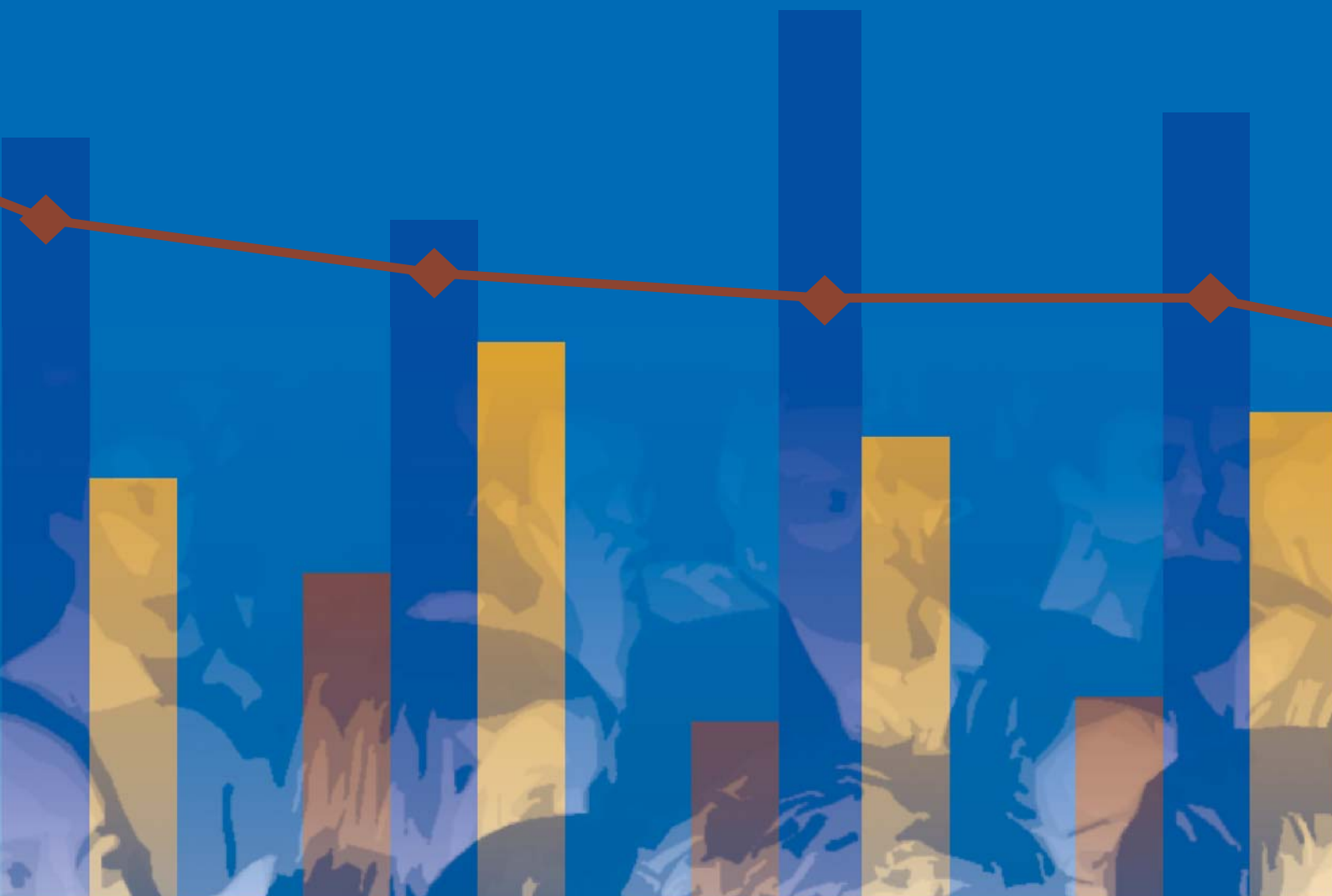


ASSESSMENT OF THE CAPACITY



OF NON-GOVERNMENTAL ORGANIZATIONS
AND BUSINESSES

TO PARTICIPATE IN THE ABSORPTION
OF THE EU STRUCTURAL AND COHESION FUNDS





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Summary

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FOREWORD

During the accession negotiations the Bulgarian government succeeded to obtain the highest level of EU support in terms of national GDP of any of the new member states. This success gives Bulgarian society a great opportunity few other countries have had. But it also presents a great challenge. If these funds are to be used efficiently to close the development gap that now exists between Bulgaria and EU member states, they need to be absorbed on time and by the rules.

But if they are absorbed effectively this will mean Bulgarians and their children will have more opportunities for a better life – in short there could be a big increase in their level of human development. Whether this is the future for Bulgarians depends on the capacity today and in the coming years of national authorities and their partners. Therefore to help identify the capacities and the partnerships needed, we in the United Nations Development Programme - Bulgaria, set ourselves the objective to study the preparedness and capacity of some of the key actors in this process – businesses and non-governmental organizations. The study complements an earlier survey which through a detailed study of the capacities and needs of Bulgarian municipalities and districts, highlighted the importance of priority work to improve capacities of municipalities throughout Bulgaria, especially the smaller ones.

Our survey shows that much has been achieved already in both the negotiations process and in preparation for the use of the EU structural funds. At the same time, however, the survey identifies a set of barriers to good aid absorption for greater cohesion.

The central problems arise from the legal context, the funding and co-funding schemes, the unrealistic expectations key actors have, the absence of absorptive capacity, serious capacity gaps, regional disparities, difficulties with long-term vision, the inefficiency of the training that has been provided up to now, and from insufficient coordination, communication and transparency.

Those barriers to the efficient and effective use of the structural funds in a pro-growth and pro-cohesion manner need to be surmounted. Experience from elsewhere in Europe shows that they *are* surmountable. However given all the other new needs now facing Bulgaria, it will be a big challenge for Bulgarian society and government to surmount them.

We hope this report will be one of the steps which help Bulgaria to meet these challenges.

Neil Buhne

UNDP Resident Representative

INTRODUCTION

Bulgaria is on the eve of its European Union membership. On the 25 of April 2005 the EU Accession Treaty was signed and the expectations are that from the beginning of 2007 Bulgaria will be an EU member. This will bring to a close a long period of efforts for the negotiations and the preparation for accession made by several governments as well as the Bulgarian society. Preparations for accession, however, have not come to their end yet. Less than a year remains, a period of time during which the country must make the necessary effort to be a worthy full-fledged EU member, to meet the accession requirements and to be able to benefit from the advantages of EU membership. Time owes even less in a range of fields, where the monitoring on Bulgaria's preparedness for EU accession has identified serious gaps, which might become a problem due to the safeguard clauses in the contract.

Bulgaria's accession to the EU brings not only benefits but also challenges. One of the most desired benefits and at the same time one of the biggest challenges is the access to the **large-scale financial support from the EU funds** provided to the less developed countries and regions. Apparently from the stories of the so called "cohesion countries" (Ireland, Portugal, Greece, Spain) the extent and rate of development change and the improvement of the quality of living depend to a degree on the ability of the country to make the most of support, to use the funds' money efficiently and effectively. The most impressive example is set by Ireland, which showed that the rationale of efficient use of support is to obviate the need for such support.

However, **the use of resources from the Structural and Cohesion Funds has its risks.** The first of them is that the **money is not absorbed.** The second one is that **it is spent ineffectively** - the actions funded fail to produce the desired results and impacts. Without sharing existing extreme views saying that the money of the Structural Funds is harmful, that its impact cannot be positive and that it would be good if the Bulgarian government refuses to participate in them, we agree that it is quite easy for the EU money to "drip away somewhere". We can also witness a sort of absorption which degenerates into unreasonable spending and distribution of money, which may also have negative effect, especially regarding the productive sector. The third risk is that **Structural Funds' issues are always highly political** and may lead to conflicts involving those responsible for the development and implementation of the policies and programmes supported by the Structural Funds and the target groups and end users of those policies and programmes. Simply as an example, we could mention here an eye-catching newspaper headline from the Bulgarian press: "EU Money Stirs Up Feuds in the Third Sector"

Fig. 1. Opinions on the importance of support from the EU funds

One in two Bulgarians is concerned whether the country will be paying into the EU budget more than is receiving (12% down on the EU average – 62%). Unemployment and the economic situation are seen as the most pressing problems by 57% and 40% of Bulgarians, respectively. At the same time 40% of those interviewed believe that the EU may help in the fight against unemployment and 48% that it may help improve the economic situation (still in the latter case those values were not the leading ones – in the foreground were problems such as terrorism, defense and security, counteracting crime)

Source: Bulgarians are becoming more realistic. – Information bulletin of FLGR, 2005, No 9, p. 9-11.

In order to take advantage of the benefits and minimize the risks in using the resources of the EU funds **national absorption capacity** is needed and in the months until 2007 considerable effort will be required to enhance it. The October 2005 monitoring report stressed this problem by stating that special effort is needed in both Bulgaria and Romania in order to prepare them for absorption of the Structural and Cohesion Funds. One important prerequisite for the development of such capacity is the knowledge of the current level of absorption capacity and its key weaknesses and gaps so that these are properly addressed. Quite often the concept of absorption capacity is seen as exclusively, or predominantly, linked to the central administration's capacity. However, this is a national capacity, **capacity of all actors** to formulate and implement development policies and programmes.

In 2004 the United Nations Development Programme and the Ministry of Regional Development and Public Works commissioned an **assessment of the capacity of municipalities and districts** to participate in the absorption of Structural and Cohesion Funds. The report was appreciated and in 2005 was used extensively in the development of part of the Structural Funds operational programmes. The present report is its natural follow-up and looks at two more groups of actors in the absorption of Structural Funds – **non-governmental organizations and businesses**. The report's subject matter is also closely related to the comparative analysis of the application of the partnership principle in the use of the Structural and Cohesion Funds supported by UNDP. This analysis is being carried out in parallel and its preliminary results were presented and discussed in early October 2005. As the programming process has not come to its end yet, we hope that the outcome of this assessment will find a practical application, too.

METHODOLOGY

This report is a snapshot of the situation of the capacity of non-governmental organizations and businesses to participate in the absorption of the Structural and Cohesion funds as expressed by representatives of the two sectors in the autumn of 2005 accompanied by recommendations on how to bridge the existing gaps. The recommendations are written by experts and are subject to further discussion and validation from a broad range of stakeholders.

The report is based on a questionnaire survey of 419 NGOs and 474 companies. Self-completion questionnaires were used with approximately 45 questions each. Quota sampling was applied to ensure the representation in the sample of organizations that are supposed to participate more actively in the SFs absorption, of all districts as well as of all types of municipalities where NGOs and companies are located.

The questionnaire survey was preceded by four focus groups with more than 50 participants altogether, representing the NGO and business sector. Two of them were carried out in Sofia with representatives mainly of national organizations and two more in the country with regional and local organizations. They tested the underlying hypotheses and the draft questionnaires and provided valuable qualitative information and insight in some of the issues.

The research questions to both type of organizations reflected in the questionnaires are:

- Do they want to be involved in SFs planning and absorption?
- What are their motives and preferred roles?
- Are they capable to participate:
 - » Do they know enough and what are their sources of information?
 - » Do they possess the required human, technical, financial resources and do they think they have to invest in order to be prepared for SFs?
 - » Do they have enough experience with participation in planning and consultation processes?
 - » Do they have enough experience with project development and implementation?
 - » Are they willing and able to interact and be involved in partnership with public administration? Are they capable to advocate their interests? With which level of public administration they interact most often and effectively?
 - » Are they willing and able to interact among themselves and to establish partnerships?
 - » Which are their key capacity gaps and capacity development needs?
- What limits their capacity, what has to be done and who has to do it?
- How much and what kind of training is required?
- Do business organizations have experience in joint activities with the public sector? Are they aware of the contemporary forms of public-private partnership?

STRUCTURE OF THE REPORT

The first chapter sets out the conceptual framework of the survey, the context of the cohesion policy and the Structural Funds, the need for and the significance of the participation of NGOs and businesses, the notion of capacity. It draws a brief profile of the NGOs and business sectors and discusses the survey's goal and methodology.

Chapter Two looks at the interest of the non-governmental organizations and companies to participate in the absorption of Structural and Cohesion Funds, their motivation and preferred roles.

Chapter Three looks at the organizations' own assessment of their preparedness for participation and most important aspects of this capacity relevant for all types of participation (structures, resources, knowledge, awareness).

The fourth and the fifth chapter discuss the capacities needed for the two main areas of participation – participation in planning and programming process and project design and implementation.

Chapter Six examines partnership and interaction: between the two sectors and public administration, within the sectors (NGO-NGO, business-business) and across them (NGO-business), as well as their views on the need and opportunities to strengthen partnership in the respective sectors.

Chapter Seven looks at the capacity development needs and especially at the training needs, preferences and requirements related to participation in the absorption of Structural Funds.

The Conclusion outlines the main lessons learned and the recommendations made.

All of the chapters follow a uniform structure: a) core results, b) analytical summary of results and c) recommendations.

There are three annexes to the report. The first one gives information on the sample used in the survey, the second and the third provide the main data from the survey for NGOs and for businesses respectively.

This summary presents the general conclusions and recommendations from the survey.

CONCLUSIONS AND RECOMMENDATIONS

1. Summary

During the EU accession process of the Republic of Bulgaria the government succeeded to negotiate the highest level of EU support in terms of GDP percentage compared to the other new member states. At the same time, the survey revealed the existence of a set of barriers to the efficient use of this aid. They arise mostly from the legal context, difficulties in the provision of financing and co-financing, unrealistic expectations, lack of absorptive capacity among development actors, disparities in capacity (especially regional), problems in developing a long term vision, lack of coordination, communication, and transparency. The survey addresses the identified issues for the effective and efficient use of resources from the EU Structural and Cohesion Funds and indicates the main directions for their overcoming emphasizing that this is a process in which public authorities, the business and NGO sectors should be involved.

2. General Findings on NGOs and businesses

Both non-governmental and business organizations are extremely diverse and, therefore, hard to be systematized and generalized. Thus more differentiated conclusions and recommendations need to be made. Nevertheless, there are numerous common features among sectors.

While the majority of NGOs display a strongly positive attitude to fast EU accession, businesses are more skeptical. In fact all NGOs want to participate in the absorption of the Structural Funds and 74% of them want to be very active in this. For the businesses this desire is more moderate - 37% express very strong will.

Despite this strong willingness, the NGO and the business sector are only partially ready to take part in the Structural Funds absorption and their degree of preparedness is similar to that of other key actors such as the municipalities.

The survey showed that in the past few years much has been done to sensitize organizations from the two sectors for the opportunities of the Structural Funds. However, the survey revealed a paradox where those who are more eligible are less prepared than those who under the regulations are assigned a smaller role in the direct absorption of the Structural Funds. Actors from the NGO sector are more enthusiastic, more motivated, better informed, display a higher level of project and planning culture, stronger willingness of partnership with public administration, other NGOs and businesses. Businesses are more skeptical and more realistic, but also less informed and less prepared for participation in the Structural Funds.

An important fact, present in most of the survey's sections, is the valorization of the local level. The closer the local level is, the bigger importance NGOs and businesses attach to participating in the various planning and programming exercises and the more frequent and satisfactory the interaction with public administration is. More frequent and useful is also the interaction within each of the two sectors and between them. At the higher levels (district, regional, national) participation in planning, interaction with administration, interaction within the sectors and between the sectors, as well as the satisfaction with them tend to decrease. A salient feature of the situation is that businesses are "closer" to the local level than NGOs. Even for companies with national and supranational operations participation in municipal planning retains its dominant position.

The two sectors are heterogeneous and this applies not only to their basic features but also to their preparedness for the Structural Funds and capacity-building needs. Among NGOs those who stand out as better prepared are the national organizations, the think-tanks and the support and lobbying organizations, the development agencies and the business centers, the municipal associations, the regional structures of the Chamber of Industry and Commerce and the Industrial Association. In some aspects, there are also other organizations that come close to this level. Their overall capacity, however, remains fairly low. None of the specific branches within the business sector stands out as considerably better prepared in terms of all aspects with the exception of the companies providing consultancy, training and accountancy services. In many aspects, the companies operating on the national and international markets show a higher level of preparedness than the others.

Similarly the territorial distribution of NGOs affects their heterogeneity. It seems that best prepared are NGOs and companies from large municipalities, especially from Sofia and the large cities. NGOs from medium-sized towns stand fairly close to them. This suggests that higher-order capacity is situated in the country's district centers.

To sum up, regardless of the applied classification criteria, strong organizations turn out to be strong in all or most aspects of capacity for Structural Funds participation.

3. Common Issues

Respectively, weak organizations are weak in all or most dimensions of their preparation. Those organizations – both non-governmental and business – are located in geographically disadvantaged areas. They are to be found predominantly in small municipalities, small towns and villages. Similar is the situation with the organizations from medium-sized municipalities.

This distinct territorial profile of problem organizations is complemented by the territorial scope of their operation. Difficulties are greatest for NGOs dealing only with local issues and groups and for companies operating on a local market only. Close to the latter in many aspects are also companies working for a regional market.

Capacity gaps are more frequent within small NGOs and micro companies.

The survey revealed the existence of high expectations – especially on the part of NGOs – to play a role more important than the one supposed in view of the Structural Funds regulations and practice. Among them are the expectations for direct access to resources, strong involvement in decision-making, as well as a partnership attitude towards them from the administration.

Practically the entire survey sends messages of incomplete decentralization and lacking systematic regional policy. Decentralization is something actors themselves assert and often point at. The interaction on the local level with all types of organizations and local administrations is most often witnessed and most valued. In contrast, the local level itself does not seem to be empowered enough to respond adequately to this elevated demand and value. The factors hindering decentralization are numerous and one of them is the manner of operation of the pre-accession instruments, mostly Phare and to a lesser extent SAPARD.

The regional and political problem is that capacity is most limited in the weakest regions that need the most development support and, potentially, are most eligible for interventions from the Structural Funds. Insufficient NGO and business capacity is coupled with weak capacity in local authorities.

4. Major risks

Unless addressed, all the above problems pose serious risks before Bulgaria's participation in the EU structural and regional policy, especially in the first years but with an impact on the entire programming period. This means that opportunities for fast convergence of development levels and living standards with the EU countries will be lost which will cause other risks to the sectors themselves. Following the withdrawal of the typical for the transition period donors, the NGO sector will be facing a crisis unless it adapts to the operational modalities of the Structural Funds. Businesses, especially those from some sectors, will be facing a growing bankruptcy threat linked to the new competitive environment and the new standards, for both of which they are unprepared.

Failure to address those gaps sets cloudy forecast for the development of the periphery. Its lower baseline combined with weaker capacity for the use of the Structural Funds among local actors threatens to exclude those areas from access to the funds and widen the distance away from developed areas. Consequently, this tendency aggravates the problems proper to the development and growth centers such as migration pressure, rising property prices, infrastructure gaps in the urban transport, waste-water treatment, social, health and educational services, etc. Ultimately, this also gives rise to political threats, for instance when demographic and ethnic balances change.

5. Major recommendations

1) The existing high expectations especially among NGOs have to be managed carefully in

the future in order to be decreased to some extent and to become the focus of attention so as not to allow new unrealistic expectations to arise. It would be useful to take into account the expectations that have already arisen in the programme design and in the related procedures and processes. For example, the strongly expressed expectation that there would be involvement in the selection of projects is ungrounded. Nevertheless, if overlooked, this could turn into a serious generator of dissatisfaction and hence into an absorption risk. Several complementary approaches could address the existing attitudes towards the project selection process: appropriate articulation of its essence (decisions to fund projects) and the respective responsibilities; appropriate information dissemination, guarantees for transparency and objectivity; use of steering committees empowered to influence projects funding decisions and involving representatives of the nongovernmental sector; use of broader participatory modalities to identify projects for some of the components of the operational programmes.

- 2) A differentiated approach to sectors and groups within them is necessary. There are weak organizations, which need support to develop their capacity, and at the same time there are strong organizations that are willing and able to serve as a resource in support of the weak ones. But even the strong organizations need to specialize further and receive specific support. Simultaneously, whenever feasible and in compliance with the respective rules, programme design should provide an opportunity for strong organizations to be tasked with assisting weak ones.
- 3) A differentiated territorial approach is also required. Regional policy should be given a thought to become more consistent, more pragmatic and more focused in its tying not only to the regional development operational programme but also to the remaining operational programmes. With respect to weaker areas there should be not only opportunities created, but also support provided in order for them to be able to make use of those opportunities. As self-aid is not an option and the national level is too far away, the level providing support should be an intermediate one which means either district or regional level.
- 4) At the same time the decentralization process should continue and become deeper with the clear understanding that in terms of use of the Structural Funds its impact will surface mainly during the next programming period.
- 5) It is beyond the realistic expectations that the Bulgarian society and the NGO and the business sectors in particular will be fully prepared to use the Structural Funds from the very beginning. What is important is to minimize the risks and to make use of the opportunities.

6. Capacity gaps

On motivation

NGOs' desire to participate in the absorption of Structural Funds is based on pragmatic, rather than on idealistic considerations. What the predominant responses actually tell us is "We want to solve problems and we are able to do it". An issue is the limited presence of the NGO advocacy function as evidenced by motives such as interest representation and knowledge of the needs of target groups or regions as well as appropriate targeting of Structural Funds and ensuring transparency and efficiency in their use.

Businesses emphasize motives arising directly from the challenges of accession: raising competitiveness and aligning to EU requirements and standards.

Among both NGOs and businesses there is little motivation in terms of making a contribution to regional, local or community development.

On roles

There is a discrepancy of the expressed participation aspirations and expectations from the typical roles NGOs and businesses hold in the use of the Structural Funds. A considerable portion of NGOs and companies want not only to be informed, consulted and to have access to programme resources, but also to participate in decision-making on distributing and using these resources.

NGOs not only want to be very actively involved in the use of the Structural Funds, but see their involvement through many diverse roles. This rises two problems – first, whether they have the capacity to play all those roles, and second, whether some of the roles might be conflicting or incompatible. The underlying cause for this situation should be sought both in the organizations themselves and in the vagueness that still reigns with respect to the concrete parameters of the operational programmes. In addition, the trainings conducted so far and the information disseminated on the Structural Funds failed to communicate clearly enough what the options in terms of roles in Structural Funds absorption are. Although businesses are much more focused in their aspirations demonstrated by much smaller average number of roles they identify for themselves, the roles of one and the same organization considerably overlap.

The main effect is that for both NGOs and businesses there is a drive to participate through potentially conflicting roles – with own projects and as a contractor or consultant, on one hand, and on the other as a participant in the selection of projects, the management, monitoring and evaluation of the Structural Funds programmes. The gravity of this problem will depend on the programmes' concrete design.

On how realistic self-assessment is

One large part of Bulgarian NGOs feels that it is ready to follow the Structural Funds' rules and to be involved in their absorption. The survey showed that in the majority of the cases this confidence and self-assessments are overrated. Compared to NGOs, businesses

see themselves as significantly less prepared.

In contrast with their high self-assessment, when examined against objective criteria, NGOs prove to be insufficiently prepared for taking part in Structural Funds projects and programmes. NGOs believe they are prepared because they believe they are informed. However, even when informed they have no resources to co-finance the projects, nor do they have clearly defined responsibilities, Internet access, enough staff which is specifically trained for the Structural Funds, fluent in English, and experienced in project design and implementation. At the same time they come across difficulties in interaction with the administration and fellow NGOs. Even when informed and specially trained, the general knowledge prevails over the operational one.

On the quality and quantity of information

A problem both in the process of informing and the information itself is present. Information is gathered from sources and through the use of channels that are inherently different: NGOs are Internet and seminars oriented while businesses prefer television, radio and press.

Currently available information is rated on the border-line between unsatisfactory and satisfactory and there are no actual differences between the various groups. Information which is up-to-date is less of a problem compared to information which is of the appropriate quantity and is understandable. The limited English language skill is one of the barriers. Another difficulty is associated with the unusual technical language (jargon) when information is in Bulgarian. Furthermore, the type of the available information is also a problem as the predominant knowledge is of the general and not of the operational nature. NGOs and businesses have heard of the Structural Funds, they know what they are, yet they have only a vague idea how those will be operating in reality. To sum up, information about the Structural Funds is available but it is difficult for those interested to find what they need in a suitable format and accessible style.

Internet access is both a valuable source, since it is used intensively, and a problem as for many organizations it is not among their primary sources of information. At the same time it is precisely Internet access that proves to be a differentiating factor between organizations for many aspects of capacity.

On project design and implementation

NGOs' project experience is considerably larger than that of companies. This is a problem itself since business brings development and the third sector's role in development has more limited function. Furthermore, there also seems to be a mismatch between readiness to participate and real capacity to gain access to projects.

Thirdly, the actual preparedness for the Structural Funds is considerably weaker as the experience accumulated comes from projects outside pre-accession instruments: within the framework of the activity of external donors who apply more flexible rules and who are now withdrawing (this is relevant mostly to the NGOs) and on the other hand from the more easily accessible national sources that are not preparing for more complex rules (more relevant to businesses).

Fourthly, use of the pre-accession instruments, in particular Phare, does not always generate experience that is relevant for the Structural Funds.

Following from the above, a tendency emerges to overestimate capacity and preparedness with the attendant risks for absorption. In such a situation it is easier and more frequent to look for the reasons for failure outside of the organizations (i.e. their own capacity and experience), which hinders the process of addressing them. This is particularly valid with respect to NGOs after the withdrawal of the donors traditional for the transition period.

One serious problem is the fact that experience is concentrated in a limited number of organizations. This is more relevant to NGOs and probably is caused by their specialization, resulting in success in project application. Favoritism and corruption are other possible reasons for that concentration.

When asked, NGOs and companies bring to the foreground three issues of concern:

- a) objectivity, transparency, and feedback in the selection of projects;
- b) gaps in financial resources or high requirements on financial resources;
- c) application requirements and procedures, which are seen as complex and bureaucratic.

On the corruption issue and the related issue of transparency, the survey was unable to show conclusively whether in reality there is so much corruption or this is a perception caused at least in part by low transparency and weak feedback. However, corruption, is confirmed by the statements held by the participants in the group discussion held under the project. They identified corruption as a core problem concerning all stakeholders and stages of the process of Structural Funds absorption.

On participation in planning and programming

NGOs participation in planning processes is contradictory. In general, the picture seems positive and participation is fairly intensive. At the same time the survey results reveal some negative findings: over half of the NGOs do not take part in municipal level planning, about three-fourths do not participate in planning on the district and regional level and close to 90% of NGOs do not participate in planning on the national level.

Businesses participation in planning processes in general seems low, at least considerably lower than that of NGOs. Businesses are not that enthusiastic about participation in planning and are more concerned about the price of this involvement.

An existing concern is the lack of considerable differences in the participation forms between the levels and also the fact that the same actors participate in several different roles at one and the same level or participate at several different levels. If participation of the same actors on two or more levels is rather a positive trend, participation of the same actors on the same level in 2 or 3 forms is a problem since it causes restriction of the range of participants and reduction in the efficiency of the process, overlap of the activity of working groups with quasi-public hearings, overcomplicated coordination, pressure on NGO and company resources when they participate in several different levels and in different formats, as well as absence of practical opportunities to ensure direct participation for all those who wish, more specifically on the national and regional level.

The declared highly positive attitude of NGO and business participation in planning processes contrasts to their real participation and fails to turn into actual behavior. Different reasons may account for this. Firstly, a general mismatch between statements and actions, the acceptance of external rules, values and standards that are not internalized in behavior and decision-making of the organizations. Secondly, a planning process that is not inclusive enough: the public administration responsible for planning on various levels does not include sufficiently NGOs and businesses despite their willingness. Thirdly, attempts to evade responsibility and commitments on the part of the sectors themselves: participation in planning is regarded as necessary, important and useful yet “We’d better leave the others participate”. All three explanations are partially confirmed in the remaining sections of the survey.

On cooperation with administration

NGOs and businesses see interaction and cooperation with the public sector linked to planning and project design as very important and do cooperate intensively with the administration. A point of concern is that in this context, the evaluation of interaction shows considerable gaps, more prominent with NGOs than with companies: businesses are more skeptical towards the administration, slower to enter in any interaction, but at the same time less disappointed. Underlying the problem are high expectations towards the administration that at present it cannot meet and maybe would be unrealistic to expect it to meet in the near future. In addition the better part of respondents is not aware of the real role of municipalities in the use of the funds or sees them as the core beneficiary (only 10% of the NGOs and the companies gave answers close to the correct one).

NGOs and businesses reveal strongly converging views on the main hindrances for better interaction with public administration. Prominent among them are:

- 1) absence of formal interaction and consultation mechanisms and procedures;
- 2) low efficiency of the existing mechanisms and procedures;
- 3) centralization in decision-making and resources when the municipality is the closest partner;
- 4) a tendency in administration to inform the community about decisions post factum;
- 5) refusal to treat NGOs and businesses as equal partners.

Brought to the foreground are operational barriers such as the absence of or deficiency of cooperation modalities and procedures and not abstract concepts as unsuitable legislation or absence of legal obligation for the administration. At the same time reasons underlying unsatisfactory interaction are sought for exclusively in others, underestimating own gaps. Another problem is the lack of differentiation in the evaluating of difficulties and barriers between groups with different self-assessment on the knowledge and preparedness for the Structural Funds. The latter means that most of the difficulties are features of the environment and basic attitudes to interaction between the sectors that have not been addressed so far in the context of the Structural Funds or have been addressed in a superficial way. This is a field where training is needed even for those who regard themselves as prepared and informed.

In the real-life interaction of public administration with NGOs and companies for the purposes of project design, informing dominates over consultations and joint decisions, while other forms that are more intensive, in-depth and demanding in terms of professional skills are used less often. There is evidence that public administration emphasizes more on the external aspect and the large-scale approach to the interaction with the non-governmental and private sector and that interaction is often only formal.

On public-private partnership

Survey results are not encouraging and reveal lack of good reasons to count on a fast, broad and large-scale development of public-private partnership including with respect to projects co-financed by the EU funds. Bulgarian businesses, though not flatly, admit the shared benefits of public-private partnership but realize less strongly the direct benefits they can experience. Two-thirds of the companies have some experience in business activity with the public sector but mostly through less “sophisticated” modalities such as service and supply contracts, leases and to a lesser extent – work contracts. Experience in more complex joint activities that require also sharing management responsibilities (concessions, cooperation contracts, joint ventures) is far more limited. Knowledge of the specific forms in public-private partnership in a narrow sense is critically low – the share of the companies knowledgeable about them is between 1 and 7% for the various PPP formats. Due to the lack of awareness of the essence and the specific forms of public-private partnership in the narrow sense and to the limited experience in Bulgaria, there is a risk for unrealistic expectations to develop among businesses as regard who, how and when can join the PPP schemes (for instance among small enterprises). Last but not least, in many cases the social image of public-private partnerships is an unfavorable one: existing partnerships are associated with corruption scandals and doubts in their economic viability and benefits they bring to the public sector and the society.

The business-science partnership fares better. Over half the businesses see cooperation with scientific organizations or individual scientists as important. On the other hand Bulgarian business is not used to cooperating with scientific and research organizations – as few as 1/3 of companies have any experience in such cooperation. 1/4 of the companies regard cooperation with scientific organizations and scientists as very important and 1/2 of those see it only as important, respectively. However, this positive attitude has not materialized into any real cooperation. More often cooperation with science is not institutionalized (in 60% of cases it is with individual scientists and not with organizations). This modality does not create favorable conditions for larger-scale projects, inclusive of projects co-financed by the Structural Funds.

On cooperation within and between sectors

Similarly to their attitudes to interaction with public administration, NGOs and businesses (although not that categorically) proclaim cooperation in their own sector as a very important condition for participating in the use of Structural Funds. Although cooperation among organizations has become a norm and a value, it is still something

external and is not internalized in their behavior.

Communication between the sectors is weaker compared to communication within the sectors and is also asymmetric. Over half of the NGOs have not interacted with companies or when they have they were not satisfied with the process. Even when in geographic proximity, the entire business sector appears as the most distant actor from the point of view of NGOs. At the same time, those NGOs who cooperate well with businesses rate highly their cooperation with other NGOs, while those who do not interact with businesses statistically more rarely interact inside their sector. The reverse situation, however, does not hold. From the point of view of businesses, relations are perceived as even more asymmetric: close to all business representatives interviewed state that they should interact with the NGO sector but over half of them have not had any relations with NGOs of a broader specialization and over one third with business NGOs or NGOs in support of business.

For NGOs the biggest challenges facing partnerships are competition between NGOs, personal conflicts and the lack of suitable organizations to cooperate with on the local level. When it comes to businesses competition comes to the fore almost twice as strong; it is followed by disregard for the other's interests, something which is often related to competition, and the failures experienced (again, often due to competition and rivalry) or the lack of experience in cooperation. Both types of organizations are constantly faced with the choice between competition and cooperation.

On self-organization of the NGO and private sector

Both sectors are fragmented and dominated by small organizations. This is a barrier to their efficient performance and to the protection of their interests (inclusive of Structural Funds planning and programming), as well as a limitation to their participation in programmes monitoring and evaluation, the identification of suitable local partners for projects, the establishment of flexible social networks and mobile social capital, the development of suitable international contacts, efficient access to information and last but not least, the mutual support inside the sectors. Among the problem's many manifestations is also the discrepancy of NGOs' mass desire to participate directly in planning, programming and monitoring and the limited number of seats available on the respective bodies.

Another matter of concern is the mismatch between real interaction and membership in various associations and unions. Real interactions among both NGOs and businesses are most frequent and most rewarding on the local and municipal level, while belonging to associations and unions is shifted more towards the national level, where, however, cooperation decreases and dissatisfaction with it increases. Similarly to municipalities, NGOs and businesses are more inclined to skip the municipal, district and regional levels and to look for solutions of problems straight in the center, where, however, interaction is more difficult and often disappointing.

Aggravating the problem is the small number of associations providing specialized support and preparing NGOs and businesses for the Structural Funds on local and regional

level. The survey showed that existing industry organizations and NGO associations at this stage are unable to make up for the absence of such specialized support. When they exist, however, their usefulness is much appreciated by both NGOs and businesses. Nevertheless, both sectors do not have firm position on the type of the most suitable specialized organization for support and reveal a rather pronounced inclination for such an entity to be of a national magnitude.

On knowledge and skills

The priority identified in the survey and stated by the organizations themselves is the need of increasing knowledge and skills for the use of the Structural Funds. Knowledge and skills' gaps are found everywhere – from mastery of English to participation in planning, project design, interaction with administration, partnerships in the sectors, familiarity with the manner of operation of the Structural Funds, roles for the participants, participation opportunities, etc. A considerable part of the organizations cannot answer adequately to or do not ask at all questions such as where should we participate, how should we participate, how much will it cost, where could we find information, where could we find a consultant or a partner and do we need them in the first place, is this an undertaking suitable for us, etc.

The survey showed that many organizations and their employees have passed training in the past few years. Nevertheless, on many issues there seems to be no actual difference between the informed and the uninformed, the trained and the untrained, the prepared and the unprepared. Such fact raises doubts with respect to the quality of information and training. Past training, similarly to the dissemination of information, has been mostly of a general nature and informing of the most salient features of the funds and giving only abstract data about their rules and procedures. There is shortage of specific knowledge, practical skills and routine for the Structural Funds. In other words, training so far has had its priorities mistaken - good absorption requires, first and foremost, skills, and knowledge is needed only inasmuch as it is a basis and a starting point for developing skills.

At the same time training has not been differentiated so far and oriented to the specific needs of concrete trainees. Data shows that up to now there has been far too little training that is specially targeted at operating under the Structural Funds. The entities surveyed state that they want to be specially trained to develop projects especially targeted at the Structural Funds.

Last but not least, data speaks categorically that quantitatively, training needs are several times larger than what has been provided in the past several years.

On financial and technical resources

One of the most serious problems the survey uncovered is linked to co-financing issues. A considerable number of NGOs and companies state that they do not have any capacity to co-finance projects nor to finance project's preparation. Co-financing requirements, resources needed to prepare projects and delayed payments are among the major difficulties mentioned with reference to previous project experience. Finance is a priority capacity development need and this is stated by half the NGOs and half of the businesses. Last but

not least, only a small group of companies and especially NGOs are inclined to or able to pay by themselves for their capacity development. Survey results seem logical and natural for the NGOs and indicate there is a need for a “milder” approach to co-financing. The same results, however, are worrying when it comes to businesses due to the fact that co-financing at a higher rate is an obligatory requirement for beneficiaries.

Technical resources are limited, too. More specifically, computer equipment and Internet access in the office differentiate very clearly the strong and the weak organizations in a number of aspects such as the degree of information available to them, project experience, partnerships, etc.

7. Recommendations

On motivation

There is a need of change in the public image of the Structural Funds and of linking more closely their programming and absorption to local and regional development issues. One of the options to do this is to shift the argumentation used by decision-makers towards attaching more value to the regional and the local at the expense of the national (“It is not that important whether Bulgaria is absorbing Structural Funds resources, what is far more important is whether Krivodol is absorbing any”).

On roles

Efficient participation from NGOs and businesses in the use of the Structural Funds requires clear specialization and positioning: an entity belongs either to the “business” of project design and implementation or to the “business” of programme management. This is a process that the decision-makers for the Structural Funds should assist in through clearer information on the respective roles for NGOs and businesses, on the requirements for each role, and also through training stressing more on the distinctive specificity of NGOs and businesses’ roles in using the Structural Funds.

On the truthfulness of self-assessment

It is recommended that those in charge of the Structural Funds provide adequate feedback to NGOs and businesses which would enable them to construct a more realistic and more operational self-assessment scheme. This is easily done by showing models of prepared and successful organizations, i.e. showing how an adequately prepared for the Structural Funds NGO or company looks like, regardless whether coming from Bulgaria, the old member states or the newly acceded ones. Furthermore, it would be suitable for NGO and business associations to offer their members the same service.

On the quantity and quality of information

Gaps in quantity will be easy to fill, but this does not apply to gaps in quality. In an ideal situation everybody would receive the information they need, at the time when they need it and its style would be accessible and understandable. Information needs to be specific, targeted and aligned to the needs.

A reasonable approach would be to make more efficient use of television since it is the most widely used channel identified in the survey to sensitize the public, of the Internet as the most efficient medium for self-study, and of face-to-face training for the development of understanding and practical skills.

In terms of support for capacity development under the operational programmes, especially the administrative capacity programme, special attention needs to be paid to Internet access and the development of data finding skills when working with Internet.

NGOs and businesses' different orientation requires that different channels are used to address those audiences: for the NGOs – the Internet and seminars, for businesses – TV, radio, newspapers. This differentiation should continue inside the sectors based on the preferences of the individual actors.

Ideally, it would be possible to establish a more comprehensive national programme informing of the Structural Funds. NGOs themselves could be an important actor in information gathering, processing and dissemination in a format suitable for their members and target groups. To achieve this it would be necessary, firstly, that NGOs receive financial support for this activity and, secondly, that the level of self-organization in the sector is raised.

On project development and implementation

For all entities the shift from working with national public funds and donors outside the EU to the new EU funds will not be a smooth and untroubled one. A change in the manner of using national public finance should be made in order to communicate the new rules as fast and accessible as possible to the future key actors. The actors, especially the NGOs, should urgently shift into a Structural Funds mode of operation.

At the same time the process through which access to the resources of the operational programmes is gained (projects, contracts) should be governed by several principles. Firstly, a process design is necessary that is simple and efficient and avoids unnecessary complication and bureaucracy and also a careful judgment whether access to projects should be on competitive or on a first-come-first-served basis. Secondly, objective and transparent decisions on the funding of projects (assessment, project selection) should be ensured. Thirdly, clear, comprehensible and consistent documentation should be elaborated. Fourthly, support prior to the application is needed, which offers more than a mere distribution of formal requirements and procedures and includes real help – manuals and other aids, feedback on enquiries, opinions and advice, etc. Fifthly, setting of co-financing requirements taking into account the beneficiaries' capacities, e.g. more lenient requirements on the amount of co-financing NGOs are expected to supply and also larger advance payments.

On participation in planning and programming

The main recommendation here is to improve the quality, efficiency and effectiveness of participation since its quantitative parameters seem satisfactory.

Improvement in the efficiency of the design and participation in planning and programming processes is of great importance. To achieve this it would be necessary, first of all, for the organizers to differentiate more clearly the various participation formats and roles for participants and to include those who are suitable in appropriate roles and through appropriate formats, simultaneously trying not to close the process within a limited circle. Efficiency and effectiveness are more important than mass participation. Secondly, the specificity and preferences of the various types of organizations to participation formats should be taken into consideration. Thirdly, those who are willing to participate in the planning and programming process should identify more precisely their interest and capacity as well as the suitable level and participation format corresponding to their characteristics. This is part of the more general problem of the need of specializing and positioning. Fourthly, the entities willing to participate in the processes should develop self-organization of a higher order to represent their interests in cases when direct participation is inappropriate.

More difficult to address is the issue of the mismatch between the positive attitude to planning and the real participation in planning. It concerns the more general issue of internalizing rules and norms, a process that implies consistent requirements from the various institutions, practice and time. In relation to this the regional development planning processes and systems should be reshaped and reconsidered. Data from the survey indicates that at least one of the levels where planning documents are developed, either the regional or the district one, seems superfluous.

Participants from the NGO and private sector in the planning and programming processes, especially on the higher levels of planning need to be knowledgeable enough not only on issues related to their area of activity but also on issues of the Structural Funds operation. They need capacity development and training of a type that is different compared to the “mass” type of training and capacity-development on the Structural Funds.

On cooperation with administration

A solution to the problem with the unrealistic expectations towards the administration should be sought in the generation of a clearer understanding of the partnership as a form of power-sharing that is not natural for an administration. Administration should be stimulated to go into this through better organized pressure by the stakeholders.

The political elite should manage carefully expectations for a partnership approach on the part of administration. Parallel to this, state administration needs to take into consideration the mismatch between the perceived importance and the assessment of the actual interaction it has with NGOs and businesses and to look for feedback on the degree of satisfaction as well as to discuss with them problems and jointly look for suitable solutions.

It would be a shortcoming if NGOs and businesses start believing that administration should interact with them - even when by law it is charged with such a responsibility, the

interaction that follows it can be merely for the sake of appearance. In order to be able to exercise the necessary constructive pressure for meaningful cooperation, the NGO and the private sector need additional self-organization, consolidation, establishment of lasting or ad hoc coalitions.

New ways should be found which would overcome the administrations' common practice to limit its action to informing the NGO and the private sector of its intentions and of the decisions already taken and to treat them as its subordinate "partners". Judging by the responses NGOs and companies gave on the most significant difficulties a change in the situation would rather require a shift in administrative culture, attitudes, knowledge and skills of administrative officials rather than legally imposed obligations.

Something that can be done in the short term is the introduction of better suited procedures and modalities with emphasis on interaction modalities related to studying the needs of the stakeholders and focusing on thoroughness and professionalism and not on mass practices and external appearance. Taking into consideration the varying efficiency and effectiveness the various modalities show at different levels of public administration is extremely necessary.

On public-private partnerships

Together with limited knowledge and skill, the complex nature of PPP schemes, the limitations posed by their essence and the considerable capacity and time requirements for their design, may turn into a risk for the absorption of Structural and the Cohesion Funds.

Public authorities need to develop a simple, concise and clear concept on public-private partnerships in the context of the Structural Funds. Central in it should be ideas on the types of projects the PPP would be suitable for and what types of business partners would be desirable and eligible. An expectation which has to be avoided is the unrealistic hope that small companies from weak regions may join in the match. Such a concept should also envisage raising the awareness of the potential private and public partners and should work to develop a positive public attitude to PPPs as "concessions" seems to have become a swear word.

Regarding deficiencies in the interaction between science and businesses, programme design should stimulate the institutionalization of existing partnerships. In addition, a public campaign targeted at businesses would also be useful. Such a campaign should sensitize them about the benefits of businesses' closer cooperation with universities, research centers and laboratories. A special problem to be addressed is the image of universities as an area of academic knowledge useless to businesses.

On cooperation inside the sector and between sectors

The survey showed that much has been done already so that NGOs and businesses are able to grasp the importance of cooperation. Little is done, however, to convince them in its benefits and to make it a frame of reference for decision-making. Knowledge exists, skills and attitudes do not. The shortest way to fill this gap is through practice in which partnership is an obligatory requirement.

Firstly, there is a need for programme incentives to partnerships, making sure, naturally, that partnership does not become an end in itself. Secondly, this needs to be complemented by enhancing the ability and skills of NGOs and businesses to judge when partnerships are useful and who should participate in them. Partnerships should be resorted to only in such cases when they bring value added in the broader sense. Thirdly, a differentiated approach to addressing cooperation problems between various organizations both in terms of programme design and in terms of capacity development is necessary.

On the self-organization of the NGO and the private sector

Ways and mechanisms should be sought to raise the degree of self-organization in the two sectors. The solution can be found in the combination of two modalities: more lasting unions or *ad hoc* coalitions specifically focused at participation in the use of Structural Funds. The need is not for associations aiming to develop partnership but for creating partnerships aiming at partners' capacity development. A matter that requires careful judgment is at what level to establish such unions – at the level of the planning region, the district, or the municipality. The right choice here depends on the purpose, efficiency and effectiveness. In all cases, however, national unions and associations are not enough since interactions with national organizations turn out to be more difficult and unsatisfactory. On the other hand, although interaction at the lowest level is most rewarding and more natural, it is only in the particular case of the largest municipalities that it can ensure economy of scale.

Of course, NGOs and businesses should not wait for the government or the donors to fill in the gaps. They themselves should look for existing organizations with similar functions and join them; they should establish such organizations if they do not exist or charge existing organizations with this function; they should be ready to allocate resources for the creation and operation of those organizations.

This process can be supported by the government through the programmes' design – provisions for institutional building support to existing associations or provisions for incentives for their establishment and support for strengthening their capacity.

In this way increased self-organization will address a number of issues identified in the survey - fragmentation and small size of organizations, representation and voicing of interests, advocacy, participation in programming and planning, monitoring and evaluation of the Structural Funds programmes, projects design, training and generally, capacity development of the NGO and the private sector. This entails also increased constructive pressure on administration on all levels for full-fledged cooperation, increased transparency, improved efficiency and decreased participation costs for the organizations.

On knowledge and skills

Current capacity gaps in the NGO sector and the business sector (not only information and training gaps) cannot be filled unless there is a training strategy new in range and underlying philosophy.

Firstly, the overall approach to training should change – from general and abstract

training to concrete and operational knowledge measurable through standardized tests that continuously show to trainees their real stage of awareness, training and preparedness for participation in the Structural Funds.

Secondly, modern training techniques need to be applied – from didactic teaching to interactive training with systemic feedback.

Thirdly, high quality new training materials are required such as case studies (both success stories and failures), films, interactive computer programmes, multimedia, simulations, and simulation games.

Fourthly, a combination of coaching and consultation should be applied: coaching consultations or consultative coaching ending with concrete results, for instance good project proposals.

Fifthly, differentiated training based on the needs of the various groups will be useful. At one end of the continuum is mass training in project design and implementation; there are, however, smaller groups with their own specific needs for specialist and more intensive training such as organizations participating directly in the work of working groups and advisory bodies on the national level, monitoring and steering committees, providing support and advice to other organizations, etc. Related to the need for consultations but also to its dubious efficiency, a need exists not only for training of the consultants but also of their clients on when and how they should use consultants' support. In all of the cases it is necessary to identify and analyze training needs and to address during the training those gaps specific to the group which is trained.

Sixthly, none of the above would be effective unless prior to it there has been good quality training of trainers.

Seventhly, quality training is expensive and the better part of organizations is either unwilling or unable to pay for it. This means that training costs should be covered fully or in part by NGO and business associations or public authorities, using also resources of the Structural Funds.

On financial and technical resources

Addressing the issue of financial resources and co-financing is one of the most complex tasks. The successful solution for NGOs and businesses is different in a number of aspects.

For NGOs it is important to recover any direct costs arising from participation in planning and consultation processes and hence consideration should be given to the idea of global grants for capacity development in the sector and first and foremost to making provision of the NGOs participation as beneficiaries of the operational programmes when such a participation meets the nature of interventions and NGOs capacity. It seems logical and natural NGOs to be given a “milder” treatment in terms of cost-sharing requirements inclusive of a reduction or full cancellation of this requirement in some cases, depending on the programmes specifics, the concrete project activities, etc.

Another possible approach which is not mutually exclusive with the above, but in addition it is valid to businesses, is the use of compensatory advance payments made from national public sources that would mitigate the acute cash-flow problem they might

experience. Last but not least, there is the possibility to set up a revolving fund that would offer preferential terms of interest rates, collateral, service fees and grace periods for loans and bank guarantees needed for co-financing.

Resolving the problem with costs associated with project design and feasibility studies is quite dissimilar. In order to bring down the costs potential applicants cover, public funding of technical assistance also from the Structural Funds is necessary. It would be most efficient to organize it by regions by forming, for instance, regional “pools” of consultants. By setting up those, good use can be made of the experience of a number of national and regional organizations such as regional development agencies and business centers, regional structures of the Chamber of Industry and Commerce and the Industrial Association, municipal associations, industry associations, etc. If public funding is awarded, however, there would be a need for suitable criteria and procedures that would ensure the quality of support.

Support from the government is essential for the most disadvantaged organizations and this support should include development of the organizations’ technical resources and, more specifically, their access to information and communication technology including equipment, software, Internet access, training how to use them, etc.