Programme for Development of the Regions 2021 – 2027

INDEPENDENT REVIEWS OF THE STRATEGIC APPROACH TO THE PROGRAMME
Programme for Development of the Regions 2021–2027

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This report is delivered under the provisions of the Reimbursable Advisory Services Agreement on Enhancing the Regional Development Process in Bulgaria and supporting Ministry of Regional Development and Public Works in the programming process for the period 2021 – 2027. It was prepared under the supervision Christoph Pusch (Practice Manager, Urban, Land, and Disaster Risk Management, Europe and Central Asia), David Sislen (former Practice Manager for Urban and Disaster Risk Management, Europe and Central Asia) and Fabrizio Zarcone (Country Manager, Bulgaria, the Czech Republic, and Slovakia) and technical guidance from Paul Kriss (Lead Urban Specialist, Europe and Central Asia).

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Task Team Leader: Joanna Masic
## ABBREVIATIONS AND ACRONYMS

<table>
<thead>
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<th>Description</th>
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<tbody>
<tr>
<td>CLLD</td>
<td>Community Led Local Development</td>
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<td>CCU</td>
<td>Central Coordination Unit</td>
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<td>CoM</td>
<td>Council of Ministers</td>
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<tr>
<td>CPR</td>
<td>Common Provision Regulation</td>
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<td>DDS</td>
<td>District Development Strategy</td>
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<td>DIC</td>
<td>District Information Council</td>
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<td>EC</td>
<td>European Commission</td>
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<td>ESF</td>
<td>European Social Fund</td>
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<td>ERDF</td>
<td>European Regional Development Fund</td>
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<td>ESIF</td>
<td>European Structural Investment Fund</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>GFA</td>
<td>General Framework Agreement</td>
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<tr>
<td>FUAs</td>
<td>Functional Urban Areas</td>
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<tr>
<td>ITI</td>
<td>Integrated Territorial Investments (in early reviews referred to as IP — Integrated Projects)</td>
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<tr>
<td>ITSDs</td>
<td>Integrated Territorial Strategies for the Development of NUTS 2 regions</td>
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<tr>
<td>LAU</td>
<td>Local Administrative Unit</td>
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<tr>
<td>MA</td>
<td>Managing Authority</td>
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<td>MDP</td>
<td>Municipal Development Plan</td>
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<td>MRDPW</td>
<td>Ministry of Regional Development and Public Works</td>
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<tr>
<td>NCSD</td>
<td>National Concept for Spatial Development</td>
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<tr>
<td>NCTD</td>
<td>National Center for Territorial Development</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<tr>
<td>OP</td>
<td>Operational Programme</td>
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<tr>
<td>OPRG</td>
<td>Operational Programme Regions in Growth 2014 – 2020</td>
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<tr>
<td>PA</td>
<td>Priority Axis</td>
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<tr>
<td>PO</td>
<td>Policy Objective</td>
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<tr>
<td>PDR</td>
<td>Programme for the Development of Regions (new title for 2021 – 2027 regional programme)</td>
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<tr>
<td>RAS</td>
<td>Reimbursable Advisory Services</td>
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<tr>
<td>RDA</td>
<td>Regional Development Act</td>
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<td>RDC</td>
<td>Regional Development Council</td>
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<td>SC</td>
<td>Steering Committee</td>
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<tr>
<td>TAIEX</td>
<td>Technical Assistance and Information Exchange</td>
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<tr>
<td>ToR</td>
<td>Terms of Reference</td>
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<tr>
<td>UMIS</td>
<td>Unified Management Information Systems (for EU structural instruments in Bulgaria)</td>
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<td>WB</td>
<td>World Bank</td>
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PART 1

INTRODUCTION
This report documents the ongoing reviews of the strategic approach adopted by the Ministry of Regional Development and Public Works (MRDPW) towards the new operational programme for regional development for the new period (2021–2027). These reviews were carried out by the WB team in the period June 2019 – November 2020 under Component 3 of the RAS agreement entitled “Technical assistance and reviews”.

The process of MRDPW formulating the strategic approach and its operational modalities is a dynamic one and is influenced by ongoing political and technical discussions and the views of a broad range of stakeholders beyond the Ministry itself. The new integrated territorial approach being devised for the next regional development programme, as a result of its multisector nature, can be seen as a ‘joint-initiative’ across Bulgarian government ministries who have a ‘shared responsibility’ for ensuring it is well-designed and implementable. The new integrated territorial approach also aims to effectively bring together all line ministries involved in its implementation as set out in a dedicated Council of Ministers (CoM) decision (Decree #335). At the same time, it requires a substantial amount of back-and-forth exchange between different institutions and efforts towards continued consensus building to ensure there is universal buy-in for the approach. Beyond this, it will also require that the strategic and operational arrangements MRDPW puts in place will be conducive not only to meeting regional development objectives, but also to ensuring the sound management of EU funds during the upcoming programming period.

The underlying rationale for the technical assistance under RAS Component 3 was twofold:

- to provide MRDPW with a just-in-time, on-request support to adjust guideline documents, the strategic framework and legislative documents related to the planned implementation of the new integrated territorial approach to EU-funded investments, and
- to provide MRDPW with new ideas and insights, proposals and recommendations with the aim of fine-tuning the operational modalities of the new integrated territorial approach based on the analysis of best practices from Bulgaria and other EU Member States and the team’s analytical and advisory experience.

Since June 2019 throughout the duration of the regional development RAS, upon MRDPW’s request, the team has reviewed a broad spectrum of documents encompassing different elements of the strategic approach and implementation framework: from strategic documents (e.g. draft of the updated National Concept for Spatial Development and drafts of Integrated Territorial Strategies for the Development of NUTS 2 regions), through key operational documents (e.g. two versions of draft Program Development of the Regions 2021–2027, draft Partnership Agreement 2021–2027, draft sectoral Programs 2021–2027 contributing to the implementation of the integrated territorial approach, draft Guidelines for the Elaboration and Implementation of Integrated Projects (ITIs — under Priority Axis 2 of PDR), to more technical documents (e.g. draft mechanism for the evaluation and selection of ITIs, template documents related to the ITI application process).

It should be noted that the team has also extensively reviewed the MRDPW’s proposals for the project selection criteria to be applied under both Priority Axes of the PDR, as well as the project selection mechanism for Priority Axis 1, however these reviews were included in Output 7 report — together with the team’s own proposals for these criteria — to collate all information pertaining to the project selection mechanism under PDR 2021–2027 in one report for easier reference.

The team has also formulated and shared with MRDPW proposals and recommendations with regard to the mechanism for the involvement of Regional Development Councils (RDCs) in the implementation of the new integrated approach, and the structure of the PDR 2021–2027 to name just a few.

The applicability of the advisory assistance provided to MRDPW has been the team’s key focus and firm commitment. The ongoing reviews and proposals have enabled the WB team to support the GoB/MRDPW with regard to:
• improving the strategic framework to more effectively promote the integrated territorial approach and to establish solid groundwork for formulating and implementing integrated investments in selected intermunicipal territorial units;

• undertaking a phased approach to the empowerment of RDCs to allow sufficient time to build capacity considering various opinions, concerns and ideas from a broad spectrum of national and subnational level stakeholders at an early stage of the development of RDC structure and roles;

• streamlining the mechanism for the involvement of RDCs in regional policymaking and their structure while safeguarding against potential conflicts of interest;

• considering a more targeted approach to planning support measures under PDR 2021 – 2027 conducive to effectively tackling territorial development disparities and imbalances;

• supporting the process of formulating the operational modalities of the new integrated approach through the fine-tuning of ITI Guidelines and the mechanism for evaluation and selection of ITI concepts.

The provision of high quality, comprehensive, and just-in-time advisory assistance remains at the core of the team’s approach to fulfilling tasks under this particular RAS component. In doing so the team has strongly relied on good communication with the MRDPW’s team ensuring timely exchange of documents, and regular opportunities to discuss topics under review to better understand the MRDPW’s approach and objectives, as well as of the other key stakeholders. Starting in March 20202, COVID-19 pandemic and its implications have negatively impacted the possibility to meet with MRDPW team, and with other stakeholders in RAS Steering Committee, as well as other formats, but regular on-line exchanges continued supporting the review process. It is important to underline that the provision of regular feedback and adequate guidance from MRDPW was crucial to ensure that advisory assistance was tailor-made to the specific needs of the Ministry, adequately reflecting the key assumptions, objectives and developments regarding the conceptualization of the new policy paradigm and its foreseen implementation framework.

Given that the formulation of MRDPW’s strategic approach is heavily influenced by the EC’s objectives and modalities of the cohesion policy for the years 2021 – 2027, the World Bank team aimed to acknowledge and flexibly adjust to internal dynamics of the programming process.

The next section of the report provides an overview of all conducted reviews. It is followed by the full content of all reviews undertaken in the period of June 2019 to November 2020.
PART 2

OVERVIEW OF INDEPENDENT REVIEWS UNDERTAKEN IN THE PERIOD 06.2019 – 11.2020
The table below provides an overview of all reviews, and proposals undertaken from June 2019 until November 2020.

**TABLE 2.1 Overview of all reviews and proposals undertaken**

<table>
<thead>
<tr>
<th>No.</th>
<th>Title of the document</th>
<th>Date of submission to MRDPW</th>
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<tbody>
<tr>
<td>1.</td>
<td>Review of the broader operational framework for the implementation of the integrated territorial approach (Partnership Agreement 2021 – 2027, PDR 2021 – 2027, sectoral Programs 2021 – 2027)</td>
<td>30/11/2020</td>
</tr>
<tr>
<td>2.</td>
<td>Suggestion for solutions. Review of the framework for the development and implementation of ITI concepts</td>
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<td>Independent review of the first draft of the Program Development of the Regions 2021 – 2027</td>
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<td>Review of guidelines for the preparation of ITI concepts — independent opinions and recommendations</td>
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</tr>
<tr>
<td>4.</td>
<td>Review of the draft of the updated National Concept for Spatial Development of Bulgaria during the period 2020 – 2025</td>
<td>14/02/2020</td>
</tr>
<tr>
<td>5.</td>
<td>Review of the draft concept for the evaluation and selection of concepts for Integrated Territorial Investments at the level of Regional Development Councils (RDCs) during the programming period 2021 – 2027</td>
<td>10/02/2020</td>
</tr>
<tr>
<td>6.</td>
<td>Proposal of survey on ideas for territorial investments to be financed from EU Structural Funds under the 2021 – 2027 programming period</td>
<td>16/01/2020</td>
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<td>7.</td>
<td>Proposal of questionnaire for MAs</td>
<td>16/01/2020</td>
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<td>8.</td>
<td>Review of the PDR 2021 – 2027: Suggestions on an alternative structure for priority axes and the implementation mechanisms for the new regional approach</td>
<td>08/10/2019</td>
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<td>9.</td>
<td>Review of the first draft ITI guidelines prepared by the MRDPW</td>
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</tr>
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<td>Report summarizing initial findings from strategic consultations</td>
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<td>12.</td>
<td>Proposal of possible options for structuring Bulgaria’s regional level / scenarios for RDCs — discussion note for SC meeting</td>
<td>13/06/2019</td>
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PART 3

FULL REVIEWS UNDERTAKEN
06.2019 – 11.2020
Review of the broader operational framework for the implementation of the integrated territorial approach (Partnership Agreement 2021 – 2027, PDR 2021 – 2027, sectoral programs 2021 – 2027) (30/11/2020)

Introduction

The Bank team has conducted an independent review of the latest drafts of the operational documents, which will constitute the framework for the implementation of the integrated territorial approach in Bulgaria during the programming period 2021 – 2027. The scope of this review covers: the Partnership Agreement between Bulgaria and the EC, the Program Development of the Regions (PDR), and five out of seven Programs contributing to the implementation of the integrated approach (Program for Education (PE), Human Resources Development Program (HRDP), Program for Environment (PEnv), Competitiveness and Innovation in Enterprises Program (PCIE), and Research, Innovation and Digitalization Program (RIDP)). The drafts were provided by the MRDPW.

This was the first opportunity for the Bank team to analyze drafts of relevant operational documents in detail, as previously only the draft PDR was the subject of a thorough review by the Bank team in Spring 2020, as other drafts were not yet available. The Bank team would like to highlight the importance of such a horizontal review given the new integrated territorial approach is a first major attempt at bringing different Programs and Funds together seamlessly to support the implementation of impactful, multi-sectoral, and territorially-sensitive investments.

The aim of this review is to understand how the key assumptions of the new regional policy paradigm are reflected in relevant operational documents, and what arrangements are envisaged to support territorial investments across Programs to maximize their development impact for the regions. The findings from this review lead into a set of recommendations aimed at supporting MRDPW in the ongoing programming process.

I. Draft Partnership Agreement 2021 – 2027

1. The description of the new integrated territorial approach

The integrated territorial approach as a new paradigm of regional policy supported through EU Cohesion Policy funding and its key, strategic modalities is still to be sufficiently described in draft Partnership Agreement (PA). This missing element from the draft PA makes it difficult for the reader to understand the nature of the new approach (territorial, multi-fund with earmarked funding from contributing Programs), as well as the scope and objectives of interventions envisaged under Policy Objective 5, and thus also misses the importance of a sound cross-Program coordination mechanism to ensure good management of EU funds and their smooth absorption. The draft PA also doesn’t yet present the added value of the new approach and its potential to generate considerable development stimulus for Bulgarian regions, which will be important considering the well-known growing inter- and intraregional disparities, and generally challenging development trends.

Recommendation:

It is recommended to expand the description of the strategic objectives and horizontal operational modalities of the integrated

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1. Draft Strategic Plan for Agriculture and Rural Development (SPARD) and Maritime, Fisheries and Aquaculture Program were not provided for the review.
terrestrial approach to clearly show how the Government of Bulgaria intends to tackle the challenges of territorial disparities, actively seek complementarities between Funds and Programs, and generate development synergies.

2. The description of the coordination mechanism for the new integrated territorial approach

The description of the coordination mechanism for the integrated approach is still to be described in the draft PA. In order to be in line with the stipulations of art. 8 of new CPR, the PA should include the description of coordination, demarcation and complementarities between Funds and Programs. The issue of demarcation is still to be addressed in the document; at present there are only general statements informing that complementarities between funds and programs will be looked for, which does not seem to sufficiently address this key issue. Given the significant multi-Fund and multi-Program nature of the new integrated approach it will be important that these aspects are adequately addressed in future versions of the PA.

Recommendation:

It is recommended to include a description of the envisaged coordination mechanism for the new integrated territorial approach. This would help provide the evidence base for a well-thought out and effective implementation framework to support this novel and challenging approach, ensuring sound management of EU funds and supporting smooth absorption of available financial resources to the benefit of targeted territories.

3. Territorial vs. sectoral needs and objectives

There appears to be an incongruence in the described approach to the mapping of needs to be supported via territorial integrated investments (territorial/bottom-up vs. sectoral/top-down), which will need to be clarified. On the one hand, the Integrated Territorial Strategies for the Development of NUTS 2 regions (ITSDs) are identified as the key strategic framework that those investments must comply with and contribute to their objectives, and this approach is in line with territorial, bottom-up character of PO5. On the other hand, it is stated that road infrastructure, education, healthcare, social policy and culture the interventions will be financed only if they are consistent with a prior mapping conducted by the relevant authority for the needs in the sector. However, the sources for this sectoral mapping are not identified, and it is not clear if it has already taken place or whether it has been duly reflected in ITSDs. The issue here is twofold:

1. This may lead to questions regarding the territorial nature of PO5 interventions as they may be perceived as a tool for supporting primarily sectoral objectives, which—in a way—defeats the purpose of introducing this new territorial policy, and

2. This internal contradiction in the approach may generate considerable challenges for the prospective beneficiaries with regard to investment planning, as they will have to prove their projects comply with the sectoral mapping to be deemed eligible for funding.

Recommendation:

It is recommended to clarify that the ITSDs and PIDMs—as the relevant territorial strategies in the understanding of art. 25 of the new CPR—constitute the primary strategic point of reference for all investments financed under PO5. Sectoral objectives should be prioritized with regard to investments financed under the remaining four policy objectives from the contributing Programs, as the sectoral mapping of needs under those programs, if available, is to be used as the official source of information on sectoral mapping compliance by prospective beneficiaries. We believe this approach would ensure an appropriate mix of bottom-up (territorial) and top-down (sectoral) measures to support the development of regions.
4. The contribution of the Strategic Plan for Agriculture and Rural Development to the new integrated territorial approach and its broader implications

Introducing the Strategic Plan for Agriculture and Rural Development (SPARD) as one of the Programs contributing to the integrated approach is a significant and welcome development. This can considerably strengthen the impact of integrated investments for different territories, help support functional linkages and encourage trickle down or multiplier effects for rural municipalities tackling challenges stemming from the rural-urban divide. It also effectively addresses the problem of ‘white spots’ (present in the previous programming period) and ensuring a comprehensive territorial coverage of all municipalities in terms of access to financing for the implementation of the integrated approach. It is envisioned that the PDR and SPARD will fund mirror infrastructural measures, and the demarcation between the two will be territorial (SPARD will support 215 rural municipalities, and PDR the remaining 50 urban municipalities). As the draft SPARD was not provided to the Bank team as part of the package of draft Programs to review, this review does not cover an assessment of how the integrated approach is reflected in the Program document, what exactly will be the SPARD’s contribution to its objectives, and how this new approach will be considered vis a vis the CLLD instrument which is similar in nature to the ITI concepts under the PDR (territorial, multi-Fund).

Recommendations:

The inclusion of the SPARD as one of the instruments supporting the integrated approach should be reflected in the cross-Program coordination mechanism to ensure swift and coordinated implementation of the envisaged support measures.

- It is recommended that SPARD MA is represented in the Coordination Council for the Territorial Approach (CCTA), and actively involved in coordination, implementation, monitoring and evaluation of the new integrated approach.
- It is recommended to adapt UMIS to also cover integrated territorial investments financed from the SPARD to ensure effective management of funds and the monitoring processes.
- It is recommended to put in place arrangements that will enable prospective beneficiaries from rural municipalities to become partners under partnerships with the 10 biggest urban municipalities (PA1 of PDR) and ITI partnerships (PA2 of PDR) to ensure that the advantages stemming from their eligibility under PDR are fully exploited to the benefit of targeted territories. So far, the latest versions of PA1 and PA2 guidance for beneficiaries do not envisage such a possibility. Conversely, it is recommended that the relevant parties consider if and to what extent joint urban-rural partnerships could be supported under SPARD to strengthen functional linkages and to address challenges related to the rural-urban divide.
- It is important to ensure that a sound coordination mechanism is put in place to avoid any risk of the double financing of investments in rural municipalities under the PDR and the SPARD, to monitor contracting, and implementation of projects, and to support monitoring and evaluation of project packages, as well as the overall integrated territorial approach.

5. Extra funding for the North West and North Central regions

The draft PA foresees providing the North-West and the North-Central regions with extra financing on a priority basis. Considering the socio-economic situation observed in these regions and development trends it appears to be a justified approach, and this additional funding has been reflected in the financial tables provided in draft PDR.

Recommendation:

It is recommended to closely monitor how effective the beneficiaries from the two Northern regions are in absorbing funds to support the implementation of impactful investments.
Providing extra funding will not suffice if the potential beneficiaries lack the capacity to correctly identify partners, reach consensus and develop and implement joint investment packages. External advisory support will be required to support them in this endeavor to reap full development benefits from the available funds.

6. Technical Assistance under PA: capacity building measures targeted at Regional Development Councils and adaptation of UMIS

The section on Technical Assistance (TA) provides important information about the types of bodies and processes that will be supported to ensure sound management of EU funds and strengthen the capacity of key stakeholders. It does not, however, refer to the need for targeted capacity building measures for the restructured Regional Development Councils (RDCs) and the much-needed adaptation of UMIS to support implementation of the integrated territorial approach.

Recommendations:

• Given the importance of building the capacity of RDCs as important territorial bodies involved in the implementation of the integrated approach, it is recommended to explicitly mention the need to support their capacity as part of the horizontal TA measures.

• When referring to the TA for the required development of UMIS to effectively support the management of EU funds during the upcoming programming period, it is also recommended to include a reference to the need for its adaptation to effectively manage the implementation of integrated projects and the overall new territorial approach.

II. PDR 2021 – 2027

The PDR 2021 – 2027 introduces a new integrated regional approach to financing regional development. This takes the form of Integrated Territorial Investments comprising a package of projects funded from different Operational Programmes in Bulgaria. The Bank team has conducted a comprehensive review of the first draft of PDR in April 2020, and formulated recommendations with a view to support MRDPW in the programming process. Together with the findings and recommendations that can be found below they constitute a comprehensive independent review of the strategic approach adopted by the MRDPW for the purposes of the upcoming programming period.

1. Description of the new integrated approach and the mechanism for its implementation

The description of the new integrated approach does not yet fully take into account the novel character of the new policy paradigm, and its broad application under the PDR. The following key information about the modalities of the new approach was not included:

• exactly which programs will contribute to the new approach;

• how big is their contribution (as % of Program allocation, and exact figure per Program and in total);

• what is the idea behind the integration of projects under an ITI concept and how strict/flexible this is going to be assessed during the selection and implementation stages;

• how the implementation process will be coordinated across Programs and in cooperation with relevant territorial bodies to ensure good management of EU funds and their timely absorption.

Recommendation:

It is recommended that the abovementioned elements are clearly described in the next version of the PDR to clearly present the intervention logic supported by a robust coordination mechanism.

2. Rural municipalities and their eligibility under the PDR

The draft PDR provides opportunities for the inclusion of rural municipalities in integrated
projects under Priority Axis 1 (PA1) and Priority Axis 2 (PA2):

- the functional zones, identified in the ITSDs and the links between different territories and settlements will be in the investment focus of integrated investments;

- PA1 and PA2 introduce the possibility to finance under PDR investments in industrial zones / parks, road infrastructure and sustainable urban mobility for neighboring rural municipalities to develop functional zones and to strengthen functional links.

However, the participation of the rural municipalities in the integrated approach is still not fully clear according to the stipulations of draft PDR. PA1 and PA2 do not specifically identify the partnerships between urban rural municipalities as an instrument for development. The draft PDR only identifies certain types of investments that can be supported in neighboring rural areas. The definitions of the integrated territorial approach are focused specifically on different sectors and stakeholders rather than certain types of territories. Their scope remains abstract—they are said to be targeting territories with common characteristics and/or development potential, including the most appropriate combination of resources and measures to be used to achieve a specific objective or a priority of an ITSD. This mentioned contribution to the regional strategies implies the idea of integrated projects in support of larger functional territories including both urban and rural municipalities, going beyond only ‘adjacent’ rural municipalities.

Recommendation:

The Bank team recommend that the PDR include a more detailed explanation of the envisaged eligibility of selected rural municipalities for funding under PDR. As such, it is recommended that both the strategic part of draft PDR strategy, as well as the descriptions of the two priority axes are complemented with short paragraphs, providing more details about the potential territorial scope of integrated projects. These paragraphs should also provide clear information about the possible participation of rural municipalities in project partnerships with their infrastructural projects under the SPARD. The list of rural municipalities eligible for funding under PA1 and PA2 should be provided in the draft PDR to better define the territorial scope of envisaged investments depending on their thematic scope (e.g. with regard to investments in health infrastructure it is envisaged that all rural municipalities will be eligible, not just the ones neighboring urban municipalities).

3. Inter-jurisdictional / inter-municipal cooperation and functional zones

Although the fundamental idea behind the integrated approach implies a strong regional dimension and socio-economic impact reaching beyond a single municipality, there is a limited description of the process for inter-municipal cooperation in the draft PDR. Only one sentence directly refers to this issue: ‘Partnership between different municipalities is not a mandatory condition, but it is necessary and will be applied to projects targeting wider areas’ (p. 19). The target value of the output indicator regarding the expected number of integrated projects under PA2 may imply that interjurisdictional cooperation will in fact be necessary to take advantage of the available funding (there are 40 eligible urban municipalities—plus an undisclosed number of rural municipalities, and just 24 integrated projects envisaged).

When reflecting on the mentioned ‘wider areas’, the reference to functional zones could shed more light on the potential inter-municipal scope of integrated investments. The draft PDR introduces them without a precise definition and their role in shaping the scope of partnerships, types of investments and boundaries of targeted territories remains largely unclear.

Recommendations:

- For the sake of the internal coherence of the PDR it is recommended to either reassess the approach to inter-municipal cooperation making it an obligatory requirement for PA2 or to change the target value of the mentioned output indicator from 24
to 40 to envisage at least one ITI concept per eligible municipality. Taking into account the challenging and largely untested nature of inter-municipal cooperation it is advised to choose the second option, as the ITI concepts with supra-municipal territorial scope could still be prioritized through PA2 project selection criteria.

- It is recommended that the first mention of 'functional zones' is accompanied by a simple definition and information on whether these implied zones coincide with the zones identified in the NCSD and ITSDs; and whether they can be modified especially in relation with the social zones, which include only rural municipalities which may question their applicability for the integrated approach.

4. Demarcation between Programs involved in the implementation of the integrated approach

4.1 PDR and SPARD

The demarcation between the two programs is not fully addressed, and a clear demarcation line between the PDR and the SPARD is still to be provided. The draft PDR stipulates that interventions under PA1 and PA2 of PDR will finance roads of I, II, III and IV class on the territory of urban municipalities and the SPARD will finance municipal roads. But as already noted the draft PDR will support investments in industrial zones/parks, road infrastructure (without specification about the category of the road) and sustainable urban mobility in neighboring rural areas.

There are also discrepancies between the texts of the draft PDR and PA2 Guidelines. In the draft PDR it is stated that the Program will support investments in industrial zones/parks, road infrastructure and sustainable urban mobility while the PA2 Guidelines list industrial zones, road infrastructure, urban mobility and additionally healthcare infrastructure. The draft PDR states that these investments will be located in the neighboring rural areas while there is no such limitation in the PA2 Guidelines. It is recommended that indeed there are no such limitations preventing infrastructure investments in a group of urban-rural municipalities under a given development axis according to the NCSD and the ITSDs. It remains unclear which program will finance which infrastructural measures and where and who will be the beneficiary.

Recommendation:

The issues regarding specific modalities for the demarcation mechanism should be coordinated between the two Programs and clearly addressed in the next versions of the PDR and SPARD.

4.2 PDR and other contributing Programs

The demarcation line between PDR and the rest of the contributing Programs has been referred to in draft PDR in the following way: 'Appropriate demarcation and complementarity between programs and the lack of double funding will be ensured at the level of pre-selection of ITI concepts in the regional development councils and additionally during the project selection process carried out by each MA.' It is recommended that the demarcation line is established as a horizontal arrangement for all Programs contributing to the integrated approach, and the compliance of individual projects under ITI concepts is only verified at the level of RDCs (1st stage of assessment) and MAs (2nd stage of assessment). This recommendation was already formulated and shared with MRDPW in April 2020, which supported it, but these changes were not yet introduced to the latest draft of PDR.

In terms of demarcation between the different programs the latest version of PA2 Guidance for beneficiaries provides a much more comprehensive scope of information in comparison with the draft PDR. For the time being the draft PDR provides only fragmented descriptions addressing this issue regarding several thematic types of interventions.

Recommendation:

It is recommended to align the scope of information with regard to demarcation between the draft PDR and PA2 Guidance for
beneficiaries. It is recognized that the modalities of the demarcation mechanism may require further adjustments as the programming processes continue.

5. Thematic scope of interventions under PDR

**PA1 and PA2 Guidance for beneficiaries provide more comprehensive information on the thematic scope and types of interventions envisaged under the PDR than the draft Program itself.** It might be worth considering aligning these two types of documents as far as the level of detail is concerned to facilitate effective communication about the envisaged scope of interventions. The comments below are formulated based on the review of both the draft PDR and PA2 Guidance for beneficiaries.

The thematic scope of interventions to be funded under PDR is broad, and it covers diverse sectors, including energy efficiency, health infrastructure, tourism, measures supporting economic activity, educational infrastructure, tourism and cultural heritage to name just a few. Moreover, it is envisaged that future investments in these thematic areas will support national sectoral objectives formulated by relevant central level bodies and covered by an appropriate set of Program indicators. The variety of thematic areas for intervention coupled with a relatively small number of foreseen integrated projects under PA2 (just 24) might suggest that the scope of a model ITI concept would have to resemble a ‘mini Operational Program’ in terms of the complexity of included interventions and their thematic and territorial coverage to help achieve the objectives of PDR. Additionally, the investment needs in those sectors are substantial, and it is not likely that the PA2 allocation will be sufficient to make a major impact for all eligible municipalities (urban and rural). A good example is the foreseen support for the healthcare sector. It is identified as a key priority for PDR along with energy efficiency, and extensive analysis of the challenges identified in this sector is provided. However, the actual allocation under PA1 and PA2 shows that the expected funding for healthcare will be similar to that dedicated to public spaces. Moreover, the total allocation of EUR 52.5 million for healthcare investments under PA1 does not seem sufficient taking into account that there are ten eligible large urban municipalities, as well as rural municipalities.

It is recognized that MRDPW’s intention was to provide future beneficiaries with a broad range of types of interventions to choose from to formulate their ITI concepts, which would adequately reflect their territorial needs and objectives. This approach however has certain implications for MRDPW as it could be held accountable by the EC for meeting target values of all Program indicators.

**Recommendations:**

- reconsider the approach to Program indicators and reduce their number and/or lower their target values;
- reconsider allocation dedicated to priority sectors to meaningfully support impactful investments through substantial funding or — if it is not possible — to delete references to those sectors as priority ones (without sufficient funding such statements are not well substantiated).

6. Number of integrated projects — target values

The rationale behind the estimated target values for integrated territorial development projects under PA1 and PA2 needs further review or explanation. The target for PA1 is 33 and for PA2 is 24 although the financial framework of PA1 amounts to 404,460,600 EUR and for PA2 to 1,094,409,400 EUR; the number of beneficiaries under PA1 is 10 (which translates into roughly 3 integrated projects per 1 municipality) and for PA2 is 40 (4 integrated projects per region, and not all eligible municipalities may be able to implement their own ITI concepts, unless they have an inter-municipal scope); the PA1 provides the possibility to fund individual projects while PA2 does not.
Recommendation:

It is recommended to reconsider the methodology for estimating the target values for the above-mentioned indicators as they seem too low.

7. The scope of measures to be financed under PDR Technical Assistance (TA) priority Axis

The TA priority under the draft PDR does not sufficiently cover all required measures with regard to the capacity building needs of key stakeholders (primarily RDCs and prospective beneficiaries).

Recommendations:

- It is recommended to include targeted TA for PDR beneficiaries to support the development stage of ITI concepts/integrated projects — in line with the stipulations from the draft PA. The proposal for an Advisory Hub — as formulated by the Bank team and submitted to MRDPW on November 13, 2020 — may also be used to further develop this section.
- It is recommended to delete reference to TA for IBs as the current draft implementation structure of PDR does not envisage IBs.
- It is recommended that the scope of the PDR TA priority is supplemented with a detailed description of the following activities envisaged to support the capacity building of RDCs:

1. Operations of the RDCs, such as:
   - organizing and holding the RDC sessions;
   - activities of the RDC Secretariat;
   - RDC documentation archiving;
   - activities with regards the implementation of the RDC Mediation Unit functions (incl. activities for the implementation of the RDC Information Strategy; awareness/information campaigns and information activities in connection with ITI; organizing trainings, public discussions, etc.; preparation and publishing of materials in mass media and social media; activities for coordination and facilitation for the establishment of partnerships, etc.);
   - activities related to the implementation of the RDC Public Consultations Unit functions (conducting public consultations and presentations related to the discussion of the submitted ITI concepts);
   - obtaining additional external expertise within the RDC Pre-selection Unit when assessing ITI concepts.

2. Offices and material equipment
   - adequate office spaces and office furniture (including offices for meetings with potential beneficiaries);
   - office equipment (including laptops, scanners, printers, video conferencing (VC) equipment, etc.);
   - relevant information and communication resources (including Internet connection);
   - capabilities for regional travelling, etc.

3. Strengthening the administrative capacity of RDCs
   - trainings according to an approved RDC annual training plan for the RDC members of the core and the extended team, as well as of RDC Expert Units (training courses, seminars, exchange of experience with other institutions with relevant national and international experience, etc.).

   - It is recommended to include funding through TA for measures to support beneficiaries in the development and implementation of ITI concepts, such as: external technical assistance throughout all stages of the ITI concept lifecycle, financing of staff cost and running cost of the ITI partnership, for which a partnership management body should be established (mirroring the TA approach for the CLLD where TA is available for the establishment and running of Local Action Groups).

8. The establishment of a coordinating body for the integrated approach

As already mentioned under point 1 in this section, the coordination mechanism for the new integrated territorial approach is not described in the draft PDR. However, in a section...
Independent reviews of the strategic approach to the Programme

dedicated to the legal framework relevant for the implementation of the PDR it is stated that an amendment of the Law for Managing EU Funds (ESIF) is envisaged that will be related to the establishment of a coordination body and a mechanism for the implementation of integrated territorial investments in the programming period 2021–2027.

Recommendations:

• In line with the recommendations already formulated under point 1, it is recommended to describe in more detail the key modalities of the coordination mechanism, as its sound design and smooth implementation will be one of the key success factors for the new integrated approach.

• It is recommended to clearly describe what sort of a coordinating body is planned to be established (CCTA?) and what will be its added value for the coordination mechanism.

• Additionally, it is recommended to clarify why a dedicated CoM Decree is not mentioned as the key regulation laying down the modalities of the coordination mechanism, but instead the amendment of ESIF Act. If these two legal regulations will be interrelated it would be useful to refer to both of them in order to exhaustively identify the scope of required legal changes and pending new regulations.

III. Contributing Programs 2021 – 2027 (excluding SPARD which was not provided in the package of drafts Programs made available by MRDPW)

1. General remarks

The review of draft Programs contributing to the implementation of the integrated territorial approach revealed how the relevant Managing Authorities intend to support integrated investments envisaged under PA2 of PDR through the funding of individual projects under ITI concepts. The Bank team would like to share the following key findings and their potential implications for the effective implementation of the new approach that might be worth considering as the programming process continues, and the modalities of the implementation framework are further developed.

• Implementation modalities of the integrated territorial approach do not seem to be sufficiently described in contributing Programs, which makes the assessment of their robustness difficult. For example:

• It is not mentioned whether the allocation dedicated to integrated territorial investments will be divided into regional envelopes to create a level playing field for all regions;

• There is not mention of how the selection process will be organized in order to support timely contracting of projects which constitute elements of integrated packages of investments; and

• there are no indicators related to tracking performance of integrated projects.

It would be useful to reflect on these issues in the next versions of the draft Programs to provide a fuller picture of the implementation modalities for the integrated territorial investments.

• Investments envisaged under the integrated territorial approach are not programmed under dedicated priority axes but are embedded in ‘regular’ priority axes/axes of the contributing Programs as one of the possible options for funding projects. Such an arrangement could make these interventions less ‘trackable’, therefore incorporating the following solutions might be considered:

• fast-track the application process of project proposals constituting elements of ITI concepts to ensure that their evaluation, and contracting is not delayed as it could put entire ITI concepts at a risk of non-performance due to the integrated nature of investments;

• track the absorption of the dedicated allocation (10%) by regions to monitor
the performance and progress of regional stakeholders in applying and absorbing funds, to identify non-performing territories and consider undertaking targeted remedial actions.

- It is not always clear whether the measures to be supported under a given Program as part of the integrated approach can solely be implemented as part of an ITI concept or also as individual projects, so including them into ITI concepts is just an option. It is important to clearly communicate it in Programs, as the difference for future beneficiaries is substantial and may significantly impact their decision-making about seeking ways to fund their projects. It is likely that if the beneficiaries had an option to either apply for funding with a project proposal under an ITI concept, or apply with the same project proposal but individually, they would settle for the latter. This option might also be more favorable for participating MAs, as it would mean less involvement with the evaluation of ITI concepts at the level of RDCs (as individual projects would be submitted directly to them), and less risk if an ITI concept fails due to the non-performance of one of its constituting projects, and all other grant contracts must be terminated as a result (in line with MRDPW’s intended approach of strong integration of the projects under an ITI concept during the implementation stage). But of course, it would not be beneficial for the integrated approach, which relies on multi-sectoral investments financed from different Programs to generate expected development outcomes for the regions.

As the new approach will be challenging for beneficiaries it seems justified to provide incentives to encourage their involvement with integrated projects. Two options can be considered:

- **Option 1**: specific types of interventions can solely be funded if they constitute projects under ITI concepts, or

- **Option 2**: there are two possibilities to fund projects: (i) as individual, standalone projects and (ii) as project constituting an element of an ITI concept. The latter should be clearly incentivized by e.g. prioritizing such project proposals during the selection process (awarding extra points under so-called conclusive selection criteria or providing higher volume of maximum funding etc.).

2. Specific issues regarding individual Programs contributing to the implementation of the integrated approach

**Program for Competitiveness and Innovation in Enterprises (PCIE)**

There is no demarcation with PDR with respect to investments in industrial parks. Such an overlap was identified between these two Programs, as they both support the development of such parks under the integrated approach covered by PDR PA2. This issue should be addressed and resolved in the next versions of Programs.

There is a general question with regard to the coordination between CLLD interventions and ITI concepts. In particular, under PCIE two types of measures which will be financed under the ITI approach (the ones attributed to Policy Objective 1/Specific Objective (i) and Policy Objective 1/Specific Objective (vi)) which will be financed under the CLLD approach as well. The CLLD 2021–2027 approach will be implemented on the whole territory of the country (including rural areas and areas with specific characteristics defined in the NCSD 2013–2025), except for the cities with a population of over 30,000 inhabitants. **It is therefore imperative that effective coordination and complementarity between both territorial approaches is ensured, in particular in the context of PA2 of PDR.**

**Program for Education (PE) and Human Resources Development Program (HRDP)**

PE and HRDP will support important long-term policies in sensitive areas such as the labor market, social inclusion and inclusive education of specific and vulnerable target groups. These measures are to be implemented solely by applying the integrated approach. In light of that, attention should be drawn to the potential negative effects that could occur in terms of achieving the objectives.
of the policies envisaged in the described programs, if such an arrangement is indeed put in place. Two major risks were identified:

- the envisaged measures will not be properly implemented by beneficiaries of ITI concepts; or

- the envisaged measures will not be recognized as a priority by the stakeholders in the regions and therefore not sufficiently supported under ITI concepts to meet the national objectives.

In practice, this would mean that long-term policies in the described sensitive areas would be left to be implemented relying solely on the own initiative of local stakeholders, such as the local authorities. This could put at risk the chances for impactful interventions in support of the labor market, social inclusion and inclusive education of specific and vulnerable target groups.

A similar scenario could play out with respect to interventions in the field of inclusive education, including adult literacy, as well as the dual education system, which is also intended to be extensively supported only by applying the integrated approach.

It is recommended to consider the following options for addressing these risks:

- the establishment of a mechanism which would guarantee — through the appropriate application of the "top-down" approach — the recognition of the described specific measures under the two programs, as important for the development of Bulgarian regions under the described specific policy areas. The establishment of an appropriate coordination and control mechanism between MRDPW and the PE and HRDP MAS would be essential. It could help ensure both the balance between the types of integrated projects to be included in the ITI concepts as well as the types of ITI concepts to be implemented at the level of NUTS 2 regions.

- it is recommended that ITI concepts in the applicable areas supported by the two programs are defined in advance. In this respect, to support the investment planning process it is recommended that a comprehensive analysis of regional needs and potential within the scope of the mentioned policy areas is provided in the ITSDs.

- in the framework of the PDR, and in coordination with the Ministry of Labor and Social Policy, the envisaged funds for social infrastructure should be fixed, and there should be a requirement for each ITI concept to include a project with a social focus;

- the inclusion of projects, from the applicable areas of the described programs, into ITI concepts should be incentivized through the awarding of additional bonus points during the evaluation of ITI concepts.

Suggestion for solutions:
review of the framework for the development and implementation of ITI concepts (19/07/2020)

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<th>Gaps/Risks</th>
<th>Solutions / Questions</th>
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<tr>
<td>ITI Developement</td>
<td>ITI Concept Preparatory Stage</td>
<td>The ITI concept development process will be carried out in 2 stages: an informal i) preparatory stage, followed by a ii) formal stage, which starts with the signing of the ITI Partnership Agreement. This 2-stage process could be appropriate to ensure that the ITI concept is established based on common needs/potential for development of the respective NUTS 2 Region Territory. It includes the public engagement / consultations as a building block for the development of the idea for an ITI Concept. Starting point The ideas for ITI concepts are based on the common needs and potential for development of a defined territory within a NUTS 2 Region in compliance with those prioritized in the ITDS and the respective Integrated Municipal Plans for Development and sectoral strategies.</td>
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1.1. Lack of compliance of ITI Concepts towards the strategically prioritized regional needs/development potential. |

Defining the scope of and division of tasks under the ITI Concept Preparatory Stage preceding the formal establishment of the ITI partnership
Gaps/Risks | Solutions / Questions | Description / Justification
---|---|---
Who | The idea of an ITI Concept could be initiated by eligible municipality/ies or other stakeholders who are potential partners — district authorities, civil society (NGOs, employers’ organisations, syndicates, etc.), academia, business. The municipal authorities of the territories targeted by an ITI Concept should be encouraged to participate in the ITI Concept and are expected to play an active role in its development. | 
How | 1. Identify, for a defined territory of the NUTS 2 Region, common needs and potential for development. | 
2. Based on the identified common needs/potential for development define the ITI Concept objectives. | 
3. Identify project ideas³ which would best contribute to addressing the needs and unlocking the development potential based on: | 
- Pre-defined projects prioritized in the ITDS | 
- Own analysis and | 
- results of public consultations. | 
4. Identify the potential partners to implement the ITI Concept projects ideas. | 
In the context of compliance with the state aid rules, the projects to be implemented by partners — economic operators, will be selected, where applicable (unless the economic operator is unique), following a competitive procedure⁴. | 
*Note: The legal issues related to the involvement of economic operators as ITI partners are rather complex and complicated. They require an in-depth legal analysis and would probably need the development of dedicated instructions to potential ITI applicants and relevant templates, which tasks are however beyond the scope of the WB Team’s assignment. So, the options of involvement of economic operators as ITI partners listed below should be considered to contain only a brief outline of the relevant issues. | 
We can expect 3 cases (types) of involvement of economic operators as ITI partners, as each of these implies a different type of selection procedure: | 
A) involvement of private economic operators who will — within the ITI concept — take part in the development of (public) infrastructure and/or the delivery of public services (related or not related to such infrastructure). This type of involvement will constitute a public-private partnership (PPP) regulated by the Concessions Act. That is why, this type of involvement of private economic operator should comply with the formal rules of the Concessions Act. This would imply that the selection of that private partner should be carried out in the preparatory phase of the ITI concept development under the formal rules of that Act by the public body in charge of that concession award. Under the Act the ownership of the assets to be thus developed can belong to the state, municipality or be private. | 
This type of involvement raises additional questions, such as: | 
- should the public body in charge of that infrastructure and/or the delivery of that public service also be an ITI partner?; | 
- to the extent that such project will be a profit-generating one, the grant funding envisaged under the ITI concept for this particular project should comply with the CPR rules on funding profit-generating projects; | 
- in case of financial instruments shall be also involved – the manager of that financial instrument should also be involved in the selection of that economic operator. | 
B) public or private economic operator who possesses an exclusive right to develop and operate certain public infrastructure or services. In such case on the grounds of the exclusivity of the latter there would be no need for a competitive selection procedure (the rules on profit-generation projects will still have to be met). | 
C) In the specific case where an economic operator will be involved in developing infrastructure and/or delivering services which are not covered by the Concessions Act, then this economic operator could — in principle — be selected without a competitive procedure (the grant award that economic operator would constitute ad hoc aid which is allowed by the State Aid rules). In this case, although competitive selection of those partners is not required, the WB team recommends a simplified competitive selection procedure based on objective selection criteria to be anyway applied, for the sake of transparency, fair competition and equal treatment of potential wanna-be partners. If MRDPW would like to follow this recommendation, the WB team could draft a sample of such procedure. | 
The above forms of involvement of economic operators as ITI partners should be differentiated from the cases where economic operators who are not ITI partners will receive grant aid under the ITI. In that case, unless those economic operators are not explicitly included as ‘predefined beneficiaries’ in the relevant OP, the grant aid envisaged under the ITI for those economic operators should be structured as and implemented through an aid scheme (a grant scheme). The RDC could take part in the assessment of project applications under that grant scheme, but the relevant OP MA will be the ultimate grant scheme operator. So, the involvement of the RDCs in that process should be subject to specific arrangements between the OP MA and the RDC (specific project assessment functions which will need to be explicitly included in the Delegation Agreement between the OP MA and the RDC). | 
The ITI Concept Preparatory Stage finishes with the signature of the ITI Partnership Agreement.
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<td>1.2 ITI Concept development process is not clearly defined: role of the RDC Mediation Unit (MU) and objective of the public consultations are not clear.</td>
<td>RDC Mediation Unit provides support but is not the owner of the ITI development process.</td>
<td>The owners of the process of the ITI concept development are the potential partners. They are responsible for and coordinate the ITI concept development process. The RDC Mediation Unit provides support to the stakeholders and potential partners during the phase of ITI concept development through implementation of RDC Information Strategy, supporting the communication between the potential partners, identifying sources of financing, etc.</td>
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<td>1.3 Risk of compromising the RDC mechanism and delaying the ITI application as a result of Mediation Unit’s low capacity and conflict of interest</td>
<td>Advisory Hub — focal point for expertise and systemic ‘advocate’ of the local government</td>
<td>Advisory Hub for Municipalities The suggested Advisory Hub is a solution mitigating the risks resulting from: • the low capacity of the RDC Mediation Unit and identified risk with respect to conflict of interest situations arising from the foreseen direct engagement with ITI applicants at the ITI concept preparatory stage, and • the low capacity and lack of experience of prospective ITI applicants due to the novelty of the new integrated approach If the Advisory Hub were to be introduced as a systemic provider of expert support to municipalities — prospective ITI applicants the RDC Mediation Units would retain their functions with regard to the provision of procedural guidance and support to prospective ITI applicants throughout the ITI concept development phase without advising on the substance of the prospective ITI concepts. Through a sustainable and comprehensive support mechanism ensuring sufficiently high and standardized quality, the Advisory Hub would also help to avoid potentially fragmented approaches of the support provided by the different RDC Mediation Units across regions. Who could be entrusted with the role of an Advisory Hub: I. An already existing suitable entity (e.g. National Association of the Municipalities in Bulgaria, others) or II. A new entity — NUTS 2 (or NUTS 3) Regional Development Agencies, to be established by interested district administrations and municipalities. Those could be financed under the TA axis of OPDR. III. Select Advisory Hub units through a public procurement tender, as the different regions will constitute separate advisory service lots. This option would enable to select the most qualified advisory service providers at the best price/quality ratio. The period of the procured advisory services could cover the whole programming period. Roles of the Advisory Hub: Focal point for expertise for municipalities during the ITI concept development: • seeking expert support in elaborating their ITI concepts • strategic planning, and investment planning • legal advice • advise on financial engineering and potential financing schemes of investments • advise with regard to prefeasibility and feasibility studies, environmental impact assessment, sustainability etc. • looking for ways to share experience and knowledge, and network with other municipalities across the country to identify and solve common problems, look for inspiration, exchange experience with regard to ITI concept development and implementation, search for potential partners etc. • seeking advice on how to combine different financing streams to support their planned investments (JTF, recovery facility, other OPs 2021 – 2027, including the Rural Development Program) to create synergies and seek complementarities. Academy for Partnerships’ to support the ITI Concepts implementation through: • centrally managed list of FAQs/Q&amp;As that would standardize some solutions at the implementation stage • Inventory of ITIs allowing for sharing experience of other ITIs and copy/improve/conceptualize own ITI ideas • suggesting new projects to be added to replacing the failed ones • legal disputes may arise between ITI partners that will require mediation, etc. Advocate’ of the local government, identifying systemic problems, challenges and potentials and proposing adequate policy responses to MRDPW and other key players at the central level. RDC Mediation Unit functions (if Advisory Hub is established and takes on the proposed competences): • to support ITI applicants by providing guidance only with regard to the formalities of establishing an ITI partnership (including the competitive procedure for selecting partners – if applicable) and of submitting the ITI concept application. • would not support beneficiaries in terms of substance of the ITI concepts the RDC Mediation Units will remain impartial, credible, and avoid conflict of interest situations, while still providing valuable advice to prospective ITI applicants.</td>
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<td>Potential future role of the Advisory Hub: The Advisory Hub could over time establish its regional offices in NUTS 2 regions, which could either be the cornerstone of: • fully fledged RDC Offices (if decentralization is to materialize as a major policy reform) or • professional Regional Development Agencies (that could later on assert the role of regional IBs with deconcentrating processes taking place - instead of decentralization).</td>
<td>Provision of a comprehensive and adequately targeted Technical Assistance (TA) support for: • Advisory Hub (if established) • Eligible municipal authorities for ITI concept development • RDC Mediation Units • RDC Selection Units • MRDPW regional branches • ITI partners during the ITI concept implementation and coordination.</td>
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<td>Targeted TA for ITI development process – considering and using the capacity of the current 29 IBs eligible under PA2</td>
<td>Targeted, two-pronged TA support to municipalities: • Good performing cities (current IBs under OPRG 2014 – 2020) – ‘fast track’ approach to ‘refreshing’ their integrated plans to facilitate the formulation of ITI concepts in cooperation with relevant partners • New 11 eligible municipalities and lagging behind cities — IBs under OPRG 2014-2020</td>
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<td>Train the trainers</td>
<td>Making good use of the capacity and expertise accumulated by 29 IBs under OPRG 2014 – 2020</td>
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<td>The IBs have the potential to become natural leaders of the integrated approach because they already have: • integrated development plans in place on which they can build on new investments and identify ways of engaging other stakeholders as partners • administrative capacity accumulated as IBs • experience with planning and implementing EU-funded investments How could this potential be used to kickstart the new programming period and ensure swift uptake of funds under PA2 of OPDR 2021 – 2027? • putting in place a ‘fast track’ approach requiring tailor-made TA to the IBs • providing targeted advisory support to ‘refresh’ integrated plans to include partners and ideas for integrated investments • This would allow the less experienced 11 municipalities (also supported by tailor-made TA), more time to prepare their ITI concepts and build sufficient capacity for their implementation.</td>
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<td>Introducing pre-defined flagship ITIs with earmarked funding could incentivize prospective applicants by reducing uncertainty and encourage more ambitious and impactful scope of ITI concepts significantly contributing to meeting regional development objectives. Proposals for flagship ITIs will be formulated by the Bank team as part of the task related to the preparation of a proposal for strategic evaluation criteria for ITI concepts.</td>
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<tr>
<td>Pre-defined ITI flagship projects</td>
<td>2. ITI Concept and Project Selection</td>
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<td>Pre-defined ITI flagship projects</td>
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<tr>
<td>ITI Implementation Plan</td>
<td>2. ITI Concept and Project Selection</td>
<td></td>
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<tr>
<td>The Bank team has prepared the first proposal for the strategic evaluation criteria of ITI concepts that will facilitate the assessment of submitted ITI concept applications against key regional development objectives.</td>
<td>Each ITI Concept will have to include an ITI Concept Implementation Plan setting out crucial programming elements, including: • budget — level and sources of financing, participating funds, OPs and priority axes; • timeline for all projects • specific objectives to be included in the ITI concept, expected territorial results and indicators for measuring their achievement • coordination with other elements of the OPs and with the actions using the CLLD approach, projects under EAFRD and EMFF, etc. • description of the implementation and management system — structures and procedures at the level of the ITI partnership.</td>
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</table>
Independent reviews of the strategic approach to the Programme

<table>
<thead>
<tr>
<th>Gaps/Risks</th>
<th>Solutions / Questions</th>
<th>Description / Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Once approved within the ITI Concept, the projects can only be subject to rejection by the MAs at the 2nd stage assessment only because of formal inconsistencies.</td>
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<tr>
<td>The scope of competence of MAs OP at 2nd stage assessment should be clearly defined — the prerogative to reject project applications that constitute elements of already positively assessed ITI concept only on the basis of identified formal inconsistencies.</td>
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</table>

3. ITI Implementation and coordination

3.1 The mechanism for maintaining the integrated nature of the ITI concept implementation is not clearly defined, which creates risks for ineffective coordination between the various actions and monitoring the ITI Concept implementation.

Development of a mechanism of coordination and synchronization between MAs during the ITI implementation. The MAs should have at place a mechanism for coordination and synchronization during the ITI implementation to ensure smooth implementation of ITI concepts financed from different OPs, and to help maintain the integrated nature of ITI concepts should any problems arise with regard to any of the projects during the implementation phase.

3.2 Requirements with regards to the sustainability of ITI results are missing.

Establishment of requirements with regards to the sustainability of ITI Concept results. Requirements regarding the sustainability of ITI Concept results should be established. The ITI Concept should include provisions ensuring the sustainability of ITI Concept results. A criterion enabling the evaluation of these provisions was included in the proposed set of strategic evaluation criteria of ITI concepts.

Establishing a mechanism for maintaining the integrated nature of the ITI concept during its implementation.

Defining a mechanism for maintaining the integrated nature of the ITI concept during its implementation while ensuring flexibility in the context of the probable risk of some projects failing to be successfully implemented. Should there be ‘key projects/key features’ of the ITI concept that constitute the core of the ITI concept and without which it doesn’t make sense to implement the concept? — MRDPW

What would be the procedure for preliminary coordination with the respective MAs of the economic operator’s projects about their compliance with the State Aid Rules? MRDPW

Will there be requirements envisaged by MAs for performance evaluation at the level of individual project and at the level of ITI? MRDPW

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**Review of the draft Integrated Territorial Strategies for the Development of NUTS 2 regions (24/04/2020)**

**Introduction**

In March 2020 MRDPW launched public consultations of six Draft Integrated Territorial Strategies for the Development of NUTS 2 regions (ITSDs), with April 20, 2020 indicated as the deadline for submitting comments. Taking into account the prominent role ITSDs will play in the new integrated territorial approach for the next programming perspective and that MRDPW intends to finalize the ITSDs preparation by end of June 2020⁴, the Bank team has reviewed the draft ITSDs and would like to provide our initial findings and recommendations for MRDPW’s consideration. The review ends with a list of questions for MRDPW aimed to clarify some issues identified during the review. The Bank team would

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1. The ITI Concept objectives and the project/project ideas included in it should follow the ITDS’, Integrated Municipal Plans for Development’s priorities as well as to sectoral strategies.

2. When the strategies are to be endorsed by the Council of Ministers.
appreciate receiving feedback from MRDPW on our review findings and these questions to better guide future work under this Reimbursable Advisory Services (RAS). This is important because the approach adopted under the ITSDs, with regard to the strategic development objectives of the NUTS 2 regions, will influence future RAS tasks related to the evaluation and selection mechanism for Integrated Territorial Investment (ITI) concepts and guidelines for both ITI beneficiaries and Managing Authorities (MA).

The Bank team are submitting this initial review to ensure that there is time for MRDPW to arrange the potential fine-tuning of the draft ITSDs prior to their adoption, should the recommendations be accepted by MRDPW. A thorough review of the ITSDs will be included in the future RAS deliverable report which will comprehensively analyze the possibilities for implementing territorial instruments in Bulgaria (output 5 under RAS Component 3).

1. Approach to the review of draft ITSDs

ITSDs are a crucial part of the recently renewed Bulgarian planning system, defined by the Regional Development Act (as amended on March 15, 2020). The newly introduced system integrates spatial and socio-economic planning to promote a more holistic approach to development processes. It also streamlines and simplifies the planning framework introducing a three-level system of planning documents (national, regional, and municipal), of which the ITSDs are an integral part. Their role is to define priorities and areas for intervention and provide strategic guidance for development interventions to be implemented at regional (NUTS 2) level as part of the new regional policy paradigm.

The significance of ITSDs as the strategic enabler of the integrated territorial approach is further reinforced in the first draft of the Operational Programme for the Development of Regions (OPDR 2021–2027), which clearly asserts the prominent role that ITSDs—as ‘territorial strategies’ described under Art. 25 of draft Common Provisions Regulation (CPR)—will play in programming integrated development interventions financed from EU funds.

It is stated in the draft Operational Programme that all types of activities to be supported under Priority Axis 2 of OPDR 2021–2027 (with the focus on territorial development of the NUTS 2 regions) need to be identified in the ITSDs based on the mapping of territorial (‘bottom-up’) and sectoral (‘top-down’) development needs. The goal behind this approach is to ensure a stronger place-based investment focus, more effective interventions, and enhanced cross-sectoral dialogue between stakeholders—which are all key elements of the new integrated territorial approach to be implemented in Bulgaria.

Therefore, this review primarily aims to assess to what extent the current drafts of ITSDs can be viewed as an effective tool for promoting and guiding integrated investments to be elaborated and implemented by stakeholders at subnational level.

Additionally, the Bank team would like to take this opportunity to bring to MRDPW’s attention other issues resulting from our assessment of the compliance of draft ITSDs with the amended RDA and draft CPR.

The note ends with a list of questions to MRDPW and the Bank team kindly request a response to these to clarify several issues, which are important for future work under the RAS.

2. ITSDs as a tool for promoting integrated investments in NUTS 2 regions

- Draft ITSDs share a common structure built upon three main priorities:

  1. economic development;
  2. human resources and social infrastructure; and
  3. spatial development,

These are described through specific objectives under each priority and specific activities that should be supported during the period 2021–2027. They also display a similar approach to formulating trends, conclusions
and proposals. All six drafts are based on the same set of principles, including the need to integrate different sectoral policies and to achieve alignment with the National Concept for Spatial Development (NCSD).

- Ideally, the drafts should identify the needs for ITIS (common development issues, problems and potentials) and pre-define proposals for ITIS (scope of municipalities with similar characteristics, priority areas; specific, ‘flagship’ integrated projects with major impact on the development of a given region). To some extent this task is achieved, but not in a uniform way across regions and across specific objectives, where specific regional dimension is sometimes difficult to pinpoint.

- The most problematic aspect seems to be the insufficient identification of inter-municipal areas which share common characteristics and where integrated investments could specifically be promoted to meet regional development objectives. The annexes to all draft ITSDs include a map that defines groups of municipalities with the potential to cooperate, but it is not mentioned in the main text of drafts. The applicability of the map for the purposes of elaborating ITIS is questionable as these groupings are (a) not in alignment with the specific zones as defined in the updated NCSD, (b) the criteria for their delimitation are not explained, and (c) they cover the entire territory of the region, which raises doubts whether sufficient territorial focus can be achieved, and (d) no profiles for development of the groups of municipalities or priorities for inter-municipal partnerships are provided. The maps should be reviewed to ensure their applicability and accuracy as a tool for targeting integrated investments.

- There seems to be confusion regarding the definition of ‘rural municipalities’ for the purposes of the strategic planning framework. NCSD has not given a decisive decision on the scope of rural municipalities, however it stressed that the previously applied approach (municipalities with under 30,000 population) is too extensive and has to be limited. Two different approaches are suggested in the documents:

  • to define the rural municipalities according to the theoretical model based on three categories — highly, medium and weakly urbanized territories. Weakly urbanized territories can then effectively outnumber rural municipalities (153 municipalities);

  • to define the municipalities with under 20,000 population as rural areas (225 municipalities).

Draft ITSDs repeat the thesis that the rural areas can be defined as weakly urbanized municipalities (peripheral) — with small towns or villages, where more than 50 percent of the population lives in settlements under 5000 or the municipal centers are smaller than 5000 inhabitants. But in later parts of the spatial analysis, the drafts define the specific territories and at this point they define rural areas as municipalities with under 20,000 population. Clarity on the definition of ‘rural municipality’ is strongly advised as it has major implications for regional policy under the 2021 – 2027 programming perspective and eligibility of municipalities for support under different instruments.

- Draft ITSDs would benefit from a stronger orientation towards the integrated approach, which requires establishing a stronger link between the challenges and potentials of the region and their specific spatial, territorial dimension (groupings of municipalities). This would be conducive to determining the scope and dimensions of inter-municipal cooperation, which in turn should generate ITI concepts. The new development model requires focusing attention not only on the level of the entire region and its districts, but also on one more level — groups of municipalities which share common characteristics and challenges and ITSDs should reflect that.

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3. In fact, according to the EC’s degrees of urbanization classification, it is important to look at both how many people live in an area but also the density, which is required to understand what is needed to deliver urban services.
• Methodological Guidelines for the Preparation of ITSDs require a specific section — ‘Description of the integrated approach, which tackles the needs and potentials’ — which is to present actions to support integrated territorial and urban development. The proposed integrated approach should include both integrated sectoral measures and measures targeted towards specific settlements or territories, also including more than one municipality. This approach (and identified measures) have to be in line with the strategic goals of the ITSDs. Moreover, this section should include identified projects with regional importance/dimension with financial parameters. In the reviewed drafts of ITSDs such a separate and dedicated section on the integrated approach was not included, and references to fragmented aspects of the integrated approach can be found in the description of different strategic goals and priorities of draft ITSDs.

• As draft ITSDs do not provide sufficient guidance on the areas and thematic scope of integrated investments that could effectively address development bottlenecks in each region there seems to be strong reliance on bottom-up activation of prospective local stakeholders and their own initiative to elaborate integrated projects. This is of course a legitimate approach that could generate good quality projects well-tuned to the actual development needs of prospective beneficiaries. However, given the limited experience of Bulgarian municipalities with integrated investments and cooperation more broadly, this approach — if not accompanied by intensive, hands-on technical assistance to municipalities — may negatively impact the prospects for smooth elaboration and implementation of territorial instruments. In fact, on the contrary it could promote fragmented and not very impactful projects, benefiting accidental partnerships.

• it should also be noted that the lack of targeted support to municipalities that require it most (i.e. those that are least developed, with insufficient administrative capacity, lack of experience with integrated, intermunicipal projects) would likely further exacerbate already observed disparities as it will effectively promote the most active municipalities. This in turn could undermine the overall strategic goal of regional policy in Bulgaria, which is to counteract regional disparities.

• Broadly defined objectives might not be sufficient to effectively promote — among prospective beneficiaries — the elaboration of ITI concepts with the biggest impact on socio-economic development of the region. This broad approach will also be a challenge with regard to the formulation of ITI concept selection criteria that could adequately assess ITI concepts against regional goals and put those that generate the most profound socio-economic impact on a regional scale on top of the ranking list.

• The accuracy and applicability of the approach proposed in draft ITSDs to integrated investments largely depends on the extent to which these are understood and properly utilized by prospective beneficiaries for the elaboration of such bundles of projects. Given the fact that MRDPW has launched a survey on integrated project ideas in parallel with public consultations of draft ITSDs the results of this survey present an excellent opportunity to: (i) identify the level of understanding at the local and regional level by assessing submitted project ideas, (ii) assess to what extent these concepts are in line with ITSDs, and (iii) estimate potential demand for support under Priority Axis 2 of OPDR 2021 – 2027.

Submitted project ideas were supposed to meet the following requirements set out in the announcement of the survey:

- take into account local characteristics, needs and resources;
- meet the priorities identified in draft ITSDs for the development of the respective region;
- have impact on the socio-economic development of more than one municipality/district;
- contribute to the economic development of the region, to create new jobs and improve its competitiveness, to support the technical and business infrastructure;
- integrate economic, social and environmental components; and
- be discussed in public forums and supported by local communities and businesses.
Preparation of these project concepts must have been a very complex and challenging task given time constraints (only one month to prepare) and lack of specific guidance. It is highly recommended to carefully examine the outcomes of the survey, as submitted feedback could be instrumental in:

- estimating the level of awareness of stakeholders on the practical dimension of integrated approach and identifying knowledge deficits which should be addressed through a targeted information campaign;

- assessing how adequate proposed investments are in terms of their territorial coverage and thematic scope with regard to strategic development objectives as defined in draft ITSDs;

- estimating the volume of required financing per region;

- identifying areas where feedback was non-existent or very limited to undertake specific actions to effectively activate potential for generating ITI concepts of prospective beneficiaries located in those territories;

- supporting the process of formulating guidelines for prospective applicants on the elaboration of ITI concepts and evaluation and selection mechanism.

Some other aspects that require more revisions and adjustments before finalizing ITSDs are the following:

- specific measures and activities to mitigate and adapt to climate change and to reduce the risk of disasters should be included in drafts and be to each of the six regions;

- each draft should be supplemented with an indicative list of project ideas important with indicative budgets and an optimal timetable for their implementation;

- an overall assessment of the resources needed to implement the each of the strategies, specified by years according to the optimal timetable for the implementation of project ideas should be included in drafts;

- findings from monitoring and ex-post evaluations of the regional schemes currently in place should be reflected in draft ITSDs as an important element of the evidence-based policy planning.

Methodological Guidelines for Preparation of ITSDs require the strategic objectives of the ITSD to be presented with a spatial dimension as they are oriented to one of the ‘strategic thematic directions’ such as ‘functional-hierarchical structure of the network of urban centres’; ‘axes for development’; ‘transport corridors and other infrastructural networks’; etc. The Guidelines propose a clear interrelation between the strategic and spatial dimensions of the ITSDs, and although for some of the strategic priorities and objectives that relation is reflected, in general the strategic objectives are not bound to the spatial categories. What is more, the Guidelines define the need for ‘models for spatial development including alternative scenarios’—a combination of a thematic map with a description. Every map has to illustrate the current and the projected state, corresponding to the strategic objectives. The ITSDs consist of annexes with various maps which reflect the defined spatial categories but still not entirely fulfil the requirement for combination of current and projected state, as well as not clearly showing the reflection of the strategic objectives. At the current state there are not any alternative scenarios, and only some of the components of the analysis consists of forecasts (e.g. demographic component).

It might be useful to also refer to the possible district level “territorial” transition plans (planned for 11 Districts) under the Just Transition Mechanism and Green Deal when finalizing the ITSDs.
3. Recommendations

- Overall a more ITI-oriented planning approach to the ITSDs is recommended. The analytical part should provide more information about the development problems and potentials shared by groups of municipalities to clearly show the spatial dimension of observed socio-economic phenomena.

- The three strategic priorities for development of the regions could also reflect the concept of inter-municipal cooperation. For example, the third priority for spatial development could be complemented with a single specific objective for inter-municipal cooperation with regard to ITIS.

- If thematic and territorial concentration is to be achieved to maximize development outcomes of planned investments the zones for ITIS should be clearly defined and target specific territories, not the entirety of regions. Transparent criteria should be applied to define these zones, which should be in line with the functional zones as identified in the NCSD. To ensure a sufficient and consistent planning base for ITIS both NCSD and the RSSD should uniformly apply the same strategic approach, but with a different degree of detail.

- It is also worth considering to supplement draft ITSDs with a dedicated section (or sub-sections) on ITIS, comprising of: (i) zones for ITIS with the criteria for their definition; (ii) development profiles/priorities for zones for ITIS; (iii) other details such as financial resources; time planning; partnerships between public and private sectors within the zones, etc., (iv) indicative list of integrated investments per region; (v) a set of dedicated indicators for it is, which would facilitate monitoring and evaluation of their effectiveness in meeting regional development objectives. This set of criteria could then be used as an element of the ITI concept evaluation and selection mechanism. Such dedicated section would meet the requirements from Methodological Guidelines for the Preparation of ITSDs regarding the section ‘Description of the integrated approach, which tackles the needs and potentials’, and be useful for the elaboration and implementation of ITI concepts to be further financed under OPDR 2021–2027 and other relevant OPEs.

4. Compliance of Draft ITSDs with amended RDA and draft CPR

RDA

Twelve specific requirements for the contents of ITSDs are described under Art. 11 of RDA. Upon the conducted assessment it can be observed that the following five requirements seem to not have been entirely fulfilled in draft ITSDs:

1. forecasts, alternative scenarios and spatial models for development;
2. functional-hierarchical structure of the network of settlements with urban centers and with identified zones for industrial development and business, for recreation and tourism, for the implementation of integrated territorial investments;
3. measures for integrated territorial renewal and development;
4. indicative list of important project ideas from the NUTS 2 planning region with indicative budgets and an optimal timetable for implementation; and
5. general assessment of the resources required for the implementation of the strategy, specified by years according to the optimal schedule for the implementation of the project ideas.

As these elements are conducive to the effective implementation of the new integrated approach and meeting territorial and sectoral development objectives of the regions, it is highly recommended to revise the contents of the drafts in the indicated areas and introduce adequate adjustments and additions to make sure they effectively address all the required elements before their endorsement.
Draft CPR

Two issues have been identified with regard to the compliance of draft ITSDs with draft CPR:

1. under Art. 25.2 (on territorial strategies) and
2. under Art. 23.1(d) (on description of involvement of partners).

According to Art. 23.2 territorial strategies (ITSDs) should be drawn up under the responsibility of the relevant urban, local or other territorial authorities. In the case of ITSDs under review they are commissioned by MRDPW, prepared by the National Center for Territorial Development with inputs from Regional Development Councils, approved by Regional Development Councils, but effectively endorsed by the Council of Ministers. The key risk identified in this regard—which also resurfaced during the peer review process of RAS Deliverable 3.1—is the refusal by the EC to recognize ITSDs as territorial strategies according to Art. 25 of draft CPR due to the actual role of RDCs in the process of ITSDs preparation and implementation and the current composition of RDCs which could result in ineligibility of integrated projects for financing under Policy Objective 5 from Priority Axis 2 of OPDR 2021–2027. The gravity of the risk substantiates the WB team’s recommendation to MRDPW to engage in communication with the EC to reach a clear understanding of the EC’s position in this respect.

Art. 23.1(d) of draft CPR stipulates that territorial strategies shall contain a description of the involvement of partners in accordance with Article 6 in the preparation and in the implementation of the strategy. Each draft ITSD has a very similar short, 2-page section no. 4 titled ‘Description of participation of partners in the preparation and implementation of ITSDs and the results of public consultations’. With regard to this section the following recommendations can be formulated:

- the description of the involvement of partners in the elaboration of ITSDs should go beyond just listing those formally involved and meetings they attended in the process and provide information on the specific nature and scope of their actual inputs to draft ITSDs with a description of how these documents changes as the result of the involvement of partners. This is specifically important with regard to RDCs—as the regional, territorial ownership of ITSDs might be put into question it is of key importance to show how significant the RDCs’ influence of the final shape of the strategies really was.

- the description of the involvement of partners in the implementation of ITSDs should also be substantially expanded as in the current drafts there is just one sentence that refers to this key aspect without sufficient detail (The established system of regional coordination based on effective partnerships and wide awareness and publicity of actions, including between operational programs operating in the area, plays a key role in the implementation of the ITSDs).

- it is the Bank team’s understanding that the subsection on results of public consultations as indicated in the title of section no 2 will be supplemented at a later stage once MRDPW finalizes the analysis of feedback and adjusts the drafts accordingly.

5. Questions to MRDPW regarding draft ITSDs:

Completeness of drafts

The conducted review led to the identification of several elements of drafts required by the RDA that seem to be missing (e.g. indicative list of important project ideas from the NUTS 2 planning region with indicative budgets and an optimal timetable for implementation; general assessment of the resources required for the implementation of schemes, specified by years according to the optimal schedule for the implementation of the project ideas).

Questions: could you please inform us whether these elements will be added to draft ITSDs and when?

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4. This issue has already been brought to the attention of MRDPW in a letter from Mr. Fabrizio Zarcone, WB Country Manager for Bulgaria to Ms. Denitsa Nikolova, Deputy Minister at MRDPW.
Also, will there be a section/subsection of the documents concerning ITIs application within each of the NUTS 2 regions?

Rationale behind identification of groupings of municipalities (presented only in the annexed maps)

Draft ITSDs present different results of the process of grouping municipalities than the ones presents in draft updated NCSD. The latter defines two types of informal zones — social and zones for stimulated development. Although the draft ITSDs include parts of these zones within the corresponding region, they also introduce different groupings of municipalities. However, the rationale, logic and applicability of these groupings are not entirely clear and may be confusing to the ‘end-users’ of ITSDs, namely local stakeholders and potential ITI applicants.

**Questions:** Could you please explain the rationale behind the conducted groupings and explain if and how will it impact the process of elaborating ITI concepts? Could you please inform us whether actions will be taken to align the zones from the NCSD with the groupings in the draft ITSDs for the sake of consistency of the strategic approach to planning investments?

Choice of approach towards intermunicipal cooperation within the framework of ITIs

The draft ITSDs have a largely ‘untargeted’ way of identifying the thematic and territorial scope of potential integrated investments and the groupings of municipalities cover the entire NUTS 2 regions with no specific development priorities identified for the different groups. Thus, it appears that the approach adopted by MRDPW to intermunicipal cooperation will primarily rely on bottom-up activation of prospective local partners and their initiative only.

**Questions:** Could you please confirm that our understanding of MRDPW’s strategic approach is correct and that the central government intends to rely on bottom-up approach to identification and elaboration of ITIs? Or does MRDPW envisage the identification of targeted zones with highest priority for ITIs and defined priorities for development in ITSDs?

Rural vs. urban municipalities — definition

There seems to be confusion regarding the definition of ‘rural municipalities’ for the purposes of the strategic planning framework — draft ITSDs repeat the thesis from the NCSD that the rural areas can be defined as weakly urbanized municipalities (peripheral) — with small towns or villages, where more than 50% of the population lives in settlements under 5000 or the municipal centers are smaller than 5000 inhabitants. In latter parts of the spatial analysis, the drafts define the specific territories and at this point they define rural areas as municipalities with under 20,000 population.

**Questions:** Could you please clarify whether a single, horizontal approach to defining ‘rural municipalities’ will be applied in ITSDs? If not — and optional approaches will remain in ITSDs — in which other strategic document will this issue be decided or resolved?

Current state of play with regard to draft ITSDs

**Question:** Could you please provide us with an update on the planned timeline of the elaboration of draft ITSDs?

Results of the survey on integrated project ideas

**Question:** Could MRDPW would share with us feedback received as the result of the survey. It will be useful for completing upcoming tasks under RAS Component 3 (evaluation and selection mechanism for ITI concepts, guidelines for applicants and beneficiaries of ITI concepts and future reviews of upcoming drafts of OP DR 2021 – 2027)?

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5. A key question is at what point does a concentration of people in an area mean there is a need for urban type services such as water systems and not wells for example. In future it will be important to think about the types of places and what services they need as they grow (or decline).
Independent review of the first draft of Operational Program Development of Regions 2021 – 2027 (15/04/2020)

Introduction

On March 27, 2020 MRDPW shared with the World Bank (the Bank) team the first draft of the Operational Program Development of Regions 2021 – 2027 (OPDR). In parallel, the draft was sent to members of the OPDR Working Group for comments to be submitted to MRDPW by March 31, 2020. In early April 2020 MRDPW shared an updated draft with the EC and awaits initial comments in the coming weeks.

Reviewing the strategic approach adopted by MRDPW constitutes an important task to be performed by the Bank team under RAS Component 3. Therefore, the Bank team would like to share for MRDPW’s consideration initial comments and recommendations based on the team’s review of the first draft OPDR.

Scope of initial review

The submitted draft OPDR presents the first opportunity to see how MRDPW intends to operationalize the new policy approach to regional development, namely the integrated territorial approach. This paradigm change marks a crucial policy shift to ensure more place-based, bottom-up, cross-sectoral, coordinated investments across Bulgarian regions. It also envisages a more prominent role for regional bodies operating at NUTS 2 level (Regional Development Councils, RDCs) in the selection of operations. All of these elements are a novelty in Bulgaria for stakeholders both at the central as well as regional, district and local level.

To provide MRDPW with feedback for further fine-tuning the draft, the Bank team applied the following three angles to conduct the initial review:

1. Intervention logic of draft OPDR

- One of the prerequisites of any effective public policy tool is a sound and compelling intervention logic, which adequately reflects key assumptions of the adopted theory of change behind the program, oriented towards results and accurately aligned with strategic goals. Program strategy should clearly explain how and why a complex change promoted by OPDR (namely the new integrated territorial approach) will succeed under specific circumstances identified in Bulgaria, generating expected socio-economic outcomes. In the case of development policy instruments supported from EU Cohesion Policy funds it is also vital to take into account investment guidance on expected scope of foreseen interventions during the upcoming programming period provided to the Government of Bulgaria by the European Commission under Annex D of Country Report Bulgaria 2019.

- Based on the analysis of the draft, the fundamental assumptions used by MRDPW for formulating the intervention logic of OPDR are the following (the points presented below are citations from the draft OPDR):

  • the approach used so far to determine EU financing based on sectoral priorities and to define urban and rural areas has led to unhealthy competition between municipalities and exacerbated existing problems
Part 3

Full reviews undertaken 06.2019 – 11.2020

(deepened interregional, intra-regional and even municipal disparities and imbalances);

- therefore, significant policy shift was introduced in form of the new integrated territorial approach to ensure effective use of the potential of each territory;

- the main objective of the regional development policy in Bulgaria is to create vital, economically strong and sustainable regions as a response to adverse demographic trends and deepening inter- and intra-regional disparities;

- the specific objectives of this policy include: (i) addressing negative demographic trends and reducing regional disparities in terms of population; (ii) enhancing the economic growth of the Bulgarian regions, and (iii) promoting balanced territorial development through polycentric network of cities and towns supported by integrated investments;

- all regions of the country should be subject to regional policy according to their potentials and opportunities for growth and development; objectives of regional policy in each of the NUTS 2 regions should be determined by the necessary impact to improve its potential, accelerate socio-economic growth and to eliminate regional disparities;

- investment in regional development must be concentrated in a more individualized way, reflecting the level of development and the need for improving the well-being of population. Investments should be better linked to the local context, potential and problems, to support both developed and peripheral and lagging regions, creating better rural — urban linkages.

- the development of the regions is mainly due to strong urban centers (largest and medium cities)

- the potential of rural areas, agriculture and rural settlements remains undervalued. The automatic separation of urban and rural settlements without paying attention to their location, proximity to large cities, linkages and first-class infrastructure and services poses a risk to fragile stability, instead of applying the similar polycentric network at lower territorial levels too, especially in small municipalities;

- regional development policy should clearly affect the underdevelopment and depopulation of certain regions, using different instruments to this end. Supporting less developed areas requires a systematic and integrated focus by creating appropriate models and instruments;

- “new development” of certain parts of the country (municipalities, cities, urban areas) can be observed. They can be identified as positive trends, and this new development should be ‘spread’ across larger spatial structures and cover more regions. This development leads to the “unlocking of new regional potentials”;

- it is important for each sectoral policy to adequately acknowledge the territorial dimension of development policy and adequately reflect relevant territorial aspects in the formulation of sectoral objectives. Creating a set of territorial development goals at national level that translate national priorities in relation to different regions (territories) and different types of sectors is a fundamental aspect of territorial coordination.

Based on these assumptions the following thematic and territorial scope of intervention under OPDR was proposed in the draft:

- OPDR will finance interventions under one territorial policy objective “Europe closer to the citizens” (PO5) through two territorial priorities:

  - for integrated urban development (Priority Axis 1, PA1) and

  - for integrated territorial development of the NUTS 2 level regions (Priority Axis 2, PA2).

- The third priority is dedicated to technical assistance (Priority Axis 3, PA3).

- 50 urban municipalities will be eligible for support under OPDR (10 under PA1, and 40 under PA2)
PA1: territorial and thematic scope of intervention

- dedicated to the development of urban areas
- eligible municipalities: 10 city municipalities — major growth poles (Vidin, Pleven, Rousse, Veliko Turnovo, Varna, Burgas, Stara Zagora, Plovdiv, Sofia and Blagoevgrad), which form 4 urban clusters
- each urban cluster has a separate budget to implement joint projects and cooperate with each other in order to achieve greater results for the relevant territory
- measures to be funded must meet the following two basic requirements:
  - types of activities to be supported have to be pre-identified in the integrated municipal development plans, elaborated by the local municipal authorities (“bottom-up” approach).
  - measures related to sectoral policies have to be based on the pre-mapping of needs at national and regional level, executed by the state institutions and agencies responsible for those policies and duly reflected within the integrated municipal development plans (“top-down” approach).
- urban municipalities eligible under PA1 can participate in ITI concepts implemented under PA2 — either as a project partner, responsible for implementation of “soft” measures (e.g. exchange of experience, good practices, knowledge transfer) or with a project financed by their own contribution (financial instruments or funds available under PA1).

PA2: territorial and thematic scope of intervention

- dedicated to the development of different than urban areas (smaller economic centers and their links with the large centers of economic activity based on integrated territorial development strategies for NUTS 2 regions)
- eligible municipalities: remaining 40 urban municipalities in Bulgaria
- measures to be funded under PA2 must meet the following two basic requirements:
  - types of activities to be supported need to be pre-identified in the integrated territorial strategies for development of the NUTS 2 regions (“bottom-up” approach).
  - measures related to implementation of some sectoral policies to be supported must be based on pre-mapping of needs at national and regional level, executed by the state institutions and agencies responsible for those policies and duly reflected in the integrated territorial strategies for development of the NUTS 2 regions and included in the integrated territorial strategies of the regions (“top-down” approach).
- investments for integrated territorial development of the NUTS 2 regions in Bulgaria will be supported in the period 2021–2027 through implementation of ITI concepts with combined funding of different OPs, Strategic plan for the Development of Agriculture and Rural Areas and other sources of financing. OPDR will support all ERDF-eligible measures according to the specific needs and potentials of the territory that cannot be financed under the sectoral programs.
- demarcation between the operational programs and lack of double funding will be ensured at the level of preselection of the ITI concepts by RDCs and additionally during the project selection process implemented by each MA before signing the grant contract agreements.

- OPDR will be implemented though integrated territorial development instruments, including Integrated Territorial Investments (ITI) (in accordance with article 22 of the draft CPR), aiming to achieve a better investment focus, more effective and efficient interventions, enhanced cross-sectoral dialogue between different stakeholders and an integrated territorial development approach.
The Bank team’s examination of the draft OPDR raised a number of issues that require further elaboration. The Bank team deem the issues described below to be the most significant, but this list is not exhaustive.

- **Insufficient evidence-base for the radical paradigm change.** OPDR negatively assesses the approach applied so far to financing development investments with EU funds and its implications for the effectiveness of regional policy and proposes a radical paradigm shift. Since the mid-term evaluation of OP RG 2014–2020 has not been conducted so far, this major policy change might not feel sufficiently substantiated.

**Recommendation:** It is therefore recommended to provide some additional explanation as to the specific elements of the current approach that have proven ineffective or even counterproductive in promoting regional development, and describe in more detail how the new approach will tackle those problems and challenges to achieve better results.

- **Unclear theory of change behind OPDR.** The diagnosis of problems and challenges for regions is very broad, all-encompassing as it covers a multitude of socio-economic problems and challenges (e.g. demographic trends, energy efficiency, connectivity, labor market, education, innovativeness, healthcare, environmental hazards), as well as different spatial configurations. It is not determined which aspects of the policy response to diagnosed problems and challenges will be carried out under OPDR, and program’s specific outcomes/results are not clearly defined.

**Recommendation:** It is recommended to apply a more focused approach to program’s scope of intervention, and describe the expected OPDR’s impact on the envisaged achievement of clearly defined outcomes/results to provide more clarity on intervention logic and enable the monitoring of program’s performance and progress. OPDR should not be a catalogue of all problems already defined in sectoral and territorial strategies, but more of an action plan to face the most critical problems selected upon adequate prioritization of development needs and challenges to maximize effects of planned interventions.

- **The limited territorial scope of OPDR’s intervention is inconsistent with program strategy and investment guidance provided by the EC.** According to program’s strategy, all regions of the country should be subject to regional policy according to their potentials and opportunities for growth and development and regional development policy should clearly affect the underdevelopment and depopulation of certain regions using different instruments to this end, as supporting less developed areas requires a systematic and integrated focus by creating appropriate models and instruments. Taking into account that only 50 out of the total of 265 municipalities (roughly 1/5 of all municipalities) in Bulgaria will be eligible for funding under OPDR—and these municipalities do not constitute the least developed ones in Bulgaria—the coverage of the program will be limited and might not be conducive to achieving objectives set out in program’s strategy. It should also be noted that only 19 out of the total of 50 urban municipalities eligible for support under OPDR are located in North Bulgaria, which—taking into account the visible North-South divide in terms of development—may even further exacerbate unbalanced growth. The limited territorial scope of OPDR is also not entirely in line with the EC’s investment guidance for PO5 in Bulgaria. Based on the analysis of regional disparities in Bulgaria, the EC formulated high priority investment needs for different types of territories. Two types mentioned by the EC—namely major cities and smaller cities—are eligible for support under PA1 and PA2 of the draft OPDR. The problematic issue are rural areas and most deprived regions which should also benefit from investments under PO5, aiming to reduce urban-rural divide and address challenges related to access to basic public services. It is also unclear which municipalities will be eligible for funding from other OPs involved in the implementation of the new integrated territorial approach—exactly the same ones as under OPDR or all municipalities (urban? rural? Total of 265 Bulgarian municipalities?). This is a vital question to address as it has a number of profound implications for regional policy in Bulgaria.
Recommendation: If OPDR is to effectively support the achievement of these objectives, and a more transparent and evidence-based theory of change is to be applied as a rationale behind the program, it is recommended to:

- describe in more detail how the concentrated support provided under OPDR to a limited number of municipalities can positively impact the prospects of socio-economic development of all regions (specifically addressing the situation of rural areas and most deprived parts of the country), what are the envisaged growth diffusion mechanisms that will create and reinforce positive trickle-down or multiplier effects for larger parts of the country; some ideas how to enhance the effectiveness of OPDR in addressing development challenges through a more inclusive territorial scope of intervention have been provided in section 2;
- provide more information on the envisaged complementarities and synergies of OPDR with other policy instruments (e.g. Rural Development Program, other operational programs involved in the implementation of the new integrated approach) that are designed to promote a more balanced, and inclusive development of all lagging behind municipalities—not just the 50 urban municipalities eligible under OPDR—to achieve the common goal of reducing inter and intraregional disparities. More recommendations on potential ways of strengthening the integrated approach are presented in section 2.

2. OPRD as a tool for operationalizing the new integrated territorial approach

One of the key angles for the Bank team’s review was to assess how accurately and adequately the draft OPDR reflects and translates the strategic framework for the new approach as described in the CoM Decree #335 and fundamental planning documents6 into an operational mechanism aimed at selecting investments in line with the strategic objectives of regional development in Bulgaria.

It is also the EC’s expectation voiced in the investment guidance for PO5 interventions that functional areas are to be subject of integrated support. Investments strengthening linkages between different economic activity poles (major and smaller cities) are to be one of priorities under PO5.

Priority 1 Integrated Urban Development

- PA1 is dedicated to the 10 most developed Bulgarian urban municipalities. The applied notion of ‘urban areas’ raises questions whether these 10 municipalities can receive funds for projects to be implemented on their entire territory or only in the city itself. This issue should be clearly stated and it is recommended to allow the financing of projects on the whole territory of eligible municipalities.
- At the same time, these 10 municipalities are grouped into four regional clusters with a view to promote inter-municipal cooperation between the constituent municipalities. The idea behind grouping municipalities into clusters remains unclear, as it is not likely to help establish cooperation between territorially distant units. It seems that the fundamental idea for integrated urban development under PA1 is to support the core urban centers and not the axes/linkages between them. That mix between these two dimensions of development undertakings—individual and inter-municipal—could complicate the effective implementation of PA1 and the achievement of expected results.

Priority 2 Integrated Territorial Development of regions

- the remaining 40 urban municipalities will be eligible for financing under PA2. The notion of ‘different than urban areas’ referred

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Part 3

Full reviews undertaken 06.2019 – 11.2020

To in the description of the territorial scope of PA2 is confusing — it is not entirely clear what territories fall under this new category. Furthermore, there is no mention of these types of territories neither in the updated National Concept for Spatial Development nor in six Integrated Territorial Strategies for Development of NUTS 2 regions.

• It is suggested to replace it with a description of the category of territory already used in strategic documents or to rephrase it to provide clarity (e.g. subregional growth poles).

• As was the case with PA1, it is unclear whether these 40 urban municipalities will be able to receive funds under PA2 for projects implemented on their entire territory, or just in core towns/cities. This issue should be clearly stated, and it is recommended to allow the financing of projects on the whole territory of eligible municipalities. The most important issue regarding PA2 is the extent to which it is in line with the new integrated territorial approach. In theory, this approach should promote the integration of territories with specific challenges that exceed the borders of a single municipality. Hence the priority is closely linked with the strategic framework shaped by ITSDs and the prospective role of the RDCs. However, PA2 does not introduce the integration between different territorial units — municipalities — and it is not equipped with the desired strong regional dimension. The first version of the initial draft OPDR limited the integrated territorial development merely to the integration of interventions from different funding sources and to partnerships between different stakeholders. Although the second version (shared by MRDPW with the EC) promotes a slightly different approach and stipulates that partnerships between different municipalities are ‘not obligatory, however necessary’ in case of projects targeting broader territories this arrangement does not seem sufficient or even feasible taking into account the fact that a significant number of eligible municipalities are isolated (as described in more detail below) and therefore unable to partner with municipalities outside their immediate administrative boundaries. This problem could potentially be solved by providing funding opportunities to partnering municipalities non-eligible under OPDR from other sources — namely the OPS involved in the implementation of the new integrated territorial approach and contributing 10% of their respective allocations to this end. However, the specific arrangements ensuring complementarities and synergies between OPDR and other OPS are not elaborated in draft OPDR, so at this point this consideration is merely a theoretical one. It should however be noted that if this issue of eligibility for financing investments of partnering municipalities is not clearly addressed the potential for effective promotion of integrated approach through OPDR might be significantly diminished, with municipalities concentrating instead on intra-municipal investments with limited socio-economic impact due to ineligibility of their potential municipal partners for joint projects.

• It seems difficult to achieve real regional integration and coordination of investments and generate impact for the entire regions if only a small number of municipalities can be project beneficiaries. Such an approach also contradicts the need to change the focus from support of settlements to support of territories and from sectoral oriented investments to integrated territorial investments advocated in the program strategy section of draft OPDR. If implemented it will also result in RDCs evaluating ITI concepts which lack strategic importance for the region, as they may be in many cases limited to just one municipality, and therefore be rather ‘local’ as far as their socio-economic impact is concerned.

• the merging of Integrated Territorial Investments (ITIs) at regional level and the inter-municipal cooperation is promoted both by the NCSD and the six ITSDs of NUTS 2 regions -although to different extents. NCSD defines two types of functional zones (social and for stimulated development) which are to concentrate ITIs. At the same time, ITSDs define completely different zones for inter-municipal cooperation, but still the regional ITIs are clearly seen as vehicles for inter-municipal cooperation. In addition, the OPDR strategy underlines the importance of creating better
urban-rural links, better links between the smaller and bigger urban centers and thus to develop functional areas and networks of cities, but this is not in any way reflected in PA2, which undermines the achievement of program’s objectives as set out in the OPDR’s strategy. Assuming that the neighboring municipalities will be able to prepare joint projects (which is not directly stated in the draft OP) there will still be examples of isolated municipalities that will not be able to e.g. implement infrastructural projects with adjacent municipalities. It seems like the territorial integration covering more than one municipality could be achieved only via ‘soft measures’ in partnership with municipalities eligible under PA1, which would significantly limit the regional dimension of OPDR.

- the table below lists all urban municipalities eligible under the OPDR and their potential to form groupings of adjacent municipalities within the district and the NUTS 2 region. In 19 of 28 Bulgarian districts there will not be any neighboring municipalities eligible for support under OPDR which will certainly limit the perspectives for cooperation, elaboration and implementation of joint projects. It is most visible in the North East where there are four municipalities eligible for support under OPDR: Varna under PA1 and Shumen, Dobrich and Targovishte from PA2 — and all of these municipalities are not adjacent. In most cases, the potential groups of municipalities that can generate integrated project ideas to be funded under OPDR are up to three on regional level with only one example of five (Haskovo, Dimitrovgrad, Harmanli, Svilengrad and Kirdzhali). Some municipalities are isolated and unable to partner with a neighboring municipality within a region (Dobrich, Silistra, Smolyan, Kyustendil, Vidin, etc.).

**TABLE 3.1 Urban municipalities eligible under the OPDR and potential to form groupings**

<table>
<thead>
<tr>
<th>District</th>
<th>GDP per capita (in BGN) in 2018</th>
<th>Beneficiaries under PA2</th>
<th>Partners from 10 municipalities under PA1</th>
<th>Groups of neighboring municipalities (beneficiaries and partners)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North East</td>
<td>12,506.00</td>
<td>3</td>
<td>1</td>
<td>1 – Gabrovo, Sevlievo, Veliko Tarnovo and Gorna Oryahovitsa (total 4)</td>
</tr>
<tr>
<td>Varna</td>
<td>15,479.00</td>
<td>0</td>
<td>1 – Varna</td>
<td>0</td>
</tr>
<tr>
<td>Shumen</td>
<td>9,397.00</td>
<td>1 – Shumen</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Dobrich</td>
<td>9,176.00</td>
<td>1 – Dobrich</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Targovishte</td>
<td>9,981.00</td>
<td>1 – Targovishte</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>North Central</td>
<td>10,654.00</td>
<td>6</td>
<td>2</td>
<td>1 – Gabrovo, Sevlievo, Veliko Tarnovo and Gorna Oryahovitsa (total 4)</td>
</tr>
<tr>
<td>Silistra</td>
<td>7,029.00</td>
<td>1 – Silistra</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Ruse</td>
<td>11,769.00</td>
<td>0</td>
<td>1 – Ruse</td>
<td>0</td>
</tr>
<tr>
<td>Razgrad</td>
<td>9,709.00</td>
<td>1 – Razgrad</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Gabrovo</td>
<td>13,510.00</td>
<td>2 – Gabrovo and Sevlievo</td>
<td>0</td>
<td>1 – Gabrovo and Sevlievo</td>
</tr>
<tr>
<td>Veliko Tarnovo</td>
<td>10,434.00</td>
<td>2 – Svishtov and Gorna Oryahovitsa</td>
<td>1 – Veliko Tarnovo</td>
<td>1 – Veliko Tarnovo and Gorna Oryahovitsa</td>
</tr>
<tr>
<td>North West</td>
<td>10,244.00</td>
<td>5</td>
<td>2</td>
<td>1 – Pleven, Lovech and Troyan (total 3)</td>
</tr>
<tr>
<td>Pleven</td>
<td>8,795.00</td>
<td>0</td>
<td>1 – Pleven</td>
<td>0</td>
</tr>
<tr>
<td>Montana</td>
<td>9,033.00</td>
<td>2 – Montana and Lom</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Lovech</td>
<td>9,653.00</td>
<td>2 – Lovech and Troyan</td>
<td>0</td>
<td>1 – Lovech and Troyan</td>
</tr>
<tr>
<td>Vratza</td>
<td>15,018.00</td>
<td>1 – Vratsa</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Vidin</td>
<td>7,926.00</td>
<td>0</td>
<td>1 – Vidin</td>
<td>0</td>
</tr>
<tr>
<td>District</td>
<td>GDP per capita (in BGN) in 2018</td>
<td>Beneficiaries under PA2</td>
<td>Partners from 10 municipalities under PA1</td>
<td>Groups of neighboring municipalities (beneficiaries and partners)</td>
</tr>
<tr>
<td>-----------</td>
<td>--------------------------------</td>
<td>-------------------------</td>
<td>------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>South East</td>
<td>12,787.00</td>
<td>6</td>
<td>2</td>
<td>2 — Kazanlyk, Stara Zagora, Sliven and Nova Zagora (total 4); Aytos, Karnobat and Burgas (total 3)</td>
</tr>
<tr>
<td>Yambol</td>
<td>9,694.00</td>
<td>1 — Yambol</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Stara Zagora</td>
<td>17,273.00</td>
<td>1 — Kazanlyk</td>
<td>1 — Stara Zagora</td>
<td>1 — Kazanlyk and Stara Zagora</td>
</tr>
<tr>
<td>Sliven</td>
<td>7,600.00</td>
<td>2 — Sliven and Nova Zagora</td>
<td>0</td>
<td>1 — Sliven and Nova Zagora</td>
</tr>
<tr>
<td>Burgas</td>
<td>12,585.00</td>
<td>2 — Aytos and Karnobat</td>
<td>1 — Burgas</td>
<td>1 — Aytos, Karnobat and Burgas</td>
</tr>
<tr>
<td>South Central</td>
<td>10,988.00</td>
<td>12</td>
<td>1</td>
<td>2 — Haskovo, Dimitrovgrad, Harmanli, Svilengrad and Kirdzhali (total 5); Pazardzhik, Peshtera, Panagyurshte (total 3)</td>
</tr>
<tr>
<td>Haskovo</td>
<td>8,545.00</td>
<td>4 — Haskovo, Dimitrovgrad, Harmanli and Svilengrad</td>
<td>0</td>
<td>1 — Haskovo, Dimitrovgrad, Harmanli and Svilengrad</td>
</tr>
<tr>
<td>Smolyan</td>
<td>10,597.00</td>
<td>1 — Smolyan</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Plovdiv</td>
<td>13,141.00</td>
<td>2 — Asenovgrad and Karlovo</td>
<td>1 — Plovdiv</td>
<td>0</td>
</tr>
<tr>
<td>Pazardzhik</td>
<td>9,213.00</td>
<td>4 — Pazardzhik, Peshtera, Panagyurshte and Velingrad</td>
<td>0</td>
<td>1 — Pazardzhik, Peshtera, Panagyurshte</td>
</tr>
<tr>
<td>Kirdzhali</td>
<td>8,472.00</td>
<td>1 — Kirdzhali</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>South West</td>
<td>25,261.00</td>
<td>8</td>
<td>2</td>
<td>1 — Gotse Delchev, Sandanski, Petrich (total 3)</td>
</tr>
<tr>
<td>Sofia city</td>
<td>33,437.00</td>
<td>0</td>
<td>1 — Sofia</td>
<td>0</td>
</tr>
<tr>
<td>Sofia</td>
<td>15,654.00</td>
<td>2 — Botevgrad, Samokov</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Pernik</td>
<td>9,153.00</td>
<td>1 — Pernik</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Kyustedil</td>
<td>9,285.00</td>
<td>2 — Kyustendil, Dupnitsa</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Blagoevgrad</td>
<td>9,736.00</td>
<td>3 — Gotse Delchev, Sandanski, Petrich</td>
<td>1 — Blagoevgrad</td>
<td>1 — Gotse Delchev, Sandanski, Petrich</td>
</tr>
</tbody>
</table>

Source: National Statistical Institute, https://monitorstat.nsi.bg/

- moreover, as long as the criterion for the demarcation of urban and rural municipalities will be solely the number of inhabitants, most of the urban municipalities will be located in the more developed South. Only 14 out 40 urban municipalities eligible under PA2 will be in the North with limited opportunities for cooperation except for ‘soft measures’ and projects without spatial proximity. This could lead to concentration of investments in the South, further exacerbating development disparities between the Southern and Northern parts of the country.

- spatial distance can be a serious limitation in planning integrated investments, as for example, the municipalities along the important industrial axis of Varna-Devnya in the North East will not be able to obtain financing under PA2 for integrated projects. Varna will be able to finance projects under PA1, but Aksakovo, Beloslav and Devnya will not be eligible to become OPDR beneficiaries. This means lack of access to resources for the development of business and industrial zones along the entire industrial axis; for education and trainings in the different municipalities; for a unified marketing strategy for attracting foreign investments, etc., although that axis is part of the functional zone between Varna and Shumen as defined in the NCSD.

**Recommendation:** One of the potential solutions to this problem is the restructuring
Independent reviews of the strategic approach to the Programme

of OPDR to provide financing for individual municipal projects of the 40 urban municipalities recognizing their importance as local/subregional centers of growth, but additionally to dedicate a new PA to regional development via inter-municipal projects, where integrated projects of more than one municipality could be supported. 50 urban municipalities already eligible for support under OPDR would be supplemented with a set of rural municipalities, and the scope of these zones could be determined based on e.g. the functional zones as defined in the NCSD. Such a change would add value in two regards:

i. generate more investments in the less developed rural territories, and

ii. provide more municipalities and more groupings of neighboring municipalities with opportunity to cooperate.

As a result, this additional priority with a clear integrated approach and targeted zones (groups of municipalities) for inter-municipal cooperation could boost the territorial integration and more balanced regional development in Bulgaria.

3. Prospects for effective implementation of EU funds under arrangements proposed in draft OPDR

Recognizing the fact that programming process is in its early stages, the Bank team would like to take this opportunity to draw attention to several issues identified in the draft that—if not addressed—may negatively impact prospects for effective implementation of OPDR.

Risk of ineligibility of operations under PA2 of OPDR due to potential non-compliance of territorial strategies with requirements under Art. 23 of the draft CPR

The most fundamental issue is ensuring that all criteria pertaining to territorial strategies as laid down in Article 25 of draft CPR are effectively met to enable access of projects under ITI concepts to EU funds under PO5. Two key questions arise in this respect:

- can the RDCs be considered ‘territorial bodies’ and
- are the ITSDs sufficiently ‘bottom-up’ in nature and in terms of their ownership.

These concerns and their implications for the programming exercise were described in more detailed in a note summarizing the findings from the peer review of RAS Deliverable 3.1., which was recently submitted to MRDPW, and specific actions are being recommended to mitigate the identified risks as part of the revised deliverable.

Implications of the lack of demarcation line between OPs

According to the draft, demarcation between the operational programs and lack of double funding will be ensured at the level of pre-selection of the ITI concepts by RDCs and additionally during the project selection process implemented by each MA before signing the grant contract agreements. Lack of clear demarcation line at the level of Partnership Agreement may result in demarcation being considered on case by case basis at the level of RDCs, which could lead to different interpretations, and lack of standardized approach applied uniformly across regions. This lack of clarity may translate into delays in evaluation of project applications and of contracting of projects, double financing of operations, and failure to make most of complementarities and synergies between OPs.

Recommendation: It is recommended that the demarcation line is established as a horizontal arrangement for all OPs, and the compliance of individual projects under ITI concepts is only verified at the level of RDCs (1st stage of assessment) and MAs (2nd stage of assessment).

The Bank team is aware that due to a very broad thematic scope of interventions envisaged under PO5 demarcation of interventions might pose a significant challenge and stands ready to assist MRDPW in this task.
Insufficient capacity of prospective beneficiaries to elaborate and implement integrated projects

As observed by the Bank team during strategic consultations held in summer of 2019 and described in more detail in Strategic Consultations report (Deliverable 2 under RAS Component 1), prospective beneficiaries under PA2 of OPDR appear to lack experience with integrated investments and the administrative capacity to prepare integrated projects. The elaboration of ITI concepts at the local level thus requires targeted actions to provide beneficiaries with hands-on assistance to facilitate an inclusive and evidence-based process of identifying investment needs, selecting project partners, establishing partnerships, and elaborating the integrated package of projects as well as individual project applications.

Recommendation: To ensure that the implementation framework for integrated investments is tested and adequately fine-tuned before being launched, a pilot action should be seriously considered, which could lead to the establishment of a ‘good practice’ model and a formulation of a comprehensive ‘user’s manual’ to be applied by prospective beneficiaries. Additionally — to ensure swift uptake of funds from the onset of the new programming period — the creation of a project pipeline for integrated investments is also highly recommended. The Bank team stand ready to provide MRDPW with additional suggestions and proposals in this respect.

Negative implications of the COVID-19 pandemic on development prospects for Bulgarian regions and implementation of the new integrated territorial approach

It is highly probable that Bulgaria — as many other countries — will suffer as a result of the coronavirus outbreak and urgent actions will be needed ‘to resuscitate’ the Bulgarian economy. It is not just the fate of enterprises that is at stake, but also of the entire public sector. The investment potential of the latter is very likely to be significantly reduced due to rising unemployment, more expenditures on health care etc. This will also seriously affect the provision of social services at the local level as well as municipal investments that are supposed to be the driver of the new approach. The potential implications of the pandemic further reinforce the need for integrated approach to investments to effectively pool resources and reap full benefits of inter-municipal cooperation.

The situation currently unraveling will require swift, targeted actions, adequately reflecting specific local context. A clear implementation framework with adequate assistance provided to local stakeholders will be needed as early as possible to ensure that adequately prepared municipalities (and their partners) can take full advantage of the territorial approach to address their most pressing development challenges.

The new challenges created by the pandemic might also substantiate the need to reexamine the definition of ‘rural municipality’ which directly translates into the eligibility of municipalities for funding or to further reinforce and strengthen complementarities and synergies between OPs financed from EU Cohesion Policy with the Rural Development Program and other development instruments. Cohesion policy and territorial instruments financed from its sources should constitute an important tool of active, targeted development policy making, complementary to and reinforcing recovery efforts that will surely be initiated on the national level.

Other risks

As already remarked by the Bank team in a note sent to MRDPW in October 2019 with a proposal for the restructuring of OPDR, the very design of the program generates specific risks for its effective implementation. The following risks are still valid taking into account the current scope and structure of the OPDR:

i. low absorption rates of OPDR — delayed uptake of funds (which could be expected due to the complexity and untested nature of the new regional approach based on integrated projects) will negatively impact
Independent reviews of the strategic approach to the Programme

OPDR’s absorption rate; this risk is especially serious due to the significant portion of OPDR allocation earmarked for PA 2;

ii. limited internal flexibility within the OPDR — while seemingly providing flexibility, the approach to PA2 actually reduces the possibility to conduct internal transfer(s) of allocation in case of unsatisfactory absorption rates under PA2. Transfers will be limited to take place only between regional envelopes under PA2 and/or between PA1 and PA2, which could potentially further exacerbate regional disparities.

iii. limited possibility to monitor and assess progress on achieving development objectives in selected types of territories due to the thematically untargeted nature of PA2, and as a result limited possibility to introduce necessary policy shifts or adjustments.

Review of guidelines for the preparation of ITI concepts — independent opinion and recommendations (26/02/2020)

Introduction

MRDPW has provided WB team with the second draft ITI guidelines for review together with a package of draft document templates to be used for the purposes of ITI concept preparation by prospective beneficiaries. MRDPW consulted on the draft guidelines with MA OPS and other entities deemed to be important central level stakeholders in the process of implementation of the new integrated approach (e.g. MoF, Fund of Funds, Rural Development Program MA). MRDPW shared the received feedback with WB and these were also analyzed for the purposes of this review.

The success of the new integrated territorial approach depends heavily on a common understanding of shared strategic objectives as well as efficient coordination and synchronization of activities undertaken at the level of Managing Authorities of the relevant Operational Programs. Therefore, WB team applauds MRDPW’s efforts to engage central-level stakeholders in elaborating operational modalities for the ITI concepts at this early stage. Feedback on draft ITI Guidelines clearly shows that MAs have scrutinized the draft and provided MRDPW with a comprehensive range of comments and suggestions, which should be very useful in enhancing the approach.

It is the WB team’s understanding — also in light of the responses that MRDPW provided to MAs’ comments — that the work on the draft ITI Guidelines is an ongoing process. Therefore, the assumption of the WB’s review and independent opinion is not to formulate specific proposals for rewording of selected parts of the draft Guidelines and the set of template documents, but rather to provide ideas and recommendations for their desired scope for MRDPW’s further consideration.

General remarks

1. Scope of ITI Guidelines

The current scope of information provided in the draft is not yet sufficient for the purposes of ITI concept preparation by prospective beneficiaries. Examples of missing information which constitute significant parameters for ITI concept preparation include: volume of financing available per region, minimum and maximum scope of funding per ITI concept, ITI concept selection criteria, eligible types of projects, strategic framework for the elaboration of ITI concepts, namely Regional Spatial Development Schemes, which are to include indicative lists of priority investments. Taking into account that the programming for 2021 – 2027 is still in its very early stage it will be difficult to fill in all these blanks in the coming weeks. Therefore changing the title of the draft to “General rules for implementation of the integrated territorial approach in NUTS 2 regions with ESIF funding under the 2021–2027 programming period” and consequently adjusting their scope might enhance the usefulness of the document by providing stakeholders with much needed information on the modalities of the new approach.
I. Description of the new integrated territorial approach — rationale behind its introduction, its main assumptions and expected development outcomes

II. Strategic framework (national — regional — municipal — functional development strategies)

III. Legal, thematic and financial framework for the implementation of the integrated territorial approach (policy objectives covered and scope of available funding under all relevant OPs, regional financial envelopes with description of applied algorithm)

IV. ITI concepts:
   a. Definition, objectives and expected development outcomes
   b. Thematic scope of intervention
   c. Eligible municipalities (criteria and list/map)
   d. Scope of available funding per ITI concept (min-max)
   e. ITI Partnerships (requirements related to composition, legal form, mechanism for selecting partners etc.)
   f. Evaluation and selection mechanism (two stages), including selection criteria
   g. Measures minimizing risks of delay and nonperformance at the stage of ITI implementation
   h. Institutional and expert support for ITI applicants/beneficiaries
   i. Road map for implementation

V. Description of the coordination mechanism between MAs related to implementation of projects under ITI and the role of Steering Committee

2. Scope of comments from central level stakeholders and implications for draft ITI Guidelines

The volume of MA comments received (over 100) on the draft shows that the operational modalities of the new integrated approach, RDC involvement, ITI concepts elaboration and selection, as well as implementation of projects under ITI concepts generate a lot of interest from central level stakeholders, specifically those representing OP Managing Authorities under the ‘10% rule’. The thematic scope of comments and detailed questions provided by these institutions — in many cases exceeding the contents of the consulted draft — clearly show that there is a deficit on information on the implementation framework of the new approach, which creates considerable confusion and misunderstanding among key stakeholders.

WB team identified the following issues which were simultaneously raised by at least 3 stakeholders, which could signal their significance for the overall implementation framework:

i. Risks for meeting N+2 rule generated by complicated mechanism for ITI concept elaboration, selection and implementation (lengthy procedures, additional administrative burden, negative experiences with integrated projects and CLLD etc.)

ii. Evaluation and selection criteria for ITI concepts — their scope, degree to which they will reflect regional and sectoral development priorities, timing of preparation, entity responsible for their endorsement, scope of RDC involvement in ITI concept evaluation vs. MAs responsibilities for project selection

iii. Approach to measuring public support as part of the ITI concept evaluation and selection process to minimize subjectivity of assessment

iv. Integration of projects under ITI concept during implementation phase and risks related to delays and nonperformance — what mechanism will be in place to address these issues?

v. Coordination and synchronization of activities between OP MAs in the stage of project selection and implementation to ensure smooth contracting

vi. Sources of financing of restructured RDCs and specifically of RDC expert capacity to be involved in RDC Preselection Unit — a number of MAs advocate one source, namely TA OPRG
vii. Regional financial envelopes (per each NUTS 2 region) should be calculated to estimate the size and volume of ITIs per region and adjust the implementation framework.

viii. Specific measures and types of projects for ITIs under individual OPs — how should they be designed to ensure complementarity and synergies between OPs?

ix. Status of projects constituting ITI concept selected for financing: predefined project or project proposal to be assessed within the framework of a competitive call for proposals?

When reflecting upon these comments it might seem that for a number of stakeholders ‘ITI concepts’ are merely a theoretical notion existing in some sort of ‘a vacuum’ as — for the time being — there are a lot of unknowns:

• there is no clarity as to the criteria based on which they will be assessed and selected;

• there is no strategic point of reference as the Regional Spatial Development Schemes are not yet available;

• there is no clarity on the scope of financing and tentative number of ITIs per region;

• there is no clarity on the status of individual projects and mechanism ensuring their integration during implementation;

• there is no clarity on expert capacity of RDCs to conduct evaluation and selection of ITI concepts;

• there is no clarity on thematic measures to be designed under each OP to provide funding for integrated approach.

This, of course, is an interim situation and as the programming process progresses one by one these ‘unknowns’ will be replaced by specific arrangements constituting the comprehensive implementation framework of the new approach. However due to the significance of the currently identified ‘unknowns’ WB team recommends MRDPW to temporarily halt the process of preparing guidelines on ITI concept elaboration for prospective beneficiaries (or at least make them a second priority) and focus on designing arrangements that will be conducive to achieving more clarity on the overall framework. A recommended chronology of actions is presented in the next section.

3. Recommended steps forward

WB team recommends prioritizing in the coming weeks two processes related to elaboration of the implementation framework for the new approach:

1. drafting a dedicated CoM Decree specifying rules and implementation modalities of the new integrated approach and

2. identifying prospective ITI concepts through broad consultations of draft Regional Spatial Development Schemes and conducting a survey on ITI concepts.

Dedicated CoM Decree

It seems already agreed between the main actors (MRDPW and CCU) that the rules and implementation modalities of the new integrated approach are to be regulated in a dedicated CoM Decree. This decree should cover comprehensively the preparation, grant award and implementation process of ITI and regulate all important aspects related to the eligibility, selection, contracting and implementation of the projects thereof. This specific regulatory framework is to serve as the basis for the contractual framework of the new integrated approach, as the latter should comply with the essentials of the former. The contractual framework is to detail only those aspects of the ITI implementation modalities which are not covered by imperative rules of the regulatory framework, i.e. are left for the involved parties to agree on and specify.

Therefore, instead of developing first that contractual framework, WB team recommends MRDPW to focus first on the preparation of the dedicated CoM Decree and then build on it the ITI contractual framework. Otherwise the contractual framework may require numerous amendments to reflect the changing essentials.
of the draft regulatory framework until the latter is finally adopted.

Identification of prospective ITI concepts

Indicative lists of priority investments included in drafts of six Regional Spatial Development Schemes will play an important role in selecting ITI concepts for funding, as — according to MRDPW’s position — ITI concepts, which will include investment specified in Regional Spatial Development Schemes — will be awarded extra points during evaluation. Therefore, WB team recommends that broad consultations of draft Regional Schemes are conducted to ensure that these indicative investments adequately reflect regional development needs and have the potential to mobilize public support.

With a view to facilitating the process of planning interventions for the upcoming programming period, WB team has already recommended the MRDPW to conduct an internet survey to identify possible investment ideas to be addressed through integrated projects among potential beneficiaries on the subnational level. MRDPW accepted this recommendation and in January 2020 — upon MRDPW’s request — WB team provided a draft questionnaire to be utilized for the purposes of the survey. This survey constitutes a practical tool that could add significant value to the process of programming of OPs with funds earmarked for the new approach. Survey feedback could be used for addressing some of the knowledge deficits that OP MAs have reported, such as:

• estimating demand for funding for ITIs across regions;

• estimating prevalent thematic scope and types of projects;

• finetuning the scheme for processing ITI concept applications (size of proposed ITIs and their thematic scope may have impact on the selection process and required expert capacity) and template documents (e.g. partnership agreement, ITI concepts proposals);

• identifying required scope of assistance required by potential beneficiaries and designing adequate tools to effectively meet demand for assistance (e.g. providing TA financing for preparatory works, undertaking targeted capacity building efforts, providing advisory assistance by certified/accredited experts in areas — both in terms of thematic scope and territory — where it is most needed, etc.).

Moreover, survey findings could better inform MRDPW on information required by prospective beneficiaries to effectively elaborate ITI concepts, which could and should influence the eventual scope of Guidelines for Preparing ITI Concepts.

WB team recommends that the survey be conducted in parallel with public consultations of draft Regional Spatial Development Schemes to ensure stakeholder engagement and effectively promote the new approach.

4. Comments on draft ITI template document drafts

a. Partnership Agreement and General Framework Agreement

The Partnership Agreement (PA) covers the internal relations between the ITI concept partners, related to the preparation and submission of the ITI concept, and – in case of concept approval - the subsequent application and implementation of the projects covered by the ITI concept after the approval of the latter. In contrast to the PA, it is the WB team’s opinion that the General Framework Agreement (GFA) is not needed as an element of the ITI contractual framework. Why? The responsibilities of the ITI partners to prepare and submit the ITI concept, and later on to develop and implement the related bundle of projects.

The General Framework Agreement (GFA) is intended to cover the mutual obligations of the OP MAs and the ITI partners, related to the preparation, submission, approval, contracting and implementation of the projects covered by the ITI concept after the approval of the latter. In contrast to the PA, it is the WB team’s opinion that the GFA is not needed as an element of the ITI contractual framework.
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ITI implementation. A dedicated CoM decree will regulate all important aspects related to the eligibility, selection, contracting and implementation of the ITI projects, there will be no need to reproduce those rules in a contractual document and thus create an additional paperwork for the ITI partners and the OP MAS. In this context the only added value of the GFA is to specify the terms and conditions for the preparation and submission of the individual projects by the ITI partners.

Instead in the GFA, the specific terms and conditions for the preparation and submission of the individual projects under the approved ITI concept could be specified in the act for the approval of the ITI concept; supposedly this formal act will be issued by the OPRG MA after carrying out a compliance verification of the RDC decision to select the ITI concept for funding. This act could indicate the terms and conditions, addressed to the ITI partners, under which the ITI concept is approved for funding. This act could indicate the terms and conditions, addressed to the ITI partners, under which the ITI concept is approved for funding, i.e. the terms, conditions and responsibilities for the submission of the individual projects by the ITI partners, and the consequences in case of a project failure for the rest of the ‘integrated’ projects. To the other end, the ‘obligations’ of the OP MAS under the GFA are to open relevant Calls for Projects covering the approved ITI concepts and process those applications until grant award and contracting. Those powers of the OP MAS stem from the CoM Decree where those shall be regulated in detail, and there is no need to reproduce these in another document too. It should be also noted that such a document shall have no legal value, as far as the rights and obligations of any of the parties vis-à-vis the other party are not enforceable in case of non-performance.

So, as far as the obligations of the parties covered by the GFA i) will directly stem from the relevant legislation (the dedicated CoM decree), and ii) are not enforceable in case of non-performance, the GFA actually does not constitute an agreement in the legal sense, but a kind of good-will declaration of no legal value. If the specific terms and conditions for the preparation and submission of the individual projects under the approved ITI concept are specified in the act for the approval of the ITI concept, the GFA would have no own added value and could be removed from the ITI contractual framework.

b. Weaknesses of the template drafts

There are two aspects of the drafts that add value: i) the envisaged mandatory set-up of a Coordinating Team by the ITI partners to support the development and submission of the ITI concept and its subsequent implementation upon approval; ii) the envisaged set-up of a Steering Committee by the OP MAS involved, as an umbrella body to steer and co-ordinate the implementation of the integrated approach.

Apart from that, from legal perspective both drafts are rather blank documents of a general nature. There are some core issues of the integrated approach which are not covered by the drafts. This is probably due to the fact that those issues are neither (yet) regulated (by the dedicated CoM decree), nor (yet) agreed between the involved institutions (OPRG MA, other OP MAS and CCU).

Those two inter-related core issues are the following:

1. the extent of integration of the ITI individual projects throughout the project cycle, i.e. will the failure of a single project failure at the ITI implementation stage lead to failure of all projects included in the approved ITI concept;

2. the 3rd party liability problem, i.e. the negative consequences for ITI partners from project application and/or implementation failures of other ITI partners.

Those issues not covered by the two agreement drafts are commented below.

7. The dedicated CoM Decree on the new integrated approach.
8. The consequences of a single project failure for the rest of the projects under the approved ITI concept shall anyway be regulated in the dedicated CoM decree as this is a key issue for the integrated territorial approach.
9. Neither the ITI partners could enforce the OP MAS to open the Call for Projects specified in the GFA and award grants to them, nor the OP MAS could enforce the ITI partners against their will to prepare, submit and implement their projects.
c. Integration of projects and 3rd party liability problems

As seen from the termination clauses of the two draft agreements, MRDPW supports the approach of strict integration of the individual project under the approved ITI concept throughout the complete project cycle. Under this strict approach the failure of any single project under the approved ITI concept at any stage of the project cycle would automatically lead to failure of the other projects under the ITI concept regardless of their current status (‘one-for-all’ approach).

MRDPW justified this approach with two reasonable arguments:

1. The ITI concept has been approved for funding with respect to the integrated effect of the bundle of projects as such, where each and any of those inter-related projects will have its own contribution to the achievement the common development objective. It is the bundle of ITI projects as such that was evaluated and selected for funding in view of its contribution for the implementation of the integrated territorial strategy. If the approved ITI concept is allowed to continue implementation in spite of the failure of one or more of the individual projects, this would retroactively compromise the ITI evaluation and selection process, as it would constitute an unequal treatment of that concept vis-à-vis the rest of the submitted ITI concepts which were not selected for funding;

2. The OPRG 2021–2027 performance framework could be negatively affected in case the strict integration approach is not applied. The failure of one or more projects under the approved ITI concept will lead to under-performance of already contracted programme indicators which may endanger the timely and adequate achievement of the OP performance framework.

While those arguments are legitimate, it should however be noted that the ‘strict integration’ of the projects of the approved ITI concept at their application and/or implementation stages may have severe negative consequences on the overall implementation of the integrated territorial approach. Any failure of an ITI project to apply, get contracted and be successfully implemented would lead to a complete failure of all other ITI projects. As far as various ITI projects would apply to the OP MAs and be implemented under various time schedules, it may happen that even already successfully implemented projects will be retroactively cancelled and their beneficiaries will have to return the grant funds already paid to them. Thus any failure of an ITI partner (irrespective of the reasons) to prepare, apply, get contracted and successfully implement their own project(s) would lead to negative consequences, i.e. a liability for all the other partners, even for successfully performing ones for reasons completely beyond their control (so-called ‘3rd party liability’).

The 3rd party liability of ITI partners could strongly discourage potential project partners to involve in an ITI partnership, therefore this risk needs be addressed properly.

WB team again recommends MRDPW to consider applying a softer approach to integration of the ITI projects, aimed at reconciling the aim to guarantee the implementation of the OP performance framework indicators with the need to provide enough legal certainty to potential ITI partners that their 3rd party liability will apply in exceptional cases only, so that they will have enough motivation to get involved in an ITI partnership.

Possible options for a ‘soft integration’ of the ITI individual projects

In our opinion there are two options to enable a softer integration approach with respect to the ITI individual projects:

1. define different categories of projects within the ITI project bundle

For example, two project classifications could be used: (a) core projects (‘ITI pillar projects’) and non-core projects. Core projects will be those that are definitive for the ITI concept’s contribution to the integrated territorial strategy (e.g. a project for the reconstruction of an industrial zone will be a core (pillar) project for an ITI concept focused on industrial recovery through industrial zone redevelopment).
The failure of a core ITI project would lead to failure of the whole ITI concept, while the failure of the non-core ones will not; (b) split projects into main and complementary (subordinated) ones (e.g. an infrastructure development project will be the ‘main’ project, while the soft vocational training projects complementary to main one will be considered a ‘subordinated’ project). The failure of the main project will automatically lead to the failure of the complementary (subordinated) ones, but not vice versa.

2. allow for a certain flexibility of the approved ITI concept implementation framework.

For example, within the individual project direct grant award procedure the OP MA and the project beneficiary could negotiate and explicitly agree an ‘under-performance tolerance range’ for the project-specific output and result indicators and specify the conditions under which the beneficiary will be allowed to under-perform. Any implementation within that ‘tolerance range’ would not constitute a project failure.

5. Draft ITI Guidelines

Additional specific comments on draft ITI Guidelines were inserted directly in the enclosed file for MRDPW’s reference and consideration.
• use of information and communication technologies for education in remote and depopulated areas — although without specifying these areas (page 13);
• construction of gas pipelines for the neighboring municipalities Bansko and Razlog, as well as the neighboring Panagyurisht and Pirdop (page 22);
• coordinated development of the municipalities within the 18 functional urban areas in Bulgaria; however clear reference is made only with regard to four currently operating areas — Sofia, Plovdiv, Varna and Burgas (page 29);
• promotion of polycentric and balanced territorial development: integrated development in cities, in rural areas and in regions with specific characteristics; improving territorial connectivity; management of environmental, landscape and cultural values (page 52);
• increasing integration between urban and rural areas based on partnerships between the centers of FUAs and the other municipalities (page 53);
• strengthening links between urban and rural areas at all levels by improving accessibility and opportunities for employment through planning specific measures to support peripheral and sparsely populated rural areas (page 53);
• territorial integration in the border areas of the country — it is not specified however whether this objective is to be met through inter-municipal cooperation, cross-border cooperation or combined (page 53);
• spatial integrity and equal accessibility of public service systems (with emphasis on education, healthcare, culture and sport) (page 56);
• development of common investment zones by partnerships of municipalities (page 42).

The draft NSCD also advocates improving the status of specific territories with unfavorable socio-economic characteristics through packages of measures (page 36) and defines the new approach to defining informal areas with specific characteristics that should concentrate financial support (page 37 and 38). Implementation of integrated investment packages supporting the development of these informal areas is envisaged and the role of Regional Development Councils (RDCs) in this regard described (page 38).

Identified common inter-municipal problems/threats

The draft NCSP identifies the following development challenges for inter-municipal groupings:
• lack of sufficient educational, healthcare, cultural, administrative and social services along with the corresponding lack of the adequate experts in the peripheral areas (page 4);
• negative trends in population ageing, as well as the reduction of the working-age population are worst in North West region and Vidin district, however specific municipalities or areas affected were not identified (page 12);
• intense depopulation in rural areas with negative natural growth three times lower than urban areas (-13.5‰ vs -4.1‰ for 2018);
• very low population in 73 municipalities with population under 6000 which puts at risk the very existence of these municipalities (page 13);
• the lowest economic activity rates along with the highest unemployment rates in North West region and within the districts of Vidin (14.9% unemployment in 2018), Vratza (12.9%), Montana (12.1%). Outside this region are districts of Silistra (12.2%), Razgrad (10.3%), Targovisht (10.8%), Shumen (10.3%) and Sliven (10.3%). Draft NSCD also identifies that 7 municipalities have more than 40% unemployment rate and 23 municipalities are with rates between 25% and 40%. There is not any specification about the type or location of these municipalities (page 14);
• lack of healthcare services in remote and inaccessible areas (page 16);
• very low investments for research and development in the districts of Vidin, Vratza, Montana, Haskovo, Targovishte — less than 0.3% share of the total national value (page 18);

• very low foreign investments in the districts of Montana and Silistra (page 18);

• several rural or untransformed industrial areas that lack sufficient transport connectivity and labor resources and should be a focus for restructuring measures. These areas are not specified in draft NCSD (page 19);

• insufficient development of high-class road network in the northern, peripheral and border areas of the country (page 21);

• entire districts of Vidin, Smolyan and Kirdzhali are isolated form gas pipelines (page 22);

• lack of internet connections in the districts of Kirdzhali, Pernik, Vidin and Haskovo (page 23); highest air pollution in the cities of Vidin, Plovdiv, Sofia and Galabovo (page 24);

• coastal water pollution in Varna and Burgas on the Black Sea coast (page 24);

Identified common inter-municipal potentials/opportunities

The draft NCSP identifies the following development potentials for inter-municipal groupings:

• more favorable trends in population ageing observed in the districts of Sofia-city and Varna without specifying municipalities or areas (page 12);

• concentration of investments for research and development in the districts of Sofia-city (68.5% share of the total national value) and Plovdiv (6.1%) (page 18);

• 6 municipalities with high tourist potential (Nesebar, Varna, Balchik, Sofia, Primorsko and Sozopol) concentrate more than 67% of the total nights spent by visitors (page 19);

• huge success of the cluster Thracia economic zone for industry and logistics — a result of a partnership of 9 municipalities — Plovdiv, Asenovgrad, Kaloyanovo, Kuklen, Maritsa, Parvomai, Rakovski, Rodopi and Stamolakiyski (page 41);

• several successful examples of inter-municipal cooperation with regard to the construction of industrial zones are mentioned: Simitli — Blagoevgrad, Siliven — Yambol, Gabrovo — Sevlievo. Four new industrial zones are planned to be built in Sofia, with the largest to be located in the northern regions of the capital — Kremikovtsi, Novi Iskar and Vrubnitsa. The Black Sea Economic Zone Cluster is another important initiative based on PPP, contributing to the implementation of the Accelerated Plan for Economic Development and Revival of Northeastern Bulgaria 2019–2030 (page 42).

Strategic part of NCSD

Classification of municipalities into functional spatial categories/zones with common development characteristics/profiles

The macro-spatial structure of the national territory is formed by the basic territorial module — the municipality. Draft NCSD presents several approaches for grouping municipalities into areas with specific characteristics, e.g. central and peripheral; highly, medium and weakly urbanized areas; developed and deteriorating; coastal, border and mountain. The nomenclature of areas with specific characteristics is open and will be shaped by the nature and purpose of the planned interventions (page 53).

The main territorial typology applied in draft NCSD is based on the European methodology for determining the degree of urbanization:

• highly urbanized (central) municipalities (more than 50% of the population is concentrated in settlements over 50,000 inhabitants or the municipal center has population over 50,000 inhabitants). There are 16 municipalities with centers in big cities;

• medium-sized urban (intermediate) municipalities — in medium-sized cities where more than 50% of the population lives in
settlements from 5,000 to 50,000 inhabitants or the municipal
• center has from 5,000 to 50,000 inhabitants. There are 96 municipalities with centers in medium and small cities;
• weakly urbanized municipalities (peripheral) — in small towns or villages, where more than 50% of the population lives in settlements under 5000 inhabitants or the municipal centers are smaller than 5000 inhabitants. There are 153 municipalities with centers in small towns and villages (page 54);

High-level hierarchical city centers exert functional and spatial influence on neighboring settlements and thus begin to form fields of influence or agglomeration units of the FUA type (page 54). The axes of urban development are polycentric linear zones formed by the integration of development poles (large and medium-sized cities) with the country’s transport and communication network. These axes also coincide with the cultural corridors in Southeastern Europe, which link some of the most valuable cultural monuments in Bulgaria (page 54). FUAs have significant role for integration between different municipalities (page 55). The emerging touristic agglomeration areas are also an important part of the territorial structure of Bulgaria (page 63). Municipalities with limited access to public services, including neighboring municipalities which can form groups are outlined (map on page 89). Draft NCSD reflects the National concept for tourist zoning and defines 9 different tourist regions. These regions should be the base for the implementation of programs and projects for the development of regional tourist products.

The draft NCSD defines a set of territories with specific characteristics. Their borders are outlined based on specific geographical characteristics as well as a specific location or on the base of reported demographic, economic, ecological, and climate risks (page 110):
• coastal (on the Black Sea and on the Danube) (page 120);

**FIGURE 3.1 NCSD Tourist Regions**

![NCSD Tourist Regions](image-url)
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- mountain (page 123);
- border (page 124);
- rural.

The NCSD provides initial information about the process of defining the rural municipalities under the Rural Development Program and the delimitation with OPBG for the period 2021–2027. Different approaches can be adopted for this purpose, including (i) applying the category of weakly urbanized municipalities (currently 153) or (ii) grouping all municipalities without an urban centre with more than 20,000 inhabitants. The final decision is yet to be made and the draft NCSD includes a map which reflects the 20,000 inhabitants’ approach (page 125).

Territories are affected by different types of risks, e.g. ecological risks (climate, hydrological and geological dangers (page 126); demographic risks (characterized by level of depopulation of over 50% for 10-year period (page 127); economic disadvantages (mostly overlapping with the previous category). The territories for protection of landscape, natural and cultural heritage—they cover protected territories (as defined by national criteria) and protected zones (Natura 2000) and constitute 35% of the national territory. The municipalities with abundance of protected territories are mostly neighboring ones and are highly spatially concentrated (map on page 112). The most important territories with cultural heritage are presented as zones with concentration of cultural heritage sites. In addition, these zones are defined in the context of 9 tourist regions which creates potential for integration of investments and for achieving synergies between investments in tourism and cultural heritage (map on page 116).

The draft NCSD defines these types of territories as informal areas (page 111). It builds upon the identified territories with specific characteristics to define functional zones for targeted support. According to the definition, a functional zone is a compact spatial system of integrated territories with common or similar conditions and goals (page...

**FIGURE 3.2 Characteristics of Municipalities with Population having less than 20,000 citizens**
The concept proposes two types of functional zones — 1. very stagnant (social zones) which require mainly social measures and 2. zones for stimulated development which require mainly economic measures.

Social zones are outlined following a selection process that consists of four steps: 1. evaluating three criteria for demographic growth, production and unemployment; 2. summarizing a common index and defining 90 of the weakest municipalities; 3. excluding of municipalities, close to core urban centres; 4. final identification of the zones for targeted support which consist of 3 or more municipalities. The result is 8 groups covering 55 municipalities (page 130). These zones are defined for social targeted support under integrated territorial investment. Zones for stimulated development represent continuous urban axes. Most of them include FUA and urban centres for integrated urban development. Four axes are defined.

Two types of informal areas are presented into combined map on page 133 along with the 10 biggest cities. The draft NCSD concludes that the zones defined for the period 2021 – 27 should be provided with concentrated and targeted support. Some of the zones overlap which can stimulate the creation of development synergies.

Identification of inter-municipal priorities in the domain of spatial development

The draft NCSP identifies several priorities in this respect:

- common activities and partnership for spatial planning and urban management between municipalities which are part of FUA around big and medium cities (page 64);
- stabilization of the cities from Level 4 that will support the development and services in the rural areas and especially in border areas (page 65);
- cohesion measures will have three dimensions: European — with other regions of EU Member States; national — between the

**FIGURE 3.3 Social Targeted Support Zones under ITI**
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Bulgarian NUTS 2 regions; and intra-regional — between the districts and municipalities in the regions.

• envisaged scope of intervention should promote:
  • territorial cohesion — by improving connectivity at all levels, strengthening the network of city centres and developing cross-border, interregional and transnational cooperation;
  • economic cohesion — by supporting the development and enhancement of regional potential and environmental protection;
  • social cohesion — by creating equal conditions for the development of human capital (page 68).

• connection of Bulgarian cities in urban development axes, integrated in the pan-European network of cities of transnational significance and in the pan-European development axes (page 68);

• linking significant sites of national cultural heritage in regional and pan-European cultural corridors (page 69);

• strategic framework of draft NCSD includes development priorities for the following types of territories:
  • Priority 1.2.6. Supporting the weakest informal areas (groups of municipalities) through measures with social orientation. This priority is part of Specific objective 1.2. Polycentric territorial development (page 70);
  • Priority 1.2.7. Definition of informal areas (functional zones) as balancers of spatial development and their stimulation with public investments for leading economic orientation. This priority is part of Specific objective 1.2. Polycentric territorial development (page 70);
  • Specific objective 2.2. Stimulated development of specific territories aiming at integrated planning and development of territories with specific characteristics like coastal, border, mountain and peripheral. 5 priorities under this objective include:
    i) integrated management and sustainable development of the Black Sea coast and maritime areas, including through cross-border cooperation with neighboring countries from Black Sea region for the implementation of the Integrated Maritime Policy through the instruments for spatial planning and ecosystem approach;
    ii) inclusion of Bulgarian Danube municipalities and districts in the pan-European Danube region and the development of cross-border partnerships and Euroregions for an integrated river basin management; protection of water, soils and biodiversity; and stimulating economic development, communication and cultural exchange;
    iii) support for mountain border territories through the development of organic farming in municipalities with irrigation, organic farming in certified areas, ecotourism in its most economical forms, tax preferences for conventional industries (food, sewing, woodworking) and more;
    iv) implementation of the European Green Belt Initiative for Sustainable Development and nature conservation in the mountain border territories by creating and management of cross-border protected areas; and restoration of ecological balance and biodiversity, adaptation to climate change and risk reduction from natural disasters. The maps below reflect the following types of identified territories: coastal, mountains, the Danube river.

The draft NCSD also formulates six key objectives of spatial development in Bulgaria:

• stimulating the development of a polycentric network of city-centers by improving their connectivity and increasing their economic potential (page 74);
FIGURE 3.4 Mountain Municipalities and Mountain Border Municipalities

FIGURE 3.5 Border Municipalities
• improving the quality of urban environment in the core support centers of the polycentric network through integrated reconstruction and development (page 74);

• creating universal conditions for economic growth through optimal utilization of local resources, stimulation of alternative employment and development of new skills and knowledge (page 74);

• improving the quality and maintenance of the spatial integrity of education, health care, social and cultural services through cooperation between municipalities (page 75);

• reconstruction and upgrading of the transport and engineering infrastructure to improve mobility, communication and access to services (page 75);

• utilizing the potential of small settlements with characteristic natural and cultural values and using it as a catalyst for economic development (page 75).

The predefinition of the Spatial Planning Act so that Master spatial plans of municipalities will cover not only the municipality itself, but also the complete extent of the corresponding FUA, which should promote and facilitate a more integrated approach to planning development interventions (page 76). The cooperation and partnership between municipalities with core centers of Level 4 is advocated in order to provide shared services in healthcare, education, culture and social support (page 77). The need for coordinating the development of economical clusters and the informal areas with specific problems and potentials is also recognized (page 110);

The draft NCSD also defines four objectives regarding the sectoral policies and their implementation in Bulgaria:

• agglomeration as one of the desired forms of cooperation — at the heart of the implementation of the NCSD and the key to effective absorption of EU-financed investments. The policy for stimulating development of agglomerations, as associations of equal municipalities, can be implemented by regulating coordinated joint actions for achieving common development (page 148);

• equal relations between rural areas and cities — while retaining their autonomy, cities and rural areas should cooperate through means of integrated spatial development to achieve sustainable growth. The specific tangible and intangible assets of cities and rural areas should be incorporated into planning documents and in the implementation of sectoral policies at all levels (page 148);

• strengthening the territorial impact of sectoral policies — spatial development is a direct function of sectoral planning, and this is especially true for transport and tourism infrastructure, electricity transmission networks, and product pipelines. A common spatial orientation of sectoral policies is advocated (but no details provided) (page 149);

• partnerships as the new driving force in spatial development (page 149).

Examples of integrated projects and investments

Integrated projects with regional impact should be defined in the Regional Schemes for Spatial Development (RSSD) — this constitutes one of the most important strategic guidelines of draft NCSD for the development of RSSDs. There are in total 15 requirements for the formulation of RSSDs, which include among others the following ones which are strictly related to integrated approach:

• integration of regional and spatial planning;

• formulation of medium-term goals, priorities and perspectives in accordance with regional specifics and NCSD;

• coordination and adequate reflection of different sectoral objectives (healthcare, education, transport, etc.);

• planning and implementing integrated approaches for territorial development of the regions (not explained in detail);

• Regional Development Councils should take part in the development process;

• Identification of integrated projects (with regional impact) based on partnerships;
• identification of measures related to the development of administrative capacity for the purposes of the new regional policy with the help from the central government, the set of integrated projects identified in RSSDs having to be accompanied by initiatives for attracting labor force (page 145);

The draft NCSD suggest the need for elaborating master spatial plans for groups of municipalities (page 148).

Conclusions of the review and recommendations for changes in draft NCSD

The draft NCSD defines the basic model for polycentric development of Bulgaria which integrates the different levels of urban centers and axes for development into a single spatial system. It also identifies different territories with specific characteristics based on geographical or socio-economic criteria. With all these spatial layers accounted for, draft NCSD clearly identifies the complex of development problems and potentials throughout the national territory and thus defines the spatial framework for development investments in the country.

It should be underlined that draft NCSD makes a decisive and very welcome step towards more focus and concentration of regional development measures by providing for the first time a transition between the extensive specific territories to much more limited functional zones defined for the purposes of targeted and integrated support. Draft NCSD clearly implies the idea of integrated approach and promotes cooperation between municipalities.

In both the analytical and strategic part of draft NCSD, the need for a unified approach and inter-municipal cooperation has been repeatedly presented and promoted. Identified sectors and topics for integrated approach are primarily:

• joint implementation of key infrastructural projects, including improvement of transport access, gasification and construction of industrial zones;

• development of regional tourist products based on natural resources and concentration of cultural heritage, covering groups of municipalities.

18 FUAs are highlighted as main territorial units for cooperation between municipalities. The lack of sufficient legal framework for coordinated planning and management in agglomerations is highlighted.

Another approach applied in draft NCSD for defining investment zones as well as for cooperation are the informal areas, which are divided in two types of functional zones:

i. very stagnant (social zones) and
ii. zones for stimulated development.

Functional zones are to a certain extent a prioritization of wide-ranging territories with specific characteristics, also defined in NCSD. In practice, draft NCSD defines the agglomeration areas, and in particular the 10 largest cities, together with the two types of functional zones as focal points for investments for the period 2021 – 2027. This is a decisive step towards achieving a significantly greater concentration of resources and increasing potential for complementary results and effects, based on a comprehensive methodological approach.

There is a need for a more decisive approach to promoting integrated territorial development for different groups of municipalities. This goal can be achieved through the inclusion of a special objective into the draft NCSD together with a clear definition of zones and measures for investments. In this regard, the following recommendations can be made.

Recommendation 1

Complementing the strategic goals of draft NCSD with a specific objective for the implementation of the integrated approach. The
topic is currently split between Specific objective 1.2. Polycentric territorial development (Priority 1.2.6. Supporting the weakest informal areas (groups of municipalities) through measures with social orientation and Priority 1.2.7. Definition of informal areas (functional areas) as balancers of spatial development and their stimulation with public investments for leading economic orientation) and Specific objective 2.2. Stimulated development of specific territories. There is also a mix of different terminology applied to describe informal areas, functional zones and specific territories which somewhat blurs the idea of integrated approach towards groups of municipalities. A single specific objective could be formulated under the first strategic objective with the necessary priorities to support the integrated approach in designated FUAs and selected zones.

The table below presents the proposal for restructuring of the draft NCSD strategic goals section while maintaining its original structure.

<table>
<thead>
<tr>
<th>Strategic goals of NCSD (current version)</th>
<th>Proposal for changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic goal 1. Territorial cohesion – by improving connectivity at all levels, strengthening the network of city centers and developing cross-border, interregional and transnational cooperation</td>
<td>Strategic goal 1. Territorial cohesion – by improving connectivity at all levels, strengthening the network of city centers and developing cross-border, interregional and transnational cooperation</td>
</tr>
<tr>
<td>Specific objective 1.1. Integration into the European space – 5 priorities;</td>
<td>Specific objective 1.1. Integration into the European space – 5 priorities;</td>
</tr>
<tr>
<td>Specific objective 1.2. Polycentric territorial development – 7 priorities including: 1.2.6. Supporting the weakest informal areas (groups of municipalities) through measures with social orientation; 1.2.7. Definition of informal areas (functional areas) as balancers of spatial development and their stimulation with public investments for leading economic orientation)</td>
<td>Specific objective 1.2. Polycentric territorial development – 5 priorities; 1.2.6. Supporting the weakest informal areas (groups of municipalities) through measures with social orientation; 1.2.7. Definition of informal areas (functional areas) as balancers of spatial development and their stimulation with public investments for leading economic orientation)</td>
</tr>
<tr>
<td>Specific objective 1.3. Preserved natural and cultural heritage – 5 priorities;</td>
<td>Specific objective 1.3. Preserved natural and cultural heritage – 5 priorities;</td>
</tr>
<tr>
<td>Specific objective 1.4. Integrated territorial development for groups of municipalities – 3 priorities; 1.4.1. Establishment of functional zones for integrated territorial investments by grouping municipalities with common characteristics and goals; 1.4.2. Providing financial support for integrated packages of projects; 1.4.3. Developing administrative capacity for integrated territorial investments;</td>
<td>Strategic goal 2: Economic cohesion – by supporting the development and enhancement of regional potential and environmental protection</td>
</tr>
<tr>
<td>Strategic goal 2: Economic cohesion – by supporting the development and enhancement of regional potential and environmental protection</td>
<td>Specific objective 2.1. Regional competitiveness in support of growth – 7 priorities;</td>
</tr>
<tr>
<td>Specific objective 2.2. Stimulated development of specific territories – 5 priorities; 2.2.1. Integrated management and sustainable development of the Black Sea coast and maritime spaces, incl. through cross-border cooperation with neighboring countries from Black Sea region for the implementation of the Integrated Maritime Policy through the instruments for spatial planning and ecosystem approach; 2.2.2. Inclusion of Bulgarian Danube municipalities and districts in the pan-European Danube region and the development of cross border partnerships and Euroregions for an integrated river basin management; protection of water, soils and biodiversity; and stimulating economic development, communication and cultural exchange; 2.2.3. Support for mountain border territories through the development of organic farming in municipalities with irrigation, organic farming in certified areas, ecotourism in its most economical forms, tax preferences for conventional industries (food, sewing, woodworking) and more;</td>
<td>Specific objective 2.2. Stimulated development of specific territories – 6 priorities; 2.2.1. Integrated management and sustainable development of the Black Sea coast and maritime spaces, incl. through cross-border cooperation with neighboring countries from Black Sea region for the implementation of the Integrated Maritime Policy through the instruments for spatial planning and ecosystem approach; 2.2.2. Inclusion of Bulgarian Danube municipalities and districts in the pan-European Danube region and the development of cross border partnerships and Euroregions for an integrated river basin management; protection of water, soils and biodiversity; and stimulating economic development, communication and cultural exchange; 2.2.3. Support for mountain border territories through the development of organic farming in municipalities with irrigation, organic farming in certified areas, ecotourism in its most economical forms, tax preferences for conventional industries (food, sewing, woodworking) and more;</td>
</tr>
</tbody>
</table>
Recommendation 2

Complementing the section on informal areas with specific characteristics, problems and potentials with a map and description of the appropriate zones for the implementation of the integrated approach. A specific proposal for zones (groups of municipalities) for an integrated approach and inter-municipal cooperation will emphasize the importance of the new policy paradigm and facilitate its implementation. The proposed comprehensive map would clarify and refine the idea of integrated approach along the functional zones. It would also give a very clear guidance for the work of the Regional Development Councils.

The current map from draft NCSD includes zones for stimulated development, however they are not zones delimited based on municipal units but rather axes, which means the precise territorial scope is not defined. It also defines social zones (8 groups with 55 municipalities). Some of these groups consists of municipalities located in two different NUTS 2 regions, which could pose certain difficulties in terms of planning and implementing investments. Despite the idea of flexible design of zones, the proposed leading role of RDCs in the integrated project packages predetermines the compliance of zones with boundaries of planning regions (NUTS 2). Also, draft NCSD defines these supra-regional zones, but this is not reflected in RSSDs which are confined to abovementioned boundaries (see Figure 3.6: the map from draft NCSD, and Figure 3.7 from the draft RSSD for North East Region).

Considering that the different types of functional zones and agglomerations overlap and draft NCSD promotes projects creating development synergies, the most appropriate areas to be covered by integrated projects can be obtained as a result of a cross-section between different zones characterized by certain development problems or potentials. Such a map could be a synthesis of the map on page 133 and the maps with agglomeration areas, tourist areas, concentrations of cultural heritage, territories with natural heritage and territories with deteriorating public services. The map should not be a mechanical overlay of the individual layers, but rather an identification of clear groups of municipalities for the purposes of the implementation of the integrated approach. It should be based on the functional zones, but also reflect other important conditions such as boundaries of the planning regions.

At the same time, the currently defined zones can be supplemented by elements of other maps. For example, at present, Priority axis III for stimulated development between Varna and Burgas does not include Municipality of Balchik, although it is Varna and Balchik that are part of a concentration of cultural heritage, respectively, to form a regional tourist product. Another example—the social zones are now defined based on three criteria including demographic growth, productivity and unemployment, but they do not cover the very important issue related to access to public services (see Figure 6.8).
FIGURE 3.6 Zones for Stimulated Development

FIGURE 3.7 Regional Scheme for Spatial Development
Recommendation 3

Alternatively, draft NCSD may be supplemented not with a specific map, but with guidelines for defining integrated approach zones within the RSSDs, including taking into account the conclusions of the draft NCSD on the role of agglomeration areas, the two types of functional zones, cultural-tourist and natural potentials, as well as the formal boundaries of regions.

Recommendation 4

The guidelines mentioned in recommendation 3 guidelines may additionally be supplemented by identification of key development profiles/priorities in the groups of municipalities that will ensure coherence between the common national development goals and the more specific decisions at regional and local level. For example, these priorities could cover the provision of high-quality public services; construction of industrial and economic zones; optimizing the use of natural and cultural heritage potential; development of human resources and increase of economic activity and employment.

Review of the draft concept for the evaluation and selection of concepts for Integrated Territorial Investments at the level of Regional Development Councils (RDCs) during the programming period 2021 – 2027 (10/02/2020)

On January 24, 2020 MRDPW shared with the World Bank (WB) team the Draft Concept for the Evaluation and Selection of Concepts for Integrated Territorial Investments (ITI) to be conducted at the level of RDCs for review. The draft outlines: the modalities of the evaluation and
selection process, including its timeline and chronology; the scope of engagement and responsibility of the RDC expert and management tiers; the role of the general public; ideas for the selection criteria system; and the scoring mechanism.

The significance of this document cannot be underestimated, as its assumptions will lead to the elaboration of a fully-fledged evaluation and selection system for ITI concepts to be applied during the next Operational Program Regions in Growth (OPRG) and by respective OPs with funds earmarked for the new integrated territorial approach. The fact that the process of elaborating the framework for evaluating and selecting ITI concepts has already commenced highlights that MRDPW fully acknowledges the importance of this task in setting the foundation for future programming activities. The WB team commends these efforts and stands ready to provide any assistance and advise required to fine-tune the modalities of the framework and as per the terms of the reimbursable advisory agreement signed between MRDPW and the WB.

The WB team fully acknowledges the positive steps MRDPW is taking to effectively involve the RDC management tier in the ITI concept selection process. However, there are serious short, medium and long-term risks associated with the mechanism as proposed, which are described in this note. Therefore, the WB team suggest MRDPW consider an alternative approach. Such approach would need to reconcile the need for giving greater involvement of the regional tier in ITI concept selection with the need for a transparent and credible mechanism calibrated to ensure high quality projects are selected.

If MRDPW agree, the WB team can formulate recommendations for an evaluation and selection mechanism for MRDPW’s further consideration. These recommendations could be provided after the WB team completes the ongoing review of the draft Regional Spatial Schemes and complementing this with an analysis of the modalities used in other EU countries for the evaluation and selection mechanisms where regional tiers are involved. One of the options could entail involving the RDCs in the process of formulating selection criteria for ITI project packages at the level of individual OPs and the RDCs customizing them to reflect specific regional development priorities.

### A. WB team’s assumptions for the preliminary review of the draft concept

It is the WB team’s understanding that the evaluation and selection mechanism set out in the concept would aim to meet two key strategic objectives:

1. **ensure the selection of high quality ITI concepts** with the potential to have the highest regional impact. Such ITI concept would consist of integrated and complementary projects eligible for funding under individual OPs that could be successfully implemented by respective beneficiaries—members of ITI concept partnerships; and

2. **build the capacity and credibility of RDCs** as important and efficient elements of the EU funds management framework, contributing to the effective implementation of place-based interventions under the new integrated territorial approach.

An important consideration is the need to design and enforce a transparent, workable and efficient operational framework for involving RDCs, conducive to strengthening their legitimacy and credibility over time.

These assumptions were applied for the purposes of the WB team’s preliminary review and led to the formulation of the following comments.

### B. Initial comments on the proposed evaluation and selection mechanism

#### General comments

The WB team acknowledges the need to effectively engage RDCs in the evaluation and selection of ITI concepts and increase the regional impact of interventions while ensuring public
support for their implementation. However, the draft Concept appears to include an excess level of subjectivity to the evaluation and selection of ITI concepts, which raises a number of serious concerns. According to the proposed mechanism 30% of the overall score will stem from the expert evaluation conducted by RDC Pre-selection Units, and the remaining 70% is to consist of: indication of public support (20%); individual evaluation (scoring) by members of RDC management tier (45%); and concluded with their vote (5%). The evaluation by the RDC management tier can be regarded as de facto discretionary political decision-making based on subjective personal preferences, rather than an objective quality-based evaluation. Providing the public with the possibility to evaluate project concepts is highly unusual and could also be subject to misuse. The predominately subjective scope of evaluation proposed in the mechanism will also make the task of providing applicants of rejected concepts with well-substantiated feedback conducive to improving the quality of a concept very difficult, if not impossible.

Identified risks related to the proposed evaluation and selection mechanism

1. Formal legal inconsistence with the EU and national regulatory framework

The WB team identified two sets of legal risks related to the proposed mechanism:

a. Risk of formal legal inconsistence with the draft CPR stipulations and Bulgarian ESIF Management Act; and

b. OP MAS cannot delegate discretionary decision-making powers to the RDCs related to the selection of ITI concepts.

• Draft CPR 2021 – 2027

Under Article 67 of draft CPR:

1. “For the selection of operations, the managing authority shall establish and apply criteria and procedures which are ... transparent [...]. The criteria and procedures shall ensure the prioritisation of operations to be selected with a view to maximize the contribution of Union funding to the achievement of the objectives of the programme.”

2. In selecting operations, the managing authority shall: (c) ensure that selected operations present the best relationship between the amount of support, the activities undertaken and the achievement of objectives.

These two provisions imply the requirement for a transparent selection through quality-based competition between eligible operations. The proposed mechanism for the selection of ITI concepts through a primarily discretionary political decision of the RDC management tier covers neither the transparency (both of the actual process in terms of procedural arrangements, as well the criteria applied for the purposes of evaluation and eventual selection of ITI concepts), nor the quality-based selection requirements of the above provisions.

• Bulgarian ESIF Management Act

This Act provides for two options of grant award: (i) direct grant award (i.e. without competitive selection—ad hoc aid) to named beneficiaries or (ii) grant award through a competitive selection of operations. Named beneficiaries are entities explicitly identified either in (a) a relevant OP or (b) a document adopted by the Monitoring Committee of an OP (cf. Art. 45, para. 1) as the beneficiary of a defined action.

Under the draft concept, the project beneficiaries shall not be identified in advance by the relevant OPs but selected by the RDCs within the framework of ITI concept evaluation and selection process, therefore those beneficiaries cannot be regarded as “direct beneficiaries”. If the ESIF Management Act would remain as is, this would mean that aid beneficiaries under the ITI would have to be selected through a competitive grant award procedure. Such procedure—if opted for by MRDPW—should comply with the principles of free competition, equal treatment, transparency (cf. Art. 29, para. 1 of the ESIF Management Act).
Taking into account current stipulations of the ESIF Management Act, there seems to be a legal vacuum in which ITI concepts and prospective project beneficiaries currently exist according to the assumptions of the draft mechanism, which creates uncertainty from the legal perspective.

• Delegation of discretionary decision-making powers by OP MAs to RDCs

As far as the involvement of RDCs in the selection of ITI concepts shall be based on delegation from the OP MAs, the proposed selection mechanism implies that OP MAs will practically have to delegate to the RDCs discretionary project selection powers, which the OP MAs themselves do not possess. OP MAs are not authorized to take discretionary decisions not based on objective quality-based project evaluation, related to the selection of operations to be funded. This is potentially a problem, as OP MAs are ultimately responsible for the lawful selection of funded operations in line with the principles of transparency and efficiency; however, under the draft ITI selection concept OP MAs will not dispose of a mechanism to ensure that.

2. Risks related to potential conflict of interest

The proposed mechanism generates several areas for the potential emergence of conflict of interest, which can negatively impact the transparency and credibility of the evaluation and selection process. The WB team identified the following areas of potential conflict of interest, which would require adequate mitigation mechanisms:

• District Information Center (DIC) experts are envisaged to perform two separate functions related to ITI concepts: (i) ITI promotion and support (Mediation Unit); and (ii) public consultations as a part of the formal evaluation procedure (Public Consultation Unit). If a DIC has a formal Head/Manager, then the fact that two groups of DIC experts are hierarchically subject to that common superior [who could potentially influence their decisions] gives rise to a potential conflict of interest between the two performed functions;

• Head of MRDPW’s Regional Department, s/he should be a manager/head of only one of the relevant RDC units to ensure a clear functional separation of the responsibilities along the different stages of the ITI project cycle, in order to rule out potential conflicts of interest.

• The draft RDC Involvement Mechanism proposes a new structure for the RDC expert units to ensure functional separation between the different expert units. The proposal needs to be further developed, as it seems that public consultation is intended to constitute a part of the ITI concept formal evaluation. The proposed single Mediation & Public Consultation Unit with Mediation and Public Consultation sub-units will need to be revised, as the two functions need to be implemented by separate units (as originally envisaged by MRDPW).

• It is not yet known if there will be any hierarchical subordination between the Head of MRDPW’s Regional Department and the RDC expert unit involved in the ITI concept selection; and RDC management level (including the RDC Chairman) and the RDC expert units. If any such hierarchical subordination would exist, then it will be another area of potential conflict of interest, which will need to be mitigated (possibly through the RDC’s Internal Rules).

3. Adverse effects of political discretion in the ITI concept selection process for quality of supported operations

The predominance of political and subjective factors in the evaluation and selection process may impede the creation of a mechanism that would maximize the selection for funding of only operations that have the highest potential to maximize (based on evaluation conducted on the grounds of objective, technical criteria) the contribution of EU funding to the achievement of the objectives of OPs and effectively support socio-economic development processes at the regional level. The proposed mechanism generates the risk of selecting projects that rely on sufficient political backing, instead of their objectively verified merits.
The predominance of political and subjective factors might also result in prospective beneficiaries making more effort to effectively solicit the political support of the RDC management tier rather than to improve the quality of their project proposals.

4. Adverse effects of political discretion in the ITI concept selection process for implementation of OPRG 2021–2027 and other OPs involved in the integrated regional approach

As described in point 3, the proposed mechanism may not ensure the selection of the best quality projects, which is likely to generate a number of risks for the performance of involved OPs. For OPRG 2021–2027 the Bank team estimate this risk as very high due to the large size of allocation dedicated to ITIs; for other involved OPs this risk is moderate as it is only 10% of their respective program at stake. These risks are both qualitative and quantitative, as:

- insufficient quality of projects might negatively impact implementation and result in failure to generate expected outcomes, which constitutes a risk for meeting OP performance indicators;

- insufficient quality of project proposals may prevent them from acquiring funding from respective OPs or may result in their termination by dissolving grant agreements due to non-performance (also in cases when just one project under ITI concept fails — if MRDPW upholds its current approach to integration of projects under ITI concept during implementation, which foresees failure or termination (?) of all projects in the integrated package in case one fails). This in turn may result in low levels of contracting and protracted contracting and disbursement, constituting risks to meeting goals related to the financial progress of OPs;

5. Adverse effects of political discretion in the ITI concept selection process for implementation of the new regional integrated approach

The risks for OPs implementation as described in point 4 may negatively impact the prospects of implementing the new regional integrated approach. OP Managing Authorities, if dissatisfied with quality of projects selected at the level of RDCs may want to return to a ‘business as usual’ approach to financing fragmented, non-integrated operations. This may put at risk the objective of the new integrated approach and may result in perpetuating and exacerbating negative trends related to regional disparities observed across Bulgaria.

6. Adverse effects of political discretion in the ITI concept selection process for strengthening RDCs and prospects for longer-term decentralization

The proposed mechanism is likely to highly ‘politicize’ the ITI concept selection process at RDC level and in turn diminish the value of expert assessment, which was supposed to be the cornerstone of the new RDC role and a focal point for their capacity building in the coming years. The willingness of central and local level stakeholders to invest in continuous capacity building of RDCs might be significantly reduced, as the RDC expert level is likely to be perceived as largely irrelevant, due to the predominant impact of subjective, political factors predominant in the ITI concept selection process. This perception may have a negative impact on plans for building the credibility of RDCs in the short-term, and vital, credible and professional entities at NUTS 2 level in the long term.

The potential failure to put in a place a mechanism that could maximize the probability of selecting good quality operations for financing due to the predominantly political nature of the proposed assessment process at the RDC level may have a detrimental impact on any decentralization plans, as it will provide a viable argument proving the incompetence of RDCs and their inability to effectively perform new functions under the integrated territorial approach.
Proposal of survey on ideas for territorial investments to be financed from EU Structural Funds under the 2021 – 2027 programming period (16/01/2020)

Introduction

In light of the findings of strategic consultations and with a view to facilitating the process of planning interventions for the upcoming programming period, WB team recommended the MRDPW to conduct an internet survey to identify possible investment ideas to be addressed through integrated projects (IP survey) among potential beneficiaries on the subnational level. The MRDPW accepted this recommendation and requested WB team to prepare a draft of the questionnaire to be utilized for the purposes of the survey subject to MRDPW’s approval.

Assumptions for the survey

Draft questionnaire (enclosed to this note as annex 1) was elaborated by WB team applying the following assumptions.

<table>
<thead>
<tr>
<th>Objectives of the survey</th>
<th>• promoting and raising awareness of local, district and regional stakeholders about the new integrated territorial approach and main tool for its implementation, namely integrated projects; • activating prospective beneficiaries and motivating them to start elaborating project concepts and identifying possible partners; • estimating demand for funding for IPs across regions and prevalent types and thematic scope of projects; • identifying potential bottlenecks (e.g. misperception of IPs’ nature and objective, deficit of ideas for IPs, unclarity about partnership formation); • identifying areas where potential applicants need specific assistance (e.g. training, project pipeline, advisory assistance, document templates, additional efforts to effectively promote IPs) • creating a repository of ideas for investments (‘bank of ideas’) for future reference and identifying sectors and territories with highest demand for financing.</th>
</tr>
</thead>
</table>
| Timing of the survey | The survey will be part of a broader information campaign run by MRDPW and CCU to promote the new approach and to raise awareness of key stakeholders across the country. 
Potential timeframe for the survey: February – March 2020 |
| Survey respondents | Three options to consider:  
Option 1 (broad approach)  
Prospective beneficiaries of IPs under 2021 – 2027 programming period: local and district authorities in all 6 NUTS 2 regions, NGOs, business community, schools and universities, R&D centers, social services providers etc.  
Option 2 (targeted approach)  
Selected group of ca. 50 potential IP beneficiaries across 6 NUTS 2 regions.  
Option 3 (phased approach: targeted + broad)  
Stage 1: selected group of ca. 50 potential, most ‘mature’ IP beneficiaries (possibly with a good track record of already implemented EU-financed development interventions) across 6 NUTS 2 regions and analysis of the received feedback (a potential adjustments of the questionnaire to follow).  
Stage 2: broad group of prospective beneficiaries across 6 NUTS 2 regions from different sectors (as in Option 1 minus the ones already surveyed during Stage 1) |
| Scope of survey | • collecting information on IP ideas, including thematic scope, expected socio-economic results, estimated volume of funding to finance the project(s), expected timeline, potential partners etc.; • obtaining information about assistance required by respondents to advance preparatory work on project concepts |
| Institution responsible for running the survey | MRDPW |
| Survey duration | 30 days (from launch) |
Utilizing survey findings

The intention of the WB team is to provide the MRDPW with a practical tool that — when applied — could add value to the process of programming. Therefore, the questionnaire was designed in such a way to use the feedback received from stakeholders for the purposes of:

- designing a more targeted information campaign aimed at tackling identified knowledge deficits among stakeholders and reaching out to those that either did not participate in the survey or their participation was insufficient;
- estimating the volume of required financing;
- determining thematic scope and types of projects;
- identifying required scope of assistance required by potential beneficiaries and designing adequate tools to effectively meet demand for assistance (e.g. providing TA financing for preparatory works, undertaking targeted capacity building efforts, providing advisory assistance by certified/accredited experts in areas — both in terms of thematic scope and territory — where it is most needed, etc.)
- designing a scheme for processing IP applications (size of proposed IPs and their thematic scope may have impact on the selection process).

While the response rate will influence the representativeness of the survey, it might constitute a valuable input to the programming process and help triangulate the IP concept that will be applied during the next programming period. The survey will also help create a pool of proactive prospective beneficiaries, who could be potentially engaged in consulting various elements of the foreseen implementation framework shall such a need arise in the future.

Issues for consideration

Timing of the survey launch and end date

It is recommended to synchronize the timing of the survey with other CCU/MRDPW-led information activities related to the introduction of the new regional approach and regional policy programming post-2021 envisaged by the MRDPW in 1Q 2020 (e.g. the launch of public consultations of the draft Regional Development Schemes) to promote the survey and encourage stakeholder participation.

Technical aspects of the survey

Technical instructions for respondents will be added to the questionnaire once the following issues are determined:

- how the questionnaire will be made available to respondents — link sent via email and questionnaire filled in and submitted online? Word document to be filled in and sent back — where (email address)? Dedicated web page with the survey and any additional information MRDPW may wish to share and use for future updates regarding the implementation of the new approach? Any other arrangements?
- email address where technical and other queries related to the survey can be sent by respondents

Additional information to be shared with respondents

MRDPW may wish to share additional information as part of the survey effort (e.g. concise description of the new approach including IP definition and requirements related to partnership formation and adequate division of responsibilities among partners; examples of integrated packages of projects to
direct respondents in their thinking about ideas for projects, etc). Once this is decided, relevant information will be included in the survey information provided to potential respondents.

MRDPW and WB team responsibilities related to the survey

It is important to clearly define roles of MRDPW and WB team at all stages of the survey, including:

• promotional activities (to ensure high stakeholder engagement) and

• the analysis of received feedback (to ensure the findings are actually utilized for the benefit of the programming process and the prospective beneficiaries).

Specific topics for discussion with MRDW during January 24, 2020 meeting

WB team would like to take the opportunity to discuss the following specific issues related to the survey during the upcoming meeting with MRDPW team:

• scope and timeframe of other MRDPW/CCU promotional/information activities that the survey is to be a part of and preferred timing of the survey

• selected option for determining survey respondents (Option 1, 2, 3 or any other)

• scope of information (e.g. presentations, documents, examples of IPs, draft IP guidelines) on the new approach and IPs that MRDPW would wish to share with survey respondents to raise their awareness

• preferred technical arrangements for the survey

• division of responsibilities and tasks related to IP survey preparation and promotion, launch, collecting of feedback, analysis of submitted inputs etc. between MRDPW and WB team
ANNEX 1

DRAFT QUESTIONNAIRE

Invitation to participate in a survey on ideas for territorial investments to be financed from EU Structural Funds under the 2021 – 2027 programming period

You are kindly invited to participate in a survey organized by the Ministry of Regional Development and Public Works on ideas for territorial investments in regions to be co-financed from the EU structural funds in years 2021–2027. The Government of Bulgaria will dedicate XXX million LEV to co-finance these types of investments and your inputs to this survey will help inform modalities of how these resources will be distributed.

The Ministry of Regional Development and Public Works is currently engaged in the process of elaborating the implementation framework of the new integrated territorial approach to be applied under the 2021 – 2027 programming period. The main goal of the new approach is to tackle territorial needs in a more effective way and to generate substantial socio-economic effects for supported territories, stimulating growth, and improving the quality of life of citizens. In order to meet these goals, an integrated approach to investments will be promoted to adequately address territorial development needs, encourage cooperation between stakeholders and effectively pool resources. Stakeholders across regions will be encouraged to establish partnerships and elaborate and implement integrated packages of development projects.

The purpose of this survey is to collect information on investment needs from prospective beneficiaries: local and district authorities in all six NUTS 2 regions in Bulgaria, NGOs, business community, schools and universities, R&D centers, social services providers etc. The survey will help identify the scope of assistance required by respondents and consequently the results will be used to support the elaboration of an adequate implementation framework to ensure swift uptake of available funding and ensure effective implementation.

Please note that if an idea for a package of investments is to be recognized as ‘integrated’, it will require:

• the identification of a minimum of ... partners (i.e. local administration, business enterprise, education facility, NGO etc.),
• the identification of a minimum of ... projects that form a package and
• the formulation of a joint development objective(s) to be met through the implementation of the package.

Please note that your participation in the survey is voluntary. You can submit as many ideas for integrated packages of projects as you wish. You are not in any way bound by your submitted idea(s). The submitted idea(s) do not prejudice the scope of the package(s) you may wish to elaborate in the future.

Questions:

Your name:
Your organization:
Your contact information (e-mail address and telephone number):
Your region: (please choose from a list)

1. What is/are the development problem(s)/challenge(s) or development potential(s) of your region you wish to address through an integrated package of projects?

Describe the thematic scope of those problems/challenges (e.g. difficult access to, or low level of, basic services available, e.g. healthcare, social services, etc.; low level
of economic activity, resulting in high unemployment, etc.). Please refer to relevant socio-economic data to substantiate your choice.

2. What projects would you propose to tackle the abovementioned problems/challenges?

Describe the projects one by one, by thematic scope (corresponding to the identified problems/challenges), the expected results of the implementation (quantitative and qualitative), as well as explain why you consider those projects inter-related (integrated), i.e. contributing to a common development objective(s).

5. Identify your potential partners and briefly describe their expected roles in the delivery of the integrated package of investments.

4. Approximate the required volume of financing to implement the integrated package of investments.

5. Specify the estimated period required to implement the integrated package of investments.

6. Specify any preparatory work done so far to enable the implementation of any of the investments from the package (i.e. feasibility study, environmental impact assessment, cost analysis, public consultations, socio-economic analysis, legal analysis, letter of intent etc.).

7. Specify assistance you would like to receive to advance your idea for an integrated package of investments to the stage of a project application for financing (please choose from a list):

   a. Eligibility of project ideas
   b. Legal assistance in establishing project partnership
   c. Capacity building for project partners
   d. Financing of preparatory work (e.g. feasibility study, legal analysis, financial analysis)
   e. Advisory support in determining the scope of the integrated package of investments
   f. Collecting and analyzing specific socio-economic data about your locality/region
   g. Any other — please specify.
All the proposed questions relate to the experience of MAs in selecting for financing and implementing operations under the current programming period and their ideas for territorial investments in the future. The input will be useful for preparing the implementation framework of the new integrated approach under the 2021–2027 programming period.

Questions related to 2014 – 2020 programming period

1. Please share which sets of selection criteria for specific OP (sub)measures have proven to be most conducive to selecting adequate operations to obtain financing from your respective OP.

2. Please share the types of subnational entities/stakeholders (e.g. local and district administration, NGOs, education facilities, social services providers, business entities) who were beneficiaries of project co-financed from your respective. Which of the types was predominant? How would you assess your experience in interacting with these entities (i) at the stage of project selection, (b) at the stage of project implementation, and (c) at the stage of project closure/ex post audits? How would you assess the capacity and responsiveness of these entities throughout the process of project selection/implementation/closure?

3. Could you describe whether you have encountered problems at any stages of project implementation that were specific to these types of beneficiaries? If so—what kind of problems? Were you successful in adequately addressing them? How?

4. Did you undertake any activities aimed at activating potential beneficiaries specifically targeting those on the subnational level (e.g. information campaign(s), training, preferential approach at the stage of project selection)?

5. Could you identify any types of interventions currently implemented under your respective OP that could benefit from a more integrated approach in terms of increasing their socio-economic impact?

Questions related to 2021 – 2027 programming period

1. Please share your ideas on types and thematic scope of projects to be eligible for financing under OP within the framework of the new integrated approach (‘10%’)

2. Can you specify which types of entities (on subnational level) are most likely to be beneficiaries of projects to be financed under OP within the framework of the new integrated approach (‘10%’)?

3. How do you assess the capacity of those entities to successfully apply for finding and implement projects? Do you identify any potential problems, bottlenecks? What are they related to (e.g. insufficient capacity, lack of experience in project implementation, lack of potential to generate adequate project ideas)?

4. What would be your preferred way of selecting projects for financing under the 10% rule — calls for project proposals or an indicative list of pre-selected projects?
A hybrid approach incorporating both mechanisms? Please elaborate on the selected approach.

5. What are the vital prerequisites for successful implementation of the new integrated approach horizontally across OPs and specifically under your OP? Are these prerequisites currently in place? If not — please share which of them and when should be put in place to facilitate:

   a. the process of OP preparation and
   b. the process of OP implementation with regard to the 10% put aside for the new policy approach.
Background

The World Bank (the bank) team conducted a review of the proposed priority axes and implementation mechanism for the Operational Programme (OP) Regions in Growth (OPRG) for 2021–2027. Based on this review and the findings and recommendations that came out from the strategic consultations, the bank team would like to share some preliminary comments and suggestions for the Ministry of Regional Development and Public Works (MRDPW) and the Central Coordination Unit (CCU) consideration.

Introduction

MRDPW has proposed a future structure of the OPRG consisting of two priority axes (PA):

- **PA 1** dedicated to Integrated Urban Development with 8–10 major Bulgarian cites eligible for funding (6% of OP allocation). This would be financed by OPRG only; and

- **PA 2** dedicated to the new Territorial Approach that would finance relevant components of integrated projects (IPs) with all Bulgarian municipalities eligible for funding (some restrictions apply to municipalities supported under PA 1). The PA would be financed with 94% of OPRG funds plus 10% from each of the other OPs, except Transport and Food Provision (in total approximately Euro 2.9 million).

At this stage, specific measures or submeasures are not foreseen under the proposed OPRG structure to allow for maximum flexibility, which in principle is an understandable and sensible approach.

General Assessment

The Bank team welcomes the scope of intervention envisaged under the proposed structure of the future OPRG, which is a sign of the commitment of MRDPW to consolidate a critical mass of financing to support the implementation of the proposed new territorial approach with the ultimate aim of addressing regional inequalities. It should be noted that the proposed OP structure marks a clear departure from that of OPRG 2014–2020, which consists of seven PAs offering a broad, but also clearly defined scope of financing for selected types of investments and municipalities.

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12. The estimated funds (EU and national co-financing) planned to be utilized under the new regional approach are approximately 2.8 billion EUR: 1.9 billion Euro (94% OPRG) and 0.9 billion Euro (10% of the other operational programmes except OP Transport and OP for the Most Deprived; Rural Development Programme, as not been part of the scope of the CMD of June 2019, is not included). This constitutes more than 20% of the total budget of all EU co-financed programmes for Bulgaria under Investment for Jobs and Growth goal for the 2021–2027 financial perspective.
Specifically focusing on the proposed PA 2, the Bank team recognizes the merits of the concentrated and seemingly very flexible (funds in ‘one big basket’) approach adopted by MRDPW. However, the team would like to draw attention to some risks this creates. These risks are multifaceted—they effect key stakeholders (both beneficiaries and OP Managing Authority) and processes (grant contracting and implementation, including absorption rates), as well as the prospects of meeting the broader development objectives in the domain of regional policy. The Bank team have formulated some key proposals for consideration, which would address the key risks as set out below.

Key Risks

The key risks foreseen with the proposed approach for the future OPRG are described below by key stakeholder.

Risks for the OPRG Managing Authority

1. A lack of targeted approach to specific territories (as recommended by the EC in Annex D of the Country Report Bulgaria 2019), which could result in continued unbalanced growth on the regional level and further deterioration of socio-economic situation of deprived, marginalized, or lagging behind territories.

2. low absorption rates—delayed uptake of funds (which could be expected due to the complexity and untested nature of the new regional approach based on integrated projects) will negatively impact OP’s absorption rate; this risk is especially serious due to the significant portion of OPRG allocation (ca. 94%) earmarked for PA 2.

3. limited internal flexibility within the OP—while seemingly providing flexibility, the approach to PA 2 actually reduces the possibility to conduct internal transfer(s) of allocation in case of unsatisfactory absorption rates under PA 2. Transfers will be limited to take place between only 2 PAs. The current OP was modified at the end of 2018 and resources were allocated between two thematic objectives under one PA. This contributed to the OP achieving the mid-term indicators.

4. limited possibility to monitor and assess progress on achieving development objectives in selected types of territories due to the untargeted nature of PA 2, and as a result limited possibility to introduce necessary policy shifts or adjustments.

5. uneven competition between funding opportunities at the expense of OPRG. At this moment it is not clear what type of measures will be financed by other OPs under the territorial approach. If they are the same as the measures the OPs will continue to finance themselves (outside the territorial approach) and/or there is no a "fast track" for grant contracting for these measures under the proposed ‘integrated projects’, there may be limited incentive for beneficiaries to prepare and submit such projects by going through a difficult processes of partnership establishment and project preparation.

6. need to increase the MA capacity to facilitate the processes of projects identification and partnership establishment—this will put more pressure on the MA’s staff, especially on regional branches, who will need to actively participate in new concept implementation. The establishment of human resources and capacity will need to be well managed to avoid jeopardizing the processes of closing OPRG 2014—2020 and the start-up of next OP 2021—2027.

Key risks for potential beneficiaries (stakeholders at local, district and regional level)

1. uneven competition preventing potential beneficiaries from fair access to EU funding and potentially discouraging them from applying (e.g. an Integrated Project led by a big municipality is much more likely to be in a position to apply for, and obtain, financing than that of a grouping of smaller, marginalized communities with limited capacity and experience).
2. limited interest of potential beneficiaries as under the ‘one basket financing approach’ they will not see measures addressed specifically to them, which may be read by them as a signal that ‘there is nothing here for us’ and this would be further emphasized by the lack of specific support measures for less advantaged municipalities.

3. lack of possibility to bridge remaining infrastructure where it is needed, especially for those municipalities which due to formal restrictions (i.e. the ‘white spots’) could not take advantage of EU funded investments under OPRG 2014 – 2020.

Possible alternative structure for OPRG 2021 – 2027

Taking into account these risks described above, the Bank team propose a possible alternative structure for the OPRG 2021 – 2027 that addresses and mitigates these risks and which could be considered in parts or whole by the Managing Authority as it further elaborates the approach (see table below).

The alternative OP structure also generates additional value as it aims to:

1. effectively promote the new integrated approach, but in a more targeted way suited to the specific situations of different types of territories in Bulgaria.

2. provides a smooth transition of the ESIF funding framework for the 27 – 29 cities (no longer part of PA1) to become subregional champions of the new integrated approach. These 27 – 29 cities, which have been implementing IPURDSI under OPRG 2014 – 2020 but will no longer eligible for earmarked funding under PA 1 of OPRG 2021 – 2027. The proposed new structure will enable a smooth ‘phasing out’ of the EU funding model for those cities from IPURDSI-based to an ITI-based one, as well as preserve and continue to use the administrative capacity built in them to act as subregional growth centers engaging in active cooperation within their functional areas and beyond. Because of the maturity of these cities acting as subregional champions of the new approach it could be possible to generate a number of supra-municipal flagship Integrated Projects in these localities that would enable a relatively fast uptake of funds under PA 2 (measure 2.1).

3. addresses some problems of a systemic nature related to the process of provision of social services and asset management (operation and maintenance of existing assets and services) on the local level given the realities of the demographic crisis (measures 4.1 and 4.2).

4. provide MRDPW with flexibility to test new instruments as needs arise (measure 4.3).

5. systematically addresses the problem of limited availability of socio-economic indicators for the purposes of elaborating and implementing evidence-based policies on the municipal level (measure 4.4).

6. supports the elaboration of territorial strategies for functional areas and Integrated Projects (measure 5.1).

7. address substantial capacity building and networking needs of local stakeholders crucial for the effective implementation of the new regional approach (measures 5.2 and 5.3).

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<tr>
<th>TABLE A3.1 Priority Axes, (Sub)Measures, and Eligibility</th>
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Scope of Integrated Projects

The decision on the structure of OPRG 2021–2027 should be closely followed by the strategic selection of the types of projects that would be eligible for funding under the respective measures. Determining this will be conducive to:

- defining the thematic scope and — consequently — the selection of relevant policy objectives supported under the OPRG 2021–2027 (expanding from just two policy objectives currently envisaged by MRDPW — namely 2 and 5 — might be necessary);

- defining the demarcation lines between OPs to effectively support the new regional approach through complementary interventions with a potential to create development synergies;

- encouraging potential beneficiaries to start elaborating and applying for the financing of specific project proposals as a clear framework would be in place addressing the issues raised by municipalities in terms of how they fit in the process of programming the funds;

- more accurate monitoring and assessment of the progress of the OP’s implementation due to the more targeted nature of the framework.

Mechanism for the implementation of the new regional approach — a proposal

In light of the findings from strategic consultations, discussions held in the RAS Steering Committee meeting on October 1, 2019 and based on preliminary conclusions from WB team’s independent review, an alternate proposal for the implementation mechanism of the new regional approach was formulated for

<table>
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<tr>
<th>No</th>
<th>Priority Axis</th>
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<tbody>
<tr>
<td>2.3</td>
<td>Marginalized/deprived area IPs (CLLD approach)</td>
<td>Municipalities lagging behind in terms of socio-economic development and with accumulation of development challenges</td>
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<td>3.</td>
<td>Local infrastructure for development</td>
<td>The scope of supported interventions could be modeled after OPRG 2014–2020 — for further consideration depending on the assessment of progress achieved and remaining investment needs</td>
<td>For further discussion Possible ideas: Selected municipalities (‘white spot’ municipalities under the 2014–2020 programming period? Marginalized municipalities according to the new National Spatial Concept (under preparation)?</td>
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<td>4.</td>
<td>Enhancing potential for growth</td>
<td>4.1. Optimization of public service provision at the local level</td>
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<td>4.2. Optimization of municipal asset management, including operation and maintenance</td>
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<td>4.3. Elaboration and testing of new development instruments (pilots)</td>
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<td>4.4. Systemic project for the National Statistical Institute — socio-economic indicators on the local level</td>
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<td>5.</td>
<td>Building capacity and promotion of integrated approach</td>
<td>5.1. TA for supporting elaboration of integrated territorial strategies for functional areas and IPs</td>
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<td></td>
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<td>5.2. TA for capacity building</td>
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<td>5.3. TA for financing networking at the local, district and regional level</td>
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<td>6.</td>
<td>TA for OPRG management</td>
<td>Scope of intervention as foreseen under PA3 of the draft OPRG structure elaborated by MRDPW</td>
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Independent reviews of the strategic approach to the Programme

further consideration by MRDPW and CCU. It is the intention of the Bank team to propose an arrangement that would have the potential to effectively promote the new integrated approach to regional development while reconciling sometimes opposing views on the specific modalities of the implementation mechanism expressed by different stakeholders.

According to MRDPW’s vision, integrated projects are the heart of the new regional approach. Their implementation is conducive to generating substantial socio-economic benefits and changing the attitude of many stakeholders to development initiatives, proving that development is not ‘a zero-sum game’, but rather a ‘team sport’, where pooling resources, planning and implementing investments in a coordinated and synchronized way can yield substantial development effects surpassing those generated by isolated, fragmented projects. In more succinct words, ‘the whole is greater than the sum of its parts’.

The integrated approach requires a number of ‘enabling conditions’ to be effectively implemented:

• First, an accurate recognition of common development goals among prospective beneficiaries of integrated projects

• Second, a cooperation platform, with capable staff responsible for integrated project proposal preparation,

• Third, the ability to formulate bundles of inter-related and sequenced projects that help achieve the common goals (and can demonstrate this);

• Third, streamlined assessment and contracting of projects, and

• Lastly but just as important, a clear implementation framework.

Since the integrated approach has been only tested in Bulgaria on a very limited scale (mainly under the CLLD approach and within the framework of the CBC programs) the above-mentioned prerequisites will have to be put in place in the coming months to ensure its smooth implementation.

Taking into account that roughly 20 percent of Bulgaria’s EU Cohesion Policy funding for the years 2021–2027 has been earmarked for the purpose of financing integrated projects (including ca. 90% of the allocation of OPRG 2021–2027 plus 10% from each of the participating OPs) and that adopting this approach seems to be highly experimental given the very limited previous experience with integrate projects (that would result in ‘learning by doing’ on a large scale), it is the opinion of the Bank team that it is likely to generate significant risks, related to all phases of integrated project elaboration and implementation, that could jeopardize the new regional approach.

These risks are mainly associated with the ambitious and broad definition of an Integrated Project adopted by MRDPW and CCU, which requires an integrated project to constitute at least three interconnected components financed from different OPs with only one grant agreement signed by the lead partner for the entire integrated project.

While recognizing the merits stemming from the new integrated territorial approach, the Bank team have formulated an initial proposal for a more phased, gradual mechanism to its implementation. The aim is to mitigate the so far identified risks, while still effectively promoting the integrated territorial approach. For the purposes of designing this mechanism the definition of an integrated project has been changed from one that includes multi-sector components to one where there is an ‘umbrella agreement’ between partners as the integrating element (instead of the one grant agreement for all IP components). More than one ‘umbrella agreement’ would be required per NUTS 2 region according the needs of each region; one municipality could participate in more than one ‘umbrella agreement’ and more than one grant agreement (see details below).

Key elements of the new ‘phasing in’ implementation mechanism for the integrated approach are described below:

1. Partnership agreement (an ‘umbrella agreement’)• This would be signed between partners (and prospective beneficiaries) (no public
procurement procedure or any other competitive one needed to select them);

• the agreement would determine:
  • the common development objective(s)
    of the partnership,
  • specific actions to be undertaken by each of the partners to ensure the objectives are successfully met,
  • a timeline and chronology of actions, and
  • a list of projects to be implemented by each of the partners.

2. Projects identified in the 'umbrella agreement':

• would be financed from different OPs involved in the new integrated approach;

• the would be assessed against selection criteria specific to the relevant OP (except for assessment of strategic regional importance conducted by the respective RDC);

• projects would be assessed as a bundle or package of projects, which together and well-sequenced, can demonstrate how they help achieve the common development objectives

• separate grant agreements for each of the projects would be signed by partners with relevant MA OPs (or its Intermediate Bodies — according to each of the OPs implementation system), which also reduces the risk that one failed project substantially affects the others; and

• full responsibility of the beneficiary for the project implementation and its aftermath (no delegation of responsibilities to lead partner).

3. Partnership leader (lead partner):

• would act as the ‘interface’ of the integrated project to the external world and main counterpart for MRDPW and the respective RDC;

• would monitor the implementation of the ‘umbrella agreement’ and each of its package of projects under the terms of the overall partnership agreement, and

• would facilitate networking between partners and knowledge transfer.

4. MRDPW (different roles depending on the measure under PA2) would be responsible for:

• coordinating ‘fast track’ with MAs of relevant OPs to ensure smooth implementation of integrated projects, but no need for the MRDPW (or any other entity) to act as a central Intermediary Body as the OP MAs would not relinquish their competence for project assessment and contracting;

• assessing and contracting projects financed from OPRG 2021 – 2027;

• capacity building at the regional/local level;

• collecting and disseminating good practices to promote and facilitate implementation of the integrated approach;

• project pipeline for integrated projects;

• hands-on monitoring of indicative flagship integrated projects (if any);

• hands-on support in elaboration and implementation of integrated projects in marginalized areas;

• monitoring the progress in implementing integrated territorial approach across OPs.

5. Managing Authorities of relevant OPs:

• responsible for establishing and maintaining of a ‘fast track’ mechanism for assessing and contracting projects under the integrated approach (ongoing calls for proposals under the territorial TA of relevant sectoral OPs);

• providing ongoing expert engagement in MRDPW’s project pipeline to support prospective beneficiaries;

• working closely with the MRDPW to ensure smooth implementation of the integrated approach.
6. **RDCs** (would have all the new roles as envisaged by MRDPW; no preselection of projects):

- organizing public consultations/hearings for integrated projects;
- assessing strategic importance of project proposals against regional development objectives and deciding on a ranking list of project proposals based on these criteria;
- identifying potential integrated projects and partners, networking;
- facilitating elaboration of ‘umbrella agreements.’

7. **CCU**

- political oversight to ensure smooth implementation of integrated approach across OPs.

The proposed mechanism is envisaged to provide all key stakeholders — both on central, as well as local, district and regional level — with ample opportunity to test, learn, build capacity for, internalize, and fine-tune (if necessary) the integrated approach. This ‘phasing-in’ process will lead to the establishment of a tried and tested implementation framework that in the coming years will be conducive to reaping development benefits of the integrated approach across Bulgaria. The proposed approach could be implemented with or without a central Intermediary Body for the system.
ANNEX 4

REVIEW OF THE FIRST DRAFT IP GUIDELINES PREPARED BY MRDPW (30/09/2019)

Introduction

MRDPW prepared a first draft of the guidelines for integrated projects (IPs) to the WB team on September 20, 2019 for feedback by September 30, 2019. Given the time available, the comments below are preliminary and subject to further discussion and review but aim to provide some initial feedback. The WB team has also formulated proposals for next steps to be taken to facilitate the elaboration of IP guidelines for consideration by MRDPW.

IP guidelines will constitute a significant element of the implementation framework of the new regional approach envisaged for the years 2021–2027 and—as the outcomes of strategic consultations have proven—are in high demand by the prospective IP beneficiaries. By preparing the first draft the MRDPW has acknowledged the importance of the IP guidelines as a useful tool for local stakeholders—the WB team welcomes this positive development and notes that it clarifies some key points.

The elaboration of the final version of IP guidelines will have to be preceded by a number of decisions of strategic, institutional and technical nature. It is also important to note that the IP guidelines should be prepared in such a way as to ensure a horizontal approach to IPs across MAs is uniformly applied under the 2021–2027 programming period. Therefore, the WB team perceives the draft as a work in progress—it is understood that that MRDPW will be further elaborating the IP guidelines as the process moves forward, so they can accurately reflect the final conclusions on the implementation of the new regional approach.

Since the guidelines are still general it may be useful to title the document as a General Approach to the Preparation of Integrated Projects to avoid misunderstandings about the level of information necessary for beneficiaries to use this, as it stands, to prepare integrated projects.

Structure and logic

We recommend the revised version of the document be structured in such a way as to be more useful to the potential beneficiaries to understand the approach proposed. Thus, it is suggested it be based on the chronological stages of the process of IP preparation, describing respective requirements and resources. These stages were very clearly described in the last MRDPW comment on the Preliminary Review of the RDC structure note, which could be extended to: identification of project ideas/concept; establishment of partnership; public consultations; project selection and the RDC decision; detailed assessment, and contracting by the MAs; implementation by partners (this is particularly important as a number of problematic issues can arise once the IP is contracted and the implementation process begins).

The guidelines should provide practical advice for potential beneficiaries on how to advance from one stage to the next, as well as references to available support (incl. Technical Assistance/project pipeline/ etc.). The IP guidelines should also aim to avoid ambiguous or unclear statements that can be open to interpretation or potentially misleading.

Rationale and specifics

It would be helpful to provide the rationale or objective for some of the decisions set out (i.e. number of partners, components).
The next version should ideally include information on:

1. how many projects will be considered in each NUTS 2 region;
2. (indicative) regional financial envelopes;
3. indicative IP budgets (minimum and maximum volume of financing);
4. indicative project list (if foreseen);
5. plans for competitive calls (if foreseen), and
6. project pipeline.

There is a need for a clear definition of IP, as the one formulated in the draft is not exhaustive and is unambiguous. The examples are useful, but a more refined definition would be helpful.

**Partnership agreements**

There should be clearer information on the expectation of key stakeholders and perhaps an outline of the types of information that would form the partnership agreement (not the agreement itself). On the partnerships, there is a need for more information on how that will be facilitated and managed, is it limited to three or a minimum of three partners, could there be flexibility for partners to join in future?

**Project Preparation and Implementation**

We understand that one of the key reasons the integrated projects that were prepared in 2015 (with support from the NTCD) did not go ahead was that the funding for preparing the projects, including feasibility studies, did not materialize. Will the guidelines cover any information on how the projects will be prepared (and project pipeline developed)? Will include the source of possible financing for the preparation of partnerships and projects? It would be useful to add as the annex the pilot application form that was being prepared for the Rodoppi mountains, once completed, as an example. More guidance on how to implement the Integrated Projects will be needed to elaborate the other sections.

**Relation with other funding sources**

The relation to other activities or regular business of the OPs that are contributing 10% should be clarified. There may also need to be information on specific cases, such as support for PPP projects, combination of grant aid with assistance from financial instruments, State Aid aspects, etc.

**Proposals for next steps**

The WB team recommends:

1. establishing a working group for IP guidelines preparation consisting of representatives of all MAs involved in the implementation of the new regional concept (coordinated by the MRDPW)

2. launching a public survey (i.e. at MRDPW website) aimed at identifying potential concepts for IPs across the country

3. involving a sample of local stakeholders (potential IP beneficiaries and IP partners) in the process of elaborating and reviewing draft IP guidelines to ensure they are clear, exhaustive, and comprehensive

4. reviewing guidelines for integrated projects (ITI, CLLD, CBC, and other) from selected EU countries to identify good practices to be considered for IP guidelines.
Overview: Key Messages

A. The new regional concept

The new regional concept understood as adding a more territorial dimension to development policy in Bulgaria, and earmarking to this end a portion of sectoral funds under 2021–2027 Operational Programs (OPs), generated substantial support. Also, the idea of integrated projects (IPs) received generally positive feedback as a potentially useful tool for effectively tackling territorial development challenges.

Insufficient information on the implementation framework for the new regional concept and a limited understanding of the nature of IPs were raised across stakeholder groups. Much greater clarity in these two areas will be needed to motivate potential beneficiaries to elaborate IPs and apply for funds and to create greater and broader-based support for the new regional concept. Progress in these two areas will be needed to reduce possible risks to the effective implementation of EU Cohesion Policy in Bulgaria.

B. Regional Development Councils: new roles and functions, composition, capacity

Delegation of more authority to the regional (sub-national) level was broadly accepted, however there was no unequivocal consensus on a single optimal ‘regional model’. Both Scenario 1 and 2 for Regional Development Councils (RDCs) gained traction during the consultations, with the latter being generally more preferred. Even though Scenario 1 was perceived as a more pragmatic choice because of the swiftness and the relative simplicity of its implementation, the advantage seen with Scenario 2 is that it could potentially create a stronger foundation towards building fully operational administrative structures at NUTS 2 level and a more expedient route to greater delegation of responsibilities in future.

Decentralization was a recurring issue raised throughout the consultations and municipalities, in particular, raised their expectations for a renewed effort in this domain.

The RDCs are broadly perceived as ineffective, devoid of competences and capacity, and therefore incapable of playing any substantial role under the new regional concept in their current form. To take on the functions and role envisaged under the new regional concept their capacity would have to be built from a low base, which constitutes a significant challenge given time constraints.

Stakeholders expect that preparations for the 2021–2027 programming period would need to begin promptly given the sophistication of the new regional concept. Specific expectations include establishing a project pipeline and running an intensive training and coaching program dedicated to key local and regional stakeholders and, in the longer-term, provision of hands-on technical support for the creation of partnerships and the formulation of IPs. Additionally, at the central level, efforts to combine guidelines of Managing Authorities (MAs) (and operational manuals) was seen as almost insurmountable by some MAs and the adaption of the UMIS a critical but especially time-consuming task.
C. Coordination of regional policy planning and EU funds programming

Stakeholders perceive that there is substantial scope to improve the coordination of regional policy planning with EU funds programming, as currently these two domains are seen as not adequately aligned, failing to create synergies and not sufficiently integrating local stakeholders. This results in perpetuating a top-down approach to programming, which is not complemented yet by such a more bottom-up approach as being advocated as part of the new concept for regional development. There was a call from local stakeholders to better assess local needs and create regional strategies that could bridge between locally prepared municipal and district plans with centrally commissioned regional plans and schemes.

Methodology for Strategic Consultations

The goal of the strategic consultations was to obtain feedback from municipal, district, regional and national level stakeholders on three main topics: (1) MRDPW’s new regional concept for 2021–2027, (2) possible new functions of the Regional Development Councils (RDC) under the new regional concept, and (3) coordination of regional planning with the programming of the new financial perspective 2021–2027. The aim was not to receive the official written position of any given stakeholder but rather to collect different opinions shared during open discussion. The strategic consultations were also an instrument by which MRDPW and CCU could raise awareness about the new regional concept.

MRDPW’s aim was to engage a wide range of stakeholders from municipal, district, regional and national level administrations, as well as social and economic partners, to ensure an inclusive nature of the strategic consultations and collate sufficiently rich feedback from different stakeholders. The World Bank team supported MRDPW in developing a representative list of stakeholders to be consulted and formulating a detailed questionnaire to be applied throughout the consultations.

During three weeks of consultations a total of 61 consultation meetings (including over 500 people) took place attended by participants interested in sharing their views on the topics under consultation. The meetings took place at the central level and in different locations in all six NUTS 2 regions, which made participation in the consultation process easier, especially for subnational stakeholders. MRDPW made significant effort to arrange all the meetings with the stakeholders and set up a schedule to allow the team to meet as many stakeholders as possible. The consultation meetings themselves were led by the MRDPW and CCU as champions of the new regional concept and were facilitated by the WB team.

Introduction

In July 2019, the Ministry of Regional Development and Public Works (MRDPW) conducted national and regional level strategic consultations with the participation of the Central Coordination Unit (CCU) of the Council of Ministers (CoM) and support from the World Bank team. This note summarizes the preliminary findings from these consultations. A more detailed report outlining the findings from the strategic consultations and recommendations for future actions will be elaborated by the end of October 2019 as one of the key deliverables under the RAS (Component 1).

The specific purpose of this note is to provide the RAS Steering Committee with initial feedback on key findings from the consultations:

1. to support already ongoing processes (e.g. MRDPW’s preparation of draft guidelines on IPs for beneficiaries and the formulation of legal amendments) with relevant information,

2. to draw attention to issues that require further consideration or specific actions, and

3. to seek strategic guidance from the Steering Committee on selected issues to proceed with RAS Components 2 and 3.
additional information requested on the spot by the stakeholders.

With a view to providing MRDPW and CCU with additional information on the initial attitudes towards the proposed policy change across different stakeholder categories, grouped by selected attributes, a stakeholder mapping exercise was conducted by the World Bank team. Applying the method of content analysis, all completed questionnaires from meetings were thoroughly examined in order to identify stakeholders' interests or 'stakes' in the newly adopted regional approach, detect potential misunderstandings and even opposition, and provide MRDPW with information to have more targeted discussions with specific stakeholders.

Summary findings from strategic consultations

This summary is organized around the three key topics of the consultation process, namely the new regional concept (including IPs as a vital element of this), the new roles and functions for Regional Development Councils (at NUTS 2 level), and coordination of regional policy planning with EU funds programming. Key findings from the strategic consultations and stakeholder mapping are presented — and where relevant — together with recommendations for possible future actions for MRDPW and CCU consideration, which have been formulated by the WB team. Additionally, a separate section is devoted to other issues that were raised in the process of strategic consultations to bring them to the attention of MRDPW, CCU, and the RAS Steering Committee. The closing part of the summary consists of a proposal for issues to be discussed in the upcoming meeting of the RAS Steering Committee (on October 1, 2019) and next steps to be taken for the purposes of delivering the objectives of the RAS. The summary is complemented by a set of appendices to provide MRDPW with a full package of relevant materials related to the strategic consultations process.

A. The new regional concept for the 2021 – 2027 EU programming perspective

General opinion and stakeholder awareness

The new regional concept understood as adding more of a territorial dimension to development policy in Bulgaria and earmarking to this end sectoral funds under 2021 – 2027 OPs seems to generate substantial support, although the level of awareness of the new regional concept is mixed. There appears to be widespread conviction across all categories of stakeholders, only with some minor exceptions, that the current top-down model of planning and implementing development interventions in Bulgaria is not generating the desired results particularly with regards to addressing regional disparities. Stakeholders generally agree that there is need for paradigm shift in approach for Bulgaria to fully reap the benefits of EU funding under cohesion policy. There is general consensus that the complexity and gravity of development challenges for the regional tier in Bulgaria call for a more integrated, intersectoral approach in planning and implementation of projects, more territorial sensitivity (bottom-up) and more actors (both government and non-government) acting in concert to successfully address them. IPs also received generally positive feedback as a potentially useful tool for effectively tackling territorial development challenges, however since the concept has yet to be fleshed out these raised questions and concerns especially from prospective IP beneficiaries.

Some stakeholders at the local level assessed the proposed policy change as too radical (as compared to the existing approach), as some of the most basic infrastructure needs observed at the municipal level were still unmet. For this group, a preferred arrangement would be to keep a substantial part of budget for 2021 – 2027 under the current implementation mode (i.e. pre-defined beneficiaries and projects), projects, budget allocations — e.g. 50%).
For a number of stakeholders, the goal of the current reform was not fully clear — there was uncertainty or confusion whether this was a part of a broader decentralization process or restricted to attempts to increase the efficiency of EU funded development interventions and regional policy.

Key findings of the stakeholder mapping

The results show that most of the stakeholder groups are moderate supporters of the new regional concept (27 out of 61 stakeholders consulted) or at least hold a neutral position (20 out 61). Absolute supporter and opponents are relatively small in number. Clustering of stakeholders at neutral and moderate supporter positions is a sign that there is potential to switch their positions.

The group of moderate supporters consists mostly of municipalities, as well as the National Association of municipalities, 3 RDCs, FLAG, Regional Urban Development Fund, NGOs, and academia. Most of the Managing Authorities are grouped in neutral position. One third of moderate supporters endorse the new regional concept even though they do not identify direct advantages for their institutions/organizations. This shows that there is substantial room to mobilize more sustainable support and to convert those stakeholders into advocates of the new approach if appropriate communication efforts are made.

Level of knowledge of the new regional concept appears likely to be correlated or related with the current position of stakeholders towards the concept. Almost one-third of all stakeholders have little knowledge of the new regional concept and the most knowledgeable (25% of the total) are those that either have experience with Community-led Local Development approach (CLLD) or are active players within the EU-funds-management framework.

Recommendation 1

Additional efforts by MRDWP and CCU to disseminate information on the new regional concept and to raise awareness among national, regional and local stakeholders would be conducive to ensuring a higher level of stakeholder engagement and buy-in. Findings from the stakeholder mapping exercise could be utilized to design and implement a comprehensive information campaign geared to meet the specific needs and expectations of different stakeholders, as well as the general public.

Recommendation 2

MRDWP and CCU could consider continuing the consultation process into the process of planning of the regional development reform to a greater extent as many stakeholders expressed interest in being more involved in, and informed about, planned changes. The consultations could take various forms, from regular meetings, stakeholder working groups, to an online webpage with current information etc.

Potential risks for implementation identified by the consulted stakeholders

The following potential risks were identified during the strategic consultation process:

- **the time available** until the start of the next programming period may not be sufficient to allow for the creation of new structures at the regional level as the new arrangements would have to be ready from the onset of the 2021 – 2027 programming period,
- focusing on IPs is perceived as risky from the disbursement viewpoint (if — possibly large in terms of volume of financing and complex — IPs are to be the only modus operandi for the territorial priority axis (PA) and OPRG 2021 – 2027 these resources may not be fully-utilized)
- reduced budget commitment periods (N+2);
- higher national co-financing (15% -> 30%);
- complexity of the IPs elaboration and implementation process (creation of partnerships, design of multi-fund project components);
- expected delays in project assessment and implementation due to the proposed new project approval process; and
- the risk of letting go of experienced and knowledgeable municipal expert staff (reduced capacity) as a potential consequence.
of the forthcoming local elections (October 2019) and loss of staff due to the disbanding of intermediary bodies at municipal level.

Implementation framework

As much as ‘the philosophy’ behind the new regional concept and the rationale for its introduction seem to be endorsed by almost all of the stakeholders it is the feasibility of its implementation that generates concern.

The majority of national level stakeholders (MAS of OPs set to earmark 10% of their prospective allocations for the purposes of the new regional concept) raised concerns related to the potential implementation framework. They identified a number of significant risks that — if not mitigated — could impact the effectiveness of the absorption of EU funding in Bulgaria under the 2021–2027 programming period. The MAS’ attitude to the new regional concept is based on their negative experience with multi-OP projects so far: their complicated nature requires disproportionately higher administrative resources in comparison to the funds managed, which can lead to inefficiencies and distraction of the MAS from their main tasks. Without the MAS embracing the new regional concept, the potential IP beneficiaries could face additional risks of heavier communication and need to balance the MAS coordination inefficiencies.

Another factor negatively impacting the MAS attitude is lack of a clear implementation framework for the new regional concept, which would effectively address these identified risks. Some MAS perceive the upcoming policy change as a top-down decision where they have no actual ownership but will have to share — and somehow mitigate — the risks. Lessons learned by the MAS from previous programming perspectives show that coordination and synchronization of actions is difficult without a leading organization; a coordination role alone is not seen as sufficient. Therefore, a number of MAS suggested they would rather cede the 10% of their OPs allocation to be managed exclusively by MRDPW to avoid the foreseen challenges.

Stakeholders representing the municipal and district level were also concerned about the implementation framework, but — as prospective beneficiaries of IPs — they also raised specific questions related to the nature of IPs and modalities for their elaboration and implementation in partnership with other entities. The very notion of an IP and its scope of intervention is unclear to, and differently interpreted by, consulted stakeholders, which created confusion and uncertainty as to exactly what types of projects will be eligible for funding under the new regional concept.

As set out by MRDPW the structure of IPs may encompass components eligible for financing under different sectoral OPs, which generated concern among stakeholders, who fear additional bureaucratic burden and coordination inefficiencies resulting from the need to comply with different and often inconsistent implementation frameworks of sectoral OPs (eligibility criteria, procedures, financing systems, targets etc.).

All crucial phases of an IP — project concept, project preparation, project assessment and implementation — are generally perceived by the municipal and district stakeholders as complicated, burdensome, and characterized by a long and sophisticated decision chain. Lack of a comprehensive and detailed implementation framework for IPs, tackling the challenges of multi-OP funding, as well as minimal experience (primarily limited to undertakings within the framework of the Cross-Border Cooperation (CBC) programs or CLLD initiatives) with projects implemented in partnerships further exacerbated those reservations. This could negatively impact the motivation of potential beneficiaries to elaborate IP proposals and apply for funds, which — in turn — could generate a number of risks for the effective implementation of EU cohesion policy in Bulgaria (e.g. slow uptake of funds, failure to comply with N+2 rule, an inability to adequately address territorial development challenges).

Potential beneficiaries felt that the obligatory application of the partnership principle in the case of IPs generates challenges for them. Questions were raised regarding the approach to be used for selecting partners to ensure
a viable and lasting project partnership, the scope of partnership agreements, the optimal division of responsibilities between partners related to IP elaboration and implementation, the exact moment when a partnership would need to be established for the purposes of the application process, as well as responsibilities for project co-financing, financial corrections and ensuring sustainability through maintaining the projects investments. During the consultations it became clear that if the new regional concept is to be embraced by the prospective beneficiaries and effectively used, effort will be needed to stimulate the identification of potential IPs, animate the process of forming partnerships, and support the actual implementation process on the municipal, district, and regional level. While the biggest municipalities to some extent have the capacity and resources needed to prepare the IP pipeline for the next perspective, the smaller municipalities are unable to get prepared on their own and are in need of substantial assistance.

The preparatory activities are expected to be undertaken as early as possible by an institution which has the legitimacy, sufficient authority and willingness to play a leading role. However, it does not appear that such an institution has yet been identified and the lack of such leadership could constitute a significant bottleneck for timely implementation of interventions under the new regional concept.

Recommendation 3
as implementation mechanisms for the new regional concept raised many questions amongst stakeholders at all levels, it is advised that MRDPW prepare in due course and make broadly available a comprehensive and detailed implementation framework, consisting of:

1. a set of unified (for horizontal use across OPs) guidelines for beneficiaries of IPs,
2. a user’s manual explaining the strategic and operational modalities of the new regional concept, and
3. template(s) of partnership agreement(s) containing key obligatory clauses that regulate relations between partners and their roles in the project.

Recommendation 4
to ensure a more coordinated effort in implementing the new regional concept it is recommended to give further consideration to the proposed institutional framework for the programming period 2021–2027. Delegating the responsibility for managing the funding under the new regional concept (10% allocations) to one entity could significantly streamline the implementation process and firmly assert one entity with competences necessary to ensure a stable and standardized cross-OP implementation framework and a more ‘beneficiary-friendly’ interface.

Recommendation 5
to effectively stimulate the supply side of the new regional concept, namely the process of elaborating project proposals for IPs it is recommended that preparatory work for the 2021–2027 programming period begin promptly. Proposals for specific activities that could be initiated by MRDPW include: (i) utilize financial resources available under OP RG 2014–2020 technical assistance and national budget resources as a source of financing the IP preparation phase for local and regional stakeholders; (ii) establish a project pipeline to ensure timely identification and sufficient preparation of IPs; (iii) conduct an intensive training and coaching program dedicated to key municipal, district, and regional stakeholders, as well as to MAS and regional branches of MRDPW.

Recommendation 6
MRDPW and CoM (through CCU) to strengthen their alliance and take a greater lead in the process of the implementation of the new regional concept for 2021–2027 effectively acting as an anchor, coordinating and facilitating the approach together.

Recommendation 7
modification of UMIS is necessary to submit and implement IPs, thus work on the adapting the system should start promptly to ensure adequate time for conceptualization of changes, the design process, implementation, testing and retesting. MRDPW should consider drafting a roadmap of this activity and collaborate closely with CCU on its implementation.
Incentives for potential beneficiaries

A number of consulted stakeholders observed that due to the demands related to the elaboration and implementation of IPs, potential beneficiaries might be reluctant to apply for such funding, choosing instead to take advantage of the ‘easier’ funds available under sectoral OPs. Potential beneficiaries fear that going to all the trouble identifying an IP proposal, selecting partners and establishing a formal partnership, financing necessary feasibility studies might be all for nothing if the chances of obtaining financing are slim.

Recommendation 8
one of the ways to encourage prospective beneficiaries to apply for funding under the new regional concept is to create a ‘motivation system’— complementing the IP implementation framework and intensive training/coaching activities — to effectively incentivize potential beneficiaries. A strong incentive would be to increase the probability of obtaining financing for IP proposals through placing them on indicative lists of projects early on once it is verified that they meet eligibility criteria. Another possibility would be to establish financial allocations for each of the NUTS 2 regions (‘regional envelopes’). Such an approach would reduce the scope of competition (from interregional to intraregional — if the competitive rule in project selection is to be upheld) and increase chances for obtaining financing.

Potential areas for IP implementation

Strategic consultations were instrumental in identifying a number of areas where stakeholders see the rationale of applying the integrated approach, such as connectivity and mobility, public services, healthcare, tourism, industrial zones, vocational education, universities, digitalization, prevention and response to climate change and natural disasters, air quality, renewable energy, and water and sanitation services. The stakeholders are aware that IP proposals must be in line with specific socio-economic situation of a given region and adequately address territorial challenges. Concerns were shared whether there was sufficient capacity on the local level to see problems in an integrated way, not as separate thematic projects as the stakeholders’ experience so far is primarily single sector project-based. A number of stakeholders mentioned that a good starting point for the accurate identification of IPs could be the already developed in 2015 (but never implemented) Targeted investment program to support the development of North-Western Bulgaria, the Rhodopes, Strandzha-Sakar, border, mountain and semi-mountainous regions, perceived as a good example of an inclusive, targeted and highly professional approach to integrated regional planning sensitive to local needs.

Recommendation 9
collecting more information on the desired thematic scope of potential IPs and required volume of funding would be conducive to estimating the expected demand for financing under the new regional concept. It could also help to identify areas where expertise will be most needed to assist potential beneficiaries in the elaboration of IP proposals and later on to assess them. It is recommended to conduct a country-wide survey and/or call to generate ideas for IPs. Such a survey and/or call could also be used as a tool of disseminating information about the new regional concept and increasing stakeholder awareness and engagement.

B. Regional Development Councils: new roles and functions, composition, capacity

Obtaining feedback on the proposed ways of restructuring the RDCs and engaging them actively in the implementation of the new regional concept was one of the key objectives of the strategic consultations. The discussion centered around the proposed scenarios for RDCs with a view to entrusting these entities with new roles and functions, the composition of RDCs, as well as the capacity needed to perform new roles. Given the current limited information available regarding the modalities of the new regional concept and a lack of more specific information related to the scope, volume and estimated value of IPs — which will heavily impact the workload to be processed by the RDCs and shape expectations as to their required expert and administrative capacity — the opinions collected during consultations should be
treated with caution and perceived as preliminary. Also, the recommendations presented below should be treated as such.

It is important to note that decentralization was a recurring topic during consultations and a substantial number of stakeholders voiced expectations that the new regional concept and the restructuring and institutionalization of the RDCs would gradually lead to empowering local government both in terms of decision-making competences, as well as financial flexibility to more independently pursue their operations.

RDC scenarios

The stakeholders were consulted on all four RDC scenarios as presented to the RAS Steering Committee in June 2019, with focus on the various merits of Scenario 1 and 2. Such an approach provided the stakeholders with an opportunity to share their opinions on, and preferences for, from a relatively wide spectrum of arrangements aimed at empowering the RDCs under the new regional concept. Delegation of more authority to the regional (sub-national) level seems broadly accepted. Most of the stakeholders support this development but there was no unequivocal agreement regarding a single optimal regional model. While many see the value added of strengthening the regional (NUTS 2) level, some stakeholders prefer more delegation to the municipal level as it is the only one with sufficient legitimacy, some to the regional, but not necessarily all to RDCs.

Scenarios that gained most traction during the consultations were Scenarios 1 and 2, with a preference for the latter. At the national level, Scenario 2 (without a strong preference for either of the sub-scenarios) seems to be preferred over Scenario 1, and some stakeholders also indicated Scenarios 3 and 4 as a preferred way forward. Those that opted for Scenario 1 presented primarily pragmatic arguments related to its relative simplicity and swiftness to implement when compared with the other three.

At the regional level, Scenario 2 (with some preference for sub-scenario 2.2) also found broader support. Scenario 1 was not favored because of a conviction that if implemented MRDPW would be controlling the RDCs and the delegation of some authority to the regional tier would not take place. Scenarios 3 and 4 were perceived as a possible long-term goal not likely to be attained during the current planning process due to its complexity and a need for substantial capacity building at the regional level. The advantage of Scenario 2 is the independence of the RDC Office (or regional development agency—depending on the selected sub-scenario) from the central government, which could be perceived as a first step to building fully operational administrative structures on NUTS 2 level capable of competently applying a territorial lens to development policy programming and implementation.

The majority of stakeholders considered an evolutionary approach to strengthening the regional tier seen as a gradual move from Scenarios 1 or 2 to Scenarios 3 or 4 over time as the most realistic and pragmatic way forward.

It is generally believed that no matter which RDC scenario is chosen, the actual restructuring of RDCs would have to start from scratch. Currently, the RDCs are broadly perceived as ineffective, devoid of competences and capacity, and therefore incapable of playing any substantial role under the new regional concept without their restructuring.

Recommendation 10 given time constraints Scenario 2 (with a preference for sub-scenario 2.1) could be considered for implementation for the years 2021–2027 as an arrangement promoting effective involvement of the regional tier in regional policy planning and implementation under the new regional concept and a first step towards decentralization in the longer-term (potential implementation of Scenario 3 or 4 for the 2027+ programming perspective). Although Scenario 1 is the most relatively easy to implement, it does not provide for a real delegation of tasks and an actual empowerment of the regional level advocated for, and expected by, the majority of consulted stakeholders representing municipal/district and regional level. In order to most effectively meet the political as well as development objectives and adequately identify and mitigate
risks the final choice of the scenario for implementation must be preceded by a thorough and comprehensive analysis.

Recommendation 11 (general)

the formulation of specific recommendations on the composition, governance and capacity of the restructured RDC is difficult without more clarity on the broader framework in which the RDCs would operate, including the modalities of IPs, their scope and expected volume. Therefore, the recommended way forward for MRDPW with the assistance from the WB team would be to:
1. clearly define key processes related to the elaboration, assessment, consultation and selection of IPs on the national level, as well as processes related to project selection on the national level in which the RDCs will actively participate, as well as internally within the RDC (relations between management and expert branches); this should highlight internal and external coordination/communication channels as well as decision making arrangements;
2. determine specific RDC roles and tasks to be performed under the identified processes and the corresponding responsibilities;
3. determine the resources necessary to effectively perform identified roles and tasks; and
4. based on the above-mentioned findings — design an adequate RDC structure capable of effectively performing the assigned roles and tasks and determine necessary administrative capacity and training needs.

Recommendation 12

The strategic choice of the RDC scenario to adopt for the purposes of the new programming perspective should also take into account legal implications. The adoption of each of the scenarios requires a different scope of legal changes to be introduced in the regulations to make sure they are viable. It is therefore recommended to ensure that the final decision taken on the RDC scenario of choice will be pre-empted by a comprehensive legal analysis which will determine the specific scope of changes to be introduced into the legal system. Political consensus will have to be effectively sought by MRDPW and CCU to ensure that necessary legal changes are adopted in due time to allow for swift implementation of the RDC scenario of choice. Given time constraints, a ‘fast-track’ approach might be needed.

Building the capacity of RDCs

Building sufficient capacity seems to be of key importance, regardless of the eventually adopted scenario for the RDCs. Capacity building is a major challenge, especially given time constraints and the low starting point, as currently the RDCs virtually have no capacity. Capacity building needs are high and would need to include also support to the MRDPW regional branches, which are currently small teams (max. 7 people with no current role in project selection, 2 of them co-responsible for running the RDC secretariat), focused primarily on administrative and logistic work.

Depending on the chosen scenario, this capacity should be significantly strengthened to effectively perform the new functions and to smoothly process the expected workload. The staff with experience (interdisciplinary experts, EU administrative experience for OP project documents management and selection process) should be hired in RDCs to build in-house capacity. Large scale outsourcing of experts should preferably be avoided. If necessary additional experts could be externally mobilized on demand only for selected tasks.

Pooling existing resources from a number of local and district level entities (such as existing Intermediary Bodies, EU projects municipal units, District Information Centers and existing agencies for regional development) was mentioned as a possible and potentially most effective way forward. There is administrative and expert capacity available on the ground, scattered between different sectoral policies and institutions. District Information Centers have been repeatedly mentioned as structures which have accumulated knowledge and capacity over the last two programming periods, have understanding of the scope and modalities of all operational programs, are aware of the local issues and understand the local context. Apart from identifying relevant expert resources and determining an arrangement for
supplying the RDCs with expert capacity, an intensive and comprehensive training program preparing the key stakeholders for the implementation of the new regional concept is expected to be launched.

Recommendation 13 the optimal way to tackle the issue of relatively fast and effective capacity building for the RDCs and to determine how capable staff could be mobilized to support the functioning of the restructured RDCs is an area that needs further investigation. It would also be useful to take into account relevant findings and recommendations from the ongoing OECD pilot action on frontloading administrative capacity related to the strengthening of administrative capacity at the level of central government, and MRDPW specifically, as well as at the level of RDCs and project beneficiaries. A number of findings from this note confirm observations formulated in the OECD roadmap for administrative capacity building. Also, OECD recommendations are relevant in addressing needs of key stakeholders related to the preparation and implementation phase of the new regional concept for years 2021–2027. It is therefore recommended that specific actions that are to be taken in the second phase of the OECD pilot action also take into account findings from the strategic consultations. This should be conducive to designing an effective and adequately targeted capacity building program.

Repeated recommendation from above, given its relevance here.

Recommendation 4 to effectively stimulate the supply side of the new regional concept, namely the process of elaborating project proposals for IPs it is recommended for the preparatory work for the 2021–2027 programming period to begin promptly. Proposals for specific activities to be initialized by the MRDPW include: (i) utilizing financial resources available under OP RG 2014–2020 technical assistance as a source of financing of the IP preparation phase for local and regional stakeholders; (ii) establishing a project pipeline to ensure timely identification and sufficient preparation of IPs; (iii) conducting an intensive training and coaching program dedicated to key local/district/regional level stakeholders, as well as to MAs and regional branches of MRDPW.

RDC composition and structure

The stakeholders expressed mixed opinions about RDCs’ representational character and composition. While some claimed that the RDCs adequately represent the variety of stakeholders, others argued that the RDCs were biased, as for instance the business sector was not sufficiently represented. It was suggested that business and academia representation in the RDC should be strengthened to ensure a closer link between supported projects and actual development needs, as well as to encourage knowledge transfer between the RDC members. Some stakeholders argued that the voices of small municipalities were not adequately acknowledged during the RDC meetings, as their representation was not sufficient.

It was proposed that all municipalities should be represented in the RDC and that the RDC members should elect an RDC head (preferably a mayor) among them, as some stakeholders shared an opinion that the district governors had no potential to manage this process as they were elected by the central government and lacked authority.

Key elements to ensure effective performance of new roles by the RDCs were identified during the strategic consultations, namely:

a. the necessity to institutionalize the RDCs (permanent office, adequate administration and a budget, skilled staff, clear new functions), but also to design an arrangement for mobilizing expert capacity on demand;

b. rotational chairmanship should be either abolished or the period increased to at least 12 months (with some handing over period on either side) to ensure continuity of RDC operations;

c. RDCs should be entrusted with adequate administrative and financial powers to take decisions with a real impact on the development of the region, and to assert financial and political responsibility;
d. **legal changes** are needed to empower RDCs with new functions;

e. the RDCs need to have **clear political responsibility** and be publicly accountable. It has to be determined who (which entity) will hold them accountable for the execution of their new functions; and

f. **RDC composition should be further assessed** to determine the optimal one.

**Recommendation 14**

one of the most significant **challenges related to the restructuring of RDCs** will be to reconcile the representative and decision making functions of the RDC ‘management tier’ with the project assessment function of the RDC ‘expert tier’, in order to effectively neutralize potential conflict of interest between those functions. The risks are relatively high as members of the ‘management tier’ will most probably be applicants/beneficiaries of IPs. In order to neutralize—or at least mitigate—this risk the development of clear and unambiguous rules of operation of the two RDC tiers as well as its units ensuring a **functional separation**.

**RDCs as knowledge hubs and territorial observatories**

There is an interest in RDCs playing the role of knowledge hubs (one stop shop assistance for prospective IP beneficiaries) and territorial observatories, but the actual assertion of these roles was perceived as a rather longer-term goal for the RDCs. Concerning the latter, the stakeholders seem to share an opinion that there was no single entity collecting data specific for a given region and carrying out regionally focused socio-economic analyses, which was detrimental to making well-informed decisions on development investments.

It is important to note that currently it is the National Center for Territorial Development (NCTD), which is entrusted with the tasks of elaborating the national spatial development concept, as well as regional development schemes and conducting socio-economic analyses on the regional level. In this respect a recommended way forward would be to inspect the analytical potential of the NCTD against the requirements of the new regional approach and—if necessary—consider potential steps to be taken with a view to strengthening it.

**Project selection**

Most of the stakeholders raised the crucial need for a **formulation of clear rules and assessment criteria for the selection of project proposals** guaranteeing the objectivity of the RDC assessment and their subsequent prioritization. This could be ensured through the establishment of **sufficient expert capacity** at the RDC level to assess all IP components and also through setting up of a selection mechanism ensuring transparent and impartial project assessment/selection based on unambiguous criteria. The concerns related to a biased/unfair assessment of project proposals due to conflict of interest should also be acknowledged and addressed.

**RDCs as a facilitator/mediator**

It is expected that the RDCs will play an important role in identifying potential IPs of regional importance and project partners and in facilitating the process of the formulation of partnerships. There is also an expectation that the RDCs will act as a permanent forum for ongoing discussion among key local and regional stakeholders on regional needs and objectives. Sufficient capacity would be needed to ensure effective performance of those roles. The stakeholders would like to see the RDCs more as a facilitator of IPs/partnerships and not as a mere additional administrative layer that checks IP applications.

**C. Coordination of regional policy planning and EU funds programming**

This particular topic did not raise nearly as much interest as the new regional concept and the restructuring of the RDCs. The received feedback is limited, and different interpretations and explanations could be applied to
understand this phenomenon. The stakeholders could either have no interest in or simply underestimate the significance of adequate coordination mechanisms for effective implementation of their development interventions. Other explanations could be the lack of involvement in those processes or a conviction that they cannot be improved in any substantial way and therefore there is no use in discussing them. Regardless of the actual reasons for limited interest in this topic some key findings and observations were identified and are presented below.

The regional development plans are not perceived by the local stakeholders as a useful strategic framework for planning their investments, as they are too abstract and general, lacking territorial sensitivity. Integrated plans for urban regeneration and development that were prepared by 39 cities for the purposes of the 2014–2020 programming perspective have been seen as relatively useful for municipalities, although the quality appears to have differed from place to place. The reason why they are perceived as useful is that they were prepared bottom up and customized to local needs.

When planning development measures local stakeholders rely on their own municipal development strategies and plans but struggle with a deficit of relevant socio-economic data to plan and pursue evidence-based development initiatives. Stakeholders observe insufficient scope of data disaggregated at the regional/local level. Municipalities/districts need to purchase some of required data from the central statistics office as these are not freely available in the public domain. Municipalities would like to obtain financing from the central government to be able to acquire more relevant data.

Although there seems to be no positive experience with regional policy planning so far, the stakeholders are firm that quality strategic planning is the key to successful and efficient regional policy. The necessity for an accurate analysis of local needs as a basis for developing regional development strategies seems to be widely recognized.

The consulted stakeholders identified a number of examples of insufficient coordination and synchronization of activities on central level (between OPs, ministries, agencies, etc.) negatively impacting the implementation of projects on the local level (i.e. timing for announcing calls for proposals, protracted assessment and contracting of projects). These problems—if not adequately addressed—could have a detrimental impact on the new regional concept and its actual implementation, as the IPs are to consist of components financed from different OPs. Some municipalities raised the issue of how to synchronize the different level planning for the next programming period and make them compatible, particularly with regards the Municipal Development Plan, which are currently being developed by the municipalities. Perpetuating the problem of poor synchronization between levels of plan is the narrow thematic scope of OPs, which are not seen as being in line with regional needs.

The main observations from the strategic consultation are about insufficient alignment between regional policy planning and EU funds programming and lack of adequate and meaningful involvement of all key stakeholders. These two processes seem be operating ‘in parallel’, failing to create synergies. Lack of relevance of regional development plans and data for local strategies might have a significantly negative impact on the implementation of the new regional concept (e.g. difficulty for measuring regional impact of interventions, for formulating project selection criteria and prioritization of project proposals according to their regional impact).

D. Other issues

This section is intended to briefly present some additional issues that were raised during consultations and were assessed by the WB team as relevant to bring them to the attention of the MRDPW, CCU, and RAS Steering Committee.

Decentralization

The issue of decentralization reform was a recurring one, as a number of consulted stakeholders point to an administrative vacuum between the lowest (local) and highest (central) levels of governance, negatively
impacting the effectiveness of regional policy making. The municipalities are recognized as the main legitimate voice on the sub-central level, in terms of being representatives of local interests and perspectives, elected by the people in a democratic process. Especially the mayors voiced their disappointment with lack of progress on decentralization, which seems to be an issue that resurfaces in public debate before each election just to be put ‘in the freezer’ as soon as the election is over (until next time).

Observations were made that the new regional concept is the welcome first step towards decentralization but not ambitious enough and cannot solve some fundamental problems experienced by the local authorities: unreasonably high number of municipalities, huge disparities in size and socio-economic and demographic potential between municipalities, their financial dependence on the central government and the fact that the district level (NUTS 3) is not directly elected but rather appointed by the central government.

‘White spots’

The problem of territories that missed out in the last programming period because they fell between the OPRG and rural development programs (so called ‘white spots’) was identified as one of the pressing issues to be addressed by the central level. The lack of eligibility of a group of settlements within some non-rural municipalities for any EU funding was perceived as a major obstacle to cooperation on joint development initiatives. Failure to address this issue will negatively impact the potential for implementing supra-municipal IPs in the coming years. Investments in basic services seem a priority, including water and wastewater services and local roads as an example. There was also call for confirmation of state funding for, and fair funding for, all municipalities, but particularly those facing difficulties.

Financial corrections and state aid rules

Financial corrections were mentioned on numerous occasions throughout the consultations as a major issue for municipalities, which are utilizing EU funds for the purpose of financing projects. Changes in regulation interpretation during the current financial perspective and their retroactive application results in beneficiaries obliged to pay financial corrections at the end of a project. Public procurement procedure failures also contribute to the need for financial corrections. This seems endemic and poses serious risk to beneficiaries, especially smaller municipalities, of bringing them to the verge of bankruptcy.

Lack of a consistent approach (or even a rigid or conservative approach) by the central government to applying and interpreting the regulations on state aid was identified as a substantial risk for the implementations of IPs, creating a deterrent to potential partnership building.

Conclusions

The strategic consultations were an important opportunity to raise awareness about the new regional concept and possible changes to RDCs and in this regard, the consultation process appears to have well achieved this aim. The consultation process also provided the opportunity to hear from local, regional, and national stakeholders their views and expectations, which will be crucial for further defining a workable implementation framework.

The consultation also allowed the identification of certain risks or ‘blind spots’ which—if not adequately addressed—could negatively impact the implementation of the new regional concept. A more detailed assessment of the consultation process, these risks, and their possible mitigation measures will be presented in the full consultation report, to be delivered by the WB team by the end of October 2019.

However, given the time constraints related to the programming process for the 2021–2027 financial perspective and the intention to provide MRDPW, CCU, and the Steering Committee members with relevant assistance when it is most needed and useful, a number of initial recommendations have been formulated. Placing the findings from the strategic consultations and preliminary recommendations for further consideration and discussion of the RAS Steering Committee could be helpful in obtaining feedback from key stakeholders on
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the national level and advancing strategic decision-making on the preferred way forward. These in turn will influence the direction of consequent activities to be undertaken by the WB team under RAS Component 2 and 3.

**Possible topics for discussion in the RAS Steering Committee meeting (on 1 October 2019)**

1. Feedback on the findings of the strategic consultation.
2. Confirmation of choice of RDC scenario for further elaboration — this is of key importance.
3. Discussion on draft RDC schematic (prepared by MRDPW) based on World Bank team review and findings from consultations and decision on next steps.
4. MRDPW / CCU clarification on status of amendment to RDA, rules of implementation, and next steps.
5. Confirmation of priorities and next steps to be taken under RAS.
ANNEX 6

REVIEW OF THE PROPOSED RDC STRUCTURE AND COMPOSITION PREPARED BY MRDPW (26/09/2019)

Introduction

MRDPW prepared a draft schematic of a possible model RDC structure and submitted to the WB team for feedback in August 2019. These are preliminary remarks on the draft schematic with a view to assist MRDPW in editing, correcting or fine-tuning of the proposed arrangements, as well as drawing attention to some points worth considering or reassessing. Initial findings resulting from the analysis of the legal implications of the introduction of the proposed RDC structure are also included in this note.

It is important to note that this review is preliminary given there remains information to be detailed on the broader framework in which the RDCs would operate, their functions, the specific roles and tasks of the RDC management, the expected nature and scope of Integrated Projects (IPs) and the division of tasks between the RDC and Managing Authorities (MAs) amongst others. Moreover, the level of information provided for all elements of the structure and units differs and is in some cases incomplete. It is important to underline that the structure of RDCs should be determined based both on the processes, as well as the functions envisaged for the restructured RDCs.

The assessment, public consultations and facilitation of IPs elaboration and implementation will constitute the backbone of crucial RDCs operations. The expected number and size (in terms of financing, complexity, number of partners, etc.) of IPs in each region, as well as their selection method (indicative projects versus competitive calls for proposals) will impact the workload to be processed by RDCs and should be reflected in their structure, administrative capacity, as well as internal rules of procedure. The ongoing preparation by MRDPW of the guidelines for prospective IP beneficiaries will shed more light on the above-mentioned modalities, which in turn will allow for a more in-depth review of the proposed RDC arrangements and formulation of more specific recommendations by the WB team.

Summary of main messages

Key messages of the review of the RDC structure are:

- **Representation** of different opinions and interests seems to be pursued in the current structure, although participation of political representatives should be encouraged given no voting rights.

- Design and operational rules of RDCs should encourage **consensus** (uneven number of voting rights), **accountability** (election rules and voting right of the chairperson, continuity of the deputy chairperson, nomination and selection of representatives particularly from civil society) and **effectiveness** of decision making (differentiated majority thresholds).

- **Conflicts of interests** could arise between different functions of the management and project assessment units and within the units, and this risk should be adequately addressed.

- **Mediation and Public Consultation Units could be merged** and involved in project preparation (as the creation of partnerships is essential to prepare a project pipeline).
• The RDCs could benefit from a **permanent administrative entity with offices, stable leadership (control and oversight), clearly defined roles, an adequate legal mandate, sufficient capacity and a dedicated budget for operations** (in line with complexity and expected size of IPs and therefore coordination and communication needs); **OP Good Governance 2021–2027** could be utilized as a potential source of financing along with national resources.

• A comprehensive **assessment of the existing capacity** at the municipal and regional level should be undertaken (scope not covered by the OECD pilot action on frontloading administrative capacity) to formulate capacity building plans; it is essential to build capacity of in-house and external staff also for the knowledge hub function of the RDC.

Therefore, the Bank team suggests that the recommended way forward to ensure that the RDC structure adequately reflects their new roles and tasks as part of the broader implementation framework for the 2021–2027 programming perspective would be to:

1. **clarify the rationale for selecting scenario 1 over scenario 2** and the longer-term **roadmap** for a further development of RDCs and also in terms of addressing the issue of lagging areas;

2. **clearly define key processes** related to the elaboration, assessment, consultation and selection of IPs **on the regional level**, processes related to project selection **on the national level** in which the RDCs will actively participate, as well as **internally within the RDC** (relations between management and expert branches); this should highlight internal and external **coordination and/or communication channels** as well as decision making arrangements (visualizations of processes are included in this document for review);

3. **clear and unambiguous definition of rules of operations** of the RDCs should be defined and introduced into relevant national legislation;

4. **determine the RDC roles and tasks** to be performed under the identified processes;

5. **determine the resources** necessary to effectively perform identified roles and tasks and transparent guidelines of selection processes for experts;

6. based on the above-mentioned findings — **design an adequate RDC structure** capable of effectively performing the assigned roles and tasks and **determine the necessary administrative capacity**.

### Legal implications — introductory remarks

The core legal acts which would need to be amended to introduce the new structure and functions of the RDCs are:

- the Regional Development Act (RDA);
- the RDA Implementation Rules (as proposed by MRDPW in 2018), and
- the ESIF Management Act.

Amendments in other pieces of legislation, as well as in the Internal Operational rules of the involved institutions will also be required, depending on the chosen RDC scenario. At the current stage — where a strategic choice on the RDC scenario has not yet been made — it is not possible to exhaustively identify the finite scope of required legal changes. For that reason, many of the legal implications, as referred to in this review, are formulated as questions or issues needed to be clarified by MRDPW.

### The strategic choice of the RDC scenario and its implications for RDC structure

The **role intended** by MRDPW for the RDCs under the new regional approach for the years 2021–2027 is a **pivotal one**. RDCs are envisaged to reinforce the territorial dimension of development interventions co-financed from the EU Cohesion Policy funds, assist prospective beneficiaries in establishing partnerships capable of implementing IPs; assess project proposals against a set of criteria, including those related to the strategic importance for
In terms of nomination of representatives and voting, there are several questions to be raised:

- it appears that the RDC would consist of 20 representatives with voting rights applying a "one representative one vote" rule. It is recommended to have an uneven number of voting members, unless a qualified majority for passing a decision would have to be sought (e.g. 2/3 of RDC members).

- it is also important to clarify (e.g. in the RDA Implementation Rules) what the majority rule or threshold for passing decisions would be, and — if possible — differentiate thresholds for different types of decisions to be taken by the RDC and to ensure that they guarantee adequate representation of different interests at the same time (including potential rules on obligatory personal presence of RDC representatives for certain decisions and/or on providing replacements).

- it is not clear whether the chairperson is elected among the members of the council and by whom s/he would be elected (the RDC members, the citizens, representatives of entities pre-defined by law, etc.). In the case of the deputy chairperson it is clear that s/he would be elected by the RDC members. To achieve continuity and predictability of RDC operations, it could be considered for the deputy chairperson to be respectively the previous chairperson and the future one (elected one year before the start of term), which is a widespread practice among collective entities. The RDC chairperson selection method as well as the composition of the RDC leadership should be explicitly determined by way of introducing relevant legal provisions (e.g. in the RDA Implementation Rules);

- it would be useful to explain the rationale behind removing the voting right from the chairperson of the RDC;

- the rules of nomination of representatives from NGOs, local businesses and academia should be clarified as well as the selection process of all representatives and the duration of their terms and adequate legal provisions should be provided (e.g. in the RDA Implementation Rules).

One of the main findings of the strategic consultations was that the process of preparing IPs would require clear leadership and power, while at the same time ensuring that the opinions and interests of various stakeholders are taken into account. This review finds that the latter may have been emphasized over the former in the current proposed structure of the RDCs.

Governance, voting and composition of the RDCs

Empowering the representatives of local and regional level with voting rights will help boost a regional perspective and meet the long-term goal of RDCs becoming an effective regional policymaking entity. Therefore, political representation of municipalities and districts at the RDC management level is welcomed. As equal participation was highlighted as an important feature during the consultations, the new institutional design and operational rules of the RDCs should encourage efforts to reach consensus amongst RDC members. It would be useful to get more clarification on the roles of different RDC units in addition to voting rights, for example on accountability of the chairperson (i.e. in terms of reporting).
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**Decision-making process**

It is the WB team’s understanding that the ‘lifecycle’ of an IP proposal/concept at the level of the RDC would be as follows:

- **1st stage** — Mediation Unit — supporting the establishment of IP partnerships and the development of project concepts (the work is completed at the time the project proposal/concept is submitted).

- **2nd stage** — Consultation Unit — organizing public discussions and consultations on the submitted projects.

- **3rd stage** — Project Assessment Unit — assessment against a set of criteria (only project proposals that receive sufficient public support would be assessed by this Unit).

- **4th stage** — discussion & decision making by the management level of RDC.

- **5th stage** — detailed assessment and contracting of projects by the relevant MAs.

It is important for the decision and reporting chain to clearly reflect the above-mentioned assumptions, as it will be essential to ensure effective work processes and reinforce the legitimacy of RDC decisions.

Below is the proposed visualization of the scheme of the decision-making processes related to project assessment and selection for Scenarios 1 and 2.1. It would be recommended for MRDPW to review these schematics and confirm their accuracy. If necessary, it would also be useful for MRDPW to provide clarification on which types of processes (and therefore scenarios) would be preferred/proposed/followed and the different steps.

It also should be clarified what criteria will be applied for the strategic assessment of regional impact, who would approve these

*FIGURE A6.1 Project Assessment — Scenario 1*

*FIGURE A6.2 Project Assessment — Scenario 2.1*

* It should be considered that the first level check and the assessment of regional impact could be implemented at one place by one unit.
criteria and which level (management or expert) would conduct the strategic assessment. It is important as well to clarify the linkages between strategic assessment of regional impact and project eligibility checks. This is particularly important as stakeholders raised concerns throughout the strategic consultations about potential conflict of interest between the preparation and assessment of projects (i.e. unclear separation of functions between management and expert level).

Solving possible conflict of interests will be one of the biggest challenges to resolve. Addressing this risk is an essential prerequisite for ensuring effective involvement of RDCs in the assessment of IPs and the recognition of their decisions. These conflicts could emerge between, for example: (i) the representative and decision making functions of the RDC management level (i.e. members of the RDC management tier being applicants/beneficiaries of IPs); (ii) the decision making at management level and project evaluation at expert level (e.g. subordination); and (iii) the different units within the expert tier (project promotion/counselling, public consultation and project evaluation).

The neutralization or mitigation of this risk would require the development of clear and unambiguous rules of operations of the RDC tiers and units with transparent functional separation as well as specific rules and procedures for the assessment of IPs. These would be introduced into relevant national legislation.

**Coordination, RDC administrative capacity and funding**

In order to effectively perform their new roles, RDCs will need to become a vital element of the implementation framework for EU cohesion policy in Bulgaria. Therefore, the performance of their new roles should be adequately coordinated and synchronized as they will have to act in concert with multiple partners at different levels to ensure a streamlined and smooth implementation process.

As mentioned throughout the strategic consultations, there is some expectation that the RDCs should be a permanent administrative entity with offices, stable leadership, clearly defined roles, an adequate legal mandate, sufficient capacity and a dedicated budget ensuring day-to-day operations. This is in line with the long-term goal of institutionalizing the RDCs, but this does not seem to be clearly addressed in the draft RDC structure (perhaps because it is based on the selection of Scenario 1).

The scope of RDC financing and the required human resources need to be in line with the expected number and size of IPs to effectively sustain the functioning of the RDCs. The proposed dispersed approach to financing in the short term (the draft shows two sources of funding: OP Electronic Governance 2021–2027 and Technical Assistance of relevant OPs 2021–2027) could create risks for the functioning of the RDC expert branch, negatively impact timely and effective assessment of project proposals and constitute an additional administrative burden in terms of obtaining financing from different sources. For the expert level, one possibility would be to secure the entire financing from OP Good Governance 2021–2027 under dedicated (sub)measure(s) which would ensure a horizontal approach to financing based on one common set of rules applicable to all RDCs.

It is unclear whether the RDC units for media- tion, public consultation and preliminary selection would be administrative units within the District Information Centers or MRDPW Regional Departments or whether they will be functions that will be implemented by the District Information Centers and MRDPW Regional Departments without allocating these tasks to their dedicated sub-units. This requires further clarification before any comments can be provided.

In light of the findings from strategic consultations, the existing administrative capacity of the RDC Secretariat (Regional Departments of MRDPW) can be assessed as limited (it is also one of the findings from the OECD pilot action on frontloading administrative capacity). Currently two experts in each of the MRDPW Regional Departments are co-responsible for the RDC secretariat but they have no current or only limited experience with project assessment and selection.
Clarity is also needed on how the specialized sectoral OP expertise would be provided and mobilized to support the functioning of RDCs and how (and which) existing administrative capacity at municipal level would be used to support the RDC Preliminary Selection Unit. It would be useful to conduct a comprehensive assessment of the existing capacity at the municipal and regional level (as this was not covered by the OECD in the above-mentioned pilot action, which concentrated primarily on capacity at the central level) and — based on the findings — formulate preliminary plans on how to increase it in the future and develop in-house expertise to minimize outsourcing.

For the mobilization of external experts on demand it would be recommended to formulate and use a list of experts accredited by the relevant MAS for the purposes of IPS assessment (similar to the existing list managed by CCU). The MAS would be responsible for recruiting experts and providing them with training on the IPS implementation framework and assessment criteria. A national list could be complemented by a regional list to ensure effective pooling and utilization of resources at the municipal, district and regional level. These experts could be financed from OP Good Governance 2021 – 2027. This approach would streamline the process of expert engagement in RDCs operations, reduce the administrative burden for RDCs and ensure quality control of experts as well as horizontal rules for their training and financing.

**RDC management level**

The introduced division between the RDC management and expert level is welcomed. However, the proposed setup of the management level gives no answer to the concerns raised during strategic consultations that political representatives from ministries tend not to participate in RDCs activities. In fact, observers in RDCs are from line ministries, Council of Ministers and other agencies which could enhance national-regional coordination but depending on how the observer’s role is structured or other incentives as they have no voting right.

The specific roles and tasks of the RDC management level should be clearly defined as they are not referred to in the proposed draft RDC structure. Moreover, clarity is needed on how the control or oversight by the RDC management level over the District Information Centers (for mediation and consultation) and MRDPW Regional Departments (for project assessment) would be ensured as they are administratively parts of different structures, not subordinated in any way to RDCs. The structure is missing a description on the task assignment process to RDC Units, as well as information and communication channels to be used to streamline and enhance the effectiveness of RDC operations.

**RDC expert level**

**Preliminary Selection Unit**

The name of the unit and scope of tasks may need to be clarified. In fact, “ex ante evaluation” of projects mentioned in the draft structure is not required by the EC on the level of individual projects (only for OPs and this may change for the Programming Period 2021 – 2027). Moreover, it was understood that the unit would be responsible for project proposal assessment (not selection or ex-ante evaluation), as in scenario 1 the projects would be selected by the management level of the RDCs based on the outcomes of the assessment and a ranking list prepared by the experts. It would therefore be recommended to rename this unit to "(Preliminary) Project Assessment Unit".

It is a positive development that the current structure would seem to allow for a transition from scenario 1 to 2, as it would mainly require a change in the composition of the Project Assessment Unit.

Explicit rules of coordination of regional programming with the OPs programming 2021 – 2027 should be introduced and various institutions should cooperate to provide unified instructions for programming of IPS.

In relation to the already mentioned problematic aspect of potential conflict of interest, a challenging endeavor will be to agree
with all concerned MA’s on the composition of the RDC Preliminary Assessment/Selection Unit. Therefore, the criteria for in-house staff recruitment, the IPs assessment and selection procedures as well as the rules of hierarchical subordination should be clarified.

RDC Mediation unit

The process of project proposal preparation includes the interdependent activities of identification of potential project ideas, facilitation of the establishment of project partnerships, public consultations and the preparation of a project application form. It could therefore be worthwhile to consider merging the RDC Mediation and Public Consultation Units and involve them in project preparation. It should be clarified who will be responsible for providing methodological guidance for the implementation of the mediation and consultation functions to be executed.

It is understood that the Mediation Unit would support the creation of partnerships, which constitutes a very important role in supporting potential project applicants—one advocated by numerous stakeholders throughout the strategic consultation process. This makes this unit an essential one for the successful strengthening of the bottom-up approach under the new regional concept. Feedback from stakeholders was unambiguous that there is a critical need for a quality project pipeline and that local and regional stakeholders would need comprehensive assistance to prepare for the absorption of EU funds given their limited experience with IPs.

It is welcome that the RDCs would act as knowledge hubs, in line with proposals of additional new functions proposed for RDCs, but it is unclear how this function would fit into the RDC structure and how its required substantial expert capacity would be supported.

Therefore, the functions, capacity and powers of this unit should be clarified and probably strengthened. Properly equipping the unit with human resources is essential: staff from DICs with their knowledge on EU funds should be complemented by technical experts representing different fields of expertise able to guide discussions with potential partners, support for concept proposal and the application. These technical experts should be presumably both permanent staff and external experts (mobilized on demand to deliver selected tasks).
Background

The Ministry of Regional Development and Public Works (MRDPW) and the World Bank (the Bank) signed a Reimbursable Advisory Services (RAS) agreement which is expected to become effective around July 2019. The aim of the RAS is to support MRDPW to: (a) enhance the regional development process for the next programming period 2021–2027 and (b) identify ways to build the capacity of Regional Development Councils (RDCs) for their involvement in the implementation of a new integrated territorial tool supported under Operational Programme (OP) for regional development as well as under other OPs for the 2021–2027 period. The Bank will carry out activities under the following components of the RAS agreement:

• Strategic consultation on improving regional development policy;

• Developing a proposed mechanism to involve Regional Development Councils in implementing the operational programme for regional development as well as under other OPs for the 2021–2027 period.

• Technical assistance and reviews.

In mid-May, MRDPW shared a concept note with the Bank, which sets out the ministry’s proposal for a regional approach to be adopted during the 2021–2027 programming period, which has been shared with key national stakeholders. MRDPW also provided the Bank with information on the current RDC functions, according to the Regional Development Act (RDA), and the ministry’s proposal for new RDC functions, which would be considered for inclusion in future revisions to the RDA.

RAS Steering Committee. To ensure good coordination of the RAS activities, a Steering Committee is being formed and is composed of representatives of the Council of Ministers/ Central Coordination Unit (CoM/CCU), MRDPW, Managing Authorities (MA) of OPs and the Bank. On an at least quarterly basis the Steering Committee will convene to discuss the priorities for, and progress of, the RAS supported activities. Other stakeholders could be invited to join the discussions upon MRDPW invitation and with the mutual agreement of the Bank.

Topic for Discussion. According to the expectations expressed by MRDPW, the Bank team has prepared and will present a note on the possible options for structuring of Bulgaria’s RDCs for discussion at the first Steering RAS Committee meeting to be held on 19 June 2019. The Bank team would also like to discuss and determine the scope of issues to be debated within the framework of strategic consultations expected to commence as part of the RAS supported activities in July 2019.

Relation to the RAS activities. Under the stipulations of the RAS Agreement, this task relates to component 1 (strategic consultation on improving regional development policy in Bulgaria) and specifically activity 1 (c) to present possible new functions and responsibilities for Regional Development Councils related to the requirements of the EU draft Regulations on the Cohesion Policy post 2020. The report outlining the strategic consultations and its findings is to be
delivered four months after effectiveness of RAS (Estimated: October 2019).

Following the outcome of these consultations, the task under Component 2 is to develop a proposal for a mechanism to involve RDCs in the process of implementing the future OP for regional development, cross-border cooperation programmes and financial instruments for the period 2021–2027. A report outlining this proposal with recommendations for the options for the composition of RDCs, expert level staff involvement, training needs, scope of delegation agreements between Managing Authorities and RDCs, as well as vertical and horizontal accountabilities and monitoring, evaluation and reporting arrangements is to be delivered seven months after effectiveness of RAS (Estimated: January 2020). Documents detailing operational modalities and internal rules of RDCs are to be delivered in the form of a report sixteen months after effectiveness of RAS (Estimated: Autumn 2020).

Introduction

Opportunities and challenges for enhanced territorial management in Bulgaria. It is important to set out and understand the government’s broader goals for regionalization and the path that the country plans to take in the long term. Adopting a mechanism for ensuring an increased involvement of the regional tier in planning and implementing regional policy actions could lead to the strengthening of the regional dimension of development endeavors. It can also lead to the creation of a critical mass of experts and administrative and technical capacity at the NUTS 2 level that could pave the way for successful decentralization efforts in the foreseeable future.

When reflecting on the strategic choices it is important to consider four key bottlenecks in Bulgaria’s territorial management today: centralization, poor local capacity, high local fragmentation, and reliance of subnational authorities on national reforms. Being a highly centralized state, regional planning is less sensitive to local needs. However, the decentralization process is also facing challenges including low (and uneven) capacity at local levels to carry out decentralized political, administrative, or fiscal functions. The high fragmentation of local governance units also means that local planning and delivery foregoes important economies of scale and limits the ability to coordinate the management of the external effects of activities in each locality. Finally, all localities rely on central government to resolve certain bottlenecks in the national economy, before their own local activities can reap rewards.

These challenges, in turn, lead to recommending four key considerations for more transformative regional development. First, greater decentralization of political, administrative, and fiscal duties and powers (as planned by the government), which can improve the sensitivity of regional planning to local needs. Second, this has to be calibrated to the capacities, and needs of each place, and be accompanied by active programs to strengthen subnational authorities. Third, Bulgaria may benefit from stronger instruments supporting coordination across municipal and district boundaries, to counteract today’s fragmentation. While the EU offers instruments for the spatial coordination of EU funding, Bulgaria should design institutions suitable to its own circumstances, then consider how EU tools may or may not map onto these. Finally, decentralization must be accompanied by better coordination between central and subnational authorities, so local outcomes are not held back by critical national reforms.

A number of factors for more effective delivery of Cohesion Policy in Bulgaria are identified by the European Commission in its recent Bulgaria Country Report. These include:

- additional efforts to increase the administrative capacity necessary for the effective administration and implementation of EU funds,
- strengthened capacity of authorities to deliver policies and strategies that could be the basis for the implementation of European Structural and Cohesion Funds and improved coordination and information exchange between administrations;
- strengthened capacity of local authorities to implement integrated territorial development strategies,
- strengthened capacity of beneficiaries, stakeholders, social partners and other bodies to
prepare and implement high quality projects and to shape policy through public consultation

**Good Practice Principles.** Upon deciding on a strategic approach to decentralization it is also important that the Government of Bulgaria keep in mind good practice principles and lessons from regional policy and planning from other EU countries, which include:

- regional policies and plans should encompass national or sectoral processes and all sources of financing options and instruments (not just EU funds);

- regionalization of sectoral expenditures is indispensable for enhancing the effectiveness of territorial interventions;

- decentralization of competences should be closely followed by sufficient scope of fiscal devolution to support the local and regional tier in pursuit of autonomous, long-term and proactive investment policy aimed at achieving territorial development objectives; and

- intensive administrative capacity building is of paramount importance for establishing effective regional institutions.

**Approach of the Bank Team.** In elaborating a proposal for a mechanism for the involvement of RDCs in regional policy planning and implementation, as requested by MRDPW, the Bank team will not work in a vacuum. Rather the team will draw upon the analysis of global models and international experience relevant to Bulgaria, ideas submitted by the MRDPW, conclusions reached in the process of strategic consultations with central and regional level stakeholders, findings of the OECD pilot action on frontloading administrative capacity, as well as other relevant sources of information.

**Options for Structuring the Regional Level in Bulgaria**

**Strategic Approach to the New Role of RDCs.** There are a number of options (scenarios) to consider as far as the introduction of the new role/s of RDCs in regional policy making and implementation. Specific recommendations for RDCs’ composition, expert staffing, operational modalities and internal rules should follow a strategic decision of policy-makers — they should not preempt it. The choice depends primarily on the mid-term and long-term strategic approach adopted by the central administration (COM, MRDPW), as the future role of RDCs is heavily dependent on the way that the question of decentralization is to be tackled. Therefore, it is important to determine whether entrusting RDCs with new roles and responsibilities is a first step in initiating an incremental decentralization effort or just a one-off attempt at increasing the involvement of the regional tier in implementing integrated territorial approach to regional policy, but without plans for a full-blown decentralization reform in the coming years.

**MRDPW Proposal for Three New Functions for RDCs.** In mid-May MRDPW shared with the Bank a concept for the RDCs’ roles during the next EU financial perspective, where it is described that the RDCs would be involved in pre-selecting integrated territorial projects. Consequently, MRDPW transmitted to the Bank team on May 30, 2019 a proposal, which consists of three new functions to be added to RDCs’ remit related to their involvement in the selection of operations for integrated territorial development is concerned. These are described in the box below.

First level checks of operations/project concepts — general eligibility check of the actions/measures; RDCs would check for compliance with the regional development scheme, general administrative check. (Need for technical staff & experts);

Organization of public consultations for the concepts passed during the first level checks — RDCs would organize several public hearings/presentations in different cities in coordination with the project initiator/beneficiary. Development of an overall view and opinion of the extent to which project concepts are supported by the public. (Need for staff & experts in public consultations);

Final management decision on the project/concept selection — discussion on the concepts/projects that passed the first level checks and that have a wider public support. Adoption of a final management decision. (Need for management level).

Source: MRDPW
These proposed new functions relating to the new territorial approach for 2021–2027 period are to be proposed for inclusion in future amendments to the Regional Development Act.

**Preliminary Assessment of the Current Proposal.** First of all, the Bank team appreciates the amount of conceptual effort that has been put into developing the concepts; over the last two months, the RDC concept has been fleshed out with details and was simultaneously developed on two dimensions—the strategic role of the RDCs (and a strategic goal of their functioning) and the technical details of their functioning. The Bank perceives the RDC concept as a work in progress and assumes that both these dimensions will be further elaborated in an iterative, multi-stakeholder process. In the WB team’s view certain technical aspects of RDCs will stem from the envisaged (strategic) role the decision makers wish to confer to them and their function in the system of regional development and management of EU resources. For that reason, discussion on technical aspects of the RDCs must go along (and sometime must be preceded by) discussions on RDCs’ role. Regarding the strategic dimension, this note presents four options that could be considered when thinking about RDCs’ possible future role in Bulgaria. Each of these options includes specific technical details to be further discussed. The below material is an input into this discussion and does not lock in or advocate for any specific solution at this stage.

**Current Composition and Status of RDCs.** The current composition of RDCs includes:

- a chairperson (District Governor of one of the districts; rotation principle every 6 months)
- a deputy chairperson (a representative of a municipality in the district, the District Governor of which chairs the Council),
- members (representatives of different ministries, appointed by respective Ministers; the District Governors of the districts comprised within the respective region; representatives of the municipalities in the districts; and representatives of partner organizations of employers and employees),
- secretariat,
- regional coordination committees, and
- specialized committees.

**RDC Strengths and Weaknesses.** In late 2018, staff from MRDPW, CoM/CCU, and the Bank team attended initial consultations with two RDCs. From these discussions, it is understood that RDC members consider the current strengths and weaknesses of RDCs as described in the table below.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<tbody>
<tr>
<td>Forum for information sharing</td>
<td>Lack of representation or roles on RDCs — small, medium, and large municipalities.</td>
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<tr>
<td>Communicate key developments in municipalities</td>
<td>No clear mandate or decision-making power. Mayors ‘feel like guests’. District Governors feel they have ‘no function’.</td>
</tr>
<tr>
<td>Possibility to solve inter-municipal issues</td>
<td>No role in managing funds</td>
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<tr>
<td>Meet infrequently</td>
<td></td>
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<tr>
<td>Limited staffing and resources. Limited technical inputs</td>
<td></td>
</tr>
<tr>
<td>Lack of inter-municipal cooperation and regional projects</td>
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</tbody>
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TABLE A7.1 RDC Strengths and Weaknesses

It is important to note that the discussion on the new functions for the RDCs needs to be carried out within the context of a broader debate on ways of improving regional development policy in Bulgaria (planning, implementation, synchronization, coordination etc.). Ideally, the new role of RDCs should enhance the effectiveness of regional policy planning and implementation by addressing shortcomings of the current approach or key bottlenecks. It would, therefore, be important, as part of the strategic consultations to have discussion with MRDPW and Bulgarian experts on the challenges facing regional planning and the rationale for the proposing these three new functions.
Four options/scenarios for RDCs
increased involvement in OP
(2021 – 2027) — for discussion

The proposed scenarios described below reflect four possible strategic approaches to the new role of RDCs under the 2021 – 2027 financial perspective and beyond. The adoption of either one of them will have a significant impact on the RDC composition, required technical and administrative capacity, operational modalities, financing etc.

Option/scenario 1
(a ‘light touch’ scenario)

The first level checks of operations/project proposals for all OPs (sectoral, as well as regional development OP) are conducted in the regions by relevant units of the MRDPW regional departments (Project Assessment Units). The assessment is concluded with a ranking list of positively evaluated project proposals (management decision taken by the head of the MRDPW regional department based on assessment conducted by panel of experts from dedicated unit of the MRDPW regional department), which is then submitted to respective RDCs for approval.

The RDCs — acting as advisory/consultative bodies — debate and assess the regional impact of the proposed projects and by way of a resolution can either uphold the submitted ranking list or decide on changes reflecting the outcomes of their assessment of regional impact. Passing of a resolution is preceded by a public consultation process. Different arrangements for conducting this process can be considered to ensure its effectiveness and an inclusive nature in line with the partnership principle. RDCs can host regular public events for the purposes of presenting project proposals and discussing their regional impact (and by doing so raising the awareness of regional development objectives), bringing together key regional and local stakeholders, social and economic partners, as well as the general public. Another option to consider is posting ranking lists submitted to RDCs for approval on a dedicated website enabling internet consultations of assessed project proposals.

In this scenario, the RDCs perform functions of a Regional Steering Committee, representing relevant local and regional stakeholders and serving as a forum for discussion on endeavors of regional importance. The approved ranking list returns to the MRDPW regional department and is then transferred to the relevant MA for further checks needed for securing financing and contracting.

Adopting this approach would require:

• strengthening the capacity of MRDPW regional departments by creating and staffing units responsible for project proposal assessment;

• introducing organizational changes to RDCs’ functioning and securing its regular day-to-day operations (technical staff, financing etc.);

• ensuring the involvement of regional experts in the project proposal assessment i.e. by creating a list of regional experts to be invited by the MRDPW regional departments to participate in expert panels;

• designing and enforcing effective coordination mechanisms between the MRDPW regional departments and the RDCs

Legal status of RDC:
advisory/consultative body.

RDC structure: unchanged but strengthening the capacity of secretariat (back office) is needed.
Financing of RDC operations:

Level of complexity to implement scenario:
low (limited scope of organizational changes to be introduced; legal framework remains unchanged).

Level of financing:
minimal.

Timeline for scenario implementation:
short-term.

Option/scenario 2
(a ‘progressive’ scenario)

RDCs are responsible for first level checks of operations/project proposals for all OPs (sectoral, as well as regional development OP), assessing their regional impact and approving the list of positively assessed project proposals. There are two sub-scenarios to consider:

1. sub-scenario 2.1. ‘institutionalization’ of RDCs (change of legal status, creation of a regular ‘RDC Office’ acting as the executive branch of RDCs); or

2. sub-scenario 2.2. creation of regional entities endowed with sufficient capacity to perform project proposal assessment (i.e. regional development agencies) which could act as executive bodies for RDCs in this respect (as one of their functions).

Under sub-scenario 2.1. the first level checks of operations/project proposals for all OPs (sectoral, as well as regional development OP) are conducted in the relevant units of the RDC Office (Project Assessment Units). The assessment is concluded with a ranking list of positively evaluated project proposals (management decision taken by the head of the RDC Office based on assessment conducted by panel of experts from dedicated unit of the RDC Office), which is then submitted to respective Regional Steering Committee for approval.

The Regional Steering Committees — acting as advisory/consultative bodies — debate and assess the regional impact of the proposed projects and by way of a resolution can either uphold the submitted ranking list or decide on changes reflecting the outcomes of their assessment of regional impact. The approved ranking list returns to the RDC Office and is then transferred to the relevant MA for further checks needed for securing financing and contracting. Passing of a resolution is preceded by a public consultation process. Different arrangements for conducting this process can be considered to ensure its effectiveness and an inclusive nature in line with the partnership principle. Regular public events can be hosted for the purposes of presenting project proposals and discussing their regional impact (and by doing so raising the awareness of regional development objectives), bringing together key regional and local stakeholders, social and economic partners, as well as the general public. Another option to consider is posting ranking lists submitted to Regional Steering Committees for approval on a dedicated website enabling internet consultations of assessed project proposals.

Under sub-scenario 2.2. the first level checks of operations/project proposals for all OPs (sectoral, as well as regional development OP) are conducted in the relevant units of the regional development agency (Project Assessment Units). The assessment is concluded with a ranking list of positively evaluated project proposals (management decision taken by the Head or Board of the regional development agency based on assessment conducted by panel of experts from dedicated unit of the regional development agency), which is then submitted to respective Regional Steering Committee for approval.

The Regional Steering Committees — acting as advisory/consultative bodies — debate and assess the regional impact of the proposed projects and by way of a resolution can either uphold the submitted ranking list or decide on changes reflecting the outcomes of their assessment of regional impact. The approved ranking list returns to the regional development agency and is then transferred to the relevant MA for further checks needed for securing financing and contracting. Passing of a resolution is preceded by a
public consultation process. Different arrangements for conducting this process can be considered to ensure its effectiveness and an inclusive nature in line with the partnership principle. Regular public events can be hosted for the purposes of presenting project proposals and discussing their regional impact (and by doing so raising the awareness of regional development objectives), bringing together key regional and local stakeholders, social and economic partners, as well as the general public. Another option to consider is posting ranking lists submitted to Regional Steering Committees for approval on a dedicated website enabling internet consultations of assessed project proposals.

In this scenario, the RDCs perform functions of a Regional Steering Committee, representing relevant local and regional stakeholders and serving as a forum for discussion on endeavors of regional importance. The approved ranking list returns to the regional development agency and is then transferred to the relevant MA for further checks needed for securing financing and contracting. Adopting this approach would require:

For Sub-scenario 2.1.

• intensive capacity building at the level of RDCs; creating and staffing ‘RDC Office’ including units responsible for project proposal assessment (maybe MRDPW regional departments could act as foundations for the newly established ‘RDC Offices’ bringing in their staff and regional experience and contributing to building capacity of the regional tier);

• introducing legal and organizational changes to RDCs’ functioning and securing its regular day-to-day operations (technical staff, financing etc.);

• ensuring the involvement of national, as well regional level experts in the project proposal assessment i.e. by creating two lists of national and regional experts to be involved by RDCs in expert panels;

• designing and enforcing effective mechanisms for delegation of tasks and coordination between RDCs and MAs;

• designing and enforcing common standards for RDCs’ operation.

For Sub-scenario 2.2.

• creating new entities at the regional level; intensive capacity building; creating and staffing agencies including units responsible for project proposal assessment (maybe MRDPW regional departments could act as foundations for the newly established agencies bringing in their staff and regional experience and contributing to building capacity at NUTS 2 level);

• RDCs acting as Regional Steering Committees

• ensuring the involvement of national, as well regional level experts in the project proposal assessment i.e. by creating two lists of national and regional experts to be involved by the agencies in expert panels;

• designing and enforcing effective mechanisms for delegation of tasks and coordination between agencies, RDCs and MAs;

• designing and enforcing common standards for agencies’ operation with respect to project proposal assessment.

<table>
<thead>
<tr>
<th>Sub-Scenario 2.1</th>
<th>Sub-Scenario 2.2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legal status of RDC</strong></td>
<td><strong>legal entity</strong></td>
</tr>
<tr>
<td><strong>Legal status of regional development agencies</strong></td>
<td>x</td>
</tr>
<tr>
<td><strong>Financing of RDC operations</strong></td>
<td>Technical Assistance OP Regional Development 2021 – 2027 (RDC + RDC Office)</td>
</tr>
<tr>
<td><strong>Financing of regional development agencies</strong></td>
<td>x</td>
</tr>
</tbody>
</table>
Option/scenario 3  
(a ‘foot in the door’ scenario)

RDCs (or regional development agencies with RDCs acting as Regional Steering Committees) involved in the process of assessing integrated territorial project proposals for all sectoral OPs, but in the case of OP Regional Development RDCs entrusted with the role of Intermediate Bodies responsible for assessing, selecting and contracting integrated projects.

The first level checks of operations/project proposals for OP Regional Development are conducted in the relevant units of the RDC Office (Project Assessment Units) or regional development agencies. The assessment is concluded with a ranking list of positively evaluated project proposals, which is then submitted to the Board of the respective RDC for approval (management decision) taken by the RDC Board based on assessment conducted by panel of experts from dedicated unit of the RDC Office or Head or Board of the regional development agency. The approved ranking list returns to the RDC Office and is then transferred to the relevant MA for further checks needed for securing financing and contracting.

Public consultation process takes place prior to the approval of the ranking list of positively assessed project proposals. The tasks related to the process of organizing such consultations are entrusted to dedicated units at RDC Office, responsible for analyzing opinions submitted in the process and providing Project Assessment Units with relevant findings of consultations impacting final assessment of project proposals.

<table>
<thead>
<tr>
<th>RDC structure</th>
<th>Sub-Scenario 2.1</th>
<th>Sub-Scenario 2.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of complexity to implement scenario</td>
<td>moderate / high (substantial changes to the legal framework — i.e. RDA — with possible launch of decentralization process, substantial organizational changes, capacity building)</td>
<td>moderate (legal framework changed — possible changes to RDA, substantial organizational changes, capacity building)</td>
</tr>
<tr>
<td>Level of financing</td>
<td>moderate/high (depending on scope of functions of RDCs)</td>
<td>moderate/high (depending on scope of functions of agencies and their ability to generate own revenues)</td>
</tr>
<tr>
<td>Timeline for scenario implementation</td>
<td>mid-term</td>
<td>mid-term</td>
</tr>
</tbody>
</table>

**Option/scenario 3**  
(a ‘foot in the door’ scenario)

<table>
<thead>
<tr>
<th>Sub-Scenario 2.1</th>
<th>Sub-Scenario 2.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>RDC structure</td>
<td>significant changes needed</td>
</tr>
<tr>
<td>Level of complexity to implement scenario</td>
<td>moderate / high (substantial changes to the legal framework — i.e. RDA — with possible launch of decentralization process, substantial organizational changes, capacity building)</td>
</tr>
<tr>
<td>Level of financing</td>
<td>moderate/high (depending on scope of functions of RDCs)</td>
</tr>
<tr>
<td>Timeline for scenario implementation</td>
<td>mid-term</td>
</tr>
</tbody>
</table>

**RDCs** — RDCs performing roles as presented in sub-scenario 2.1.

**OP Regional Development** — RDCs acting as Intermediate Bodies

Introduction of RDCs as new Intermediate Bodies (or regional development agencies) into the system of EU funds implementation in Bulgaria requires taking steps already necessary to ensure that these new institutions are adequately equipped to:

1. successfully complete the designation procedure by meeting relevant requirements (designation criteria) as stipulated in EU and domestic regulations and
2. effectively perform functions delegated by MA OP Regional Development.

The designation is granted on the basis of designation criteria which concern the internal control environment, risk management, management and control activities, and monitoring activities of the designated bodies.

**Legal status of RDC:**
legal entity

**Legal status of regional development agencies:**
legal entity (i.e. joint stock company/municipal legal entity)

**Financing of RDC operations:**
Technical Assistance OP Regional Development 2021 – 2027
Financing of regional development agencies:
Technical Assistance OP Regional Development 2021–2027/Technical Assistance of sectoral OPs 2021–2027 and own revenues (depending on the profile of agencies)

RDC structure:
significant changes needed depending on the scope of roles delegated by the MA OP Regional Development and designation criteria to be met

Level of complexity to implement scenario:
moderate or high (depending on scope of delegated tasks and type of entity entrusted with performing these roles: RDCs or regional development agencies—substantial scope of organizational changes to be introduced; legal framework needs to be changed, major capacity building activities, designation process)

Level of financing:
moderate.

Timeline for scenario implementation:
mid-term.

Option/scenario 4
(an ‘all in’ scenario)

RDCs (or regional development agencies with RDCs acting as Regional Steering Committees) involved in the process of assessment, selection and contracting of integrated territorial projects and acting as Intermediate Bodies with respect to all OPs (sectoral, as well as regional development OP).

Adopting this approach would require taking all the steps identified under scenario 3 and additionally concluding designation process for each sectoral OP where RDCs (or regional development agencies) are to perform the tasks of Intermediate Bodies.

The first level checks of operations/project proposals for all OPs are conducted in the relevant units of the RDC Office (Project Assessment Units) or regional development agencies. The assessment is concluded with a ranking list of positively evaluated project proposals, which is then submitted to the Board of the respective RDC for approval (management decision taken by the RDC Board based on assessment conducted by panel of experts from dedicated unit of the RDC Office or Head or Board of the regional development agency). The approved ranking list returns to the RDC Office and is then transferred to the relevant MA for further checks needed for securing financing and contracting.

Public consultation process takes place prior to the approval of the ranking list of positively assessed project proposals. The tasks related to the process of organizing such consultations are entrusted to dedicated units at RDC Office, responsible for analyzing opinions submitted in the process and providing Project Assessment Units with relevant findings of consultations impacting final assessment of project proposals.

Legal status of RDC:
legal entity

Legal status of regional development agencies:
legal entity (i.e. joint stock company/municipal legal entity)

Financing of RDC operations:

Financing of regional development agencies:
Technical Assistance OP Regional Development 2021–2027/Technical Assistance of sectoral OPs 2021–2027 and own revenues (depending on the profile of agencies).

RDC structure:
significant changes needed depending on the scope of delegated roles and designation criteria to be met (unless RDCs to play role of Regional Steering Committees with regional development agencies taking on the tasks of Intermediate Bodies).

Level of complexity to implement scenario:
high or very high (depending on scope of delegated tasks and type of entity entrusted with performing these roles: RDCs or regional development agencies—substantial scope of organizational changes to be introduced;
legal framework needs to be changed, major capacity building activities on a broad scale, designation process).

**Level of financing:** maximum.

**Timeline for scenario implementation:** long-term.

Some alternate proposals for new functions for RDCs

(or their executive bodies — regional development agencies) to consider (apart from their involvement in project assessment/selection/contracting) might include:

1. **RDCs as knowledge hubs** for local stakeholders; provision of advisory support for municipalities and other interested stakeholders seeking to establish effective partnerships with a view to elaborating, securing financing and implementing integrated territorial projects; training, coaching, mentoring services; collection and dissemination of ‘good practices’;

2. **RDCs as ‘territorial observatories’** conducting regional socio-economic analyses, assessing regional impact of interventions, monitoring the effects of regional development strategy, collecting research results and analyses carried out by other entities, organizing and sharing knowledge resources about the region, and making them available in one place, contributing to better planning and implementation of territorially targeted public intervention by providing information, analysis and evaluation of public policies on the progress of regional policy implementation and scenarios for the future for operational and strategic planning.

**Note:** It is important to bear in mind that all the decision-making powers, as well as resources necessary to finance the new functions of RDCs are with the stakeholders at the central level. Therefore, seeking strategic guidance from MRDPW/COM — as early on into the advisory services as possible (first Steering Committee presents a good opportunity) — on the most likely/preferable scenario could be conducive to adopting by the Bank team a more targeted and pragmatic approach to the elaboration of the proposal for a mechanism enabling increased involvement of RDCs in regional policy making.

**Steering Committee Meeting: Points for Discussion**

**First Steering Committee — main items for discussion**

1. Strategic approach to the new role of RDCs (MRDPW and COM/CCU) — discussion on proposed scenarios described above.

2. Issues to be raised during strategic consultations and expected outcomes:
   a. **Presentation of the new concept** for involving the regional tier in Cohesion Policy planning and implementation 2021–2027 perspective (MRDPW).
   b. **Identification of new arrangements/mechanisms** or improvements needed in already functioning arrangements/mechanisms for regional development policy planning and delivery in Bulgaria (the floor will be given to stakeholders to come up with their proposals and ideas and later on include them in the report outlining findings from consultation process).
   c. **Collecting ideas for better synchronization and coordination of regional development policy in Bulgaria** with the process of programming and implementation of operational programmes co-financed by the ESIF post 2020 (we need input regarding bottlenecks which negatively impact synchronization and coordination processes so: 1) these issues can be addressed and reflected upon during strategic consultations 2) we can think of some new/improved arrangements drawing from international experience and maybe test some of them during consultations).
Independent reviews of the strategic approach to the Programme


4. **Arrangements to ensure an inclusive nature of strategic consultations.** These might include an internet survey to include local stakeholders, NGOs, business, academia etc. to map out development needs on the regional level, identify local and regional experiences with implementing EU projects, especially those requiring formal or informal partnerships and assess the potential of implementing integrated territorial instruments under OP Regional Development 2021–2027 as well as main challenges and bottlenecks as identified by local and regional stakeholders, etc.

d. **Raising awareness of local and regional actors of benefits of implementing territorial instruments under the OPs in the next programming period 2021–2027 (MRDPW + WB could provide some examples of successful implementation of territorial instruments in EU countries as a source of inspiration).**