

MANAGEMENT AND CONTROL OF THE REGIONAL DEVELOPMENT PROGRAMME 2021 – 2027

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Abstract

The Regional Development Program is a key European Union (EU) policy aimed at reducing regional disparities, fostering economic growth, and ensuring sustainable development in less-developed regions. The program provides substantial financial resources to improve infrastructure, stimulate business activity, and promote social inclusion. A complex institutional framework, involving numerous national and European bodies, ensures the effective and transparent use of these funds.

Launching the Regional Development Program during the 2021 – 2027 programming period presented significant challenges. This report examines the program's management and control mechanisms and identifies problematic areas in the preparation of its strategic documents. A crucial aspect of program management is the institutional framework defined within the applicable European regulatory framework. The multi-tiered control framework involves various national and European bodies, with specific functions and responsibilities at European, national, and regional levels. The report also incorporates perspectives from various authors on monitoring and control procedures, informing the development of a conceptual model for managing Structural Funds. Effective control and monitoring, incorporating both internal and external verification mechanisms, are crucial for achieving program objectives and ensuring the efficient use of public funds. Challenges include bureaucratic procedures and inter-institutional coordination. Optimizing procedures and strengthening institutional cooperation are essential for enhancing control effectiveness.

Keywords: Control, Regional Development Program, EU Funds, Institutional Framework, Monitoring, Expenditure Control

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Introduction

The Regional Development Program 2021 – 2027 implements the European Union's (EU) policy aimed at mitigating regional disparities and fostering more balanced territorial development. Historically, EU Cohesion Policy has manifested through Operational Programs in individual member states. This report examines the management and control mechanisms of the Regional Development Program, highlighting problematic areas in the national-level preparation of strategic documents and the factors contributing to project approval delays.

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1. European Regulatory Framework for the Regional Development Program

EU Cohesion Policy undergoes revisions during each programming period, largely influenced by evolving EU policies and needs. The process of developing the strategic regulatory framework often lags behind the requirements of member states and regions. Despite this inertia, regulations define the program's framework. These regulations form part of the updated EU Cohesion Policy, redirecting regional development strategies. They provide guidelines for managing, allocating, and utilizing EU funds within the new programming period.

Operational Program management principles follow the precedent of the previous programming period, employing a Common Regulation establishing the structure and framework for various EU funds. Each EU Structural Fund has a corresponding applicable regulation.

Common Regulation (EU) 2021/1060 (the Common Provisions Regulation)

The Common Provisions Regulation (EU) 2021/1060 establishes general provisions for various EU funds, including the European Regional Development Fund (ERDF), the European Social Fund Plus (ESF+), the Cohesion Fund, and the Just Transition Fund. It outlines and regulates planning, management, and fund utilization principles. Its primary objective is streamlining procedures and facilitating member state and regional access to the strategic priorities of EU policies across various sectors.

Key elements of the regulation include five policy priorities strategically oriented toward Europe: A Smarter Europe, A Greener Europe, A More Connected Europe, A More Social Europe, and A Europe Closer to Citizens.

Crucially, the partnership principle, emphasized throughout the programming period, influences national policies in drafting Operational Programs and the Regional Development Program. The regulation mandates the involvement of regional and local authorities, social partners, and stakeholders in the planning and implementation process.

Compared to previous programming periods, both for all Operational Programs and the Regional Development Program, there is a trend towards optimizing and simplifying application and approval procedures for project proposals. Administrative burdens on beneficiaries are reduced through more flexible financial instruments.

Specific rules and guidelines for construction, management, and control are detailed in Regulation (EU) 2021/1058 for the ERDF and Cohesion Fund. This regulation focuses on the strategic goals of EU regional policy, promoting sustainable development and economic convergence. The ERDF targets economically lagging regions, while the Cohesion Fund supports less-developed member states with GDP per capita below 90% of the EU average.

The ERDF's main priorities are:

- Support for innovation, research, and technology;
- Support for small and medium-sized enterprises (SMEs);
- Sustainable development and energy efficiency;
- Development of digital technologies;
- Sustainable urban development.

Integrated management of EU funds necessitates a focus on different European funds. The Cohesion Fund concentrates on infrastructure, environmental, and transport projects improving connectivity and sustainability, crucial for regional development.

Financing related to the ESF+, covered by Regulation (EU) 2021/1057, is also vital in regional development policy. The ESF+ supports employment, social inclusion, and education, consolidating several previous funds and programs. The regulation sets guidelines for combating poverty, unemployment, and social exclusion, focusing on vulnerable groups.

The ESF+'s priorities include:

- Improving skills and qualifications;
- Support for quality education and training;
- Promoting equality and combating discrimination;
- Improving access to healthcare and social care services.

2. Establishing Control Mechanisms for the Regional Development Program 2021 – 2027

Establishing control mechanisms for the Regional Development Program 2021 – 2027 follows established program frameworks and strategic priorities, considering national regulations. According to some authors (Talaga, 2014), effective management and control of regional program funds require an integrated approach incorporating European and national legal frameworks to define and control fund utilization. The legal frameworks governing fund distribution are crucial for regional development and ensuring proper EU fund control. A frequently cited approach for building control systems for Operational Programs is the institutional approach. Proponents view EU fund control as an “institutionalized approach to management, ensuring the correct allocation and use of funds, based on procedures that guarantee the legality and appropriateness of expenditures” (Dimitrova, 2019).

More narrowly, other authors (Sedlarski & Mihaylova-Goleminova, 2016) emphasize control as a “legal-administrative process encompassing the management, monitoring, and reporting of European funds through managing authorities, certifying bodies, and audit institutions.” They highlight control throughout the project cycle. Conversely, other authors (Georgiev & Stanev, 2023) offer a crisis management perspective, emphasizing the timely preparation of strategic and operational

documents for effective decision-making. They highlight risk analysis and assessment as crucial for successful management.

Our perspective aligns with institutional theory, but the challenges and dynamism of the environment necessitate a flexible decision-making approach with opportunities for autonomy. A comprehensive approach, considering regional characteristics and the expectations of local communities involved in project proposals, should be adopted when establishing control mechanisms.

3. Analysis and Evaluation of the Institutional Control Framework for the Regional Development Program

The institutional control framework for the Regional Development Program builds upon established approaches and accumulated expertise from previous programming periods.

The Managing Authority for the Operational Program is strategically positioned within the Ministry of Regional Development (e.g., the General Directorate “Strategic Planning and Regional Development Programs”). The Certifying Authority (e.g., the “National Fund Directorate” within the Ministry of Finance) is responsible for receiving EU payments, preparing certified expenditure reports, and submitting payment requests to the European Commission. This authority verifies:

- Accuracy of expenditure reports;
- Compliance of declared expenses with EU and national legislation.

The Certifying Authority maintains electronic accounting data, monitors funds, ensures beneficiary payments, and informs the European Commission of any irregularities.

The Executive Agency “Audit of EU Funds” plays a crucial role in controlling and managing EU funds. Its responsibilities include conducting expenditure and operational audits, providing guidance to the Managing Authority, monitoring project implementation, and communicating with the European Commission. The agency's annual audit plan prioritizes audit activities based on risk analysis.

4. Identified Issues in Managing and Controlling the Regional Development Operational Program

The Regional Development Operational Program, like other Operational Programs, experienced significant delays in commencement. Delays in submitting project proposals stem from the country's inability to prepare strategic documents for timely European-level approval. This delay in institutional management mechanisms hinders the program's launch. Contributing factors include political instability and the COVID-19 pandemic.

Furthermore, there is a lack of effective coordination among beneficiaries and stakeholders in defining regional priorities aligned with European objectives. Integrating regional policies at regional and national levels presents a significant challenge requiring stakeholder commitment.

Conclusion

The Regional Development Operational Program plays a crucial role in Bulgaria's socio-economic development. Effective expenditure control is vital for the program's success, ensuring transparent and efficient use of EU funds. Improving control and management mechanisms is crucial for achieving sustainable regional development. This requires political will, timely preparation of strategic and operational documents, improved staff training and resources, optimized application and management procedures, and enhanced transparency in communication.

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