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ABSTRACT

Administrative capacity or quality of political governance? EU Cohesion Policy in the new Europe, 2007–13. *Regional Studies*. The enlargement towards Central and Eastern Europe offers new opportunities to examine the effectiveness of the European Union's Cohesion Policy. This paper examines the management and implementation of Structural Funds in Bulgaria and Romania, two outlier but diverging cases, during 2007–13. Drawing on original empirical data, it argues that their variation in capacity and performance can be understood by examining how political factors influenced administrative capacity developments and the processes surrounding the absorption of funds. Taking stock of domestic political governance is essential as to explain the ability of new member states to manage European Union regional and Cohesion Policy.

KEYWORDS

administrative capacity; quality of governance; European Union Cohesion Policy; Structural Funds; Bulgaria; Romania

摘要

行政能力或是政治治理的质量？新欧洲的欧盟凝聚政策，2007年至2013年。区域研究。欧盟向中欧与东欧的扩张，提供了崭新的机会，检视欧盟凝聚政策的效力。本文检视 2007年至2013年间，结构基金在保加利亚和罗马尼亚的管理与执行，而这两国是局外但分歧的案例。本文运用原始的经验数据，主张它们在能力与表现上的差异，能够透过检视政治因素如何影响行政能力发展以及围绕在基金吸收的过程加以理解。盘点国家内部的政治治理，是解释新的成员国管理欧盟区域及凝聚政策的能力之核心。

关键词

行政能力；治理的质量；欧盟凝聚政策；结构基金；保加利亚；罗马尼亚

RÉSUMÉ

La capacité administrative ou la qualité de la gouvernance politique? La politique de l'Ue en faveur de la cohésion dans la nouvelle Europe de 2007 à 2013. *Regional Studies*. L'élargissement vers les pays de l'Europe centrale et orientale apporte de nouvelles possibilités d'examiner l'efficacité de la politique de l'Union européenne en faveur de la cohésion. Ce présent article cherche à examiner la gestion et l'affectation des Fonds structurels en Bulgarie et en Roumanie entre 2007 et 2013, deux études de cas à la fois extrêmes et divergents. Puisant dans des données empiriques originales, on affirme que la variation de leur capacité et de leur performance puisse s'expliquer en examinant comment les facteurs politiques influent sur l'évolution de la capacité administrative et sur les processus concernant l'absorption des fonds. Il faut remettre en question la gouvernance politique intérieure afin d'expliquer la capacité des nouveaux pays-membres de gérer la politique de l'Union européenne en faveur des régions et de la cohésion.

MOTS-CLÉS

capacité administrative; qualité de la gouvernance; politique de l'Union européenne en faveur de la cohésion; fonds structurels; Bulgarie; Roumanie

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ZUSAMMENFASSUNG

Verwaltungskapazität oder Qualität der politischen Regierungsführung? EU-Kohäsionspolitik im neuen Europa, 2007–13. *Regional Studies*. Die Erweiterung nach Mittel- und Osteuropa bietet neue Chancen zur Bewertung der Wirksamkeit der Kohäsionspolitik der Europäischen Union. In diesem Beitrag werden die Verwaltung und Umsetzung der Strukturfonds in Bulgarien und Rumänien – zwei Sonderfälle mit unterschiedlichen Merkmalen – im Zeitraum von 2007 bis 2013 untersucht. Ausgehend von empirischen Originaldaten wird argumentiert, dass sich die Abweichungen bei der Kapazität und Leistung durch eine Untersuchung der Frage verstehen lassen, wie sich die politischen Faktoren auf die Entwicklungen bei der Verwaltungskapazität ausgewirkt haben und welche Prozesse es im Zusammenhang mit der Absorption der Fonds gibt. Eine Bestandsaufnahme im Bereich der innenpolitischen Regierungsführung ist unverzichtbar zur Erklärung der Fähigkeiten der neuen Mitgliedstaaten bei der Verwaltung der Regional- und Kohäsionspolitik der Europäischen Union.

SCHLÜSSELWÖRTER

Verwaltungskapazität; Qualität der Regierungsführung; Kohäsionspolitik der Europäischen Union; Strukturfonds; Bulgarien; Rumänien

RESUMEN

¿Capacidad administrativa o calidad de la gobernanza política? Política de cohesión de la UE en la nueva Europa, 2007–13. *Regional Studies*. La ampliación hacia Europa central y oriental brinda nuevas oportunidades para valorar la eficacia de la política de cohesión de la Unión Europea. En este artículo se analizan la gestión y aplicación entre 2007 y 2013 de los fondos estructurales en Bulgaria y Rumania, dos casos atípicos pero divergentes. A partir de datos empíricos originales, se argumenta que su variación en la capacidad y rendimiento puede entenderse analizando la cuestión de cómo los factores políticos tuvieron influencia en los desarrollos de la capacidad administrativa y los procesos en torno a la absorción de fondos. Evaluar la gobernanza política nacional es fundamental para poder explicar la capacidad de los nuevos Estados miembros de gestionar la política regional y de cohesión de la Unión Europea.

PALABRAS CLAVES

capacidad administrativa; calidad de gobernanza; política de cohesión de la Unión Europea; fondos estructurales; Bulgaria; Rumania

JEL H11, H83, R58

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INTRODUCTION

The implementation of external policies, in Central and Eastern Europe, and their impact on regional development remains an interesting area of inquiry for students of the European Union (EU) regional and Cohesion Policy. Scholars have often examined whether or not administrative capacity (ADM) variables can explain the variation in the ability of certain countries or regions to reach a certain level of performance in implementing Structural Funds (SF) (Bachtler, Mendez, & Oraže, 2013; Leonardi, 2005; Milio, 2007). In addition, studies have stressed that SF implementation is equally influenced by domestic arrangements and conditions (Bachtler & McMaster, 2008; Batterbury, 2002; Smyrl, 1997). Governance and domestic political factors may mediate the effects of redistributive policies, such as European Cohesion Policy (CP), in ways that affect their performance and impact (Bachtler & McMaster, 2008; Baun & Marek, 2008). In recent years, there have been growing discussions on the way in which the quality of central and regional governments (Charron, Dijkstra, & Lapuente, 2014) or the quality of institutions (Rodríguez-Pose, 2013) may influence implementation processes. As a result, policy-makers now emphasize on ‘good governance’ as a necessary condition for socio-economic development (European Commission, 2014). These factors matter, yet there is little specific knowledge on

why and how political or governance related arrangements shape the capacity of countries to effectively implement EU regional funding.

The aim of this article is to assess how the interplay between ADM and political factors influenced CP implementation performance in new member states. Several overarching assumptions were verified. Firstly, a relationship was posited between the overall capacity (administrative and political) of states and their ability to reach a certain level of performance vis-à-vis the management and implementation of EU CP. Secondly, in line with the assumptions postulated in the literature (Bachtler et al., 2013; Boeckhout et al., 2002; Milio, 2007), it was hypothesized that a higher level of ADM may lead to a higher level of performance. Finally, as stressed by different authors (Bachtler & McMaster, 2008; Milio, 2008; Smyrl, 1997), it was expected that political arrangements would somehow affect the ability of states to deal with EU external aid.

These theoretical propositions were scrutinized by examining the absorption performance of Bulgaria and Romania, two of the newest members of the EU, during the 2007–13 implementation period. The two provide new and under-researched testing grounds for evaluating how domestic administrative and political conditions shape EU CP implementation. Generating new insights on this issue, the article responds to the challenge for

more comparative studies (Ferry, 2013). Specifically, the article tackled an intriguing empirical puzzle. During 2007–10, Bulgaria and Romania were the lowest EU performers in terms of SF absorption. However, starting with 2010, Bulgaria tripled its absorption rate, which meant that Romania had to settle for the poorest performer position from all EU-27 countries.¹ At the end of 2014, one year before the end of payments for the 2007–13 period, Romania received 44% from its €19.2 billion allocation, whilst Bulgaria absorbed 65% from its €8 billion financial envelope. Figure 1 outlines this evolution. Given the numerous similarities and the countries' joint, often problematic, path towards European accession, the differences in their performance of EU CP implementation was striking. Consequently, this article investigates the reasons that may explain the variation, in SF capacity and performance, between the two countries.

The study combines a 'most similar systems design' approach with in-depth case studies. Relying on several data sources, it employs an extensive qualitative empirical analysis. Before fieldwork was conducted, national and European official reports, civil society positions and national newspaper articles were analysed. Qualitative evidence was collected at the central level and from two NUTS-2 development regions (South-West and North-Central: Bulgaria and North-East and Bucharest-Ilfov: Romania). Insights were drawn from 55 semi-structured interviews carried out during 2013–14 in Brussels, Bulgaria and Romania (see Appendix A in the supplemental data online). The sample of interviewees included EU policy-makers, national officials and politicians, central and local funds administrators, experts, civil society representatives, and funds beneficiaries. Moreover, the article also presents some quantifiable insights from a questionnaire completed by several interviewees ($N = 46$).² Interviews were transcribed and coded using qualitative analysis software. A

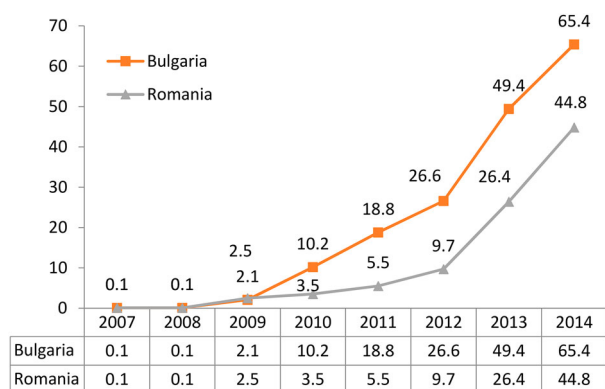


Figure 1. Evolution of the absorption of Structural Funds in Romania and Bulgaria, 2007–14 (%).

Note: Absorption rates represent payments received from the European Commission. Data are accurate for the end of December 2014, one year before the official end of payments for the 2007–13 multi-annual financial period. Not included is pre-financing.

Sources: Author's creation. Data for Bulgaria and Romania were retrieved from <http://eufunds.bg> and <http://www.fonduri-ue.ro> respectively.

coding protocol was devised using the specific indicators of analysis presented in the analytical framework (see Appendix B in the supplemental data online). The data were then analysed using a mixed-variable and case-oriented approach (Miles & Huberman, 1994, pp. 174–177). Interviews were used to gain an in-depth understanding of the interaction between ADM and political factors. Efforts were made to verify the validity of the findings in line with the literature and against potential rival explanations.

Evaluating the capacity of the managing and control institutions³ involved in the absorption process, it was found that in order to provide a thorough explanation for the differences in performance, ADM variables need to be associated with political stability and support. Bulgarian institutions benefited much more from the latter which, in turn, allowed them to develop a sounder ADM, characterized by a more balanced institutional design, simpler procedures and stronger human resources capabilities. In light of these findings, it is argued that taking into account more widely the role of domestic political factors may help explain why some Central and Eastern European countries (CEECs) can fare better than others in terms of absorption performance. The findings were consistent with recent studies stressing the importance of domestic political arrangements (Bachtler & McMaster, 2008; Milio, 2008; Rodríguez-Pose & Garcilazo, 2015).

The paper is structured as follows. The next section reviews the current debates regarding ADM and the governance of EU funds, particularly with reference to CEECs. The third section outlines the main analytical framework. The fourth section portrays the differences in terms of ADM between the two countries, whilst, the fifth section presents findings on political factors and their influence. The concluding section discusses the theoretical and methodological implications of these findings, as well as their utility for policy-makers. Finally, questions are raised on the debate concerning CP and regional development in Central and Eastern Europe.

MANAGING EU STRUCTURAL FUNDS IN OLD AND NEW EUROPE

The politics and governance of European CP have attracted considerable academic attention (Allen, 2000; Bachtler & Mendez, 2007; Hooghe & Keating, 1994; Leonardi, 2005). On the one hand, some have evaluated the impact of the policy, questioning whether or not it reduces regional disparities and leads to economic 'convergence' (Beugelsdijk & Eijffinger, 2005; Boldrin & Canova, 2001; Ederveen, Groot, & Nahuis, 2006). On the other hand, scholars have focused on the delivery systems and the management of the funds at the domestic level (Bachtler & McMaster, 2008). In the context of eastward enlargement, the idiosyncrasies of CP implementation have come under renewed scrutiny (Bachtler, Downes, & Gorzelak, 2000; Bachtler & McMaster, 2008; Baun & Marek, 2008; European Policies Research Centre (EPRC), 2009; Ferry & McMaster, 2013). In parallel,

some have focused on the impact that CP implementation has on domestic institutions, regional practices and territorial settings (Bache, Andreou, Atanasova, & Tomsic, 2011; Scherpereel, 2010).

With all this, the variation in CP spending between and within countries still is puzzling. It is now more widely claimed that SF implementation is influenced by domestic conditions (Batterbury, 2002) and by the complexity of EU funds delivery systems found across the region (Bachtler & McMaster, 2008, p. 5). The administrative and/or absorption capacities are often seen as major factors influencing the ability of countries to adopt EU policies and laws (Dimitrova & Toshkov, 2007; Hille & Knill, 2006), or to manage EU financial resources (Bachtler et al., 2013; Dąbrowski, 2012; Horvat & Maier, 2004; Oprescu, Constantin, Ilie, & Pislaru, 2004; Sumpikova, Pavel, & Klazar, 2003).

Examining the ADM of states remains one of the preferred theoretical avenues for explaining why certain countries fare better than others in terms of EU funds spending. ADM is regularly conceptualized as a combination of institutional, bureaucratic and human resources capabilities used by countries to achieve this end. First, institutional capacity remains a key concern in CEECs (Ferry & McMaster, 2013). This is the case particularly in post-communist environments known for weak and unreformed institutions (Dimitrova, 2010; Verheijen, 1999). The division of labour between institutions responsible for the management and control of these funds has been particularly problematic in CEECs due to ingrained institutional legacies and weak capacity at the central and regional levels of government (Bachtler & McMaster, 2008; Dąbrowski, 2012; Horvat & Maier, 2004). During 2004–06, many Eastern member states experienced institutional deficiencies when managing SF (Bachtler & McMaster, 2008), and poor inter-ministerial coordination affected, for instance, implementation in Hungary and the Czech Republic (Baun & Marek, 2008). Second, bureaucratic capacity is often referred to as ‘systems and tools’ (Boeckhout et al., 2002) or the establishment and ‘adaptability’ of procedures (Bachtler et al., 2013). Evaluations regarding the use of adequate legislation and procedures found major gaps in this area (Bachtler et al., 2013; Horvat, 2005; Oprescu et al., 2004). Third, staffing arrangements are frequently underlined as a crucial ADM feature (Boeckhout et al., 2002). Low remuneration and staff turnover still affect post-communist public administrations (Bachtler & McMaster, 2008, p. 20; Scherpereel, 2010). Finally, scholars and policy-makers recurrently discuss the importance of regional and sub-national actors and their role in SF implementation (Barca, 2009). The low political priority given to regions after the fall of communism encouraged the emergence of highly centralized states (Bailey & De Propriis, 2004; Hughes, Gwendolyn, & Gordon, 2004). Yet, since the early 2000s, a centralized approach in EU funds management has taken centre stage, equally manifesting in CEECs’ delivery systems (Bachtler et al., 2013). Therefore, territorial settings, and the division of responsibilities at the sub-national

level, cannot be overlooked when discussing ADM in the area.

In parallel, others have examined the merits of quality of government (Rothstein & Teorell, 2008) or good governance (Kaufmann, Kraay, & Mastruzzi, 2010). Several correlations have now been empirically verified between governance indicators and a more effective use of external financial aid (Boijmans, 2013) or between the quality of government and returns on EU investments (Rodríguez-Pose & Garcilazo, 2015). As shown in a recent study, governmental capacity affected the absorption of the European Regional Development Funds (ERDF) in 25 member states during 2000–06 (Tosun, 2014). Moreover, drawing on survey data from 202 EU regions, Charron et al. (2014) stress that regional quality of governance can act as a key determinant for an effective use of EU funding. Such studies demonstrate that domestic governance arrangements may influence the delivery and spending of EU funds. However, it is not clear how and why this is the case. This article seeks to address this gap by examining the specific role played by domestic administrative and political factors for the absorption of EU funds in Bulgaria and Romania, allegedly two problematic and outlier cases. Before doing so, the next section outlines the studies’ analytical framework.

ADMINISTRATIVE CAPACITY AND POLITICAL FACTORS – AN ANALYTICAL FRAMEWORK

This study combined ADM with political (POL) variables as to assess how their potential interplay can explain levels of absorption performance. The different components of ADM and POL variables presented in the following are in line with relevant conceptualizations from the literature.

First, several studies make an inextricable link between a country’s administrative capacities and their performance in managing European funding (Boeckhout et al., 2002; Molle, 2007; Milio, 2007; Bachtler et al., 2013). ADM remains, however, a difficult concept to conceptualize and there is no broad consensus when defining it (Addison, 2009). In essence, ADM seeks to capture and explain the intrinsic capabilities of countries to manage external assistance (Milio, 2007). A widely used definition groups together ADM with macro-economic and financial absorption capacity (Boeckhout et al., 2002). Boeckhout et al. (2002) employ a capability management grid incorporating three ADM dimensions: structures, human resources, and systems and tools (p. 27). This conceptualization is frequently used by policy-makers when evaluating ADM. Bachtler et al. (2013) proposed a more complex framework which distinguishes between administrative performance and capacity. They assessed the former in relation to five absorption process stages: programming, project preparation and selection, financial management, monitoring and reporting, and evaluation (pp. 4–5) and operationalized it using three core factors: ‘organizational structures, human resources and administrative adaptability’ (p. 7).

This study loosely defines ADM as the institutional, bureaucratic and human resources capability of member states to manage SF. Institutional capacity (ADM1) was evaluated through the institutional design, coordination and accountability of the bodies employed by countries in the management and implementation process. Bureaucratic capacity (ADM2) was defined here as the degree to which states have the legal and administrative tools necessary to manage the absorption process. This was examined by reviewing the existence, stability and uniformity of rules and procedures used by managing institutions, the use of project management and electronic tools, and the extent to which two process stages (selection and verification of projects) were affected by administrative burden. Third, for human resources (ADM3) evidence was collected on the numbers, quality, and financial and professional development incentives for staff working in managing institutions. The influence of beneficiaries and consultancies, often neglected in the literature, was also analysed. Territorial capacity (TER) was evaluated in light of the territorial configurations and government tiers employed by each country in the implementation process.

Apart from ADM, political factors have increased in saliency in studies examining CP implementation (Bachtler et al., 2013; Batterbury, 2002; Baun & Marek, 2008; Milio, 2008; Smyrl, 1997). Three factors were conceptualized here as having a resounding effect on the ability of member states to deal with EU funding. First, political (in)stability can affect the governance of the funds (Milio, 2008; Bachtler & McMaster, 2008; Dotti, 2013). For instance, changes of government can disrupt the activity of managing institutions. Political stability (POL1) was examined by looking at the number of governmental changes and reshuffles and by reviewing the interviewees' reflections on the impact these had on their daily activity. In addition, accounting for political appointments of staff provides a useful indication of the way in which political actors interfere in domestic management and control systems. Secondly, political responsibility and commitment, assumed by governments in the process, may have a positive impact on the capacity of institutions (Dimitrova & Toshkov, 2007; Verheijen, 2007). Moreover, the 'long-standing self-interest of political elites' in the implementation of the policy is now more acknowledged (Barca, McCann, & Rodríguez-Pose, 2012, p. 142). Political support (POL2) was explored by looking at the way in which political management and input may affect, or not, the work of EU funds administrators. Thirdly, different political actors may seek to profit or politicize the selection and distribution of funding in new member states (Bachtler et al., 2013; Dellmuth & Stoffel, 2012; Scherpereel, 2010). Corruption and rent-seeking practices are feared to have an impact on EU-funded public investments (Dimulescu et al., 2013; Fazekas et al., 2013; Rodríguez-Pose & Garcilazo, 2015). Other studies found that internal politics influences the allocation of funding (Bouvet & Dall'Erba, 2010), specifically in relation to 'electoral concerns' (Dellmuth & Stoffel, 2012), 'partisan politics' and 'ideological party preferences' (Kemmerling & Bodenstein, 2006).

For instance, drawing on a dataset of Latvian regions and Bulgarian municipalities, Bloom and Petrova (2013) found evidence to suggest that 'domestic "pork-barrel" politics' may determine which regions are awarded regional aid and that wealthier municipalities, or those with a particular political affiliation, may be prime beneficiaries. Political clienteles (POL3) was evaluated here by questioning, whether or not there was any political interference in the distribution and use of EU money. Last but not least, the influence of EU institutions was reviewed by investigating the mechanisms that Brussels uses to influence the domestic absorption process.⁴ Appendix B in the supplemental data online summarizes the operational framework employed for data collection and analysis.

It must be noted that looking at absorption rates (the percentage of EU funds absorbed by a given country) is not the only feasible way to examine a country's performance (EPRC, 2009). However, this is relevant for the empirical puzzle addressed in this article and its interest in evaluating how the interaction between administrative and political factors might explain the evolution of this performance for the two cases under review. This question has driven the empirical analysis to which this article now turns.

ADMINISTRATIVE CAPACITY AND STRUCTURAL FUNDS IN BULGARIA AND ROMANIA

The management and implementation of EU funds in Bulgaria and Romania remains an unexplored theoretical and empirical terrain. There is some local literature focusing on the obstacles and deficiencies faced by both Bulgaria (Hristova, 2013; Paliova & Lybek, 2014; Tsachevsky, 2012) and Romania (Cace, Nicolaescu, Cace, & Iova, 2010; Georgescu, 2008; Zaman & Georgescu, 2009) and few have sought to compare the two cases (Alexandru, Iorga, Kovachev, & Konstantinov, 2013). Most of these studies lack the conceptual tools required to explain issues of capacity and performance.

Before joining the EU, Bulgaria and Romania managed significant amounts of pre-accession funding. The Poland and Hungary: Assistance for the Restructuring of the Economy (PHARE) funds were used to strengthen the capacity of state institutions to cope with the accession process. In managing these, both countries faced challenges that would later re-emerge: 'weak administrative capacity, staff fluctuations, unreformed public administrations and political interferences' (MWH, 2007). In light of the European 'shared management' principle, a gradual transfer of responsibilities from the European Commission (EC) towards central authorities took place after accession. Prior to this, national authorities underwent a process of compliance assessment during which they had to demonstrate they possess the 'programme management capacity, national financial control procedures and the pre-requisites for a functional public procurement system' (EC, 2006, p. 5). In parallel, central governments designed the National Strategic Reforms Frameworks which provided

the framework from which seven thematic operational programmes (OPs) were derived, similar in both countries: transport, environment, regional development, economic competitiveness, technical assistance, human resources and administrative capacity. These OPs translated general priorities into thematic calls for proposals, on the basis of which public and private organizations contracted projects.

Very soon after accession, Bulgaria was severely criticized for the mismanagement of pre-accession funds. As a result, the EC froze around €500 million destined for Sofia (BBC, 2008). With all this, by 2012 Bulgaria's management and control systems were deemed 'functional' (EC Head of Unit #2). In Romania, problems surfaced after EU auditors found grave deficiencies in the use of the funds. Consequently, a priority measurement plan (PMP) was adopted to improve its management and control systems, with key reforms being implemented after the creation of the specialized European affairs (2011) and EU funds (2012) ministries (interview with [IW] former Romanian EU Affairs Minister). Despite this, many other differences were notable between the two countries in terms of ADM.

First, in terms of institutional capacity (ADM1), Bulgaria adopted a centralized system, in which the Central Coordination Unit (CCU) was eventually incorporated into the Council of Ministers secretariat, from where it assisted seven managing authorities (MAs), one for each OP, situated in different line ministries. In time, the Bulgarian CCU ensured an efficient coordination of the SF and frequently stepped in the process. During the first years of implementation, Romanian authorities opted for a semi-centralized system in which the CCU (ACIS), based in the Ministry of Finance, loosely coordinated the thematic MAs. In parallel, an independent control system was designed having at its core two institutions: the Certifying Authority (CA), responsible for verifying the payment claims made to the EC, and the Audit Authority (AA), responsible for auditing and ensuring the functionality of the management systems. Concerning institutional coordination, the highly centralized approach adopted by the Bulgarian authorities proved more efficient than the Romanian semi-centralized one. Until 2012, the Romanian ACIS had limited institutional and political authority which in turn affected its ability to coordinate the process (IW-Director in Romanian Ministry of EU Funds #1). In addition, Bulgarian authorities relied on assistance from 11 intermediate bodies (IBs), directly coordinated from Sofia (IW-Bulgarian EU funds consultant #1; Bulgarian CA representative #1). By contrast, in the first years of implementation, the Romanian authorities delegated functions to 32 different IBs. This generated significant problems and institutional divergences in, for example, the interpretation of procedures. Finally, with respect to institutional accountability, MAs were often seen as opaque and unaccountable to final EU funds beneficiaries. However, there has been a partial improvement in institutional transparency and many of these institutions have gradually developed a more 'partnership oriented culture' (IW-Bulgarian civil society leader #1; Romanian EU funds consultant #1).

Second, when it came to bureaucratic capacity (ADM2), adopting rules and procedures for the management and implementation of SF proved to be a strenuous exercise for authorities in both countries. Ensuring national and sectoral legislation in line with a harmonized interpretation of rules was something difficult to achieve (Government of Romania, 2010, p. 70). One interviewee explained thus: 'the short circuit occurred at the level of interpreting national legislation, which should have run in parallel and support the implementation of funds' (IW-Director General of Romanian Ministry #1). Nevertheless, Bulgarian beneficiaries benefited much sooner from standardized rules and documents used in the absorption process. In Romania the frequent changes of procedures and documentation drew strong criticism from stakeholders who criticized practices of 'changing the rules during the game' (IW-Romanian civil society leader #1; former Director of Romanian MA #2). Such changes, although often necessary, had strong implications for the management of the funding and frequently triggered other unforeseen problems.

Public procurement proved to be one of the biggest challenges with many issues arising at the tendering stage of projects. As a consequence, procurement legislation was updated in both countries around six to eight times in a seven-year period. Nonetheless, Bulgarian authorities used two principles in the selection of tenders: 'the most economically advantageous offer' and the 'lowest price', whilst the Romanian authorities mainly used the latter. In both countries, illicit practices sparked numerous complaints and a 'culture of appeals' which generated serious delays in the implementation process (IW-Head of Unit in Bulgarian MA #1; Director in Romanian AA #1).

Three other differences concerning bureaucratic capacity are notable. First, 68.2% of Bulgarian questionnaire respondents, as compared with 29.2% in Romania, acknowledged the use of specific methodologies for the day-to-day management of projects. Second, there were indications that the Bulgarian information system (UMIS) employed in the management of the funds was more functional than the Romanian one (SMIS). The latter was criticized for its poor handling and reporting of data (IW-Romanian MA Programme Evaluations Officer #2). Finally, both countries developed overly bureaucratic approaches, burdensome for final beneficiaries (KPMG et al., 2010, p. 13). Most interviewees emphasized that excessive demands on reporting and controls shifted the focus on administrative processes rather than on project activities and results (IW-Bulgarian Head of Unit of MA #1; Romanian EU funds consultant #2). This had constraining effects on the capacity of different stakeholders involved in the process. However, the Bulgarian authorities seem to have acted sooner in simplifying project management and implementation procedures.

Human resources capacity (ADM3) was an essential component of ADM. In 2014, there were approximately 1200 employees working in managing and control institutions in Bulgaria and 2800 in Romania (see Appendix C in the supplemental data online). Throughout the

period, managing institutions had to cope with two waves of staff turnover. First, starting in 2006, many state experts moved to Brussels to work for EU institutions (IW-EC Head of Sector #1). Second, during 2009–12, many left public office to join the private sector (IW-Former Director of Romanian IB #1). At the peak of the financial crisis, the Romanian authorities adopted austerity measures that equally applied to staff of MAs/IBs. During this period, MAs experienced severe rates of staff turnover (Metis, 2014, pp. 59–61).

Two other significant differences were identified in terms of human resources capabilities. Firstly, there may have been differences in terms of the expertise of staff employed in the MAs/IBs. For instance, half of Bulgarian questionnaire respondents considered they received sufficient training to carry out their duties, as opposed to only 25% of Romanian respondents. Moreover, 63.6% of Bulgarian respondents, as opposed to 41.7% in Romania, qualified the expertise of staff working in managing institutions as 'good'. Technical assistance (TA) funding was instrumental for developing human resources expertise. TA funds were better and timelier used for this purpose by the authorities in Sofia (IW-Bulgarian Technical Assistance MA expert #1; EC Head of Sector #1). In terms of financial incentives, as reported by a recent study, the salary rates of staff working in managing institutions were higher in Bulgaria than in Romania (Metis, 2014). For many years, Romanian salaries and bonuses were tied to the base rates of the ministry hosting the MAs/IBs. This was irrespective of the complexity of the projects handled and, in light of heavy workloads, this generated high levels of discontent among staff (Georgescu, 2008). Using TA funds, Bulgarian authorities standardized and increased staff salaries starting with 2010. A similar measure was only replicated by Romania at the end of 2014.

During 2007–13 there has been an increase in the number of consultancies working on EU-funded projects in both countries. However, their role was sometimes reviewed as negative (KPMG et al., 2010, p. 74). Some consultants provided clients with 'copy-pasted' project templates and often acted as intermediaries between them and corrupt officials (IW-Bulgarian Academic #1; Romanian EU funds consultant #2). Nevertheless, a plethora of professional consultancies also emerged making a more positive contribution to the process (IW-Romanian EU funds consultant #1).

By December 2014, 9441 SF contracted projects were contracted in Bulgaria and 15,211 in Romania (see Appendix C in the supplemental data online). Several thousand private and public final beneficiaries, many of whom had weak managerial and financial capacities for handling EU-funded projects, were involved in their implementation. For example, several Bulgarian small and medium-sized municipalities often lacked the necessary technical knowledge to deal with complex procurement procedures (Council of Ministers of Bulgaria, 2013). Added to this, financial incentives for local civil servants involved in project implementation were often weak, with salaries averaging €200–250 per month (IW-representative

of the Bulgarian National Association of Municipalities). Similarly, in Romania, the earnings of local officials involved in EU-funded projects were limited by law. This made it difficult for local project managers to assume responsibility and encouraged corrupt behaviour (IW-Director in Romanian AA #1). Such domestic restrictions proved to be a significant barrier for ADM development.

Finally, in terms of territorial capacity (TER), Bulgaria and Romania are two highly centralized states in which sub-national levels of government had limited attributions on CP. However, some differences in territorial settings were significant and may have provided an advantage to the Bulgarian authorities. Firstly, both countries had established central OPs implementable at the regional (NUTS-2) and at the local level. Sub-national institutions, such as regional IBs, were delegated tasks but were closely monitored from Bucharest and Sofia. Yet, the authorities in Bulgaria mainly used a two-tier approach in the management of funding which allowed the MAs to bypass the 28 regional administrations (*Oblasti*), which had no formal say on SF, and to interact directly with municipalities, some of the largest public beneficiaries of EU funding (IW-Bulgarian mayor #1). By contrast, the Romanian semi-centralized model was more intricate and involved several tiers. Apart from central and regional accredited institutions, 42 county-level administrations (*Consilii Județene*) were often involved in the process. These are political institutions, grouped in regional development councils, with formal duties for the reduction of interregional disparities (Dobre, 2010). Counties could act as veto players in the distribution of strategic regional projects (IW-Romanian Member of Parliament #1). Furthermore, the Romanian regional development agencies (RDAs) were often praised by EU officials for their constructive interaction with beneficiaries (IW-EC Head of Unit #1). They did possess a high degree of autonomy and amassed important levels of expertise. With all this, they lacked the prerogatives to intervene which limited their ability to improve local implementation processes (IW-Director in Romanian North-East RDA). In this respect, an unbalanced distribution of formal prerogatives affected central and regional management.

POLITICAL FACTORS AND STRUCTURAL FUNDS IN BULGARIA AND ROMANIA

The empirical analysis provided several indications that many of the problems regarding ADM in fact originated at the central and political level of management. First, political stability (POL1), as agreed by a vast majority of questionnaire respondents (78.3%), was seen as important for the absorption process. Apart from caretaker governments, both countries had four different executives during 2007–14. Four years of uninterrupted governmental stability of the Borisov government (2009–13) coincided with strong improvements in the management and control systems used for EU funding in Bulgaria. Similarly, an increase in ADM could be witnessed in Romania during the relatively stable Ponta government, and following an increase in

political awareness about the need to improve the management of EU funding.

Political changes affected the central management of EU funds, as well as local implementation. For the former, political changes often triggered changes in managerial staff, which crippled institutional capacity, especially in Romania, and influenced staff turnover, ultimately damaging capacity-building processes. Such changes attracted strong remarks from EU officials:

We cannot accept to change the Heads of Managing Authorities every time there is a change of government, and sometimes it goes even to the Heads' of Units. We cannot accept that. This is the political dimension. The Commissioner says that all the time. In more stable democracies we don't see that. We don't see that, except in Central and Eastern Europe.

(IW-ADM EC Policy Officer #1)

At the local level, new mayors regularly replaced project management teams for EU-funded projects or contested measures taken by their predecessors, partly due to different visions, but often out of 'pure vanity' (IW-Bulgarian EU funds coordinator for South-West region #1). The consequences for the implementation of projects were often serious.

The qualitative empirical analysis revealed that the levels of political support (POL2) provided by politicians to EU funds administrators were a highly significant factor that may potentially explain some differences in ADM. Political support often contributed to the adoption of adequate legal and institutional tools which could improve the management and implementation process. Given that during the financial crisis EU funds amounted to a significant amount of public investments in Bulgaria, the Borisov government made absorption a top political priority (IW-EC Head of Unit #2). For almost three years, Tomislav Donchev, a former mayor and technocrat, was entrusted with this portfolio. Through legal changes and institutional adjustments he reduced the number of burdensome administrative procedures and consolidated the different components of ADM (IW-Bulgarian civil society leader #1; Bulgarian mayor #1). By contrast, in the first years of implementation, Romanian governments did not allocate sufficient strategic importance to the absorption of EU funds, potentially due to the fact that the Boc governments focused their energy on the adoption of post-crisis austerity measures. Considerable reforms were adopted only starting with 2011/12 after the establishment of a Ministry of European Affairs and during the tenure of Eugen Teodorovici, a former AA official appointed to lead the newly created Ministry of European Funds. With full political support from the prime minister, Teodorovici adopted a more centralized approach and passed reforms on internal payments and reimbursements, public procurement and the use of technical assistance (IW-State Secretary in Romanian Ministry of European Funds). Such measures mirrored those taken by the Bulgarian authorities in 2009–10. In terms of political input, and its usefulness

for the management process, it can be noted that several Bulgarian deputy ministers often played an active political and technical role in facilitating measures that improved the absorption process (Former EC Head of Unit #1). By contrast, for many years the Romanian political atmosphere remained highly divisive, characterized by intra- and inter-ministerial rivalries. As argued by an official, 'funds remain a subject of dispute rather than national consensus ... each [politician] comes with his own ideas, or his own agenda and pride' (IW-Director in Romanian Ministry of EU Funds #1). Romanian ministers and state secretaries often neglected their duties on EU funds or received misleading advice from unprepared political aides (IW-Director of Romanian MA #2).

Political support also had concrete implications for the implementation process. For example, Romanian authorities were very slow in contracting large strategic projects for the Transport OP (Government of Romania, 2013, p. 55). By contrast, Bulgarian authorities focused on funding large-scale infrastructure projects (e.g., Trakia highway, railroad electrification, Sofia Metro). Some argued that these were implemented due to a strong political push from the Borisov government (IW-Bulgarian funds coordinator for South-West region #1). Similar to the situation found in other countries from the area, most beneficiaries faced problems in co-financing projects (Horvat, 2005). The Bulgarian government proved more entrepreneurial when creating state co-financing schemes (FLAG initiative) destined for local municipalities struggling with finances. This showed the importance played by political commitment for the management and implementation of EU-funded projects.

With regard to political clientelism (POL3), there have been widespread accounts about the influence that politicians may have had in different stages of the absorption process. The analysis was inconclusive with regard to any substantial differences between the two countries. However, a number of emerging trends can be noted, with evidence suggesting that SFs are becoming increasingly politicized and subject to domestic political disputes (Bachtler et al., 2013; Haughton, 2014). Firstly, politicians seek to profit from 'absorption' electorally. Managing to portray that the country is on track for a successful absorption of EU funds was used as a short- and medium-term political strategy (IW-Bulgarian expert #1; Romanian expert #2). Secondly, corruption in public procurement remains a key problem, often triggering the suspension of SF (PwC and ECORYS, 2013). A common practice is the intention to allocate public contracts to 'opportunity networks' by using restrictive criteria during the tendering process (IW-Romanian expert #1; Director of Bulgarian MA #1). Finally, interviewees suggested that government-affiliated municipalities often received additional support in the form of fast-track reimbursements or more lenient internal controls (IW-Romanian civil society leader #1; Deputy Director of Bulgarian MA #1).

Lastly, the analysis showed that the EU remains an influential actor in relation to domestic implementation processes. Legally, the EC is the final authorizing officer

for EU-funded payments. The European executive provided substantial technical guidance to national authorities. Throughout the period, the EC maintained two other pressure mechanisms. First, through audits, it could signal gaps in the functioning of domestic management and control systems. Second, it used its authority to interrupt or suspend SF whenever it identified high errors rates (Council of the European Union, 2006, Article 91). For instance, during 2007–13, five out of seven Romanian OPs were interrupted or suspended, at times concomitantly. During this time, payments towards beneficiaries reach a stalemate and managing institutions entered a ‘crisis mode’ (IW-former Director of Romanian MA #1). Coupled with financial corrections, this acted as external incentives for improvements of management and control systems (see Table 1 for an assessment of the countries’ different OPs). National actors were also keen to criticize the EC. Firstly, they did so on technical grounds: for changes to methodologies used for procurement and for its interpretable positions on financial corrections. Regarding the latter, the EC was criticized for potentially unjustified corrections, which interviewees argued affected the work of administrators and beneficiaries (IW-Director in Romanian MA #3; Director in Bulgarian AA #1). Secondly, the EC was criticized for sometimes taking a political rather than a technocratic stance on the suspension of EU funds (IW-Former Director of Bulgarian MA #2). Overall, Brussels still has a technical and political leverage vis-à-vis SF implementation.

CONCLUSIONS: CAPACITY AND PERFORMANCE BEYOND THE ADMINISTRATIVE CAPACITY NEXUS?

The enlargement towards CEECs offers new and relevant opportunities to examine the effectiveness of delivery

systems for EU CP. The problems faced by countries in terms of CP implementation brings again into discussion the ability of public authorities to manage European regional policy and external assistance. This article has combined theoretical insights from ADM and quality of governance in order to assess the puzzling variation in SF absorption performance between Bulgaria and Romania. In light of the original empirical data, it was found that the higher absorption performance of Bulgaria could be explained by accounting for how domestic political factors have influenced the development of ADM and how political agency facilitated the processes surrounding the absorption of EU funds. Both countries had little experience in managing complex funding instruments and both underwent steep learning curves in establishing institutional structures, internal procedures and human resource capabilities for managing EU CP. For this, political stability and support proved crucial drivers. In this sense, it can be argued that political factors can contribute towards accelerating, or slowing down, the performance of a country in managing external aid. The findings speak to previous studies which stress that political conditions need to be ‘conducive’ and create the adequate environment for SF management (Milio, 2008, p. 931). They connect well to the arguments made on the importance of domestic arrangements for the implementation of CP in Western Europe (Batterbury, 2002; Milio, 2007; Smyrl, 1997) and Central and Eastern Europe (Bachtler & McMaster, 2008). More widely, they reinforce claims on how domestic coordination systems for EU policy implementation could be strengthened through a mixture of ADM and positive political conditions (Dimitrova & Toshkov, 2007; Hille & Knill, 2006).

Several theoretical implications derive from the above. Firstly, this article reconfirms the significance of ADM for a country’s performance and CP implementation (Bachtler

Table 1. Assessment of Operational Programmes in Bulgaria (BG) and Romania (RO).

Operational programmes	Absorption rates – % payments received from the European Commission, 2007–14		Interruptions and suspensions of payments, 2007–14		Functionality of management and control systems (high/ medium/low)	
	BG	RO	BG	RO	BG	RO
Transport	72.98	49.90	1	1	High	Medium to low
Environment	39.40	39.78	2	2	Medium to low	Medium
Regional development	59.04	55.13	2	2	High to medium	High to medium
Economic competitiveness	80.92	48.90	0	2	High	Low
Human resources development	83.10	28.75	1	3	High	Low
Administrative capacity	72.94	72.02	0	0	High to medium	High
Technical assistance	66.09	45.09	0	0	High	Medium
Overall	65.45	44.89	6	10	High to medium	Medium to low

Source: Author’s creation. The evaluation of the functionality of the management and control systems for the Operational Programme was derived from empirical analysis and the number of issues (e.g. interruptions and suspensions) associated with each Operational Programme. Additional data on interruptions and suspensions were obtained from the European Commission’s annual activity reports. Data on absorption rates are accurate for November/December 2014 and were retrieved for Bulgaria and Romania from <http://umispublic.government.bg> and <http://fonduri-ue.ro> respectively.

et al., 2013; Dąbrowski, 2012; Milio, 2007). The persistence of ADM-related problems across the continent, despite years of experience, remains puzzling. ADM developments in Bulgaria and Romania accelerated after increasing domestic political commitment, also following pressure from Brussels. Secondly, as argued by several recent studies, quality of governance/government matters and can lead to a more effective use of EU funding (Charron et al., 2014; Rodríguez-Pose & Garcilazo, 2015; Tosun, 2014). In this sense, domestic political arrangements facilitate, or hinder, the development of domestic administrative capacities and could have a positive stimulus for the policy processes affiliated to the absorption of EU funds. Moreover, the input of politicians can influence the development of sounder institutional frameworks, procedures and expertise required for day-to-day management of EU funding. Political agency, and its timely intervention, was vital for ensuring a strong management and implementation of the funding and to enable more suitable institutional conditions (Rodríguez-Pose, 2013). Consequently, political governance constitutes a missing link for explaining weak ADM and, subsequently, low levels of performance. It is in this sense that it may be necessary to go beyond ADM when evaluating the use of EU funds in new member states. Examining the interplay between ADM and political governance can provide further avenues to explore the delivery systems for EU regional policy.

There are several methodological points that require discussion. Firstly, it is difficult for researchers to isolate the key determinants and drivers of ADM and absorption performance. However, it is equally important to understand why domestic political arrangements matter and how they influence the evolution of ADM in EU member states. Secondly, the analytical framework used in this article may be helpful in generating further hypotheses, testable particularly in countries from the area. Future research could draw on more cross-national evidence to scrutinize further the links between political governance, ADM and absorption performance. If these can be verified in other cases, it may thus be insufficient to examine the role played by formal institutions in the delivery of external aid policies. More methodologically diverse research is required to test these relationships within different settings. Finally, it must be acknowledged that the final absorption performance of countries is influenced by constellations of uncontrollable factors (e.g., effects of global financial crisis). Examining other facets of performance are necessary in order to acquire a more holistic understanding of the relationship between domestic political factors, institutional environments and external assistance schemes such as CP.

The above findings raise several questions in relation to the role played by policy-makers in ensuring the effectiveness of regional development processes and CP implementation. First, the ADM of member states should not be taken for granted and requires constant reinforcement. An assessment of the tools and funding used for consolidating ADM needs to be undertaken in order to see how, for instance, TA funds may be best used in this area. Second, as shown by the above findings, stronger cooperation is required between the administrative and political actors involved in CP

implementation. This may be reinforced at both European and domestic levels of governance. Third, stakeholders, civil society representatives and academics should be more formally involved in the process of governance, not only at the level of monitoring committees, but also through annual reviews and wider interaction. Finally, as demonstrated by other research, there is sometimes a trade-off between the capacity to manage these funds and their impact (Ferry & McMaster, 2013). On the ground, many pointed to the dangers of an 'absorption-for-all' approach in which projects are funded irrespective of their quality. This may have long-term consequences for the impact of SFs and sparks further questions on the quality of spending and their impact on national and regional development. In order to address these, policy-makers should, therefore, not only prioritize ADM building schemes but also strengthen the relationship between political and administrative governance within future strategic frameworks. This may ensure more coherence in spending and a higher level of impact for EU-funded projects in the area. In this sense, further studies should examine the temporal evolution and interplay between administrative and political factors and how they explain the management of European external aid and, equally, processes of domestic regional development in the area.

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SUPPLEMENTAL DATA

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NOTES

1. For this article, data on Croatia were not included.

2. The questionnaire emulated the interview guide. No major inferences were drawn from it because respondents were not representative of the whole population studied.

3. By managing and control institutions this article refers to all central, regional and local institutions involved in the management and control of Operational Programme implementation. Managing Institutions are mainly central coordination units (CCU), managing authorities (MAs), intermediate bodies (IBs) (including regional development agencies), whilst the Certifying Authority (CA) and Audit Authority (AA) act as control institutions.

4. As compared with previous operationalizations, this article differentiates between elements of administrative capacity and those related to the policy cycle of the absorption of EU funds, namely: (1) programming; (2) management; (3) project preparation and selection; (4) implementation; (5) financial management; (6) monitoring and reporting; and (7) evaluation (Bachtler et al., 2013; EIPA, 2008). Arguably, this allows for a more flexible approach to assess empirically the effects that administrative and political factors can have on the formal delivery systems for EU Cohesion Policy in member states.

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