



**Assessment of Regional Economic Integration in Bulgaria Through
EU Funding and Implementation of Financial Instruments Under
The Operational Program "Regions in Growth" 2014-2020**

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Abstract

The study aims to monitor whether the implementation of investment projects in the 2014-2020 programming period is in line with the approved national strategic framework for economic integration of the regions in Bulgaria. The focus of the report is on financial instruments as an alternative form of financing.

A method of deduction was used to describe the financial instruments. In order to investigate the effectiveness of the implementation of investments through them, an analysis of 10 selected municipal projects was made by tracking the progress of the financial resource absorption on a quarterly basis. From the official website of the Institute for Market Economics, data on the level of asymmetry of the different regions in terms of investments made and infrastructure are obtained.

As a result of the study, it was found that despite the successful implementation of the Operational Programme "Regions in Growth" 2014-2020, the imbalance in the development of the different regions in Bulgaria remains significant. The lack of sufficient administrative capacity of municipalities and various procedural delays make municipal projects financed by the financial instrument unfeasible within the deadlines set for them.

The findings of the study could be useful while new financial instruments in Bulgaria are implementing. The increased risk of non-compliance with municipal projects has been taken into consideration along with targeted action for the economic and social integration of Bulgaria's lagging regions

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INTRODUCTION

The European Union provides support to all 27 countries in various forms of funding - grants, long-term loans, and/or combined support. Supporting sustainable development is linked to completing the Single Internal Market of the European Union and mobilizing various common policies - economic development, social policy, and environmental policy (Boneva 2011). The main goal is to supply investment intentions that lead to economic growth, development, and innovative solutions to reduce harmful emissions in the environment. In underdeveloped countries such as Bulgaria, EU funding holds significant importance to overcome problems with imbalances in the development of different regions. Effective implementation of European financing could result in sustainable development for the country. The signing of the Contract for EU membership in April 2005 was the first stage of Bulgaria's integration process in accordance with European politics. In the context of full membership, the need for a coherent national integration policy that is not only responsible for compliance with EU requirements is growing (Hubenova 2022).

Analyzing official data under 2014-2020 Program period in Bulgaria for the type and amount of investments could be important for determining the effective utilization of financial resources from European Union. The opinions of economic experts are that the lack of financial experience causes ineffective fund disbursement. Further action has to be made to optimize these processes to overcome the transition to green energy, improving macroeconomic performance, and societal well-being.

Along with grant funding, the EU offers an alternative option to support projects in accordance with cohesion policy. The official website of the European Commission provides detailed information on financial instruments, which help to trigger investments on the ground for revenue-generating and cost-saving activities while maximizing private investment with minimum public support to deliver the Cohesion Policy objectives of economic, social and territorial cohesion. Financial instruments represent a more efficient and sustainable alternative to complement traditional grant-based support. The European Regional and Development Fund and the Cohesion Fund support projects on the ground through financial products, such as loans, guarantees and equity (European Commission 2024). The European Regional Development Fund (ERDF) is part of the five European Structural and Investment Funds whose main goal is to deliver the EU's cohesion policy. All funds foreseen under financial instruments in Bulgaria for 2014-2020 Program period come from the ERDF. The goal of the study is to analyze the entire process of financial instrument disbursement in the country, from budget allocation to actual project implementation, in order to accomplish the main national strategic goal – achieving sustainable regional development.

LITERATURE REVIEW

Theories of regional economic integration

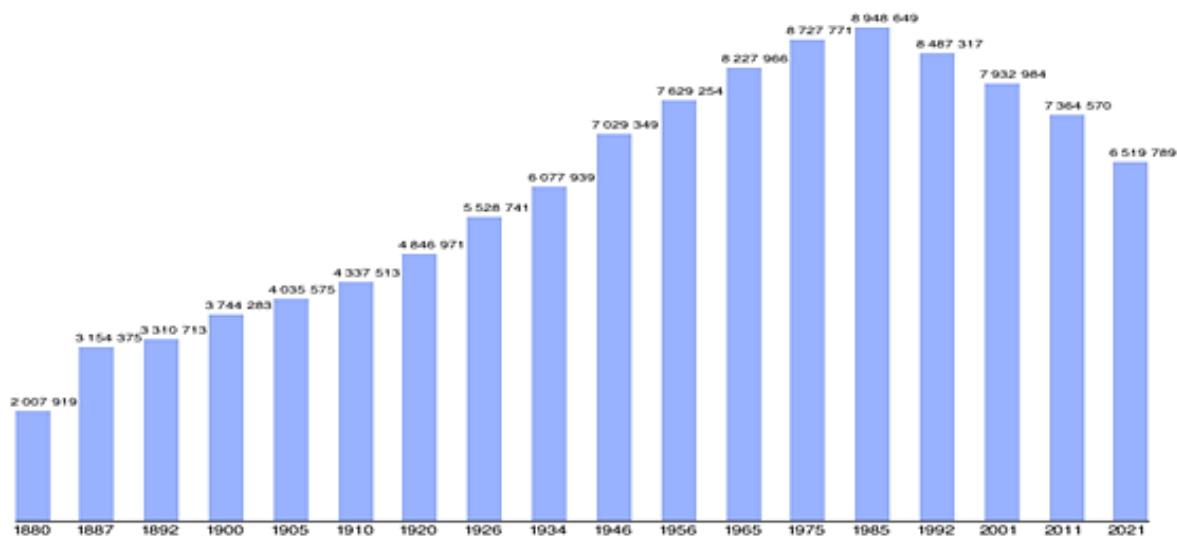
The process of regional convergence in European Union is inextricably linked to policies aimed at integrating lagging regions by providing financial resources.

On the official website of the CFI, economic integration is defined as an agreement that eliminates trade barriers and introduces a single monetary and fiscal policy to create an interconnected global economy. The first theories to define regional economic integration emerged in the 1950s and 1960s. According to liberal theory unrestricted market competition is the best regulator of the economy, which cannot be equally replaced by instruments of state economic regulation (Hadjinikolov et al. 2004:28). A well-known representative of neoliberal theory is the Hungarian economist Bela Balassa. In 1976, his scientific work „*Types of Economic Integration*“ defended the thesis that full economic integration requires the creation of supranational institutions whose decisions are mandatory for the members of the Union. Effective international integration, according to dirigistes, requires not only the elimination of national discrimination but also the development and consistent implementation of an effective general policy by integrating countries in a wide range of areas (Hadjinikolov et al. 2004:33).

According to the publication in „European Economic Integration“ from 2004, developing countries due to limited potential for pure market integration have supported dirigiste theory (Hadjinikolov et al. 2004). In reality, for countries like Bulgaria, excessive political-institutional support causes conflict within the Union. An example of this is the controversy over the country's entry into the Schengen area. The liberal theory is also inapplicable because it completely denies political support that could optimize integration processes. In reality, the liberal theory could lead to unfair competition from developed countries that have a huge production capacity, allowing them to realize economies of scale. Only neoliberal theory is close to actual economic integration in the EU, which approves of free trade availability with support from European institutions.

National Strategy for Regional Development

Implementing European cohesion policy at the national level is linked to activities aimed at identifying the main threats to the European community over a period and transposing them at the local and regional levels. The National Strategy for Regional Development (NSRD), published on the MRDPW official website, is the primary document that defines the strategic framework of state policy for achieving balanced and sustainable development of the country's regions and for overcoming intra-regional and inter-regional within the framework of the EU-wide cohesion policy. The information from the NSRD confirms disturbing data regarding the lag of Bulgaria's regions, which are far behind the European average. The only region that is close to the European average in economic and social indicators is the Southwest region. The reasons can be summarized as population decline, migration, and depopulation of underdeveloped areas, as following graphic shows:



Source: National Statistical Institute

Figure 1. Population of Bulgaria

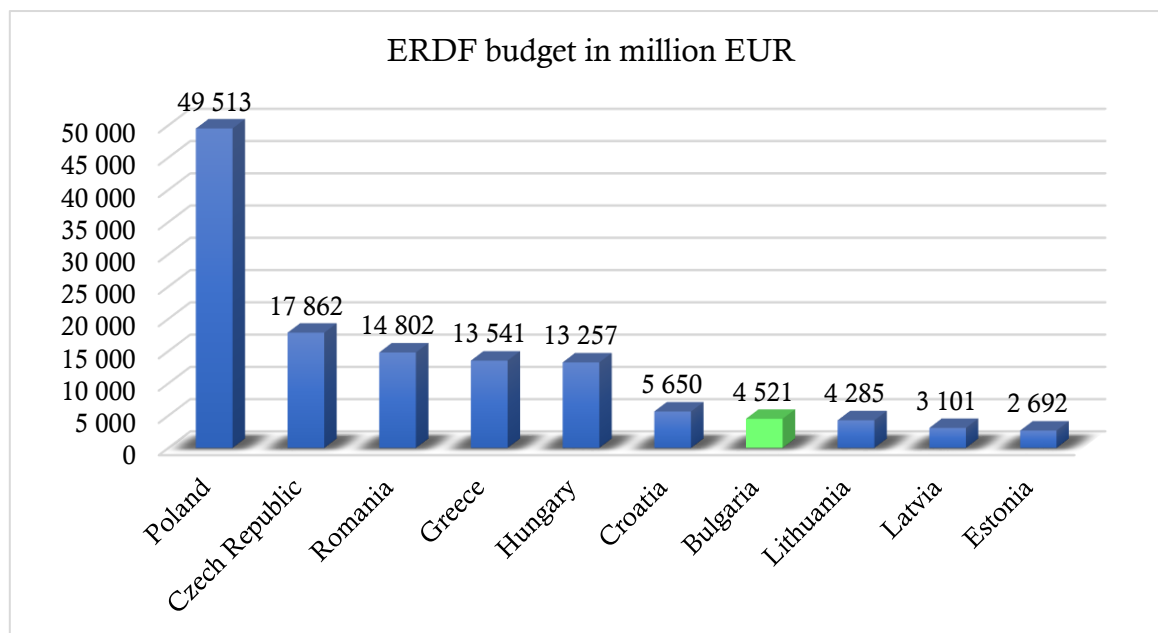
In the Bulgarian National Strategy for Urban Development 2012-2022, it is not mentioned that the demographic crisis in the country is the worst among all EU Member States. In that case, the main goals of NSRD should mainly focus on social development. Nevertheless, the NSRD focuses on achieving cohesion in three dimensions - economic, social, and territorial. According to Ministry of Regional Development and Public Works, the main strategic goal is 'Achieving sustainable, integrated, and balanced regional development by building on local potential and bringing regions more closely together economically, socially, and territorially' (National Strategy for Regional Development 2012-2022).

Professor Stoykov (2012) confirms the statement that regions in Bulgaria are far behind the European average in his study „*The Bulgarian economy in the terms of European integration*“, published in 2011. According to the study, the economic crisis is the cause of continuing lag behind for weaker economies, increasing their dependence on developed countries. In Professor Stoykov's opinion, Bulgaria's membership in the EU should create favorable financial and organizational conditions which, in the long term, could lead to an equal level of convergence in economic and social development with other EU member states. In the first few years of the Programming Period 2007-2013, problems have been identified with a lack of administrative capacity, a clear economic outlook, and strategic objectives. Moreover, there are weak project and organizational readiness, as well as incorrect use of funds. All of these reasons are prerequisites for ineffective Financial Instrument disbursement in Bulgaria. The experience gained in the first Program period for Bulgaria have to be taken into consideration while programme periods are implementing.

STUDY

The study uses the method of deduction to analyze the implementation of cohesion policy in Bulgaria. As mentioned in the introduction, ERDF is the only source of FI funds. The European Regional and Development Fund invests in four key areas: Innovation and research; The digital agenda; Support for SMEs; The low-carbon economy. The official website of the European Commission provides data about the total ERDF (2014-2020) planned budget for every member of the EU. The scope of the study includes 10

countries, including Bulgaria, along with Poland, Czech Republic, Romania, Greece, Hungary, Croatia, Lithuania, Latvia and Estonia. The data is illustrated in the following graphic:



Source: author's calculations with data from European Commission

Figure 2. ERDF (2014-2020) budget allocation

Financial resources for Bulgaria under ERDF are smaller compared to countries like Romania, Greece, and Croatia. The amount of the funds is EUR 4,521 million, which accounts for 1.5% of the total budget of the Fund. In comparison, funding for Croatia is 1.8%, for Greece 4.4%, and for Romania 4.8%. Among all 27 members, Poland has the largest financial resource – EUR 49,513 million, which is 16% of the total budget of ERDF. According to the scope of the study, next are Czech Republic and Romania with a difference of 3 million from the total funding budget – EUR 17,862 million and EUR 14,802 million, respectively. The countries with the lower budget than Bulgaria are Lithuania – EUR 4,285 million, Latvia – EUR 3,101 million, and Estonia – EUR 2,692 million.

The Operational Programme 'Regions in Growth' 2014-2020 makes a major contribution to the implementation of the funds planned by the European Commission under the European Regional Development Fund, accounting for 36% of all planned financing for Bulgaria for that period. According to the official website of the Ministry of Finance, the OP fund amount is EUR 1,609 million, including EUR 1,378 million of European financing and EUR 231 million of national funding.

Financial instruments in the Operational Programme 'Regions in Growth' 2014-2020 help to overcome problems with trade limitations for private investors and the lack of projects to improve the urban environment and raise the standard of living among the residents of the regions. The idea of FI is to support investments per a viable financial perspective but cannot generate sufficient funding from market sources.

The financial resource for implementing FI under Operational Programme "Regions in Growth" 2014-2020 is EUR 369.7 million, including additional private co-financing from financial intermediaries. Investments are allocated to the following two priority axes:

- *Priority Axis 1 "Sustainable and Integrated Urban Development"* – EUR 138.7 million
- *Priority Axis 6 „Regional Tourism“* - EUR 50.3 million.

On the official website of the Fund Manager for Financial Instruments in Bulgaria, detailed information is published about the main goals of the financial instruments. They include improvement of the urban environment, energy efficiency, development of economic areas in cities, as well as tourism development. An advantage of FI over grant funding lies in terms of the final recipients, which can include, in addition to municipalities and municipal enterprises, private companies, public-private partnerships, and individuals. The financing is provided in the form of low-interest investment and working capital loans, including non-recoverable VAT of up to BGN 40 million, with a repayment term of 20 years, a grace period of 36 months, a beneficiary's self-participation of up to 15% of the loan amount, and reduced collateral conditions. The Managing Authority in Bulgaria delegates execution rights of financial instruments to two

financial intermediaries – the Sustainable Cities Fund and the Regional Fund for Urban Development. The scope of investments for the Sustainable Cities Fund includes regions in Southern Bulgaria and Sofia, with funding of EUR 175.1 million. Northern regions in Bulgaria are eligible for funding from the Regional Fund for Urban Development with a financial resource of EUR 102.4 million.

Financial instruments have many advantages over other types of credit financing and are the preferred financial product among investors with project initiatives:

- *More efficient use of public resources* – FI provide additional financial resources to supplement grant support for municipalities.
- *Overcoming market failures* – providing opportunities for „funding for target groups with limited access to private sector financial resources whose economic activity is important for achieving the objectives of the relevant European programme, that is confirmed in official website of Fund Manager of Financial Instruments in Bulgaria.
- *Recycling of financial resources* – From the beginning of 2024 there is strong possibility for financial intermediaries to reinvest accumulated finance resources from principal repayments on existing loans into new projects.

RESULT AND DISCUSSION

Alongside the range of opportunities available to beneficiaries using a financial instrument, there are some constraints observed in the past programming period: 2014-2020 in order of regional development success.

Implementation of the financial projects on time

One of the big challenges facing the financial intermediaries for the 2014-2020 Program period is linked with the timely implementation of approved projects for funding. Unlike private investments for the majority of municipalities, there is a tendency for non-observance of deadlines for credit utilization, despite the existence of a 'commitment' fee in the terms of the contract. This fee is charged as a percentage of the unused amount of the credit. When the deadline is not respected, it causes unnecessary administrative burden linked with the approval of changes in contract clauses. A meeting of the Investment Committee is formed to approve changes, and an Annex is concluded with the beneficiaries. This could also lead to deviations from the set implementation goals along with the Operational Agreement for managing Funds for Sustainable Cities. In most cases, there is a deviation from the planned funding amount to a specific reporting date, which has a negative impact on the financial intermediaries. Some of the reasons for delayed implementation of FI projects are:

- *Public Procurement Law procedures* – In the procedures for the selection of contractors with public procurements there are risks of delays because of appeal of the procedure or refusal of contractor after has been already selected. This may lead to deviation from the initial deadlines for projects implementation.
- *Approval from National Institute for Immovable Cultural Heritage (NICH)* – approval linked with projects under priority axis 6 - tourism and cultural heritage. For their implementation, Opinion from NICH is required but the procedures are long and unpredicted which cause significant delays for the investments
- *Projects with combined support* – Projects with combination of financial instruments and grants have more complicated procedures for applying, approval and follow up changes in the contract that again results in implementation of the investments.

To confirm the problem with delays in project implementation, a study will present 10 municipal projects funded by the Sustainable Cities Fund in the South region during the 2014-2020 Program period. Ten different municipalities are included in the study: Burgas, Kazanlak, Pernik, Gotse Delchev, Yambol, Smolyan, Karlovo, Blagoevgrad, Dupnitsa, and Kardzhali. The total amount for the projects is EUR 30,969,117, including funding from the Fund for EUR 9,432,033, or 30.46% of the total project financing. The scope of the study is the initial absorption period, excluding Annexes for deadline extensions. The main goal is to analyze the percentage of funds that have been absorbed until the end of the contract period. The scope of the study is 36 months, which is the maximum period allowed under the Operational Agreement with the Managing Authority. The values are presented as a percentage of the total amount of the projects (without accumulation) for the relevant quarter from the first day of contract signing until the contract deadline for absorption. The following information is from SCF's official website:

Table 1. Percentage of amount disbursed under Contracts with FUD South

Beneficiary/ Name of project	Total	3 Months	6 Months	9 Months	12 Months	15 Months	18 Months	21 Months	24 Months	27 Months	30 Months	33 Months	36 Months
Burgas "The power of the water"	74,3%	0,0%	0,0%	15,0%	9,0%	26,2%	8,5%	4,6%	11,0%				
Kazanlak „The world of the Thracians „	34,0%	0,0%	0,1%	0,3%	1,3%	0,8%	2,7%	12,4%	1,9%	0,3%	3,4%	4,2%	6,6%
Pernik „Palace of Culture“	41,3%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	34,4%	6,8%		
Gotze Delchev „House of Culture"	18,9%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	4,7%	14,2%	0,0%	0,0%
Yambol „Renovation of the Art Gallery“	3,9%	0,2%	0,5%	0,4%	0,6%	0,3%	0,5%	0,9%	0,4%				
Smolyan „Planetarium“	31,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	31,0%
Karlovo "Tourism"	31,6%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	10,1%	0,0%	0,0%	21,5%	0,0%
Blagoevgrad " Chamber Opera and Community Centre“	31,0%	0,0%	0,0%	0,0%	0,0%	0,0%	1,4%	0,0%	0,0%	26,2%	3,4%		
Dupnitsa „Youth House“	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%		
Kardzhali „Perperikon"	22,2%	0,0%	0,0%	0,0%	0,0%	9,4%	0,0%	0,0%	11,1%	0,0%	0,0%	1,8%	0,0%

Source: author's calculations with data from Sustainable Cities Fund

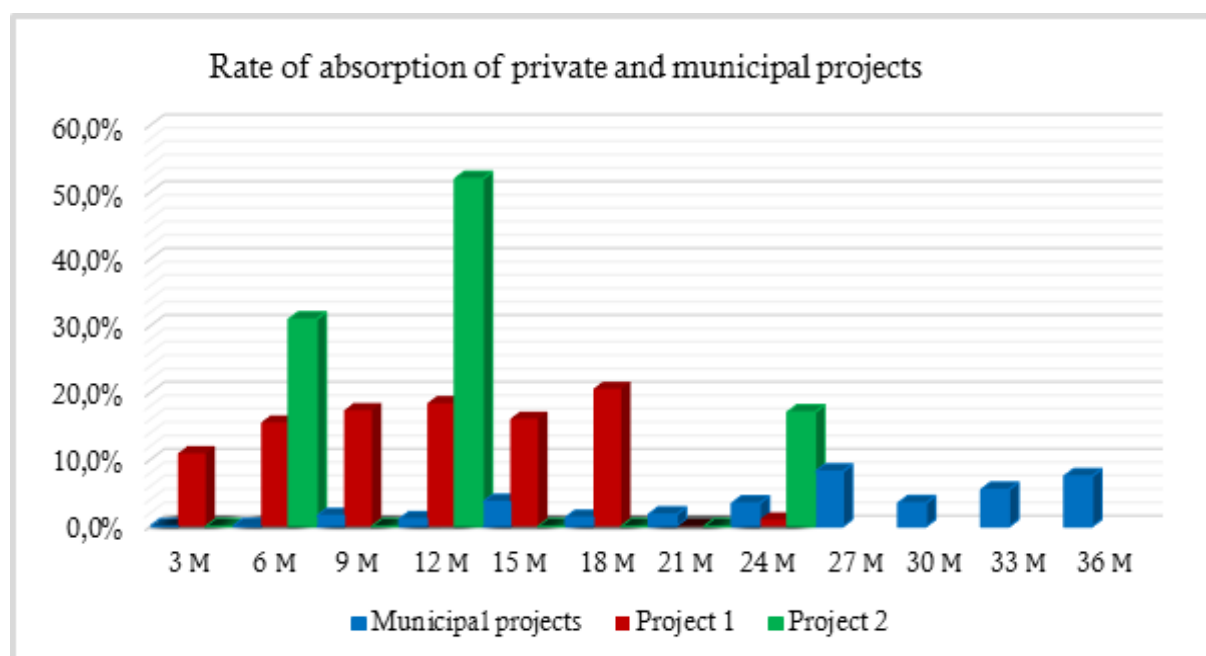
The analysis of the funds that have been absorbed on a quarterly basis as a percentage of the total amount of the projects can be summarized as follows:

- None of the municipal projects included in the study has been fully implemented by the absorption deadlines specified in the financing contracts. Burgas municipality has the highest implementation rate, with 74% of the total funding amount absorbed. On the other hand, the absorption rate in Dupnitsa municipality is 0% for a period of 30 months. The average absorption rate for the ten chosen projects is extremely low - 28.8%
- During the first 12 months from the conclusion of contracts between beneficiaries and SCF for the analyzed projects, it is confirmed that municipalities do not take the initiative to provide disbursement documents to financial intermediaries for project implementation. The average amount of absorbed funds for the ten projects is lower than 1%.
- The tendency for most of the chosen municipal projects is active absorption in the last 6 months of the contractual term. In order to prove this thesis, a calculation was made for two periods: 1) Period 1: from the contract signing until the quarter before the last 6 months; 2) Period 2: the last 2 quarters before the end of the contractual term. Two of the ten projects are excluded from the calculation – Municipal Burgas due to its high level of amount absorption, and Municipal Dupnitsa for its 0% implementation rate. Both projects would cause a significant deviation that would distort the final result. The average percentage of investment activity to total investment for the 8 projects in Period 1 is 1.1%, confirming low investment activity. The percentage for Period 2 is 9.7%. Although the difference between the two periods isn't significant, the investment activity increases by the end of the contract period.

The study, conducted with 10 municipal projects financed by FI, confirms that investments do not meet contractual deadlines. Implementation of key activities is delayed due to various administrative and procedural obstacles, combined with shortcomings in project management by beneficiaries. As a result, the established deadline for the absorption of funds under OP "Regions in Growth" 2014-2020 could not be met. A disbursement mechanism beyond 2023 for FI and combined support with grants is created with the goal

of completing projects financed by the Urban Development Funds that were not finalized at the end of the period. The procedure is related to municipalities' accounts blocking of the unspent amount within the partner bank, pending submission of supporting documents and preparation of a disposition of funds by the financial intermediary. Nine of the 10 municipal projects in the study fall under the Post-2023 Disbursement Mechanism. Only the project "The Power of Water" has disbursed 100% of the Sustainable Cities Fund South approved funding. The average percentage of the amount transferred for absorption in 2024 is high – 54% of the total amount for funding.

The study showed that implementation of municipal projects funded with Financial instruments is difficult process to manage because of administrative obstacles that disrupted the originally planned absorption deadlines. On the other hand, private projects are much more effective with high level of loan absorption due to willingness of beneficiaries for project completion in order to generate incomes. To confirm this thesis, there is a study with two private projects, funded by SCF for Program period 2014-2020. The name of **Project 1** is „Electronics manufacturing facility with warehouse and administrative part“ with approved funding from SCF for EUR 9.73 million and 24 months period for disbursement. **Project 2**, named „Construction of a new commercial and service complex of the company "Megatron EAD on the territory of the city of Sofia“ for EUR 3.55 million and the same period of amount absorption. Comparison of the above 2 projects is with the average absorption amount of the ten municipal projects on a quarterly basis. The results are shown in the next graph:



Source: author's calculations with data from Sustainable Cities Fund

Figure 3. Rate of absorption of private and municipal projects with FI

Information from the Sustainable Cities Fund about absorption of FI projects confirms that private projects are much more effective. Both of them implementing 100% of approved funding for the disbursement period in contracts. In comparison, the average absorption of the ten municipal projects is 37.6% and for longer period. Project 1 has almost even allocation of disbursements on a quarterly basis unlike Project 2 where the total amount has been disrupted within 3 quarters.

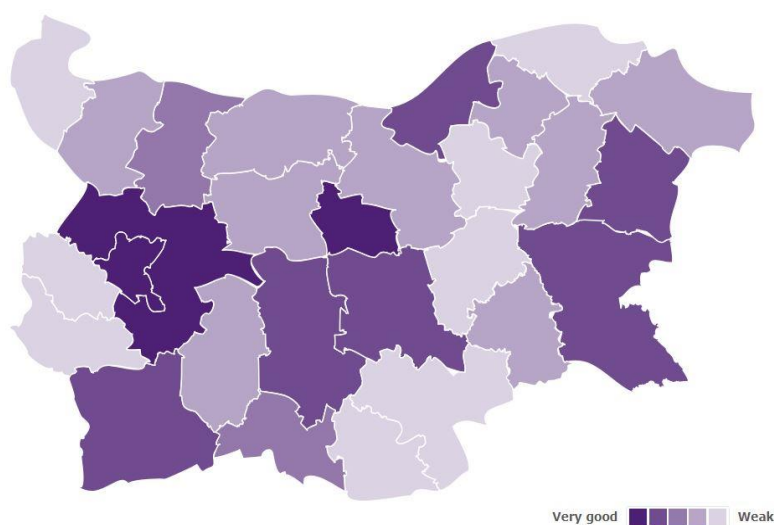
Asymmetry in development indicators

In the official website of the Institute for Market Economy (IME) a study about „Regional Profiles – Indicators of Development“ is available. The scope are the 28 regions in the country in total 73 economic and social indicators have been analyzed in such a way that the data can be systemized and reported dynamically. By drawing up separate profiles for each area and supplementing them with thematic analyses, the publication in IME describes both the economic and social aspects of life in the regions. As the focus of the report is implementation of the FI, the main goal of the study is to confirm or deny the statement that OP „Regions in growth“ 2014-2020 helped to solve the national problem with regional underdevelopment. Moreover, the National Strategy for Regional Development 2012-2022 focus is about conducting cohesion policy.

Investments:

The total investments made in the country are a strategically important indicator for achieving economic growth. The data from IME should confirm or reject the statement that the Operational Programs 2014-2020, including FI, have a negative effect of asymmetric reinforcement. A limitation of the analysis is the scope of the study, which includes all investment activities for a specific region. For the goal of the report, it is assumed that funding from the EU is crucial for a period of 2 years – 2022 and 2023.

According to the information, there is an uneven distribution of investments in national regions in 2022, excluding Sofia city, Sofia-region, Gabrovo, and Burgas. In the other 24 regions, there is a low level of financial support for implementing projects. The coefficient for amounts paid under OP to municipalities per person varies. The two regions - Sliven and Targovishte - are last due to the coefficient with 1,659 leva paid from OP to one person, in comparison to Sofia, which receives 4,264 leva. After 12 months, changes in the development of the 28 regions in Bulgaria are observed, according to the total amount of implemented investments. The information is shown in the following figure:



Source: official website of IME

Figure 4. Investment by regions 2023

The derived data from the Institute for Market Economics in 2023 indicate some improvement in the distribution of investments made by regions, but the strong imbalance trend remains valid. The decrease in investments made in the Burgas Region leads to the conclusion that only 3 regions in the country report high investment activity – Sofia city, Sofia Region, and Gabrovo. The capital city is a leader in the indicator under study. For example, Sofia has the largest number of enterprises relative to the population – 95 per thousand people (the country's average is 60)

The main analyzed indicator, in line with the objective of the report, is the value of funds disbursed under OP per capita. The data from IME shows that the average value of that indicator for 2023 is EUR 1,464. For the three regions with high investment activity, the paid amounts under Operational Programs are EUR 2,180 for Sofia city, EUR 1,416 for Sofia Region, and EUR 2,215 for Gabrovo Region. Compared to the previous year, an increase in OP injections is reported respectively with 7.4%, 8.37%, and 13.0%. The region with the lowest per capita disbursement of funds under OP is Sliven – EUR 817, or BGN 1,598, or EUR 647 lower than the country's average. Only nine out of 28 regions in Bulgaria exceed the average size of the analyzed indicator.

Statistics confirm the study made 10 years ago about the lag of Bulgarian regions behind the average European levels of development. Unfortunately, for PP 2014-2020, this lag has still not been overcome.

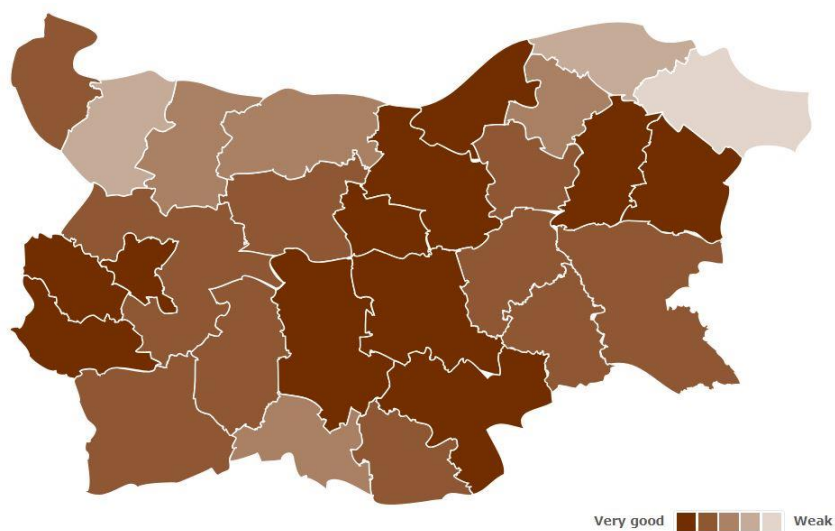
Infrastructure:

The lack of easy access to good transport infrastructure, water supply, electricity, and telecommunications can pose significant barriers to the key priority of balanced sustainable regional development. Infrastructure development is directly related to the number of investments made in the country. Regarding financial instruments in Bulgaria for the 2014-2020 period, part of the approved investment for private beneficiaries includes the construction of connecting infrastructure. On the other

hand, municipal investments for street renovation and inter-block spaces were successfully implemented with the support of SCF.

Following a logical sequence of the report, the scope of the study covers regional profiles for infrastructure, according to data from IME. According to information from the official website, 11 regions in Bulgaria had well-developed infrastructure by the end of 2022. The average percentage for well-developed infrastructure in the country is a concerning 42%, according to 2022 data from IME. Motorways and first-class roads in Bulgaria are equally poor, averaging 18.5% (based on 2021 data). Only household internet access is acceptable, with more than 80% coverage in 2022.

In order to analyze the dynamics of the regional profile indicators for infrastructure, the data for the last reporting year is illustrated:



Source: official website of IME

Figure 5. Regional Infrastructure 2023

Compared to the previous year, regions with well-developed infrastructure remain at 11, but with some changes. The analyzed indicator in regions Pernik, Haskovo, Stara Zagora, and Veliko Tarnovo is improving, unlike in Pazardzhik, Targovishte, Sliven, and Sofia Region, where the condition of the infrastructure is deteriorating. The average percentage for well-developed infrastructure in the country is 1% lower than in 2022, down to 41%. Household internet access rate is improving by 3.8%, up to 87.3%. The average percentage for motorways and first-class roads for 2023 remains the same as the previous year. The average rail network density is 3.6 km per 100 square kilometers, also unchanged in recent years. Many problems with depreciated and obsolete rail transport, combined with a lack of initiatives to renew rail routes, remain an unattractive way of deliveries for businesses.

According to IME data, infrastructure asymmetries in the regions are confirmed. The condition of the road network is a major problem at the national level. According to data, nearly 60% of the national network is in bad condition despite the implementation of infrastructure projects for street renovation in the 2014-2020 Program period. The poor condition of the existing asphalt pavement is causing emergency repairs. These repairs lead to additional difficulties for businesses and reduce opportunities for making new local or foreign investments.

CONCLUSION

Based on the results of the study on financial instruments in Bulgaria for the Programme Period 2014-2020, the following conclusions can be made:

- In general, the process for implementing financial instruments in Bulgaria should be optimized. Although the financing environment improved, problems identified in Prof. Stoykov's study - such as lack of administrative capacity, clear economic outlook, and strategic objectives - persisted during the 2014-2020 period.
- Implementation of municipal finance projects on time was identified as a serious obstacle to the completion of the financial instruments, according to the study. This aspect must be taken into consideration when planning new financial instruments for the 2021-2027 period.

- Despite the successful implementation of the "Regions in Growth" 2014-2020 Operational Programme, including the financial instruments as indicated by data from IME, Bulgaria's regional economic development still lags seriously behind average European regions. This implies that the primary goal of the National Strategy for Regional Development has not been achieved, and efforts need to be focused on priority funding to increase economic and social integration in the country.

The analysis of regional economic integration in Bulgaria under the Operational Program "Regions in Growth" 2014-2020 provides empirical evidence of process weaknesses based on which the following recommendations can be made:

- Increasing the administrative capacity of beneficiaries of projects funded by financial instruments, especially municipalities, to manage more effectively administrative obstacles that cause delays in the implementation of investments. This could be achieved through targeted training and seminars, including exchanges with other EU Member States.
- Reducing asymmetries in regional development can be resolved through the focus of the national development strategy. More financial resources should be made available for investment in less developed regions, including through preferential terms in the implementation of financial instruments for 2021-2027.

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