are structured in the following way. First, recommendations address immediate actions that can be undertaken by different stakeholders under the current programming period before 2013. Second, a set of detailed recommendations are proposed for the next financial period 2013-2020.³⁴

³⁴ Note, that it is unclear if the next programming period is going to be 7 years. The EU Budget Review Communication proposes a change in the duration of the multi-annual financial framework to “5+5” format meaning the financial period is fixed for 10 year with a major mid-term review in the middle. It is yet to be established.

13.1 Policy recommendations in the run up to 2013

- Managing authorities should reallocate funding from conventional measures, which suffer slow absorption, towards environmental measures. This should be accompanied by working closely with beneficiaries in municipalities, communities and SMEs to speed up the uptake of funding and ensure results are realised in terms of improved energy efficiency in housing, productivity of enterprises and competitiveness of the economy on the long term. On the short-term these types of measures could also have a positive effect on successful exit actions from the economic crisis;
- Managing authorities should allocate funding from technical assistance for environmentally related studies which should serve to inform the programming for the post 2013 EU funds programmes in terms of mapping climate change vulnerabilities, mitigation potentials, natural assets potentials and associated investment needs, etc. For example, technical assistance from OP Regional Development could be used for the preparation of 6 Regional climate change adaptation plans, in line with the EU White paper on climate change adaptation. It can also be used to map and assess the state of ecosystems and their services and assess their economic value as called in the proposed EU Biodiversity Strategy. These should be closely linked to the data and analysis needed for the programming of EU funds in Bulgaria post-2013;
- Managing authorities should harness technical assistance to develop further the information and technical basis for decision-making support such as indicator systems and climate and biodiversity proofing tools such as the French NECATER aimed at screening EU funds programmes ex ante and evaluate their carbon footprint;

- Managing authorities should ensure that SEA reporting is made integral part of the on-going evaluations of each OP. The results should feed into final evaluations of the implementation of OPs and draw lessons learnt for the post-2013;
- Managing authorities should provide targeted investment in capacity building of environmental and sectoral actors (governmental and non-governmental) at each tier of governance so as to strengthen the governance for environmental integration, create awareness about possible win-win and win-loss interventions, improve the uptake of available funds and accelerate the implementation of on-going project;
- A National Sustainable Development Strategy should be developed and adopted so as to establish the strategic orientations including vision, targets, priorities and tools for operationalizing sustainable development and environmental integration in the post-2013 EU funds programmes;
- European Commission should collect and actively disseminate good practices of win-win interventions under EU funds and make sure that these are replicated across Member States and regions. The development of specific technical and advisory guidelines (e.g. on indicators systems, cross-compliance, etc.) linked to the current thinking about potential environmental provisions in the post-2013 legislative package can begin already now in order to be available for Member States as early as possible in the programming period. Regular informal communications across tiers of governance coupled with capacity building workshops on ‘win-wins’ and environmental integration can be useful;
- Environmental NGOs should continue to act as watch dogs and report mis-handling of environmental protection requirements under OPs on the ground. “Blaming and shaming” technics exposing controversial uses of EU funds is European and Bulgarian media could

be stepped up in order to improve the transparency of EU funds and raise issues related to their performance and impacts. However, NGOs should focus on developing their own capacity to promote environmental integration and win-wins in area such as regional development, transport development and competitiveness. Besides engaging critically in the policy-making process, they can aid it by delivering public awareness campaigns and work closely with local beneficiaries to help them apply for EU funds with small scale win-win projects.

13.2 Policy recommendations post-2013

Planning process

- Managing authorities should initiate the planning process at an early stage so as to allow enough time to carry out a comprehensive and inclusive planning process informed by the preparatory studies identifying climate change vulnerabilities, natural assets, potentials and investment needs developed prior to the planning process and framed by overarching national strategic frameworks;
- Managing authorities should enhance territorial approaches to planning around functional geographies as much as this is possible (i.e. river basins, rural and urban areas) in order to stimulate integrated strategies that will establish a link between investments and local potentials, natural assets and investment needs in support for territorial cohesion;
- Principles such as “polluter pays”, “preventive action” and “no net loss” should become overarching principles which will need to be operationalized in the specific context of OPs.

Focus and scale of EU funds

- The Partnership contracts³⁵ and Operational Programmes should establish clear and measurable environmental objectives. The synergies between environmental investments and social and economic domains in terms of co-benefits should be made explicit. Similarly, the negative externalities of traditional economic and infrastructural developments should be discussed within the framework of trade-offs for the environment. Those synergetic effects and trade-offs considerations should be taken into account in the process of setting objectives and priorities. They can also have an important role for sending the right signal or incentive to beneficiaries;
- Investments should be significantly stepped up for measures such as ecosystems services and green infrastructure, energy conservation, clean and efficient energy and transport systems, risk management, early warning systems and preparedness and eco-innovation. Investments in rail are crucial but focus should be given also to interregional connectivity for ensure access to quality and affordable mobility rather than enhancing only TEN-T corridors of international significance;
- A mix of investments should ensure that Bulgaria moves away from development path A (declining sustainability), decreases investments in man-made infrastructure in support for EU environmental *acquis* implementation (development path B) onto development pathways focusing on environmental management, active investment in natural capital, eco-efficiency and de-coupling (C, D, F and E). While investments in EU *acquis* compliance are likely to remain important for Bulgaria, a shift should be made so that environmental projects ensure sustainability of their function by giving priority to options

³⁵ The Development and investment partnership contracts are proposed to substitute the NSRF in the future Cohesion Policy as set out in the Commission Communication on the conclusions of the 5th Cohesion report (COM(2010)642). The architecture of the future Cohesion Policy is yet to be formally proposed in the legislative package which is expected to be published in July 2011 and adopted towards the end of 2013.

based on natural capital restoration and enhancement (development path D) instead of expensive technology based manmade capital (development path B) where this is possible;

- Potential win-losses should be avoided and carbon intensive, resource inefficient and biodiversity endangering investments should be reformed and gradually phased out. This is likely to be politically contentious and therefore a step-wise approach can be adopted where investments prioritise the rehabilitation and maintenance of existing infrastructure while the construction of new infrastructure is justified only on the basis of rigorous cost-benefit analysis and needs assessment;
- The use of market-based instruments (e.g. pricing) should be considered as complementary approach to securing additional financial resources to deliver win-win projects. In addition, EU funds should be combined with innovative financial instruments (e.g. loans, risk guarantees, public private partnerships) so to diversity the options for financing win-win projects.

Instruments and mechanisms for integration

- The already existing instruments (e.g. SEA) need to be strengthened in terms of their application and impact of the OP formulation and decision-making process;
- There are a number of novel instruments developed across EU Member States and regions that can enhance EPI in EU funds programmes. Recognising that it is unlikely for Bulgaria to introduce all of these in the post-2013 OPs, there are a number of minimum requirements that should be deployed at different stages of in the post-2013 EU funds programme-cycle. These include:

- Introduce green public procurement in all tenders procedures under EU funds programmes;
 - Develop comprehensive environmental projects selection criteria, which will guarantee that more environmentally sound projects will score better in the selection procedure;
 - Establish specific and measurable system of targets and indicators to measures progress;
 - Develop monitoring and reporting systems which take into account environmental pressures;
 - The use of external and independent evaluations with environmental focus in the context of EU funds should be strengthened; and
 - Make better use of eco-conditionality, such as requiring the building of power charging points for electric cars case of a road building projects. Another example is to make the provision of EU funding for any type of infrastructure conditional to the inclusion of climate adaptation measures that will ensure that the infrastructure will withstand changing and extreme weather conditions.
- Establish appropriate inter-institutional mechanisms that will strengthen the involvement of environmental actors (both governmental and non-governmental) in OPs development, implementation and reporting, which should be task with a special mandate for policy coordination and environmental integration. Special administrative positions such as “sustainability managers” within the structure of managing authorities can be useful to aid the policy-making from the point of view of horizontal issues.

Capacity and skills

- Capacity and skills are critical to deliver environmental policy integration and green investments on the ground. The necessary institutional capacities for new modes of governance and mixes of integration instruments would require targeted investments in environmental capacities, skills and knowledge management systems. Investing in targeted training and capacity building of all relevant policy actors (governmental and non-governmental as well as environmental and non-environmental) is essential;
- Providing small scale financial support to NGOs is essential for them to conduct monitoring as well as educational and awareness-raising campaigns;
- Developing the capacity of municipalities and working with other potential beneficiaries is critical and needs to be complemented with user friendly guidelines in order to ensure that EU funds are absorbed for win-win and environmentally sound projects; and
- Programmes such as OP Human Resources are currently underutilised for the purposes of the green economy. The post-2013 programmes should provide opportunities to invest in creating skills related to green jobs and eco-industries but also to compensate job losses in sectors which are going to be negatively affected by the transition towards green economy.

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Annex 1. List of interviewees

Albena Boneva	Ministry of Environment and Water	Central government
Anelia Tcvetkova	Ministry of Environment and Water	Central government
Ganya Hristova	Ministry of Environment and Water	Central government
Emel Hyuseynova	Ministry of Environment and Water	Central government
Lyubomira Bambova	Ministry of Environment and Water	Central government
Kremena Gocheva	Ministry of Environment and Water	Central government
Svetla Ivanova	Ministry of Environment and Water	Central government
Maria Velkova	Ministry of Environment and Water	Central government
Strahil Angelov	Ministry of Environment and Water	Central government
Violeta Vrancheva	Ministry of Environment and Water	Central government
Mariana Hristova	Ministry of Environment and Water	Central government
Luba Hristova	Ministry of Environment and Water	Central government
Zhaklina Metodieva	Ministry of Environment and Water	Central government
Silviya Indgova	Ministry of Finance	Central government
Rumen Simeonov	Ministry of Finance	Central government
Anton Gladnishki	Council of Ministers	Central government
Boryana Ivanova	Council of Ministers	Central government
Yana Marinova	Council of Ministers	Central government
Ivan Popov	Ministry of Regional Development and Public Works	Central government
Violeta Alexandrova	Ministry of Regional Development and Public Works	Central government
Dimitrina Nikolova	Ministry of Regional Development and Public Works	Central government
Maria Ilieva	Ministry of Economy and Energy	Central government
Aksinia Trioiva	Ministry of Economy and Energy	Central government
Dragomir Konstantinov	Agency for Economic Analysis and Prognosis	Central government
Stanislav Stefanov	Agency for Economic Analysis and Prognosis	Central government
Daniel Nigohosyan	Ministry of Transport and Communication	Central government
Myuren Mustafov	Ministry of Transport and Communication	Central government
Martin Georgiev	Ministry of Transport and Communication	Central government
Iva Chervenкова	Ministry of Transport and Communication	Central government
Silvia Georgieva	National association of Municipalities in Bulgaria	Municipalities
Veselka Ivanova	National association of Municipalities in Bulgaria	Municipalities
Petya Nestorova	Varna planning region	Regional authorities
Marina Dicheva	Bourgas planning region	Regional authorities
Milena Novakova	DG Environment	European Commission
Jorge Pinto Antunes	DG Environment	European Commission
Richard Masa	DG Regional Policy	European Commission
Jerone Van Oel	DG Regional Policy	European Commission
Yana Trost	DG Regional Policy	European Commission
Magda Stoczkiewicz	Friends of the Earth Europe	NGOs
Martin Konecny	Friends of the Earth Europe	NGOs
Boris Barov	BirdLife	NGOs
Milena Bokova	Bluelink	NGOs
Ivaylo Hlebarov	Za Zemiata	NGOs
Petko Kovachev	Green Policy Institute	NGOs

Ilian Iliev	Public centre for environmental protection and SD	NGOs
Petko Tcvetkov	Biodiversity Foundation	NGOs
Anelia Stefanova	CEE Bankwatch Network	NGOs
Prof. Radi Radev	Forestry University	Academics
Prof. Veselina Troeva	University of architecture	Academics
As. Prof. Elena Dimitrova	University of architecture	Academics
Stelian Dimitrov	Sofia University	Academics
Zhivko Nedev	Bulgarian Academy of Science	Academics
Dessi Hristova	Open Society Institute	Institutes
Todor Todorov	European programmes and projects	Institutes
Natalia Dimitrova	Rio Conventions project, UNDP	International

Annex 2: Interview guide

- 1) What is the place of environmental objectives compared to economic and social ones in the priority setting for the programming of the structural funds and cohesion fund in Bulgaria?
- 2) Is there a high level political commitment, vision and leadership for environmental policy integration?
- 2) What are the institutional mechanisms to steer integration? Are there effective informal communication and cooperation mechanisms and how do they function? What shortcomings for their ability to facilitate integration?
- 4) Is there stakeholder involvement ensured and is it effectively taking place?
- 5) Is there planning / implementation capacity for integration? How does the administrative culture favour or hinder integration?
- 5) Is there knowledge management and learning from past mistakes and lessons learnt (ISPA)?
How is expert / technical / scientific knowledge in the field of environmental protection and sustainable development utilised in the programming of EU funds programmes?
- 6) What good practices for environmental integration in EU funds programmes in Bulgaria?
What common barriers?
- 7) How does the European Union influence the EPI agenda within the programming of the EU fund in Bulgaria? How would you assess the multi-level governance relation between the EU and national authorities?

Annex 3: Development paths and related categories of expenditure in 2007-2013 Cohesion Policy³⁶

Development Path A: Business as Usual

Category cd	Category description
20	Motorways
21	Motorways (TEN-T)
22	National roads
23	Regional/local roads
29	Airports
30	Ports
33	Electricity
34	Electricity (TEN-E)
35	Natural gas
36	Natural gas (TEN-E)
37	Petroleum products
38	Petroleum products (TEN-E)
76	Health infrastructure
78	Housing infrastructure
82	Compensation of any additional costs due to accessibility deficit and territorial fragmentation
83	Specific action addressed to compensate additional costs due to size market factors

Development Path B: Environmental Compliance

Category cd	Category description
44	Management of household and industrial waste
45	Management and distribution of water (drink water)
46	Water treatment (waste water)
47	Air quality
48	Integrated prevention and pollution control
57	Other assistance to improve tourist services

Development Path C: Risk Management

Category cd	Category description
49	Mitigation and adaption to climate change
53	Risk prevention (...)
54	Other measures to preserve the environment and prevent risks
84	Support to compensate additional costs due to climate conditions and relief difficulties

Development Path D: Clean-up, Restoration, Preservation, Investment in Natural Capital

Category cd	Category description
50	Rehabilitation of industrial sites and contaminated land
51	Promotion of biodiversity and nature protection (including Natura 2000)
55	Promotion of natural assets
56	Protection and development of natural heritage
58	Protection and preservation of the cultural heritage
59	Development of cultural infrastructure
60	Other assistance to improve cultural services
61	Integrated projects for urban and rural regeneration

Development Path E: Eco-efficiency

³⁶ As developed by IEEP et al. 2011

Category cd	Category description
05	Advanced support services for firms and groups of firms
06	Assistance to SMEs for the promotion of environmentally-friendly products and production processes (...)
08	Other investment in firms
09	Other measures to stimulate research and innovation and entrepreneurship in SMEs
10	Telephone infrastructures (including broadband networks)
11	Information and communication technologies (...)
12	Information and communication technologies (TEN-ICT)
14	Services and applications for SMEs (e-commerce, education and training, networking, etc.)
15	Other measures for improving access to and efficient use of ICT by SMEs
16	Railways
17	Railways (TEN-T)
18	Mobile rail assets
19	Mobile rail assets (TEN-T)
24	Cycle tracks
25	Urban transport
26	Multimodal transport
27	Multimodal transport (TEN-T)
28	Intelligent transport systems
31	Inland waterways (regional and local)
32	Inland waterways (TEN-T)
39	Renewable energy: wind
40	Renewable energy: solar
41	Renewable energy: biomass
42	Renewable energy: hydroelectric, geothermal and other
43	Energy efficiency, co-generation, energy management
52	Promotion of clean urban transport
79	Other social infrastructure

Development Path F: Decoupling

Category cd	Category description
01	R&TD activities in research centres
02	R&TD infrastructure and centres of competence in a specific technology
03	Technology transfer and improvement of cooperation networks ...
04	Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)
07	Investment in firms directly linked to research and innovation (...)
13	Services and applications for citizens (e-health, e-government, e-learning, e-inclusion, etc.)
74	Developing human potential in the field of research and innovation, in particular through post-graduate studies ...

Categories that have not been allocated to a Development Path

Category cd	Category description
62	Development of life-long learning systems and strategies in firms; training and services for employees ...
63	Design and dissemination of innovative and more productive ways of organising work
64	Development of special services for employment, training and support in connection with restructuring of sectors ...
65	Modernisation and strengthening labour market institutions
66	Implementing active and preventive measures on the labour market
67	Measures encouraging active ageing and prolonging working lives
68	Support for self-employment and business start-up
69	Measures to improve access to employment and increase sustainable participation and progress of

	women ...
70	Specific action to increase migrants' participation in employment ...
71	Pathways to integration and re-entry into employment for disadvantaged people ...
72	Design, introduction and implementing of reforms in education and training systems ...
73	Measures to increase participation in education and training throughout the life-cycle ...
75	Education infrastructure
77	Childcare infrastructure
80	Promoting the partnerships, pacts and initiatives through the networking of relevant stakeholders
81	Mechanisms for improving good policy and programme design, monitoring and evaluation ...
85	Preparation, implementation, monitoring and inspection
86	Evaluation and studies; information and communication