



Executive Summary

Since the 1996-97 political and economic crises, a time during which 36 percent of Bulgaria's population numbering eight million was considered poor, the country has made substantial progress towards political and macroeconomic stability. Basic democratic freedoms are in place, the parliament operates in a democratic fashion, and independent and critical media exist. Also, public finances were brought under control and economic growth resumed—important steps along the way to the ultimate goals of improved living standards and accession to the European Union (EU). Current forecasts predict that Bulgaria's real gross domestic product (GDP) will grow by approximately 5 percent per annum over the next four years and that its GDP per capita will expand by approximately 6 percent annually. Bulgaria's internal accounts are projected to be roughly in balance and its external indebtedness is projected to continue its decline.

Notwithstanding economic progress achieved in the past few years, there was little improvement in human development indicators. Bulgaria remains in the 'middle' human development category relative to other countries. Large disparities exist between different geographical areas, between urban and rural areas, and between different ethnic groups. Bulgaria continues to face significant challenges including: government reform and decentralisation, a shortage of skills and capacities at all levels of administration, the need to overhaul its judiciary system, and the need to develop solid foundations for a truly democratic system—one that would ensure public participation, a sense of inclusion and ownership, and the development of civic society.

The overarching national development goal is EU membership by 2007. In addition to representing a development goal in its own right, the process of EU accession also entails through the *acquis communautaire (acquis)* adoption of a concrete agenda and timetable for policy and institutional reforms in the judicial, economic, and social arenas. Although legislative harmonisation has progressed well, the advancement of underlying institutional reforms and capacity building is slow.

Bulgaria's goal of accession to the EU is represented as the backdrop to UNDP programming, rather than as an explicit objective. UNDP's main role and strategy in Bulgaria was to address the results of the dual processes of transition from communist rule and accession to the EU on the dimension of human development. In particular, UNDP sought to ensure that ongoing legislative and institutional reforms do not overlook the needs of those who are poor or vulnerable.

In terms of a thematic or sectoral focus, the emphasis remained on three areas: poverty, governance, and environment. Although there have been various projects and distinct points of reference to programming within each of these areas, a fairly narrow picture representing the convergence of all these various factors has emerged.

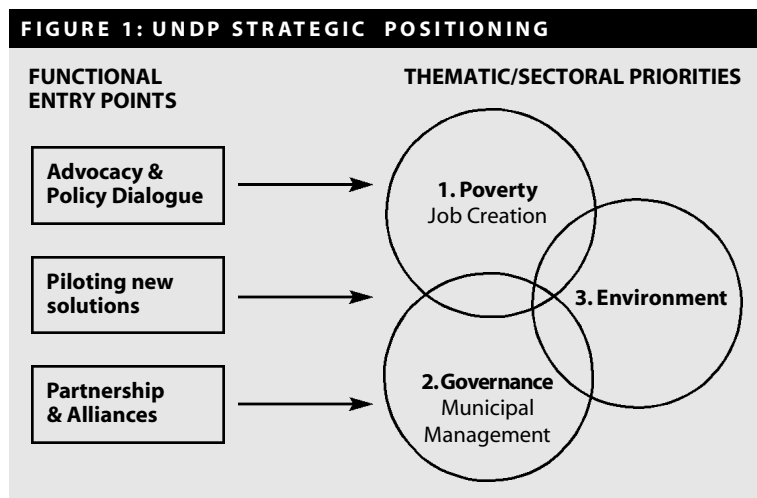
Within the poverty area, an emphasis on job creation permeated UNDP activity, whereas

within the governance area, decentralisation and municipal management were the driving forces. The focus in the environment area was distinct, albeit somewhat subsidiary, in terms of UNDP strategy.

Cutting across thematic priorities, UNDP's work was, in terms of a functional dimension, centred on three avenues of action: advocacy and policy dialogue, piloting of new solutions, and partnership and alliance building. Although there has been an evolving nuance of emphasis, there has been a high degree of continuity in programming over the 1997-2003 period, i.e. straddling Country Cooperation Framework 1 (CCF1) and Country Cooperation Framework 2 (CCF2) and the change of Resident Representative (RR)/Resident Coordinator (RC) in 2001.

Using resource mobilisation as a proxy indicator, UNDP displayed a high degree of effectiveness in partnership building. More than 90 percent of total resources spent over the 1997-2002 period came from external sources. For the 1997-2005 period, including funds committed but not yet spent, a total of more than US \$93 million was raised from external parties. The fact that 63 percent of total resources came from Bulgarian authorities indicates congruence with national priorities and concerns.

There is a high degree of synergy between the different components of programming. Cutting across thematic priorities, UNDP strategy can be described as one of identifying areas of vulnerability and disparity in human development, demonstrating local-level solutions to such challenges, and following-up by upscaling and mainstreaming these solutions to the national level of public management and practice. Advocacy efforts were undertaken through a number of different instruments and forums, including the National Human Development Reports (NHDR), Early Warning System (EWS), and Social Impact Assessments (SIAs). In terms of piloting, the general approach consisted initially of developing local-level pilot schemes undertaken with seed funding from UNDP



resources, followed by a phase of multi-location replication based on mobilisation of resources from other donors, and finally a nationwide application funded by government resources.

The evaluation team's assessment is that UNDP responded well to key national development priorities and challenges and, at the same time, identified an operational niche that resonated with Bulgaria's other external development partners. The combination of advocacy involvement at the policy level and piloting of local-level services was applied to Bulgaria's current challenges in areas of human development and specifically in the provision of services to vulnerable groups. UNDP brings a unique legitimacy and credibility to the areas of job creation and municipal management because these areas are not associated with any commercial or political interests. Transcending the focus on human development conditions of vulnerable groups, UNDP also gained a critical role in the process of establishing linkages between the macro and micro levels of national governance and poverty eradication.

The evaluation recognised an increase in the priority placed on the social sectors by Bulgaria's government policy as a result associated with UNDP's work in Bulgaria. The elevation of the focus on social sectors is evidenced by a shift in the structure of the government's expenditure programme. Between 1998 and 2001, the share of social sector expenditures in the Government of Bulgaria's (GOB's) budget increased from 46.5 percent to 51 percent. When looked at over the 1996-2002 period and relative to GDP, the share of such expenditures increased from 15.3 percent to 22.7 percent.

Relating to institutional achievements, UNDP partnered with the GOB and the World Bank in establishing and developing the capacity of the National Social Security Institute (NSSI), an autonomous body responsible for the administration of pensions and short-term cash benefits. Another successful collaboration between UNDP and

TABLE 1. SUMMARY OF RESULTS: POLICY, LEGISLATIVE, AND INSTITUTIONAL CHANGE INFLUENCED BY UNDP		
	Policy and Legislative Change	Institutional Achievements
Cross-cutting Results	<ul style="list-style-type: none"> ■ Social orientation of GOB Expenditures up from 46.5% (1998) to 51% (2002) 	<ul style="list-style-type: none"> ■ National capacity for absorption of EU pre-accession funds
Poverty	<ul style="list-style-type: none"> ■ Employment Promotion Act 2002 ■ Social Policy Strategy & Active Labour Market Policy ■ National HIV/AIDS Strategy Action Plan ■ Law on Child Protection 	<ul style="list-style-type: none"> ■ National Social Security Institute ■ Social Investment Fund ■ JOBS Network (of 38 Municipal Business Centres, Incubators, and Information Centres) ■ Child Protection Agency
Governance	<ul style="list-style-type: none"> ■ Law on Regional Development ■ National Plan for Regional Development ■ District Development Plans ■ Municipal Strategies for Sustainable Development ■ National Strategy on e-Governance 	<ul style="list-style-type: none"> ■ Inter-ministerial National Commission for Sustainable Development ■ 300 Chitalishte Rejuvenated
Environment	<ul style="list-style-type: none"> ■ Law on Biodiversity ■ Law on Protected Territories ■ Energy Efficiency Act 	<ul style="list-style-type: none"> ■ Municipal Energy Efficiency Network

the World Bank was the Regional Initiatives Fund (RIF), which was designed to test the Social Investment Fund (SIF) mechanism and has since been adopted.

The experiences gained from the UNDP job creation projects, i.e. the Beautiful Bulgaria Programme (BB), RIF, and the Job Opportunities through Business Support (JOBS) Programme, fed direct input to the new Ministry of Labour and Social Policy's (MLSP's) Social Policy Strategy and its adoption of Active Labour Market Policies (ALMP). This signals a turn towards attempting to influence the causes, not merely the effects, of poverty and unemployment—specifically, the move from cash handouts towards job opportunities, with the BB, RIF, and/or JOBS approach being the modus operandi of government action in the job creation field. The JOBS network has become part of the GOB's National Employment Promotion Plan (NEPP) for business development and employment generation. In total, the ALMP

currently provides community jobs to 100,000 long-term unemployed. However, it must be recognised that such programmes, while useful, cannot substitute for measures to enhance business competitiveness, promote flexible forms of employment, reduce hiring and dismissal costs, and eliminate other forms of labour market rigidity.

UNDP has taken a lead role in promoting decentralisation and good governance at the local level. UNDP fueled national policy debate with the Municipal Human Development Index (MHDI) and provided Bulgarian decision makers with important operational instruments for municipal level service delivery. UNDP has also been a key player in promoting civil society's participation at both the central and local level. Based on the Regional Development Act formed under Capacity 21, a National Plan for Regional Development 2000-2006 was elaborated on the efficient use of local and regional resources for sustainable human development of the country.

UNDP probably had activities in a wider range of municipalities than any other external donor to Bulgaria. Due to UNDP's municipal-level activities, many local officials became acquainted with the paperwork associated with external development partners. We believe this recently developed capacity will be helpful to the management of EU funding.

UNDP support in the area of environmental protection was focused on the adoption of national policies and programmes that are aligned with global environmental protocols and agreements. Legislative changes that were implemented during the period of review include the Law on Biodiversity, the Law on Protected Territories, and the Energy Efficiency Act. Other policy, legislative, and institutional changes that occurred during the review period upon which UNDP had a smaller degree of influence include the Law on Child Protection, the Child Protection Agency, and a National Advisory Council for Child Protection.

The overall assessment is that there are good prospects for UNDP to meet the Strategic Results Framework (SRF) goals and targets and thereby, the ability for Bulgaria to make progress with the Millennium Development Goals (MDGs).

In terms of lessons learned and emerging opportunities, the major issues raised by the report are:

- **Results require thematic focus but multiple instruments.** A key factor in UNDP's success in Bulgaria is the maintenance of a fairly tight thematic focus to its activities. Even so, the policy-level and institutional results that UNDP has contributed to Bulgaria do not emanate from individual projects. Rather, it is the interplay of analytical work, such as NHDRs, in addition to other 'soft' advocacy, combined with concrete demonstration schemes that led to the observed change in national policy orientation. Moreover, some individual projects have influenced several different policy and institutional outcomes. The BB programme, for instance, has provided the modus operandi of social protection systems and labour market policy. It has also given legitimacy to national policies and institutional arrangements for decentralisation and municipal management.
- **Resource mobilisation, substantive focus, and sustainability.** An institutional problem with UNDP COs that had success in attracting external financing is that they are drawn into and stay with 'anything that pays'. However, in Bulgaria, activity was concentrated in relatively few thematic areas. Although resource mobilisation was a concern, it does not appear to have driven the CO into activities outside of UNDP's field of competence and concern. Nevertheless, the evaluation team highlights the need for UNDP to continuously maintain a focus on the process of transferring or 'mainstreaming' operational management to the national

institutions that have long-term responsibilities in the respective areas.

- **A national vision for EU accession.** Arguably, in the first period of Bulgaria's transition, the country was running away from its communist past, whereas now it is sprinting towards joining the EU. Attaining the economic, social, environmental, and administrative standards of the EU that will allow Bulgaria to become a full-fledged member on 1 January 2007 is the ultimate strategic objective of the GOB until the end of 2006. In addition to representing a development goal in its own right, the process of EU accession, entails a concrete agenda and timetable for policy and institutional reforms in the judicial, economic, and social arenas. However, other than accession, there is limited vision for what the country wishes to achieve with membership. Bulgaria must recognise that the essence of accession is competition on equal terms. Therefore, although clearly desirable from a political perspective, it must not be taken for granted that membership will immediately confer advantages in economic and social terms. In fact, there is a risk that Bulgaria could become a net contributor country to the EU—that the total of its membership outlays will be larger than the sum of its total receipts. Building on UNDP's political impartiality and its involvement in national vision exercises around the world, there might be a role for UNDP to help the GOB develop a vision for what capacities it will need in order to benefit from EU membership.
- **EU accession as anchor for operational programming.** Since Bulgaria now has a concrete date for EU membership, there are a number of implications for UNDP's operations. Where the acquis present concrete legislative and institutional goals and targets, UNDP needs to align its projects and programmes, and sooner or later, the beneficiaries of UNDP projects will have to comply with EU rules and

procedures. In this regard, and also taking into consideration the limited institutional and administrative capacity of the government as well as the low present absorption capacity of EU funds, we recommend that UNDP supports the government in the implementation and management of EU funds.

- **Coherence of decentralisation as new strategic thrust.** Bulgaria's decentralisation efforts are entering a crucial phase—representing a possible strategic opportunity for UNDP. UNDP was a partner to national authorities as well as external donor partners in establishing the policy framework for decentralisation. At the same time, UNDP implemented activities in more municipalities than any other external donor. From these efforts, a number of lessons have been learned about what works and does not work at the local level. Now may be the time for all of Bulgaria's decentralisation activity to converge. UNDP may be in a unique position to 'pull the strings together'. This will require partnership with the government, extraction of lessons learned from ongoing decentralisation efforts in Bulgaria and elsewhere, and refinement of CO competencies and organization.
- **Improved targeting of the poor through refined focus on minorities.** Ethnicity issues have now resurfaced as a high priority on the GOB's agenda due to the political criteria of EU accession and recent social tensions in several Roma quarters. The plight of Bulgaria's Roma, Turkish, and other minority groups possibly represents the greatest single risk to Bulgaria's accession programme. Because UNDP has credibility from its integration of ethnic minorities through BB and other job creation schemes and due to its recent regional *Human Development Report* (HDR) on the Roma, UNDP is perceived as an 'expert' organisation, with no territorial interest or ethnic baggage to protect. We believe this to be an area in which UNDP should

prepare for a substantial and fairly rapid upscaling of its activities.

- **UNDP role after EU accession.** The final issue is the role of UNDP post 2007. It appears that a local demand for UNDP services may remain after Bulgaria's eventual EU accession since the capacity development activities and public management reforms that UNDP is involved in are unlikely to be completed by 2007. The office is largely self-financing and is not dependent on any Target for Resource Assignment from the Core (TRAC) or any other central resource transfers in order to maintain operations. However, the UN flag brings credibility to operations that cannot be replicated by other organisations. Nevertheless, whether UNDP will remain in the country is dependent more on political rather than functional issues, something that the organisation will need help resolving.

It may be concluded that in Bulgaria, UNDP's focus on a combination of substantive and operational issues gave the organisation a crucial place in national development, specifically with regard to ascertaining that the needs of the poor and vulnerable are maintained on the road towards EU accession. UNDP's biggest advantage lay in the partnerships built around local operational solutions, which bridged the macro and micro dimensions of national development. Unless UNDP becomes much more interwoven with Bulgaria's accession

efforts and post-accession practical adaptation to EU institutional and capacity requirements, it may find itself redundant. The evaluation did not identify any major areas of UNDP failure in Bulgaria. The assessment is that Bulgaria must be counted among UNDP's country-level success stories as it sets a very high standard. Nevertheless, our analysis identifies a number of issues and challenges that need to be addressed in terms of programme focus as well as CO capacities.

Although this evaluation did not entail detailed reviews of operations under individual projects, the evaluation team found that the CO staff profile for upstream policy support is different than that for project management implementation. As these are not necessarily mutually exclusive capacities, the implication is that the CO staff needs to build its capacity to better provide such advice in a streamlined fashion. The project management experience, which is dynamic and upstream, could provide valuable lessons in this respect. In addition, in regards to the issue of capacity for managing results, Bulgaria's CO, like many other UNDP COs, could benefit from more training. This would enhance the CO's ability to see beyond process and deliverables to increase its effectiveness in influencing development changes that affect people's lives. However, at the overarching strategic level, the evaluation team did not identify any major failures or missed opportunities beyond the corrective actions suggested in the report's concluding section.