Governing EU Cohesion Policy in central and eastern Europe: the interplay between administrative capacity and political factors. The case of Structural Funds absorption in Bulgaria and Romania (2007–2013)

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Governing EU Cohesion Policy in Central and Eastern Europe: the interplay between administrative capacity and political factors.
The case of Structural Funds absorption in Bulgaria and Romania (2007-2013)

by

Neculai-Cristian Şurubaru

Doctoral Thesis
Submitted in partial fulfilment of the requirements for the award of Doctor of Philosophy (PhD) of Loughborough University
30 March 2017

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This dissertation examines how new European Union (EU) member states manage and implement European Cohesion Policy (CP). It assess the administrative and political factors that might explain the variation in the financial absorption of Structural Funds (SF), with a specific focus on two homogeneous cases from Central and Eastern Europe (CEECs). Whilst there is a dense literature on the potential socio-economic impact of CP in the EU, less attention has been paid to the factors affecting CP and SF governance at the national domestic level. Questions of financial absorption, delivery effectiveness and quality of the spending remain open and are puzzling for both academics and practitioners. Subsequently, one of the main aims of this thesis has been to provide an in-depth investigation of, on the one hand, the structural administrative capacity employed by states to manage this policy and, on the on the other hand, the political factors and dynamics that influence its delivery of SF in new member states. The study carries out an archaeology of the capacity of the specialised institutions involved in the different stages of the absorption process with the general aim of explaining some of the determinants of absorption performance, particularly in the countries’ assessed. It proposes an absorption capacity model in order to assess these claims and the original empirical evidence collected.

The thesis fills in several empirical and theoretical lacunae in knowledge. Empirically, the study draws on multiple comparative case studies from Bulgaria and Romania, two problematic yet diverging cases in terms of absorption performance, during the 2007-2013 implementation period. These countries’ first experience in managing and implementing SF provides empirically rich insights. Theoretically, this thesis offers a more nuanced account of the governance of CP and SF in CEECs. It builds and refines the concept of administrative capacity as well as several political factors (stability, support and clientelism) in order to examine the complexity and problematic issues surrounding SF absorption. Insights on CP governance, administrative capacity-building and the impact of politicisation at the national and local level are outlined and discussed.

The main argument put forward in this thesis is that the variation in absorption performance is generated by the interplay between administrative and political conditions. In other words, the way in which administrative and political factors have interacted has shaped the ability of the two countries to govern EU Cohesion Policy and influenced their performance in absorbing EU funding. This argument is developed in line with several key findings. First, administrative capacity is a necessary but not sufficient condition for countries to deliver effectively CP. Second, political conditions can facilitate or hinder the development of national administrative capacities and have often influenced the different stages of the absorption policy process. The thesis highlights the need to critically reflect on the overall dynamics between structural administrative arrangements and domestic political conditions, in order to advance our understanding of how EU policies are governed and implemented at the national level. Finally, the thesis formulates several recommendations, for the different stakeholders involved, on how to facilitate the delivery of SF in order to improve cohesion and development in Europe.
ACKNOWLEDGEMENTS

“It always seems impossible, until it is done”
(Various)

Doing a PhD can be a long and transformative intellectual journey. For me this was a period of discovery marked by several episodes, including the common ups and downs. It was a process during which I worked and lived in several countries, cities, libraries and communities in Loughborough, Southampton, Brussels, Bucharest, Sofia, Glasgow and Edinburgh. Engaging in research and teaching, meeting new people and exchanging knowledge have all been part of this process. However, the impossible wouldn’t have been possible without the support of several individuals and institutions to whom I am very grateful.

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My doctoral research wouldn’t have materialised without a studentship from the Graduate School of Loughborough University to which I am grateful. Moreover, I would like to express my appreciation to the Rațiu Family Charitable Foundation for a research grant that helped fund part of my fieldwork in Bulgaria and Romania. Furthermore, it must be said that this PhD is the result of a collective contribution. I am indebted to the tens of people in Brussels, Bulgaria and Romania that have helped me throughout this period and who have agreed to be interviewed for my research. Fieldwork has been one of the most exciting periods of this process and understanding the perspectives of administrators, politicians, experts and beneficiaries dealing with
EU funding has been highly rewarding. Most of their work and contribution often remains uncredited in the public eye and I remain indebted for their help.

During my PhD, I have been a Visiting Scholar at the European Policies Research Centre (EPRC) at the University of Strathclyde in Glasgow. The time spent at the EPRC has helped shape the analysis of my evidence and has helped me ground my work more thoroughly. I am extremely grateful to Prof John Bachtler for this opportunity, as well as to Dr Martin Ferry, Dr Laura Polverari, Lynn Ogilvie and the rest of the team of the Centre.

Presenting my work at various academic and policy conferences and trying to publish have been fulfilling episodes of my PhD. I am grateful to the editors and anonymous reviewers of Regional Studies, East European Politics and the Journal of Common Market Studies for comments on my work. A big thank you also goes to Dimitris Papadimitriou, Adrien Jahier, Stefan Roch, Stijn Van Kessel, Maaike Damen, Dorine Boumans, Alba Smeriglio, Eli Gateva, Dessislava Hristova and Paulo Rangel for various comments and discussions held during the last few years.

A special thank you goes to the academics, staff and postgrads of the Politics, History and International Relations Department (PHIR) at Loughborough, for their thoughts and friendly interactions: Will Boisseau, Raimund Bauer, Michel Cornette, Pauline Dainty, Max Drephal, James Donaghey, Martin Farrell, Ruth Kinna, Robert Knight, Matt McCulloch, Audrey Pridmore, Frances Seller, Meg Shepherd, Phil Sadler and Martha Worsching. Moreover, I want to express my thanks to my fellow PhD friends with whom I have spent several hours talking, debating politics or anguishing over research: Dorina Baltag, Cristian Niţoiu and Nikola Tomic.

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<th>Full Form</th>
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<tbody>
<tr>
<td>AA</td>
<td>Audit Authority</td>
</tr>
<tr>
<td>AAR</td>
<td>Annual activity report</td>
</tr>
<tr>
<td>ACIS</td>
<td>Romanian Authority for Coordination of Structural Instruments</td>
</tr>
<tr>
<td>AFKOS</td>
<td>Bulgarian Unit for the Protection of the Financial Interests of the European Union</td>
</tr>
<tr>
<td>AIR</td>
<td>Annual implementation report</td>
</tr>
<tr>
<td>ANRMAP</td>
<td>Romanian National Authority for Regulating and Monitoring Public Procurement</td>
</tr>
<tr>
<td>BG</td>
<td>Bulgaria</td>
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<tr>
<td>CA</td>
<td>Certifying and Payment Authority</td>
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<td>CAS</td>
<td>Contracting Authorities</td>
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<tr>
<td>CCU</td>
<td>Bulgarian Central Coordination Unit for Structural Funds</td>
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<tr>
<td>CEECs</td>
<td>Central and Eastern European countries</td>
</tr>
<tr>
<td>CNSC</td>
<td>Romanian National Council for Solving Complaints</td>
</tr>
<tr>
<td>CP</td>
<td>Cohesion Policy</td>
</tr>
<tr>
<td>CPC</td>
<td>Bulgarian Commission for the Protection of Competition</td>
</tr>
<tr>
<td>CVM</td>
<td>Mechanism for Cooperation and Verification</td>
</tr>
<tr>
<td>DG</td>
<td>European Commission Directorate General</td>
</tr>
<tr>
<td>DLAF</td>
<td>Romanian Department for Fight Against Fraud</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>ECA</td>
<td>European Court of Auditors</td>
</tr>
<tr>
<td>EDIS</td>
<td>Extended Decentralized Implementation System</td>
</tr>
<tr>
<td>ESF</td>
<td>European Social Fund</td>
</tr>
<tr>
<td>ERDF</td>
<td>European Regional Development Fund</td>
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<td>EU</td>
<td>European Union</td>
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<tr>
<td>EUR</td>
<td>Euro</td>
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<tr>
<td>IB</td>
<td>Intermediate Body</td>
</tr>
<tr>
<td>ISPA</td>
<td>Instrument for Structural Policies for Pre-Accession</td>
</tr>
<tr>
<td>MA</td>
<td>Managing Authority</td>
</tr>
<tr>
<td>MAEur</td>
<td>Romanian Ministry of European Affairs</td>
</tr>
<tr>
<td>MC</td>
<td>Monitoring Committee</td>
</tr>
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<td>MFE</td>
<td>Romanian Ministry of European Funds</td>
</tr>
<tr>
<td>NAMRB</td>
<td>National Association of Municipalities in the Republic of Bulgaria</td>
</tr>
<tr>
<td>NSRF</td>
<td>National Strategic Reference Framework</td>
</tr>
</tbody>
</table>
NUTS  Nomenclature for Territorial Units
OLAF  European Anti-Fraud Office
OP    Operational Programme
OPAC  Operational Programme Administrative Capacity
OPEC  Operational Programme Economic Competitiveness
OPENV Operational Programme Environment
OPHR  Operational Programme Human Resources Development
OPREG Operational Programme Regional Development
OPT   Operational Programme Transport
OPTA  Operational Programme Technical Assistance
PHARE Poland and Hungary: Assistance for Restructuring their Economies
PPA   Public Procurement Agency
PPE   Public Procurement
RO    Romania
RDA   Regional Development Agency
SAPARD Special Accession Programme for Agriculture and Rural Development
SEAP  Romanian Electronic Public Procurement System
SF    Structural Funds
SMIS  System of Integrated Management for Structural Funds in Romania
SCP   European Stability and Growth Pact
TA    Technical Assistance
UCVAP Romanian Unit for Coordination and Verification of Public Procurement
UMIS  Unified Management Information System for SF in Bulgaria
Chapter 1: Introduction

1.1 Cohesion Policy in old and new Europe

Cohesion Policy (CP) is one of the main development and investment tools the European Union (EU) uses in order to address economic and social inequalities between regions in Europe. It is one of the flagship policies of the EU and has received considerable attention from supranational to local levels of government. Given that it mobilizes several key administrative and political stakeholders (e.g. EU institutions, central governments, local authorities, civil society representatives) the policy has been evaluated as one of the most advanced political instruments used by the EU (Piattoni and Polverari 2016). However, CP remains one of the most contested European policies in both economic and political terms (Marks 1996; Baun and Marek 2014). In recent decades, CP has evolved from a side-payment to one of the largest development instruments around the world, boasting one third of the multi-annual European Union budget (Allen 2000; Bachtler, Mendez and Wishlade 2013).

CP allows payments, mainly under the form of Structural Funds (SF), from richer to poorer countries in order for the latter to accommodate to the different parts of the EU integration process (Marks 1996; Allen 2000). From a normative point of view, the redistribution principles behind the policy reflect a “tangible expression of solidarity” between EU member states (Tsoukalis 1997, 187). The Italian Mezzogiorno, Greek islands or Landers from Eastern Germany have all benefited from funding that allegedly improved the socio-economic conditions and the quality of life of their citizens. Arguably, the lack of such a policy may make the EU more irrelevant as an economic and political project. In addition, the incorporation of Central and Eastern European countries (CEECs) in the European Community presumed “far-reaching changes in the nature and the implementation of key EU policies” (Begg 1998, 11). Successive waves of EU Enlargement have sparked new debates on inter-regional disparities and how Structural Funds might be used to address them (Bachtler, Downes, and Gorzelak 2000). Regions from CEECs lag behind their Western
counterparts in social and economic terms. As a result, the fact that lesser developed regions have joined the European Union club has been a point of concern for older member states, such as Greece or Spain, which sought to remain net beneficiaries of CP funding. As can be seen from Figure 1, during 2007-2013, considerable amounts of SF were allocated to countries from the area including Poland, the Czech Republic, Hungary and Romania, whilst Spain, Italy and Greece have equally benefited, though to a lesser extent, from the EU budget allocated to this policy area.

Figure 1: Structural Funds financial allocations (billion EUR) (2007-2013)


The EU enlargement process has challenged the management and implementation of CP. The quality of institutions, or generally speaking the quality of governance and

---

1 There are numerous reasons, not addressed in this thesis, for why this is the case but they can broadly relate to different historical legacies, patterns of socio-economic development or political circumstances.
2 For a detailed discussion on this see Chapter 7 of Bachtler, Mendez, and Wishlade 2013.
3 Management and implementation are two terms frequently used throughout this thesis in the general sense of the delivery of Structural Funds at the national level. Moreover, these represent two distinct stages of the SF absorption policy process (e.g. implementation of projects by final beneficiaries).
in CEECs, has widely been seen as a key barrier for the implementation of external development policies (Barca et al. 2012; Charron et al. 2014).

Figure 2: Absorption rates of European Structural Funds EU-28 (2007-2014)


Moreover, it was feared that the problematic experience of countries like Italy, Greece or Spain in dealing with Cohesion Policy would potentially be replicated in CEECs.
(Paraskevopoulos and Leonardi 2004). For instance, similar conditions found in the latter countries were well documented for CEECs, namely problems of “fledgling democracies...weak economies, large agricultural sectors and problems with corruption and/or clientelism” (Dudek 2005, 31). Despite these worries, as evidence from the most recent multi-annual financial period attests (Figure 2), there has been a great deal of variation across and within countries with regard to obtaining and spending Structural Funds. The performance of CEECs in managing and implementing SF has varied considerably with, for instance, countries like Lithuania, Estonia or Poland being top performers and having “compared favourably with the EU-15” (Bachtler et al. 2013a, 18). This seems to have been the case for both the 2004-2007 / 2007-2013 period, which led some to argue that in fact many CEECs outperformed Western and more experienced older member states (Tosun 2014).

1.2 Structural Funds absorption performance in CEECs - empirical puzzle and research questions

The enlargement towards Central and Eastern Europe has provided new challenges and opportunities to examine the domestic processes and the mechanisms used to deliver CP. Major questions are still open on the factors that influence the extensive variation in the performance of the policy between and within countries from CEECs (Ferry 2013). In addition, evidence on the impact of CP and its ability to strengthen processes of socio-economic convergence in the area are fairly mixed. Nevertheless, the links between the capacity of countries to manage external aid and the potential effectiveness is not fully recognised. In recent years, as can be seen in Figure 3 there has been a great deal of variation across Europe, and specifically between Central and Eastern European countries, in terms of final absorption rates. From the start of 2007 to the end of 2014, Lithuania, Estonia and Poland have been forerunners whilst Slovakia and Romania have been among the lowest performers in terms of SF absorption.5

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4 Final data is not yet available and would still require a thorough independent assessment in order to evaluate the socio-economic impact of the 2007-2013 period.
5 Given that Croatia joined in 2013 it arguably had less time to absorb SF for 2007-2013.
Since their EU accession in 2007, Bulgaria and Romania have had access to a large pool of EU financial resources and subsidies. The governments of these countries...
could use such funding directly through public institutions or facilitate access to the different societal stakeholders for projects that would address regional disparities, boost economic competitiveness of SMEs, training and skills development or social care. However, throughout the examined period, there has also been a wide degree of variation even between and within Bulgaria and Romania in terms of SF absorption. Despite the political, administrative and socio-economic similarities that developed between the two countries after the fall of communism, striking differences developed between the two countries in terms of their absorption performance, in particular starting with 2010-2011.

In light of this brief introduction, the main research questions that have been addressed in this study have been the following:

1) What explains the variation in absorption performance between and within Bulgaria and Romania during 2007-2013?
2) How can administrative capacity and political factors explain this variation in absorption capacity and performance?
3) What does the capacity and performance of Bulgaria and Romania in managing Structural Funds say about their overall ability to integrate in the European Union?
4) What do the findings imply for the governance of Cohesion Policy and Structural Funds in Central and Eastern Europe?

Explaining the variation in absorption performance between and within Bulgaria has been one of the main puzzles and the one of the main questions driving this study. The second research question is more theoretical in nature and relates to the main hypothesized factors and their influence on the domestic management and implementation of CP. The third and fourth research questions, discussed more extensively in the concluding section of this thesis, seek to draw out some of the normative and policy related implications of CP governance in Bulgaria and Romania and for CEECs as a whole. In order to explore these questions, this thesis proposes an analytical framework (“absorption capacity model”) which maps out the main factors and specific indicators that would help evaluate the domestic ability of countries to handle EU external aid. These are drawn in relation to the main findings and debates in the literature of CP delivery and are assessed in line with several working
assumptions/hypotheses. Different strands of primarily qualitative evidence were rigorously used in multiple case studies in order to assess these assumptions and to construct the overall arguments proposed in this thesis.

This study operates and distinguishes between several key concepts: absorption performance, administrative capacity, political factors and absorption policy process. First, what is referred to as “absorption performance” represents here the temporal evolution of financial absorption in a given EU member state. For this research, the final absorption rate, namely the percentage of payments reimbursed by the European Commission (EC) to a member state at a given point in time, is taken into account as the indicator of performance and represents the study’s main dependent variable. Second, administrative capacity is defined as the institutional, bureaucratic and human resources capacity of institutions, and all other affiliated stakeholders, to engage in the absorption policy process at the national, regional and local level. Third, political factors are widely defined as the way in which political actors and processes could facilitate or hinder the capacity and absorption performance of a country in managing and implementing EU Cohesion Policy and Structural Funds. Finally, the absorption policy process refers to the classical policy cycle stages through which the policy is being delivered: (a) programming; (b) management; (c) project preparation and selection; (d) implementation; (e) financial management; (f) monitoring and reporting; (g) evaluation (Molle 2007; EIPA 2008; Bachtler et al. 2013a). As opposed to other studies, this thesis has not developed any specific indicators to assess these policy stages.

All in all, this thesis analyses the general patterns of governance of Cohesion Policy and the factors that affect its delivery at the national level. The big question remains

---

6 There are several other meanings of absorption in the literature. For instance, some differentiate between “technical absorption” as the “ability to spend funds on time and in line with procedures” and “structural absorption” namely “the ability to use funds in a strategic, development-oriented way” (Hausner 2007 quoted in Ferry 2013b).

7 As a standard practice, national governments report on a monthly basis absorption rates using three different formats: contracted (the total amount of SF contracted by an Operational Programme), payments to beneficiaries (the total amount of SF sent to final beneficiaries for implementing projects), reimbursement claims sent to EC (the total amount of SF for which reimbursement claims have been submitted to the EC) and payments received from the EC (the total amount of SF which have been reimbursed to member states by the EC). The latter is taken into account and reported in this study as the final absorption rate of a country at a given point in time.

8 Further details on this approach are provided in section 2.1.2.
whether or not countries from the area, and in particular the ones evaluated, have had the ability to manage and implement this policy and what might explain the obstacles which developed on the ground. A brief survey of some of the explanations advanced in the literature are presented in the following, in order to underline the gap that this research seeks to fill in, before outlining the main arguments put forward in this thesis.

1.3 Explanations and gap in the literature

CP is probably one of the most evaluated contemporary public policies. The impact of SF transfers has raised considerable interest among academics interested in economic, political or regional developments. For instance, regarding the latter, some have examined the impact that the policy has had on the recreation of regions in Western (Anderson 1990; Keating 2004) or in Central and Eastern Europe (Brusis 2002; Marek and Baun 2002; Hughes, Sasse, and Gordon 2004). Others have been interested in the political nature and implications of the policy for multi-level governance (Hooghe and Marks 2001; Bache 2008; Baun and Marek 2014) or on the development of regional authority and local democracy (Hooghe, Marks, and Schakel 2010; Loughlin, Hendriks, and Lidström 2012).

From an empirical point of view, in the last decades several specialised debates have emerged with regard to the performance and management of the policy. On the one hand, several studies have scrutinized the performance of the policy in terms of the impact and effectiveness that Structural Funds might have for socio-economic development. Scholarly work carried out mainly by economists or regional geographers has analysed whether or not funds lead to processes of “convergence” and contribute to reducing regional disparities (Reiner 1999; Ederveen, Groot, and Nahuis 2002; Beugelsdijk and Eijffinger 2005; Bradley, Untiedt, and Mitze 2007; Bouvet and Dall’erba 2010). Several of these studies have been critical of the lack of impact of this funding (Boldrin and Canova 2001; Ederveen, Groot, and Nahuis 2006), stressing that the returns from SF investments were not significant given, for instance, the excessive focus on infrastructure development (Rodríguez-Pose and Fratesi 2004). As a result, recent reforms have sparked new debates with respect to the quality of spending and the concentration of these resources (Barca 2009; Barca, McCann, and Rodríguez-Pose 2012; McCann and Ortega-Argilés 2012; Mendez 2013; McCann 2015).
On the other hand, several authors have examined the governance, and more specifically the institutions in place at the central or regional level used for managing and implementing Structural Funds (Smyrl 1997; Leonardi 2005; Bachtler and Mendez 2007; Milio 2007a). Such studies have sought to explain the way in which funds are governed and or the ability of different stakeholders to engage and influence the implementation of the policy. By examining the capacity of domestic institutions to manage and implement the policy, this thesis falls into the latter category.

The use and implementation of the policy has generated considerable scholarly interest in old and new member states alike. Several interesting case studies have been written on the way in which Cohesion Policy has been managed in older member states such as Italy (Leonardi 2005; Milio 2007; Milio 2008), Ireland (Laffan 1996; Adshead 2013), Greece (Andreou 2006; Chardas 2012) or Spain (De la Fuente et al. 1995, Morata and Munoz, 1996; Batterbury 2002; Dudek 2005). In addition, the management and implementation of the policy in CEECs has sparked a new wave of interest in the implementation performance of the policy (Bachtler and McMaster 2008; Baun and Marek 2008; Zaman and Georgescu 2009; Dabrowski 2012; Ferry and McMaster 2013; Hristova 2013; Surubaru 2016a).

Several wide contextual problems have been identified by the literature on the implementation of EU funds in the new Europe. Firstly, there have been difficulties in enforcing regional reforms or in negotiating the specific requirements attached to European regional policy (Hughes, Sasse, and Gordon 2004; Glenn 2004; C. O'Dwyer 2006). Secondly, an often developed argument in the literature was that CEECs might require extensive periods of time and resources to develop their ability to manage SF (Bailey and De Propris 2002; Bachtler and McMaster 2008; Dabrowski 2012; Bachtler et al. 2013a). Thirdly, Eastern Enlargement has raised additional concerns on the domestic challenges faced by CP implementation. Given the novelty of the policy, there were no specific models for managing Structural Funds in CEECs (O'Dwyer 2006). However, in light of the 2004-07 and 2007-13 experiences different national models of SF absorption are now emerging. For instance, the Polish “absorption model” has often been emphasized as successful given the extensive role of regional authorities and their engagement in SF management and implementation (Churski 2008; Dabrowski 2008; Mihăilescu 2012a).
From a theoretical point of view, most academic debates structured around Cohesion Policy and EU funding seem to have been influenced by only a few theoretical angles. First, since early 1990s, many scholars have approached Cohesion Policy almost exclusively from an Europeanisation or Multi-Level Governance vantage point, being interested in how the policy has facilitated such processes at the domestic level (Marks 1993; 1996; Hooghe et al. 1996; Bache and Flinders 2004; Bache and Andreou 2013). Scholars adopting these approaches have been particularly interested in examining the specific changes that new member states face in relation to processes of Europeanisation that might be triggered by CP at the domestic level (Bailey and De Propris 2002; Paraskevopoulos and Leonardi 2004; Baun and Marek 2008; Scherpereel 2010; Bache et al. 2011a). For instance, Marks was interested in how distinct areas of political power (national vs. supranational) could influence the different aspects of the policy-making process surrounding the policy (1996, 389). Whilst such strands of the literature have been insightful in explaining the potential impact that the policy has on domestic institutional settings, they tended to develop sparse knowledge on what accounts for the variation in SF absorption between or within countries and/or regions.

Second, it is believed that macro-economic developments could affect the overall levels of domestic SF absorption. For instance, looking at data from the 1989-1993 implementation period, Tsoukalis argued that often the failure of countries in spending EU money was firstly, “the result of an unwillingness by national governments to come up with matching sums” (1997, 205). In other words, the inability or lack of willingness of states to co-finance projects has been an obstacle for CP implementation (Boeckhout et al. 2002; Horvat 2004; Ferry and McMaster 2013b).

Third, the domestic structures necessary for the management of the policy proved highly complex (Smyrl 1997; Milio 2007a). In each country, the policy is incorporated in domestic institutional environments each with their own specific context and configuration (Batterbury 2002; Lang 2003; Chardas 2012; Barca et al. 2012). In this respect, differences in performance could be explained by the incompatibility between CP and domestic policy models (Lang 2003) or the differences in policy paradigms.
Structural Funds may presume a public policy model often incompatible with established local policy instruments. Therefore, in order to use these funds, countries may have to undergo “endogenous paradigmatic changes” (Lang 2003). However, changes to domestic formal institutions may prove difficult and could be subject to issues of path-dependency or tensions between European requirements and domestic implementation costs:

‘Which costs the actors expect and how high they estimate them to be, is a question of their assessment of the compatibility between the new requirement of the Structural Funds regulation and domestic policy: the less the contradiction between the European set of institutions and the ideas, interests, power constellations, and resource distributions that are linked to them on the one hand and the respective national set of institutions on the other, the lower are the costs of implementation’ (Lang 2003, 160).

In a similar vein, others have underlined that the “learning capacity” of older member states (Paraskevopoulos 2001; Paraskevopoulos and Leonardi 2004; Leonardi 2005) and new member states (Palne Kovacs 2016) may be problematic. Such explanations tended to draw inspiration from debates on the importance of social capital (Putnam et al. 1993; Milio 2007a). Therefore, some states would require longer periods of time in order to adapt and learn their way through the complexity of CP. Processes of policy learning would also entail the need for countries to adapt to the requirements of the EU public policy environment. Some have contended that policy learning, and the adaptation to the policy models built-in Structural Funds, may require a considerable amount of time (Bailey and De Propris 2002). Moreover, the policy model developed in Brussels may contradict or enter into a “conflict with domestic policies and polities” (Lang 2003) or be affected by different regional or national political circumstances (Marks 1996). Such perspectives would generally posit that the contradictions between European and national institutions, practices and general policy paradigms would generate problems in terms of SF absorption and implementation.

Fourth, many authors have emphasized that variations in the administrative capacity of countries and regions affect the overall implementation of the policy (Boeckhout et al. 2002; Kalman 2002; Molle 2007; Milio 2007a; Bachtler et al. 2013). The development of regional and national institutional capabilities has been problematic for new member states from Central and Eastern Europe (Bailey and De Propris 2002; Bachtler and McMaster 2008; Ferry 2013). Batterbury (2002) linked the variation in
administrative capacity to local conditions, asserting that overcoming these represents one of the biggest challenge for SF implementation. Others stressed that the performance of CP as a whole should only be evaluated by taking into account the implementation style of each member state (Dotti 2013, 602). Overall, the specific literature on EU funds has underlined that administrative, state or governmental capacity is a core explanatory variable for the absorption of EU funding (Milio 2007; Bachtler et al. 2013; Tosun 2014).

Fifth, an increasing strand of the literature seems to suggest that domestic quality of government / quality of governance may affect the ability of countries to effectively deal with external aid. Recently, it has been asserted that regional governance, defined as “the level of corruption, rule of law and effectiveness of public bureaucracy”, may further facilitate a weak performance in CP implementation (Charron et al. 2014, 2). In other words, countries with weak domestic governance would find it more difficult to absorb or use EU funding or to promote objectives of socio-economic convergence. Equally, issues of governmental transparency could also affect CP management and implementation (Ederveen, Groot, and Nahuis 2006; Bouvet and Dall’erba 2010; Nicholas Charron, Dijkstra, and Lapuente 2014). Moreover, rent-seeking behaviour and corruption are seen some of the factors further contributing to variations in SF absorption and regional development (Farole, Rodríguez-Pose, and Storper 2011; Barca, McCann, and Rodríguez-Pose 2012; Rodríguez-Pose 2013; Fazekas et al. 2013; Dimulescu, Pop, and Doroftei 2013).

Finally, several notable studies have been written on the implementation of CP and the absorption of SF in Bulgaria and Romania. On Bulgaria several academic studies have looked at the role of pre-accession funds (Kamenova 1999; Minkova 2004) and more specifically at some of the main deficiencies faced by authorities in Sofia when managing SF (Marinov 2011; Tsachevsky 2012; Hristova 2013; Bloom and Petrova 2013; Paliova and Lybek 2014), whilst others have scrutinised issues of regional development and the impact of CP in the country (Monastiriotis 2008; Nikolova 2008; Yanakiev 2010). On Romania there has been an increasing interest in the topic at the local level with several studies being written on some of the determinants of SF absorption and problems emerging on the ground (Oprescu et al. 2005; Marin 2006; Susanu 2008; Benedek and Horvath 2008; Cace et al. 2009; Zaman and Georgescu
Specific studies have looked at the impact of corruption (Badea 2012; Dimulescu, Pop, and Doroftei 2013a) or the role of CP for regional development (Dobre 2010). However, very few have tried to scrutinise the performance of the two countries in a comparative manner (Becker 2007; Alexandru et al. 2013; Surubaru 2016a).

Having reviewed some of the potential theoretical explanations for weak performance in CP absorption and/or implementation, several gaps in the literature can be noted, as well as the specific approach of this thesis. First and foremost, there are several important theoretical gaps in the literature. This study chose to focus on the importance of administrative capacity and political factors for CP governance. Despite recent advancements, the concept of administrative capacity still lacks proper theoretical specification. Furthermore, although it is assumed that political developments might play an important role, it is not clear, for instance, how the quality of governance manifests and concretely affects the way in which countries handle external aid. In this respect, there is little or specific knowledge and evidence on how administrative and political arrangements influence CP delivery. Second, several empirical gaps can be noted. Firstly, there is still a small number of studies on the 2007-2013 period, particular with reference to CEECs. Secondly, in spite of the increasing number of studies on Bulgaria and Romania, most of the cited studies lack any adequate theoretical frameworks for explaining the variation in absorption performance and the evolution of CP management and implementation in the two countries. Lastly, more comparative studies are needed in order to assess similarities and differences in terms of CP delivery in CEECs and in the EU-28 as a whole.

With regard to the adopted approach, it first must be stressed that this study does not address directly the way in which the policy has potentially initiated domestic changes triggered by processes of Europeanisation or how it might facilitate multi-level governance developments in the countries under examination. Arguably, the strong

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9 In addition, several NGOs and think-tanks have written reports that have informed debates on CP and SF in both countries. Most notable for Bulgaria (Vincellette and Vassileva 2006; Marinov and Garnizov 2006; Stefanov et al. 2010; Bulgarian Coalition for the Sustainable use of EU funds 2010; Open Society Institute 2011) and for Romania (CeRe 2010; IPP 2011, 2012; SAR 2011, 2013; Europuls 2013).
interest of many scholars to isolate the effects of the policy on domestic institutions or practices has potentially weakened theoretical developments for understanding the internal mechanisms that can explain to issues of weak absorption performance. Second, this research has focused in more depth on the mechanisms of delivery and the governance of the policy at the national level. This is done by broadly exploring the formal and informal dimension of CP governance. In line with findings from the literature it was hypothesized that administrative capacity has a strong impact on the ability of states to manage and implement CP. Moreover, it was expected that political factors might influence issues of capacity and absorption performance. In this respect, the study sought to track the influence of administrative and political variables on the absorption performance of the two countries examined during 2007-2013, also seeking to verify the intersectionality between these two independent factors. As a result, one of the aims of this thesis has been to specify how this interaction has facilitated, or hindered, the development of an overall state capacity for EU SF, in order to explain why countries reach an often divergent level of financial absorption. The next section outlines the thesis’ structure.

1.4 Thesis structure

Following on from the introduction, Chapter 2 introduces the formal and informal theoretical conditions assessed in this thesis. The first section of the chapter reviews the concept of administrative capacity and how it has been utilised in wider literature and in relation to CP. The second section outlines and discusses several political factors (stability, support and clientelism) and how they have been approached in the wider literature and in relation to CP. This is followed by a discussion of the EU factor and its potential role and influence for domestic CP implementation. The chapter ends by summarising the main theoretical expectations and by proposing an analytical framework (absorption capacity model) in order to assess the former and to evaluate the empirical evidence.

Chapter 3 outlines the main research philosophy, strategy and methodological tools adopted in order to provide an answer to this thesis’ research questions. It discusses the main elements of the research design, the choice of the case studies and the levels of empirical analysis undertaken in the thesis. Insights and the steps for evidence
collection and the methods used to analyse it are equally outlined. Last but not least, the section reflects on some of the methodological limitations of the study.

**Chapter 4** is the first empirical chapter of the thesis. It contextualizes the evolution and developments of CP management and implementation in Sofia and Bucharest. The chapter first introduces some brief information on the use of pre-accession funding in the two countries and its potential impact for CP delivery. It then continues with insights from the adoption of the countries’ Operational Programmes and the development of national management and control systems. The third and fourth sections of the chapter discuss some of the recurring broader findings on national administrative capacity and political developments in relation to CP, whilst the fifth zooms in on the role and influence of the EU. The chapter ends by re-emphasizing the links between administrative and political factors.

These links are further assessed in the thematic case studies of this thesis: **Chapter 5** and **Chapter 6**. These extend on the management and implementation of two Operational Programmes in each country: Human Resources Development and Regional Development. The chapters outline the specific features of these OPs and how administrative capacity and political factors affected their financial absorption evolution during 2007-2013. The concluding section of both chapters present an assessment of these OPs and the potential explanations for diverging levels of absorption performance found in the Human Resources OPs, as well as the similarity of conditions found in the Regional Development OPs.

**Chapter 7** departs from the structure and logic of the previous thematic case studies. It represents the last empirical chapter and is divided in two main sections which produce an analysis of two distinct stages of the absorption policy process. The chapter takes into account the role and influence of other stakeholders. First, it analyses the evaluation/selection stages of SF funded projects. Second, it looks at the recurrent issues in the allocation of public procurement tenders for SF funded projects. The chapter is a case in point for the arguments made in this thesis, namely that the challenges faced that emerged during these stages resulted from the interaction between administrative capacity deficiencies and political factors.
The thesis then, finally, turns to Chapter 8 which is divided in three separate sections. The first section (8.1) summarizes and discusses the main findings of this thesis. This is done by first reflecting on the insights from the main case studies, whilst section 8.1.3 discusses the findings against the initial working assumption/hypotheses. The second section (8.2) discusses the theoretical implications of the findings, first and foremost for the literature on CP and SF management and implementation, as well as in line with the wider relevant literature. Last but not least, the third section (8.3) prompts a more normative and applied discussion of the thesis’ findings and formulates several recommendations for national, CEECs and EU policy-makers and stakeholders. The thesis ends with several final conclusions, acknowledging some of its limitations and suggesting other significant avenues for future research.
Chapter 2: The governance of EU Cohesion Policy - administrative capacity and political factors. Theoretical insights and analytical framework

As the European Union’s internal development policy, CP and its affiliated SF are, as rightly pointed by some, “ubiquitous” to the EU integration project (Baun and Marek 2014). Through its mechanisms and principles the policy seems to promote a specific type of governance. Despite this, as pointed out by others, the policy has been one of the most misunderstood areas of European decision-making (Bomberg and Peterson 1999 quoted in Bachtler, Mendez and Wishlade 2013). Successive waves of reform have added complex layers of governance and new policy principles and tools to CP. For instance, the 1988 reforms have had deep implications for the governance of the policy and set the wide parameters for its alleged modernisation (Bachtler and Gorzelak 2007; Bachtler, Mendez, and Wishlade 2013). Some scholars have claimed that those reforms allowed for the development of new policy instruments and modes of governance (Marks 1993; 1996). Several core principles embedded in the policy (concentration, programming, additionality and partnership) have enhanced the role of the Commission, whilst the partnership principle prompted the development of a wider framework of cooperation between European, national, regional and local stakeholders (Hooghe et al. 1996).

Following such developments, EU integration scholars have been keen to make the link between the policy and a new “governance” turn in social sciences (Rhodes 1996; Peters and Pierre 1998). CP fuelled some of the leading theoretical debates within EU integration between intergovernmentalists (Moravcsik 1993) and proponents of multi-level governance (Marks 1993; Hooghe and Marks 2001; Bache and Flinders 2004). The intricacies of the policy, and the fact that it allegedly strengthened the role of the European Commission and that of sub-national authorities, were the first to inspire the development of the latter concept (Marks 1992). More recently, Cohesion Policy was described as a:

“...meta-governance tool for horizontal policy coordination and integration, [that] involves all levels of government, from the EU to local, alongside
Multi-level governance provided a theoretical template for assessing CP implementation in Western (Marks 1996; Ansell, Parsons, and Darden 1997; Hooghe and Marks 2001; Bache and Flinders 2004; Bache 2008) or South and Eastern Europe (Bache and Andreou 2013). Furthermore, MLG related analyses have combined with insights from the Europeanisation literature. As theorized, several consequences would be generated from the adaptation pressure triggered by European norms, procedures or policy paradigms - “which are first defined and consolidated in the making of EU decisions and then incorporated in the logic of domestic discourse, identities, political structures and public policies” (Radaelli 2000, 4). It was widely claimed for instance, that due to the adaptation pressures triggered by Europeanization processes, old “policy paradigms” were dismantled across member states as to make way for new ones, in the area of regional policy (Bull and Baudner 2004). For instance, much of the literature examining the role of the “partnership principle” focused on how it might elicit, or not, processes of Europeanisation and multi-level governance at the domestic level (Dabrowski 2013; Cartwright and Batory 2012; Bache 2008; Bache and Flinders 2004; Hooghe et al. 1996).

Although highly relevant for explaining development in EU integration, it is argued here that the above theoretical debates offer few explanations for understanding cross-national variation in SF absorption. This thesis acknowledges the relevance of these theoretical debates, yet it seeks to transcend them by suggesting different analytical tools that could, in part, explain the general conditions that affect CP in new member states, particularly from CEECs. An alternative avenue of inquiry would be to account for the formal and informal conditions that influence the management and implementation of the policy on the ground. Several other authors have recently operated with a similar distinction between formal and informal dimensions of CP governance (Leonardi 2005; Piattoni 2006; Barca 2009). Distinguishing between the formal and informal conditions that influence the implementation of the policy might be useful for investigating why the policy is better managed in some countries as opposed to others. In this respect, the interaction between formal and informal conditions might help explain some of the differences in capacity and performance which arise between and within member states.
This chapter introduces two core conditions and the main concepts underpinning them: administrative capacity and political factors. These have laid the basis for this thesis’ analytical framework. Drawing on different specialized literatures, the chapter proposes an absorption capacity model (analytical framework) which aims to probe the different factors that could affect SF absorption. The analytical model sets out the broad theoretical parameters for collecting the evidence and for the empirical analysis carried out in this study. Apart from distinguishing between formal and informal aspects of governance the following sections are structured as follows. Each presents insights which incorporate several distinct components: (a) wider theoretical debates surrounding the main concepts or in relation to scholarly insights from CEECs or the implementation of other EU policies; (b) specific insights from the scholarship examining EU Cohesion Policy, and often with reference to knowledge on CP governance in CEECs. The main theoretical and working assumptions are summarised in the final section of this chapter.

2.1 Administrative capacity and formal conditions for governance

In political science, public administration, development or European Union studies there are several established research agendas which focus on “administrative capacity” or its alternate forms “state capacity” or “governmental capacity”. From the outset, it must be underlined that the wide meaning of the term renders it difficult to a common definition (Addison 2009; Hanson and Sigman 2013). Moreover, capacity- or institution-building have in recent decades become a buzzword for practitioners of international development and has been much present on the political and discursive agenda of international institutions such as the World Bank, the OECD

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10 Addison (2009, 1) noted that the following terms have often been used interchangeably: ‘Bureaucratic capacity’, ‘public sector capacity’, ‘government capacity’, ‘institutional capacity’, ‘executive capacity’ and ‘organisational capacity’. The author noted that “in earlier literature ‘capability’ is used interchangeably with ‘capacity’.” (Ibid).

11 In this study, the view taken on administrative capacity is similar to state capacity or governmental capacity but is conceptualised in terms of the formal administrative capacity of the state (but different from political governance) to manage and implement Cohesion Policy.
or the European Commission, particularly in relation to developing or transition countries.¹²

Administrative capacity is linked to the ability of states to exert their functions. Deciphering the role of the state vis-à-vis society has rejuvenated the study of comparative government and political systems and comparative political science (Almond and Powell 1966; Mann 1984; Skocpol, Evans, and Rueschemeyer 1985). State capacity could be widely seen as the ability of the administrative apparatus of the state to translate political decisions into practice, to develop institutional or bureaucratic practices or to ultimately allow the state to act as a mediator between different parts of society.

Administrative capacity has been presented as an element enabling processes of governance (Jayasuriya 2005 quoted in Painter and Pierre 2005). Others have argued that administrative is a necessary condition to tackle challenges of globalisation (Farazmand 2009). Recently, other authors have linked administrative capacity to the problem solving abilities of states and specifically to different capacities: delivery, coordination, regulatory and analytical (Lodge and Wegrich 2014). Moreover, in the literature examining the politics of international development, state or administrative capacity have been seen as pre-conditions for an effective aid delivery (Leftwich 1993; Doornbos 2001; Grindle 2004). Nevertheless, authors have been critical of the orthodoxies promoted by international institutions when referring to the term (Leftwich 1994; Weiss 2000).

For public policy scholars, administrative capacity might relate to the ability of state bureaucracies to implement public policies ( Peters and Pierre 2003). Therefore, the absence of administrative or state capacity might be seen as an obstacle for policy implementation (Pressman and Wildavski 1973; Goggin et al. 1990). Other authors have linked the concept of capacity to issues of governmental and management performance. Drawing on federal data on policy implementation in the United States, Ingraham, Joyce, and Donahue (2003) emphasized on the importance of effective management as a driver for capacity and governmental performance.

¹² To a large extent these concepts have been amplified by new debates in public administration such as “New Public Management”. It goes beyond the scope of this thesis to discuss this here.
In Central and Eastern Europe, the dysfunctional administrative cultures and the lack of independence of civil servants have been issues widely discussed with respect to state capacity (Verheijen 1999; Schimmelfennig and Sedelmeier 2005; Dimitrova 2010). Post-communist legacies have weakened the ability of states to develop “Weberian” or meritocratic systems of recruitment for civil servants (Dimitrov, Goetz, and Wollmann 2006; Goetz and Wollmann 2001). One of the main challenge has related to the transformation of highly centralized state apparatus into a flexible and modern public administration (Verheijen 1999, 2007; Goetz 2001; Meyer-Sahling 2004; Dimitrova 2005). Against this background, states have had to gradually rebuild their state capacities. States had to be reinvented “because Marxist regimes left behind badly damaged public institutions, dysfunctional state structures, and bureaucratic apparatuses bereft of administrative capacity” (Holmes 1996 quoted in Ganev 2013, 37). Reforms aiming to modernize public administration were seen by national and international actors such as the EU as one of the “key requirements for the consolidation of democratic regimes” (Goetz 2001, 1033; Meyer-Sahling 2004).13

In the context of enlargement to the East, national governments had to develop their ability to manage future EU regulatory and policy related instruments. Building institutional and administrative capacity emerged as an important formal and discursive pre-requisite of the accession process, tied to the Copenhagen criteria (Dimitrova 2002; Papadimitriou and Phinnemore 2004; Hughes et al. 2004). Administrative capacity was underpinned in the negotiations process and used to benchmark the preparedness of Central and Eastern European countries (Dimitrova 2002, 178). However, authors have signalled the difficulty faced by EU policy-makers in defining the concept (Grabbe 2001; Dimitrova 2002). For instance, Heidbreder (2011) noted that EU institutions have had a limited impact in shaping administrative capacities in new member states. Moreover, a specific set of studies found that administrative capacity was a necessary, but not always sufficient condition for compliance with EU law (Zubek 2005; Hille and Knill 2006; Falkner and Treib 2008; Dimitrova and Toshkov 2009).

13 The argument goes the other way around as well. Based on a dataset of 122 countries, Carbone and Memoli (2015) argued that processes of democratisation contribute towards the consolidation of administrative capacity.
All in all, the majority of authors interested in state, institutional or administrative capacity would tend to agree that the concept has a strong degree of explanatory power attached to it (Addison 2009, 9). The presence or absence of administrative capacity might have important consequences for public policy processes and for policy delivery. The focus will now turn to how the concept has been addressed in the increasingly specialised literature regarding EU Cohesion Policy.

2.1.1 Administrative capacity and Cohesion Policy

In recent years there has been a surge of studies looking at administrative and governmental capacity as one of the most relevant variables affecting the ability of states to manage and implement Cohesion Policy and the Structural Funds affiliated to it (Batterbury 2002; Horvat and Maier 2004; Sumpíková, Pavel, and Klazar 2004; Leonardi 2005; Milio 2007; Molle 2007; Baun and Marek 2008; Benedek and Horvath 2008; Chardas 2011; Antonopoulos 2013; Bachtler, Mendez, and Oraže 2013; Smeriglio et al. 2015; Surubaru 2016a).

Moreover, starting with early 2000’s, the issue of administrative capacity, in relation to European funding has equally emerged on the agenda of practitioners. The term was often defined practically by different consultancies and with little consideration to different theoretical debates (Smeriglio et al. 2015). For instance, one of the early definitions of administrative capacity saw it as “the set of functional conditions that allow governments to elaborate, manage and implement programmes with better performance” (Jaenicke 2001, 4). In addition, another influential study published by the Netherlands Economic Institute (Boeckhout et al. 2002) has had a long lasting influence on how administrative capacity is operationalised by EU policy-makers (Boijmans 2013). Boeckhout et al. define absorption capacity as “the extent to which a Member State is able to fully spend the allocated financial resources from the Structural Funds in an effective and efficient way” (2002, 2). They measured “absorption capacity” through three distinct dimensions:

(a) Macro-economic absorption capacity: “defined and measured in terms of GDP”;
Financial absorption capacity: “the ability to co-finance EU-supported programmes and projects, to plan and guarantee these national contributions in multi-annual budgets, and to collect these contributions from several partners (public and private), interested in a programme or project”

Administrative capacity: “[the] ability and skills of central, regional and local authorities to prepare acceptable plans, programmes, and projects in due time, to decide on programmes and projects, to arrange co-ordination among the principal partners, to cope with the vast amount of administrative and reporting work required by the [European] Commission, and to finance and supervise implementation properly, avoiding fraud as far as possible” (2002, 2).

Boeckhout et al. 2002 developed a grid which combined various indicators of administrative capacity in relation to stages of the policy cycle affiliated to the absorption of EU funds. Another influential study was published by the Austrian Institute for Spatial Planning (OIR 2003). The study evaluated several factors that would affect the implementation systems of European funds: namely the (1) institutional actors involved and the implementation process; (2) the context of each country (political, socio-economic, legal, cultural; centralized/decentralized systems) and finally (3) the rules, procedures and technical systems (tools of implementation). Moreover, the study posited that the territorial configurations of states and the characteristics of implementation specific to each country must be taken into account.

A strong degree of academic interest in administrative capacity and EU funds has emerged around the same period. For Sumpikova et al. “capacity is critically influenced not only by the ability of the applicants to prepare projects, but also by the whole system of implementation, monitoring and auditing, prohibiting in-effective use, or even misuse of funds” (2003, 1). Horvat defined administrative capacity as “the capability of the public authorities on various administrative levels within the country to adequately prepare, execute and monitor programmes subsidised through EU structural policy” (2004, 7). Leonardi has examined administrative capacity in terms of the overall “efficiency and effectiveness of the administration to deal with the policies” (2005, 30). The author linked ADM with the formal ability of states to deal with the policy. Using the latter perspective, Milio (2007a) has examined the variation
of administrative capacity for regional performance implementation of Cohesion Policy in two Italian regions. She defined the concept as “the ability of the institutions to fully and effectively carry out their duties and responsibilities” (2007a, 40). She operationalised the concept in relation to four core components: (1) Management; (2) Programming; (3) Monitoring and (4) Evaluation.

Molle (2007) asserted that administrative/absorption capacity was a weak dimension of different member states. He offered a holistic view of the mechanisms behind CP and in relation to six different stages that define the policy. Moreover, the author examined three determinants of institutional capacity: structure, human resources, systems and tools and functioning. He connects these determinants to several core practical dimensions behind the policy: creating institutions, building partnerships, programming actions, managing implementation, monitoring progress and auditing operations (Ibid).

In a paper comparing the developments of the public administration, in the eight CEECs that gained EU membership in 2004, Verheijen divided ADM into three dimensions: policy, people and systems (E-government) (2006, XII). These were operationalised through different indicators, including a notable component, namely the relationship between political and administrative actors (see Table 1 for the specific indicators).

Evaluating administrative capacity in Greece, Chardas (2012) examined the interactive capacities of the state to implement EU regional policy. The author distinguished between internal - administrative capacities, understood as ideal Weberian bureaucracy and external - interactive capacities, seen as the interaction between state and society and the embeddedness of states and society and the interdependence between the two (2012, 12-13). Furthermore, Antonopoulos defined the concept as the “possession of all those resources, structures and systems that enable a public organisation to perform its required functions in a sustainable way” (2013, 71). He then operationalized it as resources, structures and systems in order to investigate how pre-accession assistance affected the development of administrative capacity in Croatia.
One of the most recent comprehensive studies using the term, differentiated between administrative performance and administrative capacity when examining eight Central and Eastern European countries (2004-08) (Bachtler et al. 2013a). They define administrative performance as the: “the extent to which systems are “fit for purpose” in fulfilling the regulatory, strategic and financial requirements of policy programme management and implementation” (2013, 3). Secondly, they operationalized administrative capacity as the “organizational structures, adequacy and quality of human resources and administrative adaptability” employed by states in the process of EU funds implementation (2013, 14).

Table 1 summarizes some of the above key contributions to the theoretical on administrative capacity and EU funds. Despite strong commonalities there is still a lack of consensus on what administrative or absorption capacity entails. This makes it difficult to establish a common theoretical basis for investigating the potential mechanisms that may lead to a weak capacity, or in relation to policy implementation. Overall, some have raised concerns on the “overstretch” of ADM in relation to EU funds (Marinov 2011, 16-17). Others have criticised the lack of specificity of European policy-makers for defining administrative capacity or the lack of specific measures for ADM development which perpetuate problems for EU funds management (Milio 2007a; Bachtler et al. 2013; Petzold et al. 2015). It is argued that there is still considerable room for improving how administrative capacity is operationalised and analysed in both theoretical and methodological terms. Drawing again on the specialised literature, the following section proposes the operational definition of administrative capacity used in this thesis.
<table>
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<th>Authors / date</th>
<th>Administrative / absorption capacity: main elements</th>
<th>Specific indicators</th>
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<tr>
<td>Boeckhout et al. 2002</td>
<td>-Design: Structure, Human Resources, Systems &amp; Tools -Functioning</td>
<td>The main elements were examined via the following policy stages: (1) Management; (2) Programming; (3) Implementation; (4) Evaluation &amp; Monitoring; (5) Financial management &amp; Control</td>
</tr>
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</table>
| Sumpikova et al. 2003| -Supply side -Demand side | **Supply side** (reproduces Boeckhout et al. 2002):<br>-Macro-economic conditions  
-Ability to co-finance  
-Administrative capacity  
**Demand side:**<br>-Ability to develop projects by applicants |
| Horvat 2004          | Reproduces and adapts elements and main indicators from Boeckhout et al. 2002:  
-Macro-economic absorption capacity  
-Administrative absorption capacity  
-Financial absorption capacity |
<p>| Milio 2007a          | -Management -Programming -Monitoring | (1) Management: Clarity in the definition of the role / Coordination and cooperation between departments; (2) Programming: Programme design: Swot Analysis / Programme approval: time lapse between the beginning of the CSF and the approval of the Regional Operational Programme; |</p>
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<th>Source</th>
<th>Structure</th>
<th>Systems &amp; Tools</th>
<th>Functioning</th>
<th>-Evaluation</th>
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<tr>
<td>Molle 2007</td>
<td>-Structure</td>
<td>-Human resources</td>
<td>-Systems &amp; Tools</td>
<td>(3) Monitoring: Introduction of a system of indicators and monitoring procedures responding to national/European agreed standards / Guaranteeing the availability of financial, physical and procedural data; (4) Evaluation: Production of Evaluation reports / Integration of evaluation method and culture into the system.</td>
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<td>-All the main elements of the “delivery systems” are examined through several policy stages:</td>
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<td>(1) Creating institutions;</td>
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<td>(6) Auditing operations</td>
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<td>Verheijen 2007</td>
<td>-Policy</td>
<td>-People</td>
<td>-Systems</td>
<td>-Policy: (1) Performance management; (2) Strategic Planning; (3) Policy coordination systems;</td>
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<td>-People: (4) Human resources legislation; (5) Human resources horizontal management; (6) Politico-administrative relations; (7) Incentives</td>
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<td>-Systems: (8) E-government</td>
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<td>Chardas 2011</td>
<td>-Internal state capacities</td>
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<td>-Interactive state capacities</td>
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<td>-Administrative capacities relate to internal state capacities</td>
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<td>-Synergy between state and society relate to interactive state capacities</td>
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<td>Antonopolous 2013</td>
<td>-Resources</td>
<td>-Structures</td>
<td>-Systems</td>
<td>-Resources: (1) Human resources and skills; (2) Financial Resources;</td>
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<td>-Structures: (3) Purpose-built agencies; (4) Institutions; (5) IT / E-government</td>
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<td>-Systems: (6) Financial management and control; (7) Monitoring information system; (8) Procurement</td>
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<td>and contracting; (9) Project selection; (10) Audit systems; (11) Evaluation</td>
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<td>Bachtler et al. 2013</td>
<td>-Administrative Performance</td>
<td>-Administrative</td>
<td>Capacity</td>
<td>-Administrative performance is operationalised in relation to several policy stages: 1) Programming</td>
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<td>-Administrative Performance</td>
<td>Capacity</td>
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<td>(organization of programming / programme documents / negotiation and approval); 2) Project</td>
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<td>preparation and selection (project generation / project appraisal / commitment of funds); 3) Financial</td>
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<td>Capacity</td>
<td>management (processing of payment claims / financial (de)commitment / financial management and</td>
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<td>Capacity</td>
<td>control); 4) Monitoring and reporting (system of indicators and monitoring procedures / availability of</td>
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<td>Capacity</td>
<td>financial, physical and procedural data); 5) Evaluation (Evaluation reports / Evaluation methods and</td>
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<td>culture); 6) Administrative capacity is operationalised through three core components: 1) Organizational</td>
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<td>structures (allocation of competences and responsibilities [of the institutions involved in the process] /</td>
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<td>coordination and cooperation among ministries and implementing bodies / organizational stability); 2)</td>
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<td>Capacity</td>
<td>Human resources (availability and suitably qualified staff / human resources management); 3)</td>
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<td>Capacity</td>
<td>Administrative adaptability (establishment and adaptability of procedures and tools).</td>
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Source: Author’s creation
2.1.2 Defining and operationalising administrative capacity in this study

This study envisions administrative capacity as the interaction between institutions, procedures and human resources. In order to conceptualise ADM CAP, the study combines insights from the above specialised literature. Administrative capacity is defined here as the institutional, bureaucratic and human resources capacity of institutions, and all other affiliated stakeholders, to engage in the absorption policy process and to contribute towards Cohesion Policy management and implementation at the national, regional and local level. Moreover, territorial capacity is envisioned as an intervening factors and relates to the deployment and variation of administrative capacity at different sub-national levels (regional and local).

As opposed to the operationalisation advanced by Boeckhout et al. (2002), Milio (2007a) and Bachtler et al. (2013a), this thesis does not mix administrative capacity factors with the main stages of the absorption policy process. Arguably, embedding administrative capacity in the different stages of the absorption policy process might affect the way in which the former is assessed. It is therefore assumed here that administrative capacity must be examined separate from the main operational stages of the absorption process (policy cycle): (a) programming; (b) management; (c) project preparation and selection; (d) implementation; (e) financial management; (f) monitoring and reporting; (g) evaluation (Molle 2007; EIPA 2008; Bachtler et al. 2013a). The merits of this approach is that it might allow for a clearer distinction between the administrative capacity of institutions and their ability to engage in the different policy stages enumerated above.14 Arguably, this is approach might allow a more thorough assessment of the independent factors analysed (administrative and political) on the absorption policy process and ideally in relation to absorption performance. To sum up, administrative capacity can be regarded as the formal administrative and technical capability of a country to implement European policies. Therefore, it is first hypothesized that administrative capacity is one of the main abilities required by states in order to reach a reasonable degree of SF absorption performance. The remainder of the chapter outlines the various elements of

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14 From a methodological point of view, it might be necessary to disentangle capacity from the policy process in order to avoid the potential for these to become endogenous to one another.
administrative capacity, including operational indicators and the specific working assumptions, on administrative capacity, assessed in this thesis.

**Institutional capacity**

Institutional capacity is the first dimension of administrative capacity conceptualised in this thesis. The main question underpinning it was whether or not countries had the necessary institutions in order to manage and implement European CP. The objective was to empirically capture the degree to which central, regional and local level institutional actors have had the necessary institutional capacity to manage the process of absorption. Institutional capacity is operationalised through three distinct indicators: institutional design, institutional coordination and institutional accountability. Before detailing these dimensions, a brief review of the wider literature on institutions and the importance of institutional capacity for Cohesion policy in CEECs is presented in the following.

Institutions are examined by different and competing theoretical debates. Some have widely defined them “as systems of established and prevalent social rules that structure social interactions” (Hodgson 2006, 2). Adherents of neo-institutionalism seem them as the “enduring collection of rules and organized practices, embedded in structures of meaning and resources that are relatively invariant in the face of turnover of individuals and relatively resilient to the idiosyncratic preferences and expectations of individuals and changing external circumstances” (March and Olsen 2006, 3). In short, institutions are generally seen as systems of rules and practices ingrained in public bodies. In different disciplines, from institutional economics to regional development, it is more and more acknowledged that poor institutions and/or poor institutional configurations might affect processes of socio-economic development (North 1990; Acemoglu and Robinson 2006; Rodríguez-Pose 2013).

Institutional capacity remains a key issue of concern for countries in CEECs (Bachtler and McMaster 2008; Baun and Marek 2008; Wostner 2008; Ferry 2013; Ferry and Mc Master 2013b). Drawing on evidence from the Czech Republic, Estonia, Hungary, Poland and Slovenia, Bailey and De Propris concluded that in the process of institutional capacity development, “assistance has largely focused on the national level, leading in some cases to over-institutionalisation, with relatively little achieved
at the regional level” (2002, 320). Recent evidence, from south-east and central and Eastern Europe, validated such claims pointing out that central governments were the main beneficiary of institutional capacity development from the use of Structural Funds (Hughes, Sasse, and Gordon 2004; Bache and Andreou 2013). In line with the literature, the design, coordination and accountability of institutions managing processes of EU funds absorption are chosen as the main dimensions of institutional capacity.

Firstly, institutional design represents the institutional model adopted by each country in order to manage and implement Cohesion Policy. In other words, institutional design has to do with the overall institutional architecture put in place, as well as the functional relationship between the bodies involved in the absorption process. The way in which competences and responsibilities have been allocated between institutions has sparked strong interest among the researchers interested in this area (Boeckhout 2002; Milio 2007a; Vant 2012; Bachtler et al. 2013). Each country might adopt its own institutional model with implications for the development of institutional capacity. More specifically, institutional design could relate to (a) the establishment of management and control systems for EU funds and the challenges that emerged at this stage; (b) the extent to which the institutional model (e.g. centralised/decentralised/semi-centralised) adopted was functional and (c) efficiency of institutions involved in the absorption process.

Secondly, institutional coordination represents the way in which the institutional bodies involved in the process coordinate and communicate with each other. Poor coordination among and within institutional bodies has been a common place for post-communist states (Kalman 2002; Verheijen 2007; Dimitrova and Toshkov 2009). For instance, Dimitrov et al. (2006) revealed that administrative bodies from the area faced significant obstacles when developing a coordination capacity. Moreover, CP implementation has produced problems of over-institutionalisation, with many authorities having “blurred and overlapping responsibilities” (Bailey and De Propris 2002, 319). Specifically, poor inter-ministerial coordination seems to have been a problem for CP delivery in countries like Hungary or the Czech Republic (Horvath 2008; Marek and Baun 2008). For this study the aim was to see the extent to which institutional bodies have benefited from a good level of coordination and
communication. The assumption was that the way in which the main managing and control institutions coordinate and communicate, within and between each other, matters for the development of institutional capacity. Therefore, understanding problems related to coordination might be a relevant avenue for inquiry.

Finally, institutional accountability could relate to the responsibility, transparency or general openness of institutions, in this case those involved in the absorption processes surrounding the delivery of EU external funding. Accountability has often been seen as a crucial concept for understanding the relationship between different layers of authority (Evans and Rauch 1999; Hille and Knill 2006). There have been varied theoretical debates about the meaning of accountability which are briefly discussed in the following.

In its original sense, accountability has been defined as the process in which an authority “is called to account for its actions” (Jones 1992 via Mulgan 2000, 555). Moreover, accountability can refer to a “framework for the exercise of state power” in which public bodies “need to justify their actions” (Oliver 1991 via Harlow 2002). The political science / public administration literatures have since expanded the meaning and use of the term in order to refer to accountability as – responsibility, responsiveness, control and dialogue (Mulgan 2000). Finally, Bovens (2010) distinguishes between accountability as a normative behaviour, a virtue of public agents, and accountability as a mechanism through which the latter are held to account.

At the policy level, accountability has often been intertwined with various normative principles and ideas. Rothstein has pointed out that many international institutions refer to accountability (along the rule of law, an efficient public sector or tackling corruption) as a tenet for democratic and economic development (2012, 143). In this respect, many international organisations have promoted accountability as part of a philosophy of “good governance” and as an “ultimate principle for the new age of governance” (Fisher 2004, 495). Elsewhere, in Central and Eastern Europe,

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15 The most important institutions included in the implementation systems for CP funding are: Central Coordination Units, Managing Authorities, Intermediate Bodies, Audit Authorities, Payment and Certification Authority and other public bodies involved in EU funds absorption processes (e.g. Public Procurement Agencies, Anti-Fraud Departments).
accountability has been described as one of the weakest features of post-communist polities (Morlino 2004). Given differences in political systems and traditions, it was asserted that accountability might be difficult to conceptualise outside the framework of Western liberal democracies (Fisher 2004, 496).\textsuperscript{16} The EU’s enlargement towards Central and Eastern Europe saw the EU institutions adopt “accountability” as a wider principle, part of the Copenhagen accession criteria, alongside the rule of law and human rights. In this regard, an almost causal relationship was posited between “accountability” and the ability of administrative or judicial institutions, on the ground, to strengthen their capacity and overall functionality (Dimitrova and Pridham 2004, 97). Accountability has recently been revived in relation to European Union studies (Bovens 2007). Some authors have specifically discussed the concept in relation to the legitimacy or the democratic deficit facing EU institutions (Harlow 2002). More in line with the focus of this thesis, there has been an interest in the relationship between accountability and Cohesion Policy delivery and implementation (Batterbury 2006; Mairate 2006; Polverari 2015; Damen-Koedjik 2016).

In this study, the choice has been made to theorise accountability as the ability of relevant public institutions to operate in a transparent (normative dimension) and a responsive manner (process related dimension). The main reason underpinning this choice relates to the potential link between the accountability of the institutions engaged in processes of EU funds absorption and their capacity to implement CP. Therefore, for the purpose of this study, a two dimensional definition of accountability has been adopted namely as: transparency and communication. First, transparency is regarded as one of the new elements of accountability (Fisher 2004). In theory, one would expect that institutions that are more transparent are also more accountable and potentially have a higher degree of capacity. The reverse could equally apply, whereas transparency might not necessarily add any value to the ability of these institutions to deal with external EU aid. In fact, transparency could be enforced in a rather mechanical manner by institutional agents, in this case only to comply with requirements of European regulations and principles. Allegedly, this could bear negative effects on the overall implementation of the policy. Second, it is the more an

\textsuperscript{16} For instance, there have been discussions on the lack of a linguistic equivalent of the word “accountability” in other countries apart from those of the English speaking world (Mulgan 2000, 555). This is the case in countries such as Bulgaria and Romania, which makes it difficult to translate and operationalise the term in a political or administrative manner.
institution is responsive and communicates with its core public the more this increases its levels of accountability. This is operationalised by examining the extent to which managing institutions have been responsive to the queries addressed to them by EU funds beneficiaries, which overall represent their main “clients”. Therefore, the specific focus of this inquiry relates to examining the degree to which accountability might be a constitutive element of the overall institutional capacity of the relevant public bodies implementing external funding.

Overall, the analytical aim regarding institutional capacity was to capture and explain the idiosyncrasies of the design, coordination and accountability of the managing institutions and whether or not that has any effects on the overall absorption capacity and performance of countries. Based on the above, it was hypothesized that \( H_1: \) 

**Institutional mis-coordination and non-accountability have a negative impact on administrative capacity and on absorption performance.** Therefore, it was expected that institutional capacity plays an essential role for the absorption of EU funding.

**Bureaucratic capacity**

Bureaucratic capacity can be regarded as the second component of administrative capacity within this study. Bureaucratic related capacity is widely defined here as the degree to which a country has the legal, procedural and technical infrastructure to manage European Union financial aid. One of the primary objectives was to capture and explain the presence and adequacy of legal, procedural and bureaucratic tools used for managing and implementing the policy.

The bureaucratic capacity of countries was seen a key driver for the implementation of the *acquis communautaire*. For instance, Hille and Knill (2006) conclude that it is the bureaucratic capacity of administrations, and not so much the existence of political veto players, that is crucial for “the functioning and the quality of the domestic bureaucracy constitute crucial preconditions for effective alignment with EU policy requirements” (2006, 549). Similarly, Knill and Tosun (2009) found further evidence

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17 It must be acknowledged that the two dimensions of accountability, narrowly defined in this context as transparency and communication, might not be sufficient to account for accountability in the original sense of the concept.
to suggest that bureaucratic capacities play a determinant role in a successful transposition of EU directives into national law.

Post-communist public administrations are notoriously highly “bureaucratic” (Verheijen 1999; Eriksen 2007). This might relate to the legacy of the recent past and the control exerted by the communist party on the administration (Goetz 2001; Bouckaert 2009). Many post-communist administrations were affected by rigid and bureaucratic procedures validated through rubber stamping paperwork (Verheijen 1999; Agh 2003). The working environment surrounding public bureaucracies is often perceived by the public as less productive or less inclined towards creative solutions (Marinov 2011). Moreover, the trajectories of administrative reforms, in the area, may have yielded different results in terms of bureaucratic capacity (Bouckaert, Nakrošis, and Nemec 2011).

One of the long lasting discussions regarding Cohesion Policy is the need to further simplify the number of cumbersome administrative procedures affiliated to it (Ferry 2013). The policy has been often criticised for producing extremely dense procedures that lead to a “Byzantine plethora of bureaucratic actions” (Chardas 2012, 232). Even in allegedly established public administrations such, in Germany, there has been evidence of “rubber-stamping” in local and regional authorities’ in relation to the policy” (Thielemann 2000, 22). Furthermore, in Lithuania, “administrative overload” was seen as one of the main issues surrounding the policy (Nakrosis 2008, 8). It is postulated here that the legal and procedural infrastructure used by the institutions involved in the process matters. Yet, it is often unclear how to measure and assess this capacity. Boeckhout et al. (2002) examine systems and tools by accounting for whether or not the managing institutions had guidelines and manuals, computerised monitoring systems and the existence of accounting systems. Bachtler et al. (2013) emphasized the need for countries to have adaptable procedures for the management of the policy.

Bureaucratic capacity is structured here along several components: legal rules and administrative procedures, use of electronic systems and instruments and the use of project methodologies. Firstly, in terms of legal rules and administrative procedures if a country has the adequate legislation, administrative procedures and documents in
place one can expect it to have a higher degree of administrative capacity and absorption performance. Legislation has also been a problematic area in old member states such as Italy and Greece (Milio 2007a; Chardas 2011). There are two areas that are taken into account in this sub-component: (a) whether countries have the adequate legal and procedural means to manage and implement Cohesion Policy this includes specialised legislation, general administrative templates, specialised documents (e.g. Applicants’ guides); (b) whether legislation, and most importantly, procedures were stable and/or uniform across Operational Programmes. It is assumed that frequent changes of legislation and procedures would damage the ability of countries to manage funding.

Secondly, the use of electronic systems and e-government tools has often been seen as a sign of significant administrative capacity (Verheijen 2007; Milio 2007a). In this respect, examining whether or not managing institutions have used such systems is crucial to evaluate their ability to simplify procedures and to potentially improve processes of implementation. This includes the use of central electronic systems for data and information management. Therefore, a higher use of electronic systems may, or may not, influence the degree of administrative capacity in an administration. Potential specific indicators here represent the number or whether or not project applications have been made using electronic means, as well as the perception of administrators and beneficiaries on the functionality of such systems.

Thirdly, the use of specific methodologies for project management may enhance or not the overall administrative capacity of countries. The aim here is to see if managing institutions have internalized several European practices in terms of management and whether or not that has improved their day-to-day work.

In addition to the above, bureaucratic capacity may be assessed in relation to several stages of the absorption process: (a) the evaluation and selection of project and (b) the countries’ public procurement systems. Several studies, as well as practitioners raised the issue regarding the dysfunctionalities affecting these two stages of the policy process (Fazekas et al. 2013; Dimulescu et al. 2013; Boijmans 2013).
Overall, it was generally expected that \textit{H2: The higher the number of administrative and legislative procedures a country has the lower the administrative capacity of a country will be.} The overarching assumption behind the latter hypothesis was that a higher density of legislation and procedures could reflect a dysfunctional bureaucratic capacity for the management and implementation of EU Structural Funds.

**Human resources capacity**

Human resources capacity represents the third component of administrative capacity. This is defined here as the degree to which the management and control institutions have had the necessary human resources for the absorption process. More specifically, the aim was to assess the extent to which employees of these institutions have had the adequate expertise, training and incentives to carry out their duties. In addition, it is argued here, that in order to understand the human resources capacity of a country one must equally examine the input of non-official actors such as EU funds beneficiaries and/or of consultants.

Human resources capacity is often acknowledged as a key dimension of administrative capacity. Human resources usually relates to the ability of civil servants working in state institutions. The civil service plays an important role for processes of capacity-building (Mentz 1997). Moreover the competency of management has also been scrutinized in relation to public bureaucracies (Lodge and Hood 2003). In essence, human “agents” are tasked with carrying out the administrative processes required for translating EU legislation and policies from the EU level and into the national context (Featherstone and Radaelli 2003). Moreover, Falkner et al. (2004) found that administrative shortcomings in compliance with EU law were often caused by insufficient financial and personnel related resources.

In post-communist polities, the reform of the civil service has been a highly problematic area (Verheijen 1999; Dimitrova 2005; Meyer-Sahling 2011). During the communist era, the formation, selection, placement and promotion of civil servants was much under the control of the communist party. This rendered bureaucrats highly “subordinated to party bureaucracy” and established the “predominance of the principle of loyalty to the political leadership” (Verheijen 1999). Therefore, the idea of civil servants acting as mediators between government and society was very much
alien to communist ideology (Ibid.). Studies demonstrated that civil servants from Central and Eastern European countries are often not satisfied with the quality of their employment and with the way in which “change” ensues in their organisations (Dragoș and Neamțu 2007; Lee 2009).

The literature on Cohesion Policy established human resources as an important component for administrative capacity (Molle 2007; Milio 2007a; Antonopoulos 2013; Bachtler et al. 2013a). The stability of staff and staff turnover might affect the development of this capacity (Boeckhout et al. 2002; Milio 2007a). Moreover, different staffing arrangements and the issue of financial remuneration were reported to have an impact on the functioning of institutions managing EU funding (Bachtler and McMaster 2008; Scherpereel 2010). In addition, apart from experienced and financially motivated staff, the latter institutions also require “the capacity to carry out [strategic] programming”, “independent evaluation expertise” and “auditing skills” (Boeckhout et al. 2002, 27).

Assuming that human resources matter, this dimension has been conceptualised here along two main lines. The first relates to the capacity of employees working in managing and control institutions and was assessed by looking at: (a) the number of staff employed and overall ratio in relation to the number of EU-funded projects managed; (b) the quality of expertise of staff; (c) training and professional development - investigate whether or not staff have received adequate levels of training and if this has enabled them to carry out their duties (Boeckhout et al. 2002; OIR 2003) and finally (d) whether or not staff have benefited from financial (e.g. salaries, bonuses) and professional incentives (e.g. opportunity for career development/assessment). If incentives are low, then one would expect staff to be less compelled in fulfilling their tasks.

The second human resources capacity dimension takes into account the external stakeholders involved in the different stages of the absorption process. Structural Funds implementation imply an interaction between a variety of state and non-governmental actors (Batterbury 2002; Lang 2003; Cartwright and Batory 2012). Beneficiaries, consultancies or civil society actors are involved in the programming and implementation stage of the projects. Studies that examine the overall
administrative capacity of states for EU funds delivery have mainly focused on the
capacity of official administrators. In addition, this study has sought to explore the
influence of different external stakeholders as to understand their input into
administrative capacity and absorption processes. This was done by first examining
the role of beneficiaries, the main non-official actors involved in absorption. Several
policy processes revolve around them and therefore these have the ability to influence
the performance of countries in this area. Secondly, this study sought to take into
account the role of local consultancies for EU funds absorption. These are private
actors that provide assistance and services to beneficiaries (public or private) and
whose input may have a positive or a negative impact on administrative capacity and
on performance as a whole.

In most public administration systems, human resources are considered to be one of
the most important components of state capacity. Equally, it is posited here that
without qualified and incentivised employees it may be difficult to speak of a
functional administrative capacity. Therefore, it was widely expected that problems
regarding human resources might impair the overall capacity of countries to manage
EU external aid. Overall, it can be hypothesized that \( H_3: \) There is a positive link
between the expertise and incentives of administrators to manage Structural Funds.
The higher the two are the higher the absorption performance of a country will be.

**Territorial capacity**

A strong academic interest has developed recently on new regionalism and how
political processes unfold at the sub-national level (Keating 1998; Loughlin 2001;
Keating 2013) and the degree of regional authority found within different member
states (Hooghe et al. 2010). Cohesion Policy and the implementation of Structural
Funds have equally been informed by debates on multi-level governance (Marks 1992;
1993; 1996; Hooghe and Marks 1996; Bache and Flinders 2005). Moreover, the idea
of “Europe of regions” and regional empowerment are much linked to the territorial

Central and Eastern European countries are well-known for highly centralized states,
another strong legacy of centrally planned economies. The centralisation of power may
have affected the development of genuine regional policies in Central and Eastern
European countries (EPRC and Metis 2009, 35; Ferry and McMaster 2013b, 1519). Against this backdrop, in many countries NUTS 2 regions were created mainly for statistical and administrative purposes and did not receive legal prerogatives to manage European funding instruments. Polish or Hungarian NUTS 2 regions were among the only exceptions having resorted to authentic territorial re-organizations and a redistribution of power (Hughes et al. 2004; Kovacs 2009). Such changes have sparked discussions on the potential impact of Europeanisation in the area (Bruszt 2008; Dobre 2010; Scherpereel 2010). Much space has been dedicated in the literature to discuss how prerogatives for EU funds management have been distributed between central and regional governments (Bailey and De Propris 2002) and whether they contribute to processes of regionalisation in CEECs (Marek and Baun 2002; Bruis 2002; O’Dwyer 2006; Scherpereel 2010).

Territorial capacity is generally defined here as the degree to which regional and local level institutional structures and stakeholders have contributed towards the management and implementation of European Structural Funds.18 This might be a relevant endogenous intervening factor. Territorial capacity is structured along three core components. Firstly, the extent to which the country makes use of a centralised or a decentralised approach in public policy implementation may matter for the overall performance in dealing with Cohesion Policy. Cohesion Policy is an area where the principle of subsidiarity applies (Begg 2008). On the basis of this principle, central and local governments may have full autonomy in managing the absorption process. Bähr (2008) underlined that Structural Funds are generally more effective in countries where a higher degree of decentralisation is present. It has, moreover, been argued that one of the main reasons for Poland’s successful implementation of EU funds had to do with the decentralized model of management that meant each region was empowered to manage its own Operational Programmes (Mihăilescu 2012a; Ferry and McMaster 2013b). Thus, the choice between the two may have an effect on absorption performance.

Secondly, domestic territorial configurations are important, and they could influence the overall capacity of countries to manage and implement the funding. For instance,

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18 Territorial capacity is conceptualised as part of administrative capacity but is largely seen as an intervening variable in the overall analytical framework of this study.
Batterbury claimed that centrally designed policies may not take into account “institutional strengths in a locality” (2002, 862). In addition, some have recently argued that the quality of regional governments matters and that the policymaking abilities of such governments, and wider issues of governance, may affect the implementation and effective use of European funds (Dudek 2005; Charron et al. 2014). Different territorial configurations could be examined by looking at the relationship between central government and the different governmental tiers used for EU funds implementation.

Finally, it may be that expertise at the regional and local level is inferior to that of expertise amassed at central levels of government. Authors have noted that European policies in general, and Cohesion Policy specifically, may strengthen the upper echelons of national governments (Benz and Eberlein 1999; Goetz 2001; Buzogány and Korkut 2013). In countries such as the United Kingdom it was found that governments acted as “extended gatekeepers” in all stages of the process when implementing Cohesion Policy (Bache 1998). Similarly, Bailey and De Propris (2002) have found evidence to suggest that governments in CEECs tended to limit the participation of sub-national actors in the processes behind EU regional policy. With all this, other authors have shown that regions in Central and Eastern European countries have benefited from EU funds for the development of their, albeit incipient, capacity (Dobre, 2012; Bachtler et al., 2013; Ferry and McMaster, 2013). Overall, one might expect that poor levels of capacity, knowledge or expertise at the local level of implementation would obstruct the management and implementation of the policy.

Given the above discussions, territorial capacity could be examined as the input of regional and local level administrative capacity and their positive or negative impact on a country’s absorption capacity and performance. Capturing the role of these different levels of management and implementation could provide a worthwhile avenue for investigation. All in all, it can be hypothesized that \( H_{4a}: \text{A higher level of decentralisation has a positive impact on the absorption capacity and performance of a country.} \) Moreover, one can also expect that \( H_{4b}: \text{A country with low amounts of expertise at the local and regional level of management would have a lower absorption capacity and performance.} \)
2.2 Political factors and informal conditions for governance

Whilst administrative capacity represents a formal requirement for governing European funds at the domestic level, one of the main claims of this thesis is that in order to capture the intricacies of EU funds implementation one should examine some of the informal dimensions of governance. In doing so, this thesis draws more generally on the literature concerning the impact of political factors and their influence within the public administration and post-communist polities. One of the main questions motivating this study was the extent to which political factors could mediate the management and implementation of EU CP and Structural Funds within new member states? To generate several working assumptions, the current section first outlines the wider debates regarding the impact of political factors on public administration and policy delivery. Without understanding the political dimension, it may be difficult to grasp problems emerging in policy delivery.

Firstly, a wide distinction has been made between politics as the “expression of the will of the state” and administration “as the execution of that will” (Goodnow 1914, 22). This distinction might hold considerable explanatory power for the implementation of public policies. There have been long standing theoretical debates with regard to the dichotomy between politics and administration (Waldo 2006; Svara 1998; Svara 2001; Overeem 2005). Some have sought to capture and explain the politics within bureaucracies (Peters 2009) and how the relationship between administrators and political representatives shapes the development of public administrations (Peters and Pierre 2004). Others have been interested in how political processes shape the ability of countries to adopt public reforms (Verheijen 2001; Pollitt and Bouckaert 2004). Finally, others have been interested in how politicians shape the technical and policy-making capacity of countries for managing SF (Milio 2007a).

Secondly, politico-administrative relations have often been examined in relation to the conceptual lens provided by “ politicisation” and the impact that political forces might have on institutional and public administrative settings. Some have argued that recently there has been an increase in politicisation within Western industrialised countries enabling politicians to re-establish control over public bureaucracies.
Guy Peters has argued that politicisation can “undermine the civil service as an institution” as well as “governance processes” (2013, 20). A notable definition of politicisation posits a relationship between civil servants and politicians and defines it as “the substitution of political criteria for merit-based criteria in the selection, retention, promotion, rewards, and disciplining of members of the public service” (Peters and Pierre 2004, 2). Political involvement in the work of civil servants has been constant presence in most public administrations from the area. Against this background, the term could denote the arbitrary appointments of staff or more subtly, shaping the preferences of those civil servants and bending their will to new political priorities, applying political criteria in the evaluation of their work, or simply keeping the bureaucracy under democratic control (Peters and Pierre 2004, 2-4). There is substantial evidence of civil service politicisation across Europe from Greece (Chardas 2011) to Slovakia (Beblavy, Sicakova-Beblava, and Ondrusova 2012). At the opposite end the spectrum, terms like “neutrality”, “expertise” or “impartiality” have been used as antonyms to such this process and potential determinants for issues related to quality of government (Mulgan 1998; Peters 2013; Rothstein and Teorell 2008).

In Central and Eastern Europe, politico-administrative relations have aroused great interest among scholars working developments of public administrations and the civil service, in particular following the fall of communist regimes (Verheijen 2001; Dimitrova 2002; Meyer-Sahling 2011; Fink-Hafner 2014). Moreover, it is widely asserted that there is widespread phenomenon of political corruption, patronage and clientelism (Mungiu-Pippidi 2006; Kopecký and Spirova 2011; Volintiru 2015) and a general “culture of informality” (Eriksen 2007; Dimitrova 2010) affecting public bodies and their ability to implement public policies in the area. Moreover, public authorities have at times been weak and subject to the phenomenon of “state capture” and the clash between different vested interests (Hellman, Jones, and Kaufmann 2000; Barnes 2007; Ganev 2007). Against this backdrop, some have argued that states have been politicised by actors seeking to profit from the distribution of public goods, a condition that might have been facilitated by weak political competition and inefficient political oppositions (Grzymala-Busse 2003; Vachudova 2005; O’Dwyer 2006). Therefore, within Central and Eastern European countries, one cannot take for granted the impact that the political element, or specific processes of politicisation,
might have on policy implementation. Domestic political developments might be even more relevant in the context of growing discrepancies between pre- and post-accession developments and the alleged democratic backsliding and rise of “illiberalism” in countries from the area (Merkel 2004; Sedelmeier 2014; Iusmen 2015).

In the study of the European Union, researchers have often contended that Brussels based institutions have developed informal avenues for policy-making development (Christiansen and Piattoni 2003). Governance may be more informal “when participation in the decision-making process is not yet or cannot be codified and publicly enforced” (Ibid. 6). Moreover, given that EU policies and legislation are primarily implemented at the level of member states, domestic political developments and/or actors could constrain levels of compliance or policy delivery (Hille and Knill 2006; Dimitrova 2010). For instance, Dimitrova and Toshkov (2009) found that political salience and diverging political preferences could delay or cause substantive trouble in complying with EU legislation. In addition, those interested in processes of Eastern enlargement would claim that EU conditionality had produced mixed effects and limited possibilities to “lock-in” pre-accession reforms (Dimitrova 2010; Meyer-Sahling 2011; Sedelmeier 2014). Moreover, after accession, it was feared that countries from the area would experience high levels of re-politicisation (Spendzharova and Vachudova 2012; Tănăsoiu 2012; Ganev 2013). Similarly, drawing on evidence from Hungary and Slovenia, authors have argued that, following accession, the coordination of EU policies has been subject to domestic politicisation (Batory 2012; Fink-Hafner 2014).

In parallel to the above, in other disciplines ranging from institutional economics to development studies, the importance of quality of governance/government arguments has gained considerable ground in recent years (Evans and Rauch 1999; Pierre and Peters 2004; Rothstein and Teorell 2008). Whilst some have used the concept of “good governance” in a more normative fashion (Kaufmann, Kraay, and Mastruzzi 2009), others have been more critical of the neo-liberal tenets ingrained in it (Weiss 2000; Demmers, Fernández Jilberto, and Hogenboom 2004). Finally, others have argued that corruption or the abuse of public office and particularistic allocations of funding is a core issue correlated with levels of domestic governance (Mungiu-Pippidi 2015; Rose-Ackerman and Palifka 2016).
On the one hand, political factors could have a positive impact for policy development and implementation. On the other hand, the negative effects of the political on public policy delivery cannot be easily disregarded or disentangled. In line with theoretical and practical knowledge, it was generally expected that political conditions would play a significant role in explaining differences in absorption performance between EU member states. Before outlining the specific working assumptions, the following section discusses how political factors have been treated in the specialised literature on CP.

### 2.2.1 Political factors and Cohesion Policy

Documenting the influence that domestic political factors might have on public policy development and implementation, more generally, is often neglected when analysing the implementation of EU policies. With the exception of several notable studies (Baun and Marek 2008; Milio 2008; Bachtler and McMaster 2008; Scherpereel 2010; Dotti 2014; Surubaru 2016a), the role of political factors has usually been under-theorised in relation to EU Cohesion Policy implementation. Few studies have embarked on a comprehensive review of how such factors could specifically facilitate or hinder the capacity and performance of Structural Funds absorption. As such, this is one of the areas to which this thesis makes an important empirical and theoretical contribution.

In general, it is recognized that socio-economic and local political conditions might affect the implementation of the policy (Smyrl 1997; Batterbury 2002; Dudek 2005; Baun and Marek 2008; Barca et al. 2012; Bachtler et al. 2013). For instance, examining EU regional policy in Greece, Chardas argued that administrative and absorption capacities are “inevitably linked with the socio-economic and political environment in which the policy is implemented” (2011, 59). In recent years, some specific discussions have developed on different political factors.

Firstly, several authors have argued that informal dimensions of governance might influence the implementation of Cohesion Policy (Smyrl 1997; Smyrl and Piattoni 2003; Leonardi 2005; Piattoni 2006). For instance, Leonardi underlined that the shift from a formal to an informal status may mean that Cohesion Policy can be “captured
by organised interests, informal groups or political leaders” (2005, 5). This may affect its overall delivery and the objectives the policy might achieve on the ground. More specifically, Milio posited a strong relationship between political factors and administrative capacity:

“(a) political interference can increase deficiencies in management at the level of Managing Authorities; (b) high governmental instability accounts for poor programming and (c) political accountability affects monitoring and evaluation practices.” (2007a, 44).

Secondly, more and more studies now assert that there is a strong link between the quality of government/governance and the success of EU funds’ investments and their delivery of at the national level (Milio 2007a; Barca et al. 2012; Bachtler et al. 2013; Hagemann 2014; Charron et al. 2014; Tosun 2014; Rodríguez-Pose and Garcilazo 2015). Several studies found a positive correlation between the effectiveness of Cohesion Policy expenditure and the quality of government / governance found in different European countries and regions (Filippetti and Reggi 2012; Charron et al. 2013; Rodríguez-Pose and Garcilazo 2015; Smeriglio et al. 2015; Charron 2016; Surubaru 2016a). Consistent strong links have been underlined between the returns on EU funds’ investments and the quality of government at the national, regional or local level. Based on the above, quality of government/governance have become appealing explanations for differences in absorption of EU structural funds for both academics, as well as practitioners (Boijmans 2013; EC 2014). Drawing on evidence from Romania, Zaman and Georgescu underlined that the:

“...high efficiency of structural funds is conditioned by the quality of governance in general and of public administration institutions in particular. But their inability to remove or minimize corruption makes the economic and social benefits obtained from the use of structural funds rather modest” (2009, 140).

Such perspectives generally imply that “good governance”, or its absence, can affect a country’s ability to manage EU funding. However, given the normative biases embedded in the definitions of the term “good governance” (Weiss 2000; Rothstein and Teorell 2008), as well as the complex set of factors affecting EU funds delivery, it might be difficult to verify such a causal link. Instead, one could examine more thoroughly the extent to which (and more importantly how) political conditions facilitate or hinder the absorption of EU funding.
Thirdly, a consistent stream of literature has been interested in how European Cohesion funds have been distributed and whether they achieve objectives of convergence, pointing to political behaviour as a source of disruption in the implementation of the policy (Ederveen, Groot, and Nahuis 2006; Kemmerling and Bodenstein 2006; Bouvet and Dall’erba 2010; Bodenstein and Kemmerling 2011; Dotti 2013; Dotti 2015). Some authors sought to reopen the debate on “how political factors affect the distribution of regional funds” and more importantly on “how regions decide to use and allocate SF” (Dotti 2013, 612). Others found that the “political situation within a country and a region and the relations between various layers of governance influence the allocation process” (Bouvet and Dall’erba 2010, 501). Based on analyses of the distribution of the funding these have argued that although political factors do not affect economic outcomes they do have an impact on the way in which the policy has been implemented (Dotti 2015).

Following the enlargement towards Eastern European, many expected that political factors would play an increasingly important role in the implementation of the policy and, equally, for “determining the regional policy implementation systems” (Ferry and McMaster 2013b). For instance, political factors have played a role in the absorption of SF in countries like Hungary, Poland or Slovakia during 2004-2006 (Baun and Marek 2008; EPRC and Metis 2009; Scherpereel 2010). At the same time, some evidence from south-eastern Europe tended to show that politicised administrations, a lack of political will and internal political conflicts could affect the domestic impact of the policy (Bache et al. 2011b). Increasingly, authors acknowledge that politicisation might be another relevant factor which influences the delivery of the policy (Scherpereel 2010; Bachtler et al. 2013; Hagemann 2014; Surubaru 2017).

All in all, we do know that political factors or the quality of government might have some impact on the implementation of EU external aid. However, we lack an in-depth understanding of the mechanisms through which political actors might seek to influence this delivery and how this manifests concretely in countries from Central and Eastern Europe. This is an area where, arguably, what has generally been referred to as the quality of government, is considerably weaker as compared to Western states (Charron et al. 2014). However, the quality of governance/government is often too broadly operationalised which might not allow for an in-depth understanding of how
political interference can affect the delivery of CP and the work of specialised bodies responsible for EU financial aid. Further empirical evidence is required in order to specify these connections and to illustrate how they function in practice. As result, it is argued here that more research is needed to assess how political factors mediate, if at all, the delivery and absorption of EU funds.

2.2.2 Defining and operationalising political factors in this study

Drawing on the above theoretical debates, this sub-section theorises several political conditions that might hinder or facilitate the management and implementation of EU Cohesion Policy and Structural Funds at the domestic national level. This is done by conceptualising three distinct political factors and by examining their potential for influencing the absorption of EU funds, in addition to the already defined formal governance factors relating to administrative capacity. Similarly to Milio (2007a), this study maintains a separation between the political and the administrative dimension of EU funds governance. It is assumed that by examining elements of political interference, in both administrative capacity and for the absorption of funds, it might possible to understand much more the conditions under which Cohesion Policy is managed and implemented in new member states.

Overall, it is postulated that political factors could mediate the capacity of countries and their overall performance in absorbing EU Cohesion Policy. In line with findings from previous studies, it is expected that the political might play a significant role in explaining differences for dealing with Structural Funds (Smyrl 1997; Milio 2007a; Bachtler and McMaster 2008; Scherpereel 2010). The political is broken down into three main factors: political stability, political support and political clientelism. These dimensions take into account the possibility for both a positive and a negative input. The remainder of the section describes the components in line with the literature and how they were operationalised for evidence collection and analysis.

Political stability

Political stability is the first component of politicisation. This is defined as the degree of stability of a country’s central and local institutions and the extent to which stability, or instability, might impact the overall absorption processes affiliated to European
Cohesion Policy. The first aim was to understand how political changes might affect the development of administrative capacity. The second purpose is to analyse whether or not processes of political patronage has manifested within managing and control institutions and how has this affected the capacity and performance of countries to deal with these funds. Political stability was, therefore, examined through two main indicators: (a) political stability in terms of political change of Governments, including governmental reshuffles; and (b) political appointments or dismissals of senior and operational staff working in the institutions responsible for EU funding and how that has affected the work of the institutions.

First, comparative politics scholars have often highlighted that governmental stability is a key pre-requisite for a functional democratic system (Keman 2002). Political instability and confrontational politics are long standing features of post-communist political environments. Most countries in the area have been subject to “political volatility” and “coalitional politics”, factors which could affect the delivery of regional policy (O’Dwyer 2006). The specialised literature on Cohesion Policy stresses that political stability is an important variable for understanding why certain countries or regions might perform better than others in spending EU funds (Leonardi 2005; O’Dwyer 2006; Milio 2008). On the one hand, political and/or frequent institutional changes may influence the programming and strategic management of EU funds (Milio 2007a; EPRC and Metis 2009). On the other hand, political (in)stability might affect the quality of the absorption process (Milio 2008; Dellmuth and Stoffel 2012; Dotti 2013). Most of these studies also point to the importance of governmental stability and its impact the systems used for SF delivery across Europe.

Second, political patronage might be essential in order to understand the functioning of the administration as a whole, and specifically of these latter systems. In essence, patronage can be seen as the control that politicians seek to exert over representatives of the administration, as well as instruments for rewarding personal and organisational loyalty. Kopecký, Mair, and Spirova (2012, 4) define patronage as “the power of parties to appoint people to positions in public and semi-public life”. Party patronage and the politicisation of civil service appointments has been thoroughly documented in Central and Eastern European administrations (Verheijen 1999; Grzymala-Busse 2003; Meyer-Sahling 2004; Ganev 2007; Kopecký, Mair, and Spirova
Moreover, the “concept of a professional and apolitical public service was slow in gaining acceptance around a region where for decades politics pervaded every decision throughout society, not just in the administrative realms” (OECD Sigma report 1994, 17).

Few authors have examined issues of patronage and political appointments with regard to European Union funding. Mílio (2007a, 65) defines political interference as “the restrictive or disruptive and invasive action of the political towards the administrative sphere”. Batterbury (2002, 873) found that clientelistic appointments of administrators “eroded effective institutional capacity” in the Italian region of Sardinia. Furthermore, Chardas (2011) and Antonopolous (2013) found similar evidence with regard to the politicisation of civil service and technical staff working in the institutions managing EU funds, in Greece and in Croatia respectively.

All in all, it is expected that political changes and patronage might affect the functioning of institutions responsible for Cohesion Policy. In other words, it can be hypothesized that \( H_5: \text{The higher the level of political instability and patronage the more likely countries will have a weak capacity for managing EU funds.} \)

**Political support**

In order to function institutions might require certain levels of political commitment. Political support is the second political condition envisioned to have an impact on the ability of countries to absorb EU funding. This is defined and operationalised, first, as the degree to which political representatives provide political support to operational actors and, second, the extent to which they can articulate political visions and formulate spending priorities for EU funds in light of public scrutiny. The direction of influence for political support might be thus seen as more positive rather than negative.

Several scholars have referred to for instance to the creative power of political elites for a functional administration (Peters and Pierre 2004). Moreover, political leadership and entrepreneurship have been stressed as bearing an important weight on political and administrative processes in Western political systems (‘t Hart 2014; Rhodes and ’t Hart 2014). In CEECs, higher levels of political commitment correlated
with functional administrative bodies (Verheijen 2007). Leftwhich (1993) underlined
that domestic political commitment was a key driver for the design and
implementation of development aid programmes. Therefore, varied levels of political
support and leadership might play an important role in the governance of EU funding.

Firstly, political support could be assessed as the extent to which political actors
offered their support and assisted administrators responsible with the management
and implementation processes for EU funds. Smyrl and Piattoni were keen to point
out that the creative force of politics can contribute to more effective institutions which
might enhance the implementation of Cohesion Policy (2003, 134-136). In Italy, some
political leaders (from different regional governments) were more responsive than
others in relation to the opportunities provided by EU funds (Leonardi et al. 1987
quoted in Milio 2007a, 63). In Central and Eastern Europe, some identified
weaknesses in political commitment (Bachtler and McMaster 2008) or a lack of
political steer (Ferry 2013) as factors affecting the management of EU funds. Similar
findings were reinforced by recent evaluations of the delivery systems used to
implement CP in the EU-8 countries:

“Overall, it appears that influence and positive effects [of Cohesion Policy] have
been strongest where driven by committed elites or policy entrepreneurs, where
political commitment to change was high (e.g. because of contextual domestic
reform agendas) and/or where the status and weight of Cohesion policy
(especially relative to other domestic policies) were high” (EPRC and Metis
2009, 6)

Secondly, political support might be examined by looking at the way in which
politicians articulate political visions and formulate spending priorities sometimes in
line with public scrutiny. In public administrations, political support has been key
driver for developing strategies (Matheson, Scanlan, and Tanner 1997) or ensuring
trajectories for public management reform (Pollitt and Bouckaert 2004). In the
literature on Cohesion Policy, authors now posit that European funds have been
politicised in relation to the public and that they are used for the agendas of different
regional or national politicians (Dudek 2005). Cohesion Policy is used at “arm’s length
by elected politicians” (Olsson 2003, 291). For instance, issues of co-financing were
politicized given that certain projects were used to fulfil certain political preferences
as opposed to others (Ibid.). On the other hand, abolishing such funding schemes,
particularly in southern or central and eastern European countries, would potentially
“lead to serious political problems in particularly sensitive regions” (Kemmerling and Bodenstein 2006, 388). Politicians are responsive to the opinion of the public on the subject and problems with implementing EU funding could jeopardize their careers.

In addition, political entrepreneurship was often seen as a defining feature of the American political system (Dahl 2005) or as a catalyst for the European integration process (Moravcsik 1998). With regard to CP, Marc Smyrl found that regions where political leaders acted as entrepreneurs where the most successful in dealing with external assistance. This related to pragmatic reasons given that: “political leaders gave public priority and invested administrative and political resources to European programs in the hope of reaping future political gain” (1997, 288-289). On the other hand, the author found that in regions where political leaders were “disengaged”, “absent” or had different priorities other than CP implementation, there were problems with the administration of the external aid. Similar evidence was uncovered by Milio in the Italian region of Basilicata where, as opposed to Sicily, the political class developed a “healthy alliance” with administrators in the hope that EU funds would help restructure the economy of the region (2007a, 235). Overall, it can be hypothesized that H6: The higher the level of support from politicians to administrators and the higher their commitment to use EU funds it is more likely that a country will have a higher rate of absorption and a more strategic approach towards the implementation of the funds.

**Political clientelism**

Clientelism is the final political factor examined in this thesis. If political support might have a more positive value attached to it, political clientelism clearly seeks to capture any negative effects. Scholars of comparative politics have mainly examined clientelism as a dyadic relationship and as an exchange between patrons and clients (Piattoni 2001; Hopkin 2006; Kitschelt and Wilkinson 2007). Politicians would seek to act as patrons providing to local clients different benefits (material or symbolic) in exchange for votes or other forms of support (Stokes 2009). However, a third party is considered to pay for such informal agreements namely: “the state – whose public resources are plundered by patrons” and actions which might “repeatedly thwart competition and distort public decision-making” (Christiansen and Piattoni 2003, 16).
The distribution of public budgets has provided a major source for clientelistic practices with many political representatives seeking to divert public resources to fund political activities or to increase their personal wealth. Clientelism would then mean that various political and economic parties are affiliated to “pre-established groups who may have a common interest in exploiting some available pool of public resources and keep the outsiders out” (Ibid.). Countries in southern and central and Eastern Europe have often experienced high levels of public funds embezzlement and issues of corruption. Political parties have often acted as vehicles for clientelism. In addition, the literature on “state capture” points to the formation of different, often divergent interest groups that could seek to gain from rent-seeking practices or from different forms of cronyism as a preferential distribution of prerogatives and/or positions of power to acquaintances or family ties (Hellman 1998; Grzymala-Busse 2003; Barnes 2007; Ganev 2013).

For the purpose of this study, political clientelism is widely defined as the degree to which national or local political cartels interfere in the absorption process or seek to profit from the allocation of Structural Funds. One would expect that such networks or different “interest cartels” might seek to capture EU funds (Dimitrova 2010; Ganev 2013; Tănăsoiu 2012) and would endanger the regularity and the correctness of EU funds spending. Several studies for instance have explored the issue of corruption in relation to EU funding in Central and Eastern Europe (Fazekas et al. 2013; Dimulescu et al. 2013). These verified the extent to which the funding has been attributed in a particularistic (Mungiu-Pippidi and Kukutschka 2015) rather than an impartial manner (Rothstein and Teorell 2008). This study seeks to examine more widely the impact of clientelism on the management and implementation of Cohesion Policy and, as such, corruption is embedded within this wider factor. Political clientelism is evaluated by looking at the degree of: (a) potential political influence in the distribution of the funds affiliated to Cohesion Policy; and whether or not there is any evidence that (b) national and local political clienteles might have benefited from the allocation of EU funds within the country.
Firstly, from its early inception, the European Regional Development Fund\(^{19}\) (ERDF) sparked debates on its potential to trigger “pork-barrel” politics (Wallace 1977). Recent studies have explored the question of political influence in the distribution of European Structural Funds (Ederveen, Groot, and Nahuis 2006; Beugelsdijk and Eijffinger 2005; Kemmerling and Bodenstein 2006; Bouvet and Dall’erba 2010; Bodenstein and Kemmerling 2011; Dellmuth and Stoffel 2012; Dotti 2013). Relying mostly on quantitative methods, several of the above studies have investigated the relationships between the Structural Funds allocations and political factors (e.g. electoral interest or political bargaining). The evidence was, however, rather mixed. For instance, Kemmerling and Bodenstein claimed that “party politics matters in regions that are eligible for funding” they also did not find a relationship between “the distribution of Structural Funds and partisan politics” (2006, 388). Eastern enlargements has potentially increased situations of political interference in the allocation of Structural Funds (Scherpereel 2010; Bodenstein and Kemmerling 2011). Based on a dataset of Latvian regions and Bulgarian municipalities, Bloom and Petrova (2013) found that “domestic ‘pork-barrel’ politics determine which regions are awarded regional aid” and that regional aid benefits wealthier municipalities and those that have a certain political affiliation. Despite this, more in depth qualitative case studies are needed to flesh out these potential relationships and to understand what would motivate national or local politicians to interfere in the allocation and distribution of EU funds, and ultimately whether or not this has any impact on the countries’ absorption performance.

Secondly, political clientelism could be examined in terms of whether or not some political forces may have benefited more than others from the distribution of funds, again through different mechanisms of political favouritism or a particularistic allocation of EU-funded contracts (Fazekas et al. 2013; Mungiu-Pippidi and Kukutscha 2015). There is strong evidence that political clientelism affected Cohesion Policy implementation in countries like Italy, Spain or Greece, at both the micro- and macro-level. At the micro-level, Batterbury examined clientelistic ties among SMEs from Galicia and Sardinia. Both cases “demonstrate the importance of clientelistic socio-cultural structures for institutional performance and the particular contextually

\(^{19}\) This Structural Fund was established in 1974 at the pressure of the British government, prior to its accession (for more on this see Wallace 1977 and Bachtler, Mendez and Wishlade 2013).
determined regions” (2002, 869). More specifically, in Sardinia certain “favoured” SMEs tended to benefit from a large number of measures of support pointing to a “clientelistic policy capture” (ibid.). Similarly, Dudek (2005) has argued that socio-economic and historical legacies could explain the variation in the clientelistic use of EU funds between the two Spanish regions. At a more macro-level, Charron (2013) has argued that a low level of state capacity is associated with issues of political favouritism and clientelism. Based on an analysis of the Czech Republic, Hungary and Slovakia, Fazekas (2014) found evidence of a particularistic allocation of public procurement contracts financed from EU funds, enabling him to argue that these can increase levels of grand corruption within countries from the area.

To conclude, Structural Funds might be indeed an appealing source for different clientelistic networks. The question is whether or not this affects the final financial absorption of EU funds in the area. It was expected that political clientelism might negatively affect the implementation of external assistance offered through Cohesion Policy. Hence, it was hypothesized that H7: The existence of political clienteles, and their involvement in the distribution of EU funds, will affect the capacity and overall absorption performance of countries.

### 2.3 EU role and influence

In addition to the above factors, this thesis departed from the assumption that we must understand the role played by the European Union institutions in national processes regarding the absorption of Structural Funds. Via the shared-management principle embedded in Cohesion Policy, the EU retains a considerable technical and political role in the implementation of Structural Funds at the national level. Its influence can span from domestic administrative capacity-building to different interventions in the absorption process. This might affect the performance of countries in absorbing EU funding in both a positive and a negative manner. The EU factor is widely defined here as the degree to which Brussels based institutions affected the domestic processes surrounding the absorption of Structural Funds. As previously outlined, many studies have examined EU Cohesion Policy specifically in relation to issues of multi-level governance and Europeanisation (Bailey and De Propris 2002; Paraskevopoulos and
Leonardi 2004; Baun and Marek 2008; Scherpereel 2010; Bache 2010). By contrast, this study does not specifically scrutinise the potential effects of CP on domestic polities or institutions but more how Brussels might, in its own right, affect the domestic governance of the policy in the countries examined. As a result, the EU is conceptualised as an intervening factor (distinct from the set of political factors). More specifically, it is argued that the European Commission can play a technical and political role in domestic processes of absorption.

Firstly, from a technical point of view, one can examine the way in which Brussels has provided technical assistance to countries in order to manage EU funds. Moreover, the EC is highly influential in the design of the overall architecture as well as in devising the institutional and procedural blueprints used by member states for the management and implementation of Cohesion Policy.\(^{20}\) Several authors have demonstrated that the EC is an influential actor in relation to CP precisely because it retains the ability to shape the strategic programming of the funding and its institutional blueprint (Marks 1996; Molle 2007). The EC plays a fundamental role in establishing the multi-annual financial programmes and budget negotiations for Structural Funds (Bachtler, Mendez, and Wishlade 2013). The question which arises is whether or not the EC facilitates or hinders the administrative capacity development and subsequently the absorption performance of member states? Different studies point that the EC played an extensive role in providing technical assistance to regions or by detaching its own experts to assist with the management of the funding (Smyrl 1997; Milio 2007a). However, the agency of the EC seems to be largely neglected in analyses regarding financial absorption in Central and Eastern European countries (Bachtler et al. 2013). In this study, the technical influence exerted by Brussels is examined as the extent to which EU institutions have had an impact on the capacity of national administrators to manage and implement the policy.

Secondly, the implementation of Cohesion Policy might have strong political repercussions at the national level. CP is largely a redistributive policy and in this respect cutting funds might become a high level political point of discussion between

\(^{20}\) As a consequence, the European Regulations have been fairly prescriptive in terms of how national institutions should look like, leading to the development of institutional templates and procedures embodied particularly in the model of Managing Authorities.
national capitals and Brussels. The 1988 reforms of Cohesion Policy did trigger the debates on multi-level governance and the potential development of a supranational system of governance which would by-pass central governments (Marks 1992, 1993; Bache 1998). However, the 1993 and 2000 waves of CP reform have raised questions on the “re-nationalistation” of the policy and a potential weakening of Brussels powers (for a wider discussion see Bachtler, Mendez, and Wishlade 2013, 24–26). Moreover, it was sometimes suggested that the Commission should retain more control over policy implementation in order to prevent national irregularities or acts of corruption (Marks 1996, 398). Moreover, auditing is one of the main instruments through which the EU institutions can maintain control over the regularity of EU funds spending on the ground. However, Mendez and Bachtler (2011) concluded that excessive auditing has increased demands on member states and generated a further bureaucratisation of CP which, in turn, has led to problems in terms of its implementation. The overall issue of auditing and policy simplification have in recent years become a highly topical and political issue (Barca, McCann, and Rodríguez-Pose 2012; McCann and Ortega-Argilés 2012).

It may be difficult to assess the level of political influence of EU institutions on domestic absorption processes. Two proxy indicators are suggested in order to capture this relationship. First, the number and type of interventions of the Commission at the national level of policy implementation, looking at evidence on the interruption and suspension of funds in member states. As opposed to regular technical irregularities, the interruption and suspension of payments entails a political dimension given that this may be widely discussed in national media. Second, and in a similar fashion, the level of financial corrections applied by Brussels to countries for irregular use of funding can be deemed as an EU political intervention given that it requires approval in the EC College of Commissioners and because it may trigger a backlash from member states, which would seek to avoid giving back funding. In light of the above, it can be hypothesized that H8: *The more the EU intervenes in the absorption process of a country and the more it imposes financial sanctions the more likely that a country will have a poor absorption performance.*
2.4 The absorption capacity model: bridging the formal and informal governance of Cohesion Policy

Both academics and policy-makers have increasingly relied on the concept of administrative capacity in order to explain the achievements and performance of member states with regard to EU funds absorption. However, concepts such as administrative capacity or governance, including its political aspects, seem to have been used almost interchangeably. This thesis argues that there is need to bridge formal and informal dimensions of CP governance. In this respect it sought to further elucidate the main concepts for the empirical analysis.

Prior to summarizing the main expectations, several gaps in the literature need to be briefly outlined. First, as shown by the ample evidence which transpired in recent years, many countries have experienced difficulties in building the necessary administrative capacity for EU funds management (Milio 2007a; Chardas 2011; Bachtler et al. 2013). One would expect administrative capacity to be a problematic dimension of CP governance in Central and Eastern Europe. Despite this, countries from the area do have some consistent experience in dealing with pre-accession funding and the EU-2008 member states amassed some experience in managing Structural Funds (during 2004-2006). Domestic institutions have also been to a certain extent reformed prior to accession, and have gone transposed the EU *acquis communautaire*, into national law. So far, evidence from the area is rather mixed in terms of the countries’ records in both compliance with EU law (Falkner and Treib 2008; Dimitrova and Toshkov 2009; Toshkov 2009) or in terms of EU funds absorption (Bachtler and McMaster 2008; Ferry and McMaster 2013a; Tosun 2014; Bachtler, Mendez, and Oraže 2013). What’s more, there are still few comparative in-depth studies on the domestic factors that affect the ability of countries from the area to absorb EU funding (Ferry 2013).

Second, it has been difficult for academics to isolate and explain what determines administrative/absorption capacity and how to best operationalise these concepts.\(^{21}\)

There are several deficiencies in previous conceptualisations of administrative and/or

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\(^{21}\) For a similar claim on administrative capacity see Addison (2009, 4).
absorption capacity (Boeckhout 2002; OIR 2003; Sumpikova et al. 2003; Horvat 2004; Milio 2007; Bachtler et al. 2013). Previous definitions acknowledge too little the specificity of institutional, administrative and financial capacities that exist in Central and Eastern European member states. In line with some key claims advanced in the literature (Batterbury 2002; Lang 2003; Dudek 2005), it is assumed here that in order to understand issues of administrative capacity it is necessary to take into account much more the political, social and economic contexts that shape public administrations in the countries under study. In a similar vein, administrative capacity development in CEECs took place against institutional legacies of the recent communist past (e.g. weak and unreformed public administrations or extensive issues of corruption). This is where the leverage of informal political factors may come into play and arguably they could enrich our understanding of EU policy delivery (Dimitrova 2010; Sedelmeier 2011) and more specifically vis-à-vis the management of external aid. Thirdly, previous definitions fail to capture the role of external stakeholders or whether or not the assistance provided by Brussels facilitated or hindered on the ground implementation. It is well-known that prior to accession the EU has engaged in processes of institution-building within member states aided by conditionality mechanisms (Grabbe 2001; Dimitrova 2005; Schimmelfennig and Sedelmeier 2005). However, others have argued that the conditionality for the regional policy chapter of the acquis had an ambiguous and inconsistent influence on developments in the area (Hughes et al. 2004; O’Dwyer 2006).

To address these issues this study introduces an absorption capacity analytical framework. The framework is based on the assumption that both formal (administrative capacity) and informal (political) conditions influence the absorption of EU funding. The different dimensions of the analytical framework (outlined in Figure 5) combine different administrative and political conditions. The overall operational concepts used are reiterated in the following. First, absorption performance (or financial absorption) of Cohesion Policy Structural Funds constitutes the main dependent variable of this study. It represents the temporal evolution of financial absorption in a given EU member state and is the end result or output of, on the one hand, of a certain degree of absorption capacity of public authorities and how this manifests during the different stages of the absorption policy cycle. Simply put, absorption performance can be seen as the degree to which a member state, in line
with its own capacity reaches a certain degree of performance in absorbing SF. This performance could be measured through various indicators: e.g. contraction of funding, intermediary or final payments transferred from the EU to member states as a result of a correct fulfilment of CP commitments. Financial absorption is measured here in terms of the final absorption rates (%) achieved by countries during a given period (e.g. 2007-2013), namely the percentage of payments reimbursed by the European Commission (EC) to a member state at a given point in time.

The absorption capacity of a country might influence the low or high degrees of financial absorption. Absorption capacity is used here only as an umbrella term in order to bring together the formal and informal components of CP delivery (administrative and political). It assumes that there is an interaction between administrative and political factors. As the main independent variables, these are broken down and operationalised through several indicators (Table 3). These were the main indicators used for collecting and assessing the empirical evidence.

Finally, what is referred to here as the absorption policy process are essentially the classic stages of the public policy cycle (Anderson 1975). For EU Cohesion Policy these consist in several formalised operational stages in public institutions, and partly project applicants and final EU funds beneficiaries, are engaged: programming, management, selection, implementation, financial management, monitoring, and evaluation (Molle 2007; EIPA 2008; Bachtler et al 2013a). The absorption performance of countries regarding SF can be affected by specific bottlenecks arising in each of these stages. Empirically, the role of administrative and political factors on the absorption policy process is assessed more in depth drawing on evidence from two selected stages: a) the evaluation and selection of projects and b) the procurement phase part of the implementation of EU-funded projects.

Overall, this thesis aimed to evaluate the extent to which this model and the interplay between administrative and political factors might explain the variation in absorption attained by countries from CEECs, and specifically, between and within its two main case studies: Bulgaria and Romania. A theoretical relationship is therefore posited between the capacity (administrative and political) of states and their level of performance (absorption rates) in absorbing EU funds. It is expected that a higher
absorption capacity would generate a higher absorption performance. Three specific assumptions guided the empirical inquiry: (a) a high level of administrative capacity could lead to a higher degree of absorption performance; (b) political factors influence might have an impact on the absorption performance achieved by a country. Finally, it was assumed that (c) the interaction between administrative capacity and political factors could affect a country’s absorption performance. Specifying how this interaction takes place in practice has been one of the main objectives of this thesis.

Figure 5: Dimensions of analytical framework

Source: Author’s creation using NVIVO 10

In line with previous studies, it was expected that political factors could play a mediating role for absorption performance (Smyrl 1997; Milio 2007a; Bachtler and McMaster 2008).
Lastly, table 2 brings together all the initial working assumptions that were verified empirically. The desk and fieldwork research has generated a substantial amount of evidence relevant for assessing these assumptions, and in line with the indicators included in the absorption capacity analytical model (Table 3).

Table 2: Overall hypotheses / working assumptions

<table>
<thead>
<tr>
<th>ADM1</th>
<th>H1: Institutional mis-coordination and non-accountability have a negative impact on administrative capacity and on absorption performance.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADM2</td>
<td>H2: The higher the number of administrative and legislative procedures a country has the lower the administrative capacity of a country will be.</td>
</tr>
<tr>
<td>ADM3</td>
<td>H3: There is a positive link between the expertise and incentives of administrators to manage Structural Funds. The higher the two are the higher the absorption performance of a country will be.</td>
</tr>
<tr>
<td>TER</td>
<td>H4a: A higher level of decentralisation has a positive impact on the absorption capacity and performance of a country.</td>
</tr>
<tr>
<td></td>
<td>H4b: A country with low amounts of expertise at the local and regional level of management would have a lower absorption capacity and performance.</td>
</tr>
<tr>
<td>POL1</td>
<td>H5: The higher the level of political instability and patronage the more likely countries will have a weak capacity for managing EU funds.</td>
</tr>
<tr>
<td>POL2</td>
<td>H6: The higher the level of support from politicians to administrators and the higher their commitment to use EU funds it is more likely that a country will have a higher rate of absorption and a more strategic approach towards the implementation of the funds.</td>
</tr>
<tr>
<td>POL3</td>
<td>H7: The existence of political clienteles, and their involvement in the distribution of EU funds, will affect the capacity and overall absorption performance of countries.</td>
</tr>
<tr>
<td>EU</td>
<td>H8: The more the EU intervenes in the absorption process of a country and the more it imposes financial sanctions the more likely that a country will have a poor absorption performance.</td>
</tr>
</tbody>
</table>

Source: Author’s creation.

Chapter 3 discusses the general research design and methodology used to empirically assess the above claims and the countries absorption performance. It details issues of case selection, the different levels of empirical analysis observed and how the evidence was collected and analysed.
<table>
<thead>
<tr>
<th>Core Variables</th>
<th>Core indicators</th>
</tr>
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<tbody>
<tr>
<td><strong>I Administrative capacity (ADM)</strong></td>
<td></td>
</tr>
<tr>
<td>Institutional Capacity (ADM1)</td>
<td><em>(1) Institutional design:</em></td>
</tr>
<tr>
<td></td>
<td>(1a) Establishment of management and control systems;</td>
</tr>
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<td></td>
<td>(1b) Functionality of the institutional model;</td>
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<td></td>
<td>(1c) Efficiency of institutions involved in the process;</td>
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<tr>
<td></td>
<td><em>(2) Institutional coordination:</em> coordination and communication among managing and control institutions and other relevant bodies*</td>
</tr>
<tr>
<td></td>
<td><em>(3) Institutional accountability:</em></td>
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<tr>
<td></td>
<td>(3a) Institutional transparency;</td>
</tr>
<tr>
<td></td>
<td>(3b) Institutional communication.</td>
</tr>
<tr>
<td>Bureaucratic Capacity (ADM2)</td>
<td><em>(1) Legal rules and administrative procedures:</em></td>
</tr>
<tr>
<td></td>
<td>(1a) Existence of adequate legislation, procedures and administrative documents;</td>
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<tr>
<td></td>
<td>(1b) Stability and uniformity of legislation and procedures;</td>
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<tr>
<td></td>
<td><em>(2) Electronic systems:</em></td>
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<tr>
<td></td>
<td>use of electronic systems for applications and projects management;</td>
</tr>
<tr>
<td></td>
<td>functionality of central electronic systems for data management.</td>
</tr>
<tr>
<td></td>
<td><em>(3) Methodologies and project management tools:</em></td>
</tr>
<tr>
<td></td>
<td>use of methodologies and project management tools;</td>
</tr>
<tr>
<td></td>
<td><em>(4) Public Procurement systems:</em></td>
</tr>
<tr>
<td></td>
<td>functionality and problems related to public procurement;</td>
</tr>
<tr>
<td></td>
<td><em>(5) Selection and Monitoring procedures:</em></td>
</tr>
<tr>
<td></td>
<td>functionality and problems related to (5a) Selection of projects; (5b) Monitoring and verification of the implementation of projects;</td>
</tr>
<tr>
<td>Human Resources Capacity (ADM3)</td>
<td><em>(1) Human resources capacity of employees in Managing and Control institutions:</em></td>
</tr>
<tr>
<td></td>
<td>(1a) Staff numbers and ratio;</td>
</tr>
</tbody>
</table>
(1b) Quality of expertise;
(1c) Training and professional development;
(1d) Incentives: financial and professional;

**(2) Role of external stakeholders**
(2a) role of beneficiaries;
(2b) role of consultancies;

### II Political factors (POL)

**Political Stability (POL1)**
1. Political changes of Government (including governmental reshuffles) and their impact on EU funds management and implementation
2. Political appointments/dismissals of staff working in managing and control institutions

**Political Support (POL 2)**
1. Political support, leadership and guidance provided to EU funds administrators
2. Political priority and visions for spending EU funds in light of public scrutiny

**Political Clientelism (POL 3)**
1. Political influence in the selection and distribution of EU-funded projects
2. Political clienteles / favouritism in the implementation of EU-funded project

### III Intervening factors

**Territorial Capacity (TER)**
1. **Centralisation / Decentralisation**
2. **Domestic territorial configurations**: governmental tiers employed in the management of EU funds.
3. **Expertise of staff at the regional / local level**

**EU role and influence (EU)**
1. **Technical**: support and guidance from European Commission to national administrators
2. **Political**: EU interventions in the national absorption process

Source: Author.
Chapter 3: Research design and methodology

Using the concepts of administrative capacity and political factors, and drawing on the existent knowledge regarding their influence, this study aimed to capture and explain differences in financial absorption performance between and within the countries examined. The concepts were developed in line with the literature and were used to operationalise several indicators in order to assess the empirical material. The potential relationship between administrative capacity and political factors was at the core of the thesis and the overall aim being that of probing how the interaction between the two factors could explain differences in absorption performance. Similarly to other inquiries which examined this dynamic (Milio 2007a; Chardas 2011), this study focused on the potential impact that the political factor might have had on administrative capacity developments and on the different stages of the absorption policy process. This chapter outlines the main research philosophy, strategy and methodology adopted in order to provide an answer to this thesis’ research questions. It presents the main elements of the research process, argues the choice of the case studies and underlines the different levels of the empirical analysis. Moreover, it presents insights from the fieldwork, the type of evidence collected and the methods used to analyse it. The last section of the chapter reflects on some of the main methodological limitations of this study.

3.1 Research philosophy

Studying institutions and the processes taking place within these often entails various trade-offs. A research paradigm shapes the principles and tools for understanding and explaining the relationship between theories and observations. Against this background, this section outlines and discusses the main research philosophy elements that have guided this thesis, including various ontological and epistemological considerations. This is done in order to justify the link between these principles and the wider research strategy, sources and methods used, on the one hand, and the overall findings and arguments advanced, on the other hand. Ontology
relates to the state of being and how to see and experience the nature of reality. Specifically, in social sciences, this relates to what we study and how this relates to reality (Della Porta and Keating 2008). In terms of political analysis, the term refers to “identities, individuals, social collectivities, states, regimes, systems or some combination of the above” and the assumptions we have about the “reality of each as ontological entities” (Hay 2011, 461). There are several paradigms relating to ontology which are theorised in several ways and which often match the different epistemological postulates. Three main positions can be briefly outlined: objectivism, constructionism and pragmatism. Objectivism postulates that “social phenomena and their meanings have an existence that is independent of social actors” (Bryman 2012, 33). By contrast, constructionism asserts that “social phenomena and their meanings are continually being accomplished by social actors” (Ibid.). Therefore, whilst objectivists argue that there is an objective reality that can be captured through research, constructionists tend to argue that this reality is constructed by social actors who ascribe meaning to it. A middle-ground position would be that of pragmatism which posits that multiple realities are possible (Saunders et al. 2012).

Epistemology relates to “how we know things” and ultimately to how we can produce knowledge about reality (Della Porta and Keating 2008, 22). In social sciences one of the main debates has been whether or not knowledge can be produced in a fashion similar to natural sciences. Extensive discussions have been taking place between two main schools of thought: positivism and interpretivism/constructivism (both of which can be linked to objectivist and subjectivist ontologies). Positivism generally assumes that knowledge can be produced in an objective fashion by testing theories in relation to empirical observations (Bryman 2012, 28). It seeks to replicate natural science and establish causal laws (Della Porta and Keating 2008, 23). By contrast, interpretivism assumes that knowledge is subjective in nature or that people and institutions are “fundamentally different” from the subject matter of natural sciences (Bryman 2012, 28). In this sense, its aim is to understand subjective knowledge and the context in which the various entities operate (Della Porta and Keating 2008, 23). Finally, pragmatists argue that knowledge and truth should not be based on “strict dualism between the mind and the reality completely independent of mind” (Creswell 2003, 14). Consequently, pragmatists stress that various epistemological positions can be mixed or used within a single research framework in order to best answer the questions asked (Saunders et al. 2012). Pragmatists would therefore argue that
knowledge is often rooted in different contexts and that researchers need to have the freedom to combine various methods and techniques in order to best account for their research problem (Creswell 2003, 13).

In light of the above, several points can be made on the research philosophy and approach adopted in this thesis. Firstly, it is assumed that reality can be both objective and subjective. In this respect, the thesis adheres to a pragmatic ontological viewpoint which affirms that several realities can co-exist. For instance, political stability as a factor, and its subsequent reality, can be assessed both in objective and subjective terms. The number of years a government has been in place could provide an objective assessment this, yet the perceptions of the actors involved on various aspects of the latter can differ and allow for a different understanding of what that reality meant in practice. Secondly, knowledge can be produced using a mix of objective/positivist and subjective/interpretivist theories and research tools. Again, from an epistemological viewpoint, this thesis has tended to adopt a pragmatic approach in order to provide answers to the mainly problem driven questions it has formulated. Whereas, much of the literature outlines the significance of political factors for implementing EU aid around Member States it is not clear how these factors manifest and how they matter. In this respect, the subjective viewpoints of institutional and societal actors could contribute towards a more grounded understanding of the politics of EU funding.

Several other points are made in the following in order to make a link between the above ontological/epistemological considerations and the specific choices made in terms of research design and methodology. First, reflecting the largely pragmatic position adopted in this thesis, the research approach has had an abductive dimension attached to it. For instance, the first wave of fieldwork reinforced and provided new assumptions that were then empirically examined in subsequent waves. Several theoretical assumptions about the realities of EU funds implementation in different contexts were drawn from the literature. These were then partly analysed with qualitative knowledge generated by the two main cases analysed. This partly presumed engaging in a process of iteration (Heritier 2008, 65). In effect, knowledge was produced by juxtaposing both objective data and subjective understandings with regard to the main problems affecting the institutions dealing with EU aid at the domestic national level. In addition, the logic driving this approach has been that of formulating a potential explanation fit for the empirical puzzle (Creswell 2003).
Second, from an epistemological point of view, this thesis adhered to the principle of a unified logic of inference in social sciences (King et al. 1994; Collier and Brady 2004). This assumes that both qualitative and quantitative methods can produce knowledge of similar quality if they follow common standards. This includes, for instance, finding ways to multiply the observable implications of theory in small-n research (King et al. 1994). For this research, this was done by comparatively examining the same factors throughout several case studies, whilst trying to keep under control and understand the context of each case study. Conclusions were then formulated with regard to the inter-relationship of factors and how these differed throughout the different contexts examined. Third, new waves of qualitative research methodologists underline the potential for finding regular patterns in qualitative evidence, using theory informed assumptions, and are concerned with issues of validity and reliability (Miles and Huberman 1994; Bazeley 2009). Triangulating various sources of evidences made it possible to obtain a balance between objective and subjective dimensions of knowledge and reality. Such an approach enabled a more systematic understanding of the dynamics taking place within these institutions and the interplay between administrative and political factors.

Overall, the view taken in this research is that both objective and subjective ontologies and epistemologies, as well as their affiliated research methodologies, can be complementary to one another. Describing and explaining an institutional eco-system, how it functions and the relationships between its constituent actors can only be accounted for by combining objective knowledge as well as subjective meanings of reality. This is even more the case in a context in which the influence of political factors, an important aspect studied in this thesis, could not be easily captured using objective data. Several tensions did arise from adhering to a more pragmatic research paradigm. These ranged from the analytical framework (which would unjustly be framed as positivistic) to the type of, mainly qualitative, evidence sources used. Finally, it is recognized that knowledge can be influenced by the scholar when carrying out the analysis (Della Porta and Keating 2008, 23). Nevertheless, potential limits and uncertainties are reported in the last section of this chapter and in the conclusions. It must be also stressed that claims about causality or any overarching principles driving the absorption of EU funds were absent. Instead, the focus has been on examining the relationship between formal and informal conditions affecting the governance of EU funding in the selected from countries from Central and Eastern Europe. As a
consequence, new knowledge has been generated from two new and different contexts on the inter-relationship between these conditions. The following sections provide more details on the specific research steps undertaken in this thesis.

3.2 Research strategy, case studies and levels of analysis

Examining the problem driven and empirical puzzle of Structural Funds absorption variation in Central and Eastern Europe, the choice made in this study was to examine two homogeneous cases. As a result, two outlier yet highly similar cases were selected: Bulgaria and Romania. Following the fall of the communist regime, both countries experienced similar problems ranging from political instability and corruption to unreformed public administrations. Recent historical and institutional developments in the two countries were influenced by their common and tied-in path towards EU membership. Several more specific reasons underpinned the selection of these cases. Firstly, the choice generated by the main research question was to undertake an in-depth analysis of the variation in absorption capacity and performance between and within the two countries. Secondly, there are very few theoretically driven empirical studies assessing the management and implementation of EU Cohesion Policy in the two countries. This was one of the main empirical gaps addressed by this study. Thirdly, the main rationale was to identify the specific patterns of EU funds governance within the two countries and how could these be explained by the analytical framework proposed. Fourthly, one of the advantages of selecting the two main cases of Bulgaria and Romania was that the units of analysis were almost completely homogeneous, given the strong similarities regarding the strategic and institutional frameworks used to manage and implement EU funding in the two countries. Finally, the empirical knowledge derived from the two case studies could partly contribute to the general understanding, and towards generating testable hypotheses, relevant for the governance of CP in Central and Eastern Europe.

In terms of research design, this thesis has combined a comparative framework with a case study research design. First, Bulgaria and Romania fall into a “Most Similar Systems Design” (MSSD) category as opposed to a Most Different Systems Design (MDSD) (Przeworski and Teune, 1970; Lijphart, 1971). Given the puzzling variation between the two cases, the selection of these cases on the dependent variable
(absorption performance) was made in order to control for the relatively similar context present in both countries and to understand what might explain differences within and between them. The aim has been to assess the historical evolution and development of absorption capacity and these countries’ financial absorption performance. Second, the case studies complemented the approach provided by the comparative method. Several embedded case studies were used (Yin 2003, 46; Gerring 2007). Choosing the two main cases meant that a systematic comparison with equivalent levels of information could be undertaken (Pennings et al. 1999, 15). More specifically, the wider macro-level case studies (Bulgaria and Romania) were disaggregated in different levels of analysis in order to increase the observable implications of the theory (King, Keohane, and Verba 1994, 115). Outlined in Table 4 the different dimensions of the empirical analysis where evaluated in line with the proposed analytical framework.

<table>
<thead>
<tr>
<th>Levels of empirical analysis</th>
<th>Bulgaria</th>
<th>Romania</th>
</tr>
</thead>
</table>
| Central and regional (macro-level) | -Central Government level (Sofia)  
-South-West (Yugozapaden) & North-Centre (Severen Tsentralen) (NUTS 2) | -Central Government level (Bucharest)  
-Bucharest-Ilfov & North-East (NUTS 2) |
| Operational Programmes (meso-level) | -Human Resources  
-Regional Development | -Human Resources  
-Regional Development |
| Absorption policy stages (micro-level) | -Evaluation and selection of projects  
-Public Procurement | -Evaluation and selection of projects  
-Public Procurement |

Source: Author’s elaboration.

Broadly, the first related to a macro-level for which evidence was gathered and examined from central level governments, as well as from two distinct NUTS regions from the two countries: South-West (Yugozapaden) and North-Centre (Severen Tsentralen) for Bulgaria and Bucharest-Ilfov and North-East for Romania. Second,
and more consistently, evidence was gathered and analysed in relation to two meso-level case studies, looking at two distinctly thematic Operational Programmes. On the one hand, the Human Resources Operational Programme (OPHR) is a programme funded from the European Social Fund (ESF) which addresses a wide range of beneficiaries. OPHR was selected on the basis of the strong differences in financial absorption performance between the two countries during most of 2007-2013. On the other hand, the Regional Development Operational Programme (OPREG) funded from the European Regional Development Fund (ERDF) targeted in particular public authorities. This programme was selected given the similarity in financial absorption performance between the two countries during most of 2007-2013. Finally, two micro-level instances were included in the empirical analysis. These are two distinct stages of the absorption policy process: (a) the evaluation and selection of projects from Structural Funds and (b) the public procurement stage of Structural Funds implementation. These were more dynamic instances which apart from the responsible national institutions, engaged several other stakeholders (e.g. EU funds applicants and final beneficiaries, procurement bodies etc.). The two stages were selected in light of preliminary evidence indicating a high level of deficiencies.

The rationale behind the above empirical strategy was twofold. Firstly, its main purpose was to identify and describe the specific role of administrative capacity and political factors within the macro, meso- and micro-levels of analysis. Secondly, the analytical aim was to understand how the interaction between administrative and political factors could manifest in these varied empirical instances. For instance, the contrasts between and within the two Operational Programmes examined has allowed for a wider reflection on how administrative capacity and political factors shape the ability of countries to use EU Cohesion Policy. All in all, the strategy enabled a strong comparative basis for the collection and analysis of the evidence, steps which are detailed in the following.

3.3 Evidence sources and fieldwork

This study was based on several primary and secondary sources of evidence. During the research, several primary and secondary sources (reports and studies) were published and addressed the visible problems that the two countries faced in terms of
EU funds management and implementation. This study adopted a predominantly qualitative approach for the collection and analysis of its evidence. In terms of timing, the study focused on the 2007-2013 financial execution period for Cohesion Policy. However, data on financial absorption and the general implementation of Operational Programmes was analysed for the period until the end of December 2014 and even to June 2015. This was the case given that the implementation of Structural Funds is usually subject to a two-year extension period. This means that contracted EU-funded projects could still be implemented during two years following the official end of, what is known as, a programming period. During these final implementation years’, public authorities are predominantly engaged in the management of the funding, although some of them started to shift their focus towards the 2014-2020 implementation period. At the same time, it must be mentioned that financial absorption rates are the product of a timely evolution and that, at the time of this research being finished, the final absorption rates for the 2007-2013 were not yet publicly available. This, however, did not have an impact on the final analysis, which was temporally limited.

In the initial stages of the research process, a thorough analysis of European and national primary documents has been conducted (Table 5). At the same time, the desk research entailed a compilation of evidence from several other secondary sources such as applied evaluations, civil society reports and other relevant sources. In addition, newspaper articles were included in two databases which were developed and updated during the research period. These included several newspaper entries on EU funds management and implementation in Bulgaria and Romania. Overall, these documents constituted the empirical foundations of the inquiry.

Fieldwork was a highly productive period for the research. The primary original empirical evidence was collected under the form of qualitative semi-structured elite interviews (see Annex A for the full list of interviews). Interviews were partly anonymised, and interviewees were assigned a specific code name which reveals only some information on their function and affiliation. During the first stages of fieldwork, a purposive sampling technique (Silverman 2005, 129) was used in order to reach key policy-makers, administrators and experts dealing with EU funds. These were complemented by “snow ball” techniques, namely asking those interviewed to recommend other key interviewees. In order to improve the reliability of the evidence
collected, interviews were held in different geographical and thematic levels of implementation. The diversity, experience and positions of interviewees (e.g. Directors, policy officers), the thematic focus (e.g. different Operational Programmes) and the different locations where fieldwork was conducted out (e.g. central level Government / local administrations) contribute to a rich evidence base (see Table 6 for different categories of interviewees). Arguably, the diversity backgrounds and positions of interviewees produced a clearer identification of the most common problems, and of the more specific issues, associated with SF absorption within and between the two countries.

Table 5: Primary, secondary and original sources of evidence

<table>
<thead>
<tr>
<th>Primary documentary sources</th>
<th>Bulgaria/Romania</th>
<th>European Union</th>
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<tbody>
<tr>
<td>National primary legislation; National Strategic Reference Frameworks; Operational Programmes (main programming documents); Annual Implementation Reports; National Strategic Reports on progress regarding the implementation of EU funds (2009; 2013); Monitoring Committee minutes; Audit Authority annual reports; Parliamentary interpellations / Parliament reports on EU funds;</td>
<td>-European Regulations; -European Strategic Reports on progress regarding the implementation of EU funds (2009, 2013); -European Commission Directorate Generals Annual Activity Reports (DG Regio; DG Employment); -Internal European Commission audit reports (Freedom of Information Request) -European Court of Auditors reports;</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Secondary documentary sources</th>
<th>-Ex-ante / intermediate / ex-post evaluations of Operational Programmes; Expert Evaluation Network reports; World Bank reports; Civil Society reports and policy papers;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newspaper articles</td>
<td>-National / local press coverage of EU funds (various sources)</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Newspaper articles</td>
<td>-Europa Press Releases database</td>
</tr>
</tbody>
</table>
The fieldwork included four distinct waves. The first interviews were carried out in Brussels, in October 2013, with the aim of piloting questions and obtaining an external perspective, mainly from EU officials working on country units, on SF in Bulgaria and Romania. The second, and most consistent, part of the fieldwork was carried out between March - June 2014, period which was equally divided and spent between Romania (March-April) and Bulgaria (April-June). Considerable time was spent at the central level in Bucharest and Sofia whilst efforts were made to reach local interviewees such as regional administrators or EU funds beneficiaries. The third wave of interviews was carried out in Brussels in October 2014 and it aimed to verify some of the insights that emerged from the two countries. Finally, a fourth wave of fieldwork was carried out only in Romania, in July 2015, interviewing administrators and experts working on specific areas for which additional insights could not be gathered during the first wave (e.g. public procurement).

In order to establish a concrete and replicable chain of evidence, this study consistently used a data collection protocol (Yin 2003, 38–39). Standardised interview questions were addressed to a diverse range of stakeholders working on EU funds management and implementation at the local, national and European level. Considerable efforts were made to follow the interview guide and protocol, and during most interviews, approximately 80% of the same questions were asked. Some remaining 20% of questions were tailored in relation to the specific expertise of the interviewee (e.g. audit or thematic Operational Programme) before each interview. In Brussels and in

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<table>
<thead>
<tr>
<th>Original sources of evidence</th>
<th>Bulgaria</th>
<th>Romania</th>
<th>Brussels</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of interviews</td>
<td>25</td>
<td>34</td>
<td>10</td>
<td>69</td>
</tr>
<tr>
<td>Total number of interviewees</td>
<td>36</td>
<td>42</td>
<td>12</td>
<td>89</td>
</tr>
<tr>
<td>No. of formal interviews</td>
<td>22</td>
<td>29</td>
<td>8</td>
<td>59</td>
</tr>
<tr>
<td>No. of informal interviews</td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Author’s creation
Bulgaria interviews were carried out in English whilst in Romania they were carried out in Romanian, using a verbatim translation of the interview guide. Out of a total of 69 interviews, 27 were officially recorded following the express consent of interviewees. Extensive notes were taken during the non-recorded interviews and were completed and transcribed usually on the same day. Finally, the opinions of interviews could be cross-checked given that, in most cases, there was no connection between interviewees. This increased the possibility to verify the accuracy of the different perceptions and statements made. Moreover, a distinction was made between formal and informal interviews, with the latter being usually much shorter and not in line with the data collection protocol. Interviews lasted on average 90 minutes, whilst informal interviews were shorter - 15-30 minutes. Overall, it was possible to obtain a relatively representative range of views from the different elites involved in EU funds management and implementation at the domestic level (see Annex A for a full list of interviews).

<table>
<thead>
<tr>
<th>Interviewee categories</th>
<th>Bulgaria</th>
<th>Romania</th>
</tr>
</thead>
<tbody>
<tr>
<td>(interview guide code)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A1 / A10</strong> – High ranking officials and political representatives national and local (e.g. MPs, Mayors)</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td><strong>A2</strong> – Central Coordination Units/Ministry of European Funds</td>
<td>11</td>
<td>14</td>
</tr>
<tr>
<td><strong>A3</strong> – Managing Authorities</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A5</strong> – Monitoring Committees</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A4</strong> – Audit Authority &amp; Certifying and Payment Authority &amp; Other external / control bodies (e.g. Public Procurement Agency)</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td><strong>A8 / A9</strong> – Intermediate Bodies and Regional Development Bodies / Agencies</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td><strong>A6 / A12</strong> – National and local experts</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td><strong>A7 / A11</strong> – National and local EU funds beneficiaries (public and private)</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td><strong>European Union institutions – Brussels</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>European Commission - DG Regio:</td>
<td>1 Head of Unit, 4 Policy Officers, 1 Former Head of Unit</td>
<td></td>
</tr>
</tbody>
</table>
In parallel to the semi-structured interviews, a questionnaire has been used to collect data from interviewees in Bulgaria and Romania. The questionnaire mirrored the interview guide almost completely and aimed to obtain a quantifiable version of answers. A copy of the questions used in the questionnaire/interview guide can be found in Annex B. Before soliciting a detailed answer, interviewees were asked questions in line with several close-ended options. If questions were left unanswered they were not included in the database. Furthermore, in situations in which more than one interviewee was present, the questionnaire was completed by the leading interviewee. The questionnaire data (N = 46) was recorded in a separate database and was completed by 22 Bulgarian and 24 Romanian interviewees. These were processed with Microsoft Excel and SPSS 22 and used to generate several descriptive figures, mainly in order to obtain a first impression on the potential similarities and differences in perceptions between representatives from both countries. No authoritative claims were drawn from the questionnaire data given that it was not representative of the overall population studied. All the above constituted the primary and secondary sources of evidence based on which the empirical analysis was carried out.

3.4 Evidence analysis and methods

Before underlining the different steps undertaken in analysing the evidence collected, several more general points regarding the research process require some emphasis. The analytical strategy unfolded in a three-step process. Firstly, given the puzzling variation between the two countries the selection of the two macro-level cases was made on the dependent variable (absorption performance). There was a temporal variation of absorption performance with strong similarities during 2007-2010 between the two countries and an increased differentiation during 2011-2014. Secondly, the specific focus of the analysis was on understanding the evolution of the main independent factors (administrative capacity and political) and how they could
potentially influence the variation in financial absorption performance. Prior to the fieldwork, the main concepts were broken down into several indicators (analytical framework - Table 3, Chapter 2.4) which were then used to collect and carry out a systematic comparison of the empirical material.

The qualitative analysis followed several steps. First, a content analysis of the main primary and secondary documentary sources was undertaken. This produced an overview of some of the key problems, as acknowledged in official documents or as emphasised by third actors in studies/evaluations, on setting up and using EU funding in the two countries. Second, several steps were undertaken in order to systematically organize and analyse the interview data. Firstly, interviews were transcribed, and memos were added to each in order to capture first reflections on their content. Following a case by case analysis of the interviews, a decision was taken to systematize the interview data using a qualitative database. The main advantages for using the software were twofold. It organised the interview data and made it more retrievable for analytical purposes. It could improve issues of reliability given that the interviews were stored into a dataset which could be verified by other researchers. Secondly, interviews were processed with qualitative data analysis software: NVIVO 10. From a total of 89 interviewees, 66 were classified in the database as cases (units of observation). These observations were selected based on the completeness and comprehensiveness of the material (in particular the number of questions answered per interviewee). Moreover, interview data could also be arranged in terms of questions or themes. The decision then taken was to code the data starting from the questions, rather than the cases, in order to identify some of the relevant perceived problems for each factors and specific operational indicator.

The coding process meant to “capture a datum’s primary content and essence” (Saldana 2013, 4). It sought to condense, interpret and identify re-occurring patterns (Miles et al. 2014, 73) and to report on various thematic regularities found in the qualitative evidence (Bazeley 2009). This was done both manually and using the software (NVIVO10). For the latter, coding meant that different parts of the interview data (sentences/paragraphs) were included into a pre-defined or a new node (code) in the NVIVO database. A coding protocol was developed and included several categories used to code the qualitative interviews. First, an initial protocol structured the data
into the formal main factors (e.g. ADM1_Institutional_Capacity; POL2_Political Support) and their operational indicators.\textsuperscript{23} Second, several analytical codes were created in order to characterise some parts of the data which emerged from the interviews. For instance, when interviewees described the importance or absence of institutional centralisation / political leadership the information was included in new codes that reflected either a descriptive or a more analytical situation.\textsuperscript{24} Finally, the interview data was also coded for the different empirical levels of analysis: Operational Programmes (e.g. Operational Programme Human Resources – OPHR) and the Absorption Process (e.g. Evaluation and Selection of funds – ADM_SEL). Therefore, all relevant information regarding these categories were included in these nodes. A total of 14 master codes, 30 formal codes (the main indicators from the analytical framework) and 247 other emerging secondary codes (descriptive or analytical) were generated during the coding process.

At the end of the process, a computer assisted qualitative software analysis on the potential inter-relationships between the different codes was carried out using the different techniques offered by the software (please see Annex C for the results of qualitative software analysis). In short, this allowed for a quantification of the coding and a general exploration of the relationships between the different codes. Different levels of exploration were undertaken and core codes (parent nodes) were analysed by aggregating the coding data present in the secondary codes (child nodes). These are non-inferential methods of analysing the co-occurrence of the different words/codes for the variables selected. Outputs of the analysis present the different degrees of correlation between the different codes and the potential rates of association between them based on simple coefficients. Pearson correlation coefficients were used in analysing the correlations between the codes.\textsuperscript{25} It must be stressed that the quality of the correlations drawn between these factors, using the qualitative software analysis, were rather limited. However, the results were useful in order to supplement the main qualitative analysis and the insights from the case studies.

\textsuperscript{23} Examples: a) ADM1_Institutional_Capacity > INS_DESIGN_FUNCTION; b) POL2_Political_Support > POL_Management_Support.
\textsuperscript{24} Examples: a) ADM1_Institutional Capacity > INS_DESIGN_FUNCTION > Institutional Centralization; b) POL2_Political Support > POL_Management_Support > Political leadership.
\textsuperscript{25} The most significant correlations (> 0.5) are included and discussed in Annex C.
Overall, the interview evidence was examined using a mix between a case-oriented and a variable-oriented strategy (Miles et al. 2014, 101-102). In order to improve the validity of the qualitative findings, several sources of evidence were triangulated (Flick 2009, 444). Key qualitative data findings were synthesized by corroborating information from the primary and secondary sources (Denzin 2001). During the empirical analysis, problems signalled in official and secondary documents on EU funds were matched with statements from interviews. Interviews were in essence used in order to gain a rich understanding and insight on those problems. Similarly to most qualitative research, the interview data could in essence provide a snapshot of the perceptions of those interviewed and is in essence an already processed interpretation of facts. Therefore, disentangling facts from perceptions could be difficult. This was addressed by triangulating key findings from the data with official and secondary sources. For instance, many official sources emphasized on the problems regarding public procurement and the irregularities emerging from these at the level of project implementations. More in-depth insights were then retrieved from the interviews in order to understand the potential administrative and political issues affecting for instance the area of public procurement. Juxtaposing insights from official documents with qualitative insights proved a useful avenue for strengthening the validity of the findings.

Table 7: Final analysis categories

<table>
<thead>
<tr>
<th>Administrative Capacity</th>
<th>Political factors</th>
<th>Overall absorption performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>High / Medium / Low</td>
<td>Positive / Neutral /Negative</td>
<td>Very Strong / Significant / Moderate / Weak</td>
</tr>
</tbody>
</table>

Source: Author's creation.

Finally, the key analytical scope of the empirical analysis has been to scrutinise the interaction between administrative capacity and political factors and how could this affect, and potentially explain, issues of financial absorption within and between the two countries. To achieve this, the analysis sought to qualify the general dynamics and the direction of influence of administrative and political factors. This was done at the end of each case study. Administrative capacity was assessed as high, medium or low. Political factors were assessed by pointing to their positive or negative influence (Table 7) for the Operational Programmes examined. The overall absorption performance
was examined in line with the financial absorption rates of the different Operational Programmes and the problems identified during the policy stages and were scrutinised as: Very high / Significant / Moderate / Weak.

Specific conclusions were drawn at the end of each case study. The findings were then verified in line with theoretical expectations and the specific literature on EU funds delivery, in CEECs or the wider literature on EU policy implementation. It was then possible to draw more general conclusions on the importance of formal and informal conditions and how they could influence the evolution of the financial absorption between the two countries. It was against this background, and in line the wider hypotheses and initial assumptions (which are assessed extensively in section 8.1.3), that the analysis was carried out.

### 3.5 Methodological limitations of the study

The question of variation in the absorption of EU Structural Funds and the implementation of Cohesion Policy within national member states has been addressed by researchers using both quantitative and qualitative research tools. To answer the main research questions, this study adopted a comparative in-depth case study analysis of Bulgaria and Romania and the specific problems they faced in the management and implementation of Cohesion Policy. To a certain extent these were both outlier and deviant cases (Mahoney and Goertz 2006) in relation to all other EU-28 member states. Moreover, the two cases were clearly under-researched in the literature on CP delivery. The puzzling differences between the two cases provided a relevant basis of inquiry. For most of the financial period 2007-2013, Bulgaria had a medium to high absorption performance, whilst Romania had one of the lowest, if compared to average and in relation to other countries from the region (and especially if compared to countries like Lithuania, Estonia and Poland).

There were several trade-offs and methodological limitations that resulted from the case selection and research strategy. The first main trade-off was between the “breadth” and the “depth” of the analysis, with a clear leaning towards the latter. The focus on depth meant that issues of parsimony arose with regard to the analytical framework. These were, however, partially addressed in the conclusions, where the
most relevant factors are discussed including the two countries, potentially for countries from the region as well as on the general governance and delivery of CP.

Second, tensions between validity and reliability appear in studies using qualitative methodologies (Denzin 2001). In order to tackle some of these issues, findings were discussed with key informants in the area of EU funds management and were presented, in several occasions, to academics and policy-makers working on this policy area. Moreover, dealing with issues of endogeneity (King et al. 1994, 184-188) and the separation between the potential “causes” and “consequences” of the explanatory factors (administrative capacity and political factors) was one specific issue that arose during the research process. To deal with this, other empirical and theoretical uncertainties were reported in concluding sections.

Third, the possibility to discern between the causal mechanisms that generated a certain amount of financial absorption within and between these countries were limited. As a result, and from an analytical point of view, the focus of this study has been on qualifying the formal and informal administrative and political conditions and how these could influence the variation in absorption performance. Verifying these conditions, and the potential inter-relationships between them, against a strong base of qualitative evidence was a useful in order to reflect on the overall significance of the factors. Moreover, it was then necessary to isolate the potential effects of political from administrative capacity factors. In light of the fact that few primary sources touched upon the influence of political factors, the qualitative interviews proved a suitable way to gather and reflect on the specific role of political elements.

Last but not least, the thesis has strived in particular for internally valid findings plausible for the cases under review. This limited the ability of the study to fully claim that its conclusions can be generalizable to the EU-28 member states. However, many of these did corroborate insights from several other studies that focused on Cohesion Policy governance, and in particular from CEECs. These are addressed more extensively in the concluding section. However, it must be stressed that the overall, the absorption capacity model did provide an adequate framework to examine issues of absorption capacity and performance. The framework could be replicated in other cases, particularly where there is already some specific evidence about the influence of
political factors on processes of external aid management, and more particularly in countries from South and Central and Eastern Europe. The study now proceeds with its first empirical chapter which contextualizes administrative capacity and political developments relevant for Cohesion Policy and Structural Funds implementation in Bulgaria and Romania.
Chapter 4: Structural Funds in Bulgaria and Romania after accession – historical evolution and contextual background

4. Introduction

Prior to their accession into the European Union, Bulgaria and Romania had little experience with European structural and regional policy. This chapter contextualizes the evolution of Cohesion Policy management and implementation in Sofia and Bucharest. It surveys the development of administrative capacity and, moreover, the general role played by political factors for SF absorption. The analysis is focused on the more macro-central-level of government and discusses the evidence in relation to the main indicators present in the absorption capacity model. The chapters is followed by two distinct and more detailed case studies which examine the management of two Operational Programmes: Human Resources Development and Regional Development. In light of the findings, this chapter stresses that although administrative capacity has been vital component for financial absorption, by itself, it is not sufficient to explain the evolution and variation in the general performance of the countries studied.

The following chapter draws on the main documentary and interview evidence, as well as on some insights from the qualitative software analysis (Annex C). It progresses as follows. It first introduces the situation in both Bulgaria and Romania before they became member states, and assesses the pre-accession legacies and their impact on the early years of CP implementation. It then moves on and presents elements of the adoption of Operational Programmes and the accreditation of the management and control systems in the two countries. It continues by outlining some of the main findings with regard to administrative capacity elements (institutional, bureaucratic, human resources and territorial) and political elements (stability, support, clientelism), and details the specific role played by the EU in the domestic absorption

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26 This was potentially reflected in the long and cumbersome negotiation period for the chapter 21 (Regional policy and coordination of structural instruments) of the acquis communitaire in both countries (Glenn 2004, 13-16).
process. Finally, the chapter reflects on these macro-level developments and facilitates the transition towards the thematic case studies.

4.1 European funds during the pre-accession period

Prior to joining the European Union, Bulgaria and Romania benefited financially from three main pre-accession instruments: Special Accession Programme for Agriculture and Rural Development (SAPARD), Instrument for Structural Policies for Pre-Accession (ISPA) and Poland and Hungary: Assistance for Restructuring their Economies (PHARE). From these, PHARE was one of the most used instruments for strengthening the capacity of state institutions to cope with the demanding absorption of EU legislation at the domestic level and with other processes regarding accession. Through these instruments, the EU provided technical assistance to national authorities for public administration and management reforms, and indirectly for fighting corruption and promoting the development of civil society.\textsuperscript{27} It was generally hoped that by using expertise exchanges between European public administration officials and by providing technical assistance to national institutions, member states would be prepared for the obligations of membership, and particularly for the management and implementation of Structural Funds. Institution- and capacity-building was a key priority addressed via pre-accession funding although their impact for these purposes was deemed limited (Ecotec 2006). Others were critical of the potential impact that pre-accession measures had on public administration reforms (Dimitrova 2002) or if they would contribute towards preparing member states for Structural Funds (Bailey and De Propris 2004).

During 1999 and 2006, Bulgaria and Romania received €1.2 billion and respectively €2.5 billion from the PHARE cash-pot (MWH Consortium 2007, 3). In managing these funds, the two countries faced considerable challenges: “weak administrative capacity, staff fluctuations, unreformed public administration and political interferences in the work of the administration” (Ibid). These were among some of the key problems which persisted during the first implementation period for European Structural Funds. Despite this, the pre-accession proved important for the

\textsuperscript{27} For a summary of PHARE objectives see the following: http://www.europarl.europa.eu/enlargement/briefings/33a2_en.htm#4 (accessed January 2017).
development of at least an incipient level of capacity within public authorities. In both countries, several key institutions and procedures did develop, as early as 1998, and most importantly during the accession process. Bulgarian authorities, for instance, reported that they did rely on pre-accession funding for establishing the organisational and procedural systems that would be later on used for the implementation of Operational Programmes, training of staff that would work in Managing Authorities and Intermediate Bodies and for the establishment of the Unified Management Information System (Council of Ministers of Bulgaria - Improvement of Coordination Mechanisms 2006, 4-5). They also used the funds for developing a capacity for reporting, monitoring and controlling purposes whilst they equally sought to strengthen their ability to carry out financial management and controls and to deal with public procurement and on the spot verifications (Ibid.).

Several elements differentiated pre-accession funds from Structural Funds. Firstly, during the pre-accession period the European Commission was involved directly in the financial management and control of the funding. It carried out extensive ex-ante controls from its Delegations in Sofia and Bucharest whilst national institutions functioned mainly as implementing bodies. Dozens of detached European Commission experts aided national officers with the selection of projects and approval for instance of public procurement procedures (MWH 2003). The Delegations ensured a strong level of supervision also by controlling the tendering process (Director in Romanian Ministry of EU funds #1; Director in Bulgarian Audit Authority). Overall, the Delegations sustained a conditionality driven environment which monitored and enforced the extent to which procedures, regarding pre-accession funding, were respected by the national authorities. Secondly, the volume of pre-accession funding instruments was eight to ten times lower than that of the Structural Funds these countries received for the 2007-2013 programming period. In this respect, some interviewees argued that pre-accession rules were easier to deal with (Bulgarian Expert #1; Bulgarian Municipality EU funds Director #2) or that advance and interim payments for projects were more generous (Romanian Auditor #1).

Thirdly, the design and functioning of institutions managing EU funding changed after accession. In Bulgaria, the implementation of the PHARE instrument was carried out by the National Authorizing Officer and the National Aid Coordinator, both
coordinated by Deputy Ministers in the Ministry of Finance. The National Fund, part of the same ministry, was in charge with financial management (Bulgarian AA report, 2008, 2). Several PHARE Implementing Agencies, present in different sectoral Ministries (e.g. Labour, Economy, and Regional Development), covered the operational and technical aspects of implementation.28

Table 8: Institutional architecture for PHARE funds in Bulgaria and Romania

<table>
<thead>
<tr>
<th></th>
<th>Joint Monitoring Committees (Thematic Committees)</th>
<th>European Commission Delegation</th>
<th>European Court of Auditors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Coordination:</strong></td>
<td>- National Fund Directorate / National Authorizing Officers (Ministries of Finance)</td>
<td>Financial/Procurement:</td>
<td>- Central Funds and Contracting Unit (CFCU / OPCP)</td>
</tr>
<tr>
<td><strong>Operational:</strong></td>
<td>- Programme Authorizing Officer; - Implementing Agencies; - Units for Programme Implementation (Sectoral Ministries)</td>
<td>Payment certification:</td>
<td>- National Fund (Bulgaria) - Payment Authority (Romania)</td>
</tr>
<tr>
<td><strong>Programme Officers / Project Officers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Beneficiaries / Contractors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


In Romania, coordination was ensured by the National Authorizing Officer, part of the Ministry of Finance, and the National Aid Coordinator, function designated to the Ministry of European Integration in 2002.29 Several Implementing Authorities were present mainly in the Ministries of Labour, Regional Development and Education. However, the bulk of the work was carried out by thematic Units for Programme Implementations (UIP). Central Funds and Contracting Unit (CFCU in Bulgaria / OPCP in Romania) was entrusted with ex-ante controls and preparing public tenders and technical documentation (Operational Programme Technical Assistance Bulgaria

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2007, 76). Table 8 outlines the basic institutional architecture for the management of PHARE funds.

In addition, the Payment Authority was in both countries in charge with the financial certification of the expenditure and it guaranteed the legality of the spending towards the European Commission. One other important aspect of the pre-accession institutional scheme, which disappeared after 2007, was that a “Project Officer” was responsible for a project and maintained the interface between the authorities and final beneficiaries (EC Head of Sector #1; Head of Romanian North-East Intermediate Body). The overall process was audited by the European Court of Auditors and the National Audit Offices. The state of implementation was regularly discussed in Joint Monitoring Committees which brought together representatives from all the institutions involved.

As will be argued in the different case studies, the extent to which expertise was transferred from one institution to another proved vital for administrative capacity development.30 For instance, some of the above institutions would contribute to the proto-structures for the future Managing Authorities and Intermediate Bodies. Although some capacity and expertise clearly emerge during the pre-accession period, some reports underlined this was in general ignored or weakened by the frequent waves of staff turnover (Romanian AA report, 2010 436). Other interviewees argued that this expertise was not fit for the specific management of Structural Funds (Former Director in Romanian Managing Authority #2; Bulgarian Expert #1) or was insufficiently used (EC Head of Sector #1; Director in Romanian Ministry of EU funds #1; Bulgarian Expert #2). Structural Funds had their own specific rationale which was difficult to internalize, according to interviewees in both countries to adapt to these changes:

“The transition was difficult because of procedures and the practical guides. These were different than the procurement law used for instance until then. There was the need to develop national procedures and to ensure the shift of responsibility from EC to national level. The major change was the strategic approach of Structural Funds which needed to achieve objectives. PHARE was

30 The aggregated questionnaire responses for respondents in both countries (N=46) pointed that 41.3% agreed that capacity has been partially developed during the pre-accession period. Answers were more mixed with regard to whether or not the transition from pre- to post-accession funding was difficult with 15.2% answering affirmatively and 23.9% answering partially yes.
more an instrument to develop capacity, it was a matter of competitive grant giving.” (Head of Unit in Bulgarian Managing Authority #2)

Moreover, confusion emerged among staff and both administrators and project beneficiaries were still operating in a “Phare” style logic (EC Head of Sector #1). Structural Funds required new structures, procedures and newly trained staff. Although capacity building measures were taken during the pre-accession period, as compared to the 2004 EU entrants, Bulgaria and Romania did not benefit from a first a transitory period (2004-2007) during which they could accommodate to Structural Funds. As a result, and in light of the administrations being underprepared, the two countries faced considerable weaknesses during the first years of the 2007-2013 implementation period. Moreover, there were specific dysfunctionalities in adopting the Operational Programmes and in obtaining the accreditation for the management and control systems required to deal with the funding. These wide developments characterised the first years of implementation.

### 4.2 The adoption of Operational Programmes and the development of management and control systems

The 2007-2013 implementation period can be divided in several distinct temporal areas. First, negotiations were carried out between the European Commission and the member states on the adoption of National Strategic Reference Frameworks (NSRF). These were the main strategic documents which outlined the general framework that included the specific vision, priorities and thematic programmes used for Cohesion Policy implementation and for the spending of Structural Funds. The NSRFs were developed in consultation with a wider range of national and local stakeholders and in line with the CPs principle of partnership. Moreover, priorities were designed in line with National Development Plans (NDP) and the Community Strategic Guidelines (CSG). Both Bulgarian and Romanian NSRF were adopted in June 2007 (Council of Ministers of Bulgaria 2010; Government of Romania 2010). Drawing on these, seven similar Operational Programmes (OPs) were then developed in both countries. These operationalised the wider objectives into thematic roadmaps funded from the different Structural Funds based on which thematic calls for proposals were launched and individual projects were selected. In both countries, there were seven core OPs:

Table 9: Structural Funds absorption rates evolution in Bulgaria and Romania (%) (2007-2015) (December 2015)

<table>
<thead>
<tr>
<th>Years</th>
<th>Bulgaria – Total allocation: 8 billion(^{31}) (1050 €/capita)</th>
<th>Romania – Total allocation: 19.6 billion (900 €/capita)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Contracted ratio</td>
<td>Payment ratio to beneficiaries</td>
</tr>
<tr>
<td>2007</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2008</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2009</td>
<td>19.77</td>
<td>2.54</td>
</tr>
<tr>
<td>2010</td>
<td>36.91</td>
<td>10.09</td>
</tr>
<tr>
<td>2011</td>
<td>65.82</td>
<td>18.77</td>
</tr>
<tr>
<td>2012</td>
<td>100.28</td>
<td>35</td>
</tr>
<tr>
<td>2013</td>
<td>112.54</td>
<td>53.98</td>
</tr>
<tr>
<td>2014</td>
<td>115.58</td>
<td>76.48</td>
</tr>
<tr>
<td>2015</td>
<td>106.8</td>
<td>95.30</td>
</tr>
</tbody>
</table>


Most OPs were officially approved by the European Commission throughout 2007 and in early 2008. Nevertheless, these delays stalled the general absorption process, as illustrated in Table 9, in particular during the first years of implementation.

Second, in parallel to strategic and programming related developments, national authorities had to undergo a process of compliance assessment and the national management and control systems had to receive accreditation from the EU. The former had to demonstrate that they possess: “the programme management capacity, national financial control procedures and the pre-requisites for a functional public procurement system” (EC 2006a, 5). Moreover, in order to gain the independence

\(^{31}\) The Bulgarian total allocation includes: EU structural and cohesion funds amounting to 6.6 billion and national co-financing amounting to 1.4 billion. As opposed the Romanian allocation, 19.2 billion only includes the funds allocated by the EU. The total amount of co-financing allocated by the Romanian state for CP was not publicly specified.
necessary to manage pre-accession funding instruments, managing bodies had to apply for a Decentralized Implementation System (DIS) or an Extended Decentralized Implementation System (EDIS) status. Bulgarian and Romanian PHARE and ISPA managing structures obtained EDIS certification in the summer/autumn of 2007. Operating with EDIS standards was seen as an opportunity to gain invaluable experience in managing Structural Funds (Nikolova 2008). Moreover, the certification was highly regarded by local officials and was seen as a sign of system maturity that would help with the shift towards Structural Funds (Former Director of Romanian Managing Authority #2).

The strategic approach adopted in the two countries was that each Operational Programme would develop its own system. These changes were in line with the “shared management” principle governing Structural Funds. This entailed a transfer of responsibilities from the European Commission towards the member states (Cace et al. 2010). Under the principle, it was the responsibility of national authorities to design functional and effective systems. Moreover, in line with Council Regulation No. 1083/2006, the main legal framework for EU Structural Funds for 2007-2013, member states had to officially develop their own management and control systems for the funding. EU guidelines were in place on the set-up of these systems and the compliance assessment was a standardised and legally binding exercise for all Member States:

“Before the submission of the first interim application for payment or at the latest within twelve months of the approval of each operational programme, the Member States shall submit to the Commission a description of the systems, covering in particular the organisation and procedures of: (a) the managing and certifying authorities and intermediate bodies; (b) the audit authority and any other bodies carrying out audits under its responsibility.” (EC Guidance Note on the Compliance Assessment Exercise 2006, 1)

In short, Member States had to provide information to the EU authorities on the intended systems, and how they would fulfil several functions – e.g. (a) management functions (b) procedures (selection, verification, eligibility rules, public procurement and state aid); (c) audit trails and (d) how they plan to deal with irregularities and

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32 These are defined as: “The systems put in place to manage and control the assistance granted under the Structural Funds that is administered by the Member States. They should ensure the sound financial management of the Structural Funds and provide adequate assurance of the correctness, regularity and eligibility of the expenditure declarations presented to the Commission” (ECA 2012, 5).
recoveries of payments (EC 2012a Annex I, 71-72). In addition, a Certifying Authority had to ensure the certification of expenditure, accounting and recoveries (Ibid.). Finally, the control function was granted to National Audit Authorities which had to be independent and comply with international auditing standards. Audit Authorities sent annual control reports to the Commission that would present an overall opinion, on the functionality of the management and control system of the Managing bodies, based on system and operational audits carried out throughout the year. Added to this, each Operational Programme did set up a Monitoring Committee which was chaired by the relevant Managing Authority and composed of different stakeholders, which would take decisions on and monitor the fulfilment of the objectives of each OP. Last but not least, national authorities were required to have a functional information system, capable of gathering reliable financial and statistical information on the implementation of the 2007-2013 programmes (Regulation 1828/2006 Annex XII, 114-118).

Setting up the management and control systems proved to be a difficult task in both countries. It was a resource consuming process and national authorities found it difficult to provide satisfactory evidence to the EC. The accreditation of the management and control systems took place in 2008-2009, several months after the official strategic documents were officially approved. According to interviewees, the compliance assessment exercise triggered many delays in the implementation of OPs and the start of contracting and implementation of individual projects (Director in Romanian Audit Authority #1; EC Head of Sector #1). Moreover, an extensive amount of time was required for the domestic systems and procedures to develop and become functional within the administration (Director in Bulgarian Audit Authority; EC Head of Unit #2). All these meant that EU funds reimbursement processes could not be easily initiated (Orban 2013, 186). Moreover, this provided an indication of the potential lack of readiness of the institutional structures which were involved in the absorption process, although this was a characteristic for many other countries from and beyond the area (Baun and Marek 2008; EPRC and Metis 2009).

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33 All these bodies had to comply with articles 58-62 of Council Regulation 1083/2006.
4.3 Administrative capacity developments and Structural Funds in Bulgaria and Romania

In parallel with the adoption of the Operational Programmes and the accreditation of national management and control systems for EU funding, during the first few years Bulgaria and Romania where developing the necessary administrative capacity to manage CP and Structural Funds. The issue of institution and capacity building was on the countries’ governmental agenda for several years. However, during 2011-12, it was clear for the different stakeholders involved in the absorption of EU Structural Funds that administrative capacity shortcomings, from both the authorities and the beneficiaries’ side, required considerable attention (EC 2010, 5; OSI 2011; IPP 2011; EC Hahn letter 2012). Governments were very much aware of these needs and emphasized them in the National Strategic Reference Framework (NSRF): “internal coordination and departmental separation of responsibilities; setting up new administrative structures at central, district and local level entirely involved in the management of EU funds; human resources management policies and relevant training; improving project design; good quality technical specifications and tender documentation; co-financing; increased efforts in planning and effective management” (NSRF BG 2006, 53-57). Similarly, a few years earlier, the Romanian Government outlined some of the areas where difficulties were encountered, namely in terms of: administrative capacity, planning and programming, task delegation, technical assistance, staff turnover, preparation of beneficiaries, project implementation and management and control (Romanian NSRF 2007, 78-79). As will be outlined in the following, contextualising and developing these capacities, within the domestic administration, proved extremely problematic.

In July 2008, one year and a half after accession, Bulgaria did not find itself in a favourable position. Authorities in Sofia were severely criticized for EU funds mismanagement and allegations of fraud and corruption (Spendzharova and Vachudova 2012; Surubaru 2016a). It was ordered to pay back approximately 200 million EUR from the money it spent during the pre-accession period (EUobserver, 22 November 2008). An EC report read that the “high level corruption and organised crime exacerbates these problems of general weakness in administrative and judicial capacity” (EC 2008a, 10). The events in 2008 came as a shock to the political
establishment and proved to be an important turning point for the Bulgarian authorities. After these, the Bulgarian government adopted several measures that sought to facilitate and improve levels of control for the implementation of EU funding. Some of these politically backed measures, starting with the Stanishev and continued by the Borisov government, would enable the development of more functional management and control systems. As part of these measures the systems and procedures of Bulgarian Managing Authorities were enhanced (EC Head of Unit #2) along with the control systems of the Bulgarian Audit Authority (Bulgarian Auditor #1).

Romania, on the other hand, was much more praised for the way it managed its pre-accession instruments. Despite this it also faced considerable criticism regarding potential issues of corruption and politicisation (BBC 23 July 2008). Following several in-depth European audits, several core problems were revealed, during 2010-2011, with regard to the functioning of the recently approved management and control systems (Former Romanian EU Affairs Minister; Romanian Director in Audit Authority #1). Moreover, during the same period several Operational Programmes were suspended, after extremely high error rates were found following external audits (Pop 2012; Dimulescu et. al. 2013). Following these, a formal set of measures known as the “Plan for Priority Measures for consolidating the absorption capacity of Structural and Cohesion Funds” (PMP) was agreed between the European Commission and the then Boc Government. The plan sought to strengthen seven different areas:

(a) Project management cycles for Operational Programmes;
(b) Financial management of Operational Programmes and projects;
(c) Public procurement;
(d) Audit and control activities;
(e) The influence of external institutions and procedures over the evaluation, contracting and implementation of projects;
(f) Ensuring adequate administrative capacity for the institutions responsible for implementing Operational Programmes;
(g) The capacity and responsibility of beneficiaries.
(Romanian Ministry of European Funds, 5 April 2012)

These measures provide a valuable assessment of the most problematic areas where measures were necessary in order to address shortcomings in the management and implementation of the funding. Following pressure from Brussels, both the Bulgarian
and Romanian Government sought to address more comprehensively their problems concerning administrative capacity and the absorption of SF. Apart from some of the above contextual differences, an important variation developed within and between the two countries with regard to the management and implementation of funding. These reflected not only changes in institutional settings, but also political choices and the level of commitment invested in them. The following sections will discuss these developments in more detail, outlining some of the similarities and differences found with regard to the administrative capacity of the two countries.

**Institutional capacity**

During their first years of existence, the Managing and Control institutions responsible for EU Structural Funds underwent both a development and a learning process. The institutions responsible for the management of EU funding evolved and changed in line with the needs and political preferences. Institutional capacity was examined in this study by looking at issues of institutional design, coordination and accountability for the management of EU Structural Funds.

First, in terms of institutional design, for the 2007-2013 implementation, Bulgaria adopted a rather centralized management system, in which the Central Coordination Unit, initially part of the Ministry of Finance and later incorporated in the Council of Ministers, would ensure the horizontal coordination of the funding and assist the Managing Authorities. Romania initially opted for a semi-centralized system where, during its first years, the Authority for Coordination of Structural Instruments (ACIS), situated in the Ministry of Finance, contributed to the activity of the different Managing Authorities. In both countries, each Operational Programme had its own Managing Authority, included in different thematic line Ministries in accordance with their sectoral expertise. MAs were assisted at the central and/or regional level by different specialized bodies - Intermediate Bodies (IBs). In parallel, as part of the certification and control functions two other key institutions developed. The Certifying Authorities (CAs) were part of the Ministries of Finance and were responsible for verifying and certifying payments made to beneficiaries and for the reimbursement claims sent to the European Commission. The Romanian Certifying Authority, for instance, was designated through Government Ordinance 457/2008 and had to ensure
all accounting related matters, pre-financing, intermediate and final payments regarding the programme (Romanian Audit Authority report 2009, 372). Lastly, the Audit Authorities (AAs), part of the National Audit Courts, were in charge with auditing projects and ensuring the functionality of management and control systems. They oversaw the legality and regularity of the expenditure made with EU funding (Romanian AA report 2010). These institutional arrangements are briefly sketched below.

Figure 6: Institutional design for Structural Funds (2007-2013)

Source: Author’s creation, using NVIVO 10

It took both countries several years to establish functional institutional systems for the management of EU funds. Several important aspects resulted from the analysis in terms of institutional design. The Bulgarian centralized approach seemed to provide more stability to the system as compared to the Romanian one. The Bulgarian Central Coordination Unit (CCU) acted since the beginning as the main institutional coordinator for the national EU funds absorption process. The CCU grew under the mandate of Meglena Plugchieva (2008-2009) and was included in the Council of Ministers secretariat (Council of Ministers of Bulgaria 2009, 23). The CCUs role was strengthened under the mandate of Tomislav Donchev (2010-2013) who used it as his
main administrative secretariat. Donchev adopted several key measures that substantially improved different aspects of the national management and coordination process.\textsuperscript{34}

By contrast, the Romanian Central Coordination Unit (ACIS), part of the Ministry of Finance between 2007 and 2011, suffered from a lack of institutional and political legitimacy. Following the adoption of the Priority Measure Plan (PMP), a process of institutional centralisation developed with the ACIS being moved under the authority of the Prime Minister (Romanian Parliamentary Interpellation Pâslaru, 11.05.2011). Moreover, following formal suggestions from Brussels (and interestingly enough following the institutional model adopted in Bulgaria), a Romanian Ministry of European Affairs (MAEur) was established in the fall of 2011. Several months’ later part of it transformed into the Ministry of European Funds (MFE) and was entrusted the national coordination for EU funds (Government of Romania 2013, 6). The MFE initiated a process of institutional centralisation for the management of EU funds which culminated in several Managing Authorities being incorporated into its structure.\textsuperscript{35} Nevertheless, the frequent institutional changes, and the deficiencies in the architecture of the management and control systems used for EU funds, were particularly problematic for the absorption process in Romania (DG Regio AAR 2011, 6).

Inter- and intra-ministerial coordination between the bodies managing EU funds was highly deficient in the first years of implementation (Nikolova 2008; Susanu 2008; Zaman and Georgescu 2009; Bloom and Petrova 2013). Several interviewees stressed that a lack of cooperation between the different MAs and the negative impact that this had on dealing, for instance, with joint central level EU-funded projects (Bulgarian Expert #1; Romanian MA Programme Evaluation Officer #1). At the same time, the high number of Intermediate Bodies (IBs), 32 in Romania\textsuperscript{36}, as compared to only 11 in

\textsuperscript{34} Bulgarian Structural Funds Portal, Press Release 1 September 2011, [Tomislav Donchev: For the past year and a half the absorption rate of EU funds has increased five times], available at: https://www.eufunds.bg/en/eufunds/item/7082 (accessed December 2016).

\textsuperscript{35} Mediafax.ro, 26 February 2014, [The Ministry of European Funds takes over the Managing Authorities for POSDRU (Human Resources) and POS CCE (Economic Competitiveness) ], available at: http://www.mediafax.ro/economic/ministerul-fondurilor-europene-preia-autoritatile-de-management-pentru-posdru-si-pos-cce-12155260 (accessed December 2016).

\textsuperscript{36} In December 2013, several Romanian IBs were active: -8 for Environment OP (Regional NUTS II level – Eight Environmental Agencies)
Bulgaria\textsuperscript{37}, made coordination a particularly difficult task (Government of Romania 2013, 44). The lack of coordination between often lead to differences in interpretation or application of procedures, which resulted in the mismanagement of the funds and in conflicting levels of authority (Romanian Expert \#1). Moreover, conflicts were noted between different MAs and IBs (e.g. Romanian Human Resources and Economic Competitiveness; Bulgarian Human Resources and Environment). However, some Bulgarian interviewees suggested that institutional conflicts were addressed earlier in the process (Bulgarian EU funds consultant \#1; Bulgarian Certifying Authority Representative \#1). In Romania, however, serious tensions were present throughout the implementation period between the Managing Authorities and the Audit Authority and were generated by disagreements on issues of financial corrections. As a result, a high degree of mistrust developed between several Romanian Managing Authorities and the Audit Authority, questioning the latter’s’ legitimacy (Director General of Romanian Ministry \#1; Bulgarian Auditor \#1; Former Director of Romanian Managing Authority \#2). AA representatives stressed that it was their role to ensure the functionality of the management and control systems and the correctness of the spending, despite this meaning that it antagonized other institutions (Romanian Director in Audit Authority \#1).

Finally, with regard to institutional accountability, one of the potential side effects stemming from the lack of experience was the lack institutional openness and communication. Severe issues of transparency did affect the different Operational Programmes and Managing Authorities and the general relationship between the different stakeholders involved with EU funds (Zaman and Georgescu 2009, 11; SAR 2011; Hristova 2012). During the first years of implementation, Managing Authorities

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\textsuperscript{37} In December 2013, several Bulgarian IBs were active:
-9 for Regional OP (Regional NUTS II level – Eight Regional Development Agencies plus one Central level – Tourism Agency)
-11 for Human Resources OP (Eight Regional NUTS II level offices plus three Central level – Ministry of Education, Centre for National Development of Professional and Technical Teaching and the National Employment Agency)
-4 for the Economic Competitiveness (Central level: Ministry of Economy for SMEs; Ministry of Education for Research; Ministry of Communications and Technology for ICT; Ministry of Economy for Energy Efficiency)

-9 for Regional OP (Regional NUTS II level – Eight Regional Development Agencies plus one Central level – Tourism Agency)
-11 for Human Resources OP (Eight Regional NUTS II level offices plus three Central level – Ministry of Education, Centre for National Development of Professional and Technical Teaching and the National Employment Agency)
-4 for the Economic Competitiveness (Central level: Ministry of Economy for SMEs; Ministry of Education for Research; Ministry of Communications and Technology for ICT; Ministry of Economy for Energy Efficiency)

-6 for Regional OP (Regional NUTS II level, legally they were Departments of the MA)
-3 IBs for Human Resources OP (Central level: Ministry of Education, Social Protection Agency and Employment Agency)
-1 IB for Economic Competitiveness OP (Central level: Department for Technology, Development and Innovation).
and Intermediate Bodies seemed completely opaque and were not very transparent in relation to beneficiaries (Bulgarian EU funds consultant #1; Romanian Civil Society Leader #1). These institutions also adjusted to situations arising from the ground and managed to develop a style of communication and interaction with their main clients, namely EU funds beneficiaries. Several interviewees underlined that a gradual shift took place with many of these bodies improving their records in terms of transparency and communication in recent years (Bulgarian Municipality EU funds Director #2; State Secretary in Romanian Ministry of EU funds).

Overall, at the central governmental level, issue of institutional design (ADM1a) were particularly important and provided a potential advantage to the Bulgarian authorities. The institutional set-up adopted by authorities in Sofia seems to have been more functional, and the Central Coordination Unit, played an important role in the coordination process of the different authorities involved in the absorption process. By contrast, the Romanian institutional design was highly intricate and changed several times which added to the overall complexity and delays in managing the funds. Moreover, the Romanian (ACIS) was relatively ineffective during the first years of EU funds implementation and the numerous conflicts between the Audit Authority and Managing Authorities contributed to various other issues. Institutional coordination and accountability remained problematic in both countries, although some progress has been noted on these dimensions, by both national and EU representatives, in the last few years (Council of Ministers of Bulgaria 2013; DG Regio AAR 2014). Other more specific issues concerning institutional capacity will be discussed within the thematic case studies.

**Bureaucratic capacity**

The development and evolution of the different institutions was important for the absorption process and for the general management of the funding. However, the general legislation, rules and specific procedures animated those institutions and provided the link between how funds were managed at the central level and how they were implemented at the local level. In this respect, rules and procedures represent the linchpin between the different actors during the process. Bureaucratic capacity is broadly understood here as the degree to which member states have the necessary
bureaucratic, procedural and legal capacity to manage the absorption process. Data
has been gathered in this thesis with regard to the existence and stability of legislation,
procedures and administrative templates by managing bodies, the use of project
management methodologies and electronic management systems, and the complexity
and administrative burdens of two particular stages of the absorption process: the
selection of projects and the verification / monitoring of their implementation.

In parallel to developing an institutional architecture for the management of funds,
specific legal rules and procedures had to be crafted for the implementation of
Operational Programmes. These included primary legislation or secondary
legislation (e.g. public procurement law), eligibility rules and the different frameworks
regarding calls for proposals, applicants’ guides, application or financial
reimbursement forms. Several problems arose with regard to these rules and which
latter on had an impact on the implementation of the funds. In general, there were
problems with the coherence of the legislation due its frequent changes (KPMG
OPHR-RO Interim Evaluation 2011, 232). One example came from Bulgaria where,
after 2010, there was a need to update the primary legislation (e.g. Decision of the
Council of Ministers of Bulgaria No 965/ 16.12.2005) on the establishment of the
Central Coordination Unit, Managing Authorities and Intermediate Bodies that were
used to manage the funds at the national level. Although a legislative project had been
discussed for over two years it failed to go through the Council of Ministers and the
Parliament, when the government changed in 2013. Interviewees pointed to political
reasons behind the failure of this legislative project (Former Director of Bulgarian
Managing Authority #2). In essence, as pointed out in several sources achieving a
harmonized set of rules was a highly difficult task (Council of Ministers of Bulgaria
2009, 26-28; Government of Romania 2010, 70). These were explained by one official
in the following manner: “The short circuit occurred at the level of interpreting
national legislation, which should have run in parallel and support with the
implementation of funds” (Director General of Romanian Ministry #1).

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38 Legislation in both countries was highly dense and subject to continuous changes throughout the
2007-2013 implementation period. An overview of legislation can be accessed for Bulgaria here:
https://www.eufunds.bg/normativna-baza-2/natzionalno-zakonodatelstvo and for Romania here:
Second, there were many gaps in terms of secondary legislation for different sectors (e.g. environment, transport, social policy) in which EU funds could be used. For instance, in Romania the lack of legislation for social enterprises made it difficult for human resources funding schemes to be implemented (Romanian Civil Society Leader #2; Romanian EU funds consultant #3). Moreover, operational rules and documents for accessing funding schemes (e.g. applicant’s guides, application forms) were developed at the central level, with little input from potential beneficiaries, despite formal proceedings on the application of the EU’s partnership principle, which entails extensive consultations on the above with various stakeholders (Romanian Expert #1; Head of Unit of Bulgarian Managing Authority #1). Finally, implementing horizontal rules (e.g. equal opportunities) was also a difficult task for these administrations (Zaman and Cristea 2011). An extremely high number of implementation instructions and corrigenda modified day-to-day rules used for EU-funded projects. This generated a “changing the rules during the game” phenomena in which measures that sought to correct breaches in the system led to many other unforeseen situations (Romanian Civil Society Leader #1; Romanian EU Funds Consultant #3). Overall, it seems that authorities in Sofia were much faster in starting to introduce standardised administrative documents and templates (Council of Ministers of Bulgaria 2009, 26).

Third, by 2009-2010, many of the EU-funded projects under contract had to organise different tender procedures. As will be discussed more thoroughly in Chapter 7, public procurement was a highly problematic area in both countries, and the source of most irregularities regarding EU funding implementation (CSD 2009; IPP 2014). Procurement legislation was changed very often and several Bulgarian and Romanian beneficiaries and stakeholders criticised these developments (Bulgarian Consultant EU Funds #1; Bulgarian Municipality EU funds Director #1; Director in Romanian Ministry of EU funds #1). However, Bulgarian authorities may have profited from the fact that they also could use “the most economically advantageous offer” awarding criteria for tender contracts, whereas Romanian Contracting Authorities were mainly limited to the “lowest price” principle, which had a strong negative effect on carrying out procurement procedures.

In addition, and in line with EU regulations for Structural Funds, each country required a functional information systems for the management of EU funds. From the
evidence gathered, it seems that these systems were much more functional in Bulgaria (UMIS) than in Romania (SMIS). The Romanian SMIS was criticised by several stakeholders for being highly deficient in reporting data, fragmented and generated numerous errors (EC Policy Officer for administrative capacity #1; Romanian MA Programme Evaluation Officer #2). With regard to the use of project management methodologies, it was up to the different Managing Authorities / Intermediate Bodies to develop more specific methodologies, although general procedure manuals were provided from Central Coordination Units. Moreover, on the ground 68.2% Bulgarian respondents of the questionnaire acknowledged that they use such methodologies whilst only 29.2% Romanian respondents argued they do so. Using such project management tools could have a positive impact for structuring the different management functions and practices within these institutions.

One final aspect analysed was the level of bureaucratic control exerted by the managing bodies in relation to EU funds beneficiaries. A high level of administrative burden characterised the first years of implementation and had a negative impact for the overall absorption process. Beneficiaries frequently complained about the excessive and burdensome rules and procedures they dealt with in order to access and implement EU-funded projects (Berica, 2010; Hristova Kurzydlowski, 2013; Jaliu and Radulescu, 2013). All institutions involved in the process were often criticized for enforcing a cycle of administrative over-controls which were extremely demanding, especially in terms of reporting and on the ground verifications (KPMG et al. 2011, 13). What is more, the focus on the process meant that authorities tended to “gold plate” namely to “put in place a number of intricate [procurement] regulations, rules and procedures of a more restrictive and demanding nature than those contained in relevant EU financial regulations” (KPMG et al. 2011, 72). As explained by several interviewees, one major consequence from this tendency to over-regulate was that authorities paid much more attention to administrative processes and developed a potential “tick box” culture, which diminished considerably the focus on the results of projects (Bulgarian Head of Unit of Managing Authority #1; Romanian EU funds Consultant #2; Romanian Civil Society Leader #1). The fact that national bodies enforced higher levels of control, by applying stricter measures of control, than those required from the EU level, reflected the lack of experience of the different national bodies involved in managing EU funding, as well as the poor levels of trust between
the different stakeholders involved in the process. Furthermore, the frequent changes of rules and procedures and the tendency to over-regulate and maintain a high level of controls had a strong impact on the capacity of all the different actors involved in EU funds management, as well as on the human resources capacity of managing and control institutions.

**Human resources capacity**

Human resources are an essential component, possibly the most constitutive, for the administrative capacity required by these countries’ to manage and implement EU funding. Human resources capacity was widely examined in this study as the degree to which the institutions possess the necessary relevant HR (numbers; specialization; training and incentives) to manage the absorption process. At the same time, it refers to the influence that different external actors’ (EU funds beneficiaries / consultants) have exerted on the process. In terms of staff numbers, in 2014, from the data gathered there were approximately 1200 employees working in managing and control institutions in Bulgaria and approximately 2800 in Romania (Table 10). Moreover, by December 2014, there were approximately six thousand private and public EU funds beneficiaries in Bulgaria and nine thousand in Romania respectively.

Developing, perfecting and retaining staff working in EU funds management bodies proved to be an intricate task. Firstly, the shift from pre-accession to post-accession has been particularly problematic in ensuring a stable HR basis. Prior to accession, no concrete calculations were made on the number of administrators required to manage the different Operational Programmes. By 2010, different official reports emphasized that most managing bodies, as well as beneficiaries, did not allocate sufficient staff to handle workloads (EC Strategic Report 2010). Staff turnover proved to be one of the major determinants of system instability. Two big waves of staff turnover affected the institutions. The first occurred in 2006-2007 when many of the experts working on EU funds in the two countries transferred to Brussels to work for different EU institutions (EC Head of Sector #1). The second took place in 2009-2011 and when many staff that accumulated expertise in managing institutions chose to work in the private sector mainly on consultancy. As a result of the austerity policies pursued by the Romanian Boc government, there were budgetary cuts that applied also to staff
working on the management of EU funding. According to some, this had strong consequences for the motivation of staff working in the system (Romanian MA Programme Evaluation Officer #2; Director of Romanian Managing Authority #2).

Table 10: Estimated number of staff working on Structural Funds in Bulgaria/Romania (2007-2013)

<table>
<thead>
<tr>
<th></th>
<th>Bulgaria</th>
<th>Romania</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Monitoring Committees</strong></td>
<td>7 Monitoring Committees (1 per OP) with 25-50 appointed members</td>
<td>7 Monitoring Committees (1 per OP) with 25-50 appointed members</td>
</tr>
<tr>
<td><strong>Central Coordination Units</strong></td>
<td>Bulgarian Central Coordination Unit (Council of Ministers): 60</td>
<td>Ministry of European Funds: 291</td>
</tr>
<tr>
<td><strong>Managing Authorities (MA)</strong></td>
<td>MA Transport: 45</td>
<td>MA Transport: 106</td>
</tr>
<tr>
<td></td>
<td>MA Environment: 56</td>
<td>MA Environment: 140</td>
</tr>
<tr>
<td></td>
<td>MA Regional Development: 60</td>
<td>MA Regional Development: 182</td>
</tr>
<tr>
<td></td>
<td>MA Economic Competitiveness: 160</td>
<td>MA Economic Competitiveness: 105</td>
</tr>
<tr>
<td></td>
<td>MA Human Resources: 120</td>
<td>MA Human Resources: 69</td>
</tr>
<tr>
<td></td>
<td>MA Administrative Capacity: 44</td>
<td>MA Administrative Capacity: 77</td>
</tr>
<tr>
<td></td>
<td>MA Technical Assistance: 18</td>
<td>MA Technical Assistance: 20</td>
</tr>
<tr>
<td><strong>Intermediate Bodies (IB)</strong></td>
<td>-1 central IB for Environment OP: 76</td>
<td>-8 regional IBs for OP Environment: 129</td>
</tr>
<tr>
<td></td>
<td>-6 regional IBs for Regional Development OP: 90</td>
<td>-IBs for Regional Development OP:</td>
</tr>
<tr>
<td></td>
<td>-1 central IB for Economic Competitiveness OP: 78</td>
<td>a) 8 Regional Development Agencies: 400</td>
</tr>
<tr>
<td></td>
<td>-3 central IBs for Human Resources OP:</td>
<td>b) 1 central IB (Tourism): 36</td>
</tr>
<tr>
<td></td>
<td>a) Social Protection Agency IB: 60</td>
<td>-IBs for Economic Competitiveness OP:</td>
</tr>
<tr>
<td></td>
<td>b) Employment Agency IB: 100</td>
<td>a) 8 Regional Development Agencies: 160</td>
</tr>
<tr>
<td></td>
<td>c) Education Ministry IB: 100</td>
<td>b) 3 central IBs: 153</td>
</tr>
<tr>
<td><strong>Certifying Authority</strong></td>
<td>60</td>
<td>82</td>
</tr>
<tr>
<td><strong>Audit Authority</strong></td>
<td>50</td>
<td>220</td>
</tr>
<tr>
<td>Public Procurement Agency</td>
<td>75</td>
<td>96</td>
</tr>
<tr>
<td>---------------------------</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>Total staff</td>
<td>1192 (approx. 1200)</td>
<td>2803 (approx. 2800)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of final beneficiaries and projects</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>5889</td>
<td>8887</td>
</tr>
<tr>
<td>Total no. of projects contracted</td>
<td>9441</td>
<td>15211</td>
</tr>
</tbody>
</table>

Source: Author’s creation and Surubaru 2016a, Appendix C. Table based on data collected by the author. Staff numbers are accurate for Bulgaria for June 2014 and for September 2014 in Romania’s case. Additional staffing data was provided by the Romanian Ministry of European Funds. The table does not include staff working on cross-border cooperation programmes. The data on the number of beneficiaries and projects is accurate for December 2014 and was retrieved for Bulgaria from: http://umispublic.government.bg and for Romania from: http://data.gov.ro/dataset/informatii-derulare-fonduri-europene-smis

In addition, a recent comparative report that examined staff wages and fluctuations in Managing bodies dealing with the European Regional Development Fund (ERDF) in Europe, noted that Romania had a much higher rate of staff turnover than Bulgaria and could reach as high as 47% for the Romanian Economic Competitiveness OP (Metis 2014, 59-61). Moreover, Bulgarian authorities seem to have had a higher efficiency of staff to projects ratio in the different Operational Programmes examined, namely allocating more staff per number of project than in Romania.

Second, the quality and expertise of staff might have been conducive to a higher capacity for both management and control bodies, as well as for other actors such as beneficiaries. In general, the quality of staff was perceived as more important than staff numbers (EC Head of Unit #1; Former Director of Romanian Managing Authority #2). In general, interviewees characterized the expertise of their colleagues as being mainly reasonable or good. There were some interesting differences signalled in the questionnaire. For instance, 63.6% Bulgarian respondents argued that the quality of staff working in managing and control institutions was good, whereas 41.7% of Romanian respondents argued the same. Nevertheless, different other external
stakeholders interviewed were more critical of the expertise of EU funds administrators (Bulgarian Expert #1; Romanian Expert #2).

Training was essential for expertise formation.\textsuperscript{39} Most official reports illustrate the importance and the number of training sessions undertaken for staff working in managing and control institutions and for beneficiaries situated at both the central and local level (Council of Ministers of Bulgaria 2009, 17; Bulgarian Parliament 2011, 17; Government of Romania 2013, 104). Many irregularities were down to staff with insufficient expertise and from a lack of training and adequate working conditions (Constantin 2006; Vant 2012). In several instances, both staff and beneficiaries interviewed criticised the quality of the training offered describing it as inadequate and excessively focused on soft skills (Romanian MA Programme Evaluation Officer #2; Bulgarian EU funds consultant #1; Director of Bulgarian Managing Authority #1). Furthermore, it was difficult for institutions to hire staff that would fit the diverse range of functions required (e.g. programming, verification or evaluation) or the areas of specialty required (legal, financial and technical). This meant that a consistent amount of staff had to be trained on the job (EC Head of Sector #1; Director of Romanian Managing Authority #2). There have been instances in which the technical expertise required for many projects has been hard to find due to structural factors such as for the limited pool of, for instance, engineers in the environmental (Bulgarian expert #1) or in the transport sector (Romanian MA Programme Evaluation Officer #3). All these added a great deal of pressure on the work of managing and control bodies, particularly during the first years of implementation.

With regard to financial and professional incentives, the evidence gathered indicated several specific issues. Firstly, salary rates and costs for staff also seemed to be much higher in Bulgaria than in Romania (Metis 2014, 32). Secondly, during the first few years of implementation there were many discrepancies between the managing and control institutions at both the central and local level. At the central level, there were strong differences between the Managing Authorities / Intermediate Bodies and between the Certifying and Audit Authority as well as in relation to the regular staff of

\textsuperscript{39} There were some notable differences in this area with half of Bulgarian questionnaire respondents considered they received sufficient training whilst only a quarter of Romanian respondents stating the same.
the host ministries.\textsuperscript{40} Second, there were strong differences in terms of salaries between and within the Managing Authorities and Intermediate Bodies. This was the case given that salaries were tied to the salary base of the ministry in which these bodies were based. The discrepancies between these salary bases, as well as the 25% salary cuts implemented by the Boc Government, had an extremely negative impact on staff motivation (Georgescu 2008; Surubaru 2016a). Finally, technical assistance funds were used better, and faster, by the Bulgarian authorities. By contrast, at the end of 2012, the Romanian authorities only managed to use 22.3% of their allocated technical assistance funding (Romanian AA report 2012, 387). These funds are generally used for capacity building mainly by the official institutions involved in the process and were used to pay salaries for staff working on EU funds in Bulgaria. For several years, Romanian authorities mainly used these funds for salary top-ups and bonuses. Several measures were adopted by the newly formed Romanian Ministry of European Affairs starting with 2013 and following a political decision in 2014, salaries and payments for staff working on EU funds were standardised.\textsuperscript{41}

Similar problems could be identified at the local level. For instance, due to legal restrictions in place, beneficiaries working in City Halls could only be paid a limited or a capped amount of funding for their work on EU-funded projects (Romanian Parliamentary Interpellation Odon, 19.06.2013; Sofia Municipality EU funds Expert #1; Bulgarian Municipality EU funds Director #2; Former Director of Romanian Intermediate Body #1). As bluntly emphasized by one interviewee: “How can you expect someone at the city hall in Dorohoi (Northern Romania) that earns 150 EUR a month to sign a 5 million EUR contract?” (Director in Romanian Audit Authority #1). Low salaries were pointed out as a major source of frustration, leading to poor results in implementation, particularly from public beneficiaries (Romanian EU funds public beneficiary #1; Sofia Municipality EU funds expert #1). All these generated problems of motivation among central or local public beneficiaries and challenged their

\textsuperscript{40} As explained elsewhere (Surubaru 2016b), there were several problems generated by the general administrative embeddedness of managing and control institutions and their link with their hosts. One general issue was that there were tensions between regular staff working in those ministries and the EU funding staff, whose remuneration was much higher (Bulgarian AA report 2008, 20).

commitment and willingness to be accountable in the use of EU funding, facilitating illicit practices and conflicts of interest.

The role of two other stakeholders (consultancies and beneficiaries), often neglected in analyses of administrative capacity, proved very significant in particular with regard to the implementation of Structural Funds. Firstly, a significant number of consultancies emerged after 2006-2007 providing services relating to EU-funded projects. This sector peaked in size around 2010-2011 and profited from the project applicants’ and beneficiaries’ needs. There were many accounts of the negative role played by consultancies. For instance, consultants lacked capacity themselves and did not have the ability to properly guide clients, in particular on procedures regarding public procurement (PwC 2016 – Romania country profile, 182). Other consultants were in fact ill prepared and often encouraged illegal means to obtain funding, made use of “copy-pasted project templates” or acted as intermediaries between funding applicants and corrupt officials or politicians (Bulgarian Academic #1, Bulgarian Head of Unit of Managing Authority #1; Romanian EU funds consultant #1). Nevertheless, several more professional consultancies emerged which made a rather more positive contribution to the absorption process (Bulgarian EU funds consultant #1; Romanian EU funds consultant #1).

Secondly, beneficiaries had an important say for the general financial absorption performance of a country. They were the primary users of funds and could destabilize the general absorption process (as will be discussed more thoroughly in Chapter 7). Beneficiaries were either public (ministries, city halls, schools, hospitals) or private. During the first years SF implementation, different categories of beneficiaries suffered from a chronic lack of administrative capacity, especially in small and medium-sized municipalities or in local NGOs (Bulgarian Parliament 2011; Expert Evaluation Network Romania 2012).42 Moreover, it was recognized that beneficiaries were among the most neglected in capacity development exercises and that, for instance, PHARE funds had a limited effect on the development of capacity within the ranks of potential

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42 For instance, an UNDP evaluation found important contrasts between the levels of expertise of municipalities in Bulgaria. In 2006, only 40% of municipalities had trained staff in the area of Structural Funds (Marinov and Garnizov 2006, 5). Moreover, the weakest or underprepared local actors tended to be municipalities with a population below ten thousand, which make for 38% of the total number of Bulgarian municipalities (2006, 22).
beneficiaries (EC 2006b). In addition, many beneficiaries lacked the necessary financial capacity or specialized expertise to deal, for example, with specialised areas such as public procurement (Representative of the Bulgarian National Association of Municipalities). Most audit and annual implementation reports, as well as several interviewees, noted that technical assistance funds were used to improve the capacity of beneficiaries (Bulgarian Technical Assistance MA expert #1; State Secretary in Romanian Ministry of EU funds). Nevertheless, strengthening the ability of beneficiaries to deal with EU funding was a long and difficult process. Moreover, the relationship between beneficiaries and public authorities seems to have evolved, following a few difficult years of cooperation. The way in which administrative capacity developed at the territorial level was an important step in this direction, equally relevant for both the authorities and EU funds beneficiaries.

**Territorial capacity**

The issue of territoriality in national and European politics has been a long standing subject of debate. In implementing EU policies, each country is influenced by its own territorial configurations and regional governance traditions. Equally, these can have important practical consequences for the governance of EU funding. In this study, territorial capacity was broadly defined as the degree to which regional / local structures and actors have the capacity and are involved in the different stages of the absorption process. Evidence was gathered on the possible effects of decentralization / centralization and on the different governmental tiers and their ability to cope with the requirements of the absorption process. Before outlining some of the main contextual findings, some background information on the two countries is presented in the following.

Both Bulgaria and Romania are unitary and highly centralized states, in which sub-national autonomy is moderate to low (Loughlin, Hendriks, and Lidström 2012) and regional authority is rather limited (Hooghe et al. 2010, 262-266). Bulgaria is divided in 28 districts (Oblasti) which contain 264 municipalities (Obshtini) (NUTS 3 level) and 5047 villages and communes (Bulgarian Census 201143; Nikolova 2011). Romania is divided in 41 counties (Judeţe) (NUTS 3 level) and the capital city of Bucharest, as

well as 320 cities and towns and 2856 communes and 12955 villages (Dobre 2011, 695). Local administrations have only some limited competences with regard to local property management, infrastructure and transport, healthcare, education and culture (Nikolova 2011; Dobre 2011). With all this, most local authorities are dependent on state budget transfers and, for instance, in Romania only 22.7% of local communes were considered to be financially independent (Expert Forum 2014, 35). Furthermore, prior to accession most local administrative and territorial units lacked the necessary expertise and resources to access and manage EU funding (Marin 2006; Marinov and Garnizov 2006; Vincellete and Vassileva 2006).

Since 1989, different processes of decentralisation have been initiated albeit these were rather rhetorical and limited in scope, with most policy areas being subject to firm control from Sofia and Bucharest. However, during the pre-accession, in line with territorial developments taking place at the EU level, several NUTS 2 regions were designed for both countries. The Bulgarian Regional Development Act 1999 enshrined six different NUTS 2 regions: Severozapaden (North-West), Severen tsentralen (Centre-North), Severoiztochen (North-East), Yugoiztochen (South-East), Yugozapeden (South-West), Yuzhen tsentralen (South-Centre). Similarly, in 1998, Romania developed eight development regions: Nord-Vest (North-West), Centru (Centre), Nord-Est (North-East), Sud-Est (South-East), Sud-Muntenia (South-Muntenia), București-Ilfov (Bucharest-Ilfov), Sud-Vest Oltenia (South-West Oltenia), Vest (West). During the 2007-2013 implementation period, all Bulgarian and Romanian NUTS 2 regions were qualified as “convergence regions”, namely as areas with a Gross Domestic Product (GDP) per capita less than 75% of the EU average. Unlike Polish NUTS II regions, which were created on the basis of significant regional reforms, Bulgarian and Romanian regions were only “artificially created” and mainly for policy and statistical purposes (O’Dwyer 2006; Yanakiev 2010; Dobre 2011; Mihăilescu 2012). Moreover, there are strong internal development discrepancies between the regions of the two countries and inter-regional disparities have accelerated since accession, in particular if compared to capital regions which became the main economic development areas, attracting and retaining human and financial capital.
It was against this background, of mainly weak regional and local level authorities, that Structural Funds were implemented during 2007-2013. There were, however, some significant differences that can be noted between the two countries, with an impact on the way in which the funds were managed. First, there were some notable differences with regard to the governmental tiers engaged in the management of the funding. In general, both countries possess different deconcentrated administrations which represent the Government at the local level and monitor the implementation of centrally designed strategies and policies. The governors of the Bulgarian Oblasti and the Prefects of Romanian Counties are appointed by the central government and emulate the French prefectural model (Nikolova 2011, 669; Dobre 2011, 696). Nevertheless, in Romania, County Councils are politically independent bodies directly elected at the local level. They represent a separate level of political and administrative authority, in addition to the deconcentrated central government bodies present at the local level. In this respect, Bulgarian authorities employed a two tier approach in the management of the funding. Managing bodies from Sofia interacted directly with local municipalities, some of the biggest funding beneficiaries and by-passed the 28 regional administrations (Oblasti). Thus, the latter had no formal say in the management of the funding and where rarely involved in the process. By contrast, the management and implementation of Structural Funds was a more intricate process for the Romanian authorities. This was complicated by the involvement of the 41 county councils which apart from being EU funds beneficiaries could seldom be involved institutionally in the implementation process. Formally, County Councils are part of the Regional Development Councils and must contribute to the political and institutional mechanisms that oversee inter-regional disparities reduction (Dobre 2011, 700). Finally, Romanian County Councils had an important supervisory role being able to politically control the work of the Regional Development Agencies. Politically strong County Council leaders could often act as veto players in the distribution of regionally significant EU-funded projects (Romanian MP #1; Romanian EU funds consultant #1). Overall, the additional political and administrative layer present in Romania did complicate the coordination process and had important implications for the technical management of the funding.

Second, and in line with the above points, the centralized Bulgarian model seemed to fit the institutional and bureaucratic capacity of the different institutions involved in
EU funds management. As will be seen from the different thematic case studies, the strong linkage between Sofia based ministries and their territorial and regional branches was beneficial for the management of the funding and for ensuring an adequate level of capacity and control of local level authorities. By contrast, the initial Romanian semi-centralised model and the multitude of different institutions involved at the central and territorial level allowed for fragmented and confounding layers of management which were detrimental to general coordination. Bulgarian interviewees argued that decentralization could lead to potential problems, especially given that municipalities relied heavily on the capacity of central level Ministries (Head of Unit of Bulgarian Managing Authority #1). In Romania, given the stronger historical precedent, in Romania several administrators seemed to be more in favour of a higher degree of regional autonomy as to avoid the overlapping levels of authority (Director General in Romanian Ministry #1; Head of North-East Intermediate Body). During the 2007-2013 period, several debates emerged in Romania on the potential regionalisation of the country. Against this background, the issue of regionalization has climbed up high on the agenda and most Romanian politicians seemed to argue that a higher degree of decentralization would increase the level of EU funds absorption. With all this, numerous civil society groups criticized the design of the reforms and signalled that the creation of an additional tier of government may prove inefficient and would develop further opportunities for corruption at the regional and local level (IPP 2013; SAR 2013; Romanian Expert #2). The Romanian regionalisation project stalled in January 2014, after the Romanian Constitutional Court argued that it required further constitutional amendments in order to pass. The episode illustrated well how the issue of EU funding tended to be used in and how it influenced internal political debates.

Finally, several things are worth noting with regard to the potential discrepancies between the capacity and expertise of central and regional/local staff. Similarly to central institutions, most local and regional administrators went through a strong learning process during the first phase of Structural Funds implementation. Nevertheless, from the qualitative evidence gathered, it seems that despite some
differences, there were no fundamental gaps in terms of capacity and expertise between central and regional/local administrators. Moreover, these gaps narrowed during the implementation period and some even argued that local staff had more “on the ground” experience and a rather more intimate understanding of the problems faced by the different EU funds beneficiaries (EC Head of Unit #2; Permanent Representation #1; Bulgarian Certifying Authority Representative #1; Deputy Director of Bulgarian Managing Authority #2). Some argued that regional and local administrators possessed, in fact, a higher degree of expertise (Bulgarian Expert #4; Romanian Expert #2). One such example was provided by the Romanian Regional Development Agencies (RDAs). Established in 1998, together with the development regions, these structures had the opportunity to develop strong degrees of administrative capacity allegedly given their independence from political interference and their strong human resources and development training policies (Director in Romanian North-East RDA). RDAs contributed extensively towards developing the capacity of local level project applicants and beneficiaries (World Bank 2013; EC Head of Unit #1). Nevertheless, the formal prerogatives of these structures were limited to the delegated tasks they received based on their contracts as Intermediate Bodies for the Regional OP, and later on, for the Economic Competitiveness OP.

One final interesting aspect which can be noted relates the support provided to potential and final beneficiaries by different associative structures, such as the National Association of Municipalities in the Republic of Bulgaria (NAMRB) or the Romanian National Union of County Councils / Romanian Municipalities Association. For instance, NAMRB often acted as a dialogue broker between local municipalities and national authorities, outlining the different obstacles faced by the former and seeking to develop ways as to increase the capacity of different lagging municipalities (Representative of the Bulgarian National Association of Municipalities). These structures managed to highlight the different bottlenecks encountered locally and proved beneficial in establishing a link between the authorities and the different stakeholders. However, they also tended to reinforce the relationship of dependency between local authorities and central governments. Overall, as discussed above, territorial capacity was influenced not only by structural configurations (governmental tiers / centralisation) but equally by various political developments which are discussed more substantially in the following.
4.4 Political developments and Structural Funds in Bulgaria and Romania

One of the main claims advanced and verified in this thesis related to the extent to which domestic political governance have influenced the management and implementation of Structural Funds. Within the wider literature on Cohesion Policy, the politics of EU funds management is side-lined or neglected, with few authors addressing it more directly (Milio 2008; Bachtler and McMaster 2008; Hagemann 2014; Surubaru 2016). Political factors could provide a viable explanations for the developments taking place in both countries with regard to the absorption of Structural Funds. The empirical analysis, at both the general and thematic case study level, has revealed the extensive influence that political agents have in relation to both administrative capacity and the processes surrounding the absorption of EU funding. On the ground, many interviewees have suggested that the political is pervasive in the institutional environment relevant for EU funds and that politicians have the ability to influence, in both a positive and a negative manner, this environment and the different stages of the absorption process. Therefore, one of the main aims of this study has been to tease out the importance played by various political agents and processes in order to understand their impact on the absorption of Structural Funds within the two countries.

Whilst administrative capacity elements can be regarded as rather more formal conditions for the management of EU funding, often assessed and validated by external actors such as the European Commission, domestic political factors can be regarded as informal conditions that facilitate, or hinder, the absorption of Structural Funds. Understanding how political developments could shape or mediate administrative capacity building or interfere with the different stages of the absorption process was, therefore, crucial in order to provide a pertinent answer to the question of how and what addressed in this study. Three distinct political factors have been analysed: political stability, political support and political clientelism. Several specific indicators were developed in order to collect and assess the evidence with regard to the potential influence of these factors. This sub-section provides a wider overview of some of the main political developments and their implications for the absorption of Structural Funds in Bulgaria and Romania.
Political stability

Political stability has been significant pre-condition for both administrative capacity development and, more generally, for continuity in the daily processes surrounding the absorption of Structural Funds. Political stability was signalled, in both official reports and evaluations, as well as by interviewees on the ground as an important condition for a functional absorption process.\(^{45}\) Frequent governmental alterations are a common feature of post-communist countries, equally valid for countries like Bulgaria and Romania. Between the start of January 2007 (the date of EU accession) and December 2015 (the official end date for the 2007-2013 implementation period), there were four different cabinets in Bulgaria and five different cabinets in Romania.\(^{46}\)

Following various internal political changes, these executives faced several reshuffles (approximately six in Bulgaria and eleven to twelve in Romania\(^ {47}\)). In practice this entailed replacing ministers or establishing, merging or abolishing different institutional ministries. Overall, there was a strong association between higher degrees of governmental stability and a potential increase in the absorption of Structural Funds. The four years of the Boyko Borisov cabinet (2009-2013) and the three years of the Ponta cabinet (2012-2015) were periods during which the absorption rate of the two countries increased. However, given that the absorption cycle requires several years for contracting and implementing projects before funding could be officially reimbursed from Brussels, the measures undertaken by preceding cabinets (e.g. Stanishev in Bulgaria and Boc in Romania) have equally contributed to this late increase in EU funds financial absorption.

In general, governmental alternation and major political changes were detrimental to the absorption process and, more specifically, for administrative capacity

\(^{45}\) 78.3% questionnaire respondents stressed that political stability is important for the absorption of EU SF.

\(^{46}\) Bulgaria’s cabinets were the following: Stanishev I-II (2005-09), Borisov I (2009-13), Oresharski (2013-14), Borisov II-IV (2014-2016) and two interim governments (Raykov March – May 2013; Bliznashki August – November 2014). Romania’s cabinets were the following: Tăriceanu I-III (December 2004 – December 2008); Boc I-IV (December 2008 – February 2012), Ungureanu (February - April 2012), Ponta I-V (May 2012 – November 2015), Cioloş I-II (November 2015 – January 2017) and three interim and temporary governments (Boc October – December 2009; Predoiu February 2012; Oprea June-July 2015).

development, in particular. Several official documents explicitly acknowledged the impact of “excessive politicisation” on the governance of EU funding (Government of Romania 2014, 127) and the impact it had on staff turnover (DG Regio AAR 2010, 18). Moreover, the lack of a civil servant law “hampered capacity-building within local administrations since high turnover of staff impacts negatively on the strategic decision-making process” (DG Regio AAR annexes 2013, 49). In line with established practices in the public administration of different countries from Central and Eastern Europe, the newly elected political leadership often imposed changes of senior or middle management staff working in the different central Ministries / Governmental Agencies. At the central management level, such patronage driven changes could affect the senior management and, sometimes, even the operational staff working in the different Managing Authorities / Intermediate Bodies responsible for EU funds management:

“Yes, political stability is important. Because when we change the governments there are periods with interim governments when nothing happens. Another problem is that most of the time, when the Government changes, the management changes.” (Deputy Director of Bulgarian Managing Authority #2)

However, these changes varied substantially from one institution to another (see Table 11 for an overview), and were in fact an important determinant or hindrance for a programmes performance. Apart from Deputy Ministers (Bulgaria) and State Secretaries (in Romania) which are explicit political functions, Director Generals and/or the Deputy Directors working in these institutions were often subject to political appointments or dismissals. Very often, General Directors of MAs / IBs were replaced following wide ranging governmental changes, notably when new governments entered office (e.g. Stanishev / Boc / Borisov / Ponta / Oresharski) (Surubaru 2017).

Several mechanisms enabled these processes of patronage driven politicisation which affected managerial and operational staff working within these institutions. First, managerial staff was often brought in through a temporary / contractual basis, which enhanced the leverage that politicians could have on these appointments (Romanian Expert #1; Bulgarian Expert #2).
Table 11: Management changes of Operational Programmes in Bulgaria and Romania

<table>
<thead>
<tr>
<th>Operational Programmes</th>
<th>Secretary of State / Deputy Ministers (Heads of Monitoring Committees)</th>
<th>General Directors (Managing Authority)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport BG (2007-2014)</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Transport RO (2010-2015)</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Environment BG (2008-2015)</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Environment RO</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Regional Development BG (2007-2014)</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Regional Development RO (2007-2014)</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Economic Competitiveness BG</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Economic Competitiveness RO (2007-2015)</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Technical Assistance BG (2010-2015)</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Technical Assistance RO (2007-2014)</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Human Resources Development BG (2007-2015)</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Human Resources Development RO (2007-2015)</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>Administrative Capacity BG (2007-2015)</td>
<td>6</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Author’s creation and Surubaru 2017, Appendix I

Second, in order to keep their posts or to advance in their career some sought to adapt and informally swear allegiances to different political masters (Deputy Director of Bulgarian Managing Authority #2; Head of Unit Bulgarian Managing Authority #1). In return, some politicians seemed to believe that by having well placed appointments within these institutions they could exert a certain level of control on the management of the funding (Director of Romanian Managing Authority #2; Bulgarian Academic #1; Romanian Expert #1; Former Director of Bulgarian Managing Authority #2). Third, EU Commission officials have persistently insisted that political changes should not affect the staffing policies of these institutions involved and have often warned against political interferences in the management of the bodies handling EU funding:

“We cannot accept to change the Heads of MA’s every time there is a change of government, and sometimes it goes even to the Heads of Units. We cannot accept that. This is the political dimension. The Commissioner says that all the time. In more stable democracies we don’t see that. We don’t see that except in Central and Eastern Europe.” (EC Policy Officer for administrative capacity #1)
Despite these warnings, it was still a recurrent practice for MA / IB Directors or Heads of Units to be appointed in light of their political affiliation, and not as much as a reflection of their expertise or skill set (Bulgarian EU funds consultant #1; Bulgarian Expert #2; Romanian Expert #1). Moreover, politically embedding Managing Authorities in different Ministries meant that these institutions were subject to the influence of the political minister and his or her ambitions. Inter-ministerial coordination was subject to disputes and fragmentation, as well as to different inter- or intra-ministerial political turf wars (Bulgarian Intermediate Body Representative #1; Permanent Representation #1). It could be that political interference in the appointment of Management staff diminished, also as a consequence of the fact that “politicians realized that without the people that have the institutional memory it will be very difficult for them to deploy their political priorities in the future” (EC Head of Unit #2). In this respect, staff retention and institutional memory were two key aspects that were influenced by political mismanagement and patronage related practices. As will be seen this manifested differently from one Operational Programme to another, with important consequences for their performance.

Apart from the central governmental level, the effects of political instability on EU funds management and implementation were felt at the local implementation level. For instance, when new mayors were elected, in municipalities or rural communes, they either changed the project management teams or scrapped the implementation roadmaps and the measures taken by their political predecessors due to differences or out of pure political vanity (Bulgarian Funds coordinator for South-West region #1; Romanian Cross-Border Cooperation Programme #1). Such measures had dramatic consequences for the quality and timely of local EU-funded projects. Moreover, they could trigger different conflicts between local authorities and central managing bodies, given the reluctance of new mayors to assume the contractual obligations of EU-funded projects (Director of Romanian Managing Authority #2; Head of Unit in Bulgarian Managing Authority #1). Such developments are examined more specifically within the different thematic case studies. Nevertheless, it can be underlined that

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48 Several interviewees pointed out that the politicisation of staff in the MAs / IBs was present in both countries. However, this tended to manifest more pre-eminently and had deeper implications for the management of EU funding much more in Romania than in Bulgaria (EC policy officer for administrative capacity #1; EC Policy Officer #1; EC Head of Unit #2; Former Romanian EU Affairs Minister).
political stability was an important condition for an effective management and implementation of EU funding, as were the different developments regarding political support.

**Political support**

Political support, will or commitment have been seen as key elements for understanding the different facets of policy making and implementation in post-communist polities. In this thesis, political support was widely assessed in two ways. First, evidence was collected on the degree to which political representatives could provide the political support necessary to institutional and administrative actors on day-to-day operational actions regarding the absorption of EU funds. Second, it related to the degree to which political representatives could articulate visions and formulate spending priorities for EU funding in light of public scrutiny. Given the lack of primary evidence on political input, qualitative interviews were used to examine evidence of cooperation between administrative and political actors, as well as to assess the levels of support received by managing and control institutions from the later. Moreover, the interview data was equally used to understand the extent to which politicians have, or have not, provided sufficient political feedback and strategic support to the administration on their daily activities regarding the absorption of EU funds.

The evidence gathered pointed to various ways in which the dimension of political support could affect the absorption process. First and foremost, political will could systematically affect the institutional management of the funding. Ministries were not able to function well without a degree of political will and direction. In fact, several reports denounced the lack of “political steering” from the authorities on the management of the funding (DG Regio AAR 2010, 13; Government of Romania 2014). This could be characteristic of highly centralised post-communist polities where civil servants cannot act in the absence of political guidance. Managing Authorities / Intermediate Bodies were, thus, politically embedded institutions and were dependent on political support for internal actions and for solving daily technical problems. One interviewee extract clearly captured this:
“The biggest issue is that the MA’s are dependent on the Ministry structure and on the political level. The Deputy Ministers are involved too much in the process, even at the operational level / projects level. This hurts the internal coherence of MA’s. They always expect informal input and political leadership.” (Bulgarian Expert #4)

Being embedded in an environment which runs on political orders did affect the ability of these institutions to act independently. However, there were various examples (which will be specifically addressed in the thematic case studies) of Managing Authorities where a degree of positive political coordination, coupled with technical expertise and institutional and human resources stability, facilitated a rather successful absorption of EU funding. Moreover, in both countries, interviewees did stress that it is the role of politicians to understand the problems they face and to provide them with political support (e.g. unblocking issues pending at the level of Ministries) or to craft legal measures in order to tackle the problems that arose from the different stages of the absorption process (Director of Romanian Managing Authority #2; Former Director of Romanian Managing Authority #2; Former EC Head of Unit #1).

Second, in terms of political leadership, in Bulgaria, three high level politicians have been associated with the central management and coordination of EU funds. From April 2008 to July 2009, Meglena Plugchieva was appointed as Deputy Prime Minister overseeing EU funds on behalf of the Socialist government of Sergei Stanishev. She was given the portfolio also in a bid to solve the serious corruption problems uncovered by Brussels investigators for pre-accession funding (EC 2008a). According to some interviewees, she was an active politician who initiated reforms of the institutional landscape for EU funds management (EC Policy Officer for administrative capacity #1). From March 2010 to March 2013, Tomislav Donchev was appointed as Minister without portfolio in charge with EU funds by the GERB government lead by Borisov. He was a former civil society activist and ex-mayor of a medium sized Bulgarian municipality which was particularly successful in attracting EU-funded projects. He followed in his predecessors’ footsteps and took extensive measures in order to improve the management and control systems used for the management of SF. During

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his tenure several measures were adopted aiming at reducing burdensome bureaucratic procedures and improving the implementation of EU-funded projects (Bulgarian Civil Society Leader #1; Bulgarian Mayor #1). His tenure resumed at the end of 2014, when he was appointed Deputy Prime Minister in charge with EU funds and economic policy in the Borisov II government. Finally, from May 2013 to August 2014, Zinaida Zlatanova took over the EU funds portfolio and acted as Deputy Prime Minister in the Oresharski government. Her mandate was double given that she was responsible also for the Ministry of Justice. Some commentators argued that the two roles (EU funds and Justice) were difficult to combine and, consequently, noted a diminished focus on EU funds management at the political level (Bulgarian Head of Unit in Managing Authority #1; Bulgarian Expert #1; Bulgarian Expert #3).

In Romania, from early 2007 until September 2011, the political coordination of Structural Funds was ensured by a State Secretary based in the Ministry of Public Finance (Government of Romania 2009). He or she headed the Authority for the Coordination of Structural Instruments (ACIS) the main Central Coordination Unit overseeing the management of the funding. However, in the absence of a fully backed political minister, the coordination of EU funds only by a State Secretary was seen as weak (Former Romanian EU Affairs Minister; Counsellor in Romanian Ministry of Foreign Affairs; Permanent Representation #1). As recommended by officials in Brussels, and by merging ACIS with the Department of European Affairs (DAE) from the Central Government Secretariat, the Ministry of European Affairs was created as a national political and administrative coordinator for EU funds in September 2011 (DG Regio AAR 2011, 40). The new Ministry, led by the ex-European Commissioner, Leonard Orban, had two main functions: to deal with European affairs and to coordinate the management of European funds. However, without a clear political mandate, Orban did not obtain strong political backing and could not scrutinize the work of Managing Authorities based in other more powerful political ministries (Permanent Representation #1; Former Romanian EU Affairs Minister). In other words, although the Ministry of European Affairs (MAEur) was created, it lacked the political weight necessary to undertake concrete actions, an issue the minister acknowledged several times in public.\(^\text{50}\) Despite all this, Orban was still able to initiate

\(^{50}\) Agerpres.ro, 19 December 2012 [Leonard Orban – the most important thing to avoid a new political crisis in Bucharest – Interview], available at: http://www.agerpres.ro/politica/2012/12/19/leonard-
several reforms, mainly carried out during the Ponta I Government (May – December 2012). Starting from December 2012 to March 2015, a former adviser of the Prime Minister and former director in the Audit Authority, Eugen Teodorovici was assigned the newly created full portfolio for the Ministry of European Funds. With full political support from the Prime Minister, Teodorovici promoted a more centralized approach and undertook several measures that addressed shortcomings related to mechanisms for payments towards beneficiaries, issues of public procurement and the use of technical assistance (Romanian EU funds consultant #1; State Secretary in Romanian Ministry of European Funds). Although these measures were adopted rather late in the implementation of EU funding for 2007-2013, together with the effects of the previously assumed PMP, they had a significant impact on improving the absorption of EU funding. Finally, from March to November 2015, Marius Nica ensured the political management of the increasingly centralised Ministry of European Funds (process which was consolidated by the technocratic government of Dacian Cioloș during 2016 by incorporating most Managing Authorities/Intermediate Bodies within the ministry). Overall, in both Bulgaria and Romania, the three-year tenure of Donchev and Teodorovici were seen as periods when important reforms were adopted, animated also by the background and political agency of the ministers (Bulgarian Civil Society Leader #3; Romanian EU funds consultant #1).

Third, political support seemed to be valuable if it materialized in a high degree of political commitment. By making EU funds absorption a top level political priority, governments in both countries were more likely to accelerate the financial absorption of SF, also due to the political and administrative resources mobilised to achieve this. This was very much the case under the Borisov / Ponta governments, especially in light of the fact that EU funds became a salient political topic, very much used during and outside electoral campaigns (Spendzharova and Vachudova 2012; Bloom and Petrova 2013; Paliova and Lybek 2014; Surubaru 2016a). Moreover, without the direct support of the Prime Minister, Ministers dealing with the EU funds portfolio could not take decisive action to improve the absorption of EU funds (Former Romanian Minister; Former EC Head of Unit #1) or to strengthen the general administrative capacity required (Counsellor in Romanian Ministry of Foreign Affairs; EC Head of Unit #2).

Other times, governments seemed to mobilize only to avoid the loss of funding, due to financial decommitments after closing the financial implementation period (Council of Ministers of Bulgaria 2013; Government of Romania 2013, 121). Several stressed that governments tended to adopt fire-fighting techniques rather than seeking to prevent problematic situations (Director in Romanian Ministry of EU funds #1; EC Head of Sector #1; EC Head of Unit #2). Overall, making absorption a top political priority could ensure a higher degree of political commitment and the potential means to address the institutional and procedural gaps found in the management and implementation of the funding.

Apart from the above, it is worth highlighting that some Bulgarian Deputy Ministers played an important role in the political coordination of the funding within the different Managing Authorities. Many of them have had a technocratic and professional background and were aware of the problems in the system (Former EC Head of Unit #1; Bulgarian Civil Society Leader #1; Bulgarian Civil Society Leader #3). By contrast, the situation in Romania was rather different often characterised by a highly divisive political environment and by inter- and intra-ministerial rivalries (DG Regio AAR 2010; KPMG et al. 2011; Director in Romanian Ministry of EU Funds #1). Diverging political interests and the lack of unity on these issues were detrimental to institutional, methodological and strategic coordination and for the control of EU funding, in particular, during the first years of implementation (EC Head of Unit #1; Romanian Expert #1; Romanian EU funds monitoring officer #1).

Finally, politicians were generally unable to provide feedback or strategic support to EU funds administrators. During the first years of implementation, the unofficial political view was that funds should be distributed following an “absorption for all” approach which emphasized on the idea of attributing contracts as fast as possible, and often irrespective of the quality or capacity of beneficiaries. As stressed by several interviewees part of these strategic problems were political in nature and these were given that many politicians did not understand how Structural Funds work or did not have the necessary political aides that would inform them on this (Director General of Romanian Ministry #1; Director of Romanian Managing Authority #2; Former Director of Bulgarian Managing Authority #2; Director of Bulgarian Managing Authority #1). For instance, several Structural Funded projects did not fit any strategic
objectives and were the result of different central or local political ambitions. Throughout 2007-2013 there were several examples of useless projects presented by the media (e.g. parks in rural areas or football pitches on slopes). With all this, political support was necessary for large infrastructure projects, and seemed to have functioned much more in Bulgaria’s case (e.g. Sofia Metro, Trakia highway) (Council of Ministers of Bulgaria 2013). Several interviewees corroborated this stressing that such projects were largely implemented following a strong political push by the GERB government, also as to strengthen their public image as good administrators of EU funds (Bulgarian EU funds coordinator for South-West region #1; Bulgarian Expert #1; Head of Unit in Bulgarian Central Coordination Unit #1). In addition, ensuring state or private co-financing for projects was very difficult, before but especially during the financial crisis (Constantin 2006; CeRe 2010; Expert Evaluation Network Bulgaria 2012, 4). Different governmental initiatives (e.g. FLAG in Bulgaria) were noted as crucial political measures undertaken for facilitating the absorption of EU funding (Bulgarian Mayor #1; Representative of the Bulgarian National Association of Municipalities). All in all, political support proved to be an important factor without which it would be difficult to explain the capacity and performance achieved by the two countries in managing and implementing EU funding.

**Political clientelism**

If political support entailed a largely positive dimension, issues of political clientelism would fall in the opposite category. This study examined political clienteles as the degree to which national or local political groups or “interest cartels” could interfere and profit from the absorption and distribution of Structural Funds. To this aim, evidence was collected against two qualitative indicators: the influence that political actors may exert on the distribution of European Structural Funds\(^5\) and whether or not certain central or local level political stakeholders were favoured or benefited, much more than others, from the distribution of Structural Funds\(^6\). Several studies and civil society reports did highlight throughout the 2007-2013 implementation

\(^5\) 25% of Romanian questionnaire respondents and 27.3% of Bulgarian respondents considered that “yes” there was political influence in the distribution of Structural Funds in the country, and 37.5% Romanian respondents and 22.7% respondents answered “partially yes” to this question.

\(^6\) 25% of Romanian questionnaire respondents and 13.6% of Bulgarian respondents considered that some political actors benefited more than others from the distribution of Structural Funds, whilst 33.3% Romanian and 31.8% Bulgarian respondents answered with “partially yes” to this question.
period that corruption is an important determinant and could account for the multiple problems faced by the two countries in this area (CSD 2009; IPP 2012; Spendzharova and Vachudova 2012; Badea 2012; Ganev 2013; SAR 2013; Dimulescu et al. 2013). However, it must be noted that clientelism and the impact of corruption on EU funds management and implementation is particularly difficult to assess. Chapter 7 looked at these issues more in-depth and examined the potential for clientelism in two stages of the EU funds absorption process: the evaluation/selection of EU-funded projects and the allocation of public procurement contracts. Preliminary evidence pointed to these areas as being particularly vulnerable to political interference. A significant source of hard evidence on corruption and EU funds could be the level of irregularities, especially fraudulent related ones, and the level of financial corrections reported on an annual basis by the European Anti-Fraud Office (OLAF) (OLAF 2014) (Table 12).

Table 12: Cohesion Policy irregularities and financial corrections in CEECs

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<td>Bulgaria</td>
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<td>Czech Republic</td>
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<td>Poland</td>
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<td>228</td>
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<td>Romania</td>
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<td>Slovenia</td>
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<tr>
<td>Slovakia</td>
<td>1023</td>
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<td>267</td>
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<tr>
<td>CEECs average</td>
<td><strong>1188</strong></td>
<td><strong>79</strong></td>
<td><strong>183</strong></td>
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Source: Author’s creation based on OLAF 2014, Annex III and Surubaru 2017, Table 1

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53 According to various official and non-official sources the level of financial irregularities in Romania reached between 800 million (IPP 2015) and 1 billion EUR (Finantare.ro 20 March 2015 [Romania pays 1 billion EUR worth of financial corrections for EU-funded projects], available at: http://www.finantare.ro/romania-plateste-1-miliard-de-euro-corectii-financiare-pentru-proiectele-europene.html (accessed January 2017).
In Romania’s case, irregularities were above average, and moreover, the high level of financial corrections constituted additional evidence for the problems arising in the different projects, partly due to corrupt behaviour or funds mismanagement. This was even more puzzling if we compare the higher degree of success of anti-corruption measures taken in Romania, as opposed to Bulgaria, and as reported in the European Commission in its annual Mechanism for Cooperation and Verification (CVM) reports. The differences between the two countries could be due to various levels of reporting. Others would stress that Romanian judicial authorities were stronger in identifying and prosecuting corruption within EU-funded projects. Nevertheless, when looking at different descriptive data this doesn’t seem to be the case. Both the anti-fraud departments in Romania (DLAF) and Bulgaria (AFKOS) cooperated with OLAF on potential fraudulent cases regarding EU-funded projects.

In Bulgaria, in 2014, there were 444 trial proceedings regarding EU funds abuse from which 120 indictments were sent to a court of law and 4 were convicted and sanctioned (AFKOS AAR 2014, 27). In Romania, during the same year, 1495 cases involving EU funds abuse were handled by the Romanian Anti-Corruption Department (DNA) from which 149 were sent to court and 52 were finalized (DNA AAR 2014, 51). These cases included all types of EU funding (also rural development and agricultural payments). For example, during the same year, on Cohesion Policy related OPs, several Bulgarian projects were affected by potential fraud: Environment (10), Regional Development (9), Competitiveness (6), Human Resources (2), and Administrative Capacity (2) (AFKOS AAR 2014, 26). In Romania, these were: Human Resources (25), Competitiveness (20), Regional Development (12) and Transport (4) (DLAF AAR 2014, 42).

In addition to the above figures, throughout 2007-2013, there were several specific developments with regard to general politicisation of EU funds and how political clienteles could, or could not, affect the management and distribution of EU funding. First, the absorption of EU funding became a politicised topic at both national and local levels of government. At the national level, debates on the absorption of funds were often used as a political tool. The Bulgarian GERB party of Boyko Borisov (2009)

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54 These figures reveal that fraudulent cases were proportionally addressed in both countries and that it is difficult to claim that Romania would be better in addressing fraudulent cases than Bulgaria.
and the Romanian Social Liberal Union (USL) (2012) used the argument of weak absorption rates of the incumbent governments as political weapons during campaigning. Political conflicts, surrounding the absorption of Structural Funds, remained a constant theme in both countries. Highlighting an increase in the absorption of funding was also used politically, in order to gain votes, despite the fact that these achievements were often as a result of work spanning several governments. Locally, politicians saw the political benefits of implementing EU-funded projects and often used them for electoral purposes. For instance, in Bulgaria, there were accounts of strategically misused projects which served for the campaign of mayors that sought re-election (EC Policy Officer Bulgarian Unit #1) or that often projects were strategically misused for the same purpose:

“The mayor of a municipality decides to fix the roof for one school, puts in new windows for another school and paints the classroom in another school. This is because the mayor wants to get the support of all the three schools and villages telling them that: “Look, I fixed your school!” Support is not focused. Thus, they didn’t renovate sustainably any of the schools.” (Bulgarian Funds coordinator for South-West region #1)

Several interviewees did point that SF inherently attracted political interest and that their distribution was by its nature a political exercise (Former Romanian EU Affairs Minister; Deputy Head of Bulgarian Managing Authority #1). As long as they required an overall political responsibility and oversight, EU funds were subject to strong domestic political interests.

Second, there were higher degrees of controls associated with EU funding. The high level of controls and audits build in the management and control of the funding did produce some effects, and arguably managed to keep at bay the different political interests that developed around the allocation of these funds. For instance, some Romanian interviewees argued that the design of EU funding systems did not allow for a politicised distribution of funding (Director General in Romanian Ministry #1; Romanian Director in Audit Authority #1). Moreover, the high levels of controls could partly explain some of the different blockages faced by the different Operational Programmes. As such there was a constant pressure to improve the management and control systems of these programmes as to control for any conflicts of interest and politicised distribution of funding (Dimulescu et al. 2013; Surubaru 2016a).
Third, and despite the above, there were several accounts of political favouritism. This could manifest in different ways. In Bulgaria, there were many indications that mayors from political parties affiliated to the government obtained different favours by contrast to those that were in opposition (Bulgarian Expert #4; Head of Unit of Bulgarian Managing Authority #1). Moreover, some perceived that mayors from opposition parties tended to receive more controls from Managing Authorities (Bulgarian Expert #4; Former EC Head of Unit #1). Similarly, in Romania, some pointed that mayors from the ruling party were granted special attention and benefited from fast track reimbursements (Romanian EU funds consultant #2; Romanian Expert #2). This often took place given the favourable context in which the interaction between political ministers and mayors was seen as something normal in both countries. Thus, some argued that well positioned mayors could benefit from higher leniency in terms of controls (Bulgarian Academic #1; Bulgarian Municipality EU funds Director #1; Sofia Municipality EU funds Expert #1). In light of their political ties and connections, mayors from both countries could ask for support from ministers with different consequences for the implementation process.

Fourth, there were strong indications that local politicians tried to profit from the distribution of funds by awarding public procurement contracts to their own “opportunity networks” (Romanian EU funds consultant #2; Bulgarian Expert #1; Bulgarian Funds coordinator for South-West region #1; Romanian Expert #1; Romanian MEP #2). This was characterized as the main way in which funds can get politicised:

“It’s also about politicisation. At the local level everyone knows everyone. Of course, a head of the County Council has his own clients and from there the control is lost. This happens particularly with the ERDF [funds]” (EC Head of Sector #1).

A later section of this thesis will provide more in-depth examples in this respect. However, problems which appeared with public procurement tendering constituted a pattern of behaviour which manifested across all Operational Programmes. Some of the interviewees went as far to argue that “fixed” or collusive bidding occurred in 80% of all cases (Bulgarian Expert #4). Clientelistic practices could create a “feeding chain” in which tender contracts, in municipalities, were given to certain business in return of bribes from 10 to 30 percent of the value of project (Bulgarian Investigative
Journalist; Former EC Head of Unit #1; Head of Unit in Bulgarian Managing Authority #1; Romanian EU funds consultant #1). Irrespective of these accounts, it is difficult to capture with hard evidence whether or not this was a systematic practice, or they tended to be isolated cases. Moreover, there was not enough data made public and people willing to act as whistle-blowers had to follow intricate and often discouraging procedures through judicial courts (Bulgarian Auditor #1; OLAF representative #2).

Overall, corruption and political clientelism in local and central administrations was a real threat to the management of European funding. Throughout 2007-2013, Structural Funds have come under considerable political focus. In this respect, despite the technicalities behind the absorption of EU funding, it can be argued that in both countries the issue of SF has become a fairly political with high stakes for different stakeholders. Moreover, issues of political interference could affect administrative capacity development within the bodies responsible for the funding, but most importantly it had an impact on the different stages of the absorption process, with various implications for the performance of several Operational Programmes, which will be discussed more in depth in the case studies.

4.5 EU role and influence in the domestic absorption process

The European Union plays an extremely significant role in the domestic absorption processes of funding. This is the case given its formal responsibility for Cohesion Policy implementation, under the “shared management” principle, which requires widespread dialogue and cooperation between EU and national authorities. The EU’s role is in line with the EU Regulations which provide the legal background for Structural Funds use (Council Regulation No. 1083/2006). For the purpose of this thesis, the EU factor was examined as the degree to which the European Union shaped the internal and external configurations for Cohesion Policy governance in Bulgaria and Romania. Evidence was collected on the extent to which national authorities received sufficient technical assistance from EU institutions for the absorption of SF.

55 For instance, one auditor argued that it would be difficult to draw any conclusions about the politicisation of project without any consistent evidence (Director in Bulgarian Audit Authority).
Moreover, the formal and informal reasons for the interruption or suspension of payments towards national authorities was equally examined.

Abiding to the principle of “shared management” meant that member states had to assume the responsibility for the implementation of their allocated European funding. However, the Commission did retain full final financial responsibility and remained, together with other institutions such as the European Court of Auditors, the final guardian of the spending. EU institutions did play a direct role in the overall domestic process of absorption, first in light of the overall technical expertise provided and second, given the political influence it had on its members. Nevertheless, the governance of EU funding in the two countries must also be understood in the context of fading conditionality and a relatively weaker position that Brussels had in these countries after accession (Levitz and Pop-Eleches 2010; Tănăsoiu 2012; Iusmen 2015).

Indirectly, the EU’s economic governance principles, in particular the excessive deficit procedure clause of the Stability and Growth Pact (SCP) (which imposes a limit on budget deficits to 3% of GDP) might have had an adverse effect on the co-financing capacity of both Bulgaria and Romania. This was likely the case during the first few years of Structural Funds implementation (e.g. 2007-2011) which overlapped with the recent financial crisis and with a period of national fiscal restraint, during which different austerity programmes decreased levels of public investment.

Brussels could exert a high level of informal influence and it played an important technical role underling different requirements and solutions for administrative capacity building at the national level. This could often develop before and during formal Monitoring Committees which supervised the implementation of the different national Operational Programmes and where developments were assessed on a bi-annual basis. Given their lack of experience, these countries benefited from the informal advice and guidance provided by EU institutions. Most representatives of national managing and control bodies have pointed out that they had a good relationship with EU officials and that they did benefited from their technical support. The majority of Bulgarian interviewees have pointed out the positive role played by the
European Commission for the management and the implementation of the funds.\textsuperscript{56} Similarly, a majority of Romanian interviewees highlighted that the input of the Commission was beneficial for EU funds absorption.\textsuperscript{57} Apart from this, there were two other mechanisms Brussels could use to influence the domestic absorption process and institutional developments in the two countries.

First, audit missions were the main tools through which European officials could identify irregularities in spending and gaps in domestic management system. Commission auditors could issue recommendations and initiate corrective actions in order to address domestic deficiencies and irregularities in the use of the funding (ECA 2012, 46). The first substantial EU audits were carried out by the Commission in 2010/2011. These were critical in identifying a first set of problems and in constraining national authorities to adopt measures that would address irregularities in public procurement, enhance the capacity of central and local level institutions or improve system and operational audits (EC audit report Bulgaria 15-19 November 2010, 4-5; EC audit report Romania 27 July 2011). For instance, the 2010/2011 audit missions were seen as a turning point for the functioning of the Romanian system (Former Romanian EU Affairs Minister; Director in Romanian Ministry of EU Funds #1). There was formal pressure on national authorities to comply with the recommendations of the auditors. Nonetheless, these recommendations were not always fully implemented (EC Head of Sector #1). With all this, as a result of audits and pressure from Brussels, the two countries did strengthen their management and control systems.

Second, the European Commission has the formal authority to interrupt, pre-suspend or suspend payments to different Operational Programmes, or parts of them, if they were deemed as affected by serious errors (for more than 2\% of the expenditure audited) or by potential mismanagement and fraud.\textsuperscript{58} Usually an interruption of

\footnotesize{\textsuperscript{56} Bulgarian Civil Society Leader #1; Bulgarian Civil Society Leader #3; Bulgarian Expert #2; Bulgarian Intermediate Body Representative #1; Former Director of Bulgarian Managing Authority #2; Head of Unit in Bulgarian Central Coordination Unit #1.  
\textsuperscript{57} Director in Romanian Audit Authority #1; Director in Romanian Ministry of European funds #1; Director in Romanian North-East Regional Development Agency; Head of Romanian North-East Intermediate Body; Representative of Romanian Certifying Authority; Romanian Civil Society Leader #1; Romanian EU funds monitoring officer #1; Romanian MA Programme Evaluations Officer #2; Romanian MA Programme Evaluations Officer #3.  
\textsuperscript{58} EU regulation 1083/2006 reads that payments can be interrupted for a maximum period of six months whenever (a) “there is evidence to suggest a significant deficiency in the functioning of the management and control systems” and (b) “expenditure in a certified statement of expenditure is linked to a serious irregularity which has not been corrected” (Article 91).}
payments was a first signal that funds may be suspended, in light of stronger evidence. When funding was suspended, payments towards beneficiaries were blocked and domestic Managing Authorities entered a “crisis mode” (Former Director of Romanian Managing Authority #2; Director of Bulgarian Managing Authority #1; Director of Romanian Managing Authority #2). This puts extreme pressure on national authorities to adopt corrective actions in order to remedy the various deficiencies found. Authorities had to demonstrate to the Commission that they were capable of ensuring the correctness and regularity of the spending. During 2007-2014, Bulgarian programmes were interrupted and suspended six times whilst Romanian programmes around ten different times. Moreover, during 2010-2012, Romania had payments to five different OPs\textsuperscript{59} suspended, almost concomitantly, with strong consequences for its financial absorption (Dimulescu et al. 2013; Surubaru 2016a).

The interruption and suspension of funding was an important driver for domestic improvements. However, these also had different other implications. First, the implementation of projects was often delayed, and countries found it difficult to pay EU beneficiaries in the absence of reimbursements from the Commission. This had some consequences for the regularity and patterns of financial absorption, although starting from 2012/2013, both Bulgarian and Romanian governments sought to avoid situations of financial blockages. Second, it did act as a deterrent for further national mismanagement of funding and it had a potentially positive effect on improving rates of compliance with EU funding rules and regulations among national authorities, as well as public beneficiaries (Director of Bulgarian Managing Authority #1; Director in Romanian Audit Authority #1). Nevertheless, the suspension of funding also amounted to a political clash between EU and national authorities. For instance, several Bulgarian interviewees argued that their government should have been more critical of Brussels political position on the suspension of different Operational Programmes (Director of Bulgarian Managing Authority #1; Former Director of Bulgarian Managing Authority #2; Director in Bulgarian Audit Authority). Third, it was claimed that Bulgarian officials were better in reaching a consensus before submitting a common position towards the Commission, whilst Romanian representatives were unable to do so (Bulgarian Director of Audit Authority #1; Director in Bulgarian Audit Authority #1).

\textsuperscript{59} Transport, Environment, Regional, Human Resources and Economic Competitiveness.
Director General of Romanian Ministry #1; Director in Romanian Ministry of EU Funds #1). Moreover, some argued that rather than seeking to fulfil its audit recommendations to solve the issue of EU funds interruption, Romania often tried to resort to political solutions which often exacerbated problems (EC Policy Officer Bulgarian Unit #1).

Apart from the above, the role played by EU institutions (in particular the Commission) was criticized by national administrators on several grounds. First and foremost, when legislation was harmonized, differences of interpretation emerged, in particular with regard to public procurement, between the Commission and national authorities. Given these differences, the Commission was criticized for applying financial corrections without a substantial basis and which damaged the position of the domestic Managing Authorities in relation to beneficiaries (Director of Romanian Managing Authority #1; Director in Bulgarian Audit Authority). The however, Commission representatives claimed that many of these misunderstandings originated from the inadequate transposition of the EU public procurement directive (2004/18/EC) by national authorities (DG Regio AAR 2013; PwC and Ecorys 2013). In addition, some were critical that financial corrections applied retroactively, in the context in which national authorities validated those procurement procedures that were latter deemed problematic (Romanian EU funds beneficiary #1; Bulgarian Expert #1; Bulgarian Municipality EU funds director #2; Romanian MA Programme Evaluation Officer #2). The fact that European authorities often invalidated those procedures created additional problems for the functionality of the system as well as for the functioning of the national audit authorities and certifying and payment authorities (Director in Bulgarian Audit Authority; Representative of Bulgarian Public Procurement Agency). It was feared that problems in managing authorities were also due to shallow controls from national audit bodies (Former Director of Romanian Managing Authority #2). In response to potential criticism from Brussels, national Audit Authorities stepped up their efforts and added more controls or stricter rules in an already dense procedural environment. This affected both EU funds administrators.

60 As a contextual development, the Commission might have been impressed with the progress achieved by the two countries during the pre-accession period and with the ability of the authorities to quantitatively transpose into national law parts of the acquis communautaire. However, after accession, some noted a shift in attitude from the Commission, which became more critical and less indulgent, especially given the problems that surfaced on the management of EU funding (Romanian Expert #1; Bulgarian Civil Society Leader #1).
and beneficiaries and added further constraints to the already overstretched administrative capacity of these actors.

Second, there were some accounts of an, often political attitude, from the European Commission’s side towards national authorities. For instance, in 2013, the Commission suspended the Bulgarian Environment Operational Programme due to problems regarding procurement contracts given to municipalities for water management facilities. Some of the reasons related to a potentially politicised allocation of funding towards certain municipalities (Former EC Head of Unit #1; EC Policy Officer Bulgarian Unit #1; Bulgarian EU funds consultant #1). However, some argued that, in addition to the above, there were also political differences between the Barroso II Commission and the socialist government of Plamen Oresharski (Former Director of Bulgarian Managing Authority #2; Bulgarian Auditor #1).

Third, there was a general feeling among several interviewees that Brussels applies a differential treatment between old and new member states whenever problems emerged with regard to EU funding. Given the experience of other countries (e.g. Italy or Greece) as well as the issues that emerged on the ground in terms of implementation, the European Commission had an uncompromising attitude towards the two countries. It was perceived that Bulgaria and Romania received more extensive controls which often lead to a sentiment of frustration at the national level (Bulgarian Certifying Authority Representative #2; Director of Bulgarian Managing Authority #1; Former Director of Romanian Managing Authority #1; OLAF representative #1). Moreover, several Romanian interviewees stressed that EU officials were often susceptible to negative influences from misleading reports published in different Romanian media outlets (Head of Romanian North-East Intermediate Body; Project Officer in Romanian North-East Intermediate Body #1; Romanian EU funds monitoring officer #1). Coupled with a general distance between Brussels and national capitals this could affect daily communication between the different actors involved (EC Policy Officer Bulgarian Unit #2).

Last but not least, the EU’s competences and ability to intervene at the national level to deal with issues related to EU funds was also limited (Former Romanian European Affairs Minister; OLAF representative #1; EC Policy Officer for administrative capacity
This was particularly the case given the increasingly Eurosceptic sentiments, which developed after the start of the recent financial crisis, or due to the European Parliament’s push for more subsidiarity and addressing the EU’s democratic deficit (OLAF representative #1). Moreover, EU commissioners and officials were often under immense pressure, from the national political level, when EU funding was blocked or suspended in Brussels (EC Policy Officer for administrative capacity #1; OLAF representative #2; Former EC Head of Unit #1). Therefore, the relationship between Brussels and national capitals was not bound only by dry technical details and legal obligations, but was highly political and dynamic in nature. This made the management and implementation of CP an area where supranational and intergovernmental political and administrative forces clashed. Both levels were, however, to a great extent accountable for weak levels of absorption or for the misuse or low impact of the funding. Given this, there was often a strong trade-off between the EU’s ability and willingness to assist member states and the administrative and political capacity and performance, of the latter, in governing Cohesion Policy.
4. Conclusions

The above section has examined several contextual and substantive developments that took place in Bulgaria and Romania during 2007-2013 with regard to the management and implementation of SF. Such administrative and political developments were crucial for the ability of the two countries, and the subsequent performance, in dealing with CP. First, administrative capacity was a clear building block necessary for the management and implementation of EU SF in the two countries. For instance, the institutional designs and bureaucratic procedures, their quality or clarity, could affect the work of the managing and control institutions found in both countries. The analysis also re-emphasized the importance of human resources and the multiple stakeholders involved in the absorption process. Administrative capacity shortcomings inherited from the pre-accession period, combined with the challenges of setting up the management and control systems for SF, as well as a lack of strategic culture within the public administration contributed to the weak development of the various administrative capacities: institutional, bureaucratic and human resources. With all this, administrative capacity factors were not sufficient by themselves to explain some of the differences of financial absorption performance attained within and between the two countries across time.

Second, wider governance related issue played a key role in both Bulgaria and Romania. Specifically, political factors could mediate the development of different administrative capacity elements, and as will be seen in the case studies, they could affect different stages of the absorption process. Therefore, it can be argued that political elements had a strong impact on the evolution of SF financial absorption. Prior to 2007, both countries had acquired some experience in managing EU pre-accession funding (PHARE, ISPA and SAPARD). However, following accession there was a gradual transfer towards using SF. For this, the countries had to establish new and functional institutional systems, adopt relevant legislation and varied administrative rules and documents, and develop the expertise of staff working on this, at both central and local levels of government. To attain the latter political input was necessary. On the one hand, where politicians committed political resources for improving the management and control systems and address the specific needs of administrators their input tended to be positive. Political stability and support acted
as positive drivers for the development of these capacities. In this sense, political agency could contribute towards accelerating, or hindering, administrative capacity developments (Surubaru 2016a). On the other hand, in both countries, the absorption of EU funding has become a highly politicised area. Throughout the period, national politicians gradually became aware of the importance of Structural Funds as tools that could be used to enhance political sympathy (Romanian Expert #2) or as primary sources of public investment, and as argued by some, the only fresh source of money during the financial crisis (Head of Unit of Bulgarian Managing Authority #1). Given that EU funds attracted considerable political attention they also activated different vested interests. Most of the problems that emerged in terms of local and national implementation were influenced by political clientelism and illicit practices, in particular with regard to the awarding of public procurement contracts. These irregularities could trigger the interruption / suspension of funding from Brussels and represented a concrete barrier for financial absorption (Spendzharova and Vachudova 2012; Dimulescu et al. 2013; Surubaru 2016a). Overall, political factors could act as either positive or negative drivers for the absorption of EU funds.

The EU’s role for domestic CP delivery was also influential. This was not only given a ‘top-down’ pressure, but in light of the technical assistance provided by EU institutions to national structures and actors. Moreover, the two mechanisms that Brussels could use, audits and interruption/suspension of funding, remained powerful tools which contributed to the different turning points in the management and implementation of the funding in the two countries. That is not to say that Brussels’ role was not controversial, in particular with regard to the divergent interpretations on procurement law or the justification for financial corrections. Often, such issues tended to portray a political and institutional power clash between the different levels involved in the implementation of Cohesion Policy, especially in a post-enlargement context where the EC’s leverage was reduced.

All in all, in both countries, there was a strong link between administrative capacity elements and political factors. This was the case given the persistent and influential presence of the latter and their impact on domestic institutional environments, a characteristic of most post-communist polities. For instance, where political driven changes of staff were minimal a certain administrative capacity could grow with the
potential to influence absorption performance. The variation in performance between the two countries was much influenced by the presence of political stability and support, as positive political conditions, whilst political clientelism could act as a negative, disruptive factor. All in all, the degree to which political factors affected administrative capacity developments provides a viable explanation for some of the macro-level developments presented in this chapter. Further investigating the empirical link between the two, and their impact on SF absorption, constitutes one of the main lines of inquiry for the several thematic case studies examined in the remainder of this thesis.
Chapter 5: The management and implementation of the Operational Programme for Human Resources Development

5. Introduction

One sunny summer day in Plovdiv, several hundred people attended a symposium on strategies for the deinstitutionalisation of Bulgarian children. The two-day event was organised by the Ministry of Labour and the Social Protection Agency and was attended by teachers and staff working in state owned orphanages. Most of the costs for specialised internal and international trainers, study materials, catering, transport and accommodation were covered from the European Social Fund via the Bulgarian Operational Programme for Human Resources. During the last decade, SF were used to fund such educational and training events taking place over the country. The deinstitutionalisation of children was, for instance, highlighted as one of the most successful EU-funded activities facilitated by EU funding (Ivanova and Bogdanov 2013).

The Human Resources Operational Programme (OPHR) aimed to improve the areas of employment, education and social inclusion by seeking to strengthen human capital development in both countries. The OPHR programmes were medium sized OPs financed from the European Social Fund (ESF). Throughout the 2007-2013 implementation period, there were strong differences in terms of financial performance between the Bulgarian and the Romanian OPHR programmes. The former was one of the most successful, reaching by June 2015, a 93 % absorption rate, whilst its counterpart only managed a 33 % absorption rate. Moreover, OPHR-RO has been interrupted and suspended several times during 2007-2014, due to concerns regarding an irregular use of funds (DG Employment AAR 2013). By contrast, the OPHR-BG only had its payments temporarily blocked in 2010. Given the similar architecture and approach of the Human Resources programmes, in both countries,
the differences in financial performance constitute a puzzling aspect which will be further investigated in this chapter. The evidence gathered underlined the strong administrative capacity differences between the institutions involved in the management and implementation of the two programmes. Moreover, issues of politicisation have considerably affected the management and implementation of the Romanian OPHR. In order to understand why the two programmes ended up in such a different state it is, thus, necessary to flesh out the specific circumstances and factors that influenced them.

The following section examines the administrative capacity of the central and regional level institutions involved in the management of the Human Resources OP. It does so by drawing on an extensive analysis of primary sources (legislation, OP strategies, annual implementation reports, ex-ante and interim evaluations) and secondary sources (expert evaluations, studies, civil society and positions of beneficiaries, newspaper articles). In addition, the analysis was greatly enriched with insights from semi-structured interviews carried out with key participants including representatives of Managing Authorities, Intermediate Bodies, consultants, beneficiaries and civil society actors. The evidence is outlined in line with the administrative capacity and political factors scrutinised in this study.
5.1 The Bulgarian Human Resources Operational Programme (OPHR-BG)

The Bulgarian Human Resources Development Operational Programme (OPHR-BG) was officially released in September 2007 and aimed to: “a) Increase the labour supply and the quality of the workforce; b) Increase investment in human capital through better and more accessible education” and c) More social capital, partnerships and networks and development of social economy” (OPHR-BG September 2007, 68). The programme was divided into eight priority axis, each with its own fields of intervention and objectives, as well as with a specific financial allocation (detailed in Table 13). During 2007-2013, OPHR-BG was the 5th largest, out of seven Bulgarian programmes and had a total allocation of EUR 1.2 billion.


<table>
<thead>
<tr>
<th>Priority Axis</th>
<th>Community Funding (EUR million)</th>
<th>National contribution (EUR million)</th>
<th>Total (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority axis 1: Promotion of economic activity and development of inclusive labour market</td>
<td>216.675.719</td>
<td>38.236.892</td>
<td>254.912.611</td>
</tr>
<tr>
<td>Priority axis 2: Raising the productivity and adaptability of the employed persons</td>
<td>185.722.045</td>
<td>32.774.478</td>
<td>218.496.523</td>
</tr>
<tr>
<td>Priority axis 3: Improving the quality of education and training in correspondence with the labour market needs for building a knowledge-based economy</td>
<td>206.357.828</td>
<td>36.416.087</td>
<td>242.773.915</td>
</tr>
<tr>
<td>Priority axis 4: Improving the access to education and training</td>
<td>165.086.262</td>
<td>29.132.870</td>
<td>194.219.312</td>
</tr>
<tr>
<td>Priority axis 5: Social inclusion and promotion of social economy</td>
<td>144.450.479</td>
<td>25.491.261</td>
<td>169.941.740</td>
</tr>
<tr>
<td>Priority axis 6: Improving the effectiveness of labour market institutions and of social and healthcare services</td>
<td>51.589.457</td>
<td>9.104.022</td>
<td>60.693.479</td>
</tr>
</tbody>
</table>
In terms of absorption performance, the OPHR-BG has been one of the most successful programmes in the country. At the end of 2013, OPHR-BG was the second best performing programme after OP Transport (58.43%) and at the end of 2014 it was the programme with the best financial performance (83.10%) from all Bulgarian programmes.


<table>
<thead>
<tr>
<th>Years</th>
<th>Contracted (EUR million)</th>
<th>Paid to beneficiaries (EUR million)</th>
<th>Payments from EC (final absorption) (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nominal</td>
<td>Percent</td>
<td>Nominal</td>
</tr>
<tr>
<td>2007-2009</td>
<td>423,364,583</td>
<td>20.98%</td>
<td>66,218,916</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3,956,894</td>
</tr>
<tr>
<td>2010</td>
<td>488,632,137</td>
<td>47.36%</td>
<td>108,121,506</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>91,903,280</td>
</tr>
<tr>
<td>2011</td>
<td>790,768,007</td>
<td>65.14%</td>
<td>195,586,525</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>167,098,546</td>
</tr>
<tr>
<td>2012</td>
<td>1,036,631,619</td>
<td>85.4%</td>
<td>385,571,386</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>222,347,667</td>
</tr>
<tr>
<td>2013</td>
<td>1,187,736,975</td>
<td>97.85%</td>
<td>734,167,296</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>598,964,969</td>
</tr>
<tr>
<td>2014</td>
<td>1,275,013,355</td>
<td>105.04%</td>
<td>1,017,553,398</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>857,442,256</td>
</tr>
<tr>
<td>2015</td>
<td>1,280,387,647</td>
<td>105.48%</td>
<td>1,098,460,006</td>
</tr>
<tr>
<td>(June)</td>
<td></td>
<td></td>
<td>962,921,513</td>
</tr>
</tbody>
</table>

Source: Council of Ministers of Bulgaria, absorption rates retrieved from http://eufunds.bg/bg/page/766

The Bulgarian Ministry of Labour and Social Policy, the Managing Authority (MA) for the programme gained some experience in managing PHARE funds. During 1999-2007, as part of the pre-accession institutional framework, the Ministry acted as an Implementing Agency of the “Social Development” section of the PHARE programme. It was estimated that during this time the Ministry managed projects amounting to EUR 114 million (OPHR-BG September 2007, 63). By the end of 2010, the National
Audit Authority deemed the management and control systems for OPHR-BG as “working” with only some further improvements required (OPHR-BG AIR 2010, 50).

5.1.1 Administrative capacity and OPHR-BG

Official documents highlighted that the pre-accession experience offered a strong basis for the future development of the programme’s administrative capacity: “as regards the institutional capacity building, the PHARE programme has contributed a lot to strengthening the administrative capacity on central, regional and local level” (OPHR-BG September 2007, 64). With all this, one of the main threats identified for the implementation of the programme was the “insufficient institutional capacity, at the central, regional and local levels for absorbing EU funds” (Ibid., 66). The following section discusses more in depth the administrative capacity of the programme and the factors affecting its development.

Institutional capacity (ADM1)

From an institutional point of view (ADM1), the Managing Authority of the programme had to “ensure that all institutions involved in the HRD OP management and implementation have sufficient technical and administrative capacity to ensure full compliance with their designated tasks” (OPHR-BG September 2007, 145-46). In other words, the MA was responsible for ensuring an adequate administrative capacity for the management of the programme. Figure 7 outlines the structure of the MA and the relationship between its internal services.

The MA OPHR-BG was assisted in the management process by three Intermediate Bodies (IBs). The IBs for OPHR-BG were three distinct public institutions, namely the:

a) Employment Agency (managing Priority axis 1 and Priority axis 2);
b) Ministry of Education and Science (managing Priority axis 3 and Priority axis 4);
c) Social Assistance Agency (managing Priority axis 5).
The remaining priority axis 6, 7 and 8 were managed solely by the MA. In principle, the IBs had assigned tasks and acted mainly as 1st level of control bodies and were mainly in charge of “collecting and evaluating project proposals, organising the project selection, concluding contracts with beneficiaries, undertaking on-the-spot checks, preparing regular reports, collecting information on detected irregularities” (OPHR-BG, September 2007, 146). IBs had some leverage with regard to their specific expertise but were coordinated extensively by the Managing Authority (Bulgarian Intermediate Body Representative #1).

Being part of the Ministry of Labour, ensured that the MA had access to a wide institutional infrastructure at the local and regional level, one of the key institutional strengths of the programme. The Ministry had offices in all 28 Oblasti (NUTS 3) which acted as local antennae and could ensure the interface between central structures and beneficiaries on the ground. In this respect, in terms of design, the MA for OPHR-BG retained a traditional management oriented role, with IBs and local level offices carrying the bulk of the work on the ground. This might have allowed the MA to
concentrate on strategic issues. An ex-ante evaluation of the programme concluded that overall:

“The management mechanisms for the implementation, monitoring and financing of the HRD OP are well defined...those mechanisms’ roles and responsibilities are described, as well as the cooperation between them. The implementation, monitoring and financing procedures are structured in a logical way, including all the involved actors step by step, with reference to each one’s role and responsibilities.” (Virtanen et. al. 2006, 5)

The institutional design used did not entail an entirely smooth institutional coordination between the bodies involved in the management of the programme, despite weekly meetings between the MA and IBs (OPHR-BG AIR 2009, 67). Several issues emerged. First, there were problems of cooperation between the Ministry of Labour and Social Policy (central MA) and the Ministry of Education (Education IB). These were generated by differences in approach and frequent tensions between the two political ministers. A statement from an official, when asked about the relationship between the two, was revealing of the situation:

“It’s a difficult question because there are two ministries involved. Our Ministry of Labour is MA and the Ministry of Education is IB. Somehow it is difficult for the Minister of Labour to order / control the other Minister. The Ministry of Education follows its policy and we as Ministry of Labour have some responsibilities to ensure some financial management / we have setup criteria that we follow. In some cases, we had intensive discussions with other Ministries. The Employment Agency and the Agency of Social Assistance are part of the system of the Ministry of Labour. The minister is responsible for the activities of those two agencies. In those cases, it is easier. But somehow it is difficult to get a political balance between the two. That is one issue.” (Deputy Director of a Bulgarian Managing Authority #2)

Second, similar tensions between the central MA and Intermediate Bodies led, particularly in their first years of implementation, to an uncoordinated interpretation of procedures. This determined the MA to adopt a common procedural manual (OPHR-BG AIR 2010, 58). With all this, underlining institutional and political tensions persisted between the Ministry of Labour and the Ministry of Education (Bulgarian Auditor #1).61

Finally, with regard to institutional accountability, the OPHR-BG was generally seen as one of the most transparent and open programmes in the country. In this respect,

61 A direct consequence of these tensions was the creation of the “Science and Education” Operational Programme that, during 2014-2020, would be managed solely by the Bulgarian Ministry of Education.
it was argued that the regional structures and local help desks allowed for a good communication with beneficiaries (Bulgarian Intermediate Body Representative #1; Deputy Director of Bulgarian Managing Authority #2). In spite of this, there were initial problems in developing a more customer-oriented approach towards beneficiaries. One of the explanations was that the authorities were initially not allowed to provide information to beneficiaries on an individual basis (Bulgarian Intermediate Body representative #1). This might have derived from the need to avoid conflicts of interest or favouritism towards certain beneficiaries. Equally, it reflected the lack of experience and the more cautious approach taken by the managing institutions during the first implementation period of European funding.

**Bureaucratic capacity (ADM2)**

OPHR-BG had to build its own legal and procedural architecture. For example, decree No. 180 of 27 July 2007 “Laying down detailed rules for the eligibility of expenditure under the Operational Programme Development of Human Resources”, funded by the European Social Fund” was the primary legal basis for the programme at the national level. There were no specific problems with the legal and procedural infrastructure for the programme. However, as discussed above, the responsible institutional structures had some problems in reaching a unitary interpretation of procedures (OPHR-BG AIR 2009, 56).

The programme has arguably been one of the most coherent in terms of its procedural framework and received positive reviews from European representatives (EC Head of Unit #2; EC Head of Sector #1). In addition, it seems that it developed strong project management tools and methodologies for the different operational aspects of the absorption process. Some argued that much of the experience in terms of project management, particularly in terms of ensuring adequate audit trails were borrowed from the PHARE experience (Bulgarian Intermediate Body Representative #1). Moreover, the OPHR-BG was among the only Bulgarian programmes that used extensively, for different calls for applications, online tools and electronic procedures.
In 2015, it was the only programme to be fully available online for managing projects by administrators and beneficiaries.\(^{62}\)

In terms of monitoring and verification, some beneficiaries argued that the reporting procedures and the documentation required were excessive and highly burdensome (Bulgarian Expert \#2). There was a tendency from the authorities to ask for additional documents, even if these were not requested at the EU level. One of the explanations for this was advanced by an OPHR-BG beneficiary when comparing national and European procedures:

“I think that first there is a difference, for sure, even in the requirements of the European Commission to the Managing Authorities. The EC has much stronger requirements. When we report to the European Commission, of course we have all the documents. We report to the EC with a table of invoices. They ask us: “Provide us with five invoices – no. 200, 500, 600 etc”. In Bulgaria you should take a car and fill the entire car with copies of invoices and go to MAs. Sometimes the car is not big enough. Sometimes you should take a van for all invoices, protocols and so on. In the European Commission usually for a programme they have 3-4 project officers responsible for 100 projects. In Bulgaria this is much more different. The procedures of the EC are much simpler.” (Bulgarian Civil Society Leader \#3)

Finally, the authorities sought to use technical assistance funding to develop ways through which they would reduce administrative burdens and simplify procedures for on the spot checks and payment claims verifications (OPHR-BG AIR 2010). Nevertheless, as will be seen in Romania’s case, problems related much more to the nature of the programme and the fact that the results of projects were difficult to assess administratively. For the latter, beneficiaries were forced to produce a wide range of documents attesting the use of the funds and to justify the various activities carried out within the projects.\(^{63}\)

**Human resources capacity (ADM3)**

The experience, continuity and capacity of the structures managing OPHR-BG was one of the key strengths for the programme’s success. At the time of the collection of the

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\(^{63}\) Arguably, this was one of the most problematic aspects in the management of the programme in both countries.
data, in May-June 2014, approximately 380 staff worked in the structures dealing with the programme.

Table 15: OPHR-BG distribution of staff

<table>
<thead>
<tr>
<th>Institution</th>
<th>Approximate no. of staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing Authority - Ministry of Labour and Social Policy</td>
<td>120</td>
</tr>
<tr>
<td>Intermediate Body - Employment Agency</td>
<td>100</td>
</tr>
<tr>
<td>Intermediate Body - Social Assistance Agency</td>
<td>60</td>
</tr>
<tr>
<td>Intermediate Body - Ministry of Education and Science</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>380</strong></td>
</tr>
</tbody>
</table>

Source: Council of Ministers 2013, Annex 7 & Bulgarian Interviewees (Deputy Director of Bulgarian Managing Authority #1; Bulgarian Intermediate Body Representative #1)

The expertise of staff working on OPHR-BG was considered to be high, partly due to continuity from the pre-accession period (Deputy Director of Bulgarian Managing Authority #1) and the strong professional connections among staff (Bulgarian Intermediate Body Representative #1). Trainings were an important way to develop expertise (Bulgarian Parliament report 2011, 16). Moreover, staff appreciated that there were “enough” opportunities in this respect, with individual training plans being tailored to “individual needs” (Deputy Director of Bulgarian Managing Authority #1). The extensive use of technical assistance also enabled expertise-formation. By the end of 2013, 16.3 million EUR were used “in order to increase capacity and improve workflow” (OPHR-BG AIR 2010, 183-84). Financial and professional incentives were particularly important. During the first years of implementation, technical assistance was used to partially reimburse the salaries and bonuses of employees hired in these institutions.

Two other aspects were the role of consultancies and of beneficiaries. Regarding the former, it was difficult to find any specific data on OPHR-BG. However, some civil society representatives argued that the use of consultancies crippled the ability of non-governmental organisations to develop their own capacity to manage projects (Bulgarian Civil Society Leader #1; Bulgarian Civil Society Leader #3; Bulgarian Intermediate Body Representative #1). More widely, it was considered that consultancies were not suitable for human resources related interventions. Nevertheless, many of the latter were involved as service providers in areas such as
training and employment. Secondly, beneficiaries played an important role in the life of the programme. An analysis of the database of beneficiaries revealed that (apart from various firms, NGOs, primary and secondary schools, universities, research and professional institutes) most Bulgarian municipalities equally benefited from OPHR funds. Several claimed that the capacity of municipalities and NGOs to deal with external aid was particularly weak (Marinov et al. 2006; Vincellete and Vassileva 2006). The above was confirmed by the testimonies of some interviewees who emphasized on the problems faced by local administrators, ranging from frequent changes in management teams to the low financial and technical capacity of NGOs:

“The big problem was that beneficiaries were also building their capacity. Municipalities and NGO's especially. There are good NGO's, especially the big ones, but small ones have had difficulties. In Municipalities the main problems were the changing of teams with every election. It happens when we contract a project that was prepared by the former administration that the mayor said that „I don’t know this project. Why should I contract it?...Yes, there is improvement, with every call they become better. Also, in absorption, at the beginning they absorbed only 70% and now 90% of the funds for their projects. This is a good indicator that they can adapt the budget to their needs.” (Bulgarian Intermediate Body Representative #1)

With all this, and as illustrated by the above quote, throughout the 2007-2013 period, some municipalities improved their ability to manage funding. Progresses were made in technical and financial management terms. The Bulgarian authorities made strong efforts to support beneficiaries in the development and implementation of their projects (OPHR-BG AIR 2013). Based on some of the evidence gathered it can be argued that the authorities developed a good relationship with the programme’s stakeholders. One of the ways this was achieved was through a large territorialized institutional infrastructure.

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64 The data is valid for 15 July 2015 and was retrieved from: http://umispb.government.bg/ (accessed August 2015).
Territorial capacity (TER)

OPHR-BG benefited from a good local and regional infrastructure and network. The central structure of the Managing Authority was assisted by regional and monitoring and control units that had up to five employees based in each of the 28 administrative counties (Oblasti) of the country (Council of Ministers 2013, Annex 7). Staff working at the local level acted as a first level of control on all administrative, financial and technical verifications undertaken prior and after contracting projects. For instance, the Social Assistance Agency Intermediate Body had technical and financial experts at the Oblasti level carrying out these verifications:

“We have regional experts that do the monitoring in these offices. We have 28 technical experts and 28 accountants that check these claims. Also, we have 2 ERDF infrastructure experts at the national level checking any overlap with ERDF and 1 public procurement expert. Our regional experts send us the reports and in our IB we have a person responsible for one call, which makes random verification checks.” (Bulgarian Intermediate Body Representative #1)

Spread widely across the country, staff could potentially ensure good monitoring and verification of the compliance with rules and procedures for the programme. This provided a strong basis for the programme’s implementation support. As a consequence, there were no notable expertise discrepancies between central and regional level authorities. In fact, many of the latter had more practical and “on the ground” experience as compared to the former (Deputy Director of Bulgarian Managing Authority #1). Therefore, despite the overly-centralized Bulgarian state, its territorial institutional settings seem to have been functional and have worked for the implementation of the programme. Nevertheless, the fact that the programme had a wide popular appeal meant that it potentially benefited from certain political pre-eminence, discussed in the following section.

5.1.2 Political factors and OPHR-BG

In a country with less than eight million inhabitants, OPHR-BG sought to target the educational, training and social needs of more than one million citizens. Given its visibility, at the societal level, OPHR-BG managed to attract considerable political attention. For instance, on 15 October 2012, the then prime minister Boyko Borisov, together with the education minister, Sergei Ignatov, attended a ceremony in which they signed contracts with beneficiaries under two distinct funding schemes of the
programme: BG051PO001-3.3.06 "Support for the development of PhD students, post-graduates and young scientists" and BG051PO001-4.3.04 "Development of electronic forms of distance learning in higher education". These were public events which sent a message to a well targeted political audience, namely to students and employees working in the education sector. Overall, political factors seemed to have played a rather positive role in the life of the programme. This section will now discuss the findings and the effects that political factors had on the management and implementation of the Bulgarian Human Resources programme.

Political Stability (POL1)

OPHR-BG benefitted from moderate levels of political stability. During 2007-2013, there were several changes in terms of operational management and political leadership of the programme. There were, however, mixed interpretations on the impact that these changes had for the overall functionality of the institutions managing the programme. In general, political changes triggered legal developments or delays in deciding on the institutional structures responsible for the implementation (e.g. for the 2014-2020 period) (Deputy Director of a Bulgarian Managing Authority #2).

Political interference in the appointments of managerial and executive staff in the Managing Authority and Intermediate Bodies of the programme was present throughout the period. In principle, the Deputy Minister of the Ministry in which the Managing Authority resided was the official political head of the programme and the convener of the Monitoring Committee. Administratively, the MA was headed by a Director and a Deputy Director. During 2007-2014, the Managing Authority had four different directors. According to public data, between 2012 and 2014 for instance, four different Deputy Ministers oversaw the management of the programme. Whenever governments were changed or suffered a reshuffle, deputy ministers seem to have been changed almost automatically, including during interim governments. This may have accentuated volatility in terms of political leadership. Nevertheless, according to a senior manager, whenever political changes occurred the “rule of thumb” was that

Deputy Directors became Directors, in case the latter were dismissed. This ensured “continuity” in management:

“One of our first Directors became Deputy Ministers. The position of Director was taken by his Deputy. Then he became again Deputy Minister responsible for the management of the programme, but her functions were taken by her deputy. There is continuity” (Deputy Director of Managing Authority #1).

Confirming this practice, the actual Deputy Director interviewed became a full director several months after the interview. With all this, the extent to which administrative functions, within these structures, were allocated on a professional or on a political basis was unclear. From the evidence gathered, explanations were mixed and tended to converge towards one point: Deputy Ministers and Deputy Directors of the Managing Authority played a strong administrative and operational role, whereas the Minister and the Director of the MA fulfilled a rather more political role. According to an external observer, and beneficiary of the programme, high level appointments were made on a meritocratic basis in the MA, although there were some notable differences between the different political entities involved in the management of the programme:

“In principle, the chair of the MA is the Deputy Minister. So it is a political figure. One of the good things is that up to now, these Deputy Ministers are professionals. They are not so political party oriented. It is not the same in the ERDF, especially in the rural areas and the rural development programme. But in the ESF ones, Science and Education and so on, my impression is that the deputy ministers are more experts than politicians. I. K. is a very good example, because he was in the Ministry of Labour, in the agency of employment and is now in the Ministry of Education. He has political links with the socialist party and so on, but even when GERB was in power he raised his career. The same is I. I. she is also a very good professional in the ministry of Labour. Before, she was in the Agency for Employment...My impression is that they are more appointed on an expert basis but of course there are cases in which they are appointed on a political party basis. In these cases, it’s usually the Deputy Minister who is doing the real job. For sure, for example now D. D. is a good professional. He is not linked with any of them. In the ministry of Education, I. M. who is Director General of Structural Funds is for sure affiliated to the Socialist party. Whereas the Deputy Director S. T., who is Deputy Director, is a very good professional and he is doing the real job. It depends.” (Bulgarian Civil Society Leader #3)

The above also suggests that there were variations in vision and approach between different political ministries, between the Ministry of Labour and Social Policy and the Ministry of Education and Science. It equally pointed to the important role played by Deputy Ministers and Directors in the management of the programme. Therefore, there was no real evidence to suggest that the politicisation, under the form of political
patronage, has influenced in a negative manner the management of the programme. All in all, OPHR-BG benefited from a reasonable degree of internal stability and political interference didn’t act as a negative political factor.

**Political support (POL2)**

Political support was an important driver for OPHR-BG. As illustrated above, several politicians found politically opportune to speak about the outputs and potential impact of the programme. In light of the programmes’ high number of beneficiaries and visibility, it benefited from a reasonable level of political support. Generally, the Bulgarian Ministry of Labour and Social Policy, as well as the Ministry of Education and Science, are ministries with a strong political profile. This is particularly the case because they deal with widespread popular policies in the area of labour, pensions, and social inclusion, and, respectively, education. Following the financial crisis, funds typically granted from OPHR for the above areas were strongly prioritised by the Council of Ministers in Sofia. In this respect, it may have been that many national and local politicians sought to transform the outputs of these projects into political capital. When asked about the political support allocated to the OPHR-BG, two unrelated external observers stated that the programmes received support particularly due to its societal usefulness (Bulgarian Civil Society Leader #1; Bulgarian Civil Society Leader #3).

The tensions between the Ministry of Labour and the Ministry of Education could have been a consequence of the increasing political capital associated with the programme. As a consequence, for 2014-2020, the programme was divided in two: the Education and Science Operational Programme politically managed by the Education ministry and the Human Resources managed by the Labour Ministry. Apart from the ongoing political tensions between the two ministries, there were European concerns on the low administrative capacity of the Education ministry, specifically because it may have

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68 In a public statement, the European Commissioner for Regional Policy, Johannes Hahn expressed his “doubts about the capacity of Bulgaria’s Education Ministry to manage a separate program taking into account that in the ongoing programming period it risked losing a substantial amount of EU funding under the Human Resources Development and the Administrative Capacity Operational Programme”. Retrieved from Novinite.com, 23 September 2013, “Bulgaria to Get EU Funding Specially Allocated to Education”, Available at: http://www.novinite.com/articles/153884/Bulgaria+to+Get+EU+Funding+Specially+Allocated+to+Education#sthash.Dophu6Qm.dpuf (accessed august 2015).
been more politicised, as compared to the Labour ministry. Nevertheless, the political fragmentation and the importance attributed to education related funds resulted in two distinct Managing Authorities. Based on the empirical analysis, there was some evidence to suggest that the programme did benefit from strong levels of political support.

**Political clienteles (POL3)**

Political clienteles have been specifically defined in this thesis as the political interference in the distribution of European funds and, more broadly, in the absorption process. Drawing on the documentary analysis and reports from interviewees no evidence was adduced of any negative political interference in the life of the programme. Nevertheless, some OPHR-BG affiliated interviewees stressed that the distribution of funds was *stricto senso* a political exercise:

“The needs [in terms of human resources development] are large and you should set priorities. And in order for that you need to make political decisions in which sphere you invest more instead of the others.” (Deputy Director of Bulgarian Managing Authority #1).

Moreover, with regard to potential political profiteering from OPHR-BG distribution, some administrators did not dismiss the possibility of political actors benefiting from the programme, particularly on training related projects (Bulgarian Intermediate Body Representative #1). However, a senior administrator mentioned that only judicial courts could establish whether or not funds are allocated in an unlawful manner and that political parties did not intervene, in a clientelistic fashion, in the distribution process and that the programme had only a few irregularities with a “limited financial impact”:

“But just to say in a very open way, we are not influenced by the political parties. I don’t know in my work I haven’t had that. For example, political parties and political structures what projects we have to select, what kind of operations we should launch. I haven’t witnessed that.” (Deputy Director of Bulgarian of Bulgarian Managing Authority #1).

Some of the beneficiaries and external observers interviewed confirmed that there was no evidence about a politicised distribution of funds and that, in fact, some of the administrators acted as political entrepreneurs, preventing any political interference in the process: “[these problems were] especially for OPAC, not for Human Resources. For Human Resources they have a good professional that didn’t allow this” (Bulgarian
Civil Society Leader #3). This corroborated with other primary sources (e.g. European audit reports) which did not show any evidence of negative political interference in the management and implementation of the programme.

5.1.3 EU role and influence (EUR)

EU institutions retain an important say in ensuring that EU funding is properly spent and in line with European strategic objectives. The technical influence of the European Commission (EC) was felt through most stages of OPHR-BG. In this respect, DG Employment and Social Affairs (DG EMPL) provided support to the Bulgarian authorities. Following problems with pre-accession funding, particularly for PHARE, DG EMPL closely monitored the situation in the country (DG EMPL AAR 2008, 35).

Interviewees on the ground reported that they developed good working relationships with desk officers from the EC (Deputy Director of Bulgarian Managing Authority #1). Moreover, assistance was provided from broad strategic issues and “even for small practical issues” (Bulgarian Intermediate Body Representative #1). In addition, the Commission was highly influential during the workings of the Monitoring Committee of the programme. During such meetings, the EC equally pushed, for instance, for the introduction of targeted calls for the Roma minorities, initially ignored by the authorities:

“Especially in the field of Roma integration the Commission is our very important ally. They supported us very much, first when the previous programmes were prepared. Even at that time our main ally because the national institutions were against including any targeted calls for Roma. They were even against including the word Roma in the Operational Programmes. We raised suggestions and the national authorities denied and after this the European Commission recommended to the national authorities. Also, during the entire period when we asked for targeted calls, the Commission was our first ally. It is a very important ally and they are very supportive, especially in the field of Roma integration.” (Bulgarian Civil Society Leader #3)

Despite the programme’s regular outlook, payments for the programme were blocked in 2010, following reports from EU auditors which “revealed weakness on selection of operations, management verifications and audit trail” (DG Employment AAR 2010, 73). Nevertheless, the OPHR-BG was never completely interrupted or suspended by the European authorities and the 2010 events were seen only as a “temporary
“blockage” (Deputy Director of a Bulgarian Managing Authority #1). Arguably, the fact that the programme never had its payments suspended, as compared to its Romanian counterpart, denoted its general degree of functionality. Brussels based interviewees equally pointed to the sharp discrepancies between the Bulgarian and the Romanian OPHR. What made such a similar programme, in Romania, face fundamentally different problems as compared to its Bulgarian counterpart is something that will be addressed more in-depth in the following section.
5.2 The Romania Human Resources Operational Programme (OPHR-RO)

During 2007-2013, the Human Resources Development Operational Programme (OPHR-RO) was one of the most visible and most controversial Operational Programmes in Romania. Officially, OPHR-RO aimed to address: “the development of human capital and increase of competitiveness, through correlating education and lifelong learning with the labour market and ensuring enhanced opportunities, for participation on a modern, flexible and inclusive labour market, for 1.650.000 persons” (OPHR-RO November 2007, 61). To achieve this universal objective, the programme was divided into seven priority axes, with total of funding of a little over four billion EUR, as presented in Table 16. This made it the 4\textsuperscript{th} largest out of the seven OPs implemented in the country during 2007-2013.

Table 16: OPHR-RO - Priority Axis and Financial Allocation (2007-2013)

<table>
<thead>
<tr>
<th>Priority Axis</th>
<th>Community Funding (EUR million)</th>
<th>National contribution (EUR million)</th>
<th>Total (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority Axis 1: Education and training in support for growth and development of knowledge based society</td>
<td>797.803.989</td>
<td>193.984.825</td>
<td>991.788.814</td>
</tr>
<tr>
<td>Priority Axis 2: Linking lifelong learning and labour market</td>
<td>911.775.778</td>
<td>79.621.406</td>
<td>991.397.184</td>
</tr>
<tr>
<td>Priority Axis 3: Increasing adaptability of workers and enterprises</td>
<td>450.189.271</td>
<td>69.467.140</td>
<td>519.656.411</td>
</tr>
<tr>
<td>Priority Axis 4: Modernization of Public Employment Service</td>
<td>176.656.289</td>
<td>58.885.430</td>
<td>235.541.719</td>
</tr>
<tr>
<td>Priority Axis 5: Promoting active employment measures</td>
<td>476.402.823</td>
<td>66.953.221</td>
<td>543.356.044</td>
</tr>
<tr>
<td>Priority Axis 6: Promoting social inclusion</td>
<td>540.608.927</td>
<td>103.399.059</td>
<td>644.007.986</td>
</tr>
<tr>
<td>Priority Axis 7: Technical Assistance</td>
<td>122.707.919</td>
<td>40.902.637</td>
<td>163.610.556</td>
</tr>
<tr>
<td></td>
<td>3.476.144.996</td>
<td>613.213.718</td>
<td>4.089.358.714</td>
</tr>
</tbody>
</table>

Source: OPHR-RO November 2007, 131
OPHR-RO was one of the, if not the, worst performing programmes from all seven Romanian OPs. At the end of 2014, it had the lowest absorption rate with only 28.75% of its payments being reimbursed by the Commission. The Romanian Environment OP followed with 39.78% and the Economic Competitiveness OP with 48.90%. After tripling its financial performance at the end of 2013, the programme was suspended by the European Commission in 2014, following an extensive verification and control of contracted and implemented projects (DG EMPL AAR annexes 2013, 54). Thereafter, the programme’s financial absorption stalled again.


<table>
<thead>
<tr>
<th>Years</th>
<th>Contracted (Romanian LEI - million)</th>
<th>Paid to beneficiaries (Romanian LEI – million)</th>
<th>Payments from EC (final absorption) (EUR – million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nominal</td>
<td>Percent</td>
<td>Nominal</td>
</tr>
<tr>
<td>2007-2009</td>
<td>2.721.319.117</td>
<td>53.89%</td>
<td>258.575.813</td>
</tr>
<tr>
<td>2010</td>
<td>13.898.199.799</td>
<td>74.71%</td>
<td>2.039.469.045</td>
</tr>
<tr>
<td>2011</td>
<td>15.046.023.855</td>
<td>42.47%</td>
<td>1.968.043.297</td>
</tr>
<tr>
<td>2012</td>
<td>14.978.177.484</td>
<td>56.25%</td>
<td>2.692.837.712</td>
</tr>
<tr>
<td>2013</td>
<td>15.274.796.984</td>
<td>81.74%</td>
<td>8.081.347.097</td>
</tr>
<tr>
<td>2014</td>
<td>22.402.904.804</td>
<td>121.05%</td>
<td>9.981.711.345</td>
</tr>
<tr>
<td>2015 (June)</td>
<td>23.530.974.182</td>
<td>126.72%</td>
<td>11.111.356.872</td>
</tr>
</tbody>
</table>


The slow evolution and low absorption performance of OPHR-RO, as compared to its Bulgarian sister programme, was highly puzzling. In order to understand what triggered these discrepancies, the following sections outline the main findings regarding the administrative capacity of the institutions managing the programme, as well as the wider political factors that affected the programme’s performance.
5.2.1 Administrative capacity and OPHR-RO

During the pre-accession period, several structures which will become the main entities implementing OPHR-RO, benefited from European pre-accession assistance funds. The Romanian Ministry of Labour, Social Solidarity and Family (MMSSSF) was involved in the process as a PHARE implementing agency. On 2 April 2007, the European Commission granted the Ministry of Education an Extended Decentralisation Implementation System (EDIS) status. This meant that the latter could continue the implementation of the remaining PHARE grants in a decentralised manner, without guidance or ex-ante control from the Bucharest based Representation of the European Commission. For example, between 2001 and 2006, approximately 17.8 million EUR were invested in the development of the institutional capacity of the Ministry of Labour and its affiliated agencies (e.g. Agency of Employment). With all this, one of the main threats identified for the implementation of the programme was the: “limited absorption capacity of structural funds/difficult adjustment to the structural fund requirements” (OPHR-RO November 2007, 55). Some interviewees clearly emphasized that, in early 2007, the Romanian authorities were not prepared to cope with the flow of European funding in this area:

“There are two aspects one should keep in mind. To what extent the programme was prepared from a policy point of view and from an institutional point of view. With regard to the latter, Romania was extremely underprepared. But they could only rely on their pre-accession experience – because programmes such as ESF did not exist. There were some institutions that managed ESF related activities, such as the Ministry of Education or the Employment Agency. These manage projects amounting to several million EUR. However, when the programmes came the stakes were much higher, having to manage several billions and with the previous experiences not being necessarily relevant. Pre-accession institutional structures were only small departments in the Ministries which then became much larger structures, still affiliated to the Ministries but with a larger degree of independence.” (EC Head of Sector #1)

One of the main problems for OPHR-RO was the lack of relevant experience and the problems posed by the novelty of Structural Funds interventions. Institutional
structures were not fit for purposes and the authorities had difficulties passing the compliance assessment procedures which established the management and control systems of the programme. In November 2008, the Romanian Audit Authority issued a qualified opinion on these systems which pointed to several shortcomings (OPHR-RO AIR 2008, 20). Arguably, the development of administrative capacity at the level of the authorities managing the programme suffered due to such delays. The management and control systems were deemed “satisfactory” and approved by the national Audit Authority in June 2009 (OPHR-RO AIR 2009, 22). The following sections outline the main findings on the deficiencies affecting the programme’s administrative capacity.

**Institutional capacity (ADM1)**

In the first two years of the programme, much energy was dedicated for developing the institutional capacity and structures necessary for the management of the programme. Government Decision no. 381/2007, established that the General Directorates of the then Ministry of Labour, Family and Equal Opportunities would act as a Managing Authority for OPHR. In 2010, the central Managing Authority was divided in six different directorates: Contracting Directorate, Verification and Monitoring Directorate, Quality Management Directorate, Economic and Services Directorate, Programming and Evaluation Unit and Antifraud and Irregularities Unit.

In addition, to the Managing Authority was assisted in its duties by several Intermediate Bodies namely: eight regional directorates subordinated to the Ministry of Labour and the National Agency for Employment, the Ministry of Education Research and Youth and the National Centre for Technical and Vocational Education Development. All these were delegated management functions over specific areas of the programme.

Control mechanisms were developed so as to ensure that the MA has an overview over the situation and it had: “a) control over documents produced by IBs; b) fulfilment of tasks delegated through quarterly reports; c) on the spot checks of project selection, verification of expenditure, accounting and management of irregularities and finally through d) internal audit missions” (OPHR-RO November 2007, 130-131). With all
this, by 2010, following system audits several clarifications and a further separation of tasks between the MA and the Intermediate Bodies was considered necessary, especially due to problems that arose in the selection of projects (OPHR-RO AIR 2009, 7). Equally, a fragmented departmental organisation in both the Managing Authority and Intermediate Bodies, poor flows of information between employees and dysfunctional management and control systems affected the overall programme (EC audit report 7-11 December 2009, 13-14). On the ground, despite their lack of experience, many regional structures (e.g. Labour Inspectorates) were transformed overnight into Intermediate Bodies (Romanian Expert #1). Following governmental attempts to further centralize the management system of EU funds, the Managing Authority responsible for OPHR was moved, in March 2014, to the Ministry of European Funds. This was a politically mandated move which aimed to improve the effectiveness of the programme and its highly criticised management.71

Differences in capacity between the four distinct institutional entities created problems during the different stages of the absorption process. In short, as emphasized by one regional administrator, there was a lack of a cost-efficiency calculation in terms of staffing arrangements and in creating the best suited institutional structures for the programme (Head of Romanian North-East Intermediate Body). The fact that the Managing Authority was unprepared and that there were institutional discrepancies in terms of management very often meant that “the funds were not managed with a certain coherence” (Former Director of Romanian Intermediate Body #1).

The above intricate institutional design triggered bottlenecks in terms of institutional coordination between the MA and all the other IBs (Preda et al. 2014, 22). It accounted for a lack of trust at the MA level and generated a further duplication of tasks (KPMG OPHR-RO Interim Evaluation 2011, 229). For instance, the relationship between the Managing Authority and the Ministry of Education Intermediate Body was a highly cited example of poor coordination (Former Director of Romanian Managing Authority #2; Romanian Civil Society Leader #1). Furthermore, many issues were

generated by an inexperienced MA which did not delegate tasks appropriately to other bodies (KPMG OPHR-RO Interim Evaluation, 76). The workload was not well divided between institutions, and some Intermediate Bodies (especially the Ministry of Education) were overwhelmed by the amount of work they had to carry out. This fundamental problem was succinctly summarized by one regional administrator:

“We didn’t organize ourselves as we have should and we did not manage correctly our capacity to manage these funds. We had too many projects, too few staff, with too low salaries and with insufficient [office] space.” (Head of Romanian North-East Intermediate Body)

In terms of institutional accountability, the Romanian OPHR was one of the most un-transparent and highly problematic, especially in its first years of implementation, in terms of the relationship between the authorities and the programme’s beneficiaries. As explained by a central administrator, issues in this area arose due to a frequent change of personnel, which meant that communication with beneficiaries was often disrupted (Former Director of Romanian Intermediate Body #1). Independent observers generally deplored the poor transparency of the managing bodies involved in the programme (CeRe 2010; IPP 2011). With all this, others were keen to stress that the authorities did improve their approach when interacting and communicating with beneficiaries (Romanian Civil Society Leader #1; Romanian EU funds consultant #1).

**Bureaucratic capacity (ADM2)**

By mid-2008, the legal and procedural systems necessary for the management of the programme were adopted. In general, the legislation and the rules of the programme were extremely dense. Moreover, a “mismatch” developed between national and European legislation in the areas covered by the programme (Păuţu and Dogaru, 2013, 509). Some interviewees argued that legislation was problematic especially in relation to specific areas:

“They couldn’t anticipate things, if I recall right there wasn’t the proper legal basis in place. This was very much the case for public procurement. There were no legal frameworks for instance for traineeships or for social economy [projects], these were measures that were never applied in Romania.” (EC Head of Sector #1).

Four years after the programme’s launch, some Intermediate Bodies still lacked adequate procedures and did not follow any rigorous financial management system (Romanian AA report 2011, 402). Moreover, a certain stability and uniformity of the
rules governing the programme was difficult to achieve. The frequent changes to different rules and templates was arguably one of the most loathed aspects of the programme. This was in line with the much criticised “changing the rules during the game” principle (Romanian Civil Society Leader #1; Romanian Expert #2; Romanian funds beneficiary #1; Romanian funds beneficiary #2). Changes often applied retroactively and had strong repercussions for on the ground project implementation (CeRe 2010; Păuţu and Dogaru, 2013, 512). For instance, in the first few years of implementation, the issue of guidelines for eligibility proved to be a highly controversial aspect of the programme (Romanian Government memorandum on OPHR-RO May 2012). As explained by a few close observers, part of the problem derived from “payment ceilings for experts” that in several projects were raised to “maximum” levels (EC Head of Sector #1; Former Director of Romanian Managing Authority #2). When audited, beneficiaries could not justify the use of funds and the time spent on projects. As a consequence, the Managing Authority had to correct the situation, by constantly updating the rules, and to prevent situations in which beneficiaries sought to circumvent the rules of the programme. As stressed by an EU official, this was all about keeping up with the “inventiveness of people” (EC Head of Sector #1). By the end of 2014, approximately 102 different implementation instructions regulated all aspects of the programme (e.g. VAT rules, document templates, the role of experts and project partners, and eligibility rules on the maximum number of hours of work allocated for projects).72

Other problems derived from a lack of coherent interpretation of procedures between the different managing bodies. It was argued that many Intermediate Bodies took the liberty, or were not offered sufficient guidance from the Managing Authority, in how to interpret certain rules. As a result, contradictory advice was given to project promoters (KMPG OPHR-RO Interim Evaluation 2011, 165). One of the examples given by a former director of the MA concerned the answers given to questions by IBs to beneficiaries via helpdesks: “the problem was that of a unity in responses, because the same answer had to be given by the MA and the IBs on the same issue and this was very hard [to achieve]” (Former Director of Romanian Managing Authority #2).

Moreover, the lack of adequate methodologies and project management tools was another problematic dimension of the programme (Păuțu and Dogaru, 2013, 513). One auditor emphasized that the programme did not use any clear “management techniques” (Director in Romanian Audit Authority #1), whilst, one EU official stressed that the “management instruments” were ill defined at the beginning of the programming period (EC Head of Sector #1).

OPHR-RO was one of the few Romanian programmes that used an online platform and electronic tools. ActionWeb was the IT tool developed to facilitate project implementation. However, the tool had limited functionalities and was mainly used at the application stage of the process. It suffered from severe faults and it was reported that it would often shutdown when beneficiaries wanted to use it. 73 Several reports criticised the ActionWeb was criticized for the “defective manner” in which it was designed (CeRe 2010, 10; Rotilă 2013, 49).

Finally, burdensome verifications and reporting procedures, and what was generally described as “gold plating” (KPMG et al. 2011), had a strong impact on beneficiaries and administrators alike. Beneficiaries had to send to the authorities numerous copies of documents, exceeding hundreds of pages in order to justify the activities undertaken in their projects. This generated a strong “focus on the process rather than on results” approach in the management of the projects at the central level which affected the programme (Romanian Civil Society Leader #1; Romanian Expert #1). In turn, this affected the capacity of the managing bodies to verify and monitor the outcomes of projects:

“At one point the MA had to perform several hundred monitoring visits in several months. Without it being their fault, the monitors did not have physical time to prepare. They didn’t have time to read about the project, the reports and to understand what it was about so as to formulate several questions regarding it. When the monitors got to the visiting site they only ticked some lists and had a look around their office to see if they had the laptops [purchased for the project]. These things lead to nothing.” (Romanian Civil Society Leader #1)

The above had serious consequences on both the capacity and behaviour of the institutional actors involved in the process and contributed to the programme’s

bureaucratised nature. However, the issues of administrative over-control and the focus on the process rather than on results were linked to deficiencies in terms of human resources.

**Human resources capacity (ADM3)**

Insufficient staff numbers, a lack of training and poor incentives crippled the development of human resources for OPHR-RO. Poorly conceived personnel structures and distribution of tasks overloaded many OPHR bodies, with the IB for Education being well-known for its understaffing (Romanian Audit Authority report 2011, 402). Some interviewees argued that they had five to six times higher workloads than colleagues in other structures managing the programme (Project Officer in Romanian North-East Intermediate Body). There were also strong discrepancies between these structures in terms of staff expertise (KPMG et al. 2011). For instance, the Intermediate Body of the Ministry of Education was overwhelmed by the number of projects and the low number of staff. Data from September 201474, showed that the latter structure was severely under-staffed when compared to the other Intermediate Bodies of the Ministry of Labour, and in spite of the similar amount of funding being managed by these structures. Moreover, the Ministry of Labour acted in the past as a PHARE implementing agency and capitalised on a pre-accession base of expertise, the Ministry of Education, as well as other new managing bodies, had no experience and only appeared in the system starting with 2007 (Former Director of Romanian Managing Authority #1; Romanian Expert #1).

Training and professional development could have contributed to the general process of expertise-formation. However, it was argued that training was not sufficient, whilst some stressed that administrators, from IBs, were “schooled hastily” (Romanian Expert #1). A former senior administrator criticised the low priority given to these activities stressing that “not even today [April 2014] they don’t understand how important it is to have properly trained human resources” (Former Director of Romanian Managing Authority #2).

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74 HR data obtained from the Romanian Ministry of European funds revealed that the Intermediate Bodies dealing with Education interventions had approximately 220 staff allocated to them, whilst the Intermediate Bodies dealing with Labour interventions had approximately 375 staff.
Part of the problem related to the authorities’ poor use of technical assistance for incentivising and training staff. In 2010, several technical assistance projects were contracted due to improve the capacity of both the managing bodies and beneficiaries, yet, by the end of 2011 only 0.32% of technical assistance funds available to the programme were reimbursed (OPHR-RO AIR 2011, 130). Moreover, Intermediate Bodies were poorly involved in developing technical assistance projects (Romanian Audit Authority report 2010, 444).

The lack of a uniform set of financial incentives for staff involved in the programme was arguably one of the main obstacles for human resources development. For instance, there were strong discrepancies in terms of remuneration with staff working in the Ministry of Education IB being paid much less than those working in the Ministry of Labour, as described by a local administrator:

“Every time I went to Bucharest I told them: “You cannot judge us by the same standards that you judge the Labour Intermediate Bodies”. I was managing 140 projects at one stage. An officer at the Labour Intermediate Body managed 2-3. The difference was colossal. The second aspect is that they were paid RON 50 million [approx. EUR 1100] and we had RON 18 million [approx. EUR 450]. This was the huge difference and we did the same work.” (Head of Romanian North-East Intermediate Body)

These differences were structural and were determined by the salary ranges enacted by domestic law and paid by the different Ministries. They demotivated staff and were a key driver for staff turnover.

Finally, the external stakeholders involved in the life of OPHR-RO faced considerable issues in terms of their own capacity. There were mixed perceptions about the role played by consultants. On the one hand, there were serious consultants that genuinely sought to support beneficiaries in obtaining funding and in implementing projects (Former Director of Romanian Managing Authority #2). On the other hand, some consultancies played a negative role in the implementation of the programme. Many experts and consultants sought to profit from the confusions regarding the eligibility of rules concerning payments, and the lack of a clear definition regarding payment ceilings for project experts (Romanian Government memorandum on OPHR-RO May 2012). This encouraged irregular behaviour among beneficiaries, for which various local consultancies were partly culpable (EC Head of Sector #1). In addition,
beneficiaries over-using consultancy services affected their ability to develop their very own capacity.

During 2007-2013, no other Romanian Operational Programme was influenced by its beneficiaries as much as OPHR-RO. These were very diverse ranging from private sector firms to NGOs, consultancies, universities as well as municipalities and public bodies. Their diverse nature added to the specificity of problems encountered during implementation. A first notable aspect was that, as opposed to other OPs, most OPHR-RO beneficiaries never benefited from any external funding (Director in Romanian Ministry of EU funds #1). Consequently, beneficiaries had little or no previous experience in implementing externally funded projects.

Secondly, public beneficiaries were affected by the domestic restrictions adopted by the Romanian Government following the 2008 financial crisis. Law no. 284/2010 introduced a standardised salary rate for public sector employees. According to interviewees, one of the effects of the law was that it restricted the number of hours that public civil servants (e.g. ministries, municipalities) could dedicate to the implementation of EU-funded projects (Former Director of Romanian Intermediate Body #1; Romanian EU funds beneficiary #2).

Thirdly, many private beneficiaries did not have adequate financial capacity or the ability to budget their projects properly (OPHR-RO AIR 2013, 58). As a result they over- or under-spent money or were frequently sanctioned for their inability to respect the objectives or indicators set to be achieved by their projects (Former Director of Romanian Managing Authority #1; Head of Romanian North-East Intermediate Body; Romanian Civil Society Leader #1).75

Finally, many OPHR-RO beneficiaries tried to profit from loopholes in rules of eligibility for expenditure, and were often reimbursed sums of money that they were not entitled to (Romanian Audit Authority report 2010, 446). Following several audits, the European Commission found ambiguous eligibility rules, in particular with regard to the salaries provided to experts working on projects (OPHR-RO AIR 2012, 49). The

75 This was potentially the case in Bulgaria’s, although official sources or interviewees’ did not note this as often as they did in Romania’s case.
principle of “reasonableness” of costs was often broken and unrealistic number of hours were reported by experts in exchange for extremely high salaries (Romanian Audit Authority report 2012, 391; Former Director of Romanian Managing Authority #2; EC Head of Sector #1). These were some of the issues that that eventually led to the multiple interruption and suspension of payments for the programme.

However, the above problems affected beneficiaries that had a genuine capacity and interest in implementing projects in this area. Following frequent delays in payments and the Managing Authority’s failure to respect contractual obligations on reimbursements, NGOs organized several street protests in the last trimester of 2012. Protesters gathered for a march for POSDRU (OPHR-RO) victims chanting slogans such as: “Transparency and not incompetence” or “Free POSDRU from incompetence”. The protest culminated in a scene where half-naked beneficiaries marched towards the Ministry of Finance.76 A memorandum initiated by the Romanian Coalition of NGOs for Structural Funds summarised the demands of protesters.77 These signalled the growing frustrations that governed their relationship with the authorities, predominantly the overly bureaucratic rules of the programme, the lack of transparency and the lack of respect for contractual obligations, and more generally its inefficient management. All in all, the human resources component of administrative capacity remained one of the most problematic dimensions of the programme’s administrative capacity.

**Territorial capacity (TER)**

The management of the programme was highly centralised. As emphasized above, there were stark differences in terms of budgeting and resources adopted by the two main ministerial entities involved in the process: the Ministry of Labour and the Ministry of Education. In fact, two parallel institutional systems were created in each of the eight Romanian NUTS 2 regions. The Ministry of Labour had its own structures on the ground. The Ministry of Education acted as a centrally based Intermediate

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Body. However, half of the staff from the latter worked at the local level using the infrastructure provided by Education Inspectorsates, situated in the 42 counties (NUTS 3 level). As mentioned previously, the latter were severely understaffed and under-resourced (Romanian AA report 2010; Head of Romanian North East Intermediate Body).

Moreover, the lack of a coherent territorial institutional design hampered the development of expertise at the local level, increasing the level of frustration among local administrators and beneficiaries, in relation to the Managing Authority. According to data, obtained from the Romanian Ministry of European Funds, approximately, 64% OPHR-RO staff positions were based at the local and regional level.\(^7\)\(^8\) Staff working on the ground amassed a great deal of knowledge and expertise from every-day implementation. However, the system was designed with limited powers for local level Intermediate Bodies representatives. As a consequence, the Managing Authority had to be involved directly in issues of implementation rather than in only managing the process (Former Director of Romanian Managing Authority #2). In this respect, the Interim Evaluation underlined that:

“...the MA took upon itself an inordinate number of low-level control tasks (many of which were duplicating tasks already carried out down through the system chain). The MA then claimed to have too few staff to carry out the tasks that it had taken upon itself despite the fact that it had, for example, eight under-utilised IBs and three National IBs at its disposal. Rather than acting as the manager of a system, the MA got itself directly involved in tasks at every level resulting, inevitably, in delays in the system, policies being changed mid-stream (e.g. the responsibilities of the IBs which have changed again more recently although in this instance the MA has once again devolved significant autonomy to the IBs), corrigenda issuing at the last moment and so on.” (KPMG OPHR-RO Interim Evaluation 2011, 229)

On the ground, interviewees stressed that “more responsibility should be given to regions” (Head of Romanian North-East Intermediate Body). The reasoning was that this would have allowed local structures to organize their work in relation to their own needs and obligations. In the context of debates on the regionalisation in the country, the bulk of the discussion focused on other aspects than EU funding. Moreover, a decision on granting more autonomy to these bodies was unlikely within the

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\(^7\)\(^8\) Data obtained from Ministry of European Funds in September 2014.
centralised Romanian system. In this respect, the discussion will now turn to the influence of political factors in the life of the programme.

5.2.2 Political factors and OPHR-RO

Many of the weaknesses of the OPHR-RO did not originate from poor administrative capacity. They were highly political in nature. As compared to its Bulgarian sister programme, political factors proved far more influential. Firstly, according to an external observer involved in the process the political decision on the institutional structure of OPHR-RO was problematic (EC Head of Sector #1). Secondly, the programme suffered from a relatively low level of political stability, both at the central and at the local level. Thirdly, similarly to Bulgaria’s case, administrators were embedded in two distinct political entities, namely the Ministry of Labour and the Ministry of Education. The political tensions between these structures did contribute to some of the programme’s deficiencies. Finally, there were strong indications that the programme was highly politicised, in particular during its first years of implementation. These findings are detailed in the following.

Political Stability (POL1)

Stability was not one of the core characteristics of the programme. An independent evaluation succinctly described some of the negative effects that political changes had on the programme:

“The effect of this is to weaken ‘institutional memory’, to result in long lead-in periods while the new officials ‘find their feet’ and, perhaps most destructive of all, results in changes in direction or approach that can stifle the initiative of strategic thinkers to plan ahead as they know their efforts may be simply nullified as a result of political / administrative / managerial change.” (KPMG OPHR-RO Interim Evaluation 2011, 233)

On the ground, many Romanian interviewees argued that political patronage and the appointment of staff in the managing bodies was a core issue affecting the programme (Former Head of Romanian Intermediate Body #1; Romanian Expert #1; Romanian Expert #2; Former Director of Romanian Managing Authority #2). Political change and patronage driven politicisation was found to be a problem at both the central and at the local level.
At the central level, the programme was affected by changes in senior management, particularly at the Director level. Some have argued that changing the heads of the Managing Authority and of the Intermediate Bodies triggered confusions in the programme’s management (Păuţu and Dogaru, 2013, 514). The Managing Authority had six different directors in eight years (Romanian Civil Society Leader #2; Romanian EU funds consultant #1; Former Director of Romanian Managing Authority #2). Most of these were appointed on a political rather than on merit or qualifications. To mask this, it was argued that directors are changed in line with the European principles of “staff rotation”. However, the press and civil society representatives speculated that the main reason for his replacement was the loss of political credentials. In addition, investigative journalists found that one Minister appointed her personal driver as an EU funds adviser in one of the Intermediate Bodies (Bucharest-Ilfov) despite the fact that he did not hold a university diploma, a minimum pre-condition to obtain such a position. Moreover, the former head of cabinet of the same Minister helped a close relative to become a Director in the Ministry. According to anti-corruption prosecutors, the same person was bribed, in order to facilitate the rigging of the exam required to obtain a Councillor position within the Managing Authority of the programme. Changes equally affected administrators and other executive staff working at the central management level, including legal representatives. The highly problematic situation of the Ministry of Education was often cited as evidence by independent evaluations (OPHR Interim Evaluation 2011).

At the local level, political instability, and potential political interference, affected the implementation of projects. On the one hand, staff working in local municipalities were threatened by political changes. For instance, Education Inspectors (a highly politicised local public function in Romania) were changed on political grounds, as explained by:

“Directors and project managers are often changed due to subjective political reasons. For example, the general education inspectors are also at the territorial level the most common project managers. When the Government changes they change as well. The problem is that education inspectors are also credit ordinators and, therefore, when they change the whole stake of the [OPHR] projects changes as well.” (Former Head of Romanian Intermediate Body #1)

However, some stressed that political interference was more limited to posts found at the local level, especially for those with difficult or heavy workloads. These were not seen as appealing by potentially politically affiliated employees (Head of Romanian North-East Intermediate Body; Project Officer in North-East Intermediate Body #1).

As a whole, there was evidence to point out that some of the staff working on the Romanian OPHR were politically affiliated. These were examples of how political officials could interfere in order to appoint employees in key strategic positions within the Managing Authority or Intermediate Bodies. Ultimately, such appointments could damage the capacity of these institutions and could weakened the management of the funding, and subsequently the financial performance achieved by OPHR-RO.

**Political support (POL2)**

At the end of 2012, OPHR-RO beneficiaries publicly criticised what they saw as the lack of responsibility from the Government to tackle the problems associated with the programme and accused it of shifting the blame towards beneficiaries (Romanian Coalition of NGOs for Structural Funds letter, 24 October 2012). The letter publicly criticised the governments’ failure to manage the problems of the programme. Specifically, one interviewee explained how the general lack of support affected EU funds beneficiaries:

“I think that for a good period of time Structural Funds were not a sufficiently important stake at the governmental level. Discursively they were, but beyond discourse things were not the same. Only now when we are approaching the final stages of the programming period have things started to accelerate. But at one point we felt that this was not important enough for the Government. For example, there was the period with major blockages for OPHR-RO when beneficiaries simply did not receive their money for a few good months due to the simple fact that the Managing Authority did not have the money. Payments were blocked by the European Commission. At that point we asked the Government to allocate some funds, I don’t know where from, the Reserve Funds maybe. To allocate a sum of money for OPHR-RO so that payments can be made, and projects can still be implemented. This is the big problem. There
were projects that were standing still. Final beneficiaries, target groups who lost their trust in the promises made by those implementing the projects, who could not take forward their projects and their services. They already got to a stage where their headquarters were being seized, they sold their own things or brought money from home. They were on the brink of bankruptcy. The Government did not allocate this sum of money as a buffer until the Commission made those payments.” (Romanian Civil Society Leader #1)

Following street protests in late 2012, the Ministry of Finance took out several loans in order to cover the funds necessary for beneficiaries.83 The programme was partly unlocked, in 2012, after several governmental memorandums were adopted, with support from the highest political level, in order to address the multiple problems affecting the programme (Former Director of Romanian Managing Authority #2).

In general, administrators and staff working in managing institutions had mixed feelings on whether or not they received sufficient political support and strategic guidance in order to carry out their activities. As explained by a former director, support varied from politician to politician:

“At the Ministry of Labour I worked with Boghicevici and Ungureanu [Secretaries of State] and it worked. The former worked in the system. She had worked on PHARE. She could understand what is going on and what needs to be done. If you have to go there and explain about the system and I don’t know what else it is pretty complicated. She was familiarized with the procedures and she understood. After Câmpeanu [Labour Minister] came in it was difficult for her to understand. It thus varies from person to person and regarding the level of involvement of each.” (Former Director of a Romanian Managing Authority #2)

The above points out the need for politicians to understand the situations, and more technical aspects of the problems, faced by administrators. However, not all politicians were capable of understanding these. In addition, interviewees mentioned that often the ministers’ political advisers or counsellors acted as the interface between the latter and the administrators responsible for EU funding schemes (Director of Romanian Managing Authority #1). In some instances, such as in the case of the Ministry of

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Education, “political decision-makers do not have counsellors that could explain the situation. It is hard to get people from the private sector. The counsellors of politicians need to have concrete experience in the implementation of the funds” (Former Director of Romanian Intermediate Body #1). In other words, if political advisers were not able to understand or inform high level politicians about the gravity of certain situations then adequate political decisions aimed at correcting problems could not be adopted.

Overall, the lack of political support affected the programme in the first few years. Moreover, there were multiple strategic lacunae in its overall framework. The extent to which these political clienteles contributed to this will now be discussed in the following.

**Political clienteles (POL 3)**

There was strong evidence that OPHR-RO was one of the operational programmes affected by politicisation and clientelism. For instance, there were strong indications that some political ministers tried to profit from the distribution of the funding. Moreover, poor remuneration levels, general chaotic management and a lack of a clearly defined incompatibility regime and conflicts of interests have potentially encouraged corrupt behaviour among staff working in the programme (Surubaru 2017). The latter could manifest itself at the local and central level of management.

At the local level, there were for instance cases in which employees of Intermediate Bodies were prosecuted for taking bribes requested in order to help project beneficiaries overcome obstacles, controls or simply to obtain their payments faster. One such example was that of an administrator working in the South-West Intermediate Body and who requested bribes in order to “favourably validate the reimbursement forms afferent to projects which the defendant was monitoring as part of her duties”, mentioned by prosecutors in their indictment. Moreover, several

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employees and managers of regional branches of the National Employment Agency were prosecuted for receiving bribes in order to facilitate EU-funded contracts.85

At the central level, there were several suspicions of corruption, especially among the administrators working in the Managing Authority, based in the Ministry of Labour. One of the directors involved in the programme confessed that the lack of objective assessments of work related performances and a weak oversight of employees facilitated the development of clientelistic behaviour among administrators:

“All Intermediate Bodies had problems with payments. There were no indicators for performance in order to evaluate and to pay them. That’s the reason why there were some in the system that had other interests and could sustain themselves and others who only lived from the salary of 1200 lei [approx. EUR 300]. There was a girl from Ploieşti. She ate pretzels all day, but she worked. There are also people like her. At OPHR-RO, I had big problems with them, on the basis of several disputes and suspicions, because they walked around with a lot of envelopes. We changed three systems as a precaution...We were wondering and asking how can some people dress [like this] and eat with [only] 1200 lei [approx. 300 EUR] per month. That’s why we asked ourselves – “How do they make so much money?” And then it emerged that one has a firm through her husband or her father in law and so on and so forth. In addition, beneficiaries entered there [in the Managing Authority premises] like it was their own home. We had gendarmes and said: “Stop”. After that they rented an apartment opposite to the Managing Authority and that’s where they met. A week before I left, they knew it and they started coming to work with some super Mercedes...That was the issue at the Managing Authority level. In the Intermediate Bodies there are still some with their “heads on their shoulders”, more rational and normal.” (Former Director of Romanian Managing Authority #2)

All the above points to corruption among members of the Managing Authority which was one of the defining features of the programme. Such problems could originate from the lack of a well-defined incompatibility regime and the lack of internal rules for tackling conflicts of interest.86 However, starting from 2011, all staff were asked to fill in declarations of honesty to address this.87 Further examples of corrupt and

87 Romaniacurata.ro, 6 May 2011, [The Botiş effect: the employees of OPHR MA are obliged to complete declarations of interests with special provisions], available at:
clientelistic behaviour are discussed in the sub-chapter on the selection stage of EU funds. Prior to that, highlighting the role of the European Union might allow us to obtain a complete understanding of the programme’s evolution.

5.2.3 EU role and influence (EU)

The OPHR-RO has been a particularly problematic programme according to several EU officials. Overall, from 2007 to 2015, payments to the programme were suspended or suspended approximately six times, following grave deficiencies signalled by national and EU auditors. In 2009, the programme was interrupted for the first time given reservations on the functionality of its management and control systems (DG Employment AAR 2010, 63). More substantively, the European Commission suspended payments to the programme between February – May 2012, following reports from EC auditors pointing to major problems in terms of the selection of projects and verifications of expenditure (DG Employment AAR 2012). The payments towards the programme were unblocked following financial corrections of 10% for all payments made. For instance, these amounted to around 80.6 million EUR for 2011 related payments (DG EMPL AAR 2012, 55).

Moreover, following other audits in April/May 2012, the level of errors for the programme was established at 6.58%, with many other irregularities being deemed “unquantifiable” (DG Employment AAR 2012, 58). A decision was taken to impose a flat rate correction of 25% for the total expenditure certified by the Commission until August 2012, amounting to another 93.9 million EUR. In addition, the authorities had to implement an action plan through which they had to prove that they can ensure a sound financial management of the programme, although Romanian officials stated that it was impossible to deal with some of the structural problems of the programme. It was estimated that 89.80% of the programme’s irregularities were due to ineligible expenditure (DG Employment AAR 2013 annexes, 57).


89 Mediafax.ro, 3 September 2012, [MA OPHR needs to solve deficiencies until the 6th of October in order to avoid the suspension of payments], available at: http://www.mediafax.ro/social/am-posdru-
In the fall of 2012, an official letter from the Commission mentioned that auditors found “significant improvements in key control requirements” and ultimately the programme was unblocked in February 2013. As a result, by the end of 2013, the financial absorption of the programme quadrupled from 6.77% to 27.27%. However, in 2014, payments to the programme were again interrupted in order to verify all payment claims submitted to the authorities, as well as to correlate the Romanian and the European Commission informatics system of payments. As a result, in 2014, there was almost no increase in the overall absorption rate of the programme. In addition, in May 2014, the Commission had a “full reservation” over the programme and requested from the Romanian authorities financial corrections of approximately 150 million EUR (DG Employment AAR 2013, 75). All the above illustrated the systemic problems encountered by the programme during its implementation.

In general, the European Commission played an important role and provided the authorities with technical support, specifically on the development of procedural and different management instruments for the programme (EC Head of Sector #1). With all this, some interviewees criticised the Commission on several grounds. Firstly, some condemned it for relying too much on the opinion of the national Audit Authority when it came to the functionality of the OPHR-RO systems (Former Director of Romanian Authority #2). Secondly, some were keen to stress that the EC takes into account too much reports coming from the media on irregular projects. Local administrators stressed that many EC auditors or officials were susceptible to negative media coverage, which mistakenly purported that many projects were fraudulent (Head of Romanian North-East Intermediate Body). Finally, the Commission was not always very specific in their demands on the deliverables of projects and given the novelty of the interventions there were structural problems with what was expected from projects. With all this, the Commission uncovered most of the irregularities in the

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programme and enabled their containment, which arguably did improve its overall management and implementation. Moreover, the suspension and interruption of funding did attract much public interest and acted as pressure on governmental officials to adopt a more robust approach in dealing with the programme’s problems.
5. Conclusions

The Human Resources Operational Programmes (OPHR) were among the first public instruments of their kind to be implemented in Bulgaria and Romania. They addressed the area of human resources development and dealt with education, employment and social assistance measures. The stark differences in terms of financial absorption performance between the two OPHRs was highly puzzling (especially the period during 2007-2014) and constituted one of the criteria for selecting the OPHR for this case study. Based on the empirical analysis several conclusions can be drawn, particularly on what affected the programme’s financial performance, but more specifically on the complex set of problems that emerged in Romania. At the end of 2014, Romanian authorities had to pay financial corrections amounting to a total of 312 million EUR from the European Social Fund (ESF) (DG Employment AAR annexes, 2014, 48). For the same period, Bulgaria only paid back 2.9 million EUR (Ibid). This was a strong indication of the structural differences between the two programmes. The question was then what explains these differences?

The administrative capacity of the key institutions, responsible for the management of the Human Resources Operational Programme, varied widely between and within the two countries. In Romania the problematic management of the programme clearly correlated with its low level of absorption (Păuţu and Dogaru 2013, 514). An explanation for this was the slow development of administrative capacity and the wide discrepancies between the institutions managing the programme. Furthermore, the Romanian programme had from the very beginning an ill-defined management and control system which, according to some interviewees, was the least performing from all Operational Programmes (Director in Romanian Ministry of EU funds #1). The late establishment of the management and control systems was illustrative of the inherent problems which emerged in the functionality of OPHR-RO.

From an early stage, the Bulgarian programme benefited from a large degree of pre-accession experience and from a transfer of expertise to the managing bodies, as well as from a well-designed institutional framework and a partly unified approach towards
interpreting procedures. Based on the gathered evidence, although there were many similar issues affecting both programmes (e.g. institutional and procedural coordination between the Managing Authority and the Intermediate Bodies; excessive bureaucratic demands; institutional conflicts between the different ministries involved in programme management – Labour vs. Education), the capacity of Bulgarian authorities to manage this programme was much higher. For instance, the Bulgarian Managing Authority retained a classical management status and it verified and supported the activity of Intermediate Bodies. It made use of a functional network of territorial antennae to liaise with beneficiaries on the ground.

By contrast, the OPHR-RO management system was ill-conceived from the start, with strong discrepancies between the capacity of the Managing Authorities and the different Intermediate Bodies. Moreover, the poor culture of delegation by the Romanian authorities, and an overly centralized Managing Authority equally contributed to issues of institutional capacity. Burdensome rules on reporting and verification did affect beneficiaries and administrators in both countries. The excessive bureaucratic approach affiliated to the programme generated a “focus on the process rather than on results” approach from the authorities. This reduced much of the activity of beneficiaries to completing forms and reports rather than focusing on project implementation. However, the higher stability of the Bulgarian management and control system and the positive involvement of several political figures (e.g. Deputy Ministers) facilitated a swifter process of bureaucratic simplification for the programme. Finally, the shallow use of technical assistance funding, was another strong indication of the poor commitment laid out by the Romanian authorities in addressing the administrative capacity deficit of the programme.

The OPHR addressed large segments of society which made the programmes very appealing politically and, equally, vulnerable to political interests. The empirical analysis adduced evidence to suggest that political factors played a key role in the life of these programmes. For instance, the relatively high level of political instability in Romania and political interference in the appointment of executive and managerial staff led to serious breaches in the functioning of the programme. There were

92 The latter for instance was not developed a priori, but as a consequence of the need to address the problematic relationship between the Bulgarian Ministry of Labour and the Ministry of Education.
consistent views about the deep scars this had on the management and control processes, and for the on the ground verification and monitoring of EU-funded projects.

In addition, there was reasonable evidence of fraud and corruption at the different level of the Romanian structures and the presence of some political clienteles (IPP 2012; Dimulescu et al. 2013; Surubaru 2017). Politicised projects were examples of some of the forces trying to meddle with the programme which often could have a crippling effect on the administrative capacity of the structures managing the programme. In particular, this could partly explain the consistent poor levels of transparency and the general lack of openness from the Romanian Managing Authority. Several officials were accused of forgery or of granting funding to relatives and acquaintances. The lack of an incompatibility regime and the unclear rules on conflicts of interest, as well as an unclear framework for expenses, did allow for such practices to affect the Romanian programme from a structural point of view. Moreover, the absence of functional monitoring and of effective anti-fraud departments meant that there was little institutional oversight during the first years’ of OPHR-RO’s implementation. Based on the gathered evidence, it is plausible to suggest that both administrative and political agents contributed to this.

No substantial evidence of politicisation was uncovered in OPHR-BG. The programme benefited from the entrepreneurial work of some administrators and politicians and generally benefited from good levels of political support. In this respect, central level politicians, in particular Bulgarian Deputy Ministers did play a positive role in the process, facilitating the improvement of rules or procedures. The absence of any protests or visible financial problems was another indication of the programme’s relative degree of functionality. At the opposite end, several Romanian civil society activists condemned what they saw as the general incompetence or lack of assumed responsibility by the Romanian Government to tackle the programme’s difficulties (CeRe 2010; Preda et al. 2014).

All in all, based on the empirical analysis carried out in this case study, it can be concluded that the Bulgarian OPHR benefited from both a high level of administrative capacity and positive political input which allowed it to be one of the highest
performing programmes in the country. This was in contrast with the situation of OPHR-RO where a low administrative capacity coupled with politicisation and highly problematic projects equated in the weakest performing programme from all Romanian OPs.

Table 18: Overall assessment of OPHR

<table>
<thead>
<tr>
<th></th>
<th>Administrative Capacity (High / Medium / Low)</th>
<th>Political factors (Positive / Neutral / Negative)</th>
<th>Overall absorption performance (Very strong / Significant / Moderate / Weak)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPHR-BG</td>
<td>High</td>
<td>Positive (central management and local implementation)</td>
<td>Very strong (93% of EC payments received in June 2015)</td>
</tr>
<tr>
<td>OPHR-RO</td>
<td>Low</td>
<td>Negative (central and local politicisation of staff and projects)</td>
<td>Weak (33% of EC payments received in June 2015)</td>
</tr>
</tbody>
</table>

Source: Author's creation based on empirical analysis.

The evidence outlined in this chapter indicates that the interplay between administrative capacity and political factors was vital in explaining the development of the programme’s capacity and absorption performance. It can be argued that the lack of a positive political involvement in Romania had a negative effect on the performance of the programme, whilst in Bulgaria more positive political intervention enhanced the strategic ability of the authorities, and most importantly, the development of a stronger administrative tools to manage the funding. The OPHR-BG was one of the best conceived programmes and benefited from favourable conditions for its management and implementation. All the elements of this case study suggest that the Bulgarian Operational Programme was partly more successful, or rather avoided structural problems, due to a combination of functional administrative capacity and positive political input, and the absence of negative political interference.

OPHR-RO was one of the most challenging programmes, particularly in light of the dysfunctional institutional design, insufficient and inadequate allocation of human resources and the multiple, and highly complex problems generated by both corrupt
administrators and beneficiaries during the implementation process. In addition, the programme suffered from a lack of political commitment and from negative political interference under of form patronage driven appointments of staff and numerous clientelistic and politicised projects. These amplified some of OPHR-RO’s core problems (e.g. institutional incoherence and chaotic management, irregularities in terms of project implementation, suspension of payments and financial corrections) which, in turn, lead to a poor evolution of its financial absorption. This combination between administrative deficiencies and negative political factors, which affected considerably the Romanian programme, can explain the core differences identified between the two countries in this area. Similar conditions are discussed in the following chapter for the management and implementation of the regional development OPs.
Chapter 6: The management and implementation of the Operational Programme for Regional Development

6. Introduction

On one autumn day the mayor of a medium sized Romanian town was preparing for the inauguration of a newly refurbished castle. For several years, the castle had been in decay given a lack of investment, and the town stopped being an important tourist spot in the area. However, given a three-year refurbishment programme funded from the Regional Operational Programme, the old Hapsburg castle was ready to become again an important touristic spotlight of the area. Such projects benefited from EU funding since Romania became an EU member state. There were, however, several problematic aspects reported during the implementation of the above, which were in line with similar projects in the country.

The Regional Operational Programmes (OPREG) were among the most recognizable EU-funded programmes. Their main objective was to address regional disparities and to generally improve regional and local level economic competitiveness. Funds were accessed primarily by local and regional public authorities and were often destined for modernizing physical or business-related infrastructure. As compared to the strong performance discrepancies between the Human Resources programmes, in both Bulgaria and Romania, the Regional Development Operational Programmes (OPs) fared similarly in terms of financial absorption. At the same time, whilst the Human Resources programmes seemed to be governed much more from the central level, the Regional Development OPs additionally bring into discussion a regional and local administrative and political component.

The following sections will examine the administrative capacity of central and regional level actors to deal with the programme. They will look at the general governance of the programme and the extent to which administrative and political affected their
performance. From the outset, in comparison to the Human Resources OPs, it can be stressed that the structures managing OPREGs had a relatively similar degree of administrative capacity. Furthermore, given their visibility and importance for local and regional development, the programmes seem to have benefited from consistent levels of political support. Having said this, this second case study will now proceed with outlining the main similarities and differences in terms of the overall management and implementation of OPREGs in Bulgaria and Romania. Equally, it will underline the importance of the interplay between administrative capacity and political factors, and their impact on the evolution of the absorption performance of these programmes.
6.1 The Bulgarian Regional Development Operational Programme (OPREG-BG)

During the 2007-2013 programming period, the Bulgarian Regional Development Programme (OPREG-BG) aimed to: “increase the competitiveness and attractiveness of the regions and municipalities and to decrease the disparities between and especially inside the six NUTS II level planning areas by improving the industrial, residential, social, environmental and cultural environment of the urban areas and accessibility of the rural areas to the road-, ICT- and gas-networks” (OPREG-BG September 2007, 81). To achieve these objectives the programme was implemented through five priority axes (Table 19) and received a total of EUR 1.6 billion, making it the 3rd largest out of the seven Bulgarian programmes.

Table 19: OPREG-BG - Priority axis and financial allocations (2007-2013)

<table>
<thead>
<tr>
<th>Priority Axis</th>
<th>Community Funding (EUR million)</th>
<th>National contribution (EUR million)</th>
<th>Total (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority Axis 1: Sustainable and Integrated Urban Development</td>
<td>713,207,778</td>
<td>125,860,196</td>
<td>839,067,974</td>
</tr>
<tr>
<td>Priority Axis 2: Regional and Local Accessibility</td>
<td>340,270,886</td>
<td>60,047,803</td>
<td>400,318,689</td>
</tr>
<tr>
<td>Priority Axis 3: Sustainable Tourism Development</td>
<td>185,379,579</td>
<td>32,714,043</td>
<td>218,093,622</td>
</tr>
<tr>
<td>Priority Axis 4: Local development and co-operation</td>
<td>76,220,679</td>
<td>13,450,708</td>
<td>89,671,387</td>
</tr>
<tr>
<td>Priority Axis 5: Technical Assistance</td>
<td>46,004,623</td>
<td>8,118,463</td>
<td>54,123,086</td>
</tr>
<tr>
<td></td>
<td>1,361,083,545</td>
<td>240,191,214</td>
<td>1,601,274,759</td>
</tr>
</tbody>
</table>

Source: Operational Programme Regional Development September 2007, 176.

In terms of financial implementation, as compared to other Bulgarian OPs, the OPREG-BG was slow in terms of absorbing its allocated funding. At the end of 2014, it received reimbursements from the European Commission amounting to 59.04% from its 2007-2013 financial envelope. In terms of its final absorption rate, it ranked as the 6th best performing programme, at that time, out of seven, followed only by the Environment OP (39.40% absorption rate).

<table>
<thead>
<tr>
<th>Years</th>
<th>Contracted (EUR million)</th>
<th>Paid to beneficiaries (EUR million)</th>
<th>Payments from EC (final absorption) (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nominal</td>
<td>Percent</td>
<td>Nominal</td>
</tr>
<tr>
<td>2007-2009</td>
<td>790.787.123</td>
<td>29.71%</td>
<td>51.681.723</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>97.201.661</td>
</tr>
<tr>
<td>2010</td>
<td>822.108.883</td>
<td>51.34%</td>
<td>185.430.539</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>157.615.958</td>
</tr>
<tr>
<td>2011</td>
<td>1.137.055.592</td>
<td>71.01%</td>
<td>323.246.021</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>274.759.118</td>
</tr>
<tr>
<td>2012</td>
<td>1.440.367.757</td>
<td>89.95%</td>
<td>577.536.346</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>306.654.078</td>
</tr>
<tr>
<td>2013</td>
<td>1.566.418.260</td>
<td>97.82%</td>
<td>912.059.803</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>689.628.076</td>
</tr>
<tr>
<td>2014</td>
<td>1.659.292.711</td>
<td>103.62%</td>
<td>1.233.909.170</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>803.622.902</td>
</tr>
<tr>
<td>2015 (June)</td>
<td>1.630.046.580</td>
<td>101.80%</td>
<td>1.325.985.186</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>967.529.157</td>
</tr>
</tbody>
</table>


OPREG-BG was officially adopted in November 2007. According to a midterm-review, the programme fared well in terms of financial performance (KPMG 2011, Midterm Evaluation OPREG-BG). Internal observers characterised it as a good programme (Head of Unit in Bulgarian Central Coordination Unit #1; Director in Bulgarian Managing Authority #1) whilst external observers praised it for having a “good control system” (Former EC Head of Unit #1). As emphasized by one interviewee, OPREG-BG was successful due to its capacity, expertise as well as the political involvement of the Ministers who took specific measures to avoid funding to be lost (Deputy Director of Managing Authority #1).

The programme benefited from a transfer of experience from the pre-accession period and its institutions were able to ensure significant continuity. For instance, the Ministry of Regional Development had been a PHARE implementing agency, responsible for programming and the strategic dimension behind setting up the programme. In 2009, the MA was divided in two as to allow one team to concentrate

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93 Here, the nominal numbers are different between what was paid to beneficiaries and payments from EC. However, these are the numbers officially reported officially by the Bulgarian government.
on the closure of PHARE and the other to focus exclusively on OPREG (Director of Bulgarian Managing Authority #1). The transition towards managing Structural Funds seemed to be successful particularly in light of experience that staff had in managing PHARE funds (Head of Unit of Bulgarian Managing Authority #2). This was clearly emphasized by one interviewee:

“There was a good transition because people working in this PHARE implementing agency were experienced in financial issues, audit issues and monitoring issues which was new for the other directorates. This was good for the elaboration of the management and control systems, even though the rules now are totally different from PHARE. But still, some basic principles are the same” (Director of Bulgarian Managing Authority #1).

No specific problems were highlighted on the establishment of the management and control systems of the programme, although these were officially approved, by the EC, in February 2010 (OPREG-BG AIR 2010, 5). A midterm evaluation underlined that the management and control systems of the programme were “fundamentally effective” (KPMG 2011, Midterm Evaluation OPREG-BG, 14). Then next section outlines the main findings with regard to the administrative capacity of the programme.

6.1.1 Administrative capacity and OPREG-BG

From as early as 2008, the capacity of the Managing Authority was generally rated as “good” (OPREG-BG Monitoring Committee minutes, November 2008). Therefore, the programme’s administrative capacity problems were not as stringent as in other cases. With all this, there were several notable factors that will be addressed in the following.

Institutional capacity (ADM1)

From an institutional point of view (ADM1), the management and implementation of the programme was the official responsibility of the Directorate General “Programming of Regional Development” within the Bulgarian Ministry of Regional Development and Public Works (MRDPW) (OPREG-BG October 2010, 137). The Managing Authority had one central office in Sofia and six other regional offices (Table 21). Regional departments acted as Intermediate Bodies ensuring secretarial, verification and monitoring functions, and providing information and support to beneficiaries on the ground. The six regional offices acted as first levels of control in
relation to beneficiaries (Bulgarian Certifying Authority Representative #1; Director of Bulgarian Managing Authority #1).

Table 21: MA structure of OPREG-BG

<table>
<thead>
<tr>
<th>MA central office</th>
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</thead>
<tbody>
<tr>
<td><strong>General Director, DG “Programming of Regional Development”</strong></td>
</tr>
<tr>
<td>Deputy Director General, DG “Programming of Regional Development” (responsible for below)</td>
</tr>
<tr>
<td>Deputy Director General, DG “Programming of Regional Development” (responsible for below)</td>
</tr>
<tr>
<td><strong>Department “Programming and Evaluation”:</strong></td>
</tr>
<tr>
<td>Unit “Programming”</td>
</tr>
<tr>
<td>Unit “Evaluation”</td>
</tr>
<tr>
<td><strong>Department “Monitoring”:</strong></td>
</tr>
<tr>
<td>Department “Financial Management and Control”:</td>
</tr>
<tr>
<td>Unit “Financial Control”</td>
</tr>
<tr>
<td>Unit “Financial Planning and Payments”</td>
</tr>
<tr>
<td>Unit “Accounting”</td>
</tr>
<tr>
<td><strong>Department “Organisational Development, Information and Publicity”:</strong></td>
</tr>
<tr>
<td>Department “Legislation, Risk Assessment and Irregularities”:</td>
</tr>
<tr>
<td><strong>MA regional departments</strong></td>
</tr>
<tr>
<td>Department “North-west region” (Vidin)</td>
</tr>
<tr>
<td>Department “North-central region” (Rousse)</td>
</tr>
<tr>
<td>Department “North-east region” (Varna)</td>
</tr>
<tr>
<td>Department “South-west region” (Sofia)</td>
</tr>
<tr>
<td>Department “South-central region” (Plovdiv)</td>
</tr>
<tr>
<td>Department “South-east region” (Bourgas)</td>
</tr>
</tbody>
</table>

Source: OPREG-BG October 2010, 138

In general, the coordination between the MA and the regional departments was functional and “the decision to have regional bodies as part of the MA made communications smoother” (Director in Bulgarian Audit Authority). Nevertheless, during their first years of existence the capacity of regional bodies required considerable strengthening (Bulgarian Parliament 2011, 15). This was in light of several complaints about the work of regional offices (Bulgarian Expert #4; Head of Unit of Bulgarian Managing Authority #2). Part of the problem was that initially these offices acted mainly as “mail boxes” and reported problems to the main ministry in Sofia instead of solving them directly (Representative of the Bulgarian National
Association of Municipalities). Consequently, evaluators recommended these offices should be provided with more responsibilities and “administrative functions” (KPMG 2011 Midterm Evaluation OPREG-BG, 12).

Finally, in terms of institutional accountability the programme suffered from several shortcomings. Beneficiaries were less involved and consulted in the first years of the programme (KPMG 2011, Midterm Evaluation OPREG-BG, 15). Moreover, especially at the start of the implementation some stakeholders criticised the authorities for not being very communicative (Representative of the Bulgarian National Association of Municipalities). Following such criticism, the programme improved in terms of transparency and beneficiaries seemed to be consulted more frequently prior to the development of key documents and procedures (Bulgarian EU funds coordinator for South-West region #1; Deputy Director of Bulgarian Managing Authority #2; Bulgarian EU funds coordinator for South-West region #1). Moreover, some beneficiaries highlighted that the cooperation with the MA was much more functional than with other similar structures (e.g. OPENV-BG) (Bulgarian Municipality EU funds Director #1). Overall, apart from clarifying the intra-institutional coordination (between the MA and the IBs) and improving transparency and openness towards beneficiaries, there were no other notable issues affecting the institutional capacity of OPREG-BG.

**Bureaucratic capacity (ADM2)**

The OPREG-BG programme faced more considerable challenges in terms of its bureaucratic capacity (ADM2). The high volume of administrative procedures and documents and a high level of administrative burdens characterised the programme’s implementation. Although its legal and procedural infrastructure seemed adequate, many procedures and administrative documents were frequently changed in order to tackle problems encountered during the implementation stage of the projects. As stressed by an interviewee, “rules are better now” and issues have gradually improved in this area, in particular with regard to applicants’ guides (Deputy Director of Bulgarian Managing Authority #2).

Despite legislation and procedures being relatively stable and uniform across the programme, some issues emerged in terms of the interpretation of legislation and
procedures, particularly between the central Managing Authority and the regional Intermediate Bodies (OPREG-BG AIR 2013). Very often, “contradictory” advice was given to beneficiaries by central and regional level offices (Representative of the Bulgarian National Association of Municipalities). On the one hand, divergences in terms of methodology and in the interpretation of rules affected beneficiaries and generated many of the gaps in the programme, especially vis-à-vis public procurement (OPREG-BG AIR 2013, 24). On the other hand, from an administrative point of view, some suggested that reimbursement claims, made by OPREG-BG beneficiaries, often contained many errors (Bulgarian Certifying Authority Representative #1).

In order to reduce administrative burdens, the simplification of checklists and of monitoring and control processes was suggested as a potential solution (KPMG 2011, Midterm Evaluation OPREG-BG, 14). Because during the 2007-2013 period, OPREG-BG applications and documents were handled physically, a wider use of electronic applications and systems were seen as necessary for improving the management of the programme (OPREG-BG AIR 2013, 24; Bulgarian Certifying Authority Representative #1). On a more positive note, the programme seemed to benefit from good internal methodologies and project management tools (KPMG 2011 Midterm Evaluation OPREG-BG, 136-137).

Finally, in terms of monitoring and reporting, there were considerable administrative burdens generated by a high number of administrative controls. The authorities eventually acknowledged that the high number of “on-the-spot checks” were not in line with the level of risk associated to projects (OPREG-BG 2014-2020, 243-245). There was also a tendency from the authorities to “gold-plate” particularly when it came to the financial management and control of projects (KPMG 2011, Midterm Evaluation OPREG-BG, 137). A lot of internal procedures and controls were much more demanding than those requested by the EU authorities, reflecting a strong bureaucratised approach from the authorities:

“You are from the Ministry for Regional Development and you send a payment claim to the Ministry of Finance and it takes like six months, and five times the same document stamped by the Minister before anything moves. And that’s really bad. They apply the same to the beneficiaries, municipalities, schools” (EC policy officer for administrative capacity #1).
In addition, the authorities’ tended to request a considerable number of documents from final beneficiaries (Bulgarian Parliament 2012, 109). With all this, the legal and procedural infrastructure of the programme gradually improved during 2007-2013 and some stressed that procedures were transparent (Bulgarian EU funds coordinator for South-West region #1). In parallel, the capacity of beneficiaries to handle procedural aspects also grew. In general, this illustrated the ability of different stakeholders to learn and adapt to the complexity of the situations faced during the policy cycle of the programme.

**Human resources capacity (ADM3)**

OPREG-BG benefited from a good human resources capacity. Table 22 portrays the estimated number of staff working on the programme. Apart from the staff based in the central Managing Authority, a typical regional office of OPREG-BG had around nine to eleven employees. These included engineers, financial experts, and lawyers. According to interview data, at the time of the interviews (May 2014), some offices managed around 170 projects (Bulgarian EU funds coordinator South-West region #1). With all this, staff numbers were sometimes deemed insufficient in relation to the complexity of projects managed (KPMG 2011 Midterm Evaluation OPREG-BG, 135). As a consequence, the atmosphere in the Managing Authority was characterised by a “lot of tension particularly due to heavy workloads and high levels of stress among staff” (Bulgarian Expert #2).

In terms of expertise and the quality of the staff, OPREG-BG was one of the only programmes that benefited from the transition from pre- to post-accession funds in terms of staff continuity. The Ministry of Regional Development retained a number of well-prepared staff dealing with pre-accession funding, which potentially had worked on the national (2000-2006) Regional Development Programme (Monastiriotis 2008, 17). Moreover, much of the expertise of OPREG-BG staff did develop during 2004-2006 through several capacity building schemes (OPREG-BG October 2010). Several interviewees did stress that the capacity and expertise of staff equally improved throughout the implementation period (Deputy Director of Bulgarian Managing Authority #2; Bulgarian EU funds coordinator for South-West region #1).

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94 This was despite an increase in staff from 133 (in August 2010) to 155 (in May 2014) (KPMG 2011 and own data).
Table 22: OPREG-BG distribution of staff (2014)

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Approximate no. of staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing Authority - Ministry of Regional Development and Public Works</td>
<td>90</td>
</tr>
<tr>
<td>Intermediate Bodies - 6 regional offices of the Managing Authority</td>
<td>60-66 (10-11 per office)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>150-156</strong></td>
</tr>
</tbody>
</table>

Source: Council of Ministers 2013, Annex 7; OPREG-BG AIR 2014, 33; Deputy Director of Bulgarian Managing Authority #2; Bulgarian EU funds coordinator for South-West region #1

With regard to training, by 2009, approximately 1500 staff and potential beneficiaries were trained on different aspects of the programme (KPMG 2011 Midterm Evaluation OPREG-BG, 40). The “system of training and qualifications” of staff working in the Managing Authority was considered one of the key strengths of the programme (OPREG-BG 2014-2020, 176). Overall, some of the programme representatives interviewed confirmed that they did benefit from enough training in order to carry out their duties (Deputy Director of Bulgarian Managing Authority #2; Bulgarian EU funds coordinator for South-West region #1).

With regard to financial incentives, the salaries of employees working in the Managing Authority were relatively high as compared to those from other public bodies. In turn, this attracted a high number of professional candidates for job openings (Deputy Director of Bulgarian Managing Authority #2; Bulgarian EU funds coordinator for South-West region #1). In addition, positions in the MA for regional development were seen as highly prestigious (Bulgarian EU funds coordinator South-West region #1). Moreover, it was officially recommended that the approach through which employees were motivated via financial bonuses, and an objective assessment of their work, is maintained in the programmes human resources management (OPREG-BG 2014-20, 176).

If the expertise and incentives of administrators was one of the assets of the programme, the same cannot be said about the capacity of external stakeholders. Audits outlined that administrative and technical deficiencies marred the implementation of projects at the regional level (OPREG-BG AIR 2012, 27). Official
documents pointed to severe deficiencies, in terms of administrative capacity and technical expertise within municipalities, which were the key beneficiaries of the OPREG-BG (DG Regio AAR 2014, 16). For instance, from a total number of 264 municipalities, it was estimated that only 40% had developed specialized departments to deal with pre-accession and Structural Funds and that these were concentrated in larger municipalities (OPREG-BG September 2007, 73). In addition, a crucial obstacle was the fact that municipalities struggled with ensuring the necessary cash flows to finance their EU-funded projects, (OPREG-BG AIR 2010, 17; Bulgarian EU funds coordinator for South-West region #1; Bulgarian Expert #1).

Poor administrative capacity levels within beneficiaries were maintained due to the fact that staff, working in municipalities on EU-funded projects, had very low salaries. Some explained this in line with domestic legislation which capped levels of remuneration that could be received by local civil servants (Bulgarian Municipality EU Funds Director #2). As opposed to central level MA staff, salaries of officials working on EU funds in municipalities were not reimbursed from technical assistance funds (Bulgarian Technical Assistance MA expert #1). Despite these structural obstacles, along the years, beneficiaries managed to increase their ability to access projects (KPMG 2011, Midterm Evaluation OPREG-BG, 46). Most municipalities developed specialised departments with staff solely for EU-funded projects (Bulgarian Municipality EU funds director #1; Bulgarian coordinator for South-West region #1). Beneficiaries took advantage of the specialised assistance provided from central and regional departments of the MA (OPREG-BG AIR 2010; Council of Ministers of Bulgaria 2013). Lastly, the agency of different local administrators or project managers contributed to this:

“Blagoevgrad is the most active municipality in the South-West. There are five people in the Municipality working as project managers...The issue was that there was little capacity in small municipalities. But now 1-2 people can produce very good projects” (Bulgarian EU funds coordinator for South-West region #1).

Local consultants seemed to have played an extensive role in the life of the programme. On the one hand, municipalities relied on consultants in order to compensate for the lack of internal human resources capacity. The main argument was that small municipalities could not implement projects without external support, especially for infrastructure oriented programmes such as OPREG-BG (Deputy Director of
Bulgarian Managing Authority #2; Director of Bulgarian Managing Authority #1). As pointed elsewhere, one of the main disadvantages was that over-reliance on consultants was detrimental for internal capacity-building:

“For OPREG-BG when we have a big project the municipalities decide to involve consultancies but from our experience when projects are dealt with by municipalities themselves it’s better. Some beneficiaries hire consultants for project management and procurement. The big projects according to BG procurement law must hire consultants. They use consultants for proposals writing. This was an issue for beneficiaries” (Bulgarian EU funds coordinator for South-West region #1).

On the other hand, the negative influence of consultancies was equally criticised. Some administrators considered that consultants were interested only in financial gains and did not assume responsibility for damages or mistakes they made in projects (Director of Bulgarian Managing Authority #2). Consequently, consultants contributed directly to problems arising in the implementation of projects, although financial corrections or other sanctions applied only to final beneficiaries. All in all, the evidence collected has shown that there were more consistent problems with the human resources capacity of beneficiaries, rather than that of central or local level authorities, for the management and implementation of OPREG-BG. This was an important finding, which will be addressed again in the sub-chapter focusing on public procurement.

**Territorial capacity (TER)**

Bulgaria is a highly centralized country with no real regional tiers of government and with six NUTS 2 administrative regions. The latter were, however, adopted only for statistical and programming purposes (Yanakiev 2010; Nikolova 2011). Different discussions on transferring more authority to regional levels were not matched with the necessary political will to advance in an effective process of decentralisation (Head of Unit in Bulgarian Central Coordination Unit #1; Bulgarian Expert #1). However, given the size of the country, many underlined that the centralized model fitted much better the Bulgarian context and a further regionalization of the country may not necessarily improve the ability of the Bulgarian administration to make use of EU funding (Deputy Director of Bulgarian Managing Authority #2; Head of Unit in Bulgarian Central Coordination Unit #1). In this respect, the centralized management model, with a central level Managing Authority coordinating the work of six regional departments, seems to have been functional for OPREG-BG. One of the key features
of the programme was that it operated well at the local and regional level. Despite early problems in establishing the role of regional offices, these seemed to have been operational:

“At the same the regional offices were closer to the regions. These offices are part of the MA (directorates) but present at the local level. They have the function of monitoring and of 1st level of control. At the beginning, their role was a bit controversial. During the implementation period we controlled them for their work and their controls. But now our systems are simpler, and they are fully operational” (Head of Unit of Bulgarian Managing Authority #2).

Regional and local administrators contributed to capacity-building activities for municipalities and other beneficiaries (OPREG-BG AIR 2012, 2013). Moreover, it seems that regional and local associative structures (e.g. National Association of Municipalities in the Republic of Bulgaria NAMRB, regional and economic development agencies, regional associations of municipalities) acted as important local level partners (OPREG-BG October 2010, 164). Such structures provided support to public municipalities and generally contributed to the local implementation process. Lastly, no major differences were uncovered, in terms of expertise, between staff working at the central and those working at the regional/local level. In fact, it was generally perceived that local experts working on OPREG-BG had a good level of expertise (Deputy Director of Bulgarian Managing Authority #1; Deputy Director of Bulgarian Managing Authority #2; Bulgarian Expert #1). Ultimately, this contributed to the programme’s reasonable regional and local management.

6.1.2 Political factors and OPREG-BG

OPREGs generally benefited from strong levels of political prioritising and support. This was the case with OPREG-BG. The following sub-sections outlines and discusses some of the main findings on how political factors affected the management and implementation of the programme.

Political stability (POL1)

Political stability seems to have been a key characteristic of the programme. Firstly, in terms of political changes, there was no evidence to suggest that governmental alternations affected in a negative manner the management of the programme. More widely, some national and municipal elections (2006, 2008 and 2009) did generate a
“lack of consistency in policy implementation” and led to the development of “practical problems in applying the Public Procurement Act and changes in sectoral strategies” (KPMG 2011 Midterm Evaluation OPREG-BG, 132).

Given that OPREG-BG was a programme which catered for local public authorities it was directly affected by the performance and political movements within local administrations. More specifically, local elections and political changes, especially at the municipality level, had a strong impact on the programme’s implementation, as thoroughly described by an interviewee:

“When I started to work under this programme I noticed that there is a huge problem during the elections because this creates a lot of problems for the functioning of the system. I propose that for all programmes countries should have a common data for elections to avoid this instability of this system. We have elections at different times. We had elections last year...The problem is not the election at the national level but at the local level. The mayors. For example, when there is a new mayor, I’ve sent a letter that we will apply financial corrections, and legal issues to recover the money. If the next day there is a new mayor and what he first sees is this letter for financial corrections it’s a huge stress for them. This causes problems and they blame the previous mayors. For example, we have such cases when the mayor came here and said that he doesn’t care about this project and that this is not a priority for the municipality” (Director of Bulgarian Managing Authority #1).

At the central level, elections and political change could affect central level ministries mainly due to changes in politically appointed staff (Deputy Director of Bulgarian Managing Authority #2; Bulgarian Expert #2). However, the evidence was mixed on the extent to which patronage driven appointments affected the staff working in structures responsible for the programme. Independent accounts stressed that Directors and Heads of Unit working for OPREG-BG were changed on a political basis (Bulgarian Expert #4; Bulgarian Expert #2). For instance, many changes were made after the Oresharski government was sworn into office, with some interviewees admitting that they were appointed on a political basis (Deputy Director of Bulgarian Managing Authority #2). Other evidence of potential political appointments was found by analysing who represented the Managing Authority in the different bi-annual Monitoring Committees. It was clear that following major elections (e.g. in 2009, 2013) new heads of the Managing Authority were appointed.
More generally, it was stressed that changes in managerial staff were not problematic given that the custom was for the deputy head of the MA to replace the main director (Director in Bulgarian Audit Authority; Former Director of Bulgarian Managing Authority #2). This potentially allowed the maintenance of an adequate level of managerial continuity. Despite this, some accurately described the negative effects of political patronage on operational staff:

“The problem with the staff is that they come and go. The people that two years ago I interviewed for the 2012 edition of our reports are gone. Now, almost everybody is different. In almost all OPs. In some cases, like OPREG-BG, you talk to experts after you switch off your recorder and they tell me that for a year now, with the switch of the government, which accompanied a huge reshuffling of the administration, they lost a lot of expertise”. (Bulgarian Expert #2)

Overall, the evidence collected for OPREG-BG pointed first to a strong link between political changes at the central and local level and potential delays in the implementation of projects. On the other hand, political patronage mechanisms were in place, although they only partly affected the capacity and expertise of OPREG-BG structures to carry out their day-to-day tasks.

**Political support (POL2)**

OPREG-BG was one of the most politically visible and supported programmes in the country. Given its significant budget and the high political stakes attached to regional development projects, the programme benefited from a strong level of political capital and interest (Director of Bulgarian Managing Authority #1; Deputy Director of Bulgarian Managing Authority #2). A former EU official stressed that the Managing Authority was one of the strongest in the country and this equally had to do with the fact that the programme benefited the agenda of politicians such as Rosen Plevneliev or Liliana Pavlova (Former EC Head of Unit #1). As a result, the Managing Authority arguably benefited from an above average degree of central political support. With all this, at the local level, there were variations with some administrators receiving more support from mayors and local politicians than others.

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96 Some explained that variations in levels of political support given to local staff working on EU funds were linked to the managerial skills and interest of mayors (Former EC Head of Unit #1).
In terms of political vision for spending priorities, two findings are noteworthy. Firstly, there was guidance from the central political level on this, although it sometimes derived from pragmatic calculations of central level politicians’ in relation to the need of keeping local politicians content. Secondly, in light of the recent financial crisis and the lack of financial resources, OPREG-BG became one of the main sources of regional investment in the country (OPREG-BG AIR 20010 & 2011). In this respect, administrations required to act more strategically and for this, political guidance was necessary. Politicians had to prioritize the sectors where money should be concentrated and spent. Such decisions were only taken every few years. For instance, in the case of the OPREG-BG 2014-2020 EU funds programming stage, one frequent example given was on the negotiations between the European Commission and the central government. A certain confusion dominated initial negotiations between both sides. EC representatives often seemed to emphasize the need to concentrate much more the programme’s resources (OPREG-BG MC minutes, November 2007).

Similarly, for the 2014-2020 period, EC officials suggested that in order for OPREG-BG to have a higher impact funds should be concentrated in only six or seven urban areas (Director of Bulgarian Managing Authority #1; Representative of the Bulgarian National Association of Municipalities; Bulgarian Expert #1). Misunderstanding or disagreeing with this position, Bulgarian authorities suggested that 67 urban agglomerations should be eligible for financing (Bulgarian Expert #1; Director of Bulgarian Managing Authority #1). Overall, the Commission’s’ proposals were not politically acceptable, given that the central government could not justify to local municipalities why they would have been excluded from funding. This was a highly relevant example which re-emphasised the strong political dimension of the programme. Moreover, the rather under-developed regional policy of the country and the need to promote EU funding resource for basic infrastructure development contributed to a political prioritising of this programme. With all this, many problems emerged in the implementation of the programme and many were linked to local clientelism.

**Political clientelism (POL3)**

There was some consistent evidence of clientelistic related politicisation affecting OPREG-BG. Political clientelism in terms of political interference in the selection and
distribution of funding is more thoroughly discussed in the following chapter. Some interviewees considered that the distribution of funds was something that politicians should deal with in a *senso stricto* (Director of Bulgarian Managing Authority #1; Deputy Director of Bulgarian Managing Authority #1). However, commentators did stress that political criteria were sometimes informally used particularly with regard to controls and verifications:

“For municipalities this is clear. When GERB was ruling their mayors were getting more, and now the Socialists and the Turks get more. You can see it from the data. Also, now GERB municipalities get more controls from the Socialist government, and previously it was GERB that made the controls for Socialist municipalities” (Bulgarian Expert #4).

As a consequence of such practices, conflicts emerged between some “opposition” municipalities and central government. In this respect, some argued that GERB municipalities, when in opposition, tried to sabotage the absorption performance of EU funds, of the Oresharski Government, by not accepting payments for projects that were finalised (Deputy Director of Bulgarian Managing Authority #2). This provided a telling example of how the management and implementation of EU funds became very much ingrained in domestic political affairs and was used as political tool.

Secondly, there was some evidence of potential favouritism in the implementation of projects. This manifested itself at the bureaucratic level of management with some municipalities, belonging to the ruling parties, asking more frequently for informal support from central ministries (Bulgarian EU funds coordinator for South-West region #1; Bulgarian Municipality EU funds Director #1). Moreover, a senior administrator bluntly recognized that: “there is some help to some municipalities that are closer to the government party” (Deputy Director of Bulgarian Managing Authority #2). Others, however, disagreed with the idea that some municipalities obtained favours for EU-funded projects in this area. They argued that EU funds depend on the ability of mayors, as entrepreneurs, to play an active role in receiving and spending this funding (Representative of the Bulgarian National Association of Municipalities; Bulgarian Mayor #1). The potentially negative dimension of political interference and clientelism is further discussed in the section on public procurement.
6.1.3 EU role and influence (EUR)

The European Commission, and especially DG Regio, have monitored closely and provided support to the Bulgarian national authorities on the programme. Following audits, EU officials found several shortcomings: “shortages of administrative resources”, “weaknesses in management verifications” and a lack of “effective procedures for making financial corrections” (DG Regio AAR 2010, 56). Consequently, Bulgarian authorities adopted additional measures to improve and address these deficiencies.

In 2010/2011 and in 2014/2015 the payments towards the programme were interrupted and pre-suspended by the European authorities. In the first instance, payments were interrupted due to “issues regarding management verifications” (DG Regio AAR 2011, 87). During the second instance, there were problems with the 1st and 3rd priority axes of the programme, specifically with the public procurement conducted by several municipalities for EU-funded projects. One of the arguments used by the Commission was that the management and control systems of the programme did not work properly and: “the EC thought that we are maybe giving money to projects without control” (Deputy Director of Bulgarian Managing Authority #2). However, as a result of corrective measures and “improvements in the management and control systems”, the EC lifted any reservations it had on the programme (DG Regio AAR 2014, 62).

In general, on the ground, there was a favourable view of the technical support received from Brussels (Deputy Director of Bulgarian Managing Authority #2). However, some Bulgarian administrators were keen to criticise the pre-suspension of funding, stressing that many of the projects deemed “problematic” passed initial assessments from the Commissions’ side:

“For this suspension of payments, the Commission was not correct because the Commission decided to apply and ask the country to withdraw some infrastructure projects because it considered that there are huge mistakes in the tendering procedures. But, at the same time, many of those projects have been assessed...”

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subject to ex-ante controls of the European Delegation. It was unfair” (Director in Bulgarian Managing Authority #1).

Similar frustrations were voiced by local administrators who considered that “Brussels issues rules that are unclear” and that the “EU is too bureaucratic” (Bulgarian EU funds coordinator for South-West region #1). Apart from the interruption or pre-suspension of funds, which in essence became a top political issue, the EC reported its contribution to towards improving the administrative capacity of the programme through different capacity-building schemes or by advocating a more coordinated use of technical assistance funds (DG Regio AAR 2011, 40). Disregarding the controversial aspects surrounding the interruption of EU payments, the EU seems to have been an active actor involved in the evolution and development of OPREG-BG.
6.2 The Romanian Regional Development Programme (OPREG-RO)

The Romanian Regional Operational Programme (OPREG-RO) aimed, during the 2007-2013 implementation period, to: “support the economic, social, territorially balanced and sustainable development of the Romanian regions, according to their specific needs and resources, focusing on urban growth poles, improving the business environment and basic infrastructure, in order to make the Romanian regions, especially the ones lagging behind, more attractive places to live, visit, invest in and work” (OPREG-RO 2007-2013 Version 2011, 120). To tackle this “strategic objective”, the programme, which was the 3rd largest SF funded programme in the country, was divided in six priority axes, amounting to a total of 4.3 billion EUR.

Table 23: OPREG-RO - Priority Axis and financial allocation (2007-2013)

<table>
<thead>
<tr>
<th>Priority Axis</th>
<th>Community Funding (EUR million)</th>
<th>National contribution (EUR million)</th>
<th>Total (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority Axis 1: Support to sustainable development of urban growth poles</td>
<td>1.117.806.529</td>
<td>273.365.256</td>
<td>1.391.171.785</td>
</tr>
<tr>
<td>Priority Axis 2: Improvement of regional and local transport infrastructure</td>
<td>758.355.021</td>
<td>118.355.985</td>
<td>876.711.006</td>
</tr>
<tr>
<td>Priority Axis 3: Improvement of social infrastructure</td>
<td>558.903.260</td>
<td>98.629.992</td>
<td>657.533.252</td>
</tr>
<tr>
<td>Priority Axis 4: Strengthening the regional and local business environment</td>
<td>633.423.700</td>
<td>76.471.117</td>
<td>709.894.817</td>
</tr>
<tr>
<td>Priority Axis 5: Sustainable development and promotion of tourism</td>
<td>558.903.264</td>
<td>57.862.924</td>
<td>616.766.188</td>
</tr>
<tr>
<td>Priority Axis 6: Technical assistance</td>
<td>98.629.988</td>
<td>32.876.662</td>
<td>131.506.650</td>
</tr>
<tr>
<td></td>
<td>3.726.021.762</td>
<td>657.561.936</td>
<td>4.383.583.698</td>
</tr>
</tbody>
</table>

Source: Regional Operational Programme 2007-2013, revised version of 2011, 162

Compared to other Romanian OPs, OPREG-RO was one of the most successful programmes in terms of financial implementation and absorption, despite its slow
absorption rate until 2010-2011 (OPREG-RO Monitoring Committee November 2010). As a result of its relatively high level of absorption performance, the programme received an additional 200 million EUR (in 2013) following an internal national decision on redistributing SF between Operational Programmes (OP).

At the end of 2014, the programme had an overall absorption rate of 55.13% and was the 2nd best performing OP, out of seven, outperformed only by the Administrative Capacity OP (72.02%). Both programmes were managed by the same political and administrative structure, the Ministry of Regional Development and Public Administration, which was one of the most politically pre-eminent ministries in the country. OPREG-RO was, therefore, among the most visible OPs and acquired a certain level of prestige as compared to other Romanian programmes.

Table 24: OPREG-RO evolution of financial absorption (2007-2013)

<table>
<thead>
<tr>
<th>Years</th>
<th>Contracted (Romanian LEI)</th>
<th>Payments to beneficiaries (Romanian LEI)</th>
<th>Payments from EC (final absorption) (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nominal</td>
<td>Percent</td>
<td>Nominal</td>
</tr>
<tr>
<td>2007-2009</td>
<td>6,076,491,511</td>
<td>-</td>
<td>663,902,054</td>
</tr>
<tr>
<td>2010</td>
<td>13,179,457,044</td>
<td>-</td>
<td>2,525,494,485</td>
</tr>
<tr>
<td>2011</td>
<td>20,078,773,422</td>
<td>78.23%</td>
<td>4,423,470,089</td>
</tr>
<tr>
<td>2012</td>
<td>24,971,297,337</td>
<td>92.72%</td>
<td>6,490,566,620</td>
</tr>
<tr>
<td>2013</td>
<td>29,549,383,066</td>
<td>104.43%</td>
<td>9,178,447,145</td>
</tr>
<tr>
<td>2014</td>
<td>32,425,867,046</td>
<td>114.74%</td>
<td>11,593,820,832</td>
</tr>
<tr>
<td>2015 (June)</td>
<td>33,257,383,200</td>
<td>117.13%</td>
<td>12,635,208,404</td>
</tr>
</tbody>
</table>


Similarly to Bulgaria’s case, one of the advantages of OPREG-RO was it benefited from the start from the pre-accession experience of its institutional structures (Georgescu 2008; OPREG-RO 2011, 109; OPREG-RO Monitoring Committee May 2012, 4). In this respect, it inherited many previous procedures and an estimated 75% from the staff
that worked in the PHARE implementing agency and in the Ministry of European Integration (Oprescu et al. 2004, 24). The Managing Authority for OPREG-RO was initially divided into two departments, with one focusing on the closure of the PHARE programme, and the other being responsible for the management of OPREG-RO. As explained by a former official the pre-accession experience offered a strong basis of expertise:

“For the ministries that had pre-accession experience it was not very hard. They used the same personnel and implementation schemes. During PHARE we worked with the Regional Development Agencies. For OPREG-RO we did not change anything. People had the experience which was very useful, and although new staff came in, they were brought in for their capacity. If you look at OPREG-RO that is the only explanation for its success” ( Former Director of Romanian Managing Authority #1).

This continuity generated a strong institutional core which provided the programme with a “competitive advantage” (Representative of Romanian Certifying Authority; Romanian EU funds consultant #1). Moreover, the accreditation of Extended Decentralised Implementation System (EDIS) granted to the Ministry for the remaining PHARE contracts, enabled the programme to strengthen its procedural and institutional infrastructure (Romanian EU funds monitoring officer #1). With all this, there were initial delays in setting up the management and control systems of the programme. Accredited in 2009, these were rated as “partially functioning” and the Managing Authority was suggested to take further action to address weaknesses (OPREG-RO AIR 2009, 28).

6.2.1 Administrative capacity and OPREG-RO

During 2007-2013, OPREG-RO benefited from one of the highest levels of administrative capacity from all Romanian Operational Programmes. Despite this, the programme suffered from several shortcomings, as will be outlined in the following sections.

Institutional capacity (ADM1)

Under different names or configurations, the Ministry of Regional Development and Public Administration always acted as the Managing Authority for the programme. The institutional logic was that of centrally managed, yet regional programme which
had to cater for and establish a strong relationship with its beneficiaries (e.g. local public authorities). It was considered that the general institutional model of OPREG-RO was partly based on blueprints adapted from Spain and Portugal (Former Director of Romanian Managing Authority #1).

Table 25: MA structure of OPREG-RO

<table>
<thead>
<tr>
<th>MA central office</th>
<th>Department Monitoring:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Directorate General of Romanian Ministry of Regional Development)</td>
<td>Unit “Urban Infrastructure and Transport”</td>
</tr>
<tr>
<td></td>
<td>Unit “Social infrastructure, SMEs and Tourism”</td>
</tr>
<tr>
<td></td>
<td>Unit “SMIS electronic platform management”</td>
</tr>
<tr>
<td></td>
<td>Compartment “Monitoring Risks”</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Department for Planning and Management:</th>
<th>Department Monitoring:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit “Programming of Regional Policy”</td>
<td>Unit “Urban Infrastructure and Transport”</td>
</tr>
<tr>
<td>Unit “Management of Priority Axis”</td>
<td>Unit “Social infrastructure, SMEs and Tourism”</td>
</tr>
<tr>
<td>Unit “Technical Assistance and relationship with Intermediate Bodies”</td>
<td>Unit “SMIS electronic platform management”</td>
</tr>
<tr>
<td></td>
<td>Compartment “Monitoring Risks”</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Department for Public Procurement:</th>
<th>Department for Authorization and Payments:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit “OPREG-RO authorizations”</td>
<td>Unit “Financial Authorization”</td>
</tr>
<tr>
<td>Unit “OPREG-RO public procurement verifications and conflicts of interest”</td>
<td>Unit “Payments for the programme”</td>
</tr>
<tr>
<td></td>
<td>Unit “Accounting”</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evaluation Unit</th>
<th>Programme verification and management of irregularities Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intermediate Bodies</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Central level:</th>
<th>Regional level:</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Tourism Agency</td>
<td>Regional Development Agencies present in eight development regions: North-West; Centre; North-East; South-East; South-Muntenia; Bucharest-Ilfov; South-West Oltenia; West</td>
</tr>
</tbody>
</table>

Source: Author’s compilation based on data accurate for 2015, retrieved from the Romanian Ministry of Regional Development and Public Administration and the programme’s official website: www.inforegio.ro (accessed June 2016)

The MA experienced some early problems with regard to the division of labour between its departments. Initially, institutional structures and procedures within the Managing Authority were primarily focused on contracting and selecting projects, which resulted in dense and overlapping levels of control (OPREG-RO Monitoring Committee October 2009, 32). In this context, monitoring (a crucial stage of the
absorption process) was neglected (Romanian EU funds monitoring officer #1). This potentially triggered other problems, particularly with regard to public procurement and led to the interruption of payments by the EC following the first wave of audits (DG REGIO AAR 2011, 40). As a result, there were changes to the institutional model with more institutional resources being transferred to monitoring and verification. Moreover, the MA OPREG-RO created new institutional structures that specifically focused on the verification of projects, public procurement and the detection and prevention of conflicts of interest (OPREG-RO AIR 2013, 29).

In general, the MA for OPREG-RO was seen as an institutional “standard” and considered a model for other structures (Former Director of Romanian Managing Authority #1; Romanian EU funds Monitoring Officer #1). However, not all institutional structures managing the programme were as functional as the central MA. For instance, the Intermediate Body (IB) for Tourism (the National Tourism Agency) was considered among the least performing structures involved in the management of the programme. Some interviewees have stressed that this was potentially due to higher levels of political interference within that structure, coupled with a lower priority given to the tourism axis in the programme as a whole (Romanian EU funds Monitoring officer #1; Romanian MA Programme Evaluation Officer #2).

The OPREG-RO institutional model seems to have been efficient due to a strong degree of coordination between its different institutional structures. For instance, both official evaluations and interviewees highlighted the functional cooperation between the central Managing Authority and Regional Development Agencies (RDAs), which acted as the local level Intermediate Bodies for the programme (World Bank 2013; Director in Romanian North-East Regional Development Agency). This successful cooperation could be partly explained by the fact that RDAs had a non-governmental status, which allowed them to be more independent and to fulfil their tasks in a flexible and effective manner (Director General of Romanian Ministry #1; Romanian Expert #1). Moreover, since their inception in 1998, RDAs acquired a strong background in project implementation. Finally, the latter were assessed and rewarded in light of their fulfilled indicators and, therefore, had strong incentives to carry out their tasks as well as possible (Former Director of Romanian Managing Authority #1). Nevertheless, during the first years of implementation, the Romanian Audit Authority was critical of
the fact that the relationship between the Managing Authority and the RDAs was not completely formalised (Director in Romanian Audit Authority #1; Romanian Annual Audit Authority Report 2008). All in all, the institutional logic of delegation functioned relatively well and was one of the main factors ensuring the programme’s relative degree of success.98

Finally, there were some specific problems in the first years of implementation which manifested in terms of institutional accountability. For instance, the Managing Authority was accused of a lack of transparency and communication vis-à-vis beneficiaries (Romanian Civil Society Leader #1). However, the RDAs were pro-active in organising information days and specific trainings sessions which improved the general reputation of the programme (World Bank 2013, 6). As compared to other programmes, OPREG-RO seems to have been one of the most open and transparent programmes towards beneficiaries (Former Director of Romanian Managing Authority #1; Director General of Romanian Ministry #1). As will be argued later on, this openness and its higher degree of effectiveness was linked to the important political capital associated with local regional development projects.

**Bureaucratic capacity (ADM2)**

As underlined, OPREG-RO benefited inherited a healthy infrastructure of procedures. At the start of the programming period, the authorities managing the programme were relatively swift in launching the calls for proposals. The programme was, however, affected by specific problems in terms of its bureaucratic capacity. First, in terms of legislation, there was often a mismatch between European regulations and national rules (OPREG-RO Version 2011, 109). The legal framework for OPREG-RO was frequently modified as to take into account on the ground developments (e.g. the issue of “advanced payments”).99 Moreover, several official instructions were adopted by the

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98 Further evidence of this was that, in 2014, the SME axis from the Economic Competitiveness programme was institutionally transferred to the RDAs and for the 2014-2020 programming the SME axis was completely transferred to the OPREG-RO. Those witnessing this transfer argued that the institutional and procedural systems of the Competitiveness OP were highly deficient and very much in contrast with the functioning of the Regional OP (Director in Romanian North-East Regional Development Agency; Romanian Expert #1).

99 As a result of the financial crisis, advanced payments were reduced because by the time the EC reimbursed EU-funded projects, the Romanian state to ensure the necessary cash flows for beneficiaries. As explained by several interviewees, the state often found it difficult to do so given the general macro-economic context. (Former Director of a Romanian Managing Authority #1; Romanian MA Programme Evaluations Officer #2).
Managing Authority in order to correct the documentation used for the management and implementation of the programme (Former Director of Romanian Managing Authority #1). Additional problems appeared in terms of various internal frameworks (e.g. improper cadastre and an uncertain private property regime) which added additional burdens to both beneficiaries and public authorities (Director General of Romanian Ministry #1; Director in Romanian North-East Regional Development Agency; OPREG-RO Monitoring Committee November 2011, 14). Strong domestic bureaucratic procedures and the need for additional permits from local authorities, as well as high administrative burden associated with reimbursement claims constituted major problems in the life cycle of the programme (OPREG-RO Monitoring Committee November 2011; May 2012).

Second, with regard to electronic systems and procedures, OPREG-RO did not operate during 2007-2013 with electronic forms and applications which created a heavy paper oriented administration of projects (World Bank 2013, 59). Moreover, internal controls from various executive and judicial bodies required several hard copies of the documentation affiliated to a project which added considerable burden to the authorities and beneficiaries (OPREG-RO Monitoring Committee November 2010, 10). With regard to project methodologies, it was argued that OPREG-RO had established procedures for almost all stages of the process and, more specifically, for project selection (evaluation and contracting), project monitoring, payments and financing (Former Director of Romanian Managing Authority #1). In addition, OPREG-RO was given as a positive example given its more rigorous project management culture (Director in Romanian North-East Regional Development Agency).

Third, the programme suffered from several shortcomings in terms of the monitoring and verification of its projects. Firstly, procedures for this were initially absent or inadequate. This allowed for several problems to develop, or to go undetected, at the beneficiaries’ level (Romanian AA Report 2010, 440). As reported by several interviewees, many of these issues turned out to be strategic in nature, given that monitoring and project verifications were not developed institutionally during the first years following accession (Romanian EU funds monitoring officer #1; Former Director of Romanian Managing Authority #2). Secondly, many irregularities were found after.
the monitoring and verification processes were strengthened and the incoherent framework, in this area, could trigger corrupt behaviour:

“It was hard to verify and monitor because the criteria for the projects were changed so many times they did not know what to monitor. Many verifications were corrupted, and many monitors were bribed by beneficiaries in order to hide the fact that they have not purchased the items that were necessary to be purchased for the project” (Romanian EU funds consultant #1).

Finally, although the verification of OPREG-RO projects was a demanding process for beneficiaries, it was less burdensome compared to other OPs. In essence, it was easier to manage OPREG-RO projects given that they were larger and had more tangible outputs such as physical infrastructure (Head of North-East Intermediate Body). Given the greater ease with which these projects could be verified constituted an advantage for the general assessment of the programme.

**Human resources capacity (ADM3)**

Human resources capabilities constituted one of the main assets of the programme.

Staff numbers in the central Managing Authority grew from 70 (in 2007) to approximately 140-160 (in 2014) (Table 26). Both the MA and RDAs were only moderately affected by staff turnover rates (Metis 2014, 60). Nevertheless, according to interviewees, the insufficient number of staff did affect the possibility to shift human resources to areas such as monitoring and evaluation (Romanian EU funds monitoring Officer #1).

In terms of the quality of expertise, OPREG-RO benefited from a strong institutional continuity with many employees having amassed a rich level of experience and expertise. In addition, many of the staff working in the Regional Development Agencies had been active since 1998, which meant that they had strong knowledge of local institutional and political settings. Moreover, some staff argued that pre-accession twinning exercises provided staff with the “ABC” for interpreting documents and managing the funds (Director of Romanian Managing Authority #1). Administrators benefited from continuous training on different technical and non-technical aspects of the programme (OPREG-RO AIR 2010, 132), and interviewees

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\(^{100}\) The key question that arose on this was whether or not poorly developed monitoring systems were a strategic mistake, due to a lack of experience from the authorities’ side, or if these mistakes were deliberate. Potential evidence on this is further discussed in the sub-chapter on public procurement.
confirmed that they participated in trainings at least once a year (Romanian MA Programme Evaluation Officer #2).

Table 26: OPREG-RO distribution of staff (2014)

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Approximate no. of staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Managing Authority (Ministry of Regional Development and Public Administration)</td>
<td>140-160</td>
</tr>
<tr>
<td>Eight regional Intermediate Bodies (Regional Development Agencies - RDAs)</td>
<td>approx. 480-560 (60-70 staff working on OPREG in each RDA)</td>
</tr>
<tr>
<td>Intermediate Body – National Authority for Tourism</td>
<td>60-80</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>680-800</td>
</tr>
</tbody>
</table>

Source: Director of Romanian Managing Authority #1; Director in Romanian North-East Regional Development Agency; Regional Development Agency Bucharest-Ilfov Organigramme 2013; National Authority for Tourism Organigramme 2016.

OPREG-RO staff benefited from high financial incentives throughout the whole implementation period, one of the main ingredient of the programme’s success, which potentially facilitated retaining staff and expertise. This was the case given the high salary base of the Ministry of Regional Development and Public Administration (OPREG-RO AIR 2014, 28). Some mentioned that a Monitoring Officer working for the programme could earn almost three times more than his or her counterpart working in the Competitiveness Programme (Former Director of Romanian Managing Authority #1). Therefore, until 2014, when salaries were levelled, staff managing OPREG-RO had the highest salaries from all OPs (Director General in Romanian Ministry #1; Representative of Romanian Certifying Authority; Romanian EU funds consultant #1).

External stakeholders played an important role in the life cycle of the programme. Unlike other Romanian programmes, where beneficiaries were completely new to external funding, in OPREG-RO some estimated that 80% of beneficiaries, had some prior experience in accessing pre-accession funding (Director in Romanian Ministry of EU funds #1; Romanian EU funds monitoring officer #1). With all this, and much similar to Bulgaria’s case, one of the major problems of OPREG-RO was the low administrative capacity of beneficiaries (OPREG-RO AIR 2007, 19; Director General of Romanian Ministry #1; Romanian EU funds monitoring Officer #1). This was
mainly due to “insufficient personnel and [their] weak financial remuneration” (OPREG-RO AIR 2008, 38; OPREG-RO AIR 2009). Specifically, the capacity of beneficiaries was affected by national legal restrictions on hiring new staff (World Bank 2013; Romanian EU funds monitoring officer #1; Romanian MA Programme Evaluation Officer #2). Despite this, many beneficiaries started developing their capacity, partly using the assistance provided by RDAs in various stages of the project (Director in North-East Regional Development Agency; Director General of Romanian Ministry #1; Former Director of Romanian Managing Authority #1). Variations in capacity remain strong, especially at the local level, but there were signs that even small municipalities have in recent years developed or strengthened their EU funds departments.

Finally, there was a variation in the quality of consultancies that worked on OPREG-RO projects. Consultants provided support to different project applicants and final beneficiaries on project development or for filling in application and financing forms (Former Director of Romanian Managing Authority #1). However, many of consultants lacked the necessary experience to implement or monitor EU-funded projects and some beneficiaries were frequently misguided by them (Romanian EU funds monitoring officer #1; Director of Romanian Managing Authority #1). This could have a negative effect on the implementation of the programme.

**Territorial capacity (TER)**

Romania remains a highly centralized country with most political decisions taken centrally, in Bucharest, and with few devolved powers to regional and local authorities (Benedek and Horvath 2008; Dobre 2010). For instance, this structural arrangement inhibited the development of relevant regional development plans (Lattanzio e Associati Evaluation 2011, 11). By contrast, it was often argued that a regionalisation of the country may be beneficial for OPREG-RO implementation and that this would enable each region to adopt its own specific Operational Programmes (Romanian Advocacy Academy 2012). Some interviewees did stress that the regionalisation process would have been beneficial for the overall process of EU funds absorption:

“Yes, clearly the regionalisation can lead to an improvement of the process. By 1) regions could manage more programmes in parallel. At the same time, regional MAs would be closer to the needs of the region; 2) risks are local and would not have implications for all the country as it is now the case; 3) the
degree of responsibility of local and regional stakeholders would increase” (Director General of Romanian Ministry #1).

One of the main arguments for a further regionalisation was that regions could invest in a specialized programme based on the needs of the regions (Former Director of Romanian Managing Authority #1). Nevertheless, the regionalisation process conceived in 2012-2013, stalled due to political and judicial reasons, in early 2014, compromising any chances for the development of specific regional Operational Programmes that could have been implemented during 2014-2020.

There were two meso-level active political structures relevant for the programme. Firstly, County Councils acted during 2007-2013 as both beneficiaries as well as regional and local project coordinators. There were however issues with the quality of expertise and capacity of these bodies given the low level of salaries received (OPREG-RO AIR 2008, 39; Romanian MA Programme Evaluation Officer #2). Secondly, Regional Development Councils (the deliberative forum of County Councils) acted as political bodies monitoring the activity of Regional Development Agencies, and were involved in political decisions on projects of regional interest. Although some argued that these bodies do not have sufficient decision-making power (Director in Romanian North-East Regional Development Agency), it seems that often political heads of County Councils tried to exert their influence, especially during Monitoring Committees, on the implementation of regional and local projects (OPREG-RO Monitoring Committee December 2007; October 2009).

RDAs contributed towards reducing the gap of expertise between central and local levels. The use of evidence-based policy and a rule oriented culture of Regional Development Agencies transformed these structures in “islands of excellence” (SAR 2013). Firstly, RDAs had the necessary autonomy to develop institutionally and, thus, have invested strongly in human resources (Director in Romanian North-East Regional Development Agency; Romanian Expert #1; Romanian MA Programme Evaluation Officer #2). Moreover, the relationship between the central MA and the RDAs was deemed as functional and based on partnership (World Bank 2013). Finally, and most importantly, RDAs maintained good communication and close contacts with beneficiaries (Romanian MA Programme Evaluation Officer #2; Director in Romanian North-East Regional Development Agency). As explained by someone working in an
RDA this was the case because:

“We were preoccupied from the very beginning to keep our beneficiaries close. We are nothing without the beneficiaries. We cannot stay in an ivory tower and be experts without them. That’s why we had to teach them how to make a project and how to manage it.” (Director in Romanian North-East Regional Development Agency).

Although there were some discrepancies between central and regional /local level expertise, as argued by most interviewees, the RDAs actively assumed the role of capacity-building agents at the local level (Director in Romanian North-East Regional Development Agency; Former Director of Romanian Managing Authority; Romanian Expert #2). The rather robust regional and local governance, as well as its clear priority axis, contributed to the programme’s relatively higher absorption performance. As will be discussed in the following, the strong political dimension of OPREG-RO proved essential in ensuring its success.

6.2.2 Political factors and OPREG-RO

OPREG-RO has had a strong political component attached to it. Over the years, this ensured that the programme obtained a consistent and strong level of political support on which it could develop and strengthen its administrative capacity. By contrast, other Romanian thematic programmes were much more neglected from a political point of view. In the following, several political elements are discussed in relation to the evidence gathered on the management and implementation of the programme.

Political stability (POL1)
Political stability was one of the main factors explaining the programmes relative degree of success. As argued by several interviewees, OPREG-RO has always benefited from an adequate level of administrative and political continuity which has ensured a sound basis for administrators to carry out their daily work (Director General of Romanian Ministry #1; Director of Romanian Managing Authority #1; Romanian EU funds monitoring Officer #1). In essence, this facilitated a stable institutional framework and contributed to the prevention of staff turnover (Director in North-East Regional Development Agency). Political instability manifested more pre-eminently at
the beneficiaries’ level, following political changes in municipalities or County Councils, and which would often derail the implementation of projects.

Moreover, there was no specific evidence of patronage driven appointments of senior managers in the Managing Authority / Intermediate Bodies. OPREG-RO was a highly distinctive case given the continuity of its management. By 2014, the programme officially had only three directors and benefited from the guidance of one senior director who ensured a strong degree of operational stability (Romanian Expert #1; Former Director of Romanian Managing Authority #1). It must be noted, however, that the Ministry of Regional Development and Public Administration was considered one of the most politicised structures in the country, used by national politicians to strengthen their ties with local political networks through the transfer of national development funds (IPP 2012; Expert Forum 2014). In this respect, continuity in the management of EU funding might have been beneficial for the latter purpose.

Finally, at the regional level, RDAs and were not subject to political interference in terms of staff appointments mostly given their NGO related status. They were free in managing their own human resources policy (Romanian Expert #1; Romanian MA Programme Evaluation Officer #2). RDAs could recruit well-trained and motivated staff, with job openings receiving many applications from all over the country (Director in North-East Regional Development Agency). This allowed the RDAs to recruit competent staff based on merit, and not on political ties, as was the case with many civil servants present in the central administration.

**Political support (POL 2)**

Similarly to Bulgaria’s case, there was evidence to suggest that OPREG-RO was a politically favoured Operational Programme. Early in the implementation phase, representatives from the Commission stressed that the programme has evolved well due to the high levels of political interest, in the investments generated by the programme, by local and regional politicians (OPREG-RO Monitoring Committee April 2008, 6; May 2010, 32-33). This was confirmed by one senior interviewee:

“There was clear political support for OPREG-RO and this stability has led to the creation of a strong institutional memory” (Director General of Romanian Ministry #1).
Politicians could provide specific support to the programme by first ensuring it benefited from the necessary cash flow (OPREG AIR 2010; Romanian EU funds monitoring officer #2; Romanian Programme Evaluation Officer #2). For instance, as opposed to other programmes, OPREG-RO seems to have been favoured in terms of co-financing (Lattanzio e Associati Evaluation 2011). Furthermore, the main funding contracts, for various projects, were often signed by ministers themselves during symbolic public events. In addition, by contrast to other OPs, different procedures or daily working documents did not require political validation (Former Director of Romanian Managing Authority #1). Overall, it seems that a potentially higher degree of trust was granted from politicians to the administrators of the programme. This had the potential to speed up the administrative processes regarding its management and implementation.

With regard to political feedback and political vision, the evidence was more nuanced. On the one hand, many have argued that politicians did not provide any vision for the management of the funds (Director of Romanian Managing Authority #2; Former Director of Romanian Managing Authority #2; Romanian EU funds monitoring Officer #1). OPREG-RO had many beneficiaries, which despite lacking the adequate level of capacity, were still granted financing (Romanian MA Programme Evaluation Officer #2). On the other hand, local and central politicians have themselves learned from the development and implementation of OPREG-RO. The programme acted as a catalyst in advancing the strategic thinking of local authorities (General Director in Romanian Ministry #1; Director in Romanian North-East Development Agency). For instance, locally elected politicians had to assume responsibility for a project and develop the ability to finance and implement it. Moreover, in light of the negative experience with financial corrections, many local mayors tried to find sustainable and regular ways to develop and implement their projects.

Lastly, it was argued that national OPs were engaged in a competition for absorption, and that OPREG-RO always wanted to be regarded as the best programme (Romanian Expert #2). The fact that OPREG-RO was mainly directed to local public authorities gave it an advantage and increased its levels of political support (Romanian Expert #1). As a result, politicians sought to use the OP as one of their main “business cards” in relation to the local political authorities (Romanian Expert #2). The case of the
former Regional Development Ministers, Elena Udrea and Liviu Dragnea illustrated this point entirely. For instance, the former was accused of seeking to channel OPREG funding to fund an international boxing match. The transaction was never funded with EU funds, but the minister is under investigation in a high-profile corruption case. Overall, the programme “presumed a certain discretion from local authorities in managing these funds” and “a slight political dimension attached to it” (EC Head of Unit #1). This could partly explain why OPREG-RO was one of the programmes for which beneficiaries always received payments or financial support on time, especially during the peak of the financial crisis when state resources were scarce. Given it funded many public regional and local level projects, the programme was well placed politically. In this respect, EU-funded projects contributed indirectly towards strengthening the local political infrastructure on which the central government relied. The consequence for this were the multiple problems that emerged at the local level in terms of project implementation.

Political clientelism (POL3)

Assessing the impact of political clientelism on OPREG-RO was a difficult exercise. In terms of political influence in the selection and distribution of projects, some stakeholders stressed that for regional development programmes, such as OPREG-RO, local political kingpins (in particular Heads of County Councils) or “local barons” as they are referred to sought to influence which projects were to be funded at the regional level (OPREG-RO Monitoring Committee May 2010). The European Commission has criticised the Councils discretion in selecting regionally important projects (OPREG-RO Monitoring Committee October 2008). The intense competition between County Councils to obtain funding for regional airports (e.g. Arad, Suceava, Bacau, Iasi) was an example of the in-fighting, that took place behind the scenes, for the allocation of EU funds of key regional and strategic projects (Romanian EU funds Consultant #1; Director of Romanian North-East Development Agency). County Councils could act at the level of Regional Development Councils (RDCs) where they sought to influence the distribution of regional development projects. After their technical evaluation, the final decision could be taken politically by the heads of the

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County Councils (Romanian Member of Parliament #1). Often these decisions were marred by conflicts of interest (OPREG-RO Monitoring Committee October 2008).

Others, seemed to argue that it was possible for politicians to influence the distribution of EU funding through a politicisation of the institutional structures managing them (Former Director of Romanian Managing Authority #1). Although this was plausible it was also less likely given the relatively transparent procedures around the management of the funding (Romanian Expert #1). There was no consistent evidence to suggest that OPREG funding was distributed on political basis or that some political parties benefited more than others from OPREG-RO funds (Romanian EU funds monitoring officer #1; Romanian Expert #2). In general, OPREG-RO beneficiaries seemed to have received funding irrespective of their political affiliation.

However, the important nuance was that the programme could be used in a discretionary manner, and funding could be channelled towards certain strategic projects, in light of an over-arching aim of strengthening political ties between central and local level authorities. In addition, there was some evidence of political favouritism within the programme. Certain beneficiaries might have received “political favours” (Romanian EU funds monitoring officer #1; Romanian Civil Society Leader #1; Romanian Expert #2). This manifested itself in terms of fast-track reimbursements, fewer controls or potentially fewer financial corrections. For instance, some administrators pointed out that some municipalities or County Councils were at times favoured due to their political affiliation (Romanian EU funds monitoring officer #1; Romanian MA Programme Evaluation Officer #2). Special requests from mayors were highly likely although these were not necessarily perceived as “favourites” (Former Director of Romanian Managing Authority #1; Director in Romanian North-East Regional Development Agency). One final problem, largely applicable to most programmes, was that politicians were tempted to use EU funding, as a side payment, in order to finance political activities such as local political campaigns (Director in Romanian North-East Regional Development Agency). This revealed a structural problem with the misuse of public funding in the country which fuelled corrupt behaviour and increased the likelihood for political clientelism.

\[^{102}\text{It is difficult to provide any hard evidence to confirm this, yet Chapter 7 provides and discusses several other examples.}\]
Overall, based on the evidence gathered, it can be partly stressed that OPREG-RO was used much more as a political business card rather than its projects’ being distributed based on political criteria (Romanian Expert #2). Arguably, it was in this sense that the programme was politicised.

6.2.3 EU role and influence (EU)

In general, the European Commission (DG REGIO) ensured a high level of support to the national authorities managing OPREG-RO. Guidance was often provided at the formal decision-making level of Monitoring Committees (OPREG-RO Monitoring Committee October 2008). In general, it was perceived that the EC tried to improve the management and implementation of the programme (Director in Romanian North-East Regional Development Agency; Former Director of Romanian Managing Authority #1; Romanian EU funds consultant #1). Moreover, OPREG-RO benefited from technical assistance provided by the EC, as well as from the European Investment Bank and the World Bank, especially on the development of urban growth poles or on issues related to public procurement (OPREG-RO Monitoring Committee December 2007; OPREG-RO Monitoring Committee November 2010).

Despite the above, the EC was criticised by programme representatives on two specific accounts. Firstly, similarly to evidence from the Bulgarian programme, EC audits uncovered irregularities, especially, in the area of public procurement (DG REGIO AAR 2010/2011). To deal with these, the Commission suggested the enforcement of financial corrections of up to 25% of project value should be applied to municipalities, county councils and other beneficiaries (DG REGIO AAR 2011, 70). Such corrections often resulted from the different interpretations of legal provisions which existed at the national and at the EU level. These interpretations were strongly contested by national authorities on technical and methodological grounds:

“Corrections came from the problem of different interpretations of procurement. Opinions were different also between EU level institutions. In addition, the anti-fraud structures could have signalled some irregularities. It’s not comfortable to have too many controls. People become annoyed by controls. Also, the Audit Authority was very strict, and they do not understand the phenomena. They have their issues. EC and national auditors had divergent opinions on the topic, with the latter being too strict and applying corrections.
This renders beneficiaries to contest these corrections in Court and there are many cases of Managing Authority versus beneficiaries and a widespread judicial literature on this topic” (Romanian MA Programme Evaluation Officer #2).

Financial corrections had strong implications on the life of the programme. In 2011, OPREG-RO payments were blocked for more than six months and were resumed following the adoption of corrective measures meant to strengthen the verification of projects (OPREG-RO AIR 2011, 31). Flat rate financial corrections were applied to the programme for all its 2012 payments (DG Regio AAR 2012, 70). The payments for the programme were pre-suspended again in 2014, due to worries of public procurement abuses (Romanian EU funds monitoring officer #1). Some local officials were keen to stress that, in their opinion, the European Commission was often lobbied by large companies (particularly from Germany) who complained about the fact they didn’t win any local tenders and accused national authorities of allocating contracts only to national contractors (Former Director of Romanian Managing Authority #1; Former Director of Romanian Managing Authority #2). Such anecdotal evidence revealed that the European executive was often not a neutral party and could be influenced by diverse interest groups at the EU level. With all this, the EU’s role on the ground seems to have been more positive and Brussels driven controls did uncover and address many of the structural problems of the programme.
6. Conclusions

If compared to the Human Resources Operational Programmes (OPHRs), where there were significant differences in terms of both capacity and performance, the above case studies have shown that the strong similarities of Regional Operational Programmes (OPREGs) within the two countries. If compared to other national OPs, OPREGs were relatively functional and well managed programmes. Nevertheless, the question that guided this chapter was what could explain the higher level of performance achieved by these programmes, what were the specific problems they faced and, how can administrative capacity and political factors explain them?

Firstly, in terms of administrative capacity both programmes benefited from the pre-accession experience which helped them establish strongly grounded management and control systems. The programmes had well trained and incentivised staff whilst beneficiaries tended to receive adequate levels of support from regional level offices. In both cases, the institutional involvement of Bulgarian regional offices / Romanian Regional Development Agencies (RDAs) contributed positively to the programme’s administrative capacity and to its smoother implementation on the grounded. In addition, there was consistent evidence to suggest that, in both cases, technical assistance was well used to improve the ability of the responsible authorities to manage the programme, train and financially motivate staff, and strengthen the capacity of beneficiaries to deal with projects (OPREG-BG AIR 2010, 89; OPREG-RO AIR 2010, 132; OPREG-RO AIR 2012, 80).

With all this, in terms of administrative capacity, the Bulgarian programme had some problems with regard to institutional coordination, conflicting interpretation of rules and a high level of administrative burden. The Romanian programme faced problems, especially in the first few years, in establishing a functional monitoring and verification system and suffered from a frequent modification of primary rules and documents, which attracted criticism from the programmes final beneficiaries. In addition, the major deficiencies affecting the OPREG programmes did not emerge at the central level management, but more at the local implementation level. This had to do with the ability of beneficiaries, predominantly local authorities, to implement EU-funded projects. Public procurement was the key problem, in both countries, which triggered
criticism and sanctions from the EU institutions. Nevertheless, EC support and oversight proved useful for the national authorities.

Secondly, the political dimension was critical not only for the programme’s absorption performance but also for the development of its administrative capacity. Most of those involved directly in the management of the programme, in the Ministries for Regional Development which acted as Managing Authorities, stressed they did benefit from good levels of political support. This illustrated the role played by political factors in the management and implementation of the programme.

On the one hand, a strong degree of political interest in the programme translated not only into a high level of priority being given to OPREG projects but also into a rather more functional management and programme administration. In both cases, the Ministries for Regional Development are top political ministries which informally ensure an interface between local level politicians and the central political establishments in Sofia and Bucharest. Given the visibility of OPREG projects at the local level, the Managing Authority and Intermediate Bodies benefited from higher levels of political support which, in turn, contributed to the development of more functional institutional, procedural and human resources infrastructures. Based on the empirical analysis, it can be argued that the high level of political interest correlated with the programmes higher degree of administrative capacity.

On the other hand, there was also some evidence of politicisation and negative political interference. In Bulgaria this took the particular form of political patronage which affected the appointments of staff in the MA. Moreover, political favouritism manifested in both countries and certain beneficiaries, especially municipalities affiliated to the political parties controlling the government, could obtain stronger bureaucratic support or different favours. Furthermore, senior politicians developed a considerable interest in the programme and sought to benefit from the programme’s portfolio and use it as a “business-card” in order to boost their political careers or to maintain a good relationship with municipalities and local political organisations.

All in all, based on the empirical analysis carried out in this case study, the Bulgarian OPREG can be evaluated as having had a medium to high administrative capacity (see
Table 27), in particular given some of the institutional issues it faced. Arguably, the Romanian OPREG had a higher level of administrative capacity, particularly due to the continuity in terms of senior central management and the strong expertise amassed by Regional Development Agencies. For both programmes, political factors seemed to have acted as a positive stimulus for central level management and in a negative manner at the local level of implementation (e.g. the structural problems related to public procurement).

Table 27: Overall assessment of OPREG

<table>
<thead>
<tr>
<th></th>
<th>Administrative Capacity (High / Medium / Low)</th>
<th>Political factors (Positive / Neutral / Negative)</th>
<th>Overall performance (Very strong / Significant / Moderate / Weak)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPREG-BG</td>
<td>Medium to High</td>
<td>Positive (central management)</td>
<td>Significant (71% of EC payments received in June 2015)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Negative (local implementation)</td>
<td></td>
</tr>
<tr>
<td>OPREG-RO</td>
<td>Medium to High</td>
<td>Positive (central management)</td>
<td>Significant (71% of EC payments received in June 2015)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Negative (local implementation)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author based on empirical analysis.

It seems that the strong and often positive interplay between political factors and administrative capacity elements may have ensured a higher level of performance for OPREGs. The general absorption performance reached by these programmes cannot be explained satisfactorily taking into account only the formal and technical capacity of central and regional level institutions engaged in the programme. Factoring in the role of domestic political governance in the life of the programme, it is possible to obtain a wider understanding of what generated its performance. Specifically, the fact that there was a strong political stake in the implementation of these programmes ensured a stronger level of political interest. In turn, politicians facilitated and contributed towards strengthening the capacity of the authorities managing OPREGs. In both countries, the main problem with OPREG was linked to its local implementation, and in particular, to issues surrounding public procurement. Consequently, a dedicated sub-chapter (7.2) will assesses these problems in more
depth. Examining such aspects will entail a shift from a relatively static towards a more dynamic narrative, which will include several other levels of analysis and a variety of different stakeholders engaged in the general governance of Cohesion Policy and Structural Funds in the two countries.
Chapter 7: Administrative capacity, political factors and the absorption policy process

7. Introduction

The following chapter has departed from the assumption that one cannot grasp the governance of external financial assistance without taking a closer look at the operational dimensions circumscribed to the use of EU Structural Funds. Previous case studies have underlined the way in which administrative capacity and politically related factors influenced the performance of two thematic Operational Programmes. This was done by outlining how these factors influenced the capabilities of the different official institutions involved in the management of the two programmes, focusing on how they influenced the attained level of financial absorption performance. As mentioned, this case study represents a shift in analytical focus. It looks at the SF absorption policy process which is in its essence more dynamic and which involves several other non-official actors. Since its inception and after subsequent waves of reforms, EU Cohesion Policy has been implemented in member states through several distinct formalised stages: (a) programming; (b) management; (c) project evaluation and selection; (d) implementation of projects; (e) financial management; (f) monitoring and reporting; (g) evaluation (Molle 2007; EIPA 2008; Bachtler et al. 2013a). These break down the policy into more concrete day-to-day activities. As will be argued by this chapter, the overall performance of different Operational Programmes can be understood without taking into account developments taking place at least in some of the above policy stages.

These stages would represent the actual street level of European Structural Funds and it was here that the ability and administrative capacity of the authorities was challenged and put to the test. Apart from the institutions officially responsible for the management of EU funds, a variety of other stakeholders (e.g. EU funding applicants/final beneficiaries/project contractors) are involved in some of these stages. For instance, in the implementation stage, official authorities take a step back
and allow the EU funds final beneficiaries to implement their contracted projects. Therefore, one of the specific aims of this chapter has equally been to account for the role of these stakeholders in order to understand some of the problems encountered in the different Operational Programmes analysed. As discussed in the thematic case studies, the evidence collected has shown that EU funds beneficiaries generated many of the problems faced by the different Operational Programmes. In essence, OPs represent the sum of the overall projects implemented in a specific area and therefore the problems generated by beneficiaries, alongside the structural lack of capacity from public institutions, could affect the absorption performance attained by each programme. Consequently, the distinct focus of this chapter is to examine, more in-depth, two significant stages of the EU funds absorption policy process: the evaluation/selection of projects and the implementation / public procurement stage of the process. These stages were chosen in light of preliminary evidence on the ground and the multiple administrative and political issues affecting them.

Subsequently, one of the major questions driving the analysis has been the extent have administrative capacity or related political related factors influenced the two policy stages. To provide a more nuanced answer to this question, the project evaluation/selection and procurement have produced complementary findings. Overall, the analysis has revealed that similar patterns of political-administrative interactions, found in the management and implementation of OPs, have affected the two stages. This strengthened the core argument made in this thesis that the interplay between administrative and political factors can enable a higher level of absorption performance. Moreover, as will be illustrated in this chapter, negative political interference has been behind many of the problems found in the policy processes behind the delivery of EU Structural Funds. The following chapter is divided into two main sub-chapters which will first provide a general overview of the problems and will continue with several specific examples relating to different national OPs.103 Whilst the first sub-chapter focuses on the evaluation and selection of EU-funded projects, the second covers the issues related to the public procurement phase of the implementation stage of the absorption policy process.

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103 This chapter will not strictly follow the elements of the absorption capacity model which have structured the material for the thematic case studies. It presents the findings and discusses them, in a broader light, paying attention to the way in which administrative and political factors have interacted and affected the two policy stages examined.
7.1 Selection bias? – Problems in the evaluation and selection of EU-funded projects

The following section provides a more detailed examination of some of the problems regarding the appraisal / evaluation, selection and contracting of projects funded from Structural Funds. The selection stage is vital given that it can have repercussions on the subsequent stages of the EU funds absorption process. Therefore, low quality projects, or projects by many irregularities, can have a negative impact on the general performance of an OP. The literature generally asserts that errors at this stage can be costly for both managing bodies and beneficiaries (Boeckhout et al. 2002; EIPA 2008; Bachtler et al. 2013a). In other words, if during the selection stage, projects were granted financing, despite their poor technical or financial quality, then problems would potentially arise in different other stages of the process.

At the same time, the selection stage can provide opportunities for political interference or rent-seeking practices. Therefore, when analysing the evidence one specific question addressed was: were there instances of political interference in the selection and contracting stage of the absorption process? How did administrative and political actors influence this stage and was there any evidence of systemic negative political interference? Given frequent allegations of fraud, and in light of the numerous accounts of a politicised distribution of national financial resources, this sub-chapter scrutinizes such claims and some of the mechanisms used to potentially abuse the evaluation and allocation of EU funded projects. The evidence is rigorously examined in light of the potential administrative and political origins of these problems. This sub-chapter is organised in the following manner. First, it presents some official data regarding the selection of projects in both countries. Second, it briefly presents an analysis of the more general problems affecting the selection of projects. Finally, it presents several examples from Bulgaria and Romania, highlighting concrete instances of problematic project evaluation and selection. The implications of these findings are discussed in the concluding section of this chapter.
7.1.1 Insights from the evaluation and selection of projects from Structural Funds (2007-2013)

In general, structurally funded projects are selected in relation to the scope, size, budget, or capacity and interest of potential beneficiaries. Projects have to address the specific thematic objectives of the Operational Programmes / priority axis and have to fall in line with the different thematic or specifically targeted calls for proposals. Before presenting some of the wider problems affecting the evaluation and selection stage an important distinction must be made. As opposed to the implementation stage, where the beneficiaries of EU funds are primarily involved, the selection of projects is the remit of the different Managing Authorities overseeing the management of the Operational Programmes. The evaluation and selection of projects coincided with a period during which these institutions were still developing their capacity to manage Structural Funds. Managing Authorities went through a thorough process of accreditation and, prior to launching the first calls for proposals, they were still setting up their own internal procedures. For instance, during the first few years there was a great deal of confusion on procedures, with many administrators relying on their PHARE expertise, only to find that this was unsuitable for the general philosophy of Structural Funds (EC Head of Sector #1; Director of Romanian Managing Authority #3).

Several key problems were found in both countries regarding the evaluation and selection stage of EU-funded projects. First of all, it took several years, to establish the specific criteria for the selection of projects. This task was assumed by the national authorities and was discussed and approved within the Monitoring Committee of each OP. The official minutes of such meetings note the considerable amount of time spent on devising the legislation, criteria for project selection and the applicants’ guides defining the activities eligible for funding. Specific rules and laws were adopted for each Operational Programme with regard to the eligibility rules for expenditure. However, given new or unforeseen situations many of these rules required considerable updates. For instance, the decree no. 180/2007 laying down the rules of eligibility expenditure for the Bulgarian Human Resources OP was updated in 2010 in order to include provisions on the participation of persons with disabilities (Bulgarian
Moreover, many of the potential loopholes left unaddressed during this period would later on trigger systemic deficiencies and unreasonable or ineligible expenditure. For instance, the high degree of project staff related payments in the Romanian OPHR was the core problem of the programme (Romanian AA report 2011; 2012). The frequent changes and use of updated criteria for evaluating projects led some to argue that the period during which projects were evaluated, in Romania, was highly “chaotic” (Romanian EU funds consultant #1).

Second, during the first three years of implementation (2007-2010), evaluating, selecting and contracting projects were among the principal activities of administrators working in Managing Authorities and Intermediate Bodies. Specific institutional departments / units were created to carry out these tasks. The evaluation/selection of projects was a resource intensive stage of the absorption process. Given the lack of experience in many of these newly established institutions, and following pressure from Brussels, in order to the independence of the selection process, many OPs decided to externalise this task to private consultancies. This was done in the hope that it will “speed up the process of evaluation and its effectiveness” (Council of Ministers of Bulgaria 2009, 30; OPHR-RO AIR 2009). However, subsequent problems emerged when contracting in external consultants. On the one hand, there was internal resistance in certain ministries (Director of Romanian Managing Authority #2) or there were severe delays in launching procurement procedures for contracting them (Former Director of Romanian Managing Authority #1). On the other hand, it was difficult to find evaluators with specific expertise (Bulgarian Civil Society Leader #1) or with the experience and ability to evaluate the capacity and financial feasibility of project applications (Head of Romanian North-East Intermediate Body). Some project applicants complained about receiving the exact same reviews from different evaluators (Romanian Civil Society Leader #1). This revealed the lack of due diligence in evaluation and the various shortcomings from externalising the process.

Third, some specific issues affected the general evaluation and selection of projects. There were severe delays in the process and with some programmes requiring from 90 to 160 days to evaluate and contract projects (OPREG-RO AIR 2009, 38; Berica 2010). This timeline could increase if additional documents were requested from
beneficiaries or if appeals were made on the initial selection decision (Bulgarian Intermediate Body Expert #1; Former Director of Romanian Managing Authority #1). In other more extreme situations (e.g. the Romanian Economic Competitiveness) due to the high number of applications and lack of internal capacity, projects were evaluated only two years after they were submitted (Former Director of Romanian Managing Authority #2). Such delays affected the timeliness of EU funds implementation and the financial absorption of different OPs.

In addition, the relationship between the independent evaluators and the Managing Authority was often unclear. Some noted that the recommendations of the evaluators were sometimes not taken into account, especially on the eligibility of expenses or the potential existence of conflicts of interest between the various stakeholders involved in projects (Romanian Audit Authority annual report 2010; EC Head of Sector #1). In most OPs, except for those focusing on large scale infrastructure, the final decisions were taken by a Selection Committee assigned to each call for proposals (Bulgarian Expert #1; Romanian Project Evaluator #1). There were instances when reports from independent evaluators were not validated or taken into account in the final decision (Romanian Civil Society Leader #1). To sum up, the lack of transparency surrounding the final decision could have facilitated several discretionary practices in the evaluation and selection of projects.

Lastly, another preeminent feature of the evaluation and selection of projects was pointed out by several of the independent experts interviewed. From a strategic point of view, one of the underlining narratives in the first years following accession was that EU funds need to be absorbed. This triggered an “absorption for all” syndrome characterised by an obsession to attract funding as fast as possible (Vant 2012; Damian 2013). In turn, this reduced the quality of project applications and affected the strategic screening of projects and the links between projects’ outputs and the overall macro indicators of the different programmes (Bulgarian Expert #4; Romanian Expert #1). Moreover, it reflected a local mentality trait of simply absorbing the funding without any clear strategic outcomes. As a consequence, several private and public beneficiaries were interested primarily in obtaining the funding. For instance, several NGOs were criticised for becoming “service providers” rather than advocacy organisations as a result of contracting EU grants (Romanian Civil Society Leader #1;
Bulgarian Civil Society Leader #1; Bulgarian Civil Society Leader #3; Bulgarian Expert #3). All the above represented some of the main findings on what affected the process of evaluation and selection of projects. Moreover, in light of accounts of potential political interference in the distribution of funding, the question was to what extent were problems in the evaluation and selection of projects administrative or political in nature? This is specifically examined in the following sections, for each individual country, drawing on evidence examined from different OPs.
7.1.2 Project evaluation and selection in Bulgarian Operational Programmes

By the end of July 2015, 11783 projects were contracted by the Bulgarian authorities. These represented 41.7% of the total number of projects applications submitted for all OPs. The most popular programmes were the Economic Competitiveness and Human Resources Development. This was due to a higher number of private beneficiaries competing for grants, as opposed for instance to the Transport and Environment OPs were projects were distributed to a limited number of central and local public authorities. In addition, it was officially reported that from the overall number of contracted projects 1135 projects were suspended whilst 118 projects were temporarily suspended.104 This was due to irregularities found after internal or external checks and audits and potential evidence of funding misuse.

The problems EU funds abuse was not generally something new to the Bulgarian authorities. In 2008, the European Commission suspended many of the funds destined for Bulgaria, due to allegations of fraud regarding pre-accession funding (BBC 2008; EUobserver 2009). Two specific cases were highly mediatised. The first involved officials in the National Road Infrastructure Fund (NRIF) and potential conflicts of interest with regard to the award of different contracts in exchange of bribes given to two high ranking officials (DG Regio AAR 2009, 29). This determined the suspension of approximately 150 million EUR from ISPA related funds and blocked any new infrastructure related projects (EC 2008a, 5). The second, more infamous, case was the “Nikolov-Stoykov Group”, an alleged criminal network specialised in different illegal activities (CSD 2009; Spendzharova and Vachudova 2012). They were involved in a widespread scandal involving purchasing second-hand meat processing machinery repainted and sold as new in Bulgaria. The machinery was bought with support of EU SAPARD funds and the group was under investigation by the European Anti-Fraud Office (OLAF). The group had strong links with political and judicial networks in the country.105

Table 28: Number of submitted, contracted and suspended projects with SF in Bulgaria (2007-2013)

<table>
<thead>
<tr>
<th>Operational Programmes</th>
<th>Number of submitted projects</th>
<th>Number of contracted projects</th>
<th>Number of projects suspended and temporarily suspended (August 2015)</th>
<th>Percentage of contracted projects (number of contracted projects / number of projects submitted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OP Transport</td>
<td>150</td>
<td>116</td>
<td>-3 suspended</td>
<td>77%</td>
</tr>
<tr>
<td>OP Environment</td>
<td>993</td>
<td>528</td>
<td>-70 suspended, -94 temporarily suspended</td>
<td>53%</td>
</tr>
<tr>
<td>OP Regional Development</td>
<td>2037</td>
<td>1195</td>
<td>-87 suspended, -7 temporarily suspended</td>
<td>58%</td>
</tr>
<tr>
<td>OP Economic Competitiveness</td>
<td>9492</td>
<td>3154</td>
<td>-549 suspended</td>
<td>33%</td>
</tr>
<tr>
<td>OP Technical Assistance</td>
<td>134</td>
<td>122</td>
<td>-7 suspended</td>
<td>91%</td>
</tr>
<tr>
<td>OP Human Resources</td>
<td>12454</td>
<td>5218</td>
<td>-378 suspended, -17 temporarily suspended</td>
<td>41%</td>
</tr>
<tr>
<td>OP Administrative Capacity</td>
<td>2947</td>
<td>1450</td>
<td>-41 suspended</td>
<td>49%</td>
</tr>
<tr>
<td>Total</td>
<td>28207</td>
<td>11783</td>
<td>1253 (1135 suspended and 118 temporarily suspended)</td>
<td>41.7%</td>
</tr>
</tbody>
</table>


As a consequence of these cases, Bulgaria was frequently under the European spotlight during its first years of accession. The then prime minister, Sergei Stanishev vowed to tackle this issue and improve the transparency and use of EU funding.\(^{106}\) With all this,
there were persistent allegations of potential political interference in the use of EU grants during the Stanishev administration and in other subsequent governments.\textsuperscript{107}

In general, apart from two Operational Programmes (Administrative Capacity and Environment), no substantial evidence was found of a problematic evaluation and selection of projects in Bulgaria. Many of the initial problems were due partly to administrative shortcomings and the capacity of institutions to deal with this stage. More specific problems related to the unclear criteria used for the selection of projects and the eligibility of expenditure. Finally, there was some evidence of political interference, in the evaluation and selection process, as will be discussed in the next concrete case.

Selection and evaluation problems in the Bulgarian Administrative Capacity Operational Programme (OPAC-BG)

The Bulgarian OPAC faced considerable problems, in its first years of implementation, regarding the evaluation and selection of projects. Funds for the programme were destined primarily for the development of administrative capacity in public administration bodies. The programme was the most likely to be to be connected with “notifications for suspected fraud” as compared to other OPs in the countries (EC Audit Report on OPAC-BG 2014, 8). EC auditors noted several key deficiencies concerning the selection of projects in the programme:

- Insufficient evaluation criteria for adequately assessing the candidates' operational, administrative and financial capacities;
- Insufficient evidence in relation to justification of hourly rates charged to projects under civil contracts;
- Lack of evidence of the activities carried out;
- Lack of audit trail concerning reconciliation of real costs incurred for projects in the framework of staff costs. Using arbitrarily set fees without adequate reconciliation with real time worked for project” (EC Audit Report on OPAC Bulgaria November 2010, 4)

OPAC suffered from severe deficiencies in terms of the selection of operations, management verifications and due to a lack of adequate audit trail for projects (DG EMPL AAR 2011, 62). Moreover, problems derived from an insufficient level of

\textsuperscript{107} In parallel, the main opposition party at the time Citizens for European Development of Bulgaria (GERB) used this as a strong political tool to increase its electoral leverage and highlight the incompetence and corruption affiliated to the government in terms of EU funding (Bloom and Petrova 2013; Ganev 2013).
guidance provided to beneficiaries, ineligible expenditure and insufficient controls of public tender documentation (EC Audit Report on OPAC-BG November 2010, 10). During the first years of its existence, many projects were rejected due to failure in complying with the programme’s administrative or eligibility rules (Ecorys Intermediate Evaluation of OPAC-BG 2011, 251).

In 2010-2011, national authorities re-verified 25 project beneficiaries and 62 contractors (OPAC-BG AIR 2011, 46). As reported by one interviewee, most of 2011 was spent verifying the legality of projects contracted in previous years (Head of Unit in Bulgarian Managing Authority #1). During the same year, European authorities placed the programme under “reservation” and negotiated with the Bulgarian authorities a flat rate correction of 5% for all projects (DG EMPL AAR 2011, 61). One of the specific criticism of auditors was that the criteria for evaluating projects were “not detailed and explicative enough as to give information of proposed budgets, the evaluation of their soundness and the analysis of the activities proposed against the expenditure budgeted” (EC Audit report on OPAC-BG November 2010, 13). Furthermore, one independent evaluation suggested that it was not clear how the Selection Committees took decisions and, more exactly, how it took into account the recommendations of evaluators (Ecorys Intermediate Evaluation of OPAC-BG 2011, 247).

The vague evaluation criteria for project selection was a potential loophole abused during the first calls for proposals of the programme. For instance, the second priority axis of OPAC-BG (“Human Resources Management”) was dedicated to developing competence of public administration and judiciary staff, although “a great part of the projects under this priority axis have also led to strengthening the capacity of civil society structures for better interaction and cooperation with the public administration” (Bulgarian Government 2009, 16). There were strong allegations that several politically affiliated NGOs received funding under this priority (CSD 2009). Politicians lobbied for projects to be distributed to NGOs where they were members of the board (Spendzeharova and Vachudova 2012, 49). Several interviewees were highly critical of the Human Resources axis of OPAC-BG (Bulgarian Civil Society Leader #1; Bulgarian Civil Society Leader #3; Bulgarian Expert #3). Validating this claim, a former EU official illustrated one of the mechanisms used to access funding:
“The Socialists set up 15-20 political NGOs. I told them. They changed in the very last night the conditions in the tender and requested that all NGOs should not have any experience, although they initially requested two-three years of experience.” (Former EC Head of Unit #1)

The claim that many funds were distributed to recently created NGOs corroborated with accounts of local interviewees. Some of these suggested that many of these grants were distributed, for instance, to newly established Roma advocacy NGOs which, in fact, were supported or founded informally by politicians, at the time from the socialist government:

“In fact, we had the Operational Programme for Administrative Capacity but the money for NGOs was spent at the very beginning, and was spent, I can tell you honestly, in a very corrupt way. Or at least this is what many organizations explained. Some unknown organizations that were close to the party of that time received big grants. In the Roma field there was a Roma organization that was completely affiliated with the Roma [political] organization of that time that received grants for 390,000 LEV. That was an organization without any other activities and it was clear that this money, which was designed to support the development of civil society, was spent in a very unclear way.” (Bulgarian Civil Society Leader #3)

By funding politically affiliated NGOs and by transforming other non-governmental organisations into “service providers” the traditional advocacy role of civil society was undermined (Bulgarian Civil Society Leader #1; Bulgarian Civil Society Leader #3). Some described these problems as instances of “civil society capture” (Bulgarian Expert #3). Lastly, interviewees claimed that following the OPAC episode many civil society organisations were disappointed and avoided EU funds.108

A second example of potential political interference in OPAC-BG was one highly mediatised. In 2014, a scandal erupted involving Maria Divizieva, the chief of staff of the then Prime Minister (Plamen Oresharski). During 2005-2009, as a Deputy Minister for Public Administration she oversaw the implementation of OPAC-BG. Prosecutors accused her of contributing to an embezzlement scheme carried out in 2009-2010 and which involved the chair of the Sofia Military Appeal Court, Petko Petkov, the chair of the Sofia Appeal Court, Veselin Pengezov and the deputy chair of the Military Appeal Court, Vladimir Dimitrov, as well as staff from the Finance

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108 Official data shows that the calls for proposals for “civil society” were launched primarily during 2007-2009. Funds for this area were exhausted or due to the negative reports and investigations, there were no further calls for proposals.
Ministry. All were accused of falsifying documents in relation to a procurement tender for EU-funded projects that would have supported the development of administrative capacity in the above Courts. The case was considered a test for the Bulgarian judiciary and several interviewees considered it would create a future deterrent (Head of Bulgarian Managing Authority #1; Bulgarian Academic #1; OLAF representative #1). The case reflected two things. First, it showed the potential influence that politicians and senior officials may have had on the administrative staff working in the Managing Authorities, as well as their ability to interfere in the evaluation and selection stage of the absorption policy process. Second, as highlighted by the annual reports issued by the European Commission under the mechanism for Cooperation and Verifcation (CVM) and by several interviewees (Bulgarian Investigative journalist; OLAF representative #1) it underlined the highly problematic relationship between political officials and the judiciary in the country.

Despite this, the problems of OPAC-BG were equally linked to issues of administrative capacity. The Managing Authority was moved from the Ministry of State Administration and Administrative Reform to the Ministry of Finance, during the Stanishev government. This affected its institutional memory and staff continuity (EC Head of Unit #2). During the Borisov administration, the programme was redesigned and included specific indicators on project implementation (Head of Unit in Bulgarian Managing Authority #1; EC Head of Unit #2). Moreover, the Managing Authority benefited from the creation of a specialised structure responsible for controlling irregularities (Council of Ministers 2013, 44). Following these measures, and given the frequent scrutiny of the EC, the capacity of OPAC-BG increased. The OP gradually became more effective and gradually reached one of the highest absorption rates in the country. As will be seen, its initial problems were not as systemic as they were for the Romanian Human Resources OP.

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7.1.3 Project evaluation and selection in Romanian Operational Programmes

The evaluation and selection stage of the SF funded projects was a considerable challenge for the Romanian authorities. By the end of July 2015, 15641 projects funded from Structural Funds were contracted in the country. Only one third (33.3%) of projects were selected from the total number of project applications. Similarly to Bulgaria’s case, the lowest ratio of contracted projects was for the Human Resources and Economic Competitiveness programmes, primarily due to these attracting high levels of interest from private or civil society organisations.

In line with the data presented in table 29, more than half of the total number of project applications were rejected (24985 out of 46929) and not all approved projects (20267) were finally contracted (15641). Most of the uncontracted ones remained on reserve lists, were withdrawn by applicants or were potentially disqualified. Official assessments, as well as some external analyses\(^\text{110}\), pointed out that many projects did not reach the selection phase due to their inability to fulfil administrative, technical or financial eligibility criteria (OPHR-RO AIR 2012).

Approximately 1800 EU-funded projects, contracted during 2007-2013, were officially terminated. This was due to various reasons ranging from administrative problems to issues of ineligible expenditure or suspicions of funds misuse. The following subsection provides some examples of why certain projects were terminated and, more specifically, how problems in the selection stage contributed to the poor performance of the Human Resources OP in Romania.

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Table 29: Number of selected, contracted and terminated projects with SF in Romania (2007-2013)

<table>
<thead>
<tr>
<th>Operational Programmes</th>
<th>No. of applications</th>
<th>No. of projects rejected</th>
<th>No. of projects approved</th>
<th>No. of projects contracted</th>
<th>No. of terminated contracts</th>
<th>Percentage of contracted projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>OP Transport</td>
<td>262</td>
<td>65</td>
<td>141</td>
<td>119</td>
<td>-</td>
<td>45%</td>
</tr>
<tr>
<td>OP Environment</td>
<td>728</td>
<td>172</td>
<td>549</td>
<td>499</td>
<td>115</td>
<td>(September 2013) 68%</td>
</tr>
<tr>
<td>OP Regional Development</td>
<td>10056</td>
<td>4084</td>
<td>5180</td>
<td>4716</td>
<td>183</td>
<td>(November 2015) 46%</td>
</tr>
<tr>
<td>OP Economic Competitiveness</td>
<td>17095</td>
<td>8313</td>
<td>8360</td>
<td>5609</td>
<td>1172</td>
<td>(December 2014) 32%</td>
</tr>
<tr>
<td>OP Technical Assistance</td>
<td>202</td>
<td>24</td>
<td>171</td>
<td>164</td>
<td>8</td>
<td>81%</td>
</tr>
<tr>
<td>OP Human Resources</td>
<td>17215</td>
<td>11540</td>
<td>5411</td>
<td>4079</td>
<td>322</td>
<td>(December 2015) 23%</td>
</tr>
<tr>
<td>OP Administrative Capacity</td>
<td>1371</td>
<td>787</td>
<td>455</td>
<td>455</td>
<td>5</td>
<td>33%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>46929</strong></td>
<td><strong>24985</strong></td>
<td><strong>20267</strong></td>
<td><strong>15641</strong></td>
<td><strong>1805</strong></td>
<td><strong>33.3%</strong></td>
</tr>
</tbody>
</table>

Selection and evaluation problems in the Romanian Human Resources Development Operational Programme (OPHR-RO)

As discussed in Chapter 5, OPHR-RO was affected by systemic deficiencies in terms of administrative capacity. The empirical analysis revealed that these deficiencies equally manifested themselves at the evaluation and selection stage of the absorption process, reinforcing the overall weak performance of the programme. Moreover, as will be illustrated below, there was strong evidence to suggest that many of the programme’s issues could be credited to political interference and more widely to corrupt behaviour among administrators and final beneficiaries. By 2011, almost half the total number of projects for the 2007-2013 period were contracted (Table 29). Nevertheless, the evaluation and selection stage was difficult to set up during the programme’s first years of existence. As reported in annual implementation reports and national audits several key problems affected the evaluation and selection of projects during this period.

First and foremost, administrators from the Managing Authority and the Intermediate Bodies were overwhelmed by the high number of applications and documents that required processing with insufficient staff, poor delegation and coordination from the MA and a lack of standardised and accredited procedures for evaluation affecting this stage111 (OPHR-RO AIR 2008, 11; Romanian AA report 2011, 370; KPMG OPHR-RO Interim Evaluation 2011).

Second, there were many delays in the evaluation process. As a result of weak internal capacity, it was decided, in July 2009, to externalise part of the process to independent evaluators (OPHR-RO AIR 2009, 23). However, the authorities failed to detect that many of the private evaluators lacked the specific experience needed to evaluate projects in this area (Romanian Civil Society Leader #1; Romanian Expert #1). In light of this, many projects were selected and granted financing, although, it later emerged that the final beneficiaries did not possess the financial or technical ability to implement them (Former Director of Romanian Managing Authority #2).

111 Equally, the Romanian Audit Authority was criticised by some for the gaps in the management and control systems of the programme and for not contributing to the procedures that would safeguard an objective assessment of projects (Former Director of Romanian Managing Authority #2).
Third, it was reported by national auditors that the opinions and recommendations of the independent evaluators were often not taken into account in the final decisions on the selection of projects (Romanian AA Report 2011, 401). Auditors warned that by disregarding these opinions: “there is the risk of contracting projects with unsubstantiated and unrealistic budgets, which comprise ineligible activities or which do not contribute to the objectives and indicators of the programme” (Romanian AA Report 2010, 444). It was precisely such risks that later led the many unjustified costs and to the poor financial management of projects (Former Director of Romanian Managing Authority #2). This became the number one problem of the programme and was partly explained by the desire of several stakeholders involved in the programme to obtain “cheap money” (Director in Romanian Audit Authority #1). Finally, the methodologies for the selection of projects were poorly developed and were not respected by the authorities (EC Head of Sector #1). Several reports succinctly summarized most of the deficiencies:

“-Deficient selection procedures: projects were approved with unsound budgets, disproportionate salaries and unjustified public acquisitions;
-Deficient management verifications as regards limited volume of supporting documents being checked, lacking quality, reliability and depth; in sufficiently covered reality of the project and risk of double financing;
-No or insufficient checks on public procurement;
-Non-compliance with Art. 14 & 16 of Regulation 1083/2006 regarding the principle of sound financial management, high human resources costs not justified by activity reports or by supporting documentation, exaggerated HR costs not proportional to the activities performed;
-Ineligible expenditure for participants outside the target group;
-Acquisition of equipment not justified by the activities of the project.”

(DG EMPL AAR 2012, 57-58; EC Audit Report 19-23 November 2012)

In addition, there was consistent evidence to suggest that political interference was a constant presence in the life of the programme which affected the administrative capacity of the institutions responsible for the programme. Negative political interference might explain some of the specific problems that developed at the evaluation and selection stage of the absorption process. Firstly, as a result of internal political decisions, the OPHR-RO system was initially very flexible and extremely lenient towards beneficiaries (Former Romanian EU Affairs Minister). Official reports point to deficiencies in the management and control systems of the programme with clear gaps in the evaluation and selection process such as: “incoherent guidance provided by the authorities to beneficiaries” and “ambiguous national eligibility rules”
(EC audit report OPHR-RO 2-6 April 2012, 3). Moreover, following some amendments to the rules of the programme, during the first calls for proposals, experts working on projects obtained disproportionately high salaries which could not be justified in relation to the level of work carried out (Former Director of Romanian Managing Authority #2; Former Romanian EU Affairs Minister; Romanian Auditor #3).

Secondly, the programme was affected during its first years by a high-level corruption scandal involving the former Minister of Labour, Ioan Botiş. His wife received funding for a project one month after he was appointed to office and the official address of the NGO that received funds coincided with the Ministers’ home address (Dimulescu et al. 2013, 93). Following these allegations, the Minister resigned and the projects in which his relatives were involved were terminated. However, the scandal deepened after it was revealed that immediately before he resigned, the minister issued a decree which rendered secret any information regarding the financing of EU-funded projects from the programme. The order was repealed by the then Prime Minister, Emil Boc, following pressure from civil society representatives.112 However, the episode was telling in terms of how high level political interference affected the programme’s transparency (Romanian Civil Society Leader #1; Romanian Expert #2). Thirdly, both European and Romanian auditors criticised the Managing Authority for failing to verify that the selection of projects or the allocation of tender contracts were not affected by conflicts of interest (Romanian AA report 2010, 444; 2011, 405). In 2012-2013, there were 1581 irregularities registered for OPHR-RO funded projects (OPHR-RO AIR 2013, 30).

Finally, there was consistent evidence to suggest that many of the projects that received funding, particularly during the first calls for proposals, were connected to politicians and their networks (Romanian Expert #1; Romanian Expert #2; Romanian Civil Society Leader #2; Former Director of Romanian Managing Authority #2). Such projects could be granted financing following the manipulation of the evaluation and selection stage (Romanian Project Evaluator #1; Romanian Expert #1). The final decisions were taken by the Head of the Managing Authority, who could be appointed

or was often under political pressure (Former Director of Romanian Managing Authority #2; Romanian Expert #1). Moreover, in an open letter, the Romanian Coalition of NGOs for Structural Funds denounced the incompetence and corruption of officials who contributed to the programme’s crisis by “developing complex defrauding systems for European funded projects”\(^{113}\). The mechanism for interference, similar to that discussed on OPAC-BG, was that several organisations competing for funding were informally supported by politicians or officials that had some leverage on the work of the Managing Authority / Intermediate Bodies. Several brief examples are provided in the following.

First, several irregular projects were found in the fifth priority axis of the programme destined to “Promoting active employment measures”. In 2012, prosecutors arrested Buturugă Iulian Marius, the representative of S.C Buturugă, Militaru & Associates, for illegal activities which included false statements and forgery of documents in order to obtain EU funding.\(^{114}\) According to public data, a total of 14 projects were awarded to the firm during 2007-2012, amounting to more than 50 million EUR, and which were terminated.\(^{115}\) Several interviewees alleged that the firm could not have obtained this volume of funding without political backing or without support from corrupt officials working in the regional Intermediate Bodies (Former Director of Romanian Managing Authority #2; Romanian EU funds consultant #2; Romanian Civil Society Leader #1).

Second, the authorities were accused of allowing “copy-pasted” projects to be selected. This encouraged, for instance, the development of several firms specialised in human development and training courses. The Elen Association from North-West Romania obtained, by 2014, financing for 22 projects worth approximately 25 million EUR.\(^{116}\)


Media reports showed that the Association was owned by a former liberal prefect of the Alba-Iulia County. His spouse was a senior judge in the county, whilst their son was the vice-president of the association. Two of their associates were the head of the local child protection agency and his wife, who was the director for EU-funded projects in the country prefecture. This was a typical example of a firm, whose members had considerable knowledge and influence, and which was directed by politicians and the “local nomenclature”.117 The case highlighted the difficulties that the programme faced in terms of tackling conflicts of interests and the relationship between administrators and beneficiaries of EU-funded projects (EC Head of Sector #1; Former Director of Romanian Managing Authority #2). Finally, two other relevant examples were recently in the public spotlight. In 2011, the president of the Romanian Employment Agency was convicted to prison for having created a bribery scheme which involved employees of the agency working on EU-funded projects.118 In addition, in 2016, following inquiries it emerged that several Roma related NGOs, supported and coordinated by two Romanian MPs, benefited from EU funding due to forged documents and by falsifying reports on inexistent activities carried out for the project.119

By December 2015, approximately 10% of the contracted projects for OPHR-RO were officially terminated. EU authorities sanctioned the programme with a 25% flat rate financial correction for all projects selected before August 2012 (DG EMPL AAR 2014, Annexes). The high level of sanctions and financial corrections associated to the programme revealed the systemic nature of its problems. Thus, in OPHR-RO's case, there was clear evidence that many of its problems originated at the evaluation and selection stage of the process. These were generated by a mix of administrative shortcomings and negative political interference, with serious implications for the implementation of the programme and its weak absorption performance.

7.2 Implementation and public procurement: administrative capacity deficiencies or politicisation?

The implementation of projects was one of the, if not the most, difficult stage of the EU funds absorption policy cycle.\(^{120}\) Project implementation is carried out by final beneficiaries, be they public (e.g. municipalities, universities, hospitals and care centres) or private (e.g. firms, SMEs etc). Although it does not apply to all EU financed projects, one of the main areas of the implementation process was the procurement phase. During this phase different stakeholders have to acquire goods or services necessary for implementing their projects. Procurement could range from hiring an events and catering firm for a large training event to contracting construction firms in order to handle several local physical infrastructure projects. In a nutshell, public procurement is regularly carried out by governmental or other entities and specifically refers to:

“...the process by which public authorities, such as government departments or local authorities, purchase work, goods or services from companies which they have selected for this purpose”.\(^{121}\)

Most public procurement carried out for European projects fall under the remit of EU legislation. Procurement is “directly relevant to the fundamental principles of the common market and a policy instrument in the hands of Member States” (Bovis 2012, 1). For this, EU directives 2004/18/EC and, more recently 2014/24/EU, had to be transposed into national legislation. Many of the projects funded through European Structural Funds involved a public procurement phase. Projects with a value above a certain threshold implicitly have to be advertised in the Official Journal of the European Union. Overall, procurement had to abide to the overarching principles of: “equal treatment, non-discrimination, mutual recognition, proportionality and transparency” (Article 2, Directive 2004/18/EC). Public contracts are awarded by what in short are known as Contracting Authorities (CAS) to different economic

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\(^{120}\) Questionnaire respondents (N=37) rated this as the second most problematic dimension of the EU funds cycle, after financial management (e.g. co-financing).

operators that can fulfil the services or provide the goods necessary for implementing projects.\textsuperscript{122}

Public procurement is a dynamic and resource intensive stage of the overall policy process. As compared to the evaluation and selection of projects which involves primarily central public authorities, procurement is carried out by final project beneficiaries. However, Managing Authorities / Intermediate Bodies are involved in verifying and monitoring the implementation of projects, whilst control institutions, such as the national Audit Authorities and Certifying and Payment Authorities, have official prerogatives in assessing the legality of the procurement carried out in projects.

This sub-chapter examines some the main problems encountered in the procurement phase for EU-funded projects in Bulgaria and Romania. Procurement accounted for the highest level of irregularities found in EU-funded projects (Bulgarian Parliament 2011; World Bank 2013; IPP 2015). Moreover, official reports highlight that “public procurement is a ‘hot spot’ for fraud and corruption” (OLAF 2014). These problems are generated by local beneficiaries which often seek to contract affiliated companies or known contractors in exchange of “kickbacks” and through “bid rigging” practices (PwC and Ecorys 2013). Corruption and the “particularistic” allocation of public contracts is considered one of the main risks for the awarding of public procurement tenders (Fazekas et al. 2013; Neamtu and Dragos 2014; Dimulescu et al. 2015; Mungiu-Pippidi 2015).

Given its complexity, public procurement will be examined here in line with the evidence gathered and in line with several questions: What triggered the numerous problems affiliated to public procurement in EU-funded projects and how can administrative capacity or political related factors explain these developments? Therefore, the focus was on the extent to which technical / administrative factors and political factors manifested at the procurement stage. This sub-chapter is organised as follows. The main problems associated with EU-funded public procurement and some of the key empirical findings on the topic are first presented. It then continues with

\textsuperscript{122} Contracting Authorities are legally defined as – “the state, regional or local authorities, bodies governed by public law, associations formed by one or several of such authorities or one or several of such bodies governed by public law.” (Title 1, Article 1(9) of Directive 2004/18/EC).
outlining insights from public procurement in Bulgaria and Romania and some of the specific issues associated with EU-funded Operational Programmes in the two countries. The wider implications of the findings are discussed in the concluding section of this chapter.
7.2.1 Public procurement and the perils of the implementation process

Public procurement (PPE) is, according to official sources, the number one reason for non-fraudulent related irregularities in Cohesion Policy projects. A statistical analysis of irregularities found in EU-funded projects underlined that, during 2007-2013, the three most common types related to: a) infringements concerned with public procurement (N=2873); b) non-eligible expenditure (N=2100) and 3) non-eligible expenditure / infringements concerned with public procurement (N=739) (OLAF 2013, 63).

On the ground, PPE was perceived as a strong problem. According to Flash Eurobarometer 374, 58% of Bulgarian and 43% of Romanian companies which had taken part in a public procurement procedure considered that corruption had prevented them from winning a public tender or a public procurement contract in the past three years (EC 2014b, 23; Neamtu and Dragos 2014, 3;). Moreover, in Romania approximately 40% of the EU-funded projects were deemed irregular due to public procurement (EC 2015a, 39). In general, this is the area which generated the highest rate of financial corrections for problems found in EU-funded projects (IPP 2015). Furthermore, irregularities in this area seem to have been the main reason for the interruption or suspension of funding by the European Commission, at different time intervals and for several Operational Programmes in both countries. This evidence points to the systemic problems encountered in PPE.

The vast majority of interviewees underlined that procurement was a highly problematic area which generated many unforeseen situations leading to severe delays which, in turn, triggered other legal, financial or technical problems with the implementation of EU-funded projects (EC Head of Unit #1; EC Policy Officer #2; EC Policy Officer for administrative capacity #1; Bulgarian Technical Assistance MA

123 Council Regulation 1083/2006 defines "irregularities" as: "any infringement of a provision of Community law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities by charging an unjustified item of expenditure to the Community Budget" (Article 2.7).

124 The same analysis points out that, during 2009-2013, projects deemed to be affected by fraudulent irregularities originated from: a) incorrect, missing, false or falsified supporting documents (N=268); b) infringement of contract provisions / rules (N=227) and c) eligibility / legitimacy of expenditure/measure (N=191) (OLAF 2013, 60).
Procurement was a highly technical process which was contingent on many different factors. At their root, problems in this area seem to have been the result of a combination of weak administrative capacity, judicial related issues and political interference.

From an administrative capacity point of view developing the institutional infrastructure, transposing and harmonising procurement rules with national law and developing a body of experts, especially in public bodies and municipalities, proved to be highly challenging in both countries. Firstly, from an institutional point of view, Public Procurement Agencies were gradually involved at the domestic level in overseeing tender processes and the awarding of procurement contracts from EU-funded projects. However, the deficient communication and coordination between public institutions on the topic generated conflicting interpretations of procedures and divergent institutional positions. In turn, these led to inefficient enforcement and monitoring of procurement procedures (Representative of Bulgarian Public Procurement Agency; Head of Unit in Bulgarian Central Coordination Unit #1; Romanian Public Procurement Expert #1).

Secondly, the shift from the pre-accession period to the post-accession period seems to have generate a gap in the monitoring of the regularity of procurement procedures carried out. Moreover, during the former period, EC delegations carried out most ex-ante verifications of procurement procedures using PRAG\textsuperscript{125} rules (Former Director of Bulgarian Managing Authority #2). The transposition of the EU procurement directive into national law proved to be difficult and time consuming. In part, this was due to poor quality and interpretable legislation. As a result, national procurement laws were updated several times in both countries in less than seven years. This added to the volatility of procurement systems and had implications on tender selection methodologies and documentation.

\textsuperscript{125} Practical Guide to Contract Procedures for EU external actions (PRAG).
Thirdly, human resources capacity was often problematic given the lack of financial and career related incentives for those managing procurement processes, specifically in Contracting Authorities at the local level. Procurement is a highly technical field of specialty which requires extensive training and investment for capacity and human resources development. In this sense, the internalisation of procurement rules and practices required time and resources that not all central and local level stakeholders had or were willing to invest.

From a judicial point of view, the potential violations of procurement law, especially the unlawful allocation of tenders by some economic operators, backlashed and resulted in an extremely high number of appeals being lodged in specialised courts (Bulgarian CPC AAR 2013; Romanian CNSC AAR 2014). Litigations could effectively block the implementation of EU-funded projects for months or even years (EC Head of Unit #1; Deputy Director of Bulgarian Managing Authority #1). Often appeals or complaints were submitted in order to intentionally block the awarding of contracts to rival companies or to put pressure on the CAS to reorganise tenders (Bulgarian EU funds consultant #1; Former Director of Romanian Managing Authority #1). Complaints were a wider symptom of dysfunctions in the procurement systems and potentially revealed problems of intentionality and political interference in the process.

Third, political factors were much present in procurement processes. The financial resources affiliated to procurement contracts sparked a considerable level of interest among local and central level politicians. Changes in procurement legislation were initiated by Governments and often approved by Parliaments and, therefore, any amendments or changes that were potentially judged as politically detrimental were often rejected (Former EC Head of Unit #1). Secondly, public procurement was perceived as a public policy instrument which required political intervention and tender specifications were often used as unofficial electoral platforms by local mayors (Romanian Public Procurement Expert #1; Representative of Romanian Appeals Council). To this end, many local and central decision-makers engaged in clientelistic exchanges, which meant that they received political sponsorships and financing for their political activities from different firms in exchange of biased, manipulated or illegally allocated tender contracts (Bulgarian EU funds consultant #1; Bulgarian EU
funds coordinator for South-West region #1; Director in Bulgarian Audit Authority; Director in Romanian Audit Authority #1; Former Director of Romanian Managing Authority #1). Several mechanisms facilitated this in practice: a) using restrictive criteria and conditions in the tender documentation so as to target firms with a specific profile, know-how or by inserting clauses appropriate to the favoured bidder (Bulgarian Audit Authority 2013, 6; Romanian Audit Authority report 2010; Bulgarian Investigative Journalist; Romanian Public Procurement Expert #1; Romanian Expert #1); b) finding administrative or technical mistakes in other offers and disqualifying them (Former EC Head of Unit #1); c) unclear, unlawful or subjective use of methodologies and awarding criteria (Bulgarian Expert #4; Director of Bulgarian Managing Authority #1); d) controlling the work of the tender selection committee responsible for awarding contracts (Former EC Head of Unit #1). Procurement problems were flagged as irregularities and, if audit verifications deemed these to be systemic, financial sanctions and corrections were imposed by national or European authorities. As discussed elsewhere, sanctions were subject to intense disputes between Contracting Authorities and Managing Authorities / Audit Authorities and the European Commission. All the above is now further contextualised in the following taking into account the public procurement systems and several specific examples related to Structural Funds from both countries.
7.2.2 Public procurement and Structural Funds in Bulgaria

Public procurement (PPE) in Bulgaria accounted, in 2013, for approximately 12% of the countries’ GDP, reaching an estimated 4.810 million EUR (PwC 2016 - BG country profile, 21). Throughout the years, PPE contracts related to EU funding varied considerably (e.g. 8% - 2010; 9% - 2011; 14% - 2012) (Pavlova 2012). Moreover, there has been a considerable increase in the number of contracting authorities and contractors (Table 30). In recent years, it was alleged that the Bulgarian procurement system changed considerably, equally, as a consequence of EU accession (PwC 2016 – BG country profile).

Table 30: Public procurement data Bulgaria (2010-2013)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of awarding entities (contacting authorities)</td>
<td>2 585</td>
<td>3 217</td>
<td>4 662</td>
<td>5 302</td>
</tr>
<tr>
<td>Number of contractors</td>
<td>14 700</td>
<td>16 347</td>
<td>18 257</td>
<td>20 490</td>
</tr>
<tr>
<td>Total number of public procurement announcements</td>
<td>7 404</td>
<td>8 194</td>
<td>10 129</td>
<td>11 939</td>
</tr>
<tr>
<td>From this sum: above the EU threshold</td>
<td>1 599</td>
<td>2 022</td>
<td>2 570</td>
<td>3 653</td>
</tr>
<tr>
<td>From this sum: with EU funding</td>
<td>951</td>
<td>1 210</td>
<td>2 421</td>
<td>3 012</td>
</tr>
<tr>
<td>Public procurement announcements in construction works</td>
<td>1 056</td>
<td>1 177</td>
<td>1 552</td>
<td>1 791</td>
</tr>
<tr>
<td>Public procurement announcements in supplies</td>
<td>3 463</td>
<td>4 025</td>
<td>4 679</td>
<td>5 162</td>
</tr>
<tr>
<td>Public procurement announcements in services</td>
<td>2 877</td>
<td>2 989</td>
<td>3 888</td>
<td>4 986</td>
</tr>
<tr>
<td>Number of contracts</td>
<td>15 755</td>
<td>17 579</td>
<td>20 813</td>
<td>22 779</td>
</tr>
</tbody>
</table>

Source: Stefanov and Karaboev 2015, 16

Several features characterise the Bulgarian procurement system, including in relation to the implementation of EU funding. First, from an institutional point of view, the Bulgarian Public Procurement Agency (PPA) was established as an executive agency of the Ministry of the Economy, later moved to the Ministry of Finance (PPA AAR 2015, 4). In essence, the PPA is responsible for the legal, methodological, ex-ante controls and recommendations, and for ensuring the legality of procurement
contracts. This includes managing the Public Procurement online portal and alerting other authorities in case it detects irregularities (PwC 2016 – BG country profile, 22). In addition, several other bodies are involved in the public procurement system: the National Audit Authority Office (NAO) – ex-post controls of Contracting Authorities’ spending; the State Financial Inspection Agency (SFIA) – ex-post control of Contracting Authorities’ activities; the Commission on the Protection of Competition (CPC) – dealing with appeals of PPE in the first instance, and finally, the Supreme Administrative Court (SAC) – judicial body responsible for appeals in the second instance (Bulgarian PPA AAR 2015, 3). Procurement was a highly volatile area due to institutional differences. One interviewee explained this emphasizing on the use of contradictory frameworks which partly empowered the Procurement Agency, on administrative ex-ante controls, and the Managing Authorities, on the more substantive selection criteria regarding tenders (Head of Unit in Bulgarian Central Coordination Unit #1).

Second, the legal framework developed around the Public Procurement Law (PPL no 28 / 2004) and on different pieces of secondary legislation. The frequent changes and updates of this legislation meant to correct the deficiencies of the PPE system, although this may have generated further instability and problems regarding the interpretation of procurement law by beneficiaries (PwC 2016 – BG country profile, 27; Bulgarian EU funds coordinator for South-West region #1; Representative of the Bulgarian National Association for Municipalities). Some interviewees were highly critical of the reasons behind the frequent number of changes:

“In 7 years the law for public procurement was changed 40 times, sometimes at the suggestion of the EC, sometimes due to changes in the Bulgarian government, sometimes due to lobby, sometimes criminal lobby, or to simply accommodate other changes, to improve the situation, that creates an unstable environment for beneficiaries” (Bulgarian EU funds consultant #1).

Given the high number of irregularities found on procurement related to EU-funded projects, a decision was taken in 2009 to introduce ex-ante controls that will be carried out by the PPA for projects above a certain threshold (4.8 million EUR for construction works / 511 thousand EUR for contracts on supplies and services) (Pavlova 2012).

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126 This is the opinion of the interviewee rather than an exact figure. Bulgarian procurement legislation has changed several times during 2004 – 2014. The number indicated by the interviewee reveals, however, the perceived high number of changes and the instability of the procurement system.
These levels were lowered in 2012 to 1.3 million EUR for construction works / 130 – 400 thousand EUR for contracts on supplies and services (Ibid.). Gradually, the Public Procurement Agency became more involved in the process assessing the documentation of Contracting Authorities and, after tender procedures were launched, by issuing opinions and recommendations on the compliance with legal requirements (Ibid.). As a result, the number of ex-ante assessments increased considerably (Bulgarian Expert #2; Director of Bulgarian Managing Authority #1). Independent reports contended that verifications on procurement had a limited impact in ensuring the regularity of the process (PwC 2016 – BG country profile).

Third, from a human resources point of view, the Procurement Agency had approximately 70 employees (Bulgarian PPA AAR 2015, 6). These were considered too few in relation to the high number of PPE contracts that had to be verified (PwC 2016 – BG country profile, 23). In addition, one of the main problems was not necessarily the capacity of central bodies, but the lack of technical expertise, on procurement, within municipalities and public bodies acting as Contracting Authorities. Structural conditions such as poor human resources policy and low levels of remuneration in local administrations affected the ability of municipalities to develop or retain expertise (OPREG-BG AIR 2008, 2009; Deputy Director of Bulgarian Managing Authority #2; Head of Unit in Bulgarian Central Coordination Unit #1; Representative of the Bulgarian National Association for Municipalities).

The Bulgarian procurement system is considered to be highly centralised, although, as reported in some evaluations, there has been an increase in the number of local contracting authorities which showed a tendency towards decentralisation (PwC 2016 - BG country profile, 21). This had implications and led to an increase in the local politicisation of procurement. As a result, there were many “persistent irregularities and corruption-related issues, which impact all spheres of the procurement cycle, including oversight and law enforcement” (PwC 2016 - BG country profile, 21). Such irregularities were reflected, for instance, in the high number of appeals and complaints lodged by economic operators involved in procurement processes. For instance, the Bulgarian Commission for the Protection of Competition (CPC) received, in 2013, 1394 appeals regarding procurement (a sharp increase from 902 in 2009) (Bulgarian CPC AAR 2013, 46).
Finally, issues regarding procurement were related to political interference in the process. Formal assessments carried out by the Public Financial Inspection Agency and by the Commission for Protection of Competition underlined some of the principal reasons for violations of procurement legislation: “failure to apply tender procedures and use of tailor-made criteria” and “discriminatory conditions for bidders, unlawful exclusion of candidates and arbitrary assessment of tenders and selection of contractors” (PwC 2016 – BG country profile, 26). These corroborated with the insights of interviewees on the ground:

“With regard to public procurement, findings are more or less the same for Operational Programme...The problems are the unclear methodology for [establishing tender] winners, the ineligible expenses, the restrictive procedures and others” (Bulgarian Certifying Authority Representative #1).

Procurement procedures were highly complex and had a high degree of corruption risks attached to them (KPMG 2011, Midterm Evaluation OPREG-BG, 137; Stefanov and Karaboev 2015). Independent assessments found that many procurement contracts were concentrated and won by only several large Bulgarian companies, especially on infrastructure and construction related projects (PwC 2016 – BG country profile, 27; Stefanov et al. 2015). Finally, officials from the Bulgarian Centre for Prevention and Countering Corruption and Organised Crime (BORKOR) publicly criticised the fact that 98% of procurement deals were entrusted to only 2% of companies in the country. Although this is difficult to verify, such figures highlight the systemic nature of problems affiliated to public procurement in the country. Several concrete examples related to EU-funded programmes are discussed in the following.

**Procurement problems in Bulgarian Operational Programmes**

During the 2007-2013 period, the Bulgarian Regional Development (OPREG-RO) and the Environment (OPENV-BG) OPs were among the most problematic when it came to project implementation. The evidence gathered showed that procurement problems

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were the main deficiencies uncovered in the two OPs, as well as the formal reason for payments being interrupted several times in both programmes.

Specifically, the annual implementation reports for OPREG-BG highlight that procurement was often the main problem found in audited projects (e.g. 30 out of 43 audited projects in 2010) (OPREG-BG AIR 2010, 18). Procurement seems to have also been the main reason for irregularities, alerts and appeals received by the Managing Authority. EU auditors signalled deficiencies and violations of procurement procedures for OPREG-BG. As a result of systemic weaknesses, payments for two priority axes of the programme were interrupted in 2014. Following the verification of expenditure several main findings were noted:

- Irregular reduction of the deadlines for submission of tenders due to noncompliant prior information notices (PIN's) (not all required details were included in the PIN’s);
- Irregular reduction of the time allowed to tenderers to obtain the tender documentation, by requiring tenderers to purchase the documents at least 10 days before the deadlines; established for the submission of bids, when the standard time limits provided by the public procurement Directives are shortened;
- Disproportionate/Discriminatory selection criteria;
- Irregular modifications of bids during the evaluation process;
- Irregular tender evaluation methodology, involving favouring tenders close to the average price of all bids;
- Unjustified rejection of tenderers / Unequal treatment of bidders.”

(EC audit report on OPREG-BG - 7-11 April 2014, 8-10)

European auditors argued that these irregularities occurred despite the two existing levels of control and verification, which included the Bulgarian Public Procurement Agency and the Certifying Authority. Moreover, the report stressed substantive concerns regarding “collusive bidding schemes” and instances of “conflicts of interest between the winning bidder and one subcontractor” (Ibid, 12). These findings applied to different projects.

For example, problems were found in an urban transport project in the city of Burgas which implied thirteen individual contracts. Among other things, problems on procurement were due to the fact that: a) the number of days for receiving tender

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128 Most of the weaknesses found in this area were accurately reported each year. OPREG-BG AIR 2010 (p. 18) and OPREG-BG AIR 2011 (p. 31-32) describe these problems extensively.
documents was lower than legally accepted; b) the initial criteria for the selection of the contract was modified without public notice; c) the winning bid was irregularly modified during the evaluation process in order to include a list of non-key experts initially not included in the offer; d) discriminatory selection criteria (e.g. previous servicing of buses in Burgas or experience in at least three projects for organising traffic in urban areas) (Ibid, 22-40). Another example related to the development of tourism in the municipality of Asenovgrad. It was found that the awarding criteria were unlawful, the selection criteria were disproportionate, and the mathematical formulas used to calculate the winning tender favoured a certain tenderer, excluding unwanted bidders from the process (Ibid, 50-55).

The above audit findings corroborated with the views of interviewees on the ground who stressed that the main problem regarding procurement was that beneficiaries sought ways to circumvent procurement rules (Deputy Director in Bulgarian Managing Authority #1; Director in Bulgarian Managing Authority #2). Many asserted that problems often emerged because the national or local contractors who won tenders were affiliated in one way or another to members of the Contracting Authority, especially mayors or other local officials (EC Head of Sector #1; Director of Bulgarian Managing Authority #1). In this respect, the use of discriminatory and restrictive tendering criteria may have allowed the latter stakeholders to unlawfully allocate contracts, in essence by manipulating the work of tendering committees, disqualifying certain offers on the basis of subjective criteria or by falsifying documentation related to procurement procedures (Former EC Head of Unit #1; Director in Bulgarian Managing Authority #1). In addition, local newspaper reports suggested that the foreign bidders were often eliminated from tenders. Some interviewees argued that such practices could take place following pressure from local councillors and mayors to award contracts to local companies (Representative of the Bulgarian National Association of Municipalities; Former EC Head of Unit #1).

Similar problems were identified for the Environment OP (OPENV-BG). After ex-ante and ex-post verifications were introduced the programme was among the most verified

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OPs in the country (Pavlova 2012). The programme’s problems originated from during the Stanishev administration of 2008-2009, when several final beneficiaries seemed to have been included on a politically pre-defined list (Former EC Head of Unit #1; Bulgarian Consultant #1). Reservations were officially raised on the programme due to breaches of procurement law (DG Regio AAR 2008, 53; EC audit report 15-19 October 2012). Payments towards the programme were pre-suspended in 2013-2014 due to problems with the selection criteria, quality of the documentation and unlawful methodologies used in the selection of tenders (Director in Bulgarian Managing Authority #1).

The programme was for several years surrounded by controversy. For instance, some interviewees denounced that politically driven financial corrections, adopted by the Oresharski government, targeted municipalities from the GERB opposition party (Former EC Head of Unit #1). In parallel, the findings of EC audits carried out during 2013/2014 were criticised, on the ground, for allegedly being politicised at the European Commission level (Former Director of Bulgarian Managing Authority #2) and not in line with audit standards (Director in Bulgarian Audit Authority). Lastly, a high concentration of tenders was won by a small number of Bulgarian companies, and as result, many foreign companies, interested in large environmental projects lodged complaints at the EU level (Bulgarian Expert #1). This was potentially due to negative political interference. Against this backdrop, OPENV-BG was for a long time one of the most problematic EU-funded programmes in Bulgaria. Unofficial accounts point to the fact that many of its large-scale water and waste management projects were affected by irregularities, generated by procurement, potentially due to potential political interference, from central and local municipality officials (Former EC Head of Unit #1; Bulgarian EU funds consultant #1).

To a great extent, most problems appeared at the level of Contracting Authority (especially in municipalities) due to unchecked, illegal or potentially fraudulent procedures and tendering processes. The aim of these might have been to politicise the awarding of EU-funded tenders and to channel contracts to affiliated contractors, in exchange of favours or material goods or bribes (Former EC Head of Unit #1). Some claimed that bribes could amount to 30% of the value of the contracts and this affected the material quality of projects (Bulgarian Investigative Journalist). Where violations
of procurement law were established financial corrections were often enforced. For instance, OPREG-BG received a 10.11% financial correction for all the projects implemented in first priority axis of the programme (Sustainable and Integrated Urban Development) and 11.48% corrections for projects implemented under the third priority axis (Sustainable Tourism Development) (OPREG-BG AIR 2014, 28; EC audit report 7-11 April 2014). Moreover, many of the OPENV-BG projects audited received financial corrections ranging from 8.2% to 25% of the value of projects (EC audit report 15-19 October 2012; EC audit report 8-10 December 2014). Most of these problems were similar to what has been found in Romania’s case.
7.2.3 Public procurement and Structural Funds in Romania

The Romanian procurement system has evolved in recent years, as a result of EU accession and of numerous legal and institutional developments. Public Procurement (PPE) in Romania was estimated at 11% of the countries’ GDP, in 2013, amounting to 15.9 billion EUR (PwC 2016 – RO country profile, 180). However, only 4% of it was financed from EU funding. The share of EU-funded procurement contracts has varied along the years. In 2014, from 18.637 tender procedures launched, 1831 were specifically financed with Structural Funds, although their value was considerably higher than that of domestic procurement.\(^{130}\) However, the value of EU-funded procurement reached 47% for construction related contracts (Doroftei and Dimulescu 2015, 15). In short, the share of EU-funded procurement tenders was significant in the Romanian market and individually their value was much higher than nationally funded tenders. This attracted strong interest from different economic operators. It entailed a high level of responsibility for Contracting Authorities, a great many of which are local public authorities such as municipalities, approximately 74% (according to data from Doroftei and Dimulescu 2015, 32). As found during the analysis, the majority of problems related to procurement for EU-funded projects emerged at the local level.

In terms of administrative capacity, there are several key characteristics of the Romanian PPE system. Firstly, from an institutional point of view, the procurement system is highly centralised and involves several key institutions: the National Authority for Regulating and Monitoring Public Procurement (ANRMAP), the Unit for Coordination and Verification of Public Procurement (UCVAP) and the National Council for Solving Complaints (CNSC).\(^{131}\) ANRMAP was created in 2005 and was affiliated to the General Secretariat of the Government. Its role was to regulate, monitor the execution of procurement and engage in ex-ante and ex-post verifications of procurement procedures (ANRMAP AAR 2013, 6). The UCVAP was established in 2006, as part of the Ministry of Finance, and its main function was to evaluate ex-ante


\(^{131}\) ANRMAP and UCVAP merged in 2015 to create the National Agency for Public Procurement (ANAP).
the procurement documentation of Contracting Authorities, equally at the local level through its territorial branches (UCVAP AAR 2010, 3). Finally, the CNSC acts as a first instance appeal body and it receives and analyses complaints from economic operators and acts as an institutional and judicial filter to address irregularities in public procurement (Romanian CNSC AAR 2014, 2). In addition, the Romanian Audit Authority, the Competition Council and judicial and anti-corruption bodies (e.g. National Directorate for Anti-Corruption) were involved with various aspects of procurement.

One of the recurrent problems affecting the procurement system was the unclear distribution of functions (especially on verifications) and the complex and highly formalistic, and inefficient, coordination between the above institutions (Deloitte 2011; PwC 2016 – RO country profile, 180). This lead to divergent and contradictory opinions being offered on the legality of tender procedures. In contrast, the Managing Authorities responsible for EU funds often issued opinions to beneficiaries, on tender procedures, which were not in line with those official interpretations provided by ANRMAP (Deloitte 2011, 15; Director in Romanian North-East Regional Development Agency; Director of Romanian Managing Authority #2). The fact that MAs often carried out their own checks on procurement procedures duplicated and increased the administrative burdens surrounding the absorption process.

Secondly, from a legal point of view, the procurement system was constructed around the Emergency Ordinance of the Government 34 adopted in 2006 (OUG 34 / 2006). This was the primary piece of legislation regulating the system and transposing into national law the specific EU directive on procurement. Between June 2006 and July 2013, the law was consolidated in 16 different versions and throughout the period it was modified through 25 different legal acts (Doroftei and Dimulescu 2015, 21). One interviewee argued that it took approximately five years until the law “matured” and was internalised in the system (Director in Romanian Audit Authority #1). In addition, the lack of specific secondary rules and the inability of ANRMAP to provide thorough guidance to Contracting Authorities added to procedural difficulties (Deloitte 2011, 7; EC Head of Sector #1). The complexity of rules, as well as the lack of standardised procedures has been a key problem for procurement in EU-funded projects. However, in recent years new measures have been adopted so as to standardise the
documentation used for procurement. In 2007, the Electronic Public Procurement System (SEAP) was created as a public register for procurement. The e-procurement system was often criticised for its poor functionality\(^{132}\) and for its lack of transparency (Deloitte 2011; IPP 2015). Recently other allegations surfaced concerning SEAP indicating that the software was “politicised”.\(^{133}\) This potentially enabled officials and economic operators to rig the system (Romanian Expert #2).

Thirdly, in terms of human resources, approximately 131 employees were based in ANRMAP (ANRMAP AAR 2013) and 102 in the UCVAP procurement bodies (UCVAP AAR 2010). However, given the high volume of work associated for instance with ex-ante verifications institutions were considered under-staffed. Moreover, many of the staff had a low level of expertise or lacked the time necessary to sign up for training and professional development opportunities (PwC 2016 – RO country profile, 182). In parallel, the lack of capacity and incentives for procurement experts employed in local Contracting Authorities had clear implications for the quality and integrity of procedures (Deloitte 2011, 27; Romanian Public Procurement Expert #1). The lack of guidance from central authorities and an excessive amount of administrative procedures surrounding procurement added considerable strains (EC Head of Unit #2; Director in Romanian Audit Authority #1; Member of Romanian Parliament #1). In addition, Contracting Authorities were affected by frequent political changes and implicitly by modifications of annual procurement plans (Deloitte 2011, 26). Some explained that procurement plans were often used as electoral platforms by local politicians (Representative of Romanian Appeals Council; Romanian Public Procurement Expert #1). Finally, Contracting Authorities had to ensure the integrity and impartiality of the work carried out by these committees, but they had few legal and institutional mechanisms in place in order to prevent conflicts of interest (Deloitte 2011, 29; Romanian AA report 2011, 397).

Fourthly, Romania faced severe problems regarding the misuse of EU funds and procurements seem to be at the root of these problems. Throughout the years, a high


number of complaints and appeals were lodged on procurement. These ranged from 673 in 2006, peaking at 9218 in 2009, and dropping to 3753 in 2014 (CNSC AAR 2014, 7). As can be seen from Table 31, a significant number of appeals - 38% in 2013 and 42% in 2014 - concerned tender procedures for EU-funded projects. This indicated a high level of discontent and an increasing “contestation culture” among economic operators dissatisfied with the process of procurement (Director in Romanian Ministry of EU funds #1; Former Director of Romanian Managing Authority #1).

Table 31: Romanian CNSC appeals on public procurement procedures

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of appeals</td>
<td>5739</td>
<td>3753</td>
</tr>
<tr>
<td>Appeals on documentation and procedures</td>
<td>2333</td>
<td>1294</td>
</tr>
<tr>
<td>Appeals on results of procedures</td>
<td>3406</td>
<td>2459</td>
</tr>
<tr>
<td>Total number of admitted appeals</td>
<td>3730</td>
<td>1351</td>
</tr>
<tr>
<td>Total number of rejected appeals</td>
<td>2000</td>
<td>2407</td>
</tr>
<tr>
<td>Appeals for EU-funded procedures</td>
<td>2207</td>
<td>1581</td>
</tr>
<tr>
<td>Admitted appeals for EU-funded procedures</td>
<td>690</td>
<td>578</td>
</tr>
<tr>
<td>Rejected appeals for EU-funded procedures</td>
<td>1517</td>
<td>1003</td>
</tr>
</tbody>
</table>

Source: Author compilation based on CNSC annual activity reports 2013 and 2014.

Furthermore, it is interesting to note that, in Romania, 90% of all tender contracts were allocated based on the price criteria (the lowest price) as opposed to 62% contracts in Bulgaria, which awarded following this principle (PwC 2016). This had a strong effect not only on the quality of contracts being executed (Director in Romanian Audit Authority #1; Romanian Member of Parliament #1) but indirectly, in reducing competition (Representative of Romanian Appeals Council). It could encourage intentional abuses and the emergence of genuine local “public procurement mafias” that abused the appeals system, and which generated delays in the implementation of projects (Romanian Expert #1; Romanian EU funds consultant #1; Romanian EU funds consultant #2).

Many of the problems on procurement were political in nature. For instance, political changes to procurement legislation (e.g. lowering thresholds for procurement contracts) were adopted by the Romanian Parliament with the potential aim of
relaxing the rules and to reduce the level of control exercised by control institutions such as CNSC. Interviewees stressed that there would always be some stakeholders in central level ministries that seek to allow “loopholes” or “breaches in the law” from which different operators could profit (Director in Romanian North-East Regional Development Agency; Representative of Romanian Certifying Authority).

In practice, procurement was the source for many fraudulent projects (Romanian Anti-Fraud Department Representative, written response). The main problems related to: restrictive criteria (e.g. experience of the economic operator); unlawful qualifying criteria and technical specifications; un-transparent or subjective awarding criteria; breaches of equal treatment and transparency principles; and introducing illegal additional acts that changed the terms of the contract following the official awarding process (CNSC AAR 2013, 11; 2014, 19; Romanian AA report 2011, 382). Furthermore, Contracting Authorities imposed “excessive requirements” on “the participants of the bidding process” or introduced “technically targeted conditions” in tender specifications (Expert Forum 2015, 6). Interviewees explained that the procurement system was affected by political interference. On the one hand, this could manifest at the central level, where official institutions, particularly ANRMAP, were subject to political influence (Representative of Romanian Certifying Authority; Former Director of Romanian Managing Authority #1; Romanian Expert #2; Representative of Romanian Appeals Council). On the other hand, at the local level “tailored” and “dedicated” tender specifications targeted different politically affiliated businesses triggering numerous appeals from other economic operators (Romanian Expert #1; EC Head of Unit #1).

The inability of the authorities to provide specific and unitary guidance was linked to political conflicts between various institutions. For instance, Order 509 of ANRMAP was one of the first pieces of secondary legislation adopted in order to clarify the

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135 For instance, it was recently recommended that ways should be found to avoid a politicised leadership in the newly established Public Procurement Agency (ANAP) (PwC 2016 – RO country profile, 187).
meaning of restrictive selection and awarding criteria for tenders. However, according to some, this specific piece of legislation added even more confusion to the system (Director in Romanian Ministry of EU Funds #1; Director of Romanian Managing Authority #2). ANRMAP played an important role and had to pronounce itself on the legality of tender procedures. The structure was considered by some as susceptible to political influence and was, for instance, at the centre of intense political fighting between different members of the Boc and Ponta governments. Consequently, institutional disagreements on procurement developed between ANRMAP and the Managing Authorities / the Audit Authority (Romanian Expert #2; Representative of Romanian Certifying Authority).

Last but not least, the level of financial corrections received by the final beneficiaries of EU funds as a result of infringements of procurement procedures was particularly high. Contracting Authorities were sanctioned with financial corrections due to the use of restrictive and discriminatory criteria in procurement procedures, a situation occurring in 73% of all cases, according to an independent study (IPP 2015, 20). At the request of the European Commission, Managing Authorities sought to control the situation regarding EU funds by imposing financial corrections as to limit the problems found in audited projects. Nevertheless, not all stakeholders agreed with the financial corrections imposed due to irregularities on public procurement. For instance, several local and regional politicians (mayors, heads of County Councils) complained of what they perceived to be unjust sanctions derived from an incoherent legal framework and conflicting interpretations of rules by all central bodies (ANRMAP, UCVAP, CNSC and Managing Authorities) (OPREG-RO Monitoring Committee 2010, 6). Many Contracting Authorities contested in court the application of financial sanctions due to procurement procedures. This revealed that the


137 According to an independent review of EU funds court cases carried out by the legal firm Țuca, Zhârcea and Associates (together with the Institute for Public Policy and the Romanian Association of Municipalities), as many as 41% of litigations between EU funds beneficiaries and Managing Authorities were due to disagreements on the application of financial corrections for violations of procurement legislation. In many cases, Courts granted favorable decisions to beneficiaries. This
in institutional and political disagreements between the different Managing Authorities, Audit Authority and the ANRMAP (on the interpretation of criteria used for tender procedures on EU-funded projects) was one of the main deficiencies of the Romanian procurement system (ANRMAP AAR 2011; Romanian Expert #2; Former Director of Romanian Managing Authority #1; Romanian MA Programme Evaluation Officer #2). Several specific examples are discussed in relation to EU-funded OPs.

**Procurement problems in Romanian Operational Programmes**

The Romanian Regional Operational Programme (OPREG-RO) had one of the highest number of projects from all EU-funded programmes in the country. OPREG-RO also had one of the highest rates of notifications concerning irregularities (IPP 2015, 37). The programme was implemented mainly by municipalities and other local and regional authorities. The 2010-2011 EC audits uncovered several problems with regard to the implementation of EU-funded projects (DG Regio AAR 2010; DG Regio AAR 2011). For instance, shortcomings were found in the organisation and operationalisation of verifications for procurement procedures (OPREG-RO AIR 2012, 20). Other recurring problems related to:

- inserting in the tender documentation specific restrictive criteria for qualification and selection;
- interchangeable use of qualification and evaluation criteria;
- modifying selection criteria for tenders without public notice;
- failure of the winning bid to fulfil the minimum criteria of qualification for the tender;
- lack of compliance on the advertisement and transparency of public procurement procedures;
- signing additional acts through the negotiated procedure without prior publication of a contract notice, and with additional work not being carried out due to exceptional circumstances;
- breach of the principle of equal treatment, with the Contracting Authority modifying the obligatory contractual clauses in the tender documentation;

For example, several irregularities were found in EU-funded projects implemented by the County Councils of Buzău, Teleorman and Ilfov. These related to the use of discriminatory eligibility criteria, ineligible expenditure and an unjustified accelerated procedure for procurement (EC audit report on OPREG-RO 27 June 2012, 1-2). For example, in one project concerned with the rehabilitation of a road in the county of Teleorman, the Contracting Authority requested a detailed list of specific equipment that should be owned by the contractor (e.g. cold recycling equipment) without any actual need for such equipment (Ibid, 10). In light of this, from six offers received only one was deemed eligible and was awarded the contract. This finding was accepted by the Romanian authorities and a 25% financial correction was applied to the project.

As a result of similar problems, in 2011-2012, payments towards two priority axes of OPREG-RO were interrupted (KPMG 2014, 235). One interviewee explained the institutional discrepancies in interpreting procurement rules pointing to issues of politicisation and detailing the nature of restrictive criteria affecting the programme:

“The problem was that there were zero regulations at the national level and that no one thought of restrictive conditions and criteria [on procurement]. No one took into account the COCOF guide in which the European Commission clearly said what the latter mean. Our problem was that on procurement the ANRMAP, being a politicised institution, has “whitened” [unlawfully declared innocent] many beneficiaries. Where we noticed that the tender procedure was restrictive and that restrictive criteria were imposed, we wanted to apply financial corrections. However, the beneficiaries went to ANRMAP because they knew someone there and they received a letter that everything was alright. From a legal point of view, it was the ANRMAP that had to pronounce on this. And we were then told [by the beneficiaries]: “Who are you? You are the Managing Authority. Do you have more authority than the ANRMAP? No. Therefore you cannot give me a financial correction”...In 2010, the European Commission came and verified the projects for the second priority axis on roads and from over 80 contracts they noticed that around 60 were hit by restrictive criteria. For example, the planner said: “for a road leading to the airport you need 18 months and a minimum number of machinery for a daily yield”. Many beneficiaries thought: “Let’s multiply this by six”. Instead of requesting from the bidder six pieces of machinery they requested 36. Instead of ten workers they requested 60. This could create an advantage for big companies or for local firms that had the required resources. This is what the Commission deemed to be irregular and requested financial corrections” (Former Director of Romanian Managing Authority #1).

Others stressed that local politicians were much tempted to profit from projects on local infrastructure and often introduced restrictive criteria in technical specifications, such as “bulldozers with a green rooftop”, which clearly favoured some companies (Director in Romanian North-East Regional Development Agency; Romanian EU
funds consultant #1). Overall, the evidence gathered on OPREG-RO portrayed that whilst most projects were selected in a regular manner, procurement was, in fact, the most problematic area of the programme. Overall, local politicisation and the specific manipulation of tender contracts created considerable instability and affected the programme’s implementation and progress.
7. Conclusions

The above chapter has examined two main stages of the EU funds absorption process, namely the evaluation/selection and the implementation/procurement phase of EU-funded projects. In contrast to the previous case studies, which focused extensively on the capacity of the authorities to manage two Operational Programmes (Human Resources and Regional Development), this chapter examined two dynamic stages of SF absorption policy cycle. The chapter has illustrated how problems in these areas have been affected by a similar pattern of administrative capacity shortcomings and political interference.

Based on the analysis several points can be made. First, the evaluation and selection of projects funded from Structural Funds was a resource intensive stage of the absorption policy cycle. The evaluation and selection of projects coincided with a period in which most central institutions were in their incipient stage of administrative development. There were considerable delays in the evaluation and contracting of projects and most Managing Authorities were overwhelmed by the task of handling the flow of project applications. In some OPs it was decided to contract external evaluators, arguably to ensure a more independent evaluation of projects. However, external evaluators did often contribute to problems arising in this area. Overall, Managing Authorities had little experience in evaluating EU funded projects and they required long periods of time until they developed the knowledge and procedures to handle this stage.

One of the main questions driving the inquiry of this sub-chapter was whether or not there was any evidence of a biased or politicised evaluation/selection of EU-funded projects? Specific evidence was examined in relation to the Bulgarian Administrative Capacity OP and the Romanian Human Resources OP. Both programmes encountered considerable problems at this stage. Official reports outlined that unreliable selection criteria and poor or loose definition of eligibility of costs were at the origin of some of these problems. Moreover, in both cases, Selection Committees were criticised for opaque and unclear decision-making, as well as for not taking into account the recommendations issued by external evaluators. Yet, there was clear evidence to suggest that that political interference affected the evaluation and selection of several
projects in the two programmes. Two mechanisms that facilitated this interference were identified. First, there was evidence of a politicised management of the Operational Programmes which could have enabled intrusion in the work of the Selection Committees. Second, there was evidence to suggest that politically affiliated firms or NGOs accessed EU funding from dedicated calls for proposals.

Problems arising at the evaluation and selection stage have had a later impact for project implementation. This was well illustrated by the case of the Romanian Human Resources OP where highly problematic projects and final beneficiaries, coupled with administrative capacity deficiencies and constant politicisation affected deeply the performance of the programme. Moreover, these laid the basis for the programme’s frequent interruption and suspension of payments. By contrast, after dealing with the outcome of several politicised calls for proposals, the Bulgarian Administrative Capacity programme strengthened its institutional and human resources capacity and became one of the most successful EU-funded programmes, at least in terms of financial absorption.

Second, the case of public procurement was much more complex. This is one of the key phases of the implementation stage of EU-funded projects. This phase entails the allocation of public tender contracts to various economic operators (contractors) by the different EU funds final beneficiaries (Contracting Authorities) in order to obtain goods or services related to the activities of their projects. It was one of the few stages which involved primarily EU funds beneficiaries and other external stakeholders rather than the official institutions managing EU funds. Nevertheless, several other specialised institutions (e.g. Public Procurement Agencies) oversaw the different stages of procurement (e.g. ex-ante and ex-post verifications of the legality of tenders).

The empirical analysis on public procurement showed that bottlenecks found in the implementation process were due to a mix of administrative and politically related factors. On the one hand, legislation was modified several times and many institutional conflicts arose from its interpretation and the methodologies used to enforce procurement law. This was the case for both countries. At the same time, many of the final beneficiaries acting as Contracting Authorities lacked the necessary experience, human resources and technical capacity to deal with complex tender
documentation and procedures. On the other hand, there were significant weaknesses in the verification and monitoring of procurement contracts, in both countries, particularly in the first years of implementation. Moreover, there were poor mechanisms in place to detect conflicts of interest or to ensure the integrity of the tender processes (CSD 2009; Neamtu and Dragos 2014; Stefanov and Karaboev 2015; Doroñtei and Dimulescu 2015; Tănăsoiu 2015). As a result, the irregularities found by EU and national auditors derived to a great extent from a lack of compliance with procurement rules from the beneficiaries’ side. In this respect, the question of intentionality seemed extremely important given the frequent abuses of EU-funded processes (OLAF representative #2). Thus, there was a strong corroboration between primary sources (annual implementation reports, audit reports, interview data) and secondary sources (policy evaluations, civil society positions, journalistic reports) to claim here that many of the procurement processes and awards were politicised, particularly at the local implementation level.

Several mechanisms could explain how political interference affected procurement. First, many representatives of Contracting Authorities were themselves political agents (e.g. local officials / mayors). As a result, public procurement was a highly politicised process given the potential material and political capital embedded in tenders. The “ill will” of several Contracting Authorities translated in recurring situations in which tender processes were manipulated as to potentially distribute tenders to favoured bidders, specifically by using restrictive and discriminative selection and awarding criteria, disqualifying other competitors for minor errors or accelerating/amending procedures without any justification or prior information sent to all interested parties. Second, several institutions were potentially politicised and had few internal incentives for, or were restricted in, carrying out adequate ex-ante verifications of procurement related tenders. This was specifically the case of the Romanian Procurement Agency. Politicisation, in the latter institution, led to confusions in the procurement system and to politically biased ex-ante verifications. Therefore, political interference inhibited the development of functional levels of control within these institutions. In both countries, the pattern of procurement related to irregularities manifested in particular to infrastructure or construction related projects. This was in line with established practices in the country where national procurement is subject to intense politicisation and where networks of politically
affiliated businesses tend to be favoured in the allocation of procurement contracts (Doroñtei and Dimulescu 2015; Stefanov et al. 2015; Gherghina and Volintiru 2017).

Consequently, procurement related problems required not only technical solutions and the strengthening of administrative capacity per se, but equally, the political will to address these issues. This was often difficult to produce given the strong commercial and political interests vested in procurement contracts. The constant audit findings on the use of restrictive criteria and the preferential allocation of procurement showed that there were few political incentives to correct this. Problems in the area of procurement were partly addressed through financial corrections. In most cases these ranged from 5% to 25% of the overall value of contracts. These punitive measures altered and corrected the behaviour of some Contracting Authorities. Nevertheless, the use and applicability of financial corrections was a highly controversial and often contested issue by final beneficiaries, often successfully in public courts of law. This was the case given the more structural problems with interpreting procurement law by the different authorities involved in the process. This strengthens the point that deficiencies in this area were both administrative and political in nature.

All in all, the analysis of these two stages of the absorption policy process have shown that deficiencies were generated by a mix of structural administrative weaknesses and negative political interference. Although there was more evidence of the latter in the case of public procurement, both stages seemed to have been affected by this interaction, and cannot be explained by only one set of factors. The implications of this dynamic is discussed more widely in the following concluding section of this thesis.
8.1 Summary and discussion of the main empirical findings

This thesis departed from a key theoretical assumption, namely that administrative and political factors may shape the ability and performance of member states to absorb European Structural Funds. Its aim has been to understand and explain how these factors interacted and how they might account for the evolution and the variation in absorption performance between and within Bulgaria and Romania, and whether or not this can say something about the delivery of EU aid in the region as a whole. This sub-section summarizes and discusses the main findings addressing the first and main research question that has driven this study, namely: What explains the variation in absorption performance between and within Bulgaria and Romania during 2007-2013? In addition, section 8.1.3 discusses the importance of the factors in line with the initial working assumptions/hypotheses.

One of the aims of this thesis has been to assess how formal and informal patterns of governance might affect the management and implementation of European Cohesion Policy in Central and Eastern European countries, pre-eminently on the macro level case studies of Bulgaria and Romania. To examine these questions several techniques have been employed and the evidence has been scrutinised in the framework of four specific case studies: the first two (Chapter 5 and 6) focused on the management of two distinct Operational Programmes (Human Resources and Regional Development). The other two (Chapter 7) examined two dynamic dimensions of the absorption policy cycle: the evaluation and selection of projects and the public procurement phase related to the implementation of EU-funded projects. Before discussing this thesis final claims in relation to the literature (section 8.2), the following section summarizes and qualifies the main findings from the empirical case study chapters.
8.1.1 Insights from the management of Operational Programmes: what might explain differences in capacity and performance?

The thematic case studies examined (Human Resources and Regional Development OPs) have underlined some crucial differences in terms of absorption performance across the two countries. On the one hand, the strong discrepancies between the Human Resources programmes were puzzling. Whilst the Romanian OPHR has been one of the most problematic programmes, its Bulgarian counterpart seems to have been one of the best performing. On the other hand, the Regional Development programmes did face similar conditions and reached similar levels of performance. Drawing on these case studies, and the general examination of the two countries, it is argued here that the way in which administrative and political factors interacted has influenced, in a significant manner, these programme’s performance. In addition, in order to understand these programmes distinct evolution, we need to take account their specificities. The main findings are reiterated and discussed below.

The Bulgarian Human Resources Programme (OPHR-BG) was one of the highest performing SF-funded programmes. It benefited from some pre-accession institutional transfer of experience, and there were no considerable problems in establishing its management and control systems. First, from an institutional capacity point of view, its management structures were relatively stable and functional, although inter-institutional conflicts were sometimes reported between the Ministry of Labour (the main Managing Authority) and the Ministry of Education (Intermediate Body for education related interventions). Second, in terms of bureaucratic capacity, its legal and procedural systems were relatively functional, though they did require considerable amendments and updates. There was some evidence of administrative burdens affecting beneficiaries particularly during the monitoring stage of the policy cycle. Third, human resources were one of the strengths of the programme and there was no evidence to suggest that administrators lacked professional and financial incentives, as compared to its Romanian sister programme. The territorial capacity of the programme was boosted by local presence in all 28 Bulgarian Oblasti (NUTS 3 level). This contributed to a reasonable local level implementation. Finally, no evidence was found of any negative political interference in the life of the programme. On the contrary, it seems that the political agency, exerted by several Deputy Ministers
or senior administrative managers, contributed to the smooth running of the programme or at least prevented any disruptive interferences. Furthermore, the EU’s influence contributed to consolidating the capacity of the programme and, when necessary, in strategically amending its focus (e.g. Roma related targets). Against this backdrop, the programme seems to have been well managed and did not face any major problems during implementation, which was reflected by its high absorption performance and very low level of financial corrections.

By contrast, the Romanian Human Resources Development Programme (OPHR-RO) was one of the most deficient Operational Programmes. It could become a textbook case highlighting how structural administrative capacity deficiencies and negative political interference affected the overall management and implementation of this programme. Political factors have had a resoundingly negative effect on the capacity-building of the institutions running the programme. Firstly, until 2013/2014, the programme had a fragmented institutional structure, with a poor delegation culture and low levels of transparency from the Managing Authority’s side. Its Intermediate Bodies (e.g. particularly those related to the Ministry of Education) were weak and often overwhelmed by tasks. Second, the programme’s legislative and procedural infrastructure proved to be highly problematic and has changed several times throughout the years. Many final beneficiaries often criticised such changes and the administrative burdens associated with the programme. Specifically, a problematic definition of “eligibility costs” meant that many of the programme’s initial lax rules were abused by beneficiaries seeking to maximise profits from the implementation of projects. This led to many of the programme’s implementation problems. Thirdly, the programme had a weak human resources capacity and many of its final beneficiaries were highly problematic. With regard to political factors, the programme was highly unstable and very much affected by political changes. There was evidence of political patronage and politicised appointments of senior management (e.g. Directors) as well as of operational staff. Moreover, several programme administrators and politicians seemed to have been involved in corruption schemes aiming to fraudulently use funding from the programme, particularly by abusing the programme’s initial unclear rules on conflicts of interest and, more specifically, through developing networks of firms or NGOs that would tap into funding. By contrast to the Bulgarian programme, there was no positive political support identified for OPHR-RO, at least in its first five
years of implementation. Programme beneficiaries organised street protests and accused the government of a lack of commitment in addressing the programme’s dysfunctionalities. Finally, Brussels has often raised concerns on the substantive problems affecting the programme. Payments were interrupted and/or suspended several times throughout its implementation period. Furthermore, the high level of financial corrections (approx. 300 million EUR in 2014 reaching a total of 400 million in 2016) was further evidence of the programme’s problematic implementation. Overall, the programme was one of the most ill designed and deficient OPs. As argued, this was due to a mix of extremely weak administrative capacity and negative political interference.

As compared to the Human Resources programmes, there were no significant differences in terms of performance between the Regional Development Programmes. The latter programmes tended to have a similar design and architecture and were very much shaped by local and regional stakeholders. That was the case because these programmes catered directly to the development needs of local public municipalities which were among the main beneficiaries. In both countries, the management structures dealing with OPREG benefited extensively from a transfer of competent staff that worked on pre-accession PHARE projects. This allowed a strong basis of expertise, particularly in Romania’s case, which could partly explain the programme’s higher degree of capacity when compared to other national OPs.

The Bulgarian Regional Operational Programme (OPREG-BG) faced some specific problems, during its first years of management, in terms of administrative capacity and its political governance. First, there were several problems of coordination between the central Managing Authority and its regional offices. This resulted from contradictory advice and guidance provided to potential and to final beneficiaries. Second, there was some evidence of political patronage in the appointments of staff within the Managing Authority, although this didn’t seem to affect the managerial continuity of the programme. Third, there were multiple issues associated with public procurement, making this one of the most problematic aspects of the programme’s implementation. In essence, these had to do with local authorities and potential attempts at politicising the distribution of contracts. As a result, the European Commission interrupted payments for the programme in two different instances. With
all this, the programme functioned particularly well due to a consistent and increasing level of administrative capacity. The programme had reasonably well functioning management and control systems. Moreover, its legal and procedural infrastructure gradually improved and staff working in the Managing Authority developed a good level of expertise and seemed to be incentivised in carrying out their daily activities. Furthermore, the programme benefited from a functional territorial arrangement in which regional offices (NUTS 2) contributed to the local implementation process and in assisting beneficiaries at the local level. Finally, given that OPHR-BG catered to the needs of public municipalities it was highly visible at the local level. Consequently, it benefited from a strong degree of political support. This must be understood in the wider context in which Bulgaria is seen as a “country of mayors” (Bulgarian Expert #1), and where the relationship between central government and local officials is often prioritised by the former.

Similarly, the Romanian Regional Operational Programme (OPREG-RO) was one of the most efficiently run programmes in the country. This was the case if we are to compare it with other problematic national OPs (Human Resources, Economic Competitiveness). The programme did, however, face some considerable difficulties throughout the implementation period. First, its internal control systems were underdeveloped in its first few years, due to insufficient institutional resources being allocated to areas such as monitoring. These systems were strengthened, particularly after 2010/2011, when the first wave of problematic projects paralysed the programme’s implementation. Second, and closely linked to the latter, public procurement was a highly problematic aspect of the programme’s implementation. In addition, rules and procedures were often changed, whilst specific bottlenecks at the local level (e.g. cadastre, construction permits) added to the complex set of issues affecting the programme. Third, public procurement was one of the, if not the, most problematic aspect for the programme. Issues in this area contributed to the interruption and/or suspension of payments, in two instances, by the European authorities. Finally, there was some evidence of political favours being granted to certain beneficiaries and of some projects being politicised at the regional level. By contrast to other Romanian OPs, there was no evidence to suggest that political patronage affected the management of the programme. This could be partly explained by the fact that the programme’ was highly appealing, from a political point of view,
and by the fact that politicians sought to use it as a personal “business card”. In turn, politicians granted a reasonable degree of support to the programme’s’ administrators which in turn facilitated its daily management.

Several other specific developments might explain the programme’s capacity and performance. First, OPREG-RO benefited greatly from an institutional transfer of experience from the pre-accession period and also from, an above average, level of expertise and financial incentives, in the Ministry of Regional Development where the Managing Authority was based. Second, the programme benefited from management continuity and administrative stability given that several tenured and senior managers were not changed by the different governments controlling the ministry. In this sense, there was some evidence of political and administrative cooperation, with some senior politicians and employees working together towards improving the mechanisms used for managing the programme. Third, the network of Regional Development Agencies, situated at the NUTS 2 level, enabled the programme’s well running at the local level and a strong interface in relation to many final beneficiaries. All these, contributed to the programmes consistent management and, above average, performance.

In light of the above, absorption capacity and performance must be understood taking into account the specificities and differences between different Operational Programmes. It is fair to stress that the Regional Development programmes benefited from more political visibility and were favoured or granted more support than the Human Resources programmes. The latter addressed the training, educational or the needs of vulnerable citizens. Moreover, the fact that both Bulgaria and Romania had little experience in managing human resources interventions affected the programmes’ implementation. By contrast, the Regional Development OPs were significantly easier to account for, primarily because they implied dealing with physical infrastructure or construction related projects at the local level. From a strategic point of view, human resources programmes were more difficult to assess and as a consequence a high level of administrative burdens developed affecting the programme’s beneficiaries and overwhelming administrators. Therefore, the structural strategic differences and nature of the programmes do matter, if we are to understand more profoundly what determined their financial absorption.
Based on a final assessment, what can be noted is that the level of administrative capacity was high in OPHR-BG and medium to high in OPRE-BG / OPREG-RO, whilst it was very low in OPHR-RO. The latter was affected by strong levels of negative political interference which damaged the programme’s administrative capacity. Primarily, political interference affected the development of human resources and it limited the programme’s capacity to provide solutions or to simplify its dense and highly bureaucratic infrastructure. Moreover, a lack of positive political support meant that the structural discrepancies between the different institutional structures involved in the programme’s management were left unaddressed for several years.

Table 32: Final assessment of thematic case studies - Operational Programmes

<table>
<thead>
<tr>
<th>OPs / Core factors</th>
<th>Administrative capacity</th>
<th>Political factors</th>
<th>Overall absorption performance (absorption rates)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPHR-BG</td>
<td>High (no major deficiencies)</td>
<td>Some evidence of positive political support at the central level / no evidence of negative interference local level</td>
<td>Very strong (93% of EC payments received in June 2015)</td>
</tr>
<tr>
<td>OPHR-RO</td>
<td>Low (extremely high level of deficiencies)</td>
<td>High levels of politicisation at the central management level and clientelism at the implementation level</td>
<td>Weak (33% of EC payments received in June 2015)</td>
</tr>
<tr>
<td>OPREG-BG</td>
<td>Medium to High (some specific issues)</td>
<td>Positive political input at the central level / Negative political interference in local implementation</td>
<td>Significant (71% of EC payments received in June 2015)</td>
</tr>
<tr>
<td>OPREG-RO</td>
<td>Medium to High (some specific issues)</td>
<td>Positive political input at the central level / Negative political interference in local implementation</td>
<td>Significant (71% of EC payments received in June 2015)</td>
</tr>
</tbody>
</table>

Source: Author’s creation.

As was noted in the thematic case studies, a certain degree of positive political input was crucial for improving any of the management and implementation issues faced by the above programmes. The presence of political support was a key finding which distinguished the two Human Resources programmes examined. The Bulgarian programme seems to have benefited from a higher degree of positive political positive agency which was used to address management and implementation bottlenecks. This was absent in the Romanian OPHR which prolonged many of its deficiencies. OPHR-RO only started to improve in 2013-2014 after the consolidation of the Managing
Authority (and its further centralisation within the Ministry of European Funds) as well as after the standardisation of salaries for staff and the further clarification of the programme’s procedures. Finally, the authorities started to cultivate a more open and transparent relationship with the programme’s final beneficiaries. With all this, many of its OPHR-RO’s problems tended to persist. Due to its mismanagement, it was one of the OPs which faced one of the highest levels of financial sanctions from the European Commission. Overall, a combination of weak administrative capacity, the negative level of political interference and some of its problematic final beneficiaries, often politically affiliated, affected the general absorption performance of OPHR-RO. In this respect, political factors can account for some of the programme’s administrative and strategic deficiencies and, ultimately, for its low level of absorption.

As compared to the above, the Regional Development OPs presented some advantages. First and foremost, it benefited from the political nature of its beneficiaries and the fact that, in both countries, central level governments sought to maintain strong relationships with local networks of politicians. This could partly be explained by the fact that the former rely on the political infrastructure provided by the latter at the local level. However, this relationship had a specific cost attached to it. It implied multiple problems in terms of public procurement which affected the programme’s implementation. This will now be more thoroughly discussed in the next section, which summarizes and discusses the final set of case studies. Equally, it underlies the strong interaction between administrative capacity and political factors and how these shaped two stages of the absorption policy process.
8.1.2 Insights from the absorption policy stages: administrative capacity and political factors reloaded

The empirical analysis revealed that the relationship between administrative and political factors equally manifested at a more dynamic operational level, namely in several stages of the absorption policy process. Two stages were examined more in-depth in this thesis in order to trace the factors affecting them. First, the evaluation and selection of projects is a vital stage. If problematic projects are selected, then these are likely to have strong repercussions. For instance, this was one of the reasons for the low performance of the OPHR-RO. Second, through the procurement phase of the implementation stage, final beneficiaries acquired different goods or services to implement projects. This was one of the most problematic areas for EU project implementation and in particular for infrastructure oriented programmes. Apart from the role played by the authorities, an additional set of actors, in particular project applicants and/or final beneficiaries, were involved in these stages. The interaction between all these actors affected the level of CP performance achieved in the two countries in several ways. The main findings from the two policy stages examined are now outlined below.

First, with regard to the evaluation, selection and contracting of projects (in short, the selection stage), the analysis has shown that problems were equally of an administrative and political nature. Several more general issues require emphasis. Firstly, it must be stressed that each Operational Programme faced its own thematic and specific problems. Therefore, regional development programmes which were tailored for the needs of local public municipalities, or Transport/Environment programmes addressing large infrastructure projects, would be different from programmes such as Human Resources/Economic Competitiveness that catered to a wide number of private beneficiaries.\textsuperscript{138} Secondly, approximately 10% from the contracted EU-funded projects were terminated or suspended in both countries. Although it is difficult to draw any conclusions on this data alone, the authorities have suspended many projects due to irregularities, mismanagement or the overall lack of technical and financial capacity of beneficiaries to implement their initially contracted projects. The latter revealed that there were frequent gaps in the evaluation and

\textsuperscript{138} The different type of applicants targeted by OPHRs/OPECs meant that, in both countries, there was a higher degree of competition for accessing funding from these programmes.
selection of projects, given the authorities (or the independent evaluators employed by some programmes) could not assess the financial or technical feasibility of these projects.

From an administrative capacity point of view, the selection stage coincided with a period in which institutional, bureaucratic and human resources capacities were still under development. Moreover, the different procedures and selection criteria developed under the responsibility of the Monitoring Committees overseeing the programmes. Second, the experience of public authorities was limited and, in order to ensure the integrity of the process, some Operational Programmes decided to use external independent evaluators. However, there were delays in contracting firms and some independent evaluators had poor qualifications. All these had strong implications for the general evaluation and selection of projects.

Two different Operational Programmes (funded from the European Social Fund) had similar problems in this area. The Bulgarian Administrative Capacity Operational Programme (OPAC-BG) and the Romanian Human Resources Development Operational Programme (OPHR-RO) faced similar problems, in terms of selection and evaluation, during the first years of the 2007-2013 implementation period. For both programmes, there was evidence of political interference at the selection stage. This manifested itself in two distinct ways. Firstly, there was some evidence of politicised senior management and of potential high level political interference, from Ministers / State Secretaries with the scope of loosely enforcing selection related rules. The case of the Romanian OPHR, where a former minister interfered with the programme’s rules and transparency clauses after it was alleged that his wife benefited fraudulently from projects, was a telling example. Secondly, there was evidence that several politically affiliated firms, NGOs or foundations received funding, despite their lack of experience. The case of the Bulgarian OPAC, showing that several political foundations benefited from funding, was highly relevant (CSD 2009; Spendzharova and Vachudova 2012).

These programmes were selected in light of the similar patterns of problems affecting their selection stage. Initially, the Human Resources Programmes were evaluated for this, however, there was no evidence of any political interference in the Bulgarian OPHR. This prompted the need to examine a similar programme as to compare and contrast it to the Romanian OPHR. For this aim, the Bulgarian OPAC was chosen given that the similarity of problems affecting it.
All in all, there were common patterns of problems which affected the selection stage in both Operational Programmes. These were partly linked to administrative capacity deficiencies, but more notably, had to do with issues of political interference. Nevertheless, there were also some notable differences regarding the evolution of these programmes. The administrative capacity of the Bulgarian OPAC improved dramatically after the programme was reorganised and moved to the Ministry of Finance starting with 2011 (EC Head of Unit #2). By contrast, the multiple issues that affected the Romanian OPHR persisted for several years. Given their systemic nature these could not be easily addressed. In essence, the interaction between administrative capacity weaknesses and negative political interference allowed for severe bottlenecks to develop at the evaluation and selection stage of the absorption policy process, which triggered some of the main problems of OPHR-RO.

The second policy stage evaluated focused on the public procurement phase of the implementation process. The analysis looked specifically at evidence from OPs implemented from two Structural Funds (European Regional Development Fund and Cohesion Fund). For the implementation of most ERDF/CF projects, public procurement is an important phase of the implementation stage. As frequently outlined in different primary and secondary sources, public procurement was one of the most problematic stages in general and accounted for the highest level of irregularities found in EU-funded projects (OLAF 2013; Dimulescu et al. 2013; Stefanov and Karaboev 2015; IPP 2015; Tănăsoiu 2015). Irregularities in public procurement resulted from a mix of administrative and political factors which manifested themselves at the central management level and at the local level of implementation.

In terms of administrative capacity, the public procurement systems of both countries were, at least in the first years after accession, highly deficient and unable to comply with EU procurement law. There were considerable problems in terms of administrative capacity for both central level authorities (e.g. Managing Authorities / Procurement Agencies) and local Contracting Authorities (e.g. Municipalities, Regional/County Councils). On the one hand, the legislative basis for procurement was highly problematic with legislation being updated several times in both countries.
and requiring an extensive accommodation period in order for it to be internalised by domestic actors. On the other hand, the relationship between Managing Authorities – Contracting Authorities – Contractors and Procurement Agencies / Control bodies (e.g. Audit Authority) was specifically problematic when it came to public procurement. At the institutional level, this meant that there were often conflicting interpretations of legislation and divergent official opinions were issued, by the different institutions, to final beneficiaries on how to adequately conduct procurement procedures.

Procurement was a highly politicised dimension of the implementation process. This was partly because procurement was the main tool for public policy interventions, at the local level and often a primary source for rent-seeking and institutional, corporate or personal enrichment. Moreover, procurement was frequently used by local and central politicians in order to advance their political agendas. Findings from both countries revealed that many of the problems in procurement resulted from the violations of tender processes by using discriminatory and restrictive selection and awarding criteria for tenders, disqualifying competitors for minor errors or by accelerating / amending tender procedures without any real justification. Therefore, there was strong qualitative evidence for allegations that administrative and political officials, mostly at the local level, sought to allocate procurement contracts in a preferential manner through collusive bidding schemes. This was often done in exchange for material gains, such as bribes or payments, which would be used for personal or for political party financing. Such practices affected the implementation in the different Operational Programmes examined (Regional Development / Environment). Finally, the high number of complaints and appeals lodged by different economic operators, along with regular “bidding wars” between contractors, were a symptom of the highly divisive economic and political atmosphere surrounding procurement. When systemic evidence of procurement irregularities was uncovered, EU institutions often requested punitive sanctions in the form of financial corrections. Despite these sanctions being controversial, they partly managed to curb irregularities and to reduce potential corrupt behaviour on procurement. Finally, it

\[140\] Many local authorities where often successful in contesting financial corrections in national courts of law.

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was more difficult to underline specific procurement related differences between the two cases.

Table 33: Final assessment of case studies – absorption process stages

<table>
<thead>
<tr>
<th>Absorption policy process stages (including OPs assessed)</th>
<th>Administrative capacity</th>
<th>Political factors</th>
<th>Overall analysis (based on qualitative evidence)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selection-BG (Administrative Capacity OP, OPAC-BG)</td>
<td>Low (in OPAC-BG Managing Authority during 2007-2011)</td>
<td>Negative in OPAC-BG (especially during 2007-2011)</td>
<td>Problematic, but overridden when administrative capacity improved and positive when negative political interference was removed.</td>
</tr>
<tr>
<td>Procurement-BG (Regional Development OP, OPREG-BG &amp; Environment OP, OPENV-BG)</td>
<td>Medium (in central OPREG-BG and OPENV-BG) &amp; Low (in local Contracting Authorities)</td>
<td>Positive (strong coordination role of Bulgarian Procurement Agency) &amp; Negative (in local procurement for OPENV-BG and OPREG-BG)</td>
<td>Procurement visibly affected the performance of the Environment and Regional Development OP and was the primary source for irregularities and reason for funding interruption / suspension in both programmes.</td>
</tr>
<tr>
<td>Procurement-RO (Regional Development OP, OPREG-RO)</td>
<td>Medium (in central OPREG-RO) &amp; Low (in local Contracting Authorities)</td>
<td>Negative (at central level – politicised opinions from Procurement Agency) &amp; Negative (in local procurement tenders among OPREG-RO beneficiaries)</td>
<td>Procurement visibly affected the performance of the Regional Development OP in Romania and was the primary source for irregularities and main reason for funding interruption / suspension.</td>
</tr>
</tbody>
</table>

Source: Author’s creation.

One point, however, can be made on the dysfunctionalities of the Romanian procurement system. There were persistent disagreements between central and local level authorities on the rules and methodologies to assess procurement or irregularities. Moreover, the potential politisisation of the Romanian Procurement
Agency (ANRMAP) had considerable consequences for the functioning of the domestic public procurement system.

Many of the issues regarding the selection of and procurement for EU-funded projects mirrored those encountered by the Bulgarian and Romanian managing and control institutions when managing EU funding more generally. First, one can note administrative capacity deficiencies in terms of institutional, bureaucratic and human resources capacity (e.g. the poor levels of expertise in Contracting Authorities to deal with the highly legal and technical area of procurement). Second, different degrees of political interference affected these stages such as distributing projects to politically affiliated firms or NGOs or awarding procurement criteria to politically favoured bidders. Such practices, brought to light the often highly politicised dimension of public spending in both countries. This does not apply solely to EU funds but, more generally, to public funding schemes. However, the levels of control for EU and national funding functioned according to different logics which made the former subject to stronger control mechanisms. As a result, many of the identified irregularities subsequently had to be addressed through financial sanctions. Overall, it was the interplay between administrative capacity deficiencies and negative political interference that could explain the main problems which emerged in the two examined stages of the absorption policy process.
8.1.3 Overall assessment of administrative capacity and political factors

The following section summarizes and discusses the main findings with regard to the core independent factors used in the analytical model of this thesis. It does so in a comparative manner drawing on the analysis within and between the main in-depth case studies, as well as on the results of the qualitative software analysis (Annex C). The section discusses how the general interaction between administrative and political factors might explain issues of capacity and performance and the governance of EU funding in the two countries. It outlines some of the empirical inter-relationships between the factors analysed and contrasts them to the initial working assumptions / hypotheses. This is followed by a more theoretical discussion of the findings in section 8.2.

Before scrutinising each factor individually, three wider contextual findings must be outlined and discussed. Administrative and political embeddedness (Surubaru 2016b) can be defined as the anchoring of institutions responsible for EU-funding within domestic public administrations. This was the background, and chosen institutional setup, in which structures responsible for EU funding had to function. In other words, the institutional environments in which Managing Authorities / Intermediate Bodies activated in had a deep effect on their capacity and performance. In addition to this, the pre-accession period has had an important contextual significance on the ability of institutions to deal with the flow of EU funding following the accession period. These factors manifested themselves in several ways.

First, administrative embeddedness can be understood as the bureaucratic (procedural) and human resources dependence on host institutional structures. The functionality of these managing institutions cannot be detached from the overall framework of partially reformed post-communist public administrations. Many of the latter favour strong politically driven central level ministries and are characterised by a “culture of control and not of cooperation” (Romanian Public Manager #1). Given that Managing Authorities and Intermediate Bodies were Directorates in the different line ministries they often lacked a certain level of operational independence and had to abide to the internal formal and informal rules of these institutions. Moreover, they often had to make use of their hosts’ infrastructure for a variety of situations (e.g. legal,
administrative, human resources related). There were strong correlations between the levels of supportiveness within different ministerial hosts and the administrative capacity of different Managing Authorities / Intermediate Bodies. Two examples from Romania were highly telling in this regard. On the one hand, there was often weak support found in the Ministry of Labour and Education for the structures dealing with the Romanian Human Resources OP which affected their functionality. On the other hand, and by contrast, the quality of internal support provided by the Romanian Ministry of Regional Development for OPREG-RO and OPAC-RO had a positive impact on the programmes performance (Director General in Romanian Ministry #1; Director of Romanian Managing Authority #2). Administrative embeddedness entails a certain level of inter-dependence between regular civil servants and those administrators working specifically on EU funding. The latter had to frequently rely on the support of the former but, given discrepancies in status and financial remuneration, there were often tensions and animosities between the two categories of civil servants. One concrete example, in this sense, was the Bulgarian Central Coordination Unit, which was included in the Bulgarian Council of Ministers, and had to rely on the latter’s’ civil servants for its day-to-day activities related to the national coordination of EU funding (Head of Unit in Bulgarian Central Coordination Unit #1).

Second, political embeddedness can be seen as the dependency of EU funding administrators on national and local political representatives. This could have been for a variety of different reasons. Very often, in both Bulgaria and Romania, administrators lacked judicial personality and most decisions, even minor administrative ones, required approval from political representatives. On the one hand, this increased the dependency of administrators on politicians and slowed down the absorption process. On the other hand, it pointed out that very often administrative dysfunctionalities had a strong political origin. It confirmed the importance played by the political element for the overall governance of the funding.

Third, the experience accumulated by the different institutions involved in this process, during the pre-accession period, was a good predictor of their future performance. The pre-accession period offered an initial setting of training and development for the different institutional actors later involved in SF management. Therefore, those institutions that accumulated experience in the management of pre-
accession funding seemed to have an advantage when it came to developing their ability to handle the procedures related to SF. This was the case given that some institutions (e.g. Bulgaria and Romanian Regional Development Ministries) had managed to ensure continuity in terms of institutional structures and staff between the pre- and post-accession period. Prior experience proved beneficial for those Managing Authorities that incorporated various departments or staff that have dealt with PHARE or ISPA funding. In essence, this allowed a process of already developed expertise to be transferred and retained in new institutional settings. By contrast, institutions which had no prior experience with coordinating and using EU funding were much weaker, following accession, in terms of dealing with the pressures of SF absorption. This enables the argument that the pre-accession period represents an important contextual factor. Despite the multiple differences between the types of funding specific to each period (pre- and post), having acquired prior experience meant that some institutions, and some of their key members, became more familiar with the general exigencies of EU funds management and internalised various frameworks and principles, which were not often used in domestic funding schemes. Therefore, the pre-accession factor has had a positive influence on the administrative capacity of several of the institutions. More globally, this meant that prior contact, between national and EU stakeholders, was beneficial to the former in terms of developing a basis of knowledge and acquiring experience relevant for administrative capacity development. Nevertheless, as will be discussed in the following sections, post-accession evolutions proved more relevant in this respect.

Based on the main insights derived from the empirical analysis, the main factors and indicators, used to collect and analyse the evidence in this study, are now discussed in relation to the initial working assumptions (Chapter 2.4, Table 2). Administrative capacity related factors were a necessary, but not sufficient condition, for explaining overall issues of absorption capacity and performance. Administrative capacity does represent a *sine qua non* condition which countries cannot eschew if they seek to effectively use external financial assistance.
The role of administrative capacity for SF absorption

First, with respect to institutional capacity (ADM1), the question was whether or not the countries had set up the right institutional arrangements to manage the flow of EU funding. Indeed, a functional institutional design (ADM1a) might facilitate the use of internal resources to manage EU funding. For instance, the OPREG programmes were optimal examples in this respect and benefited from a functional interaction between central Managing Authorities / regional Intermediate Bodies. By contrast, the Romanian OPHR was highly dysfunctional, specifically due its inadequate institutional structures and the poor formal division of labour between them. In terms of institutional coordination (ADM1b), problems of cooperation and coordination are very specific to most post-communist public administrations. However, it seems that a more centralised institutional model, in which Central Coordination Units play an active role could add value to the EU funds coordination process. Finally, with regard to institutional accountability (ADM1c), poor levels of transparency and communication with beneficiaries did affect the relationship between Managing Authorities and other stakeholders. The lack of transparency and responsiveness from several Managing Authorities examined (OPHR-RO, OPEC-RO, OPAC-BG) was an indication of a dysfunctional institutional capacity and provided further evidence of the specific problems administrative and political constraints faced by some of the bodies, with a direct effect on their performance. Nevertheless, as institutions increasingly gained experience with SF they tended to be more open and confident in their approach towards EU funds beneficiaries. One could argue that this implied a process of institutional learning and development which, indeed, required several years to establish.141

141 The level of responsiveness was potentially a more valid indication of the capacity of these institutions to be accountable for their work, in relation to the beneficiaries and the general public. Transparency levels increased in the context in which many of the Managing Authorities and Intermediate Bodies were under pressure to make more transparent information of public interest on the execution of different Operational Programmes, primarily in order to defuse suspicions on irregularities or conflicts of interests. On the one hand, although levels of transparency increased throughout the implementation period examined (2007-2013) in several institutions this doesn’t directly imply that their overall institutional ability to manage the funding has improved. On the other hand, in some isolated cases, a higher level of transparency, although beneficial for beneficiaries and the general public, translated in more problematic situations or additional workloads for some Managing Authorities (e.g. OPHR-RO) which would in turn affect the implementation of their Operational Programmes. As discussed further in this chapter many deficiencies in terms of institutional capacity reflected defective politico-administrative relations and the way in which political structures did not adhere to various principles, such as accountability.
Equally, political factors did affect the development of these institutional capacity components. Firstly, the decision to include Managing Authorities and Intermediate Bodies in line ministries was political. Officially, the aim was to politically hold to account these institutions. However, based on some of the evidence gathered, it can be argued that a certain level of political discretion was built into the different Managing Authorities. Hosting a Managing Authority was highly desirable for the different ministries because of the financial and political capital that came with managing EU funding. Secondly, there was sufficient evidence to argue that political conflicts generated processes of institutional mis-coordination. The collision between the Bulgarian ministry of Labour and the ministry of Education managing different parts of the Human Resources OP was an illustrative example in this sense. Moreover, the fact that institutions were unwilling to open up towards external actors in the first few years reflected other structural problems, especially in terms of political and administrative transparency, within the public administration of the two states. Overall, based on the empirical analysis, there was sufficient evidence to partly validate the initial theoretical claim regarding institutional capacity \((H1: \text{Institutional mis-coordination and non-accountability have a negative impact on administrative capacity and on absorption performance})\). Indeed, poor levels of institutional coordination and accountability affected the overall administrative capacity of these countries to manage EU funding. As stated, the main difference between the two countries related to the central coordination of the EU funding process. To achieve this, the Bulgarian institutional model seemed fit for purpose. This was also due to a stronger political mandate conferred on the political minister coordinating SF. Such a move was replicated by the Romanian authorities with strong delays. One could argue that the political centralisation of EU funds management matched the structural and operational nature of post-communist administrations in the two countries and constituted a reasonable option for the management of EU funding.

Second, bureaucratic capacity \((ADM2)\) is an essential component of administrative capacity. The question was whether or not states have had the necessary legal and procedural infrastructure to manage EU funding. This dimension included some other indicators such as the use of electronic management systems, management methodologies or the extent to which selection and monitoring procedures were
burdensome for those operating with (administrators) or being affected by them (final beneficiaries). Several findings indicated that the attainment of a functional bureaucratic capacity was particularly problematic. Firstly, there was initially little alignment between EU and national legislation on different accounts ranging from eligibility of expenditure for EU-funded projects to public procurement. In both countries, it took several years (and constant updates of legislation, rules and procedures) in order to reach a level of legal and procedural harmonisation and maturity which would ensure a functional system for EU funds use. With all this, legal and procedural simplification seem to have been initiated much earlier on in Bulgaria. By contrast, the Romanian authorities were confronted with constant changes which sparked strong contestation and criticism, on the ground, from different EU funds stakeholders. Secondly, there was evidence to suggest that the electronic management systems and internal management procedures functioned better in Bulgaria than in Romania. Finally, there was a strong tendency, in both countries, to engage in “gold-plating” practices (KPMG et al. 2011). The authorities imposed a significant number of additional controls which prompted an excessive wave of verifications and checks on final beneficiaries. Very often, such verifications consumed important institutional and human resources and affected the different stakeholders involved in the absorption process.

The reasons for adopting such excessive control mechanisms were multiple. In essence, in light of the emerging problems with the implementation of EU-funded projects, national authorities sought to demonstrate to policy-makers in Brussels that they have the situation under control. Moreover, additional controls reflected the administrative culture of bureaucratic “rubber-stamping” which was representative of the wider workings of the public administration in the two countries. These revealed a lack of confidence and capacity from the administrators’ side to deal with situations arising from the management of EU funds and in interaction with external actors. In light of the empirical analysis, the initial working assumption on bureaucratic capacity was found to be irrelevant (H2: The higher the number of administrative and legislative procedures a country has the lower the administrative capacity of a country will be). The Romanian case provided some evidence to suggest that a high number of legal and administrative procedures (e.g. high number of implementation instructions issued by different Managing Authorities) revealed a gap in the
management of EU-funded projects. However, the number of administrative and legislative acts is not relevant, as long as it is clear for all stakeholders what the rules and procedures are and if they function in practice. Again, one potentially significant difference between the two countries was that the Bulgarian authorities adopted a timelier decision to simplify the different procedures used for EU funds and to introduce a more uniform set of administrative documents. Political agents played an important role in addressing the often chaotic legal and procedural infrastructure used for EU funds during the first years of implementation. For instance, the differences between the Bulgarian OPHR and the Romanian OPHR were partly explained by the fact that politicians did not do more to simplify the extremely bureaucratic procedures affiliated of the latter. All in all, in both countries, the legal, procedural and bureaucratic procedures and tools used constituted a very relevant, and often highly problematic, dimension of administrative capacity.

Third, human resources capacity (ADM3) was one of the, if not the most, important dimension of administrative capacity. This was reflected within the case studies and also in the wider qualitative software analysis carried out (see Annex C). Firstly, the numbers, expertise and incentives of staff employed in MAs/IBs and the other institutions involved in the management, control and implementation of EU funds were crucial. Unsurprisingly, institutions, where staff had a good level of experience and expertise, benefited from training and professional development, and who received a competitive remuneration, tended to have a higher capacity. By contrast, where structural differences existed, specifically in terms of financial incentives, as well as limited training opportunities, staff did not develop the ability or the willingness to deal with complex problems related to EU funds management. This was well illustrated by the problematic case of the Romanian Human Resources OP where financial and workload discrepancies affected the morale of administrators. Moreover, an important difference between the two countries related to the use of technical assistance funding to incentivise and develop the capacity of staff working in managing and control institutions. Again, political agency played an important role, with Bulgarian authorities being faster in using TA funding to achieve this (Surubaru 2016a).
Secondly, the role of external stakeholders proved to be highly significant. There were mixed interpretations concerning the role of consultancies for EU funds implementation. Some consultants did contribute and supported EU funds applicants and final beneficiaries whilst others added to the numerous problems identified in this area. However, the role of final beneficiaries and the way in which they facilitated, or hampered the implementation process was even more relevant. As discussed in Chapter 7, time and again, final beneficiaries were behind some of the serious deficiencies found in different Operational Programmes. This proves that it is insufficient to examine only the capacity of state institutions, but equally that of final beneficiaries and their role in the absorption policy process and for the countries’ absorption performance. The highly challenging implementation of human resources projects (in Romania) or dealing with public procurement by local level municipalities were a testament of the disruptive force that beneficiaries could have on the overall absorption, and indirectly on the performance, of these countries. There was, therefore, sufficient evidence gathered to validate the initial working assumption regarding human resources capacity (H3: There is a positive link between the expertise and incentives of administrators to manage Structural Funds. The higher the two are the higher the absorption performance of a country will be.) Indeed, there is a strong link between expertise and incentives (equally highlighted in Annex C, given the strong correlation between human resources capacity and incentives). A low degree of incentives (e.g. financial / professional) influenced staff turnover and affected administrative capacity development. Furthermore, the fact that national legislation often capped the remuneration for EU funding staff was a core shortcoming for the development and retention of human resources in the institutions managing and in the public bodies implementing SF. Lastly, it must be noted that positive political interference could strengthen the development of human resources capacity within both countries.

Fourth, territorial capacity (TER) proved to be an extremely pertinent intervening factor. TER meant capturing the way in which the capacity functioned at the regional and/or local level and the extent to which the diverse territorial configurations and settings might affect the overall management and implementation of EU Structural Funds in the two countries. Several interesting findings were uncovered from the empirical analysis. Firstly, contrary to what was initially expected, a high level of
decentralisation may not have necessarily yielded positive results for EU funds management and implementation in the two countries. In both countries central governments retained most prerogatives for the management of SF. Yet, the general evidence seemed to suggest that a centralised approach tended to be more functional in both Bulgaria’s and Romania’s case. Consequently, there was no evidence found to support the claim H4a: A higher level of decentralisation has a positive impact on the absorption capacity and performance of a country. The highly centralised political systems of both countries and the enshrined practices of the public administrations might have fitted the management of SF. Interestingly, in Bulgaria’s case, the centralised systems translated into a more effective institutional system where many local Intermediate Bodies acted as local branches of the different MAs. This enabled a stronger coordination with Sofia (as was the case for the Human Resources and Regional Development OPs). In Romania, the most functional institutional relationship was that between the Managing Authority for the Regional Development OP and the Regional Development Agencies, which acted as the programmes’ main Intermediate Bodies (World Bank 2013). Other OPs operated using their own regionally based Intermediate Bodies. The high number of these institutions and the shallow coordination from Bucharest resulted in severe management problems (Zaman and Georgescu 2009; Patenaude 2014). Overall, it is not clear whether or not a decentralisation/regionalisation process would contribute towards improving the management of EU funding, in light of the lack of such a scenario being possible in the next few years in the two countries.

Secondly, the territorial tiers involved in the implementation process seem to matter. Again, in Bulgaria’s case there were fewer administrative and political tiers (Central – Municipal / Local) involved in the EU absorption process as compared to Romania (Central – County/Regional – Municipal/Local). The meso County Council administrative and political level often added to the complexity of the implementation process in Romania. As final beneficiaries and regional administrators, County Councils could influence politically the absorption process. By contrast, the Oblasti

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142 Some Romanian interviewees did argue that a further decentralisation of the system, by adopting regional Operational Programmes, could improve the absorption performance record of the country. However, many Bulgarian interviewees’ for instance argued that such a setup may not have a positive impact in Bulgaria simply because it’s highly centralised institutional modus operandi.
level in Bulgaria were not involved, allowing a more direct interaction between central authorities and municipalities.

Finally, the question of potential discrepancies between central and local levels of expertise among staff and beneficiaries remains highly pertinent. Nevertheless, the evidence gathered contradicted the initial expectation (*H4b: A country with low amounts of expertise at the local and regional level of management would have a lower absorption capacity and performance*). In other words, and with some exceptions, many local and regional level stakeholders had a reasonable level of expertise and considerable experience with SF. Despite this fact, the main issue was that staff working in local or regional IBs lacked the formal prerogatives, given that most decisions were legally the remit of MAs in Sofia and Bucharest. All in all, territorial configurations and settings are relevant and could improve the overall administrative capacity of the two countries examined. For this, the coordination between different political and administrative layers would ensure a more functional management and implementation process.

**The role of political factors for SF absorption**

Political factors did play a significant role for administrative capacity development and for the absorption performance achieved within and between the two countries. Insights from the individual factors are outlined in the following.

Political stability (POL1) was a core pre-requisite for both administrative-capacity development and absorption performance. The adverse effects of political instability were reflected, throughout 2007-2013, in the management and implementation of SF. Since the fall of communism, political changes have been a recurrent development affecting both countries. Firstly, political stability was conceptualised as changes of Government and throughout the examined period Bulgaria and Romania had several different governments. Central governmental alteration did have an impact on the management and use of funding given the strong levels of institutional changes that are triggered by political changes. Moreover, local political changes equally had an impact on the implementation of SF. Changes at the municipal level (e.g. new mayors) and different local feuds affected the micro-level implementation of Operational
Programmes. Governmental continuity, at both the central and at the local level, was an essential pre-condition for a more robust approach for managing the institutional resources required for the management of EU funding and for avoiding unnecessary changes that would affect project implementation.

Secondly, political stability was examined in relation to potential political interference in the appointment of staff working in Managing and Control institutions. This meant tracing evidence of political patronage, as developed in the different literatures examining post-communist public administrations (for a recent overview see Kopecký et al. 2012). Whilst political change in general can be regarded as a neutral structural political development, the politicisation of staff appointments or dismissals (especially of senior and mid-level management in MAs/IBs) did have a strong negative impact on the management of EU funding in both countries. Patronage related politicisation varied from one institution to another and from programme to programme.143 Moreover, it must be noted that ideological differences between governments did not seem to matter when it came to patronage related practices.

Political patronage had a significant impact for the management of EU funds. It could indirectly affect levels of staff turnover, given accounts that many managers and administrators chose to leave or were dismissed following governmental changes. In addition, appointing politicised senior staff to head MAs/IBs did affect the managerial performance and the independence of these institutions. All these influenced the levels of administrative capacity that could be attained within several institutions equally reflected by their slow or poor absorption performance. The Romanian OPHR (as well as other Romanian OPs) was a relevant case study in this regard, because they illustrated the impact that political patronage had on management continuity and on the programmes day-to-day operations. Instances of political patronage seem to have been more moderate for Regional Development OPs. Lastly, as shown by the procurement case study, political changes at the level of Contracting Authorities (CAS) had strong consequences for procurement processes and generated considerable delays or problems in this area. Overall, there was sufficient evidence to validate the claim initially put forward on political stability (*H*_5: The higher the level of political

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143 Audit Authorities and Certifying Authorities were less affected by political interference given the more independent and highly technical status of these institutions.
instability and patronage the more likely these countries will have a weak capacity for managing EU funds). High levels of political instability and political interference in appointments or dismissals of staff working in specialised institutions dealing with EU funding damaged the development of administrative capacity and affected the overall governance of CP in the two cases examined.

The empirical analysis has shown that political support (POL2) was an extremely versatile and relevant factor. This was is a key empirical and theoretical insight of this study. Political support could contribute to enhancing the different administrative capacity components and the other processes necessary for the management and implementation of EU funds. Firstly, political support (under the form of guidance or leadership) was a necessary condition for a smoother functioning of the institutions managing external assistance. From a contextual point of view, this can be understood given that the public administration in these countries’ lack a specific level of independence and their work is dependent on political instructions. Most of the administrators managing EU funding required support from political representatives to carry out their activities and, more specifically, to solve the daily problems emerging from the absorption policy process. This was visible at different levels. In those institutions where there was a functional cooperation between political and administrative agents, it was more likely for administrative capacity to develop, at least at a faster rate. For instance, the differences in capacity and performance between the Bulgarian and the Romanian Human Resources OP could be partly explained by this. In the former, the positive input of administrative (Directors) and political agents (Deputy Ministers) could have contributed to the programme’s performance. Arguably, in Romania’s case, the absence of positive political input kept the capacity of the OPHR institutions in an under-developed state.

Secondly, political support in terms of politically prioritisation of the use of EU funding at the highest level of Government was another important condition for an overall absorption capacity and performance. Making SF absorption a top political priority helped administrators to address important shortcomings in the management and implementation of Operational Programmes. Public scrutiny or an increased public awareness of SF could also put pressure on officials to potentially improve the management of SF. More concretely, at the central level, putting the issue of EU funds
absorption on the political forefront and establishing a political figurehead and ministry / portfolio for EU funds yielded positive results in both countries. Again, a core difference between them was in terms of timing. Bulgaria was much swifter in addressing this, partly because the GERB party pledged a stronger use of EU funds during its parliamentary elections of 2009 (Spendzharova and Vachudova 2012). Similarly, starting from 2011, at the insistence of the EU authorities and given its low performance in the area, the Boc/Ungureanu/Ponta governments gradually realised the need for a stronger political mandate for the management of EU funds. The creation of an EU affairs, and later on EU funds, ministerial portfolio had positive consequence for this. Moreover, an increased political awareness on EU funds meant that key bottlenecks (e.g. co-financing, public procurement) started to be addressed at the highest political level. Regional Development OPs provided visible infrastructure projects which in turn generated a high level of political interest among local and central politicians. Often, this would translate in more political support from the central level in order to manage these programmes and address the needs of local political stakeholders. Overall, there was a strong link between politicians’ levels of interest and the management and implementation of EU funding, in both countries, validating the initial claim put forward in this thesis (H6: The higher the level of support from politicians to funds administrators the more likely a country will have a higher absorption performance and a more strategic approach towards the management of the funds). It can be asserted that a higher level of political support and commitment from central governments contributed to improvements in the management and partly to a more strategic use of SF.

Third, the analysis of political clientelism (POL3) meant to scrutinise the question of negative political interference in the selection and implementation of EU-funded projects. In essence, this related to potential issues of corruption and how they could affect the management and implementation of EU funds. Apart from discussing this

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144 The fact that political ministries were established for EU funding was seen by many interviewees in both countries as a key development. This was in light of the fact that previous structures coordinating the use of EU funds had no real political say or weight when it came to discussing these issues in the Bulgarian Council of Ministers or in Romanian Government official meetings. Moreover, the presence of different political agents Plugchieva / Donchev and Orban / Teodorovici with a relatively good understanding of EU funding environments and requirements did contribute towards tackling some of the difficulties found in terms of management and implementation. Therefore, the governance of the funding was strengthened after the establishment of EU funds ministers and, paradoxically, after the further political centralisation of the process.
for each OP case study, chapter 7 scrutinised more thoroughly such links. Political clientelism affected and manifested itself not only in official institutional environments, but equally, at the level of EU funds applicants and final beneficiaries, as well as through a variety of different other stakeholders (e.g. local consultancies). The empirical analysis revealed that political clientelism did have a negative impact on different Operational Programmes.

Firstly, the differences in performance between the Human Resources OPs could be explained by the fact that in the Romanian case a politicised and highly problematic selection of EU-funded projects contributed to many of the programme’s future deficiencies. This was absent in the Bulgarian Human Resources OP (or undetected by both Bulgarian and EU authorities which is unlikely). However, a similar pattern of politicised projects was uncovered for the Bulgarian Administrative Capacity OP.

Secondly, political clientelism did also manifest in programmes with a higher than average degree of administrative capacity. The Regional Development programmes were much affected by public procurement issues. These partly derived from the presence of local level clienteles seeking to benefit from the allocation of tender contracts. Overall, the issue of public procurement generated the highest levels of project implementation irregularities in both countries (Bulgarian Parliament 2011; World Bank 2013; IPP 2015). However, as argued in Chapter 7, many of the problems regarding procurement were not attributable only to local political interference or corruption in the use of EU SF. They were linked with the lack of administrative capacity of central level Managing Authorities (e.g. during the first waves of evaluation and selection of EU-funded projects) or at the level of local Contracting Authorities (e.g. the ability of municipalities to deal with tender contracts). Nevertheless, the politicisation of procurement was partly detected by the different levels of control and audits. In addition, many Bulgarian and Romanian municipalities were sanctioned with financial corrections for violations of procurement legislation.

Having noted the above, there was sufficient evidence to validate the initial working assumption on political clientelism (H7: The higher the presence of political clienteles and “interest cartels” involved in the distribution and management of EU funds the more likely these countries will have a weak capacity and overall absorption
performance). Political clientelism manifested itself primarily at the selection and implementation stages of the absorption policy process and it revealed the willingness of different stakeholders (politicians, administrators, municipalities, private firms etc.) to seek illegal profits from the distribution of EU funding. With all this, it is no way claimed in this study that political clientelism, or domestic levels of corruption, are the single most important factors explaining deficiencies in EU funds absorption performance.145

The role and relevance of the EU factor

The European Union (EU) factor proved extremely relevant. On the one hand, this is because Brussels is directly involved through the principle of “shared management”, enshrined in EU regulations, in the governance of Cohesion Policy in its member states. On the other hand, Brussels exerts considerable technical and political leverage on the governance of the funding. Therefore, the way in which the relationship between Brussels and Sofia / Bucharest unfolds could have a considerable mark for the on the ground delivery of the aid. There were several concrete ways in which Brussels interacted with the two countries. Firstly, given its role as Cohesion Policy primary architect and designer of its interventions, Brussels indirectly has considerable influence on the design of national implementation structures. More concretely, the different Directorate General (DGs) from the European Commission, in particular DG Regio and DG Employment, were directly involved in providing technical assistance to the Bulgarian/Romanian institutions responsible for the management of SF. Most interviewees highlighted that the technical support received on a daily basis from EU policy-makers was beneficial, especially given the lack of experience during the early years of implementation.

Secondly, the EU, in particular the European Commission, seeks to ensure a fair and regular use of the funding and is the final authorising agency for payments. Apart from

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145 Other measurements of corruption and political clientelism in relation to EU-funded procurement have been recently undertaken using quantitative methodologies (Fazekas et al. 2013; Stefanov and Karaboev 2015; Dimulescu and Doroftei 2015). The insights of these studies correspond to a large extent with the findings of this thesis and account for the presence of strong political vested interests surrounding public procurement contracts. However, this thesis sought to refine the understanding of clientelism/corruption and its impact on the use of SF by pointing out that poor administrative capacity has equally allowed for such interferences to take place.
coordinating with the national Audit Authority and Certifying and Payment Authority on the control of the funding, it conducts its own audits into how SF are used. It was following extensive audits in 2010-2011 that many of the problems concerning management verifications and dysfunctional control systems of the different Romanian OPs surfaced. Following such audits, the EC was able to interrupt or suspend payments to national authorities. These decisions acted as a strong incentive for national authorities to start addressing shortcomings. Thus, they potentially had a positive impact on institutional and administrative related developments. When the level of irregularities identified by the EU authorities were systemic, the latter could apply financial sanctions to national authorities mainly under the form of financial corrections. Equally, these acted as a strong incentive for improving the use of EU funds. However, both the results of audits and the application of financial corrections were more controversial aspects governing the relationship between member states and the EU. As seen in the case of different national Operational Programmes, financial sanctions have a significant impact on the overall level of financial absorption, primarily because it entails that member states had to pay back funding which was already paid to several beneficiaries. Financial corrections were frequently contested by national authorities and the different EU methodologies for corrections and for interpreting irregularities (e.g. on public procurement) were often criticised by national stakeholders. Although they did have a deterrent effect, this was arguably limited.

Finally, the relationship between the EU and national authorities (concerning the use of EU funding) was highly political at times. The controversies sparked by the interruption of payments or financial corrections could easily become politicised, given that they received considerable coverage in the press and were subject to public scrutiny. As a result, political measures were adopted by both the EU and national authorities, in order to address this at the highest possible political level (Commissioners/Prime-Ministers/Ministers). On the ground, several interviewees perceived that the EU adopted a harsher approach or attitude towards the Bulgarian and Romanian authorities, as opposed to older member states were similar problems still tended to occur (e.g. Italy, Greece). All in all, there was some evidence to at least partially validate the working assumption on the EU factor (H8: The more the EU intervenes in the absorption process of a country and it imposes financial sanctions

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it is the more likely that a country reaches a poor level of performance). However, it is not the frequency of interventions from the EU that matters but its magnitude and the extent to which interruptions or suspensions of payments reveal systemic problems on the ground (e.g. OPHR-RO).

Last but not least, macro-economic considerations need to be taken into account when detailing the relationship between the EU and national authorities, as well when seeking to understand issues of financial absorption of funding. The recent financial crisis, which unfolded in 2008, coincided with a drastic reduction in Bulgaria’s and Romania’s GDP and public spending. Austerity measures taken in both countries, and especially in Romania, affected employees’ in the public sector and, most importantly, reduced the financial capacity of the state and that of public beneficiaries to co-finance EU-funded projects. The same issues applied within the private sector were banks were less willing to provide co-financing, guarantees or different loans to potential beneficiaries (CeRe 2010; Expert Evaluation Network Bulgaria 2012). Moreover, the EU’s economic governance principles, in particular the excessive deficit procedure clause of the Stability and Growth Pact (SGP) which states that budget deficits must not exceed 3% of GDP might have had an adverse effect on the co-financing capabilities of both Bulgaria and Romania. This could have consequences for the overall financial absorption attained by the two countries and prompted national governments to seek alternative ways to boost cash-flows and co-finance large infrastructure projects funded from Structural Funds.

Although not uncontroversial, the EU, and in particular the Commission, has a strong influence on national domestic absorption processes. Its role, often unaddressed directly in analyses on the topic, has important consequences for the development of internal administrative capacity. Politically, it can exert its pressure on national governments to improve the management and control of EU funding. Finally, from a financial point of view, the limits imposed by the excessive deficit procedure could have adverse consequences for the ability of these countries’ to actually absorb their allocated Structural Funds. In this respect, the EU’s merits or faults require closer scrutiny in studies that deal with the governance and delivery of SF at the national, regional and local level.
8.2 Theoretical implications of findings

From a theoretical point of view, this study contributes to the increasingly specialised literature on the effectiveness of the delivery systems for European policy implementation, in particular on Cohesion Policy and Structural Funds. Several of its findings connect well with those from similar studies, which focus on the governance of CP in Central and Eastern Europe (Sumpikova et al. 2003; Horvat 2004; Baun and Marek 2008; Zaman and Georgescu 2009; Scherpereel 2010; Dabrowski 2012; Ferry and McMaster 2013; Bachtler et al. 2013a). In seeking to comprehend issues of domestic capacity and performance in the financial absorption of EU funding, this study has employed a novel analytical framework which combines and assess administrative capacity and political related factors.

Although the importance of analyses driven by Europeanisation and multi-level governance has been acknowledged as an important avenue to study CP, this thesis used different theoretical lenses, drawing much more on insights related to administrative capacity and partly on the quality of governance/government debates. In addition, and by contrast to previous operationalisations of administrative capacity (e.g. Milio 2007), this study chose to focus more in-depth on the institutional elements that affect the implementation of the policy, separating them from the specific absorption policy cycle stages. Therefore, the conceptualisation of administrative capacity related only in a minimal way to different policy process stages. As argued elsewhere (see Surubaru 2016a) this might enable a better theoretical differentiation between the capability of the institutions involved in delivering the funding and the day-to-day processes behind EU funds absorption. As a result, this study focused in particular on the domestic factors that inhibited, or facilitated, the development of administrative capacity. The latter was loosely defined as the institutional, bureaucratic and human resources capacity of member states to manage Cohesion Policy.

Furthermore, studies concerned with explaining degrees of success in managing CP frequently examine either the role or influence of administrative capacity or that of governance and the importance of informal institutions. However, there are fewer studies which point in a specific manner the link between formal and informal
administrative and political conditions and their impact on the delivery of the policy (Leonardi 2005; Milio 2007a). One of the main theoretical contributions of this thesis was to bridge the two sets of factors in order to create a robust analytical framework for the analysing the empirical evidence collected. As demonstrated in this thesis, apart from the importance of these states’ administrative capacity, the influence of political factors was substantial and cannot be taken for granted when assessing the delivery of the policy and the use of SF. The implications of these theoretical claims, partly discussed in section 8.1.3, are briefly addressed in relation to the second research question of this thesis: How can administrative capacity and political factors explain this variation in absorption capacity and performance? When answering this question other important contributions to the specific debate on CP and SF are taken into account. Finally, section 8.2.3 discusses these points in relation to wider European Studies related debates and other relevant theoretical discussions.

8.2.1 How relevant is administrative capacity for the governance of Cohesion Policy?

Recent studies have been much interested in the role of state, governmental or administrative capacity, and its influence on the ability of countries to use or spend Structural Funds (Milio 2007b; Bachtler et al. 2013; Tosun 2014; Smeriglio et al. 2015). This research has confirmed the overarching importance of administrative capacity related factors. In line with what others have argued, administrative capacity remains a *sine qua non* condition for states to manage CP and their SF (Milio 2007b; Molle 2007; Dabrowski 2012; Bachtler et al. 2013). Nevertheless, it is argued here that administrative capacity is a necessary, yet not sufficient, condition for explaining differences in absorption capacity and performance variation across countries and across time. Several points on administrative capacity require further emphasis.

European Union institutions have strongly emphasized administrative or institutional capacity building during the negotiations with candidate countries’ (Dimitrova 2002; Hughes et al. 2004; Leonardi 2005). It was hoped that institutional changes would help countries deal with the pressures of aligning to EU policies and legislation. Although a large degree of PHARE pre-accession funds were destined to institution-building exercises, the capacity of the institutions responsible for Structural Funds
varied considerably at the start of the implementation period. Moreover, the lack of a coherent conceptualisation of administrative capacity, from Brussels’ side, might have hampered the development of such a capacity at the national and local level (Dimitrova 2002). As recently acknowledged by EU auditors, when Bulgaria and Romania became member states, the responsible institutions were not prepared to deal with the complexity of CP and the flow of SF.  

First, the problem of institutional coordination and highly centralised political ministries was a strong memory of the not so distant past and a consequence of unfinished public administration reforms (Verheijen 2001; Kalman 2002; Bachtler and McMaster 2008). Closely related, human resources policies were dysfunctional and many of the institutions involved with EU funding suffered from staff turnover and the lack of institutional and political stability (Marek and Baun 2002; Scherpereel 2010; Bachtler et al. 2013a; Surubaru 2016a).

Second, administrative capacity and performance in implementing Structural Funds were much influenced by administrative hardships and a considerable degree of unnecessary bureaucratic procedures and burdens, which were found in other countries from the area (Bachtler et al. 2013a). The complexity and problems related to public procurement rules for EU funds implementation have been noted by other studies, also for other countries in the area (Nikolova 2008; Zaman and Cristea 2011; Bachtler et al. 2013a).

Third, administrative capacity development seems to remain a centrally driven process. In this respect, and in line with some of the arguments from the literature (Benz and Eberlein 1999; Bailey and De Propris 2004; Baun and Marek 2006; Bache et al. 2011b), evidence was found to suggest that the implementation of SF has empowered central rather than regional governments. Furthermore, the lack of fiscal independence of local authorities and their dependence on state transfers has affected the implementation process also in light of the weak administrative capacity and co-financing abilities of the latter (Benedek and Horvath 2008; Yanakiev 2010; Marin

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146 Euractiv.com, 13 September 2016, “Romania and Bulgaria were not ready for accession, EU auditors confess”, Available at: https://www.euractiv.com/section/enlargement/news/auditors-romania-and-bulgaria-were-not-ready-for-accession/ (accessed March 2017).
With all this, contrary to what others would argue, the centralised management of EU funds fitted the specific profile of the two countries, and might be a suitable option for implementing the policy in the two countries, in the absence of foreseeable regional structures. As opposed to Poland or even Slovakia, which allegedly had in place more functional regional level structures (O’Dwyer 2006; Scherpereel 2010), Bulgaria and Romania gave a minor role to its regional bodies. Lastly, the “multi-level governance” regime and the subsidiarity principles promoted by the policy (Marks 1993; Hooghe et al. 1996) was deficient, both in Sofia and in Bucharest, given the centralised nature of government and the weak culture of cooperation and dialogue between central and local authorities and societal stakeholders.

Overall, administrative capacity developments presumed a long and difficult process of learning which spanned several years, and which has not yet finished in either countries. Similar conditions were widely discussed in the case of Spain and Italy (Batterbury 2002; Milio 2007a) and more widely in the CEECs as a whole (Paraskavepolous and Leonardi 2004; Dabrowski 2012; Pálné Kovács 2016). However, this learning process had important domestic costs and was hindered by constellations of domestic political and administrative forces. One of the specific contributions of this thesis was to specifically highlight how domestic political factors could often slow down or advance processes of capacity-building in the two countries examined. It did so by evaluating more thoroughly the interaction between administrative and political factors. Consequently, one of the main claims put forward here is that the ability of countries to absorb EU funding is not determined only by structural and institutional conditions but, equally, by the political dynamics behind their management in the relevant institutions and for the implementation of the various Operational Programmes.

8.2.2 How relevant are political factors for the governance of Cohesion Policy?

A growing area of the literature has verified theoretical assumptions on the impact of the quality of governance/government and the ability of domestic institutions and practices to mediate management and investments carried out by CP on the ground (Ederveen et al. 2006; Charron et al. 2014; Rodriguez-Pose and Garcillazo 2015;
Smeriglio et al. 2015). However, it is not clear from this research how exactly the “quality of governance” manifests itself in practice and how domestic political and governance arrangements inhibit or facilitate CP actions and policies. Drawing on the above in-depth qualitative empirical case studies, this thesis argues that we must understand how the interplay between administrative and political conditions could generate a certain outcome with regard to the financial absorption of Structural Funds. In other words, it is the domestic interplay between administrative capacity and domestic political factors, which determine how the policy is governed and implemented at the national level. Similarly to what others have stressed, there was strong evidence to suggest that political factors are conducive to the general development of domestic administrative capacity and for the formal institutions managing the funding (Milio 2007a, 248). Political factors are conducive in the sense that political actors or processes contribute towards weakening or strengthening the specific institutional environment and the wide domestic arrangements necessary for managing the policy (Smyrl 1997; Batterbury 2002; Milio 2008; Bachtler and McMaster 2008). As a result, one of the major theoretical contributions of this thesis was to qualify and assess some of the mechanisms of political interference in CP delivery in new member states, such as Bulgaria and Romania.

Firstly, politicisation under the form of party patronage tends to affect the development of expertise and processes of professionalization in the specific institutions responsible for the funding and is indeed one of the main determinants of staff turnover and instability. This was fairly similar to what other studies have reported in the case of Italy (Milio 2007a), Greece (Chardas 2012) and Spain (Batterbury 2002; Dudek 2005), or more recently for Poland (Bachtler and McMaster 2008; Dabrowski 2012) and Croatia (Antonopoulos 2013).

Secondly, there was some evidence of political clientelism in the processes behind the allocation and use of funding at the central and local level (Scherpereel 2010; Dabrowski 2012; Vant 2012). The largely qualitative data gathered in this thesis tends to confirm some practices of “pork barrel” politics with regard to the distribution of the funding (Bloom and Petrova 2013). At least some of the EU funding was distributed using political criteria and there were clear instances of government
favouritism towards certain municipalities. The case studies on the evaluation/selection, and more pre-eminently on public procurement tended to show that some of the funding was destined to clientelistic networks affiliated to different centres of political power, especially around parties in government. With all this, it is argued here that political clientelism and/or corruption cannot fully explain the problems and evolution of these countries’ absorption performance, and provide a simplistic and incomplete explanation for their weaknesses.

Thirdly, the absorption of EU funding has become a political tool used for domestic political scoring and campaigning as equally noted by others (Spendzharova and Vachudova 2012; Haughton 2014). On the one hand, this has potentially raised public awareness on the issue, bringing the issue of EU funds into spotlight. On the other hand, the politicisation of EU funds spending, and the high level of political interests’ around regional or local projects was bound to affect the strategic and the long-term impact of these instruments on the ground (Ferry and McMaster 2013a, 1500).

Despite the above, one of the key theoretical contributions of this study is to argue that political factors can also have a positive effect for SF absorption. The strong political commitment assumed by the Bulgarian government (Spendzharova and Vachudova 2012; Paliova and Lybek 2014) enabled the mobilisation of necessary resources for administrative capacity development (Surubaru 2016a). Without positive commitment and input from the highest political level, the institutions managing the EU funding could not address their deficiencies. Political actors could use their agency and decision-making powers to facilitate technical, or often political, solutions for funding administrators. This study confirms that political agency or “entrepreneurship” may help alleviate several of the complex processes and bureaucratic procedures surrounding the absorption of EU funding (Smyrl 1997; Milio 2007a). If the absorption of European funds was a priority on the governments’ political agenda, then capacity and performance in delivering CP tended to be higher. This is a highly intuitive relationship which is backed up by the evidence gathered for this study and which can at least partly explain some of the variation between the two countries. This argument falls in line with what is stressed in other studies, namely

\[147\] However, the exact extent cannot be easily measured through qualitative methods and more quantitative methods are required to scrutinise more robustly such correlations.
that the relationship between EU funds administrators and politicians matters to a great extent for internal development processes and, in this case, for the management and implementation of CP (Smyrl 1997; Milio 2007a; Charron 2016). Without a certain “virtuous interaction” (Smyrl and Piattoni 2003; Milio 2007a) and a functional cooperation between the administrative and the political sphere most of the problems regarding the management of the funding could not be addressed. This was especially the case in countries where the political tends to exert control over the administrative branch of government.

Figure 8: Overall relationship between factors

![Figure 8: Overall relationship between factors](source: Author’s creation)

In essence, the above relationship between administrators and politicians could provide a qualitative illustration of the importance of the quality of governance/government arguments and, more widely, on how political factors shape EU CP delivery. In instances where domestic politicians assumed responsibility or developed an important political or economic stake in the use of EU funds it was more likely for the government as a whole to mobilise and adopt the necessary legal or policy related changes required for their implementation. This mechanism could function the other way around. A high level of political control or political indifference could stall administrative capacity developments and the general absorption of EU funding. Even more so, if administrative or political representatives sought to profit from the distribution of EU funding then the ability of domestic institutions to deliver external
aid decreases. The dynamics between administrative and political stakeholders from the two countries was fundamental for ensuring a potentially higher financial absorption and implementation of EU funding. It is in this sense that the central thesis adopted here is that political factors mediate both administrative capacity development and can also influence the processes surrounding the absorption of EU funding (illustrated in Figure 8). Therefore, it is the complex interplay between formal administrative conditions (institutional setup, legal and procedural infrastructure, human resources, territorial settings) and the influence domestic political factors (patronage/support/clientelism) over the latter, and on several stages of the absorption policy process, that may explain variations in the overall absorption performance achieved for CP and SF implementation.

8.2.3 Wider theoretical implications

Before discussing what the above findings would entail in practice for policy-makers at the European and national level, this thesis’ findings can be linked to several debates in political science and European Union Studies. The contribution made to these debates is tangential and secondary in nature, compared to the primary contribution which is to the studies of CP and SF delivery.

First and foremost, this study’s findings have implications for debates on the literature on post-communist institutional developments. More specifically, the case of SF funds management and implementation reveals the persistent institutional and state capacity gaps that potentially affect countries from the area. As widely theorised and discussed by different authors, the shift from a highly centralised to a Western “Weberian” type of meritocratic bureaucracy has been marred by specific challenges (Verheijen 1999; Goetz and Wollman 2001; Dimitrov et al. 2006). Moreover, the conditionality-driven reforms of the public administration promoted in the run-up to accession (Grabbe 2001; Schimmelfennig and Sedelmeier 2005; Dimitrova 2005) have been only partly effective in relation to developing the institutions managing EU funding. Indeed, this was potentially affected by the fact that following EU enlargement, politicians have tried to scale reforms that were carried out in the public administration prior to accession (Meyer-Sahling 2011; Tănăsoiu 2012; Ganev 2013). In this respect, the management and implementation of EU funds could reveal the still
fragile status of the civil service and the wider public administration in the two countries, or potentially in the area as a whole. This is especially the case if we are to consider the relations between civil servants and political masters and the extensive processes of politicisation still unfolding in public administrations. In this respect, domestic political actors could further challenge processes of institutionalisation of EU driven rules (Dimitrova 2010; Sedelmeier 2011; Ganev 2013).

Second, and in close connection with the final point above, this thesis’ findings could contribute to the wide discussions on the relevance of politico-administrative relations and the impact that politicisation has on the functioning of public administrations. Firstly, as theorised by several other authors, these relations have an important bearing on civil trajectories for public administration reforms (Verheijen 2001; Pollitt and Bouckaert 2004). This study confirms that the relationship between politicians and civil servants is not only fundamental for public policy design but equally for the implementation of domestic and for EU developed policies. An insightful stream of the literature on comparative politics, specifically on party patronage, has examined how political agents seek to control the appointments of bureaucrats (Verheijen 1999; Peters and Pierre 2004; Meyer-Sahling 2004; Kopecký, Mair, and Spirova 2012). Although patronage related appointments of staff varied in the different institutions handling EU funding, these had a largely negative impact on the functioning of these institutions. The management of EU funds and the institutional eco-system surrounding the implementation of EU funding has provided new opportunities for patronage related practices and could provide an additional case study for those interested in examining politico-administrative relations (Surubaru 2017). Thirdly, and as stressed throughout this thesis, there was often a component of political clientelism and corruption, which affected the management and distribution of EU funding. Nevertheless, this study does show that political clientelism affected the evolution and implementation of certain Operational Programmes. Equally, these findings might be useful for theoretical discussions on state capture (Hellman 2000; Barnes 2007; Ganev 2008). In addition, they link well to several recent empirical studies which point to the clientelistic exchanges and their strong effects, for instance, on the allocation of public procurement (Fazekas et al. 2013; Dimulescu et al. 2013; Stefanov et al. 2015; Mungiu-Pipiddi 2015; Ghergina and Volintiru 2017).
Last but not least, there are clear parallels between some of this study’s findings and the extensive debates on the factors affecting compliance with EU law (Treib 2014). Firstly, there are strong links with the argument that administrative capabilities and the general administrative capacity of governments can influence the transposition and enforcement of EU directives into national law (Hille and Knill 2006; Börzel et al. 2010). More specifically, the importance of coordination mechanisms at the governmental level has potentially increased the ability of countries to transpose EU directives (Zubek 2005; Dimitrova and Toshkov 2007) whilst, indeed, insufficient personnel could affect the capacity to comply with EU law (Falkner et al. 2004). These were some of the same factors affecting the institutional and human resources systems used by national governments for EU funds delivery.

Secondly, the importance of domestic political factors and politics has been equally acknowledged as important for the transposition of EU directives (Mastenbrook 2005; Dimitrova and Toshkov 2009). This is in line with the general argument made in this thesis that domestic politics must be taken into account more thoroughly in order to understand variation across and within cases on EU funds implementation. Finally, several researchers have shown that the records of compliance with EU law have been relatively high in new member states (Sedelmeier 2008; Toshkov 2008). Similarly, there was no evidence in this thesis to lend support to the argument that CEECs as a whole are more problematic than older member states in EU funds absorption variation, which is in line with other recent studies (Bachtler, Mendez, and Oraže 2013; Tosun 2014; Mendez and Bachtler 2016). Overall, it might be relevant to assess comparatively what “practical problems” (Toshkov 2009) the “world of politics” (Dimitrova and Toshkov 2009) pose for both national patterns of compliance with EU law and for absorption of EU funds. In this respect, both debates would benefit from scrutinising more in-depth the link between formal governmental/administrative capacities and informal domestic political governance and dynamics present in different member states (Surubaru 2016a).
8.3 Normative and policy implications of findings

Having discussed the theoretical implications of the findings, this sub-section continues by addressing more practical and policy related discussions. In doing so, the section provides an answer to the third and fourth research questions: What does the capacity and performance of Bulgaria and Romania to manage Structural Funds say about their overall ability to integrate in the European Union? Moreover, what do the findings imply about the governance of Cohesion Policy and Structural Funds in Central and Eastern Europe? In addition, it discusses potential solutions and proposes some recommendations for policy-makers in the two countries and from the area. Apart from these, the final sub-section deals with potential implications for the way in which the policy is designed in Brussels and some of the lessons that could be learned, by EU policy-makers, from the on the ground management and implementation process of CP and SF.

8.3.1 Bulgaria’s and Romania’s CP governance and their EU integration

When Bulgaria and Romania joined the European Union more than one decade ago they were perceived as “outliers” or “laggards” when compared to their regional peers (Pridham 2007; Noutcheva and Bechev 2008; Papadimitriou and Phinnemore 2008). The decision to allow the two countries to join the EU bloc was mainly political. For its part, Brussels, however, instituted an unprecedented post-accession conditionality mechanism entitled the Mechanism for Cooperation and Effectiveness (CVM) which sought to deal with remaining gaps in judiciary and anti-corruption reforms in the two countries.148 All this meant that EU officials were rather concerned with the state of internal reforms at the time of accession. This was particularly in the general context of an “unfinished transition” which characterised both countries when they became EU member states (Andreev 2009; Dimitrov and Dimitrova 2016). Two other points need to be stressed.

148 Some argued that EU funds also implied a conditionality-like effect (Levitz and Pop-Eleches 2010; Spendzharova and Vachudova 2012).
First, an interesting parallel can be drawn between this study and those seeking to understand the evolution of the CVM in the two countries and why it was, allegedly, more successful in Romania than in Bulgaria (Spendzharova and Vachudova 2012; Sedelmeier and Lacatus 2016).\textsuperscript{149} In short, the reform of the judiciary and anti-corruption measures gained much more ground politically in Romania, starting with 2004-2005, which allowed for considerable processes of institution-building that strengthened the infrastructure of the judiciary (Mendelski 2012; Sedelmeier and Lacatus 2016). Interestingly, as demonstrated in this thesis, the same mechanism applied to the management and implementation of EU funding. However, in this case, it was Bulgaria that was more apt from an administrative point of view to manage SF.\textsuperscript{150} Partly, this was because the issue received considerable political attention and was placed on the top political agenda (Spendzharova and Vachudova 2012; Paliova and Lybek 2014). This ensured an overall functional background via a process of institutional consolidation, procedural standardisation and incentivising human resources (Surubaru 2016a). Therefore, it could be argued that institutions which received higher political support were better equipped, at least from an administrative point of view, to advance the anti-corruption agenda in Romania or EU funds delivery in Bulgaria. Despite the above, important empirical puzzles remain with regard to the two areas. First, the Romanian judiciary and anti-corruption drive has been criticised for the lack of substantive reforms (Mendelski 2012). There is no doubt, however, that at least from a quantitative point of view high-level corruption was addressed much more in Bucharest than by Sofia.\textsuperscript{151}

Second, a strong question mark still remains on the use and impact of EU funds in the two countries. As expected by some (Dimitrova 2010; Ganev 2013), SF have been subject to politicisation and local political and economic vested interests (Surubaru 2017). Nevertheless, the Borisov and Ponta governments did adopt important measures to facilitate the absorption of EU funding. One potential explanation could be that as compared to predecessor governments, the latter two amassed strong political power during their mandates and had the potential to mobilise the

\textsuperscript{149} Several authors would disagree with this point (Gateva 2013; Ganev 2013). However, it goes beyond the scope of this study to discuss these nuances here.

\textsuperscript{150} This is not the same with the impact that Structural Funds have had on socio-economic developments in the two countries. This will require a separate analysis.

\textsuperscript{151} One important caveat is that this has led to an increasing polarization and in-fighting between several Romanian political institutions and the judiciary branch.
administration to achieve this end. They also pledged to use EU funds better and used absorption as a political weapon against their opponents. Moreover, this did not mean that politicians from their own ranks, or from all other political parties and the different cartels or networks affiliated to them, were not interested in the potential distribution of this funding. However, the evidence gathered in this study simply revealed that the scale of inefficiency and abuse was much higher in Romania. In part, this could be because more funds were allocated to Romania than Bulgaria. More substantially, the explanation offered in this thesis related to the strong delays in Bucharest developing the administrative capacity required to implement these funds. Moreover, it could be that SF abuses were hidden within the Bulgarian administration, although no evidence was found to lend any support to this idea.

Finally, the two countries have been net beneficiaries from the EU budget in terms of the transfers that they received from Brussels. Following accession, a certain sense of entitlement characterised political and administrative elites in the two countries. In this respect, SF and other aid was largely perceived by some politicians as a reward for the efforts of joining the community bloc. This potentially had two direct consequences. Firstly, this meant that there was a rush towards “absorption” from these countries governments, ignoring the need to understand the main principles behind SF and to increase the capacity required to implement them. Secondly, SF revealed, in fact, some of the main problems affecting the distribution of public resources in the two countries. For instance, the structural problems with public procurement reflected the overall lack of transparency and accountability in these systems and the consistent tendencies to misuse public money by different political networks. Moreover, deficiencies in administrative capacity have brought to light the state of the civil service, affected by low financial incentives and poor skills, the daily challenges raised by politicisation, as well as the poor strategic and planning abilities of both administrative and political stakeholders.

Several recommendations can be sketched for policy-makers in Bulgaria and Romania. A wider set of recommendations can be outlined first. All future governments should politically commit to acknowledging the vital role of EU

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152 OLAF investigators have revealed in personal interviews that the misuse and abuse of SF spread across all political spectrums.
investment funds for national and local development. Second, in terms of administrative capacity, strengthening the ability of the institutions involved in the process by ensuring them with the necessary resources and stability should be a constant priority for the two governments. This could mean ensuring that all posts in Managing Authorities / Intermediate Bodies are filled, a better use of technical assistance funding and a wider simplification and standardisation of the national rules and bureaucratic standards is undertaken. Third, the political stability of these institutions should be safeguarded against political interference in the appointments of staff working in MAs/IBs and other relevant bodies (e.g. procurement agencies). Moreover, clear criteria could be developed in order to improve the evaluation and selection of EU funded projects, as well as the allocation of public procurement, in order to strengthen transparency and accountability in the use of these funds. Such criteria should equally apply to national funding and local and regional development schemes, which remain vulnerable to political manipulation. Last but not least, stronger mechanisms of interaction are needed between politicians, funds administrators and final beneficiaries. This includes more regular dialogue with funding applicants and final beneficiaries by using civil society platforms (e.g. the Coalitions for Structural Funds) and, more widely, by including academics to independently assess developments in this area.

Bulgarian authorities could try to maintain the coordination abilities of the Central Coordination Unit, avoid the further fragmentation of Managing Authorities in different line ministries, and use technical assistance at the same level as during 2007-2013. Equally, they should ensure that the regional level offices of Managing Authorities continue to function properly and keep experienced experts and staff in place following governmental changes. Finally, a wider operational audit could be carried out to assess the regularity of spending in the different Operational Programmes (2007-2013) and to confirm whether or not the funding, including public procurement, is distributed and used in an accountable and transparent manner.

Romanian authorities should first commit to guaranteeing the stability of the management and control systems and avoid any other radical changes to the institutional system. Second, the Regional Development Agencies should be used much more extensively in the regional and local management of the funding, in light
of their independence and robust capacity. Third, more efforts should be made to ensure that standardised procedures and templates are used, and that legislation and additional rules are interpreted in a standard manner by all institutions and final beneficiaries. This includes improving relations between the Audit Authority, which should avoid excessive demands from its auditees’, and the Managing Authorities. Finally, the Romanian authorities have to improve standards of transparency if it wants to counteract the current mis-perception that most EU funds equal corruption which could have long-term consequences.

All in all, the management and implementation of Structural Funds were a case in point which revealed that Bulgaria and Romania were partly prepared for EU obligations and policy implementation at the start of 2007. Nevertheless, as was argued throughout this thesis, the ability of politicians and administrators to cooperate, assume and commit towards certain policy goals could increase this ability and the integration of these countries in the EU. Moreover, creating a new domestic political consensus, in line with civil society demands and visions, could strengthen these countries’ position as member states in Brussels, particularly in the context of the multiple crises affecting the continent.

8.3.2 Cohesion Policy and Structural Funds governance in CEECs

Having discussed some of this research for Bulgaria and Romania, the final question raised in this thesis is what do these findings imply for the governance of Cohesion Policy in the area as a whole? First and foremost, it must be emphasized that there are clear differences in terms of capacity and the performance between countries from the area with countries such as Estonia, Lithuania and Poland being some of the highest performers in absorbing EU funding during 2004-2007 and 2007-2013 (Bachtler et al. 2013a; Tosun 2014). The latter cross-national analyses have not taken into account empirical evidence from Bulgaria and Romania, which is where this study seeks to make an important empirical contribution. Nevertheless, it must be stressed that it might be misleading to treat the whole area as a block given the important differences between countries. In addition, it must be stressed that not all of the findings on Bulgaria and Romania are relevant for countries in the area. With these caveats in
mind, several points can be made on what some of the findings could imply about the governance of CP in the area.

First, it is clear from the research and wider literature review that are many common problems affecting CEECs in terms of administrative capacity. CP implementation has been subject to institutional instability and problems, excessive bureaucratic procedures or poor and untrained human resources. Although, administrative capacity-building for EU funds implementation is a challenge for both old and new European member states alike (Paraskevopoulos and Leonardi 2004; Baun and Marek 2008; Bachtler et al. 2013a), deficiencies in this area will persist if governments are not willing to commit more resources for strengthening the institutional, bureaucratic and human resources capacities or to address specific problems such as the divergent interpretations of rules by different institutions or violations of public procurement law.

Second, political disagreements and “deadlocks” are still some of the key challenges facing countries from CEECs (Baun and Marek 2008; Bache et al. 2011; Patenaude 2014; Surubaru 2016a). The impact of political factors largely remains unaccounted in the area. These range from the general impact of domestic politics and contestation on CP (Baun and Marek 2008) to using “absorption” as a political tool (Scherpeerel 2010; Haughton 2014) or to a lack of strategic vision from political representatives (Dabrowski 2008; Zaman and Cristea 2011; Bachtler et al. 2013a). Likewise, the politicisation of staff appointments or interferences in the distribution of EU funded projects and tender contracts (Fazekas et al. 2013; Dimulescu et al. 2013; Surubaru 2017). The above constitute some of the key distinctive features of the region and has attracted considerable criticism from EU officials (Surubaru 2016a). In the upcoming negotiations for CP 2021+ arguments regarding the politicisation of funding could be used against CEECs members by the EC and by the net contributors to the EU budget. This is especially the case given perceived fears from Brussels on the rise of “illiberalism” in the area and equally due to resentments on the opposition to EU designed quotas adopted after the migrant crises of 2015/2016.

Third, it is not clear whether a further decentralisation and a thorough application of the “multi-level governance” regime and the partnership principle promoted by CP can
improve the implementation of EU funding, especially in Bulgaria and Romania, or in some of the highly centralised countries from the region. CP implementation does raise further questions on regional governance and processes of regionalisation in the area (Bachtler et al. 2000; Baun and Marek 2006; Ferry and McMaster 2006; Scherpereel 2010). However, EU funds might be used in order to strengthen domestic political agendas rather than lead to a transformation of regional development processes (Palne Kovacs 2004 quoted in Bachtler and McMaster 2008; Ferry and McMaster 2013a). It remains to be seen to what extent regional development processes may advance after 2020, in light of macro-political and economic developments affecting the continent and the potential core-periphery discrepancies that could affect the future of EU integration project.

Finally, one of the implications deriving from the rush towards the “absorption” behaviour found in Bulgaria and Romania, and the extensive level of irregularities uncovered in the latter, brings into discussion the risk of irregular, problematic or even useless EU funded projects (Horvat and Maier 2004; Damian 2013). Moreover, as pointed by others, there is sometimes a trade-off between the ability of countries from the area to manage CP and the actual impact that SF have on the ground (Ferry and McMaster 2013a). Therefore, countries from the area still need to carefully balance an effective institutional management of CP with the socio-economic impact of thousands of SF funded projects, especially in light of the fact that these funds have become the primary source for domestic investments in the area (Palne Kovacs 2016, 306).

In line with the above, several brief recommendations can be made to policy-makers from CEECs. Firstly, the administrative capacity of states in managing Cohesion Policy and other EU funding should be a priority for governments in the area. In order to achieve this, capacity-building measures and exercises need to be developed also using more academic evidence of what potentially works in the different countries and in stronger consultation with the relevant non-governmental stakeholders (e.g. final beneficiaries / civil society representatives). This objective would mean finding a viable compromise between strengthening management and control systems, including dealing with fraud and irregularities, and the bureaucratic pressure that comes from audits and verifications. Second, political elites from the area have to commit towards using these resources as best as possible and to strengthen or simply
allow the institutions that administer them to function free of any negative political interference. Last but not least, the absorption of EU funds is not an end in itself but the means for local and national development. If Structural and Investment Funds are not used to achieve this then it is likely that inter-regional disparities will deepen, particularly in a region which is already deeply affected by migration and demographic decline.

8.3.3 Cohesion Policy governance at the EU level

European Cohesion Policy, and the investment Structural Funds affiliated to it, are among the most evaluated and academically debated EU policies. CP is subject to divergent and thriving theoretical debates. Most of these are structured around the impact and added value that the policy has on socio-economic development. However, a growing literature evaluates the factors affecting the effectiveness of its delivery at the national level. This thesis has concentrated much more on delivery side of the debate, examining the effects of domestic administrative capacity and political governance might have on these processes. This sub-section will briefly discuss the relevance and implications of the findings for the design and governance of EU CP as a whole, outlining several policy recommendations.

The EU enlargement process towards CEECs has undoubtedly challenged the budgetary and institutional dimension of CP (Baun and Marek 2008; Bachtler, Mendez and Wishlade 2013). From a budgetary point of view, new member states such as Poland have been among the highest recipients of SF from all EU-28 members, allegedly, at the expense of older members such as Greece or Portugal. From an institutional point of view, the accession of CEECs has brought new challenges for the policy, in light of the difference in public administration functionality and the varied practices affecting public policy implementation in the area. Since the early 2000s, problems of administrative capacity have often been highlighted by EU officials in relation to countries from the area.153 Several policy evaluations have been tried to

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explain some of the deficiencies in the area (Boeckhout et al. 2002; OIR 2003). In parallel, a growing academic literature has started to unpack the concept of administrative capacity and CP governance more generally (Sumpikova et al. 2003; Horvat and Maier 2004; Bachtler and McMaster 2008; Bachtler et al. 2013a; Smeriglio et al. 2015; Surubaru 2016a). Based on the research carried out for this thesis, several points can be raised on the governance and delivery of CP and SF.

First, there is a tension between the CP governance model designed in Brussels and the national and local implementation conditions. On the one hand, CP is developed using a technocratic approach to institution-building which sometimes ignores local political and governance related conditions (Batterbury 2002; Lang 2003). However, in recent years, place based narratives have become a dominant part of the discourse on Cohesion Policy reforms (Barca 2009; Mendez 2013). These assert the need for locally targeted investments and for taking into account the local economic and institutional contexts in which the policy is being implemented. There is now a stronger emphasis on monitoring and evaluation, and a shift towards effectiveness which would partly be dealt with by governance and institutional reforms (Farole et al. 2011; McCann and Ortega Argiles 2012). With all this, the problems related to governance and delivery raise further questions on the mismatch between the macro-design of the policy and its micro-level implementation.

Second, there is a considerable power-play between EU and national authorities with regard to CP implementation, especially on the issues of irregularities and financial corrections for SF projects. The legitimacy of the latter sanctions are highly contested at the national level revealing tensions between the different stakeholders involved in the delivery of CP. However, the EC has to guarantee the regularity of CP spending and the “shared management” principle entitles it to adopt such measures. As noted there is a clash between the technocratic dimension of policy-design and its domestic implementation, which is often subject to domestic political processes and vested interests. The EU’s ability or tools to counteract the domestic politicisation of CP in CEECs are limited given that members from the area would arguably oppose, when
negotiating the general regulations, any strong EU-level instruments aimed at counteracting SF mismanagement (Surubaru 2017).

Finally, as seen in the case of Bulgaria and Romania, the complex and highly bureaucratic nature of the policy has posed particular problems in terms of policy implementation. In addition to this, the tendency of national actors to add other rules or the excessive audit and verification activities affiliated to CP (Mendez and Bachtler 2011) have had considerable constraining effects on the capacity of all the actors involved in the area. If CP is underpinned by an excessive bureaucratic exercise its potential impact on the ground might be limited.

In light of the above, several concrete recommendations can be made to policy-makers in Brussels. Firstly, the technocratic design of the policy blueprinted by the European Commission should give more consideration to national public administration traditions and developments. As noted by Barca et al., CP has to increasingly take into account the institutional, legal, geographical and political heterogeneity (2012, 144) of member states. Although a “differentiated approach” could be taken into account for future CP frameworks post-2020, this should not be done along the lines of a core-periphery logic. More concretely, CP regulations could emphasize much more on the importance of administrative capacity development and more resources could be invested in this area and the EC could develop more capacity-building exercises. For instance, the current Task Force for Better Implementation setup in the EC’s DG Regio should be extended to DG Employment and should report transparently on the measures adopted by member states. Moreover, EU institutions should avoid the fallacies of “best practices” (Addison 2009) and one size fits all evaluations and indexes. Instead, EU policy-makers could take into account more tailored assessments and more critical input from academic research.

Secondly, EU policy-makers need to take into account the political realities that stem from the implementation of the policy. As argued in this thesis, and by Milio (2007a), the delivery of the policy has to balance out political and administrative elements. Moreover, CP might be ingrained in a democratic paradox where in order to increase its legitimacy the policy would need to be actually be positively politicised at the local level (Olsson 2003). In this respect, the policy cannot be implemented without the
input of domestic political elites. The pressure exercised by Brussels at the political level (from the Head of the EC or the Regional Policy Commissioner) have yielded some positive results for CP delivery. However, political pressure, punitive measures or monitoring instruments should only be used as measures of last resort from the EU’s side. Instead, more effective cooperation and dialogue must be cultivated between the different EC, national and local political and administrative stakeholders, especially outside CP Monitoring Committees. This dialogue could be conceptualised in newly formulated principles for “shared management” and “partnership”.

Lastly, if the policy needs to achieve a certain level of impact it requires further simplification or at least a reduction of the complex measures and mechanisms behind it. Simplification could make the policy more politically accountable and potentially more widely known locally through an increased publicity. During negotiations for the future of EU investment funds, strategic frameworks should seek to accommodate much more local political preferences and local development needs and visions. On a long-term basis, an increased awareness and legitimacy of the policy could improve the quality of the spending. This would ensure that “Cohesion” remains one of the main drivers of the EU in a post-Brexit era.
8.4 Final conclusions, thesis limitations and further research avenues

This thesis has examined the effectiveness of Cohesion Policy and Structural Funds delivery in Central and Eastern European countries. More specifically, it has evaluated the influence of administrative capacity and political factors on the absorption of SF in Bulgaria and Romania, during 2007-2013. Drawing on a review of the literature, on several primary and secondary sources and on original empirical data, the main thesis advanced has been the following: in order to understand how the policy has been governed at the national level, and in particular the level of SF absorption performance, we must account for the domestic interplay between administrative capacity and political factors. Put differently, the way in which administrative and political factors have interacted has shaped the capacity of the two countries to govern CP and influenced the level of SF financial absorption attained by the two at a given point in time. Several broad conclusions can be further outlined.

Firstly, administrative capacity is *sine qua non* condition for states in order to reach an adequate level of absorption. The institutional setup (including at the territorial / sub-national level), the bureaucratic tools and procedures and the number and quality of the human resources involved in the absorption process matter for the absorption of EU financial assistance. Moreover, political factors are conducive to the general development of these formal administrative capacities (Milio 2007a, 255-256). More concretely, political factors such as stability (absence of political patronage in managing institutions) and support (commitment and support for technical implementation) could strengthen the specific institutional environments and domestic administrative capacity arrangements required for CP delivery.

Secondly, this thesis has shown that the multiple problems faced in the implementation of CP and SF by countries like Bulgaria, and especially Romania, were political rather than only administrative in nature. The shallow distinction between the administrative and the political sphere is still a pervasive characteristic of countries from the area. Structural Funds are designed as public policy instruments which seem to be designed and dealt with by a functional, professional or even depoliticised administration. However, the instable political nature of public
administrations functioning in CEECs and the impact of political interference cannot be ignored. In addition, the general political governance of the policy at the domestic level, or the way in which political stakeholders provide an impetus for policy implementation / SF absorption can make a considerable difference. Given this, it can be concluded that it was the politics of SF management and implementation was dysfunctional. Political dysfunctionalities could partly explain the structural and administrative of institutions administering EU aid or some of the key bottlenecks arising in the absorption policy process.

Against this background, one of the key challenges for CP governance would be to maintain a positive level of domestic political input (which could also increase the legitimacy of the policy) in order to strengthen the administrative capacity of specialised institutions. This might be difficult to achieve in practice given the vested interests around the use of public investment funds and the degrees of political clientelism and corruption still generating irregularities. Nevertheless, the presence of EU funds in local political competitions and discourses and the increasing awareness, of their utility for domestic development, including media attention and pressure from civil society actors, could contribute to a more accountable and effective use of these resources.

Thirdly, the external governance dimension of CP implies denser levels of control and accountability and a closer scrutiny from EU institutions for the domestic implementation of the policy. In line with Europeanisation driven analyses of CP, it could simply be argued that there was an incompatibility between the design and principles used for SF and the capacity and practices of domestic institutional environments. Moreover, following the accession of Bulgaria and Romania into the EU in 2007, there were lower incentives for continuing reforms and the public administration faced new waves of re-politicisation. It could be speculated that some administrative and political elites have indeed tried to profit from the distribution of EU funding (Dimitrova 2010; Ganev 2013). Nevertheless, given the strong levels of oversight built in CP this was not possible or at least not at the same scale this tends to affect domestic funding schemes. Domestic political elites realised this after several technical and political clashes with EU institutions. Moreover, Brussels was also in a position of power towards the two countries given the political oversight of the CVM.
and the lack of experience of these countries in managing SF. Although the pressure of EU policy-makers was largely positive, more could be done in providing assistance to these countries, and switching from a logic of control to one of enhanced cooperation. This includes discussions on the future framework of CP and the use of SF in the area.

One of the specific accomplishments of this thesis was to highlight the need to acknowledge how domestic political factors mediate the absorption of SF at the national level. If future reforms do not address the issue of administrative capacity and political governance, including the problems generated by politicisation, then the narratives of CP’s added value will be further challenged in the area (Surubaru 2017). That is not to say that the influence of political stakeholders should be limited. On the contrary, more efforts are required to engage national and local politicians and administrative elites on this subject. In this respect, a more practical debate is needed on the ways in which the relationship between politicians and administrators can be strengthened in order to achieve CPs real aim of reducing socio-economic disparities between the regions of Europe.

When carrying the research several limitations have been encountered. Firstly, it became clear at several stages during the research that the complexity of CP management and implementation cannot be easily conceptualised and captured. SF absorption is contingent not only on the capacity of responsible institutions and the political dynamics in a given country but also on several uncontrollable factors affecting the absorption policy cycle. For instance, the impact of the economic and financial crisis generated problems of national co-financing and limited the ability of national stakeholders to profit from the flow of funding. In addition, it can be argued that each Operational Programme or individual SF funded projects faced its own specific problems. Secondly, the absorption rate of a country evolves constantly and reaches a final level only after the financial closure of its programmes. This means that the issue of timing, and the temporal evolution of absorption, might be essential. As a result, a comparison of several multi-annual financial frameworks might provide more robust evidence on the factors assessed. Finally, several indicators of the absorption capacity model proposed in this thesis might be potentially difficult to operationalise and use in other empirical settings. However, as argued in the methodological section,
this thesis strived for findings valid for the main cases reviewed. These did corroborate with many of the studies focusing on CP in CEECs and the EU as a whole. Therefore, the absorption capacity model did provide a viable framework for examining this thesis’ main research questions. It did so by detailing how individual political and administrative elements factors, and their interaction, could explain some of the key patterns in the evidence. Nevertheless, other measurements of administrative capacity and of political governance could be devised and tested against empirical evidence from the national, OP/thematic or regional/local levels.

Cohesion Policy remains one of the most academically scrutinised public policies to date. Despite this, several future research avenues might be beneficial for both theoretical investigation and practical knowledge with a view for improving its governance and general delivery. First, this thesis advocates that, in order to obtain a wider understanding of the phenomenon of SF absorption, the interplay between formal administrative capacity conditions and informal political domestic arrangements needs to be taken into account more thoroughly. This could be done in order to understand the impact of political process and their effects on SF delivery in countries from South and Central and Eastern Europe. For instance, more mixed methods research designs could be adopted in order to understand how certain variables such as quality of government have a concrete impact on CP delivery.

Second, the socio-economic impact of CP is still difficult to establish (Bachtler, Mendez and Wishlade 2013, 140). A potential avenue for inquiry would be to examine the relationship between delivery mechanisms (and factors such as administrative capacity) and whether or not these affect the quality of the spending national or regional/local level. To this aim, insights from the wider literature on development aid, from developing and non-European countries could be taken much more into account.

Third, the input of the various stakeholders engaged in the absorption policy process has to be examined more in-depth. It is not only the capacity of state institutions which is relevant for SF absorption but equally that of EU funds beneficiaries or even private consultancies. This thesis showed that there is an interesting symmetry between deficiencies found at the macro and micro levels of CP management and the
implementation, in which both state and non-state actors are involved. In essence this buttresses the argument that deficiencies were related to the interplay between structural administrative and informal political conditions.

Finally, although it has not been the specific focus of this thesis, more research is needed to understand the potential spill-over effects that CP might have on national and regional institutions. As argued by some the implementation of Cohesion Policy and Structural Funds might trigger reforms in the public administration of countries from the area (Bafiol and Lhomel 2003) or have a spill-over effect and improve the quality of governance in different regions (Nakrošis 2008; EPRC and Metis 2009). Such claims must be further scrutinised in relation to evidence from the 2007-2013 and 2014-2020 implementation periods. Studies could take into account whether or not the governance of external cohesion aid has produced any concrete effects on the workings and procedures of national and local institutions or on the principles and practices used for spending domestic public resources. If such a link is conceivable then the management and implementation of CP could have long-term consequences for national and regional development.


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ANNEXES

Annex A - List of interviewees

Brussels

- Acting Head of Unit – DG Regio – Unit E2 – Romania – EC Head of Unit #1, 10 October 2013

- Policy Officer – Romania – DG Regio – Unit E1 - Competence Centre for Administrative Capacity Building – EC Policy Officer #1, 10 October 2013

- Policy Officer - Bulgaria – DG Regio – Unit E3 – Bulgaria – EC Policy Officer Bulgarian Unit #1, 15 October 2013

- Policy Officer - (National Detached Expert) – DG Regio - Unit E3 – Bulgaria - EC Policy Officer Bulgarian Unit #2, 15 October 2013 (Informal interview)

- Acting Head of Unit – DG Employment - Unit F5 – European Social Fund implementation in Romania, Bulgaria, Malta – EC Head of Unit #2, 16 October 2013

- Head of Sector - DG Employment - Unit F5 – European Social Fund implementation in Romania, Bulgaria, Malta – EC Head of Sector #1, 16 October 2013

- Policy Officer – Bulgaria – DG Regio – Unit E1 – Competence Centre for Administrative Capacity Building – EC Policy Officer for administrative capacity #1, 17 October 2013

- Minister Counsellor - Head of Section – Horizontal issues and European funds – Permanent Representation of Romania to the European Union – Permanent Representation #1, 18 October 2013

- Former Head of Bulgarian Unit, DG Regio, Unit E3 – Bulgaria, Former EC Head of Unit #1, 8 October 2014

- Head of Unit, OLAF, Investigations, OLAF representative #1, 9 October 2014

- Head of Unit, OLAF, Investigations, OLAF representative #2, 9 October 2014

- Head of Unit, DG Employment, Policy Unit, EC Head of Unit #3, 10 October 2014, (Informal interview)

Bulgaria

- Head of Unit “Programming of EU funds” in Central Coordination Unit, Head of Unit in Bulgarian Central Coordination Unit #1, 24 April 2014

- Policy Officer, Former Bulgarian Certifying Authority employee, Policy Officer in Bulgarian Central Coordination Unit #2, 24 April 2014

- Consultant, Intel Advisers, Bulgarian EU funds consultant #1, 29 April 2014

- Consultant, Intel Advisers, Bulgarian EU funds consultant #2, 29 April 2014

- Consultant, Intel Advisers, Bulgarian EU funds consultant #3, 29 April 2014
- Deputy Director of the Bulgarian Managing Authority for the Human Resources Development Operational Programme, Deputy Director of Bulgarian Managing Authority #1, 30 April 2014

- Director of Directorate Territorial Cooperation Management, Manager of Cross-Border Cooperation programmes, Bulgarian Ministry of Regional Development, Director of Bulgarian Managing Authority #1, 30 April 2014

- Head of Monitoring, Evaluation and Programming of the Territorial Cooperation Management Programmes, Bulgarian Ministry of Regional Development, Bulgarian Cross-Border Cooperation Programme #1, 30 April 2014

- Bulgarian Academic, Bulgarian academic #1, 02 May 2014 (informal interview)

- Head of Unit Programming in the Bulgarian Managing Authority for the Administrative Capacity Operational Programme, Head of Unit in Bulgarian Managing Authority #1, 7 May 2014

- Expert, Member of the Bulgarian Coalition of Sustainable Use of EU funds, Former state official working on EU funds (1998-2008), Bulgarian Expert #1, 8 May 2014

- Bulgarian Certifying Authority Representative, Operational Programme Regional Development Department, Bulgarian Certifying Authority Representative #1, 13 May 2014

- Bulgarian Certifying Authority Representative, Operational Programme Human Resources Development Department, Bulgarian Certifying Authority Representative #2, 13 May 2014

- Head of Unit “Programming and Evaluation”, Bulgarian Managing Authority for the Operational Programme Regional Development, Head of Unit of Bulgarian Managing Authority #2, 14 May 2014

- Deputy Director of Bulgarian Managing Authority for the Operational Programme Regional Development, Deputy Director of Bulgarian Managing Authority #2, 14 May 2014

- Former Director of Managing Authority for Operational Programme Environment (2009-2013), Former Director of Bulgarian Managing Authority #2, 16 May 2014

- Investigative journalist for Bivol, Bulgarian Investigative Journalist, 18 May 2014 (informal interview)

- Analyst, Bulgarian Centre for the Study of Democracy (CSD) and Bulgarian member of the Expert Evaluation Network on Cohesion Policy, Bulgarian Expert #2, 19 May 2014

- Senior Analyst, Centre for the Study of Democracy (CSD), Expert in several EU funded projects, Bulgarian Expert #3, 19 May 2014 (informal interview)

- EU Funds Expert in the National Association of Municipalities in the Republic of Bulgaria, former Director of the Bulgarian Operational Programme for Regional Development, Representative of the Bulgarian National Association of Municipalities, 19 May 2014

- Programme Director, EU Policies Initiative, Open Society Institute Sofia, EU funded projects beneficiary, Bulgarian Civil Society Leader #1, 21 May 2014

- Programme Manager, Open Society Institute Sofia, EU funded projects beneficiary, Bulgarian Civil Society Leader #2, 21 May 2014
-Chief Expert, Intermediate Body for Social Assistance for Operational Programme Human Resources Development, Ministry of Labour, **Bulgarian Intermediate Body representative #1**, 22 May 2014

-Bulgarian Academic, Consultant at KPMG, **Bulgarian Expert #4**, 22 May 2014

-Consultant at KPMG, Former Employee of the Bulgarian Certifying Authority, **Bulgarian EU Funds consultant #4**, 22 May 2014

-Head of South-West Department in the Managing Authority for Operational Programme Regional Development, **Bulgarian EU funds coordinator for South-West region #1**, 26 May 2014

-Chief Expert, Methodology and Legislation Analysis Unit, Public Procurement Agency, **Representative of Bulgarian Public Procurement Agency**, 29 May 2014

-Deputy Director, Bulgarian Audit Authority, **Director in Bulgarian Audit Authority**, 31 May 2014

-Auditor, Bulgarian Audit Authority, **Bulgarian Auditor #1**, 31 May 2014

-Head of European programmes and projects Directorate of Sofia Municipality, **Bulgarian Municipality EU funds Director #1**, 4 June 2014

-Chief Expert in European programmes and projects Directorate of Sofia Municipality, **Sofia Municipality EU funds Expert #1**, 4 June 2014

-State Expert, Managing Authority for Operational Programme Technical Assistance, Council of Ministers, **Bulgarian Technical Assistance MA expert #1**, 4 June 2014

-State Expert, Managing Authority for Operational Programme Technical Assistance, Council of Ministers, **Bulgarian Technical Assistance MA expert #2**, 4 June 2014

-Civil Society leader, Director at Amalipe NGO in Veliko Tarnovo, Member in the Monitoring Committee for the Operational Programme Human Resources Development, **Bulgarian Civil Society Leader #3**, 5 June 2014

-Mayor of Gabrovo Municipality, Former Head of Cabinet of EU funds Minister (2010-2013), **Bulgarian Mayor #1**, 5 June 2014

-Director of Euro-integration, funds and programming Directorate at Veliko Tarnovo Municipality, **Bulgarian Municipality EU funds Director #2**, 6 June 2014

**Romania**

-Director General of European programmes Department of the Ministry of Regional Development and Public Administration, **Director General of Romanian Ministry #1**, 6 March 2014

-Executive Director, Managing Authority for Operational Programme Regional Development, **Director of Romanian Managing Authority #1**, 6 March 2014

-Director Managing Authority for Operational Programme Administrative Capacity, **Director of Romanian Managing Authority #2**, 7 March 2014
- Principal Expert, Coordinator of the Evaluation Department for Operational Programme Administrative Capacity, **Romanian MA Programme Evaluation Officer #1**, 12 March 2014

- Coordinator of the Evaluation Department for Operational Programme Regional Development, **Romanian MA Programme Evaluation Officer #2**, 12 March 2014

- Romanian Member of Parliament (elected in 2012), Chamber of Deputies, Neamț County, **Romanian Member of Parliament #1**, 17 March 2014

- Public Administration Expert, Former Deputy Head of the General Secretariat of the Romanian Government, **Romanian Expert #1**, 18 March 2014

- Deputy Secretary General of Ministry of Education, **Deputy Secretary General of Romanian Ministry**, 19 March 2014

- Director for the European funded projects Unit of the Romanian Ministry of Education, **Romanian EU funds beneficiary #1**, 19 March 2014

- Counsellor – European funded projects Unit of the Romanian Ministry of Education, **Romanian EU funds beneficiary #2**, 19 March 2014


- Public Manager in the Romanian Ministry of Education, **Romanian Public Manager #1**, 19 March 2014 (informal interview)

- Vice-president of the Romanian Association of Consultants for Accessing European Funds (ACRAFE) and Consultant for TDP Partners, **Romanian EU funds consultant #1**, 19 March 2014

- Director in the Romanian Ministry for European Funds, **Director in Romanian Ministry of EU funds #1**, 21 March 2014

- Former Director of the Romanian Managing Authority for the Operational Programme Regional Development, **Former Director of Romanian Managing Authority #1**, 21 March 2014

- Deputy Director Monitoring Department of the Managing Authority for the Operational Programme Regional Development, **Romanian EU funds Monitoring officer #1**, 26 March 2014

- Former Romanian Minister for European Affairs, **Former Romanian EU Affairs Minister**, 27 March 2014

- Deputy Director Romanian Certifying Authority in the Ministry of Public Finances, **Representative of Romanian Certifying Authority**, 27 March 2014

- Mayor of Victoria Commune, Iași County, **Romanian Mayor #1**, 4 April 2014 (informal interview)

- Policy Officers, The Regional Office for Cross-Border Cooperation EU funded Programmes Romania-Ukraine and Romania-Moldova, Suceava County, **Romanian Cross-Border Cooperation Programme #1**, 4 April 2014 (informal interview)
-Secretary General of the Romanian Coalition of NGO’s for Structural Funds and Member in the Monitoring Committee for the Operational Programme Human Resources, **Romanian Civil Society Leader #1**, 9 April 2014

-State Secretary, Ministry of European Funds, **State Secretary in Romanian Ministry of EU Funds**, 9 April 2014

-Counsellor in European Affairs Department, Romanian Ministry of Foreign Affairs, **Counsellor in Romanian Ministry of Foreign Affairs**, 10 April 2014 (informal interview)

-Romanian Institute for Public Policy, Programme’s Director, **Romanian Expert #2**, 11 April 2014

-Coordinator for the Evaluation Department for Operational Programme Transport, **Romanian MA Programme Evaluation Officer #3**, 11 April 2014

-Director of Managing Authority for Cross-Border Cooperation Programme Romania-Bulgaria, **Director of Romanian Managing Authority #3**, 14 April 2014

-Head of Section in the Managing Authority for Cross-Border Cooperation Programme Romania-Bulgaria, **Romanian Cross-Border Cooperation Programme #2**, 14 April 2014

-Director for European Regional Development Funds Directorate in the Romanian Audit Authority, **Director in Romanian Audit Authority #1**, 14 April 2014

-Auditor Regional Operational Programme, Romanian Audit Authority, **Romanian Auditor #1**, 14 April 2014

-Auditor Regional Operational Programme, Romanian Audit Authority, **Romanian Auditor #2**, 14 April 2014

-Former Director of the Romanian Managing Authority for the Human Resources Development Operational Programme, **Former Director of Romanian Managing Authority #2**, 15 April 2014

-Head of North-East Intermediate Body for the Human Resources Development Operational Programme, **Head of Romanian North-East Intermediate Body**, 17 April 2014

-Projects Officer for the North-East Intermediate Body for the Human Resources Development Operational Programme, **Project Officer in North-East Intermediate Body #1**, 17 April 2014

-Director North-East Regional Development Agency, **Director in Romanian North-East Regional Development Agency**, 17 April 2014

-Former EU funds consultant, **Romanian EU funds consultant #2**, 17 April 2014 (informal interview)

-Public Auditor, European Social Fund Directorate, **Romanian Auditor #3**, 16 July 2015
-Expert evaluator, Engineer and Lecturer at the Technical University of Civil Engineering, **Romanian Project Evaluator #1**, 16 July 2015

-Expert in public procurement, Former official in the Romanian Unit for Coordination and Verification of Public Procurement part of the Ministry of Finance (UCVAP - Unitatea pentru Coordonarea și Verificarea Achizițiilor Publice), **Romanian Public Procurement Expert #1**, 16 July 2015

-Member of the College and Senior Expert, Romanian Appeals Council (CNSC – Consiliul Național de Soluționare a Contestațiilor), **Representative of Romanian Appeals Council**, 17 July 2015

-European funds anti-fraud Councillor, The Department for Anti-Fraud Fight (DLAF), Romanian Government, **Romanian Anti-Fraud Department Representative**, 24 July 2015 (written response)
Annex B – Questionnaire / Interview Guide

A. Introduction

B. Questions

- Including questionnaire version with multiple choice options: Yes, No, Partially Yes, Partially No, Don’t know / Don’t answer.

I Pre-Accession period

Q_PRE1: During the pre-accession period, did Bulgaria/Romania develop a capacity to manage EU funds?

Q_PRE2: In your opinion, was the transition from pre-accession funds to post-accession Structural Funds a difficult one?

II Administrative capacity - Institutional

Q_INS1: In your opinion, was the institutional architecture/logic for managing Structural Funds, during 2007-2013, functional?

Q_INS2: In your opinion, were Managing Authorities / Intermediate Bodies efficient as institutions managing these funds?

Q_INS4a: During 2007-2013, was there in your opinion an efficient coordination / cooperation between your institution and (other) Managing Authorities?

Q_INS4b: During 2007-2013, was there in your opinion an efficient coordination / cooperation between your institution and (other) Intermediate Bodies?

Q_INS4d: During 2007-2013, was there in your opinion an efficient coordination / cooperation between your institution and the Audit Authority?

Q_INS4e: During 2007-2013, was there in your opinion an efficient coordination / cooperation between your institution and Certification and Payment Authority?

Q_INS4f: During 2007-2013, was there in your opinion an efficient coordination / cooperation between your institution and Host Ministry / Institution?

Q_INS4g: During 2007-2013, was there in your opinion an efficient coordination / cooperation between your institution and Central Coordination Unit / Ministry of EU funds?

Q_INS5: Do you believe you / Managing Institutions have had the necessary independence / leadership to manage the absorption process for their Operational Programme?

Q_INS6: Was your institution / were Managing institutions transparent in their activities and were they / you open to answering queries and communicating with applicants and funds beneficiaries?
III Administrative capacity – Bureaucratic / Procedures

Q_ADM1a: From an administrative point of view, were there problems / did you have any problems in managing / implementing EU funds with – Legislation (Primary/Secondary)

Q_ADM1b: From an administrative point of view, were there problems / did you have any problems in managing / implementing EU funds with - General administrative documents (applications’ forms, reimbursement forms etc.)?

Q_ADM1c: From an administrative point of view, were there problems / did you have any problems in managing / implementing EU funds with - Applicant’s guides?

Q_ADM2: Were there any problems with the stability or uniformity of procedures and rules for your Operational Programme / project?

Q_ADM3: Were there any problems relating to Public Procurement within your Operational Programme / priority axis / project?

Q_ADM4: To what extent did you / Managing institutions use electronic systems to manage / send your application for EU funded projects or for managing these projects internally?

Q_ADM5a: Did you as a Managing Institution / Project beneficiary use a specific methodology for project management?

Q_ADM6a: Do you think the following procedures were extremely complicated and bureaucratic for beneficiaries / for you as a beneficiary - procedures for selecting, evaluating and contracting funds?

Q_ADM6b: Do you think the following procedures were extremely complicated and bureaucratic for beneficiaries / for you as a beneficiary - procedures for verifying (including auditing/certification of payments) and monitoring the implementation of contracted projects?

IV Administrative capacity – Human Resource

Q_HUM1: Did your institution / managing institutions have sufficient staff to manage its tasks regarding EU funds management / implementation?

Q_HUM2: How would you evaluate the expertise of your staff / staff working in Managing Institutions?

Q_HUM3: Do you think you or your staff / Managing Institutions staff received a sufficient amount of professional training in order to carry out your/ their duties / implement an EU funded project?

Q_HUM4: Do you think your staff has had a great volume of work during this period?

Q_HUM5a: Do you think your staff was sufficiently motivated from – a financial point of view - to carry out their duties (relating to EU funds management / projects)?

Q_HUM5b: Do you think your staff was sufficiently motivated from – a professional point of view - to carry out their duties (relating to EU funds management / projects)?

Q_HUM6 (TER): There are many studies pointing to a strong discrepancy and to big differences between the expertise of staff working at the central level and staff working at the local level. How would you evaluate the expertise of civil servants managing or working with EU funds at the local/regional level?
Q_HUM7 (TER): In your opinion, if regions would obtain more autonomy and would be more decentralized – would they be more successful in attracting EU funds?

Q_HUM8a: Did consultancy firms influence in any way the absorption process, in general or with regards to your Operational Programme?

Q_HUM8b: If yes, did these firms play a more positive or a more negative role with regard to the absorption process?

Q_HUM9a: Did beneficiaries influence in any way the absorption process, in general or with regards to your Operational Programme?

Q_HUM9b: If yes, did beneficiaries play a more positive or a more negative role with regard to the absorption process?

V Political elements

Q_POL1: Do you think political stability is important for the absorption process for SF?

Q_POL2: Did governmental changes or changes at the level of your organization affect your everyday activity?

Q_POL3: During 2007-2013, were there many changes at the management level of your institution / Managing Institutions?

Q_POL4: Do you feel you / Managing Institutions have cooperated well with political representatives during 2007-2013?

Q_POL5: Do you feel you have received or that Managing Institutions have been given sufficient strategic feedback from political representatives and has this helped you / them in managing the funds?

Q_POL6: Overall, do you feel that your institution / Managing Institutions received enough political support in order to carry out its duties?

Q_POL7: Do you feel that there have been any influences or political directions with regard to the distribution of EU Structural Funds?

Q_POL8: Do you agree with the idea that certain political actors, especially at the local level, have tried to or have benefited more than others from the absorption of EU funds?

VI Relations with EU institutions

Q_EU1: Do you think you have a good professional relation with Brussels regarding the management and implementation of SF? Have you received sufficient technical assistance or advice from EU institutions in order to improve the absorption process?

Q_EU2: Why were payments to some / your OP interrupted /pre-suspended / suspended? What were the main irregularities and motivation of the Commission to take this action?

VII Absorption Process and Operational Programmes

Q_OP1: From all the dimensions of the management cycle for EU funded programmes and project what was in your opinion the most difficult?
a) Programming of EU funds / Planning EU projects
b) Selection, evaluation and contracting projects
c) Implementation of projects
d) Project monitoring and verification
e) Financial management
f) Evaluation

Q_OP2: What characterizes and distinguishes your Operational Programme as compared to others? Departing from the idea that each priority axis has its own problems, what were the most and the least problematic operational axis in your programme? Or what may explain the poor or the successful performance of the OP work for / have experience with?

Q_OP3: Do you think that the institution you represent / the institutions in general have improved their approach towards managing Structural Funds in the last seven years?

VIII Impact and Capacity

Q_IMP1: How would you evaluate at the moment the quality of your / your OP’s contracted or implemented projects?

Q_IMP2: Have the implemented projects managed to achieve their indicators and objectives or how would you assess their sustainability?

Q_CAP1: If you are to choose one word / factor – what do you think is still a pressing problem and needs attention in order to improve the EU funds absorption of the country?

Q_CAP2A/B: Do you think Bulgaria has managed a better performance than Romania (and if so why) in managing EU Structural Funds during the 2007-2013 period?

C. Conclusions

D. Interview Details

-Date; time and duration; name; function; other remarks.
Annex C – Qualitative software analysis

The main aim of the qualitative software analysis has been to analyse the interview data using a systematic method of analysis. This was done in order to examine the relationship between the different factors analysed in this thesis, in particular the relationship between administrative and political factors. The analysis below highlights the main patterns of association between the nodes (qualitative codes) and outlines how certain factors might be correlated to one another, as they emerged from the coding of the interview data. Interviews were included in three separate NVIVO datasets consisting in a total of 66 selected interviewees for the overall analysis (chosen in line with the relevance and completeness of the interview), 38 cases for the Bulgarian dataset and 39 for the Romanian one. A total of 290 codes were generated in the analysis including 14 master codes, 30 formal codes (in line with the main indicators of the analytical framework). The remaining codes were either descriptive codes used to summarize the interview data (e.g. discouraged beneficiaries / over-reliance on consultancies) or explanatory codes that attempted to explain different problems (e.g. administrative embeddedness / political favours). Finally, following the coding process the qualitative software analysis was carried out separately for the three datasets using mainly the cluster analysis tools of NVIVO 10. This clusters the nodes together in terms of coding similarity by using a Pearson correlation coefficient similarity metric. This allowed a quantification of the codes and an exploration of the potential inter-relationships between several selected variables and specific indicators.

Several caveats must be stressed. First, the correlations below do not say anything about the type or the quality of relationships among the factors examined. These cannot equate to statistical analyses which allow for a clear testing of relationships between dependent and independent variables. In this case, NVIVO allowed only examining relationships between the latter category. Therefore a cautious interpretation of the results has been undertaken. Second, the correlations are the result of a subjective qualitative coding process. The reliability and validity of the coding process could be enhanced much more in collective research projects. Despite these caveats, examining the interview data in a more systematic manner using NVIVO has strengthened the analytical potential of this thesis and some significant patterns of association between the factors have been found. These were used to complement the main qualitative analysis and the insights of the case studies.

In the following, the results of the cluster analyses are presented and briefly discussed in line with the different levels of analysis undertaken in the software (number of variables included in the computation). The graphic displays are not the same with the correlation coefficients present in the tables below them. The latter outline the most similar codes as they emerged from the coding process (presenting Pearson correlation co-efficient above 0.4 or 0.5).

Table A

Table A (next pages) presents the results of the cluster analysis based on the eight main factors included in the analytical framework. These could be interpreted in the
following manner. First, with regard to the overall results, there seem to be strong correlations between institutional and bureaucratic capacity, as well as between political stability and the EU factor, political stability and human resources, and finally between political clientelism and political support. Unexpectedly, the least similar were the correlations between human resources capacity and bureaucratic capacity.

Second, there are several differences between the two countries. In Bulgaria there was a strong association between institutional capacity (ADM1) and bureaucratic capacity (ADM2), whilst in Romania there was one between institutional capacity and human resources capacity (ADM3). Moreover, in Bulgaria there was a stronger association between political support and territorial capacity (TER) and political clientelism (POL3), whilst in Romania these were stronger for political clientelism and political stability (POL1), as well as between political clientelism and the EU factor (EU). The latter may be explained given the denser discussions by Romanian interviewees on EU funds interruptions or suspensions.

Finally, in all cases, political variables seem to be highly present and associated with other coding clusters. As mentioned, there is a strong association between political stability (POL1) and human resources (ADM3), and between territorial capacity (TER) and political support (POL2).

Table B

Several things could be interpreted from Table B (next pages) which examines the first level of analysis in all three settings (at the general level and separately for both Bulgaria and Romania).

Firstly, there seemed to be a strong thematic correlation between the EU code and the absorption policy process (ABS_PROCESS). This could be interpreted in several ways. Most likely, there has been an automatic correlation made between the codes pertaining to the absorption policy process (ABS_PROCESS) and the EU as a consequence of strong alignment between the interview data relevant to these codes. Secondly, Brussels played an important role when it comes to the different stages of the absorption process (programming, selection, implementation, monitoring and reporting, financial management and programme evaluation). This does not contradict the idea that the EU may have an influence over domestic administrative capacity development, but it does raise some question on the limits of the EU for domestic administrative capacity-building processes. At the same time, the EU has been frequently associated with political stability in Bulgaria and with political clientelism in Romania. These are in line with the general analysis, where the relatively higher political stability of Bulgaria has been an advantage, whilst issues of clientelism in Romania, have been more pre-eminent and affected the implementation of several Operational Programmes (e.g. via interruptions or suspension of payments).

Secondly, political factors (POL 1_Stability, POL2_Support and POL3_Clientelism) seem to be correlated, more widely than expected, with other themes. One explanation would be that there was an automatic association between political nodes and other nodes. For instance, the strong correlation coefficient in Bulgaria between POL1_STABILITY and Impact (coefficient 0.742818) may only reflect a strong association between these two themes as reported in only a few interviewees. With all
this, there are other frequent correlations between political factors and absorption process stages. In fact, this may reveal that political factors are more relevant not for administrative capacity building stage, but for the day-to-day processes and stages behind the overall absorption of EU funded projects. In this respect, political stability is strongly associated with the overall absorption policy process.

Finally, with regard to some of the differences between the two countries, the cluster analysis points out that in Bulgaria there were stronger associations between institutional capacity (ADM1) and bureaucratic capacity (ADM2), whereas in Romania institutional capacity was much more linked to the “Pre_Accession” and “Strategic” issues. For Bulgaria, an interesting correlation is that between political support (POL2) and territorial capacity (TER). In Romania this is much weaker (although these appears displayed in Table B). This was confirmed by interview data and was one of the main differences between the two cases examined, with Bulgaria benefiting from a stronger territorial network of centrally controlled institutions, which characterised the country’s centralized model of EU funds management.

**Tables C**

Tables C provides a more in-depth level of analysis of the different coding themes based on the indicators of the absorption capacity model (Table 3, Chapter 2.4). These inter-relationships could suggest several things.

First, in both countries, there was a strong association between the numbers of staff HUM_NO (e.g. issues of staff turnover or under-staffing) and human incentives HUM_Incentives (e.g. issues of payment, workload, or status of administrators), both dimensions of human resources capacity. This was the strongest association in both Bulgaria and Romania. Furthermore, there was a strong association between institutional accountability (INS_ACCOUNT) and human beneficiaries (HUM_BENEF). This was most probably the case given that discussions on the transparency and openness of managing institutions overlapped with those regarding EU funds beneficiaries. An unexpected association was that between human numbers and the technical influence of Brussels. Two other strong associations (>0.534) were those between beneficiaries (HUM_BENEF) and human capacity incentives (HUM_Incentives) and administrative procedures (ADM_Procedures). These reveal the potential importance of these themes for interviewees and, more generally, the significance of human resources capacity (ADM3). Other, slightly weaker associations pointed to several intuitive relationships. There was for instance an association between institutional design and institutional functioning and administrative -legislation (0.499), between institutional accountability and human incentives (0.488) and between human expertise and administrative procedures (0.481). These are telling of the pre-eminence of administrative capacity indicators, such as institutional design, legislation and administrative procedures, as reflected in the interview data and in the overall analysis carried out in this thesis.

Second, specifically for the two countries, there were more differences than similarities in terms of the cluster analysis at the second level of analysis. For Bulgaria, there was for instance a strong association between institutional design and function (INS_DESIGN_FUNCTION) and human resources expertise (HUM_EXP). This is a
very interesting connection which might suggest that the design of institutions can have an effect on the quality of expertise of staff working in them. In other words, the way in which the institutions are organised could have an impact on the way in which staff develop their expertise. The same may apply to the high correlation (0.609) found between institutional design and legislation (ADM_LEG). Another interesting association was that between institutional accountability (INS_ACCOUNT) and human incentives (HUM_INCENTIVES) (0.603). Allegedly, this would suggest a potential link between the openness of these institutions and the incentives of staff working in them. Finally, there were several associations between political and administrative capacity factors. The first was that between political guidance and feedback (POL_STRATEGIC_FEEDBACK) and legislation (ADM_LEG) at 0.538. The second was between local level expertise (TER_LOC_EXP) and political support (POL_MANGEMENT_SUPPORT) at 0.535. The third was that between political stability and changes (POL_CHANGE) and the stability and uniformity of procedures (ADM_STA_UNIF) at 0.508. Lastly, there were two other associations, with coefficients below 0.5 (0.467), between political support (POL_STRATEGIC_FEEDBACK) and two core human resources indicators, numbers (HUM_NO) and incentives (HUM_INCENTIVES). These might suggest a fairly significant association between political and administrative factors which resonate with the general findings of the in-depth qualitative analysis. In other words, in Bulgaria’s case, political stability and political support had positive effects on the quality of legislation, stability of administrative procedures and the development of expertise and staffing arrangements for managing EU funds at the central and local level.

For Romania, territorial decentralization (TER_DECENTRAL) and territorial settings (TER_SETTINGS) correlated at 0.626, whilst territorial decentralization and local level expertise (TER_LOC_EXP) correlated at 0.608. In essence, this may only signal highly correlated interviews. Secondly, there was a strong correlation between institutional design and institutional coordination (0.603). This is reflected in the in-depth qualitative analysis of the thesis which showed that institutional coordination was much more difficult to achieve in Romania’s case. Moreover, it points to a strong relationship between institutional design and institutional coordination. Problems in the first area may further generate issues in the second. Thirdly, there was a notable correlation between human expertise (HUM_EXP) and administrative procedures (ADM_PROCEDURES) (0.585). Fourthly, there was a link (0.547) between institutional accountability (INS_ACCOUNT) and human incentives (HUM_Incentives) is worth highlighting. With regard to the influence of political factors, there were two strong associations between political support (POL_MANGEMENT_SUPPORT) and institutional design (INS_DESIGN_FUNCT) at 0.585 and political support and legislation (ADM_LEG) at 0.548. This might suggest that political support could have an impact on institutional design and on the quality, as well as on legislation. By far the most pervasive political factor in Romania was that of political interference (patronage) in managing institutions (POL_MI_INTERF). This was linked with several other codes namely human resources numbers (HUM_NO) (0.576), human expertise (HUM_EXP) (0.528), administrative procedures (ADM_PROCEDURES) (0.516), institutional design
(INS_DESIGN_FUNCTION) (0.516) and institutional coordination (INSCOORD_ROLE) (0.511). These are telling of the negative influence that political interference had for the administrative capacity of institutions managing EU funding in the country. Last but not least, there were significant associations (0.566) between political influences in the distribution of funds (POL_INFL_DISTRIBUT) and political clientelism at the central level (POL_CLIENT_CENTRAL) and between territorial local expertise (TER_LOC_EXP) at and local political clientelism (POL_CLIENT_LOCAL) (0.563). These could potentially suggest that discussions on political clienteles were predominantly linked to the idea of a politicised distribution of EU funds. It could also suggest that the development of local expertise for SF implementation might have been affected by local political clientelism.

Conclusions

By exploring the coded interview data, at the different levels of coding, several potentially relevant conclusions can be drawn. Firstly, there were a few strong and relevant correlations for administrative capacity factors. Second, political factors seem to be overall strongly associated with the absorption process stages, rather than only with administrative capacity factors. However, there are several strong associations (> 0.5) between individual political factors and administrative capacity elements. In Bulgaria's case, two political variables (change and support) were strongly associated with legislation, uniformity and stability of procedures, human resources numbers and incentives, including local expertise. This is equally mirrored in the general qualitative analysis of this thesis. In Romania, the analysis showed that political variables (e.g. political patronage and political clientelism) were correlated with problems of staff turnover, the quality of human expertise and the absence of simplified administrative procedures, including the way in which the specialised institutions were designed. These issues were confirmed and more widely discussed in the case studies.

To conclude, political factors seemed to be more significant when additional variables were introduced in the computation (e.g. Absorption process, Operational Programmes, Pre-accession, Impact). In other words, the importance of political factors seems to increase in relation to the operational aspects surrounding the use of EU funding. Therefore, the importance of political governance may increase in relation to the policy processes surrounding the implementation of different Operational Programmes. As argued in the thesis this shows that the influence of political factors may go beyond administrative capacity development and can affect the day-to-day aspects linked to the delivery of Cohesion Policy.
Table A: Core level of analysis - 8 main factors (>0.4)

<table>
<thead>
<tr>
<th>Overall (n = 66 / 290 codes)</th>
<th>Bulgaria (n = 38 / 265 codes)</th>
<th>Romania (n = 39 / 265 codes)</th>
</tr>
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<tbody>
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<td>Coding similarity &gt; 0.4</td>
<td>Coding similarity &gt; 0.4</td>
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Source: Author’s creation using the interview database in NVIVO 10.
Table B: First level of analysis - 14 core nodes (> 0.5)

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<td><strong>Bulgaria (n = 38)</strong></td>
<td><strong>Romania (n = 39)</strong></td>
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<tr>
<td><strong>Nodes clustered by coding similarity</strong></td>
<td><strong>Nodes clustered by coding similarity</strong></td>
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<table>
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<tr>
<th>Node A</th>
<th>Node B</th>
<th>Pearson correlation coefficient</th>
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## Coding dissimilarity (> -0.)

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### Source: Author’s creation using interview database in NVIVO 10
### Table C1: Second level of analysis – inter-relationship between indicators of absorption capacity model (> 0.5)

**Coding similarity (>0.5)***

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**Source:** Author’s creation using interview database in NVIVO 10
Table C2: Second level of analysis - Bulgaria - inter-relationship between indicators of absorption capacity model (> 0.5)

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<th>Node A</th>
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Source: Author’s creation using interview database in NVIVO 10
Table C3: Second level of analysis – Romania - inter-relationship between indicators of absorption capacity model (> 0.5)

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Source: Author's creation using interview database in NVIVO 10