



COUNTRY EVALUATION: BULGARIA

ASSESSMENT OF DEVELOPMENT RESULTS





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Contents

Foreword	i
Executive Summary	1
1. Introduction	7
2. Country Profile	13
3. UNDP's Strategic Positioning	27
4. UNDP's Contribution to National Development	39
5. Conclusion: Lessons Learned	51
Annexes	57
1. Terms of Reference	57
2. Abbreviations and Acronyms	62
3. Documents Consulted	64
4. People Interviewed	68
5. Key Indicators	70
6. Overview of Strategic Results Framework	72
7. Country Map	74

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Foreword

The Assessment of Development Results (ADR) is an independent evaluation that aims to capture and demonstrate evaluative evidence of UNDP's contributions to development results at the country level. A key objective is to find out if UNDP is doing the right things and doing them well. This report assesses UNDP's performance and experience in Bulgaria since 1997. It looks at the results in relation to the country's key challenges and shares the lessons learned from UNDP's contributions to development. The report also responds to UNDP's improved Monitoring and Evaluation system to manage results and increase the opportunity to learn more effectively from experience at every level.

UNDP played an important role in the results we report, but these results were not our doing only. They reflect the sustained effort of many partner agencies and organizations as well as many committed individuals. One of the most important lessons to emerge from the experience in Bulgaria is the value gained from local commitment to capacity building. This understanding is critical to defining UNDP's future role in Bulgaria, especially after accession. It is UNDP's intention to continue to look forward. UNDP's goal is to ensure that all relevant stakeholders are able to exert an influence over the choices they make in terms of priorities, strategies, and future partnerships in the country.

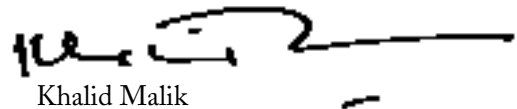
Several people who undertook the ADR mission and contributed to this report deserve to be mentioned here. Jerzy Osiatynski, erstwhile Finance Minister, Republic of Poland and Professor of Economics, Institute for the History of Sciences of the Polish Academy of Sciences, led the ADR. Other members included Arild Hague, a specialist on results-based public management and governance practices; Khaled Ehsan, the Evaluation Office Task Manager and Ivan Neykov, Director of the Balkan Institute for Labour and Social Policy, Bulgaria, who provided considerable support in arranging the consultations with senior government members and civil society actors. The ADR analysis was based on a detailed desk review by Fa-tai Shieh, a research analyst in New York and an in-depth country study on poverty alleviation and local governance by Vitosha Research, a non-governmental organization in Bulgaria.

The Evaluation Office and the ADR Team wish to express special thanks to Bulgarian political leaders, government and deputy ministers, presidential advisors, parliamentarians, heads of government agencies, and many other officials for their support and openness in discussing the past and present challenges of Bulgaria, as well as the UNDP response to them and its impact on shaping government strategies and

policy making.

We wish also to acknowledge the assistance of many heads of organizations in Sofia. The meetings with these individuals were extremely useful in shedding new light on the work done by UNDP within the broader context of efforts undertaken by these respective institutions. Finally, we are particularly indebted to Marta Ruedas, Resident Coordinator and Resident Representative and her colleagues in the UNDP Country Office, whose assistance was invaluable to this exercise, and Kalman Miszei, Assistant Administrator and Director, Regional Bureau for Europe and CIS, for his interest in the exercise and for his commitment in learning from the Bulgaria ADR process.

The results of this evaluation including its findings and lessons learned will be widely disseminated. We hope that the report would not only serve to influence UNDP's future role and strategic positioning in Bulgaria, but also have an impact on UNDP's programme and corporate policy decisions in Bulgaria and other countries in the region.



Khalid Malik
Director
UNDP Evaluation Office



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.

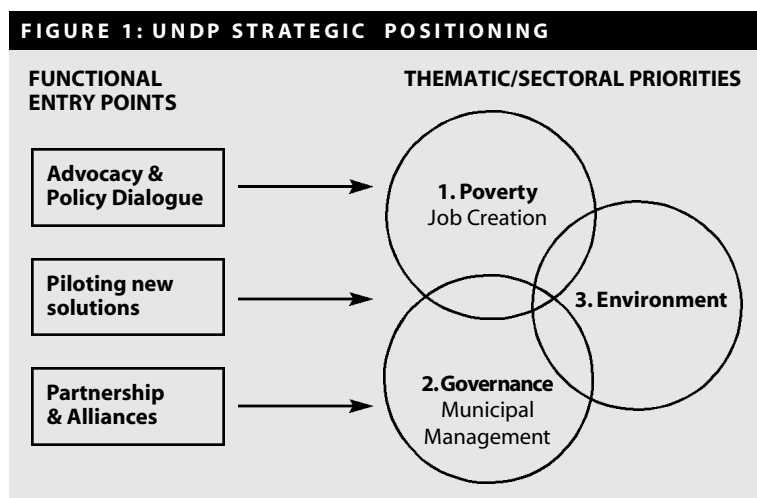
Within the poverty area, an emphasis on job creation permeated UNDP activity, whereas

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 instinctual 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.

1



Introduction

The purpose of this introductory chapter is to present the rationale for the Bulgaria country evaluation, the methodology used, and to provide a brief description of the UNDP programme in Bulgaria. The rest of the report is divided into four key sections: Chapter 2 presents the development performance and key challenges facing Bulgaria; Chapters 3 and 4 highlight UNDP's strategic positioning and contribution to national development results, respectively; and Chapter 5 provides some conceptual cohesion for the arguments presented in preceding chapters as lessons learned and recommendations.

1.1 RATIONALE FOR THE EVALUATION

The past six years in Bulgaria's development were characterised by remarkable changes in the economic situation that paved the way to a market economy. The period started with a deep economic crisis in early 1997. In response to this, the Bulgarian Government implemented a range of structural reforms to achieve macroeconomic stabilisation. The stabilisation was successfully maintained during the past five years. Economic growth resumed and there are encouraging signs of economic recovery. UNDP, which adopted a specific approach in supporting Bulgaria's transition towards a market economy and a democratic society with efficiently functioning institutions, selected Bulgaria as one of the first countries for an ADR. The purpose of this ADR was to see how UNDP responded

BOX 1.1 SPECIFIC EVALUATION SCOPE ISSUES

- Relevance: How well did UNDP respond to the challenges of the transition process in Bulgaria?
- What were the key results from UNDP partnerships taking into account programme innovation, indicators of performance, and national ownership?
- What were the results of UNDP measures to alleviate poverty and vulnerability of the poor?
- What were the results of UNDP support to empower the poor and marginalized through participation in local government institutions?
- How effective was UNDP partnership with the private sector to address unemployment and social vulnerability?
- How was UNDP support used to leverage Bulgaria's reform process in the area of local governance?
- How successful was UNDP support to policy dialogue, aid coordination, and brokerage in delivering development results?
- What are the most significant challenges for Bulgaria and UNDP, and how should they be addressed before and after EU accession?

to the challenges of the transition process, the main lessons learned, and the further clarification of UNDP's future strategic role.

Bulgaria's current macroeconomic and structural reforms are mainly aimed at obtaining accession to the EU within the next four years, a key priority for the government. Despite the sustained growth, the country still faces serious challenges in the social area. The transition from a planned to market economy has been associated with serious social problems resulting from the fact that the "cradle-to-grave" social security and social safety nets are no longer in place. Even though many people have benefited from the reforms, the average living standards have declined as poverty and unemployment have increased. As Bulgaria is now at a major turning point, it is particularly important for UNDP and its partners to draw lessons from past experience in order to address new challenges.

The purpose of this evaluation is to demonstrate key results achieved through UNDP support and through partnerships with other key development actors since 1997. It further provides an analysis of UNDP's strategic positioning to respond and add value to national development priorities. Although the ADR gives a comprehensive picture of UNDP's work in Bulgaria, special focus is given to the areas of poverty alleviation and local good governance in view of their inter-

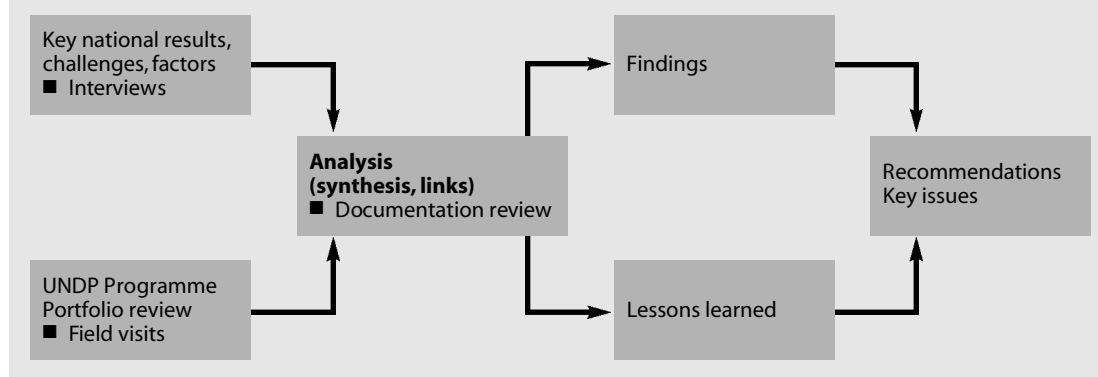
linkages in the UNDP programme, level of resource allocation, and particular relevance to the country's transition process. A detailed Terms of Reference (TOR) are included in Annex 1. Box 1 highlights the specific scope of the evaluation issues.

The ADR covers the period of years from 1997 to 2005. This includes the 1997-2001 CCF1. Where relevant, UNDP interventions before 1997 are analysed to draw their relevance to current achievements. It also covers the intended results in the current CCF (2002-2005) and its corresponding SRF, as indicated in the TOR.

1.2 METHODOLOGY

The methodological framework used for this country evaluation is based on UNDP's Results Based Management (RBM) approach which is principally focused on determining "higher level" results by evaluating outcomes, i.e. changes in specific development conditions through the contributions from a number of development actors. The emphasis on higher-level results is intended to improve understanding of the outcome, its status, and the factors that influence or contribute to change. The analytical focus of the evaluation was designed to facilitate the identification of different outcomes and their interrelationships, which, in turn, should expedite the assessment of the overall achievements in a given country—whether at the outcome or a longer-term impact level. Following from this, the evaluation attempts to explain UNDP's contribution to results. The aim is to draw a credible link between overall results and UNDP contribution.

However, the approach does not altogether abdicate the project level, since organisational efforts expended at this level can also illuminate factors (e.g. opinions, perceptions, lateral linkages, and lessons learned) contributing to results. As such, the methodology includes a "bottom-up" analysis from the point of sample groups of programmes or projects and non-

FIGURE 1.1 EVALUATION METHODOLOGY

project activities.¹ The methodology process is illustrated in Figure 1.1.

The preparatory work for the evaluation started with extensive desk research including programme mapping and documentation review by the UNDP EO. This was followed by an early exploratory mission by the Evaluation Task Manager to Bulgaria, which consisted of direct consultations with UNDP CO and key stakeholders. This aided in determining the focus of the evaluation as a basis for the TOR. The exploratory mission was also used to engage a national institute, Vitosha Research, to undertake an in-depth local study on the chosen thematic areas for the ADR. This work entailed the review of additional documentation, select interviews, focus group discussions, and field visits to develop an analytical report for the ADR team. The main evaluation by the ADR team was conducted over a period of two weeks during February–March 2003. A large number and a wide range of stakeholders were consulted during the exploratory mission, the local study, and the main evaluation.² The ADR team visited several project sites in Velingrad and Razlog to observe and validate results.

The empirical evidence was gathered through three major sources of information: perception, validation, and documentation in keeping with the concept of ‘triangulation’, i.e. balancing perceptions with other methods of corroboration.

The evaluation used different criteria (indicated in Box 2) to measure results. Qualitative and quantitative information was also analysed around a few key variables to enable a distillation of issues from a micro and macro perspective.

The evaluation examined three levels of the development environment (i.e. national, district, and community) in an attempt to identify contextual variables (e.g. inhibitors and enablers) that could explain the degree to which UNDP interventions contributed to positive change (results) in that environment. At the macro or national level, the focus was on policy choices and investment priorities. At the meso (district) and micro (community) levels, the focus shifted to how the policy choices and investment priorities were translated into actual services

BOX 1.2 CRITERIA USED TO MEASURE UNDP RESULTS

- Positive perception of UNDP’s relevance and strategic role in national development efforts
- High level of national ownership of UNDP programmes
- Strategic resource mobilisation, coordination and application in programmes
- Strategic links between UNDP interventions and macroeconomic policies, the MDGs and EU accession priorities
- Strong programme inter-linkages for learning and enhancing scope of replication
- High quality (i.e. transparent, accountable and innovative) partnerships
- Credible relation of evaluation findings with the strategic positioning of UNDP
- Positive perception of UNDP’s contribution to national-level policy analysis, planning and decision-making processes
- Positive perception of UNDP’s contribution to capacity building for sustainability
- Timely response to lessons learned, including failures and lost opportunities, to improve development process at all stages

1. An explanation of the UNDP results chain used (input-output-outcome-impact) can be found in *The Handbook for Monitoring and Evaluating Results*, Evaluation Office, UNDP, 2002.

2. The most essential documents consulted by the evaluation are listed in Annex B; the list of key persons met can be found in Annex C.

The major task of the new government as it came to power in mid 1997, was to quickly implement a package of reforms targeted at currency stabilisation, promotion of fiscal stability, and launch of economic structural reforms.

and programmes. At the micro or community level, attention was given to UNDP pilot projects in terms of their local, regional, and national effects to assess their strategic value, sustainability, scope for learning, and replication.

1.3 A BRIEF DESCRIPTION OF THE UNDP PROGRAMME

UNDP has been working in Bulgaria since 1992, soon after the major political changes in Eastern Europe. The political and social dimensions of the transition associated with rising unemployment and growing poverty, especially after the 1996-1997 economic crises, posed major challenges to UNDP. This required effective approaches to support the transformation of institutions and the change in people's attitudes to enable the emergence of a new system of social and economic relations. In the period 1997-2002, UNDP implemented a wide range of technical assistance programmes by building relations with the government, civil society organizations, the private sector, the donor community, and other partners. Within its overall mandate for promotion of sustainable human development, poverty reduction, and support to democratic governance, UNDP developed a specific approach to development problems in Bulgaria.

The CCF1 covered the period from 1997 to 1999 (subsequently extended to include the years 2000 and 2001). It focused on two main thematic areas: reverting impoverishment and the decline in the quality of life, and good governance for sustainable human development. A strategy was adopted to support the policy dialogue on key transition issues and to pilot initiatives as a mechanism for programme

formulation as well as for mobilisation of additional donor support.

The major task of the new government as it came to power in mid 1997, was to quickly implement a package of reforms targeted at currency stabilisation, promotion of fiscal stability, and launch of economic structural reforms. UNDP was challenged to respond quickly to the humanitarian crisis in the country. The CO became a key coordinator of the donors' humanitarian assistance to the poor and vulnerable. Under the leadership of the UN RC, a special donor-driven mechanism (regular meetings led by the RC and the EWS for data collection analysis and dissemination of information) was designed to enable donors to react quickly to the situation at hand. This facilitated the delivery of approximately US \$79 million humanitarian assistance in the period from January 1997 to October 1998. Parallel to these efforts, UNDP adopted a forward-looking strategy for bridging the gap between humanitarian and development assistance. It included exploring new approaches for promoting employment generation and vocational training to fight the impoverishment of the population. As a result, the BB programme was started in 1998 to provide jobs and income transfer for unemployed people in five of Bulgaria's most depressed urban areas. UNDP also focused on advocacy work in social and legislative areas such as human rights, which coupled with pilot interventions and demonstrative actions, placed these issues high on Bulgaria's development agenda.

To a large extent, UNDP's experience during the implementation of CCF1 (1997-2001) has determined the strategy of CCF2 (2002-2005). Poverty reduction through job creation and the promotion of good governance remain as the main pillars of UNDP's interventions in the country. Better targeting of the poor and vulnerable groups as well as the expansion of pilot programmes is emphasized to intensify the assistance to those most in need, such as the long-term unemployed, jobless at pre-retirement age, and vulnerable minorities. Also, there is strong continuity in terms of

support to democratic institutions and building partnerships with civil society. The efforts to ensure broad access to information and communication technologies are a new strategic dimension of UNDP activity and it is expected to add strategic value to achieving economic prosperity and better living standards in Bulgaria.

In the area of good governance, efforts are aimed at strengthening citizen participation in the decision-making process at all levels.

This is of particular importance to Bulgaria where democratic institutions are still in the process of development and civil society structures continue to need strong support and encouragement. UNDP is also supporting an environment for improved transparency, accountability, and service delivery—key elements of the country's transition towards well-functioning and client-oriented institutions. The breakdown of CCF1 and CCF2 resources (in USD) is shown in Table 1.

TABLE 1.1 BREAKDOWN OF CCF1 AND CCF2 RESOURCES (USD)							
CCF1 RESOURCES (1997-2001)	1997	1998	1999	2000	2001	Total	
	TRAC	665	991	828	776	646	3,906
	Cost-sharing	309	4,535	5,128	13,793	18,047	41,812
	UN Trust Funds	158	383	575	374	452	1,942
	GRAND Total	1,132	5,909	6,531	14,943	19,145	47,660
	TRAC 3		643				
	SPPD/STS		233				
Total I CCF		48,536					
CCF2 RESOURCES (2002-2005) (Planned Resources)		2002	2003	2004	2005	Total	
		TRAC	703	678	630	726	2,737
		Cost-sharing	13,800	30,000	25,232	24,398	93,430
		UN Trust Funds	906	1,032	1,120	934	3,992
		GRAND Total	15,409	31,710	26,982	26,058	100,159
		SPPD-2002	34				



Profile of Bulgaria's recent development: The economic and social dimensions of transition

2.1 POLITICAL: PARLIAMENTARY DEMOCRACY FUNCTIONING, BUT LOCAL PARTICIPATION IS WEAK

Bulgaria is one of the most stable countries in the Balkan region, bordering Romania, Yugoslavia, Macedonia, Greece, Turkey, and the Black Sea. The total population is eight million people, of which 85 percent are ethnic Bulgarians. Around 15 percent of the country's population comprise different minority groups: slightly greater than 800,000 Turks; a little more than 300,000 Roma; and other groups totaling approximately 100,000, which include Jews, Armenians, Russians, Karakchani, Greeks, and Vlachs.

With the overthrow of communism in November 1989, the country faced two tightly interwoven challenges in the political arena. The first challenge

TABLE 2.1 ETHNIC, LINGUISTIC, AND RELIGIOUS DIVERSITY		
	2001 No. (thousands)	% of total
Ethnic Group:		
Bulgarian	6,660.7	83.6
Turkish	757.8	9.5
Roma	365.8	4.6
Others	121.8	1.5
Unknown,undeclared	67.6	0.8
Mother tongue:		
Bulgarian	6,758.5	84.8
Turkish	770.5	9.7
Romany	322.6	4.0
Others	73.2	0.9
Unknown,undeclared	48.7	0.6
Religion:		
Christian	6,678.2	83.8
Muslim	966.1	12.1
Others	17.0	0.2
Unknown,undeclared	312.3	3.9
TOTAL	7,973.7	100.0

Source: 2001 Census, Economist Intelligence Unit.

was to transit from political autocracy to political democracy and the second involved the change from a centrally planned to a market economy. With a history of Turkish domination (1386-1878), alliances with Germany in both world wars, and over 50 years of communist rule (1948-1989), Bulgaria had little domestic tradition for separation of powers between the legislature, the executive, and the judiciary. This lack of separation negatively impacted rule of law, meritocracy within public service, civil society institutions, civil rights, and independent and professional media.

Bulgaria's first free parliamentary elections were held in June 1990. Since then, Bulgaria has evolved into a viable parliamentary democracy characterised by a multiparty system and a relatively high standard of democratic practice. However, political stability appeared in Bulgaria for the first time only after the 1997 elections. With an absolute majority in parliament, the United Democratic Front (UDF) coalition introduced several measures to improve the governance of the country. Following parliamentary elections of June 2001 (won by the National Movement for Simeon the Second [NMSS]), a new coalition government that included the Turkish minority-

based Movement for Rights and Freedom (MRF) was instituted to continue the reform course started by its predecessors.

Basic democratic freedoms are in place. Parliament operates in a democratic fashion. Nevertheless, Bulgaria still has deficiencies in the democracy and governance area, including slow reform of the judiciary; lack of transparency, efficiency, and accountability of the public institutions; inadequate law enforcement; and excessive government centralisation.

Bulgaria is divided into 28 regions and 263 municipalities. While municipal councils are elected, the regions do not have directly elected institutions and are run by governors appointed by the central government. Citizen participation in the decision-making processes at the local level is still relatively low with few independent civil society groups that are able to effectively articulate the needs and concerns of the public.

Although private media has been growing quickly, bringing about diversity in opinion, deeper analysis of political, social, and economic challenges are infrequent and apparently of not much interest to the public at large. Civil society is only slowly becoming conscious of the need for public participation in public policy decision-making. In the absence of public participation, there was little significant progress in constructing solid foundations of political democracy and civic society. Moreover, political demagoguery, populism, and short-sightedness may well derail economic reforms, which by nature are socially painful and time-consuming even when successful. Therefore, Bulgaria's democracy and governance agenda must be devoted to building the capacity of local government institutions, reforming the judiciary, enhancing the professional capacity of independent media, and advancing the development of a strong civil society.

In the general elections of June 2001, an increase in the political participation of the Roma was observed, with members entering the National Assembly. The Turkish minority is better integrated into political life through

elected representation at the national and local level. The Movement for Rights and Freedom, which has a large representation among ethnic Turks, is part of the ruling coalition in the National Assembly. Following the 2001 elections, women make up approximately 25 percent of the new Assembly, a significant increase from the 11 percent in the previous Assembly.

Whereas the first period of Bulgaria's development after 1989 was characterised by the desire to move away from the communist past, the overriding priority that has since emerged is getting into the EU, an objective for which there is a broad-based, if not unanimous, political and popular support. The political criteria for accession, as laid down by the European Council in June 1993, stipulate the four basic aspects of freedom that the candidate countries must have achieved:

1. stability of institutions guaranteeing democracy
2. the rule of law
3. human rights
4. respect for and protection of minorities

In its 1997 Opinion on Bulgaria's application for EU membership, the European Commission concluded that:

*"Bulgaria has set up democratic institutions and their stability now seems secure. They must be reinforced by practices more in keeping with the rule of law at all levels of the State apparatus. Free and fair elections produced changeovers of government in 1994 and 1997."*³

Building on the conclusion that Bulgaria has achieved stability in its institutions to guarantee democracy and rule of law, formal EU accession negotiations commenced in early 2000. During the December 2002 Copenhagen European Council Summit, the year 2007 was set as the accession date for Bulgaria.

2.2 ECONOMIC: STABILISATION ACHIEVED BUT STRUCTURAL TRANSFORMATION REMAINS INCOMPLETE

Regarding the economic criteria for accession, in the 1997 Opinion on Bulgaria's application for EU membership, the European Commission concluded that:

*"Bulgaria's progress in the creation of a market economy has been limited by the absence of a commitment to market-oriented economic policies; it would not be able to cope with competitive pressure and market forces within the Union in the medium term."*⁴

In its 2002 *Regular Report*, the European Commission found that Bulgaria was "a functioning market economy", but that it would only be able to cope with competitive pressure and market forces within the Union if it continued implementing reform and intensified the effort to remove persistent difficulties.

Macroeconomic Management

Bulgaria's economic development in the early post-communist years was a product of inconsistent reform policies and external shocks, leading to financial and economic crises in 1994 and the period of 1996-1997. Strong economic dependence on trade and cooperation with other communist countries, whose markets collapsed after 1990, were additional factors contributing to the crisis. Moreover, Bulgaria's early privatisation efforts produced few changes in corporate management and in some instances, actually introduced some cases of asset stripping or privatised enterprises enjoying a strengthened monopolistic position. By the end of 1996, politicisation of economic decision-making led to a wave of bank failures, sharp currency devaluation,⁵ an annual drop in GDP of 9.4 percent and

3. *Regular Report on Bulgaria's Progress Towards Accession, Economic Criteria*. The European Commission 2002.

4. *Regular Report on Bulgaria's Progress Towards Accession, Economic Criteria*. The European Commission 2002.

5. The Lev declined from 71 per US \$1 to 3,000 per US \$1 between April 1996 and February 1997.

TABLE 2.2 MAIN MACROECONOMIC INDICATORS, 1994-2002									
	1994	1995	1996	1997	1998	1999	2000	2001	2002*
Real GDP growth, %	1.8	2.9	-9.4	-5.6	4.0	2.3	5.4	4.0	4.3
Inflation,end-year, %	121.9	32.7	311.6	547.7	1.6	7.0	11.3	4.8	1.1
Cash deficit, general government budget, % of GDP	-5.7	-5.6	-10.3	-1.2	1.0	-0.9	-1.0	-0.9	2.3
Primary deficit, % of GDP	7.7	8.5	9.2	7.1	5.3	2.8	3.0	2.9	6.3
Base interest rate, end-year, %	72.0	34.0	180.0	6.7	5.1	4.5	4.6	4.7	3.7
BoP current account, % of GDP	-0.3	-1.5	1.6	10.1	-0.5	-5.0	-5.6	-6.2	-6.1
Official forex reserves, USD million	1,311	1,524	793	2,474	3,051	3,222	3,460	3,580	4,033
- months of imports	3.0	2.8	1.5	5.1	6.1	5.9	5.4	5.0	6.0
Exchange rate, BGN/USD	66.0	70.7	487.4	1,776.5	1,675.1	2.0	2.1	2.0	2.0
Gross external debt, USD million	11,338	10,148	9,602	10,409	10,892	10,914	11,202	10,626	10,734
- as % of GDP, %	117.0	77.4	97.0	100.4	85.5	84.2	88.9	78.3	75.8

* Forecast, based on first half of 2002 results.

** At the end of 1999, the Lev was denominated in the ratio 1,000 old Levs (BGL) for one (1) new Lev (BGN).

TABLE 2.3 COMPARATIVE ECONOMIC INDICATORS, 2001					
	Bulgaria	Romania	Slovakia	Turkey	Macedonia
GDP, USD billion	13.6	39.7	20.0	148.0	3.5
GDP per head, USD	1,710	1,772	3,690	2,230	1,700
GDP per head, USD at PPP	5,590	4,830	9,200	6,420	4,530
Consumer price inflation, %	7.4	34.5	7.1	54.4	5.3
Current account balance, USD billion	-0.9	-2.3	-1.8	3.3	-0.4
Current account balance, % of GDP	-6.5	-5.9	-8.8	2.2	-10.2
Exports of goods, USD billion	5.1	11.4	12.6	31.2	1.2
Imports of goods, USD billion	6.7	14.4	14.8	39.7	1.2
External Debt, USD billion	9.7	11.9	7.9	115.1	1.5
Debt-service ratio, paid, %	19.2	18.4	13.1	35.9	12.1

Source: Economist Intelligence Unit.

inflation, which spiraled to nearly 550 percent in early 1997. These conditions led to public protests and street riots.

With an absolute majority for the United Democratic Forces in the April elections, parliament adopted the Currency Board Arrangement (CBA), which pegged the Bulgarian Lev to the D-mark (and to the Euro since January 1999). The CBA mandates that foreign exchange reserves must cover at least 100 percent of base money, implying extremely tight controls on money supply and

credit. Although in 1997 the GDP dropped by another 5.6 percent, in 1998 it increased by 4.7 percent and inflation and interest rates were reduced to single digits. Confidence in the banking system had been reestablished and the foreign exchange reserves increased steadily. The credibility of the government's monetary and fiscal policies had been restored.

Key government priorities for the 2003-2005 period may be summarized as maintaining a stable macroeconomic framework, sustained economic growth in the range of 5-7 percent

per year, reduction of unemployment, and improvement in standards of living and quality of life. The government aims to establish an environment that is friendly to Bulgarian and foreign investments as well as to the development of small, medium, and large businesses. It hopes to attract foreign direct investments (FDI) that would average at US \$1-1.2 billion per year in 2002-2005. The key instrument in maintaining financial and budget discipline is the continuation of the CBA until Bulgaria becomes a member of the Economic and Monetary Union.

Microeconomic Adjustment and Private Sector Development

A dual-mode economic programme is necessary for the transition from a centrally planned to a market economy. The first part consists of economic deregulation and restoring short-term macroeconomic stability. The second part involves the introduction of structural and microeconomic reforms that will make the economy competitive, capable of sustainable growth, and conducive to social development. However, unless microeconomic adjustment quickly produces results, macroeconomic stability cannot be sustained over the medium-term period. Yet, while inconsistencies in introducing and maintaining fiscal and monetary discipline were remedied relatively soon after the 1996-1997 crises, there are still barriers to further structural reforms and micro-economic adjustments.

Despite improvements since 1997, economic output is still well below its pre-transition level. Per capita income is only about one-third of the EU average. Foreign investment, at US \$400 per head, is still low compared to figures of more than US \$2,000 per head in Hungary and US \$600-\$1,300 in the Baltics.

Since 1997, privatisation of large enterprises to strategic investors, restructuring of enterprises, and closure of some insolvent firms, have helped make private ownership become predominant in the economy. By 2001, 73.4 percent of all employees were working in the private sector. Houses and land are largely in private hands

BOX 2.1 ECONOMIC REFORM AGENDA AFTER THE 1996-1997 CRISES

Four critical steps were needed to lift the country out of stagnation and to begin a genuine transition to a market economy:

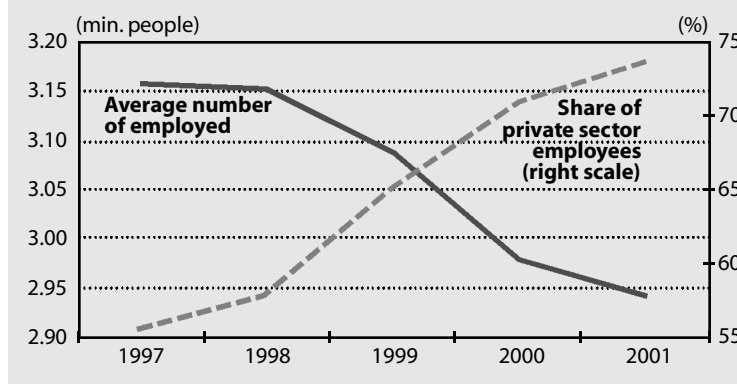
1. creating stability and predictability of the macro and policy environment
2. removing assets from state ownership and eliminating direct intervention
3. building up an institutional and policy framework (laws, regulations and administrative procedures) to spur private sector activity
4. improving the capacity, integrity, and oversight of public administration and its credibility with the public

Progress has been substantial, though not even across all areas. Actions already taken and issues still remaining affect governance, delivery of public services, and the business environment, including:

- public administration and local government reform
- legal, judicial reforms
- privatization and business climate, including finance
- infrastructure
- natural resources and the environment

Source: World Bank, Country Assistance Strategy, Report No. 23927-Bul, May 31, 2002.

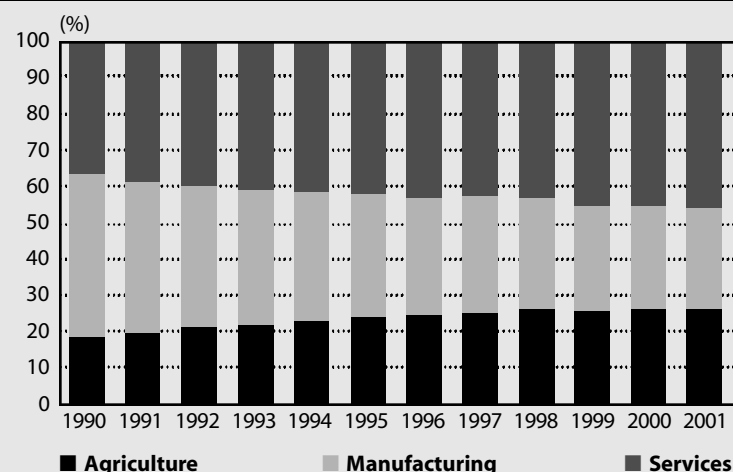
FIGURE 2.1 AVERAGE ANNUAL NUMBER OF EMPLOYED



Source: National Economic Development Plan 2000-2006, January 2003 Update, Finance Ministry.

since land restitution was finalised in 2000. By mid-2002, about 53 percent of state-owned assets were privatised, accounting for 80 percent of all assets earmarked for privatisation.

The agricultural sector's share of gross value added has roughly halved, from 26.6 percent in 1997 to 13.6 percent in 2001, while the share of services expanded from 45.2 percent in 1997 to 57.7 percent in 2001. However, this shift was less pronounced in employment terms, with more than a quarter of the labour force remaining in agriculture and only some 3 percent of the labour shifting from industry to services—implying that there may still be large pockets of disguised unemployment in Bulgaria.

FIGURE 2.2 AVERAGE ANNUAL NUMBER OF EMPLOYED, BY SECTORS

Source: National Economic Development Plan 2000-2006, January 2003 Update, Finance Ministry.

Energy consumption in Bulgaria (at approximately 20 percent of GDP in 1999) is about twice as high as in other transition countries, undermining Bulgaria's competitive position and indicating low productivity gains thus far.

It appears that Bulgaria has not yet realised the full potential for productivity improvements from changing the structure of the economy, reform of its enterprise sector, and making full use of its natural resources and comparative advantages. In this, however, "Bulgaria's experience is relatively typical of the early years of reform, and the experience of the other transition countries shows that rapid growth can be achieved as transition progresses".⁶ Progress is needed to improve the business environment, corporate governance in the public sector, restructuring of the energy sector, promotion of exports, encouragement of FDIs, financing for small and medium enterprises (SME), and last but not least, the capacity and quality of government institutions and market structures. In June 2002, the government approved suggestions from an inter-ministerial task force to eliminate or modify 190 out of 360 centrally managed regulations pertaining to business entry and operation (e.g. licensing, permits, and registration) in order to improve the business environment and streamline the regulatory regimes affecting business.

While the liquidation of loss-making state-owned enterprises and the privatisation programme have increased productivity, they have simultaneously brought disguised unemployment from within factory gates into the open. Absorption of this unemployment, as well as future economic growth and social development depend heavily on the emergence of dynamic and vibrant private firms. New sources of growth will have to come from increased investment by the private sector in both new and existing enterprises. Reduced entry and regulatory costs, improved public services, stable market rules and regulations, and protection of a competitive environment are needed to attract FDI and stimulate small enterprise activity.

Considering the requirements of EU accession, the government is currently undertaking a review of Bulgaria's competition policies and the effectiveness of the Commission for the Protection of Competition. To improve the effectiveness of the latter, amendments to the Law on the Protection of Competition and the Law on State Aid were enacted. Moreover, to facilitate the exit of non-viable enterprises, parliament passed a bankruptcy law and the government initiated measures to accelerate the insolvency process, including amendments to the Commercial and Civil Procedure Codes that govern insolvency proceedings and disposal of assets under liquidation. With these reforms, the government hopes to attract FDI inflows averaging US\$ 1.0 billion per year and increase the share of SMEs in value added and employment to at least 50 percent by 2005 (from the present ca. of one-third only).⁷

Small Enterprise Development

In the first few years of transition, there was no coherent policy to promote development of SMEs in Bulgaria. The Agency for Small and Medium-sized Enterprises (ASME) at the Ministry of Economy was established only in 1997. Following the enforcement of the Small and Medium-sized Enterprises Act

6. Piritta Sorsa. *The Bulgarian Economy and Prospects for Growth*, Presentation at the American Chambers of Commerce, (IMF Representative), 2001.

7. *Bulgaria: The Dual Challenge of Transition and Accession*, The World Bank, 2001.

(SMEA) in September 1999, the ASME was transformed into the Agency for Small and Medium-sized Enterprises at the Council of Ministers. The Agency is responsible for carrying out and co-ordinating the government policy in this sector.

In March 2002, the government adopted a new National Strategy for Promotion of SMEs to improve the business environment. Bulgaria also endorsed the European Charter for Small Enterprises, the reference document within the socio-economic strategy set up at the Lisbon European Council. The reporting process on the implementation of the Charter started in May 2002. Bulgaria's policy towards SMEs is thus broadly in line with the principles and objectives of EU enterprise policy, and Acquis Chapter 16 on SMEs was provisionally closed in April 2000. However, lack of resources and coordination limited the effective implementation of SME policy. One explanation is that SMEs tend to suffer from the worst aspects of the often-difficult conditions of doing business in Bulgaria including red tape; corruption; and lack of access to finance, information, and management skills. The absence of solid business organisations representing the interests of smaller businesses also remains a problem. Banks often refuse to grant or block loans to SMEs by asking for overly high requirements for collateral which many firms cannot meet as they often understate their assets and revenues in order to avoid taxes. The government recently created a micro-lending scheme and a guarantee fund, but the number of beneficiaries and the effects on economic development remain very limited.

Although the SME share of private sector employment increased from 56 percent in 1997 to 65 percent in 2000, it is still insufficient to compensate for the substantial job losses from the privatisation and restructuring of large enterprises. By 2000, the gross value added generated by SMEs amounted to BGL 7.1 billion, accounting for 30 percent of total gross value added in the economy. Roughly

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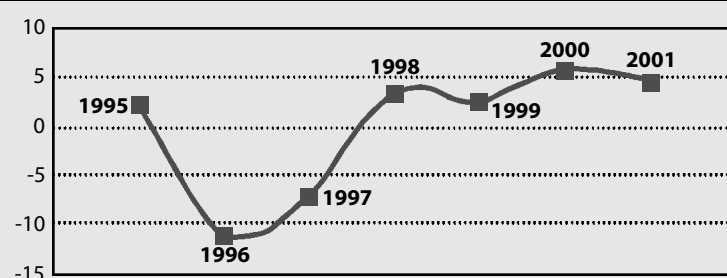
constant ever since, this share remains lower than respective shares in most of the applicant countries and in the EU. Yet, without dynamic expansion of the SME sector, the chances of any significant acceleration of economic and social development through reductions in unemployment are very slim.

2.3 POVERTY AND HUMAN DEVELOPMENT: VULNERABILITY AND INEQUITY

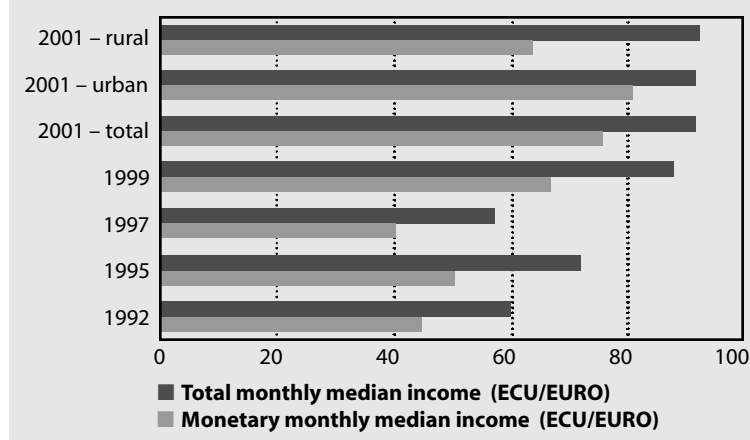
Bulgaria's average monthly income of Euro 91 in 2001 is approximately one-tenth the EU average income of Euro 1,018 (based on median monthly equivalised income per capita calculations). In 2001, the proportion of the poor (with incomes less than 60 percent of the average monthly income) was 15 percent and the poverty threshold (60 percent of the average monthly income) was Euro 54.6. Compared to the EU, the proportion of the poor in Bulgaria is the same (15 percent), yet in the EU, this 15 percent proportion of the population receives Euro 611.⁸ The country also faces a demographic challenge in that the negative population growth rate averaging -0.7 percent a year since the 1990s was eroded further by net out-migration in the last two decades.

Poverty becomes even more troublesome in light of specific communities and ethnic groups. Compared to 1997, poverty in urban areas has significantly decreased from 33.5 percent to 5.9 percent, with a more modest improvement in rural areas, decreasing 41.2 percent to 23.7 percent. It is noteworthy that in 1997, the relative risk of becoming poor, for a person living in rural area, had been only 20 percent

8. Bulgaria, *Millennium Development Goals 2003*, UNDP, 2003.

FIGURE 2.3 REAL GDP GROWTH (% CHANGE)

Source: National Statistical Institute, EUROSTAT.

FIGURE 2.4 AVERAGE MONTHLY INCOMES IN BULGARIA (EURO)

Source: National Statistical Institute, EUROSTAT.

TABLE 2.4 POVERTY IN RURAL AND URBAN AREAS, 2001

	Urban	Rural	Rural Share of Poverty
Poverty level	5.9	23.7	66.2
Poverty difference	1.5	8.0	72.5

Source: BIHS,2001, Poverty Assessment, World Bank,2002.

higher than the risk for a person living in urban area, while this margin is three times larger in 2001.⁹

The Gini coefficient of income distribution was .296 in 2001. Poverty remains particularly concentrated among families with many children, households with unemployed heads, people with limited education, and ethnic minorities and rural households. The Roma and ethnic Turks are ten and four times, respectively, more likely to be poor than other groups in the society. In addition, per capita incomes are lowest in the northwestern, northeastern, and southeastern regions of the country, with particularly critical levels in municipalities with a high concentration of Roma and ethnic Turks.¹⁰ Continued poverty, and in particular long-term isolation from the labour market, can create social assistance dependency among certain ethnic and social groups, e.g. the main source of income for approximately 50 percent of Roma households is derived from social transfers (allowances, benefits, and pensions).¹¹

Recent improvements in Bulgaria's economic situation have not led to a significant improvement in human development. Most of the EU candidate countries have higher values of Human Development Index (HDI)¹² than Bulgaria and are classified as countries with high rather than medium human development. In Bulgaria, the NHDR reported on two additional indices: The District Human Development Index (DHDI) and the Municipal Human Development Index (MHDI). In general, human development is distributed relatively evenly in the 28 administrative districts but there are significant disparities at the intra-district (municipal)

TABLE 2.5 BULGARIA HUMAN DEVELOPMENT INDEX (HDI) SCORE AND RANK, 1995-2002

Human Development Report *	1995 (1992)	1996 (1993)	1997 (1994)	1998 (1995)	1999 (1997)	2000 (1998)	2001 (1999)	2002 (2000)
HDI Score	0.796	0.773	0.780	0.789	0.758	0.772	0.772	0.779
Global HDI Rank	65	62	69	67	63	60	57	62

* Year Reported. Year of source data in brackets.

9. *Poverty Assessment Update*, World Bank,2002.

10. *Bulgaria Human Development Index 2002:Municipalities in the Context of Districts*, 2002.

11. *The Roma in Central and Eastern Europe: Avoiding the Dependency Trap*, A Regional Human Development Report, UNDP Regional Bureau for Europe and the CIS, UNDP.

12. Comprising longevity, literacy and income.

level. Overall, human development in Bulgaria is marked by differences between the relatively advanced districts and those lagging in development. In addition, there are important differences in the level of development of neighbouring municipalities within the same administrative district.¹³

Bulgaria's Constitution guarantees the right to education, which is compulsory for all children under the age of sixteen with provision for free primary and secondary education. In 1999, the government's budget for education was 3.6 percent of GDP, compared to 5.5 percent in the EU. Despite high enrollment in primary education (96.4 percent of 6-10 year olds, grades 1-4, are enrolled in school), the enrollment rate declines to 84.2 percent for children 10-14, grades 5-8, and to 68.3 percent among 14-16 olds, grades 9-12. The dropout trend exists in the upper grades of primary and secondary education, with some 7 percent of children not completing the initial stage of primary education (grades 1-4) in 2001, 16 percent not completing the junior high stage of primary education (grades 5-8) and 15 percent not completing secondary education (grades 6-12). The rural-urban gap in completion rates for junior high stage of education (grades five through eight) is large—in 2001, rural children completed this stage of primary education 15 percent less than urban children.¹⁴ A persistent problem is the low level of education of minority ethnic communities in Bulgaria. Forty-two percent of Roma households have children who have not completed primary education.¹⁵

The key indicators for basic healthcare in Bulgaria have not significantly changed since the start of reforms and remain far below the EU average. According to World Health Organization (WHO) data for 2000,¹⁶ life expectancy at birth for females is the lowest

Bulgaria has continued its public health reform, starting with outpatient healthcare reform to improve the relatively poor health status of the population.

among all EU accession countries, with the exception of Romania. Life expectancy at birth for males is also lower than most other countries in the region. According to the most recent health survey,¹⁷ both male and female respondents indicated that their health status worsened in the last four years, with poor health increasing from 27.8 percent to 35.9 percent for males and from 38.8 percent to 44.4 percent for females over the 1996-2001 period. The share of children (0-14 years) and young people (15-24 years) with poor health also doubled.

With respect to other key health indicators, comparison to the EU highlights troublesome trends. Compared to the EU, Bulgaria's child mortality rate is almost two times greater, maternal mortality rate is four times greater, incidence of tuberculosis is four times greater, and syphilis incidence is twelve times greater.

Bulgaria has continued its public health reform, starting with outpatient healthcare reform to improve the relatively poor health status of the population. However, there is significant room for efficiency improvements in the healthcare system. Currently, the average length of stay in the hospital is 11.9 days, twice the level of Western Europe.

In 1997, the new government declared another approach to minorities and established a new body—the National Council on the Ethnic and Demographic Issues at the Council of Ministers. The Framework Convention for Protection of National Minorities was ratified in parliament in 1999, with a special declaration by which Bulgaria is obliged to maintain a

13. *Bulgaria 2002 Human Development Index: Municipalities in the Context of Districts*, UNDP, 2002.

14. *Bulgaria Millennium Development Goals 2003*, UNDP, 2003.

15. *The Roma in Central and Eastern Europe: Avoiding the Dependency Trap, A Regional Human Development Report*, UNDP Regional Bureau for Europe and the CIS, UNDP.

16. *Selected Health Indicators for Bulgaria*, WHO, 2000.

17. *NSI, Health Survey of the Bulgarian population in March 2001*, Government of Bulgaria, 2002.

BOX 2.2 INTERNATIONAL CONVENTIONS/ COMPACTS RATIFIED BY BULGARIA

- The International Convention on the Elimination of All Forms of Racial Discrimination, 1969
- The International Covenant on Civil and Political Rights, 1976
- The International Covenant on Economic, Social and Cultural Rights, 1976
- The Convention of the Rights of the Child, 1991
- The UNESCO Convention against Discrimination in Education, 1990
- The European Convention for the Protection of Human Rights and Fundamental Freedoms, 1992
- The First Protocol to the European Convention for the Protection of Human Rights and Fundamental Freedoms, 1992
- The European Charter of Local Self-Government, 1995
- The European Framework Convention for the Protection of National Minorities, 1999

policy of human-rights protection and tolerance and integration of minorities into Bulgarian society. According to the European Roma Rights Center, “The government has thus far failed to develop a detailed plan of activities, to allocate resources, or to appoint officials in charge of implementing the Framework Programme...many of the tasks envisaged by the Framework Programme do not require substantial funding and depend entirely on the political will of the authorities”.¹⁸ While the Roma suffer from widespread unemployment and lack of access to quality education, the Turks and Pomaks have experienced a gradual decline in their traditional livelihoods, namely tobacco-growing and mining.

People in Bulgaria see unemployment and lack of job opportunities as the paramount manifestations of poverty. The increased pace of restructuring, the dramatic loss of markets and output reduction in the early transition period, and the exposure of disguised unemployment led to a further rise in unemployment. By the end of 1997, unemployment stood at 14.4 percent and rose to 19.5 percent by the end of 2001. Unemployment started to slowly contract towards the end of 2002. According to the Labour Force Survey carried out by the National Statistical Institute (NSI) in September 2002, the number of employed had increased

by 5.8 percent relative to March 2002 and by 1.1 percent on a 12-month basis. Private sector employees reported a 10 percent rise from March 2002. Total unemployment had fallen by 2.2 percentage points against March 2002, and by 1.3 percentage points on a 12-month basis. At the end of September 2002, the unemployment level was at 17.3 percent. By March 2003, unemployment further contracted to 15.7 percent.¹⁹ Long-term unemployed persons, i.e. people out of work for two years or more, account for more than two-thirds of those unemployed. The bulk of these have a low level of education. Low levels of education, in turn, are concentrated among the minority population.²⁰ According to the 2002 HDI publication, municipalities having the lowest level of literacy are also the ones with the highest proportion of minority population. The presence of large ethnic minorities is also associated with low enrollment.

Bulgaria’s record in human rights did improve during the past ten years, and in January 2000 it was removed from the list of countries subject to the special monitoring procedures of the Parliamentary Assembly of the Council of Europe. Bulgaria ratified all principal international conventions and human rights treaties. The country made considerable progress in the areas of human rights, training of police, trafficking, pre-trial detention, and the legal framework for non-governmental organisations. However, human rights organisations continue to criticise police violence, which provides cause for serious concern.

By and large, human rights issues arising from linguistic, ethnic, and religious distinctions receive a relatively comprehensive treatment in the Constitution, which, however, is insufficient for reliable assurance of the interests of minority groups. A number of laws and specific statutorily established mechanisms, which should complement and particularise the constitutional provisions in

18. *The Bulgarian Framework Programme for Equal Integration of Roma: Participation in the Policy-making Process*, Quarterly Journal of the European Roma Rights Center, 2001.

19. Employment Agency, April 2003, www.nsz.government.bg

20. *Bulgaria: Human Development Index: Municipalities in the Context of Districts*, UNDP, 2002, Sofia.

the exercise of the respective rights of minority groups, are still lacking. For instance, the UNESCO protocol instituting a Conciliation and Good Offices Commission for settlement of disputes between parties to the Convention Against Discrimination in Education is not yet ratified. Also, despite Bulgaria's ratification of the Framework Convention of the Council of Europe for the Protection of National Minorities, the Roma continue to suffer from social discrimination. Many Roma live in very poor conditions in housing classified as illegal. Very few municipalities have acted on the call in the Framework Programme to legalise such homes. Unemployment is very high, with estimates reaching 60-75 percent of the working age Roma population. The political commitment from the government to remedy these problems needs to be matched by more effort to translate this commitment into concrete action. So far, there has been very little progress in strengthening the capacity of the National Council on Ethnic and Demographic Issues to implement the programme.

Bulgaria has made progress in judicial reform with the adoption of an action plan and major amendments to the Law on the Judicial System. However, the National Reform Strategy for the Bulgarian Judicial System needs to be fully implemented. Special attention should also be given to changing the structure of the judiciary, investigation procedures, and the practice and misuse of immunity. The government also needs to reform the system of administrative courts to provide the public with a venue for dispute resolution in the public administration area.

In 2001, the Bulgarian government adopted a National Strategy for Combating Corruption and a number of laws and regulations,²¹ and ratified major international conventions.²² The government established the Inter-ministerial Committee for Implementing the Anti-

corruption Strategy and Action Plan to ensure coordination of efforts within the government. However, although perceptions of corruption in Bulgaria have improved somewhat over the recent years,²³ the implementation of the National Strategy did not result in the expected curbing of corruption. The effect of the adopted measures was not apparent to the population, a factor that contributed to the change of power in the elections in June 2001.

Bulgaria's criminal justice system is characterised by a punitive framework, which does not take into account the specificities of juvenile offenders throughout the legal process. The right of juveniles to appeal to an independent and specialised authority is not yet guaranteed in the justice system, and the application of law to children under custody is undertaken by officials who are usually parties to the trial or the Prosecutor's Office. In practice, there is no alternative to imprisonment. The justice system needs to redefine the concept of juvenile justice from a prevention angle to guarantee the rights of children and the protection of their best interests. This requires specific measures and sanctions based on elaboration of rules for dealing with reintegration of children at risk and minimum requirements for public care for children, including foster homes.

2.4 EU ACCESSION AND PUBLIC MANAGEMENT: FROM AGENDA-SETTING TO STATE REFORM

Adoption of EU Legislation

Attaining the economic, social, environmental, and administrative standards of the EU that will allow Bulgaria to become a full-fledged member on January 1, 2007, is the ultimate strategic government objective until the end of 2006. In addition to representing a development goal

21. Including the Law on Administration, the Law on Civil Servants and the Code of Ethics of Civil Servants, the Law on Disclosure of High Public Officials' Assets, the Law on Political Parties, the Law on the Access to Information, the Law on Public Procurement, the Law on Customs, the Tax Procedure Code, and amendments to the penal code.

22. Notably, the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime; the OECD Convention on Combating Bribery of Foreign Public Officials in International Business; and the Council of Europe Criminal Law Convention on Corruption.

23. The country improved its Transparency International ranking in the Corruption Perception Index from 66 to 45 between 1998 and 2002.

BOX 2.3 TRANSITION PERIODS FOR EU ACCESSION NEGOTIATED BY BULGARIA BY THE END OF FEBRUARY 2003

- Chapter 3: Three years, regarding the EU Directive No. 97/9 on the minimum volume of compensations for investors
- Chapter 4: Five years before foreigners and foreign legal entities will be able to buy property for second houses (excluding citizens of EU countries of Bulgarian origin); seven years before foreigners and foreign legal entities will be able to buy agricultural land and forests (except for farmers who decide to start up farming in Bulgaria)
- Chapter 10: Three years for increasing excise tax on cigarettes; the minimum threshold for VAT registration in Bulgaria will be Euro 25,000; international passenger transport will continue to be treated as exports (i.e. at a zero VAT tax rate); derogation for home-produced alcohols from fruits and grapes, for family needs, to the volume of 30 liters per family per year
- Chapter 13: Four years regarding the tar component in cigarettes from 15 to 10, by that time other standards for cigarettes will be brought into line with EU norms (a political context of this problem is also worthy of consideration since tobacco is produced in poor regions populated mainly by Bulgarians of Turkish or mixed origin for whom tobacco growing is the only means of living)
- Chapter 14: Six years for maintaining stocks of oil and oil products equal to their respective 90 days consumption
- Chapter 19: Two years on automatic transfer of telephone numbers

BOX 2.4 EU PRE-ACCESSION FUNDS AND THEIR PRINCIPLES

The pre-accession funds, designed to support candidate countries in the process of integration to the EU, are ISPA, SAPARD and PHARE. ISPA finances infrastructure projects in the fields of transport and environment. SAPARD supports agricultural and rural development. PHARE focuses on strengthening the administration and harmonising national legislation with European norms. The four principles of EU structural funds are also valid for pre-accession funds: concentration, programming, complementarity, and partnership. The concentration requirement entails directing funds to where development problems are most serious. Programming involves elaboration of strategic plans and development programmes covering many years. Complementarity represents the commitment of Brussels to support national projects rather than substituting for national financing. Partnership means that the receiving state, where appropriate, in conjunction with civil society, shares responsibility for the elaboration, selection, management, and audit of projects with the European Commission.

in its own right, the process of EU accession also entails a concrete agenda and timetable for policy and institutional reforms in the judicial, economic, and social arenas. In this respect, the focus is on the 31 chapters of the *acquis communautaire*—the primary and secondary binding legislation that candidate countries have to adopt to assume membership. Surprisingly, Bulgaria has so far requested relatively few concessions in terms of transition period or derogations. Yet, meeting many *acquis* conditions may be very expensive for the Bulgarian businesses and taxpayers.

The 2002 *EU Regular Report* concludes that Bulgaria does not yet fully meet the *acquis* criteria, and that in order to complete its preparations successfully, Bulgaria needs to continue its efforts to transpose, implement, and enforce the *acquis*. It especially needs to continue the reform of public administration and the judiciary in order to have the necessary administrative and judicial capacity.

Since the December 2002 Copenhagen Summit of the European Council set 2007 as the accession date for Bulgaria, a new approach is needed for the elaboration of national policy options. Until 2002, national priorities were subordinate to political, social, and economic transition targets. Now these priorities must first and foremost respond to meeting the EU accession conditions. Although largely overlapping, the individual benchmarks and timing of the latter conditions are somewhat different from the former priorities. Therefore national priorities should be re-examined in the context of the updated Bulgaria's National Plan for the Adoption of the *Acquis*, the EU 2002 Regular Report, and especially the EU Roadmap²⁴ for Bulgaria, which spells out the accession targets.

The re-examination of policy options in light of EU accession requirements is not a challenge for the Government of Bulgaria alone. It is also a challenge for the donor community. If the donors share the government's choice of making the 2007 EU accession the cornerstone of Bulgaria's development strategy, then each donor will have to revise its assistance strategy for Bulgaria accordingly. The donor community has to examine the EU roadmap for Bulgaria, the corresponding government strategies related to Bulgaria's EU accession, and its respective country assistance strategies in order to synchronise operations and generate synergy.

However, the real challenge to Bulgaria's EU accession is currently less about adopting the EU *acquis* and more about overseeing the implementation—establishing the necessary institutions and developing administrative and other capacities to make the transposed

24. Communication from the Commission to the Council and the European Parliament: Roadmaps for Bulgaria and Romania, Brussels. The European Commission 2002. Also, Regular Report on Bulgaria's Progress Towards Accession, Economic Criteria. The European Commission 2002.

legal framework operational. In addition to continuing reform of public administration, Bulgaria needs to develop the capacity to be part of the internal market and apply the *acquis* in areas such as agriculture, environment, and regional policy. Further efforts are also required to establish the necessary administrative capacity to ensure the sound and efficient management of EC funds. Progress in these areas is also crucial to fully meeting the economic criteria for EU membership.

Public Sector Reform

Although alignment of legislation is taking place and there has been a recent acceleration in harmonizing Bulgarian law with that of the EU, the advancement of civil service institutional reforms and capacity building was relatively slow. Successful reform of institutional arrangements is harder to achieve than change in the legislative arena. Deeply ingrained work habits and long-established practices can represent a staunch attitudinal barrier to change. It is inevitable that reforms will not always be popular. As in other transition countries, the general consensus for EU accession may well prove to be an important lever for gaining public support for transformation efforts, which otherwise have flagging support. Transparent procedures are necessary for improving human resource management in the state administration, simplifying and clarifying the legal framework for administrative decision-making, and ensuring legal certainty. In addition, the government's ability to utilise EU pre-accession funding schemes is dependent on a number of administrative reforms. Both availability and magnitude of such financing is tied to the government's capacity to implement the projects funded under those schemes.

The government acknowledges the importance and urgency of public administration reform. However, efforts are constrained by lack of training in modern practices, staff reductions, budgetary limits, and a lack of familiarity with the requirements of a modern public sector. Statutes setting out the structures for most ministries and executive bodies were adopted

by the Council of Ministers. Employees are gradually being covered by the new civil servant statutes. In recent years, civil servants have received salary increases of approximately 20 percent, which are intended to contribute to recruitment and retention of high quality personnel. The Council of Ministers recently approved the document *Strategy for State Modernization—From Accession to Integration*, together with a set of draft amendments to the existing Civil Servant Law. The former defines the role, functions, and organisation of the executive and agencies and the role and functions of regional administrations. The latter sets out the roles of civil servants and systems as well as standards for public service. Also, a law on public access to information was enacted. The strategy for new civil servant statutes will make provisions for improving the Institute of Public Administration and European Integration and setting up a programme to provide functional reviews of different ministries and agencies.

Decentralisation, Participation, and Local Governance

The municipality is the main unit of local government. The legislative body is the municipal council, and the executive authority is the mayor. Citizens participate in local governance indirectly by electing their representatives in local self-government bodies. The municipal budget is formed from its own revenues (taxes, fees, and charges), raised funds (rent, municipal bonds, and non-budget funds) and state outlays determined on an annual basis by parliament.

In the light of EU accession requirements, Bulgaria's democratic governance challenge has become more pressing. Democratic governance includes the development of institutions and public service delivery solutions that are responsive to the needs of ordinary citizens. It also requires active citizen participation in the decision-making process, strong and viable civil society organisations, and building of social capital. The government did make some efforts to improve the policy and statutory

framework for decentralisation and public accountability.²⁵ European Charter of Local Self-Government was ratified in May 1995. Nevertheless, Bulgaria continues to be a highly centralised state. Changes in the structures for regional and local administrations have been particularly slow and the capacity to absorb development funds remains weak. Much effort is still necessary to develop the local structures and a new administrative culture in the municipalities so that they are ready to cope with EU membership.

Local governments still constitute a weak link in the delivery of social services to the poor and infrastructure services to the business community. Councils and mayors at the town, borough, and village level depend heavily on directives and financial transfers from the central government. Although decentralisation remains high on the priority lists of Bulgaria's main political parties, it has progressed very slowly. The Ministry of Finance was concerned with cost overruns and corruption. Weak human and administrative capacity, inadequate financing, and lack of accountability have also affected service delivery. Municipalities face several institutional and financial challenges that cut across all sectors:²⁶

- a) bureaucratic public administration practices remain, complicating decision making;
- b) municipal finances are weak, relying on uncertain and often insufficient central transfers and inadequate tax base and tariffs;
- c) a clear framework for service and fiscal decentralisation does not exist;
- d) civil society is not involved in decision-making, affecting accountability and efficiency;
- e) municipal services are inefficient, poorly managed, and lack incentives to improve; and
- f) private sector provision of infrastructure services is non-existent, because of an unfavourable regulatory framework and business environment is not attractive.

Following the Council of Ministers' approval of the Fiscal Decentralization Concept in March 2002, a programme for its implementation was developed. Areas for reform include division of responsibilities between ministries and municipalities; standards for staffing levels, wages, and maintenance of public services; enforcement of fiscal discipline; strengthening of municipal budget planning, information systems, and accounting standards; local borrowing and revenue collection; and citizen participation in the planning and execution of municipal budgets.

The Non-profit Legal Entities Act, which entered into force in January 2001, provides a new legal framework for non-governmental organisations in Bulgaria, establishing clear rules for the registration of associations of citizens and foundations. Also, the adoption of the Law on Access to Public Information is a positive step forward. This regulates the right of citizens and legal entities to gain access to information from state and local government bodies on matters of public interest. In case of refusal, appeals can be made to the courts.

The number of non-governmental organisations (NGOs) grew rapidly in the 1990s. There are now approximately 4,600 although many have vaguely defined objectives. A third of all NGOs in the country is based in Sofia. Public recognition of the role of NGOs grew during the political and economic crises of 1996-1997 when local NGOs were involved in the distribution of more than US\$30 million of humanitarian assistance to the vulnerable population. Nevertheless, the NGO sector remains weak and a small minority accounts for the major share of foreign funding, on which it is almost totally dependent. There are both advocacy and service NGOs, although many of the latter are small and of limited effectiveness. Only approximately ten percent of NGOs are concerned with social welfare and, of this ten percent, only approximately a third of these are concerned with children's issues.

25. The most important legal provisions are the Local Administration Act (promulgated in September 1991), the Municipal Property Act (September 1991), the Local Taxes and Fees Act (December 1997), and the Municipal Budgets Act (March 1998).

26. *Bulgaria Public Expenditure Issues and Directions for Reform*, World Bank, 2002.

3



UNDP's strategic positioning: Addressing vulnerability through national priorities

The current section analyses how UNDP positioned itself strategically and chose its entry points to add value in its response to national development needs and changes.

3.1 UNDP: COUNTRY PROGRAMMING PRIORITIES

National Development Goals

The main documents outlining recent GOB development policy are *Bulgaria 2001: Programme of the Government of the Republic of Bulgaria 1997-2001* and the *National Plan for Economic Development 2000-2006* (NPED). The most important medium-term goals of the programme, as updated in January 2003, are:

- sustainable and balanced economic growth;
- diminution of disparities between the various regions and social groups in conjunction with an overall increase in the standard of living and contraction of unemployment;
- harmonisation of national legislation with the EU *acquis*.

Of particular relevance to UNDP is the second medium-term goal, which is inspired by the existence of disparities in income and living standards across regions and social groups in the country. The narrowing of growth and income gaps can be achieved by the implementation of active labour market measures, an increase in the qualification of the employed, and promotion of small and medium businesses by way of improving the business regulatory framework. Reducing disparity is essential to alleviating social tensions and political instability while creating a stable public environment and boosting competitiveness economy-wide.

In terms of the MDGs, Bulgaria defined poverty as its overarching problem²⁷—the solution requiring sustainable and gradual growth of incomes along with the slow diminishment of unemployment. Educational and healthcare targets are aimed at recovering the levels from the beginning of the transition. Conversely, environmental goals take into account the agreements already completed and/or the commitments of GOB assumed under other international treaties.²⁸ In setting national goals, the current values of EU indicators were adopted as guidelines, and in particular, the indicators of the less developed member countries were used because the comparison with Bulgaria is more realistic. For each of the eight major goals, the Millennium Declaration sets specific targets, which then have specific indicators for monitoring their progress.²⁹

Whereas the MDGs are expressed in terms of human development achievements, the Bulgarian goal of EU accession is largely tied to legislative and institutional targets as embedded in the *acquis*. These are not directly comparable but not necessarily incompatible either.

Evolution of the UNDP Programme

Since 1994, UNDP has implemented more than 50 projects in Bulgaria, of which 18 were ongoing as of early 2003. Nevertheless, UNDP programming has remained fairly tightly focused with projects clustered around a limited set of activities and priorities. There were, for instance, nine separate projects in support of the Beautiful Bulgaria/Beautiful Cities concept.³⁰ In contrast with operations in many other countries, however, it is possible to define a wide range of areas in which UNDP is not active, e.g. transport and infrastructure, large scale industry, macroeconomic management, and direct provision of health and education services.

Bulgaria's goal of accession to the EU is represented as the backdrop to UNDP programming, rather than as an explicit objective, during the 1997-2003 period. 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 did not overlook the needs of those who are poor or vulnerable.

The first UNDP CCF³¹ originally covered the period from 1997 to 1999 but was subsequently extended to include 2000 and 2001.³² The first CCF was formulated and implemented in a critical period of Bulgaria's recent history, with the winter crises of late 1996 and early

27. *Bulgaria Millennium Development Goals Report*, UNDP, 2003.

28. For instance, the KYOTO commitment to carbon dioxide emissions.

29. For current status and 2015 targets, see Annex 5.

30. Most of which have been parallel municipal-level interventions, e.g. 'Beautiful Sofia', 'Beautiful Rousse', 'Beautiful Dobrich' and 'Beautiful Targovishte'.

31. First Country Cooperation Framework for Bulgaria (1997-2001), Executive Board of the United Nations Programme and the United Nations Population Fund, First regular session 1997.

32. *Extension of the First Country Cooperation Framework for Bulgaria*, Note by the Administrator, UNDP, 2000.

1997 having led to economic destabilisation and sharp deterioration in living standards. The major task of the new government as it came to power in mid-1997 was to quickly implement a package of reforms targeted at currency stabilisation, promotion of fiscal stability, and launch of economic structural reforms. In 1996-1997, UNDP had to quickly respond to the humanitarian crisis in the country. The CO became a key coordinator of the donors' humanitarian assistance to poor and vulnerable. A special mechanism was designed to enable donors to react quickly to the situation on the ground thus facilitating the delivery of approximately US \$79 million of multilateral and bilateral assistance in the period from January 1997 to October 1998.

The first CCF stated that the major challenge for national authorities was "to address in the most efficient and effective way the potential sources of social tension and threats to human security". Building on analytical work undertaken in cooperation with the International Labour Organization (ILO),³³ the UNDP-supported National Programme for Social Development aimed to achieve stable social development through: implementing income policy; conducting active labour market policies; and integrating dependent groups of the population. Implementation of the income policy component of this programme had already begun by 1996, with a targeted social assistance scheme providing income transfers to two million people to enable them to meet their basic subsistence requirements. The main new measures envisaged in the National Programme for Social Development was to strengthen active labour market policies including the promotion of SMEs through incentives for entrepreneurship and the establishment of information systems for business services and consultancy centres.

In the poverty area, the first CCF provided for UNDP support for the implementation of key components of national policies under four sub-themes:

The UNDP-supported National Programme for Social Development aimed to achieve stable social development through: implementing income policy; conducting active labour market policies; and integrating dependent groups of the population.

1. policy analysis and formulation
2. social integration
3. employment promotion
4. environment protection and regeneration

In the governance area, the major challenge posed by the first CCF was for Bulgaria to adapt its administrative structures and organization to the conditions of democracy, market economy, and European integration. This included stronger policy-making capacity, administrative efficiency and transparency, decentralisation, and coordination among institutions and with the donor community. The government had, at the time, formulated an Administrative Reform Programme. Bulgaria had also made a strong political commitment to integrate with the EU and had begun the process of adapting its legislative and administrative structures to EU standards.

The CCF highlighted that efforts to promote good governance should not only be aimed at the functioning of the state and the economy but also at civil society. Despite the existence of a large number of civil society organizations, participation was still limited. Greater involvement of civil society in fundamental policy debate, besides facilitating and accelerating changes in mentalities and attitudes, was also seen as a means to:

- greater understanding of the reform process and its benefits;
- better popular ownership of reforms;
- develop of a consensual vision on a model of society for Bulgaria; and
- promote efficient and responsive government policies.

Within the governance area, the first CCF itemised the interventions under four sub-themes:

33. *Poverty in Transition: Strengthening the National Policies & Strategies for Poverty Reduction*, UNDP/ILO, 1998.

TABLE 3.1 STRATEGIC RESULTS FRAMEWORK (SRF), 2002-2005

Strategic Areas of Support	Outcomes
1. Partnerships between local authorities and civil society organizations	Citizen participation in the decision-making process strengthened at all levels
2. Efficiency and accountability in the civil service and service delivery	Improved transparency, accountability, and service delivery
3. Poverty-reduction strategies	Poverty reduced through jobs creation and improved living conditions
4. National policy, legal regulatory framework for environmentally sustainable development	Enhanced sustainable management of natural resources
5. RC global agenda	Increased public and government awareness and support at the national level on the MDGs

1. policy analysis and formulation
2. civil society participation
3. management efficiency
4. international repositioning

By the time of the second CCF³⁴ formulation, which covered the 2002-2005 period, government finances had been stabilised. Also, at the political level, the process of EU alignment had accelerated. Moreover, the UN system had conducted its first Common Country Assessment (CCA).³⁵ However, major public sector management reforms remained incomplete. Accordingly, the view of UNDP's niche was to provide policy advice on the social dimensions of the transition process and ensure that government and donor priorities for steering Bulgaria into the EU did not overlook the needs and concerns of the country's most vulnerable groups (minorities, women, children, the disabled, and refugees) and least-developed territorial districts. Through the second CCF, UNDP aimed to place poverty reduction at the heart of the government's agenda. In line with this, programming was aimed at fostering an environment for greater citizen participation by bringing decision-making closer to communities and individuals. The broad thematic areas established in the first CCF continued to be relevant to the second CCF. In this vein,

UNDP continued to disseminate and highlight best practices and lessons learned from its operational activities. A critical dimension of the second CCF was the "never alone" policy, which involved maintenance and strengthening of both policy and operational partnerships with various government ministries such as the Ministry of Labour and Social Policy, the Ministry of Regional Development, the Ministry of Economy, the Ministry of Health, the Ministry of Environment, and the Ministry of Foreign Affairs. Partnerships with the World Bank on anti-poverty strategies and work with the governments of the Netherlands and the United States on good governance remained central to the CO's work. UNDP also strengthened its "certified partnership" scheme with key NGO think tanks and sought closer relations with a broad network of civil society actors, academic institutions, the media, and the private sector.

"Headline" priorities of UNDP country programming have thus been:

CCF 1997-1999 (extended to 2001):

1. Reversing impoverishment and the decline in quality of life
2. Good governance for sustainable human development

CCF 2002-2005:

1. Job creation and support for pro-poor policies
2. Local good governance and management of national resources

Although the CCF 1997-2001 and CCF 2002-2005 indicate an evolving nuance in emphasis, there was a high degree of continuity in programming over the 1997-2003 period, i.e. straddling CCF1 and CCF2 and the change of RR/RC in 2001. In terms of a thematic or sectoral focus, the emphasis remained on three areas: poverty, governance, and environment. Although there were various projects and distinct points of reference to programming within each of these areas, a

34. Second Country Cooperation Framework for Bulgaria (2002-2005), Executive Board of the United Nations Programme and the United Nations Population Fund, First regular session 2002.

35. Bulgaria Common Country Assessment, UN Development Group, 2000, Sofia.

fairly narrow picture representing the convergence of all these various factors has emerged.

Within the poverty area, an emphasis on job creation has permeated UNDP activity. In a number of individual projects, job creation was the explicit priority, whereas in others it remained an implicit area of concern. Similarly, within the governance area, the transcending emphasis was on decentralization and municipal management. Meanwhile, the focus of UNDP's strategy in the environment area, while distinct, was somewhat subsidiary. In terms of substantive concentration themes, job creation and municipal management are both areas to which UNDP brings a unique legitimacy and credibility by virtue of not being associated with any commercial or political interests.

Cutting across the thematic priorities, UNDP's work has, in a more functional dimension, been centred on three avenues of action: advocacy and policy dialogue, piloting of new solutions, and partnership- and alliance-building. Strategic positioning then comprises the combination of thematic priorities and functional entry points (see Figure 1).

The functional entry points were applied in parallel to each of the three thematic priorities, i.e. whilst advocating the "why" of unemployment, UNDP also sought to identify the "who" and the "how". In this respect, there was a high degree of synergy between the different components of programming. Cutting across the thematic priorities, UNDP strategy can be described as one of identifying areas of human development vulnerability and disparity, demonstrating local-level solutions to such challenges, and implementing those solutions into the mainstream of national public management practice.

The ADR team understands that UNDP's positioning in Bulgaria emanated partly from strategic reasoning and partly from the adaptation to emerging demands of national

authorities and partners. A degree of learning was also achieved through conducting internal project-level as well as country programme-level evaluations.

No United Nations Development Assistance Framework (UNDAF) was prepared for Bulgaria, essentially due to limited presence of UN agencies, with the World Bank and the UNHCR being the only other UN agencies with local offices. However, a CCA was produced in 2000, which fed into the CCF2 formulation process. Also, a Social Development Unit (SDU) was established within the UNDP office to provide support for joint activities with UNICEF, UNAIDS and UNFPA.

3.2 ADVOCACY AND POLICY DIALOGUE: INFLUENCING AGENDA OF NATIONAL DEBATE

A key component of UNDP strategy in Bulgaria is to bring forth facts and provide advice on the social and human development dimensions of the transition process, in order to ensure that the government and donor priorities for steering Bulgaria towards the EU do not overlook the needs and concerns of the country's most vulnerable groups (minorities, women, children, the disabled, and refugees) and least-developed territorial districts. In line with Bulgaria's commitment

BOX 3.1 HUMAN DEVELOPMENT REPORTS

National

- 1996: Stabilizing Conditions for Human Development
- 1997: The State of Tensions, Uncertainty and Conflict
- 1998: The State of Transition and the Transition of the State
- 1999: Vol I—Trends and Opportunities for Regional Human Development
Vol II—Bulgarian People's Aspirations
- 2000: The Municipal Mosaic
- 2001: Citizen Participation in Governance: From Individuals to Citizens
- 2002: Human Development Index—Municipalities in the
Context of Districts

Regional

- 1997: The Shrinking State—Governance and Sustainable
Human Development
- 1998: Poverty in Transition
- 1999: Transition 1999
- 2003: The Roma in Central and Eastern Europe—
Avoiding the Dependency Trap

The NHDRs were particularly important tools for UNDP's advocacy efforts, policy advice, and dialogue at national level.

at the 1995 World Summit for Social Development, the theme of poverty reduction was paramount to UNDP activities in Bulgaria. Following the World Conference on Social Development at Copenhagen in 1998, UNDP facilitated an improved understanding of the nature of poverty, analyzed the root causes of this phenomenon for Bulgaria, and proposed a methodology for measuring absolute and relative levels of poverty. Building on the UNDP/ILO review of poverty under transition in 1998,³⁶ research continued in 2000 and 2001 with the elaboration of different options for specific policy measures.

Advocacy efforts were undertaken through a number of different instruments and forums. Advocacy activities were undertaken as the explicit objective of particular projects (such as preparation of NHDRs) while constituting the individual component of projects that otherwise are more geared towards specific capacity development objectives. In addition, the RR/RC and staff promoted these activities through more ad hoc and informal networking activities.

The NHDRs were particularly important tools for UNDP's advocacy efforts, policy advice, and dialogue at national level. The reports have set the terms of national development debate and have fed directly into the national policy-making process. Since 1999, NHDRs were focused on regional development issues. In 2002, the municipal development index was calculated to reflect the trends in each municipality thus capturing disparities at the local level.

In 1997, the EWS was introduced as an analytical instrument for collecting and processing information pertinent to identification of emerging political, economic, and social problems and for making recommendations on strategic options

for preventive measures. More specifically, the EWS was aimed at anticipating possible risks in the political, economic, and social sectors. This system offers updated information that could be used in the formulation of strategic projects, policies, and business. The EWS methodology currently covers almost 300 indicators. The data collection was expanded to include media content analysis and disaggregated to the regional level to include local early warning monitoring. Monthly, quarterly, and annual bilingual reports were produced that contain risk assessments, forecasts, and recommendations for policy actions. The reports were regularly distributed to 300 recipients within the government, the donor community, private sector, academia, and the NGO sector. Currently, UNDP is revising the EWS reports in terms of both content and design and is piloting 'a private sector' approach to guarantee availability by subscription. In addition to the printed reports, a EWS Web site is being developed which will offer access by subscription to comprehensive early warning datasets monitored since 1997.

In addition to the NHDR and EWS, SIAs were used as an important analytical instrument to serve the advocacy purpose. The focus of these SIAs has thus far been: Child Care in Bulgaria, Integration of the Roma Population in Bulgaria and Effectiveness of Pension Reform on At Risk Population Groups.

Both senior government officials and donor representatives indicated to the evaluation team a high degree of awareness of the above analytical contributions made by UNDP. Moreover, in addition to the analytical work presented by UNDP on Bulgaria, many of its interlocutors also showed awareness of the regional and global HDRs, with annual changes in Bulgaria's global HDI rank being closely monitored by national media. Beyond 'pure' advocacy instruments such as the above, UNDP also contributed to policy dialogue by bringing the lessons learned from its piloting and demonstration activities to the table of national debate.

36. *Poverty in Transition: Strengthening the National Policies & Strategies for Poverty Reduction*, UNDP/ILO, 1998. *Women in Poverty: an Assessment of the Bulgarian Anti-poverty Policies & Strategies*, UNDP/ILO, 1998.

According to the 2000 UN CCA, “The main challenge for UNDP in Bulgaria in the area of democratic governance has been the strengthening of democratic structures in order to create, and better enforce rules, and generate more participation, economic security and development”. In our opinion, UNDP has responded well to this challenge.

Since the early 1990s, natural resource and environmental management issues have become a serious public concern and have been subject to wide-ranging public debate. UNDP advocacy was focused on seeking appropriate mechanisms to overcome economic, social, and environmental crises and aligning the country’s environmental protocols to global standards and agreement. Following UNDP’s work in the area, the concept of sustainable development became part of the debate on national development.³⁷

3.3 PILOTING NEW SOLUTIONS: MAKING SERVICE DELIVERY RESPOND TO LOCAL NEEDS

A key objective of UNDP strategy in Bulgaria was to develop and pilot local level service delivery solutions that address critical dimensions of human development for eventual replication on a larger, national scale. As a general scheme, the initial local-level pilot schemes are undertaken with seed funding from UNDP’s resources, followed by a phase of multi-location replication based on mobilisation of resources from other donors, and finally nationwide application funded by the government’s resources.

The scheme in Figure 3.1 is somewhat idealised but represents a rough approximation of the generic cycle of piloting that was applied to UNDP’s work in each of the poverty, governance and environment areas.

Job Creation

Three major projects were initiated by UNDP to respond to the country’s need for job generation,

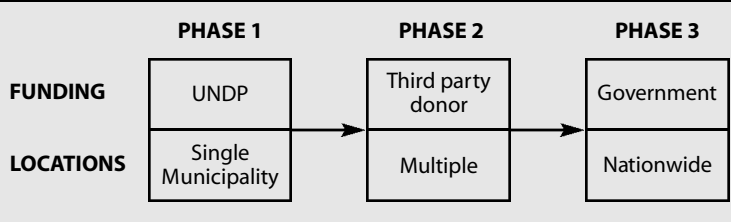
BOX 3.2 ADVOCATING ADMINISTRATIVE JUSTICE REFORM

In a democracy, the relationship between the individual and the state has come to be understood in terms of the protection of citizen rights and not the perpetuation of state power. Accordingly, the enforcement of legality through judicial review of administrative action has become a fundamental organizing principle of any effective democratic system of administrative justice. Judicial review operates to protect the citizen from the malfeasance of the state, while ensuring accountability of the administration for its actions. In this way, judicial review creates barriers to corruption in the administration. In 2002, UNDP, together with DFID, supported the conduct of a review to propose a fundamental realignment of the system of administrative justice in Bulgaria in order to:

- enhance the protection of citizen’s rights against abuse by the administration
- create a framework of external oversight that would improve the way administration functions

These are new principles of the government in Bulgaria that forsake the legitimacy of arbitrary power, power exercised in secret without proper accountability, and power that is the property of those who rule. It also forsakes the notion that individual persons and their social organizations are simply commodities to be used or abused by the holders of office. Once these basic ideas are understood and accepted, the full realization of administrative justice becomes a compelling goal.

FIGURE 3.1 PHASES OF PILOTING



namely the Regional Initiative Fund (RIF), the BB project and Job Opportunities through Business Support (JOBS). These projects are national large-scale programmes with results that have had a direct influence on national policy and institutional arrangements.

The RIF and BB are public works programmes, which provide short-term cash transfers to the unemployed while developing needed infrastructure. These programmes typically secure low-wage temporary jobs in labour-intensive activities and are initiated in areas with high unemployment and in need of improved infrastructure. Both programmes have multiple effects on the labour market, local infrastructure, and public investments. The BB project started as a demonstration within the Sofia municipality to test the success of training long-term unemployed people in

37. National Strategy for the National Environment and Action Plan 2000-2006, Council of Ministers, 2001.

UNDP has been promoting new methods of governance at the municipal and regional level, which are characterised by responsiveness to the interests and needs of local communities.

construction and having firms hire them to refurbish centrally located buildings, public parks, and squares. Later, it was developed into a national programme, which in 2002 covered 43 small municipalities and district centres. In total, over 1,000 sites were refurbished out of which approximately 400 are listed as monuments of culture.

More recently, in 2002, the Social Services Against New Employment project was launched with the objective to create jobs for the unemployed who are 50 years of age and older. A pilot demonstration is currently under way in four Bulgarian municipalities.

The evaluation team must record its observation of an extraordinarily high level of national awareness associated with the BB project. During the in-country mission, the evaluators rarely encountered anyone who did not know of this project. However, not everyone who was aware of the BB associated it with UNDP. Moreover, there was some criticism regarding the selection of employees under the BB and other job creation schemes. Some suspected nepotism or other non-transparent practices in choosing participants, whereas others expressed resentment at the positive 'ethnic profiling' that had been applied to hiring practices.

Small Enterprise Development

UNDP has supported small enterprise development through a number of different initiatives, including establishing business incubators (in 11 different locations by 2003), establishing regional and municipal business information centres (in 13 different locations by 2003), and developing a curriculum of business education for the Bulgarian school

system. Additionally, UNDP supported sector-specific enterprise development initiatives, e.g. relating to Bulgaria's wine industry and household level agriculture.

Also, small enterprise development was integrated into the BB concept, which is increasingly being oriented towards a focus on tourism development—creating opportunities for establishment of small enterprises and generation of long-term jobs within this dynamic sector of the Bulgarian economy. The BB's citizens' participation module was recently linked to the MLSP's loan guarantee scheme. Loan portfolios are expected to be expanded and viable business is expected to be stimulated due to the complementarity of the two programmes.

Chitalishte Rejuvenation

The Chitalishte project was launched in 2001 with the Ministry of Culture as the Executing Agency. The project aims to strengthen community development and participation through the Chitalishte network. Chitalishte is a non-profit organisation that has a long and reputable presence in Bulgarian communities. Initially established as educational and cultural centres, the Chitalishte developed their potential to play a central role in the development of civil society. UNDP has been assisting 300 Chitalishte across Bulgaria.

Best Practice Municipal Management

UNDP has been promoting new methods of governance at the municipal and regional level, which are characterised by responsiveness to the interests and needs of local communities. During the period under review, UNDP introduced innovative approaches to promote participatory democracy and development at the community level (Capacity 21 and Chitalishte projects). UNDP also tested an integrated model of municipal governance that fosters sustainable local human development through a decentralised approach (Razlog Model Municipality project).

Through the Razlog Model Municipality project, UNDP sought to promote all key aspects of good governance in one location, including enhanced municipal long-term development planning; improved municipal administration efficiency, transparency, and service delivery; and increased dialogue and cooperation among the municipality, the private sector, and the civil society as represented by NGOs and citizens. The Razlog municipal model includes activities such as development of a municipal communication strategy and information desk for citizens, interactive training, and introduction of a new management information system.

With funding from the Global Capacity 21 initiative, UNDP tested models for sustainable development at the municipal level since 1997. During the years of implementation, the project enabled the application of an innovative modality for local decision-making and also fostered interaction and dialogue among community members, local businesses, and municipal authorities. Through establishment of local Capacity 21 agendas, UNDP promoted citizen participation, local democracy, and decentralisation while it empowered local people by entrusting them with responsibility for their own communities.

In terms of UNDP's piloting activities as a whole, it is clear to the evaluation team that the approach has addressed the need for developing public sector solutions that give a local-level response to citizens' needs. With civil service still exhibiting centralised characteristics, Bulgaria does need external ideas and support in tailoring new services and work practices to meet the demands of an efficient and responsive public sector. The acid test is whether piloting activity can ultimately become embedded within national practice without dependence on external financing. In this regard, it is crucial that UNDP should, from the start of such piloting, maintain a clear exit strategy for its own involvement.

3.4 PARTNERSHIPS & ALLIANCES: POOLING OF GOALS AND FUNDS

The promotion of sustainable development requires targeted and well-coordinated efforts on the part of all national and international development partners. Partnerships represent a mechanism through which UNDP can increase its impact by bringing together different actors and utilizing valuable national and international expertise and resources.

UNDP Bulgaria has developed an approach of building partnerships that captures the best practices of the office in mobilizing additional support and funds for implementation of joint advocacy initiatives as well as demonstration actions. An internal Partnership Strategy Document³⁸ developed in 2002 elaborates the

**TABLE 3.2 RESOURCE MOBILISATION,
1997-2005**

Donor	Total (USD)
Central government	43,218,211
Municipalities	16,805,424
USA	8,933,780
EU	7,529,923
World Bank	4,573,533
Netherlands	3,625,157
GEF	3,178,006
Switzerland	1,710,008
Other UN funds	796,502
Spain	760,870
NGO cost sharing	616,749
Belgium	335,006
UNAIDS	287,104
UNICEF	273,705
Norway	226,417
France	195,886
Great Britain	156,618
Private sector	110,000
Canada	109,657
Greece	64,850
Denmark	40,000
TOTAL	93,547,406

38. Partnership Strategy, UNDP Bulgaria 2002-2006.

TABLE 3.3 SHARE OF RESOURCES CHanneled THROUGH UNDP		
	Total Expenditures 1997-2002 (USD)	Percent
UNDP resources	5,638,946	8.9
Government cost sharing	38,251,150	60.9
Other cost sharing	18,842,967	30.1
Total	62,733,063	100.0

Source: UNDP estimates for ADR.

TABLE 3.4 UNDP EXPENDITURES, 1997-2002, BY SOURCE AND THEME		
Thematic Area	Funding Source	Total Expenditures 1997-2002 (USD)
Poverty	<i>Total</i>	47,241,240
	UNDP resources	2,928,985
	Government cost sharing	32,282,945
	Other cost sharing	12,029,310
Governance	<i>Total</i>	12,887,128
	UNDP resources	2,568,605
	Government cost sharing	5,968,205
	Other cost sharing	4,350,318
Environment	<i>Total</i>	2,604,695
	UNDP resources	141,356
	Other cost sharing	2,463,339
Total UNDP Expenditures 1997-2002		62,733,063

Source: UNDP estimates for ADR.

main principles of cooperation and sets targets for the period of 2002-2006. In particular, the office 'never alone' policy was adopted to involve potential partners from an early stage of development of new initiatives. This enables the establishment of new contacts and a dialogue on conceptual issues that later evolves into cooperation at the stage of implementation. The 'never alone' policy is applied to the whole range of activities of the CO that includes projects, joint advocacy initiatives and publications, studies, participation in readers' groups and training events, as well as joint public awareness activities.

During the past seven years, UNDP Bulgaria has established close cooperation arrangements and partnerships with the central government, municipalities, leading NGOs, and bilateral and multilateral donors. UNDP's credibility with the government and the donors has thereby increased. Since 1997, the number of partners has increased more than three times, starting with 8 donor partners in 1997 and increasing to 26 in 2002.

The formation of strategic alliances was of crucial importance both in terms of funding but also in terms of maximizing impact on individual sectoral or thematic initiatives. In the local governance sector, for instance, major partners among external donors are the Government of the Netherlands, which provided financial contributions to Chitalishte I and Chitalishte II projects, Capacity 21, Model Municipality, and Consumer Awareness and Rights Programme; and USAID, which financially supported the Chitalishte II, RIF, Vidin Business Incubator, and the EWS Projects. In addition, UNDP established cooperation linkages and synergies with the Swiss Government to support the Municipal Forum Program, the Local Government Initiative of USAID, the Regional and Municipal Development Project of the British Know-How Fund, the EU PHARE-funded Civil Society Development Foundation, the Democracy Network Program also funded by USAID, and the OSF Civil Society Program. On the government side, UNDP has developed partnerships with a variety of national partners, namely the Ministry of Culture, the Ministry of Regional Development and Public Works, the municipalities, the National Association of Municipalities, the Foundation for Local Government Reform, and the NGO Resource Centre.

Partnership is, as mentioned, not only about resource mobilisation. Several senior government officials highlighted to the evaluation team the importance of UNDP's role in facilitating cooperation and alliance-building among domestic institutions, many of which are characterised by a high degree of compartmentalisation in responsibilities. A critical aspect of the National Commission for Sustainable Development, which was formed as a result of Capacity 21 assistance, was the partnership formation among the Ministry of Regional Development, the Ministry of Environment, and the Ministry of Education to commence the dialogue for a national vision of sustainable development.

As an example of facilitating partnerships that stretch beyond donors and the government,

UNDP coordinated the establishment and activities of a Stakeholder Working Group that was assigned the task of preparing an Action Plan for the implementation of the National Anti-Corruption Strategy. This group includes representatives of the government, NGOs, media, business organisations, and international donor organisations.

It is also worth mentioning the stakeholder and partnership approach adopted by UNDP in the preparation of the MDG Report for Bulgaria 2003. The preparatory process was coordinated at the Deputy Ministerial level and under the auspices of the President, whereas all MDGs and targets were adapted vis-à-vis the EU in a highly inclusive manner with the participation of all government bodies, analytical agencies, NGOs, media, parliamentary commissions, administration of the President, and the UN.

Through its liaison with other external partners, UNDP provided support to the government's coordination of development assistance in the areas of programming priority. More general coordination of external assistance was not a major programming focus although support was provided until 2000 with respect to producing the annual Development Cooperation Reports. On the donor side, the World Bank (as chair of the Consultative Group meeting) and to some extent, the EU, were the prominent actors. More recently, the government initiated a process of transforming the donor coordination mechanism into more of a government-led mechanism, with the Council for Structural Policy playing an overarching policy coordination role and the Council of Ministers acting as secretariat.

Four thematic areas were identified for donor support:

1. business climate
2. improvement of living standards
3. governance and public administration
4. management of infrastructure and natural resources

Under the new donor coordination mechanism, relevant deputy prime ministers are responsible

Using resource mobilisation as a proxy indicator, UNDP has shown a high degree of effectiveness in partnership building.

for these broad priority areas. Various working groups in each of these thematic areas are established to work at the operational level. UNDP is supporting the establishment of a Web-based online database of development assistance information, which the government will manage and maintain.

Using resource mobilisation as a proxy indicator, UNDP has shown a high degree of effectiveness in partnership building. More than 90 percent of total resources spent by UNDP over the 1997-2002 period emanated from external sources. For the 1997-2005 period, i.e. including funds committed but not yet spent, a total of more than US \$93 million was raised from external parties. Moreover, the fact that, out of this total, 63 percent is from central government and municipalities indicates that the activities implemented by UNDP are congruent with national priorities and concerns.

To summarize strategic positioning, it is the evaluation team's assessment that UNDP responded well to key national development priorities and challenges. It also identified an operational niche that has 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 critical areas of Bulgaria's current human development challenge, in particular, in the provision of services to vulnerable groups. Job creation and municipal management are both substantive areas to which UNDP brings a unique legitimacy and credibility by virtue of not being 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.

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 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.



UNDP contribution to national development results: connecting government to the needs of the poor

The current section seeks to go beyond UNDP's position in terms of the combination of thematic priorities and functional entry points, to the difference it actually made to Bulgaria's national development. However, the ADR approach does not seek to draw a direct link between UNDP's work and changes in Bulgaria's ultimate human development indicators. The assessment scale mainly relates to outcomes rather than impact. In this respect, outcomes comprise changes in the national development context that are as credible as progress towards achieving national human development objectives and MDGs.

TABLE 4.1 ROLE OF SOCIAL SECTORS IN GOVERNMENT EXPENDITURE (%)				
Government Expenditures	1998	1999	2000	2001
Executive and legislative bodies	5.15	5.38	7.39	6.37
Science	1.15	0.95	1.00	0.81
Defence (civil and military)	6.69	6.64	6.65	6.07
Police, fire safety, and public security	4.30	4.41	4.60	4.67
Judiciary bodies	0.88	0.82	0.92	0.91
Economic activities and services	14.44	13.67	9.42	11.88
Culture	1.75	1.81	1.66	1.62
Education	9.96	9.99	9.97	9.86
Healthcare	9.33	9.42	8.63	9.84
Pensions	20.76	19.73	22.38	22.34
Social Benefits and Aids	6.48	6.85	9.04	8.95
Combined Social Sector Expenditure Share	46.53	45.99	50.02	50.99

Source: NPED January 2003 Update, Min. Finance, ADR Estimates.

The two main categories of results that were recognised are:

- national policy and legislative changes
- institutional achievements

Relevant policy and legal changes are those that: have actually been adopted (i.e. not proposed or in draft) by national authorities within the review period; and towards which UNDP made a significant and commonly acknowledged contribution. The policy and legal changes identified were not only those that were adopted within the sphere of UNDP interest, but also those that UNDP directly influenced. Similarly, institutional achievements constitute any major new institutional capabilities and practices that were established, are functioning within national structures, and which were significantly influenced by UNDP's work. The evaluation sought to identify institutional arrangements that have entered into GOB 'mainstream' practice and do not count individual initiatives or project implementation units that are largely financed by UNDP or other external assistance.

For policy, legal, and institutional results, the key benchmark of attribution is a significantly material role on the part of UNDP. This does

not entail that UNDP have sole responsibility for such achievements but that UNDP's contributions are generally recognised and that there is a fair chance that success would not have occurred without UNDP involvement. In any case, the results achieved ultimately belong to national authorities, not UNDP.

4.1 ROLE OF SOCIAL PROTECTION IN NATIONAL POLICY

The ADR team considers an increase in the relative priority of the social sectors in Bulgaria's government policy to be the highest order result associated with UNDP's work in Bulgaria. The elevation of the social sectors is evidenced by a shift in the structure of government's expenditure programme. Between 1998 and 2001, the share of social sector expenditures in 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.

UNDP has certainly not been the sole, or even predominant, force behind this orientation. Clearly, those who are poor or otherwise in need of social protection became a vocal force for change. However, UNDP advocacy on social dimensions coupled with pilot interventions helped place these issues high on Bulgaria's development agenda and significantly contributed to policy and legislative changes in areas such as social security, poverty, job creation, child protection, and HIV/AIDS.

UNDP's HDRs, in particular, were critical to national awareness of the magnitude and composition of social protection needs in terms of regional, ethnic, and socio-economic disparities.

Social protection programmes in Bulgaria have wide coverage within the population. More than 80 percent of Bulgarians received at least one type of benefit in 2001, a level more or less stable since 1995. However, the quality and sustainability of social protection

has improved. Also, at the programme level, there were significant changes in composition of coverage, namely for unemployment benefits, child allowances, and social assistance. Moreover, social protection programmes have become more pro-poor since the mid-1990s. In 1995, the numbers of poor and non-poor households receiving benefits were nearly identical. Pensions and unemployment benefits had similar outreach among poor and non-poor households. The non-poor received child allowances more frequently than the poor and, as expected, social assistance programmes had a higher outreach among the poor. The pro-poor orientation of all social protection programmes—with the exception of pensions—increased in 1997 and further in 2001. The share of poor households receiving all types of social assistance programmes nearly doubled, from 26 percent in 1995 to 49 percent in 2001.

UNDP was a strategic partner for the Ministry of Labor and Social Policy, under whose auspices a Draft Anti-Poverty Strategy was elaborated, defining the absolute and relative poverty in Bulgaria and suggesting establishment of a poverty line. As part of preparing this strategy, some specific actions for poverty alleviation were adopted, namely the creation of employment opportunities for people at pre-retirement age and delivery of social services and support to young people for effective integration of their education and the labour market.³⁹ Currently, at the request of the Minister of Labour and Social Policy, UNDP is supporting the government in the development of an Anti-Poverty Strategy.

In terms of national institutions that buttress Bulgaria's increased emphasis on social protection, UNDP partnered with GOB and the World Bank in the establishment and capacity development of the National Social Security Institute (NSSI), an autonomous body responsible for the administration of pensions and short-term cash benefits. UNDP support comprised of training members of the tripartite policy-making body of the

TABLE 4.2 GOVERNMENT SOCIAL SECTOR EXPENDITURES AS SHARE OF GDP, 1996-2002 (%)							
	1996	1997	1998	1999	2000	2001	2002
Education	3.2	3.9	3.9	4.2	4.2	4.0	4.1
Health	3.1	3.6	3.6	3.9	3.7	4.0	4.3
Social Security and Welfare	9.0	9.5	11.3	12.3	14.1	13.6	14.3
Pensions	6.9	6.2	8.0	8.2	9.5	9.1	9.4
Social Assistance	1.6	2.6	2.5	2.9	4.0	3.7	4.3
Social Welfare	0.4	0.7	0.7	1.2	0.7	0.8	0.6
Combined Social Sector Share	15.3	17.0	18.8	20.4	22.0	21.6	22.7

Source: *Bulgaria Public Expenditure Issues and Directions for Reform*, World Bank 2002. Preliminary 2002 data.

TABLE 4.3 COVERAGE OF SOCIAL PROTECTION PROGRAMMES (%)			
	1995	1997	2001
Pensions	52.7	52.3	53.8
Unemployment benefit	6.0	6.4	13.4
Child allowance	33.7	36.9	40.5
Social assistance	12.8	11.1	19.1
Extended GMI	2.6	6.3	7.1
Maternity and childcare	6.6	3.8	6.6
Total Social Protection	80.4	79.4	83.6

Source: WB PIER 2002.

NSSI, the Supervisory Board, managerial and technical staff, and officials within related institutions and ministries. A precondition of assistance was the passage of legislation making the NSSI an independent institution to ensure managerial responsibility and transparency in balancing the financial flows for contributions and payments. The separation of functions also gave the NSSI autonomy in staff selection, personnel, and budget management. These duties were overseen by a tri-partite board, which was chaired by the Minister of Labor and Social Security with government, union, and business representatives. The NSSI now has substantial administrative capacity including operational procedures for the control, monitoring, and projection of the flow of funds; calculation of benefits on the basis of actual contributions; and improved services to clients through the creation of an integrated social insurance

39. *UNDP/MLSP Strategic Framework for Actions Against Poverty in Bulgaria*, UNDP/MLSP, 2001.

A largely intangible but potentially important cross-cutting dimension of national capacity that UNDP has plausibly contributed to relates to the building of social capital in the face of dislocation and turmoil that accompanied the transition period.

information system. These reforms have increased collection rates. Also, institutional capacity was strengthened in the new functions of policy analysis, actuarial forecasting, public information, and personnel management. An actuarial model was developed that made it possible to test the implications of future policy changes.

A further component of collaboration between UNDP and the World Bank, relates to the RIF, which was designed in 1998 as a pilot project to test the SIF mechanism as a means of improving the standards of living among the poor and unemployed during the economic transition. The chief goal of the RIF was to demonstrate the feasibility and the impact of a social fund mechanism and to establish a national capacity for its management through the provision of grants for municipality-level initiatives such as job creation, improvement of the social and economic infrastructure, and fostering of private sector development. The World Bank and UNDP financed the RIF start-up. Later, USAID and GOB provided substantial financial input, which enabled the RIF to expand to cover an increased number of poor municipalities and to provide a sufficient platform as a testing ground for the future SIF operation. In total, the RIF supported 257 projects in 137 municipalities; created 5,356 temporary jobs; and provided vocational training to 1,564 unemployed people.

The experiences gained from RIF resulted in the adoption of the Social Investment Fund Act in 2001 and a subsequent pledge of US \$50 million in funding from the World Bank. UNDP and its partners had thereby created an institutional and operational framework for the SIF, enabling the government to respond

directly to the needs of local communities by providing grant financing for small projects in roads rehabilitation, reconstruction of bridges, installation of water supply, rehabilitation of schools and hospitals, and erosion control. The SIF will form the basis of operations for the European Social Fund mechanism.

It must be noted, however, that the national social policy and the active labour market policy, in particular, is not without controversy. Although the newly created jobs lower national employment statistics, they do not represent a permanent solution to the unemployment problem. Although convenient in the short term, it does not represent a response to the bigger challenge of improving the underlying policy and institutional environment that is needed to create a growing demand for labour.

4.2 SOCIAL CAPITAL

A largely intangible but potentially important cross-cutting dimension of national capacity that UNDP has plausibly contributed to relates to the building of social capital in the face of dislocation and turmoil that accompanied the transition period. At one level, this emanates from promotion of awareness of Bulgaria belonging to the UN family. However, more direct elements came from the intangibles of UNDP's promotion of the BB concept, together with its involvement in the rejuvenation of the Chitalishte. In particular, in smaller towns, the building restorations that were undertaken as part of BB appear to have fuelled a sense of hope and pride. It is clear that BB-initiated improvements of many small town environments and preservation of cultural monuments has had psychological and symbolic effects. Moreover, the fact that many of the personnel used for the BB were from a Roma or other minority background has, in some locations, helped diffuse latent social tensions. Through joint work participation, intercultural understanding is improved and certain myths about ethnic patterns in terms of propensity for crime were dispelled.

Some testimony to the existence of the BB's social capital impact is provided by the unparalleled public awareness of the project. Without laying claim to any scientific validity, the ADR team's experience was that virtually everyone encountered during the mission, i.e. waiters, taxi drivers, and hotel staff, knew of the BB concept, even if they were oblivious to UNDP's role.

UNDP's involvement with the rejuvenation of Bulgaria's Chitalishte, a unique 140-year old network of 4,000 local-level social and cultural institutions faced with risk of extinction in the wake of Bulgaria's transition and public sector finance reforms, had similar positive effects. The Chitalishte project was launched in 2001 with the Ministry of Culture as an Executing Agency. It aims to strengthen community development and participation through the support for the Chitalishte network. Originally established as educational and cultural centres, the Chitalishte could potentially play a central role in the development of the civil society. UNDP has been assisting 300 Chitalishte across Bulgaria to increase their potential and to improve their response to community needs and priorities. UNDP was thus in a position to demonstrate viability of this grass-root organisation and to revive its traditional role in the Bulgarian society. Of particular importance was the establishment of Internet centres, which has reportedly helped alleviate the sense of alienation from world affairs for many citizens.

4.3 JOB CREATION AND ACTIVE LABOUR MARKET POLICY

Based on reporting from individual projects, UNDP's current internal estimate is that its activities created a total of approximately 13,500 permanent jobs and a total of approximately 43,400 temporary jobs. The experiences gained from UNDP job creation projects (BB, RIF and JOBS) fed directly into national policy. An important component of the

increased emphasis on social affairs was the new Social Policy Strategy⁴⁰ and its adoption of active labour market policies, upon which UNDP's work had a significant and direct influence. In fact, the BB, RIF, JOBS approach has effectively become the modus operandi of government efforts to implement the job creation component of the ALMP. Both senior GOB officials, as well as donor representatives, attested to the perception of UNDP having played an important role in this regard.

Until recently, national social policy was guided by the principle of passive social protection. It was aimed at stipulating and guaranteeing minimum wages, income, and pension, and ensuring compensation and social assistance for the unemployed. The unemployment compensation policy that was in place was structured in a way that led to decreased motivation on the part of recipients to look for a job. The social protection system led to an increase in the number of unemployed persons of working age receiving social assistance benefits as well as an increase in the share of the long-term unemployed who suffered from loss of working habits, training, and motivation for work.

The new MLSP Social Policy Strategy signals a turn towards attempting to influence the causes, not merely the effects, of poverty and unemployment. Specifically, the new direction of social policy implies a shift from subsidizing enterprises that produce goods and services at fixed prices to providing state subsidies directly to the needy. The new idea is to direct social

BOX 4.1 ACTIVE LABOUR MARKET MEASURES

Active Labour Market measures include access to intermediary employment services for the unemployed; temporary employment programs; motivation for self-employment; support for unemployed in case of job allocation; employment unions of the unemployed; different measures to support special groups of the young work force; providing stimuli for employers to hire part-time unemployed workers; stimuli for employers to hire long-term unemployed (more than 12 months); support when hiring the first five employees; and training and re-training for unemployed. All these measures have been functioning for the past 3 years, while only the relative weight in the overall government policy has changed.

40. Ministry of Labour and Social Policy, 2002.

With the 2002 Employment Promotion Act, Bulgaria's policy-makers adjusted the legislative framework and allocated additional funding for active labour market measures with the aim to promote an active search for jobs and to motivate job generation by the employers.

assistance towards persons who lost the ability to manage independently or with the help of their relatives. Conversely, people in working age and in good health are being offered an opportunity to work for their incomes, to maintain their working habits, and to be integrated into society.

The ALMP involves a shift in how unemployment is dealt with. Specifically, it entails a move from cash handouts towards job opportunities. For the unemployed, the remuneration from the ALMP programme is higher than cash benefits. Work also usually involves a training component. ALMP jobs entail maintenance and possible furtherance of skills, which was of critical importance in improving longer-term employment prospects. The World Bank analysis of 2001 household survey data found that the poverty rate would be 18 percentage points higher in the absence of social protection programmes, albeit mainly explained by pension benefits.

With the 2002 Employment Promotion Act, Bulgaria's policy-makers adjusted the legislative framework and allocated additional funding for active labour market measures with the aim to promote an active search for jobs and to motivate job generation by the employers. Enforcement of the Act also provides the necessary conditions for application of the European Employment Strategy. This law regulates the social relations regarding employment promotion, professional information and consultation, acquisition of professional qualification for the unemployed and employed, and the intermediation for information and the hiring of Bulgarian citizens in other countries and foreign citizens in Bulgaria. The Act

enhances legislation related to decentralisation and regionalisation of the employment policy, as well as the development of modern labour market institutions.

Experiences gained from UNDP's piloting of job creation schemes, especially under RIF and BB, were key to shaping Bulgaria's current approach to employment promotion and poverty alleviation. These programmes were replicated on a larger scale and have achieved significant policy impact once in the mainstream of national practice. These two projects created more than 35,000 temporary jobs for unemployed and poor people. Out of these, 5,800 people found permanent employment upon completion of the temporary assignments. More than 10,000 workers received vocational training that enhanced their skills and increased their chances for reintegration into the labour market. Moreover, central and local government capacity to design and manage active labour market measures with a large-scale public works component was enhanced.

Employment generation has also been a direct objective and result of the JOBS network, under which UNDP assistance was aimed at establishing Regional and Municipal Business Centres, Business Incubators, and Information Centres, of which there now is a total of 38. A micro-finance leasing scheme has recently been added to the JOBS network model.

After termination of these UNDP projects (or rather, after termination of UNDP funding), these centres continued to be viable, usually in the form of NGOs, with support from local government and local businesses in providing business information and other services (e.g. tourist promotion), assisting small and micro firms in various specific marketing operations, and sometimes even performing minor banking services (or at least assisting these small firms with the necessary paperwork).

BB is currently predominantly funded by the state budget. GOB has committed about US \$25 million over the next three years to enlarge the scope from 52 to at least 100

municipalities. The JOBS network has become part of the Government National Employment Promotion Plan implemented by MLSP in partnership with local actors responsible for business development and employment generation, namely municipalities, labour offices, and local NGOs.

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

The evaluation team's assessment is that UNDP materially influenced an important and worthwhile shift in national labour market policy. Dealing with unemployment through job creation is better than through cash handouts. The ALMP has contributed to reducing the size of Bulgaria's unemployment pool and improves prospects for future employment of those individuals involved. However, it must be recognised that these are still only temporary solutions to Bulgaria's unemployment problem. In order to stimulate longer-term sustainability of employment, there can be no substitute for dealing with the enabling regulatory and institutional reforms needed to make Bulgaria a competitive and dynamic economy.

4.4 DECENTRALISATION AND LOCAL GOVERNANCE

Based on a combination of demonstration projects and advocacy initiatives, UNDP has taken a lead role in promoting decentralisation and good governance at the local level. Through a number of advocacy instruments including the *Report on Decentralization in Bulgaria*, 1998, the NHDR 2000, and the monthly EWS reports, UNDP fuelled a national policy debate on fiscal decentralization. In addition, in introducing the MHDI, it provided Bulgarian

decision makers with an important instrument for local development planning and analysis. To foster examples of best practice in the field of local governance, UNDP pilot projects, Capacity 21 and Model Municipality, were aimed at creating replicable models for improved municipal development planning as well as enhanced efficiency, transparency, accountability, and responsiveness to local needs.

UNDP has also been a key player in promoting civil society's participation at both the central and local level. Through the implementation of the Sustainable Development and Democracy Network project, it established a virtual network of civil society organisations—building the capacities of more than 150 organizations for enhanced electronic networking and increased access to substantive information. At the local level, UNDP demonstrated the potential of the Chitalishte towards contributing to democratic change in Bulgaria. Following the completion of a pilot project, UNDP mobilised broad public support through a number of public events and advocated the development of a national strategy for reviving this institution.

In promoting new methods of governance at the municipal and regional level, UNDP supported introducing the practices of participatory democracy and development at the community level (Capacity 21 and Chitalishte projects). It also tested an integrated model of municipal governance that fosters sustainable local human development through a decentralised approach (Razlog Model Municipality project). In these endeavors to promote citizen participation and improved local governance, UNDP developed partnerships with a variety of national partners, namely the Ministry of Culture, Ministry of Regional Development and Public Works, the municipalities, the National Association of Municipalities, the Foundation for Local Government Reform, and the NGO Resource Centre.

Based on the Regional Development Act formulated under Capacity 21, a National Plan for Regional Development 2000–2006

In order to assist the candidate countries and then the new members, the EU offers pre-accession assistance and, after accession, other forms of support within the frameworks of its cohesion, regional, and agricultural policies.

outlined the efficient use of local and regional resources for sustainable human development of the country. The Capacity 21 and Razlog Model Municipality projects aimed to promote and test models for best practice management at the municipal level. These projects fostered the interaction and dialogue among community members and municipal authorities and promoted citizen participation, local democracy, and decentralization while empowering local people and entrusting them with the responsibility for their communities. The projects were also designed to further strengthen the national capacities to fulfil Agenda 21 principles; to translate the principles into concrete actions at the national, regional, and local level; and to stimulate networking among municipalities through twinning agreements for horizontal municipal cooperation. In terms of specific institutional changes, Capacity 21 has so far led to local agenda 21s and actions plans being formulated in four pilot municipalities, two Municipal Councils for Sustainable Development being established, the execution of three twinning agreements for municipal cooperation, and the formulation of two pilot regional sustainable development strategies, which were approved by the Councils for Regional Development. Although it appears that innovative municipal management practices have been experimented with in Razlog and other municipalities supported by UNDP, it is not entirely clear what lessons have been learned for development of municipal level capacities at large.

4.5 CAPACITY FOR EU ACCESSION

From the outset, capacities for absorption of donor funding cannot be seen as a development result. However, the Bulgarian EU accession

context highlights a somewhat more substantive dimension to the issue.

In order to assist the candidate countries and then the new members, the EU offers pre-accession assistance and, after accession, other forms of support within the frameworks of its cohesion, regional, and agricultural policies. The most general purpose of this aid is to help the beneficiary countries become competitive. Therefore it is critical that these countries are able to absorb this assistance. Otherwise, they risk, after accession, becoming net contributors to—instead of net beneficiaries of—the EU budget. Moreover, the availability of resources from several of the EU financing schemes is tied to historical performance in funding release. The same applies to post-accession capacities for implementing projects under EU's structural and cohesion funding schemes.

In respect to absorptive capacities, Bulgaria's regions and municipalities will assume increasing importance because much of EU's ISPA, SAPARD and PHARE funding mechanisms require project planning and implementation at the local government level.

UNDP has arguably had activities in a wider range of municipalities than any other external donor to Bulgaria. Both donors and the GOB perceive one of UNDP's major strengths to be the scope of its experience in building capacities at the local level. Three major UNDP supported projects—RIF, BB, and JOBS—have built the capacities of national and local authorities to adopt recruitment and procurement procedures that are in line with EU and international standards. More broadly, from UNDP's municipal-level activities, many local officials have become acquainted with the paperwork that is attached to external development partners. Although UNDP routines are different from those of the EU, most donor agencies have some similarities in terms of conceptual approach (e.g. 'logframe' planning) and accountability arrangements (e.g. periodicity and focus of reporting). From the point of view of local officials, and in contrast to Bulgaria's traditional public management

practices, there are some similarities to the way external donor agencies conduct their business. Thus one can argue that UNDP's municipal level work has some capacities that are or will be of relevance to the management of EU funding. Nevertheless, for now, absorptive capacities remain low.

UNDP was instrumental in supporting MLSP in its transformation to a PHARE Implementing Agency through a capacity-building project. Under this project, a capacity needs assessment and a number of training activities in Bulgaria and abroad have helped to strengthen staff potential in specific areas of competence.

4.6 HIV/AIDS

With the National HIV/AIDS Strategy and Program, the GOB recognised HIV/AIDS prevention as a priority and established the relevant policy framework for targeted actions in this area. The focus of UNDP in collaboration with other UN agencies centred on providing advice to the government during the national strategic planning process; providing support to preventive activities; and fostering a multi-sectoral response to this health, social, and economic phenomenon. UNDP played an important role in recognition of HIV/AIDS not only as a health issue but also as a major developmental problem. The organization connected the support for prevention, education, and treatment to broader development actions and responses to the epidemic.

The project, Development of a National Strategy on HIV/AIDS, was aimed at supporting the adoption and the implementation of the national strategy on HIV/AIDS and is built on partnerships with the entities responsible for HIV/AIDS prevention in the country such as the Ministry of Health, NGOs dealing with HIV/AIDS issues, academia, and municipal authorities. Major donors in this area include UNICEF, Canadian International Development Agency, UNAIDS, and WHO. Although Bulgaria is not a high prevalence country, the

government responded strongly to the need for preventive measures against the spread of the disease by committing US \$34 million for the implementation of the national strategy over a seven-year period.

Since 1998, UNDP has been advocating making HIV/AIDS an important priority in the national planning process. In this respect, UNDP was a supporter of the National Committee on HIV/AIDS. UNDP, in collaboration with other UN agencies, assisted in building national capacities to manage the process of prevention and control and promoted decentralised responses that support community-level actions. Awareness was raised in select municipalities where local civil committees on HIV/AIDS were established and the development of local HIV/AIDS action plans was launched. An information network was created to facilitate the flow of information as well as the exchange of best practices.

4.7 NATURAL RESOURCE MANAGEMENT

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 agreement. UNDP developed a number of projects that provide assistance to: municipal energy efficiency planning and management; the integration of biodiversity preservation objectives into productive sector plans and strategies; and the process of national capacity self-assessment for global environmental management. 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. When it comes to ratification of international environmental treaties, the ADR team believes that, although UNDP played a supporting role, national policy change cannot be directly attributed to UNDP. With many other concerned parties exerting a pressure on Bulgaria to conform to international standards, it is likely that

national legislation would have been adopted even if UNDP had not been involved.

Capacity 21 has supported the operations of the National Commission for Sustainable Development (NCSD). In turn, the NCSD plays a role in preparing the groundwork for accession to the EU, not only because sustainable development is now a substantive treaty obligation and a criterion for accession according to the Amsterdam Treaty, but also because of the adherent build-up of local capacities for absorption of EU pre-accession funds under the ISPA and SAPARD schemes. Moreover, the NCSD has promoted the Local Agenda 21 and specific demonstration projects in addition to stimulating networking among municipalities through twinning agreements for horizontal municipal cooperation. The Capacity 21 initiative has thus contributed to promoting national dialogue on sustainable human development by enhancing vertical and horizontal interaction among communities, local authorities, national government, and civil society.

Recently, the Capacity 21 project entered a new phase of development. The successful experience will be extended to another 11 municipalities with prevailing rural and forestry profile, high level of poverty, and potential cross-border cooperation. The project is expected to enhance the sustainable development in rural areas by focusing on agriculture, forestry, and alternative tourism. It will also generate alternative employment in the 11 municipalities while ensuring a sustainable approach to the environment. A Demonstration Fund will provide grants for employment generation and environmentally-friendly initiatives in 2004-2005.

4.8 OTHER AREAS OF UNDP INFLUENCE ON POLICY AND INSTITUTIONAL REFORM

Other policy and legislative changes that occurred during the review period, and upon which UNDP had a lesser degree of influence,

include the draft Equal Opportunities Bill in 2001 for men and women as well as the abolition of the death penalty in 1998. Although these fall within the sphere of UNDP interest and have also been subject to some UNDP involvement, we regard these developments as having occurred largely as a consequence of other influences and actors.

In 1999-2000, UNDP in conjunction with the World Bank, assessed childcare in Bulgaria and provided technical assistance to childcare reform. This resulted in the adoption of a Law on Child Protection with special emphasis on vulnerable children and also helped initiate institutional reform. The government assigned priority to child protection and began considering relevant policies. A Child Protection Agency and a National Advisory Council for Child Protection were established, although further steps have to be taken to make the Child Protection Agency operational.

With UNDP assistance, a Coordination Center on Information and Communication Technologies under the auspices of the Council of Ministers was established, along with an E-Government Strategy and Action Plan that seeks to increase efficiency and accountability in the civil service and service delivery.

In the period 1997-2002, UNDP was involved in a number of interventions that have demonstrated best practices in the promotion of transparent, accountable, and responsive governance. UNDP played a very active advocacy role as a member of the Policy Forum of Coalition 2000 and in support of Transparency International. UNDP also closely cooperated with the Center of the Study for Democracy, an NGO active in the field of anti-corruption. UNDP's role in the anti-corruption field was recognised by its nomination as co-chair, together with the Ministry of Interior, of the joint government-donor coordination sub-group on anti-corruption.

The fight against corruption is closely linked to the reform of the judiciary. UNDP is currently supporting the Ministry of Justice in establishing

a modern and effective system of administrative and commercial justice. The policy level interventions have included an in-depth analysis of Bulgarian administrative legislation with respect to its improvement and unification into a comprehensive administrative code, and recommendations on the establishment of a system of special administrative courts to streamline efficiency.

To summarize development results, it seems clear to the evaluation team that UNDP's work in Bulgaria had a significant bearing upon recent national policy, legislative, and institutional change. The area that UNDP most visibly and directly influenced is the adoption of an active labour market policy including job creation measures that have become intrinsic to national public management practice. Other areas in which UNDP exerted a recognizable influence include government decentralization, transparent municipal management, and local business promotion. Although difficult to quantify, the geographical scope and depth of UNDP involvement at the municipal management level may also have exerted a positive influence on local level capacities for management of EU pre- and post-accession funds.

Bulgaria must be counted among UNDP's country-level success stories. This general conclusion is supported by the annual country reviews that were undertaken during last several years.

The ADR team's overall assessment is that the prospects are good for UNDP meeting the SRF goals and targets, and thereby, also making progress with the MDGs. It would be premature to make quantitative forecasts on progress against individual SRF outcomes. However, the team anticipates material progress on the following outcomes: citizen participation in the decision-making process strengthened at all levels; improved transparency, accountability, and service delivery; and poverty reduced through jobs creation and improved living conditions.

As stated earlier, the assessment did not identify any major areas of UNDP failure in Bulgaria. The team's assessment is that Bulgaria must be counted among UNDP's country-level success stories. This general conclusion is supported by the annual country reviews that were undertaken during last several years. Nevertheless, the analysis identifies a number of issues and challenges that need to be addressed, in terms of programme focus as well as CO capacities and organization.



5 Conclusion: lessons learned, emerging issues, & recommendations

5.1 KEY LESSONS AND ISSUES

Results Require Stronger Thematic Focus Within a Coherent Strategy

In most cases, the policy-level and institutional results that UNDP has contributed to in Bulgaria emanate from a wide range of operations rather than individual projects. In the job creation area, for instance, UNDP had both demonstration and pilot projects together with a sustained advocacy effort. It is the combination of analytical work such as NHDRs, 'soft' advocacy efforts, and concrete job creation schemes that led to the observed change in national policy orientation towards social protection and active labour market policies. Moreover, individual projects may have an influence on several different policy and institutional outcomes. The experiences gained through the BB project, for instance, fed into both social protection and labour market policy, and also national policies and institutional arrangements for decentralization and municipal management.

The evaluation observed that the thematic and strategic emphasis of UNDP has to some degree evolved from experiences gained and partnership interaction, rather than *ex ante* assumptions. It would be fair to say, for instance, that the impact that BB had on national policy was not planned from the outset. In this sense, UNDP embarked upon a number of experimental activities, but concentrated its efforts on areas that solidify in terms of national ownership and external resource mobilization.

Also, it is accepted that development results cannot always be predicted in advance. An unstable political environment, frequent changes of government, and intermittent economic crises necessitate a flexible approach to evolving circumstances. In Bulgaria, reform of the public sector from a centralist culture and evolution of national local governance practices have required continuous adaptation.

Therefore, what is now required is stronger thematic focus within a coherent strategy, which from the outset establishes a clear link between operational activities and the national development results or outcomes that are being pursued. The pursuit of outcomes that cuts across several current areas of activity requires a focus on results-oriented monitoring and evaluation together with a CO organization that recognises joint functions, shared capacities and responsibilities.

Resource Mobilization, Substantive Focus, and Sustainability

A potential problem with UNDP COs that had success in attracting non-core financing, which Bulgaria was able to accomplish to the tune of more than 90 percent of total resources, is the possibility that such resources will undermine UNDP's substantive focus or the sustainability of capacity development efforts. The assumption is that, in order to obtain programming size and gain fees for administration, UNDP will be drawn into and stay with "anything that pays". This, however, is not the case in Bulgaria. The

programmatic focus has been fairly tight and consistent, and there are no areas of activity that UNDP has embarked upon that appear to be clearly outside of UNDP's field of competence and concern.

Although there is no specific reason to question the substantive focus or programmatic design that accompanies UNDP Bulgaria's non-core financing, we do wish to flag another related concern—not regarding the things UNDP 'gets into', but regarding the possibility of there are activities that UNDP does not 'get out' of. Beyond any resource mobilization motivations, the issue at hand is one of sustainability. In Bulgaria, UNDP is highly regarded by national authorities for its ability to quickly establish operational mechanisms to deal with specific public management problems. Part of the reason why UNDP is able to respond is that it is not bound by the constraints of GOB's mainstream public management practice and cumbersome procedures. UNDP's project management practices are effective, transparent, and very convenient. Arguably, UNDP, project staff and immediate counterparts may have a common incentive for prolongation of ongoing projects. The possibility arises that capacity development within indigenous structures is deferred or even undermined. Although the evaluation did not identify instances with a clear indication of needless project perpetuation, it is important to highlight 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.

Coherence of Decentralisation as a New Strategic Thrust?

Bulgaria's decentralization efforts are entering a crucial phase, which represents a possible strategic opportunity for UNDP. Decentralization was recognised as an imperative of national democracy and governance development. Moreover, the presence of local level administrative capacities is a necessity for Bulgaria being able to take advantage of the EU accession process. A number of current ongoing initiatives are designed to support the decentralization objective.

However, despite policy level priority being placed on decentralization, the actual process of legislative and administrative reform was extremely slow. Due to the legacy of centralist bureaucracy, there are strong vested interests in the status quo. Also, there are political controversies surrounding many of the individual decentralization initiatives that are ongoing.

UNDP was a partner to national authorities as well as external donor partner efforts to establish the policy framework for decentralization. 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, albeit mainly in respect to individual and separate aspects of municipal service delivery.

Now may be the time to bring convergence to the different components of ongoing decentralization activity in Bulgaria. The forthcoming local elections in October may represent a window of opportunity for leveraging change. With its intrinsic neutrality, together with the credibility gained from involvement in various local-level government activities, UNDP may be in a unique position to 'pull the strings together' on Bulgaria's road to decentralization. However, the CO needs to refine its own competencies and capacities in respect to the overarching challenges of municipal management, as opposed to individual and compartmentalised aspects of service delivery. Again, much of the work in the decentralization area will have to continue after 2007. In order to bring a strategic perspective to the challenges of decentralization, the CO may well benefit from a concerted effort to identify lessons learned from UNDP's involvement in decentralization in other countries.

Improved Targeting of the Poor Through Refined Focus on Minorities

An important component of the social policy framework to which UNDP contributed is the attempt to improve targeting of the poor. As a general direction toward social protection

Now may be the time to bring convergence to the different components of ongoing decentralization activity in Bulgaria.

and poverty eradication, this attempt was undertaken by national authorities. However, amongst the poor, Bulgaria's ethnic minority communities are particularly vulnerable, especially the Roma. In contrast to the Turkish ethnic group, which has an established presence and visibility in the Bulgarian political system, the Roma constitute an ethnic minority that is largely voiceless.

In 1999, Bulgaria adopted a Framework Programme for the Integration of Roma. At the time, the Programme was praised as being a comprehensive document developed with the input and support of Roma groups and other representatives of civil society. But government editing diluted some of the stronger anti-discrimination measures in the final text, including measures to address police misconduct. According to a recent report of the Open Society Institute, few measures were implemented to make a concrete improvement in the situation for the Roma. In addition, since 1999, the GOB has allocated little funding to implementation. When a new government took office in 2001, it proposed its own minority integration policy. However, this policy takes an even less robust stand on the prevention of discrimination and the relationship between this policy and the Framework Programme is not very clear.

Roma issues have now resurfaced as high priority on the Bulgarian Government's agenda due to the need to meet the political criteria of EU accession as well as the need to alleviate recent social tensions in several Roma quarters. The plight of Bulgaria's minorities, and in particular the Roma people, possibly represents the greatest single risk to Bulgaria's accession programme.

UNDP has credibility from its integration of ethnic minority groups within BB and other job creation schemes. Moreover, with the

recent regional HDR on the Roma, UNDP is perceived as an 'expert' organization, with no territorial interest or ethnic baggage to protect. Also, UNDP can draw on a body of experience from Roma-targeted programmes in other countries.

UNDP's Role and EU Accession

There are three interrelated issues regarding UNDP's role and EU accession:

1. EU accession as anchor for operational programming

Now that Bulgaria has a concrete date for EU membership, this entails a number of implications for UNDP's operational planning and management. These can be divided into several areas.

First, political and economic criteria for accession in the context of the 'four fundamental freedoms', as well as in the context of individual chapters of the *acquis*, would have to be reviewed in terms of implications for goals and targets of UNDP operations. Where the *acquis* present concrete legislative and institutional goals and targets, UNDP projects and programmes need to be aligned.

Second, UNDP is appreciated for relatively great flexibility and little bureaucratic red tape in implementing projects, but sooner or later the beneficiaries of those projects will have to comply with the EU rules and procedures themselves. In this regard, and also considering the limited institutional and administrative capacity of the government, as well as the low absorption capacity of EU funds, a potential role for UNDP could be to support the government in the implementation and management of EU funds. In this respect, it will be important for UNDP to focus its own capacities and competencies for procedures pertaining to EU funds management.

Third, capacities of civil society and local government will assume a more practical meaning, being of critical importance to

absorbing the pre-accession EU support. This is important considering that some of the pre-accession support is eligible only to local government (e.g., some components of the PHARE programmes, some of the Cross-Border-Cooperation programmes, as well as the ecology and 'small' infrastructure-related part of ISPA). However, the current lack of capacity in preparation of projects and their administration, monitoring, and accounting is the reason for large differences between the EU pre-accession assistance committed and that actually absorbed. This is already a serious problem in Bulgaria and it will potentially be even more acute once Bulgaria becomes an EU member, as it will formally be eligible for much greater assistance from EU cohesion and structural funds not to mention Common Agricultural Policy, but will be unable to absorb it. Therefore UNDP's involvement in local (and central government) capacity building is of paramount importance and must be seen as badly needed investment in the future. It is not difficult to see that much of that capacity building effort will have to be continued after 2007.

2. The need for a national vision for EU accession

During 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. Other than accession itself, there is limited vision for what the country wishes to achieve with membership. Although joining the EU is clearly desirable from a political perspective, it is not a given that membership will confer advantages in economic and social terms even within a medium-term time frame.

In a country's efforts to transpose the EU *acquis* and to adjust its political, social, and economic fabric to EU requirements, it often only takes into account the short term costs and benefits. Moreover, the costs of political and economic transformation, which would have to be incurred independent of the decision to join the EU, are confused with those of EU integration itself. The desire to close as many chapters as possible over short time, may involve

a price to pay in the future. EU integration will only be worthwhile if the Bulgarian economy becomes much more dynamic than it is presently. After all, EU integration is not first and foremost about EU assistance, but about becoming competitive and being able to sustain comparative advantages over the long run. It is about future long-term growth and development and the reduction of poverty and unemployment. In this regard, EU accession is a means towards the ends of the MDGs or any other set of substantive achievements in human development.

Yet, as in any competition, although it adds to overall economic performance and standards of living (and in this sense it is not a zero-sum game), there are winners and losers. In the past several years, Bulgaria developed a negative balance of trade that amounted close to Euro 1.3 billion in 2001, of which Euro 0.4 billion in its trade with the EU countries. This effectively means that Bulgaria has generated jobs in the EU. When one examines the arguments used by EU politicians and EU media in favor of EU enlargement, the dominant argument for enlargement is that the present EU member countries will gain jobs from obtaining access to the markets of the candidate countries. However, from the candidate countries' perspective, to make the EU accession worthwhile, they must be able to out-compete their EU competitors. This is the condition for sustainable economic and social development.

The formulation of a national vision for what a post-accession Bulgaria will look like cannot be a task for the EU alone. The EU is focused on the formalities of the accession process, and it can never be an impartial facilitator in defining what Bulgaria's EU identity might be. Building on its political impartiality, together with its involvement in national vision exercises around the world, there might, however, be a role for UNDP in this regard.

3. UNDP role after EU accession

A final issue of consideration in terms of the assessment, because of its importance rather

than its ability to recommend or resolve, is the role of UNDP post-2007. Whether UNDP will remain in the country or not is, to our understanding, more of a political than a functional issue. From an operational perspective, we can see that a local demand for UNDP services may remain after Bulgaria's eventual EU accession. The capacity development activities and public management reforms that UNDP is currently involved with are unlikely to be completed by 2007. The CO is largely self-financing and would not be dependent on any TRAC or other central transfers in order to maintain operations. In this sense, the operational functions could be continued even without a UNDP identity. However, an argument for continuation beyond 2007 would be that any entity operating without a UN flag would likely suffer in terms of credibility when compared to political or commercial agenda that may accompany a transfer to another donor, e.g. a Bulgarian-registered NGO.

At the political level there are, however, uncertainties. Implicit to the need for UNDP presence after accession would be recognition of an EU member state being in need of development assistance from a UN body. Although the proposition may possibly be acceptable to Bulgaria, it may be unpalatable to EU member states. Also, within UNDP forums, there is now an ongoing debate with regard to the future of the agency in those countries that are currently on the road to accession. Obviously, the regional bureau is a central actor in such discussions that are now increasingly relevant.

BOX 5.1 FINAL THOUGHTS

In Bulgaria, UNDP has found a combination of substantive and operational focus that has given the organization a crucial place in national development, in particular with regard to ascertaining that the needs of the poor and vulnerable are maintained on the road towards EU accession. UNDP's most critical advantage lay in partnerships built around local operational solutions, which build a bridge between 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.

5.2 RECOMMENDATIONS

In line with the overall analysis of the report, lessons learned, and emerging issues, the following recommendations are suggested:

1. **Develop clear exit strategies for all projects.** This is particularly valid for the large-scale interventions such as the BB and the JOBS projects. A clear agenda for the gradual transference of the created capacity to the national authorities should be designed and implemented as soon as possible. This will ensure that the achievements are sustained in the long run and the country fully benefits from the results.
2. **Support the government in the adoption of anti-poverty policies and strategies with special emphasis on poverty definition, measurement, and marginalised groups in the country.** As poverty will remain a priority for the country and is one of the main issues to be addressed in the context of EU accession negotiations, UNDP should continue to apply the process from pilot demonstrations to policy advice and development outcomes in the area of poverty alleviation and employment promotion.
3. **Strengthen UNDP's advocacy with national authorities on the implementation of policies and strategies.** Elaborating national MDGs and indicators should be carried out in parallel to raising awareness of the need to establish a relevant policy framework for measurement and monitoring of such indicators. This requires strengthening the capacity of the CO staff to better engage in policy and advocacy work.
4. **Elaborate upon targeted interventions for the government to bring institutional change for the most marginalised groups, especially the Roma.**
5. **Develop the employment promotion approach to include more long-term job creation programmes.** The recent adjustments in the labour market policy of the GOB were accompanied by allocations of large amounts of funds to temporary employment generation. UNDP should focus not only on the temporary labour market, as it currently does. It should support the growing demand for sustainable jobs by offering innovative mechanisms for increased employability, creation of productive assets and competitive activities, and improved administrative environment for business growth.
6. **Ensure sustainability of the demonstrative pilots in local governance.** This should take into account lessons learned from the different components of decentralization programmes implemented in the country.
7. **Ensure all national programmes are closely aligned with EU institutional and administrative standards.**
8. **Support the government in consulting with all relevant stakeholders to arrive at a clearer definition of UNDP's role in Bulgaria after EU accession.**



Annexes

ANNEX 1: TERMS OF REFERENCE

1. BACKGROUND

The EO of the UNDP launched a series of country evaluations, called Assessments of Development Results (ADRs), in order to capture and demonstrate evaluative evidence of UNDP's contributions to development results at the country level. Undertaken in selected countries, the ADRs focus on outcomes and critically examine achievements and constraints in the UNDP thematic areas of focus; identify lessons learned; and provide recommendations for the future. The ADRs also recommend a strategy for enhancing performance and strategically positioning UNDP support within national development priorities and UNDP corporate policy directions.

The overall objectives of the ADRs are:

1. Generate lessons from experience to inform current and future programming at the country and corporate levels.
2. Provide to the stakeholders in the programme country an objective assessment of results (specifically outcomes) that have been achieved through UNDP support and partnerships with other key actors for a given multi-year period.
3. Support the Administrator's substantive accountability function to the

Executive Board and serve as a vehicle for quality assurance of UNDP interventions at the country level.

An ADR is planned for Bulgaria beginning in autumn 2002. It will cover the period between the years of 1997 to 2005, i.e. the 1997-2001 Country Cooperation Framework (CCF) and the current CCF (2002-2005). The assessment will, however, attempt to point out where support prior to this period may have served as a foundation for current achievements.

The strategic areas of support where intended outcomes are planned in Bulgaria are outlined in the table below.

STRATEGIC AREAS OF SUPPORT: BULGARIA				
Governance	Poverty	Environment	Gender	UN Support
<ul style="list-style-type: none"> ■ Policy dialogue ■ Partnerships 	<ul style="list-style-type: none"> ■ Poverty policies developed/implemented ■ Access to resources/assets ■ HIV/AIDS strategies 	<ul style="list-style-type: none"> ■ Policy/regulatory framework ■ Institutional framework 	<ul style="list-style-type: none"> ■ Policy dialogue 	<ul style="list-style-type: none"> ■ RC global agenda ■ RC system

Source: RBMS,SRF 2002-5.

2. OBJECTIVES OF THE ASSESSMENT

The evaluation will look at the results achieved for the period of 1997 to date (2002). The evaluation will also take account of intended results as expressed in the current CCF and SRF, until the end of the current CCF in 2005. The evaluation will consider the totality of the key results and goals in this period with the main intended objectives described in the various planning instruments of UNDP (UNDAF, CCF, and MDGs) and the UNDP programme portfolio.

The purpose of the evaluation is to review the experience of UNDP in Bulgaria and draw lessons learned and recommend improvements. The ADRs in Bulgaria will:

- Provide an overall assessment of the results achieved through UNDP support

and in partnership with other key development actors during 1997-2005 with particular in-depth assessment within poverty and governance. The evaluation should also bring out the historic presence of UNDP in Bulgaria and draw links from current achievements to early UNDP interventions before 1997, as appropriate. The analysis should focus on how and why the results were achieved to draw lessons, with particular attention to:

- ◆ How effective UNDP support was in contributing to poverty alleviation;
- ◆ How UNDP support was used to leverage Bulgaria's reform process in the area of governance;
- ◆ The contribution of UNDP support to policy advice and dialogue, aid coordination and brokerage in delivering development results.

- Provide an analysis of how UNDP has positioned itself strategically to add value in response to national needs and changes in the national development context, with particular attention to:

- ◆ The entry points and strategy selected by UNDP in support of reversing impoverishment and raising the quality of life of the population, and promoting good governance for sustainable development—and their implications for the other main UNDP themes of gender, ethnic minorities, human rights, and the environment;
- ◆ The key current strategies of CCF2: partnerships for development; moving to upstream policy support; results orientation and intended entry points for job creation and support to pro-poor policies and local good governance and management of national resources—within the current framework;
- ◆ The cooperation with different groups of development partners.

- Based on the analysis of achievements and positioning above, present key findings and key lessons and provide clear and forward-looking recommendations in

order to suggest effective and realistic strategies by UNDP and partners towards intended results.

3. SCOPE OF THE ASSESSMENT

The evaluation will undertake a comprehensive review of the UNDP programme portfolio and activities during the period of review, with more in-depth focus on poverty and governance. Specifically, the ADR will cover the following:

Strategic Positioning

- Ascertain the bearing of UNDP support on national needs, development goals and priorities, including relevance, linkages with the goal of reducing poverty and other Millenium Development Goals (MDGs). This may include an analysis of the perceived comparative strengths of the programme, a review of the major national challenges to development.⁴¹ The evaluation will take account of, *inter alia*, the national reform process since 1997 and key challenges (the Program of the Government of the Republic of Bulgaria 1997-2001 and the National Plan for Economic Development (NPED) 2000-2006); analyses from assessments undertaken by the World Bank, IMF, and other major donors and partners; the National Human Development Reports (NHDRs). This aims to ascertain the added value of UNDP support in effectively influencing national development results, through, for example, prioritisation; selection of strategies and entry points.
- Assess how UNDP anticipated and responded to significant changes in the national development context, affecting poverty alleviation and governance reform for sustainable development. The evaluation may, for example, consider key events at national and political level that

influence the development environment; the risk management of UNDP; any missed opportunities for UNDP involvement and contribution; efforts of advocacy and policy advice; and UNDP's responsiveness versus concentration of efforts. The evaluation will specifically bring out the choices made by UNDP in response to the government's National Plan for Economic Development, the negotiations for full membership in the EU and their rationale.

- Review the **synergies and alignment** of UNDP support with other initiatives and partners, including that of the United Nations Development Assistance Framework (UNDAF); the Global Cooperation Framework (GCF) and the Regional Cooperation Framework (RCF). This may include looking at how UNDP has leveraged its resources and that of others towards results, the balance between upstream and downstream initiatives and the work on MDGs. The evaluation will take account of, *inter alia*, the UNDAF/Common Country Assessment exercises undertaken in 2000 to ascertain how UNDP has leveraged other initiatives for results.
- The evaluation should consider the influence of **systemic issues**, i.e. policy and administrative constraints affecting the programme, on both the donor and programme country sides, as well as how the development results achieved and the partnerships established have contributed to ensure a relevant and strategic position of UNDP.

Development Results

- Provide an examination of the **effectiveness and sustainability** of the UNDP programme, by highlighting main achievements (outcomes) at national level in the last five years or so (some results may have their origin in efforts prior to 1997) and UNDP's contribution to these in terms of key outputs; and ascertaining current progress

41. UNDP is currently preparing a report on progress on the MDGs in Bulgaria, which will be published by February 2003.

made in achieving outcomes in the given thematic areas of UNDP and UNDP's support to these. The evaluation should qualify the UNDP contribution to the outcomes with a fair degree of plausibility and consider anticipated and unanticipated, and positive and negative outcomes. It should also gauge the contribution to capacity development at the national level to the extent it is implicit in the intended results, as well as national ownership as success factor. The assessment will cover the key results and support in all thematic areas (poverty, including HIV/AIDS, governance, environment, gender, and any other areas, if appropriate).

- Identify and analyze the main **factors** influencing results, including the range and quality of development partnerships forged and their contribution to outcomes, the provision of upstream assistance and how the positioning of UNDP influences its results and partnership strategy. In assessing development results, the ADR should take into account the following factors (among others), highlighted by key stakeholders during the EO exploratory mission as critical, in influencing UNDP's priorities and intended results for strengthening the state's institutional capacity:
 - ◆ the ability of government institutions to ensure effective citizen's participation in national decision-making processes;
 - ◆ the government's promotion of competition and market based economic system to generate employment;
 - ◆ the ability of government institutions to effectively plan government expenditure and the delivery of public services (e.g. health, education) at both the central and local government levels;
 - ◆ the public sector's aid absorption and programme implementation capacity;
 - ◆ the effectiveness of government institutions to fight corruption and enhance governance;
 - ◆ the establishment and operation of appropriate regulatory frameworks by the government for small and large companies and banks;

- ◆ the enactment and enforcement of rules and laws and judicial reforms by the government.
- Assess the anticipated progress in achieving intended outcomes, with regard to the SRF Outcomes, the 2002-2005 CCF objectives and proposed future programmes and objectives, and the MDGs.
- Provide an in-depth analysis of poverty and governance intervention, and identify the key challenges and strategies for future interventions in each area. These two areas are principally selected due to a notable UNDP involvement in the past, their complexity in terms of inter-linkages and synergies with other areas; and the growing challenges expected in the next stage of national reforms:
 - ◆ Analyze the achievements, UNDP efforts and strategies for poverty alleviation. This should include review of the Regional Initiatives Fund Project; the Beautiful Bulgaria I, II and III; effects on advocacy and policy advice; as well as effects and lessons from the UNDP support to poverty alleviation through job-creation strategies and policies in government planning; HIV/AIDS strategies; and the use of lessons for feedback into policy advice.
 - ◆ Analyze the achievements, UNDP efforts and strategies within local good governance and management of natural resources for sustainable development. This should include the effects of the national policy on the Chitalishte local community development interventions; the municipal planning projects based on the Razlog Model Municipality pilot to enhance accountability and responsiveness of local authorities; mainstreaming gender in national interventions and sustainable management of natural resources such as the Energy Efficiency and the Rhodope projects; and the integration of environment concerns into policies and plans.

Lessons Learned and Good Practices

- Identify key lessons in the thematic areas of focus and on positioning that can provide a useful basis for strengthening UNDP support to the country and for improving programme performance, results and effectiveness in the future. Through in-depth thematic assessment, present good practices at country level for learning and replication. Draw lessons from unintended results where possible.

4. METHODOLOGY

The assessment will employ a variety of methodologies including desk reviews, stakeholder meetings, client surveys, and focus group interviews and select site visits. The Evaluation Team will review all relevant national policy documents (including the Program of the Government of the Republic of Bulgaria 1997-2001 and the National Plan for Economic Development (NPED) 2000-2006; Bulgaria: Financial System Stability Assessment, IMF, 2002; Public Expenditure and Institutional Review (PIER): Bulgaria, The World Bank 2002; Bulgaria: The Dual Challenge of Transition and Accession, The World Bank, 2001; Bulgaria: Poverty in Transition, UNDP 1998; Bulgaria: Human Security in Transition, UNDP 1998; and overall programming frameworks (the UNDAF, the 2000 CCA, CCFs 1997-2001 and 2002-2005, SRF/ROAR etc.) which give an overall picture of the country context. The Team will also consider any thematic studies/papers, select project documents and Programme Support Documents as well as any reports from monitoring and evaluation at country level, as well as available documentation and studies from other development partners. Statistical data will be assessed where useful. The empirical evidence will be gathered through three major sources of information: perception, validation and documentation—according to the concept of ‘triangulation’.

A wide stakeholder consultation and involvement is envisaged. The Evaluation Team will meet

with government ministries and institutions at central and province level, research institutions, civil society organizations, NGOs and private sector representatives, UN Agencies, Bretton Woods institutions, bilateral donors, and beneficiaries. The Team will visit field and project sites as required, as will be decided by the Evaluation Team and the EO in consultation with the CO.

In terms of methodology, the ADR will follow the guidance issued by the Evaluation Office, and consist of preparation (with preliminary desk review, programme mapping, TOR proposal, exploratory mission to the CO, theme-specific desk research and local studies and research); conducting the ADR by the country evaluation mission; and use of the ADR and follow-up (dissemination, corporate discussions, CO management response, stakeholder consultations, learning events).

Preparatory work at the local level will be carried out in advance to provide a substantive background for the Evaluation Team. This will include an analysis of achievements and challenges in poverty alleviation and local good governance. Local research institutions and companies will conduct these studies. A Bulgarian national institute/company will also be charged with conducting select surveys of key partners through questionnaires. This work may entail the review of available reports, collecting additional documentation, conducting select interviews, field visits and analysis and brainstorming. This work will be based on specific TOR in addendum to these generic terms of reference.

5. EVALUATION TEAM

The composition of the Evaluation Team should reflect the independence and the substantive results focus of the exercise. The Team Leader and all the members of the review Team will be selected by the UNDP EO in consultation with the Regional Bureau for Europe and Central Asia (RBEC), UNDP, New York and the CO.

ANNEX 2: ABBREVIATIONS AND ACRONYMS

ADR	Assessment of Development Results
AIDS	Acquired Immune Deficiency Syndrome
ALMP	Active Labour Market Policies
APR	Annual Programme/Project Report
ASME	Agency for Small and Medium sized Enterprises
BB	Beautiful Bulgaria project/programme
BDP	Bureau for Development Policy
BOM	Bureau of Management
BRSP	Bureau for Resources and Strategic Partnerships
CBA	Currency Board Arrangement
CCA	Common Country Assessment
CCF	Country Cooperation Framework
CIDA	Canadian International Development Agency
CLIA	Country Level Impact Assessment
CO	Country Office
COMP	Country Office Management Plan
CP	Country Programme
CPO	Country Programme Outline
CR	Country Review
CSO	Civil Society Organization
CTA	Chief Technical Advisor
DAC	Development Assistance Committee
DEX	Direct Execution
DRR	Deputy Resident Representative
EB	Executive Board
EBRD	European Bank for Reconstruction and Development
EIU	The Economic Intelligence Unit
EU	European Union
EO	Evaluation Office
ERRC	European Roma Rights Centre
EWS	Early Warning System
FAO	Food and Agriculture Organization
FAQ	Frequently Asked Question
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GOB	Government of the Republic of Bulgaria
HDI	Human Development Index
HDR	Human Development Report
HIV	Human Immunodeficiency Virus
HPI	Human Poverty Index
HQ	Headquarters
ICT	Information and Communication Technology
ILO	International Labour Organization
ISPA	Instrument for structural policies for pre-accession (EU financing mechanism)
JOBS	Job Opportunities Through Business Support
MDG	Millennium Development Goal
MDGR	Millennium Development Goals Report

MHDI	Municipal Human Development Index
MLSP	Ministry of Labour and Social Policy
MRF	Movement for Rights and Freedoms
NCSD	National Council for Sustainable Development
NEPP	National Employment Promotion Plan
NEX	National Execution
NGO	Non-Governmental Organization
NHDR	National Human Development Report
NMSS	National Movement for Simeon the Second
NSSI	National Social Security Institute
OECD	Organisation for Economic Cooperation and Development
PHARE	Poland and Hungary Assistance for the Restructuring of the Economy (EU financing mechanism)
PRSP	Poverty Reduction Strategy Paper
PSD	Programme Support Document
PSU	Programme Support Unit
RBM	Results-based Management
RBMS	Results-based Monitoring System
RBx	Regional Bureaux
RC	Resident Coordinator
RHDI	Regional Human Development Index
RIF	Regional Initiatives Fund
ROAR	Results-oriented Annual Report
RR	Resident Representative
SAPARD	Special Action Programme for Agricultural and Rural Development (EU financing mechanisms)
SAS	Strategic Area of Support
SDC	Swiss Agency for Development and Cooperation
SHD	Sustainable Human Development
SIA	Social Impact Assessments
SIDA	Swedish International Development Cooperation Agency
SIF	Social Investment Fund
SME	Small and Medium Enterprise
SMEA	Small and Medium-sized Enterprises Act
SRF	Strategic Results Framework
SURF	Sub-regional Resource Facility
TOR	Terms of Reference
TRAC	Target for Resource Assignment from the Core
UDF	United Democratic Front
UNAIDS	Joint United Nations programme on HIV/AIDS
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commission for Refugees
UNICEF	United Nations Children's Fund
USAID	United States Aid Agency
USD	United States Dollar
WB	World Bank
WHO	World Health Organization
WTO	World Trade Organization

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ANNEX 5: KEY INDICATORS

BULGARIA STATUS AND TARGETS FOR THE MILLENNIUM DEVELOPMENT GOALS

	2001	2015
1. Halve extreme poverty and malnutrition		
Average monthly income (equivalised median total income)	91 Euro	280 Euro
Proportion of the population with incomes under 60 percent of the average	15%	15%
Poverty threshold (60 percent of the median)	54.6 Euro	170 Euro
Unemployment level among 15-24 year olds	35.34%	17-20%
Share of long-term unemployed in the workforce	9.59%	5-7%
Proportion of under weight children aged 10 – 14 years	7%	5%
2.Improvement of primary and secondary education		
Net enrollment rate at the initial stage of primary education (6/7 – 9/10 years;1 – 4 grade)	96.40%	100%
Net completion rate at the initial stage of primary education (6/7 – 9/10 years;1 – 4 grade)	93.30%	100%
Net enrollment rate in primary education (9/10 –13/14 years;5 – 8 grade)	84.20%	97.00%
Net completion rate in primary education (9/10 –13/14 years;5 – 8 grade)	84.40%	95.00%
Net dropout rate in primary education (9/10 –13/14 years;5 – 8 grade)	2.90%	2.00%
Net enrollment rate in secondary education (15 – 19 years;9 – 12 grade)	68.30%	85.00%
Net completion rate in secondary education (15 – 19 years;9 – 12 grade)	85.10%	90.00%
Net dropout rate in secondary education (15 – 19 years;9 – 12 grade)	2.60%	1.00%
3. Promote gender equality and empower women		
Percentage of the pay of women compared to the pay of men	74.6%	80%
Women's share in the number of parliamentarians in the National Assembly and in Municipal Councils	27%	40 %
4.Reduce child mortality		
Child mortality for the 0 to 5 year age group per 1,000 live births	17.0	9.5
Child mortality (children deceased before one-year of age) per 1,000 live births	14.4	7.0
Perinatal death rate (still-born + dead before the 6th day) per 1,000 births	12.3	8.0
Proportion of children immunized with BCG,DTC, poliomyelitis and anti-hepatitis vaccine	93.6	99
Proportion of underweight live births (under 2500 g.) per 1,000 live births	9.1	6
5.Improve maternal health		
Maternal mortality (deceased pregnant women and women giving birth per 100,000 live births)	19.1	12
Abortions (per 1,000 women aged 15-49)	26.8	20
Pregnant women under observation (covered before the third month of pregnancy)		90
Proportion of births assisted by qualified personnel	98.9	99.8
6. Combat HIV/AIDS,syphilis and tuberculosis		
HIV/AIDS prevalence among people aged between 15 and 24	< 0.01%	<1%
Tuberculosis incidence (new cases per 100,000 persons)	41.0	20.0
Full coverage with the DOTS system and increased proportion of healed cases free from bacilli	70.0	83.0
Syphilis incidence (per 100,000)	19.4	5
7. Ensure environmental sustainability		
Proportion of the territory covered with forests	35.30%	35.30 %
Proportion of the territory with protected biodiversity	4.60%	12.00 %
Proportion of the population covered by an organized system for waste collection and removal	37.00%	95.00%
Proportion of the population provided with domestic wastewater removal through sewerage system	66.80%	67.90 %
Proportion of the population connected to a centralized water supply system	98.59%	99.00 %
Performance of obligations under the Kyoto protocol – reduction of carbon dioxide emissions	-50.00%	-8%
Total greenhouse carbon dioxide emissions in CO ₂ in gigagram equivalent	77.7	144.0
CO ₂ industrial emissions (metric tons per capita)	5.74	
8. Develop Partnership for Development		
Ratio of foreign direct investment to GDP	7.9%	15%
Ratio of foreign debt to GDP	88.9%	55%

Source: Bulgaria Millennium Development Goals Report, UNDP, March 2003.

HUMAN DEVELOPMENT AND BASIC COUNTRY DATA	
HDI rank (2002)	62 (of 173)
Population (2001)	8.1 million*
Population growth rate (2000-2015)	-1.0%
Life expectancy at birth (1995-2000)	70.8 Years
GDP per capita (2000 in PPP US\$)	1,560
Poverty headcount (% of people below national poverty line)	22
HIV prevalence rate among adults 15-49 years (2001)	< 0.10%
Population with access to save water supplies (% of people)	100%
Infants with low birth weight (1995-2000)	9%
Net primary enrollment rate	95%
Net primary enrollment ratio (1998)	93
Under 5 Mortality rate per 1000 live births (2000)	16%*
Maternal mortality ratio per 100,000 live births (1985-99)	15%
Adult literacy rate (2000)	98.4 %
Population using adequate sanitation facilities (2000)	100%
Seats in parliament held by women (2002)	26.2%
GDP per capita annual growth rate % (1990-2000)	-1.5
GDP per capita annual growth rate % (2001-2003)	4.5*
Unemployment Rate (2000)	19%
GNI, Atlas method in current US\$ (2002)	12.6billion*
Inflation,GDP deflator (annual%,2001)	7%*
Agriculture, value added (% of GDP, 2001)	13.7%*
Industry, value added (% of GDP, 2001)	28.4%*
Services, value added (% of GDP, 2001)	57.9%*
Total ODA received in US\$ millions (2000)	311.1
Total ODA as % of GDP (2000)	2.6
ODA per capita in current US\$ (2000)	39.1
Exports of goods& services (% of GDP, 2001)	60.2%*
Imports of goods & services (% of GDP, 2001)	64.9%*
Gross capital formation (% of GDP, 2001)	16.9%*
Revenue, excluding grants (% of GDP, 2000)	36.8%*
Budget balance, including grants(%of GDP, 2000)	0.6%*
Trade in goods as share of GDP (% ,2000)	93.1%*
Net foreign direct investment inflows in current US\$ (2000)	1 billion*
Net foreign direct investment inflows as % of GDP (2000)	8.3
Value of debt in current US\$ (2000)	9.6 billion*
Total debt service (% of exports of goods & Services, 2000)	16.2%*
Short-term debt outstanding in current US\$ (2000)	422.1 million*
Size of territory	110,994 km2
Urban Population (% of total population)	67.5%*
Forest area in sq. km (2000)	36,900*
Annual deforestation,% of change (2000)	-0.6%*

Source: * WB, 2002;all other figures from UNDP HDR,2002.

SRF – LIST OF OUTCOMES

Goal: G1 – Governance

Subgoal: G1-SGN1 – Dialogue that widens development choices

SAS:⁴² G1-SGN1-SASN2 – Policy Dialogue

Outcome 1: The national policy debate on the transition enriched, particularly in relation to the human dimension of the reforms.

SAS: G1-SGN3-SASN3 – Partnerships between local authorities and CSOs

Outcome 2: Improved local governance through increased decentralisation, enhanced capacities of local authorities and strengthened civil society participation and utilisation of IT for development.

Goal: G2 – Poverty

Subgoal: G2-SGN1 – National poverty frameworks

SAS: G2-SGN1-SASN1 – Poverty reduction strategies

Outcome 3: Poverty reduced through expanded job opportunities for the poor.

SAS: G2-SGN1-SASN3 – HIV/AIDS

Outcome 4: The issue of the fight against the spread of HIV/AIDS brought at the center of the policy debate.

Goal: G3 – Environment

Subgoal: G3-SGN1 – Environment and energy for livelihoods

SAS: G3-SGN1-SASN1 – Policy framework

Outcome 5: Environmentally concerns systematically integrated into development planning.

SAS: G3-SGN1-SASN2 – Institutional framework

Outcome 6: Improved capacity of national/sectoral and local authorities, and community based groups and the private sector to plan and implement integrated approaches to environmental management and energy development.

Goal: G4 – Gender

Subgoal: G4-SGN1 – Gender equality

SAS: G4-SGN1-SASN1 – Policy dialogue

Outcome 7: Increased responsiveness of national and local plans towards the reduction of gender gaps.

Goal: G6 – UN Support⁴³

Subgoal: G6-SGN1 – Global conference goals

SAS: G6-SGN1-SASN2 – RC global agenda

Outcome 8: Increased public and government awareness and support at country level on the UN global agenda for development.

SAS: G6-SGN2-SASN2 – RC system

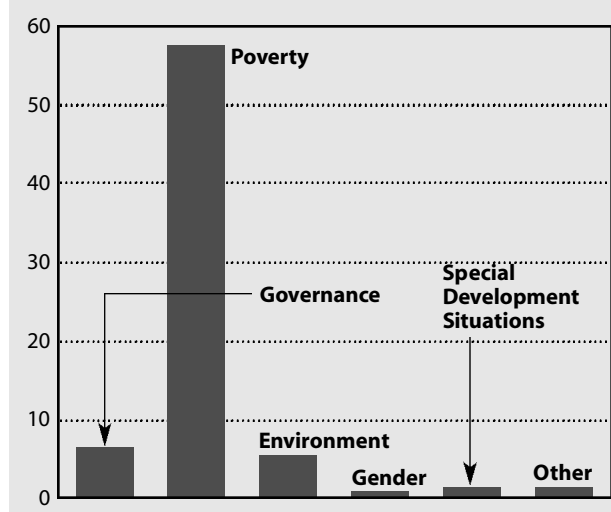
Outcome 9: Effective and sustainable country level mechanisms strengthened within the RCS for substantive analysis, advocacy, planning and programming established.

42. SAS refers to UNDP's 'Strategic Areas of Support' within the SRF framework.

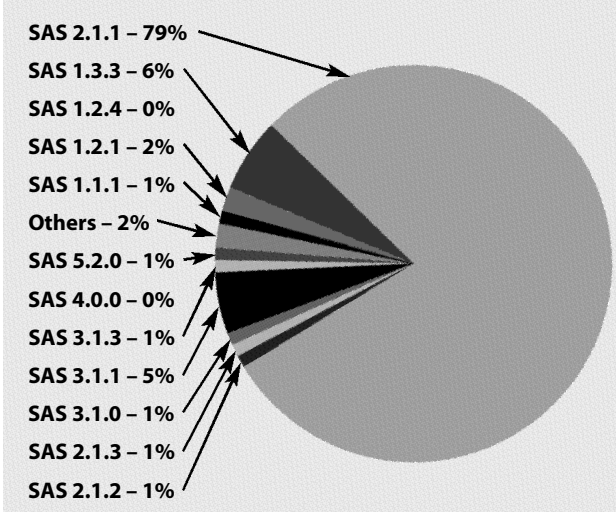
43. Goal 5 relates to Special Development Situations and the Country Office has no significant investment in this goal.

SRF INTENDED RESULTS			
UNDP THEMES	CCF 1997-1999 OBJECTIVES	CCF 2001-2005 OBJECTIVES	BULGARIA SRF OUTCOMES
Governance	Good Governance <ul style="list-style-type: none"> ■ Promote civil society participation ■ Promote the adaptation of administrative structure to the conditions of a democratic market-driven economy and European integration ■ Promote a peaceful and stable regional environment ■ Promote policy analysis and formulation 	Local Governance: <ul style="list-style-type: none"> ■ Support a national policy on the Chitalishte institution ■ Support the "Model Municipality" initiative ■ Promote information/database management ■ Promote policy analysis and formulation 	Local Governance: <ul style="list-style-type: none"> ■ Citizen participation in the decision making process strengthened at all levels Public Sector: <ul style="list-style-type: none"> ■ Improved transparency, accountability and service delivery
Poverty Reduction	Reversing Impoverishment <ul style="list-style-type: none"> ■ Promote policies to achieve stable social development ■ Promote social integration of women and minorities ■ Promote job creation ■ Promote the National Program for Social Development ■ Promote the National Health Care Strategy 	Job-Creation and Support to Pro-Poor Policies: <ul style="list-style-type: none"> ■ Promote projects that will increase employment opportunities ■ Support the "Beautiful Bulgaria" modality ■ Promote the Social Investment Fund ■ Support the UN Social Development Unit (HIV/AIDS strategy) ■ Promote the integration of ethnic minorities ■ Provide policy advice in the area of poverty alleviation 	National Poverty Frameworks: <ul style="list-style-type: none"> ■ Poverty reduced through job creation and improved living conditions
Environment	Reversing Impoverishment <ul style="list-style-type: none"> ■ Promote environmental protection and regeneration ■ Promote environmental strategy 	Management of Natural Resources: <ul style="list-style-type: none"> ■ Promote the National Biodiversity Conservation Plan ■ Promote existing initiative on energy conservation 	Environment and Energy for Livelihoods: <ul style="list-style-type: none"> ■ Enhanced sustainable management of natural resources
Gender	<i>See Poverty Reduction</i>	Local Good Governance: <ul style="list-style-type: none"> ■ Strengthen the machinery to protect the rights of women. ■ Implement the equal opportunities bill (2001) 	
Support for the UN			Global Conference Goals: <ul style="list-style-type: none"> ■ Increased public awareness and support at the national level on the MDGs
Cross-Cutting Themes/Obj.		<ul style="list-style-type: none"> ■ Continue the "never-alone" policy and always work in partnerships 	

BUDGET ALLOCATION BY SRF GOAL (MILLIONS USD)



BUDGET ALLOCATION BY SRF GOAL (MILLIONS USD)



ANNEX 7: COUNTRY MAP





UNITED NATIONS DEVELOPMENT PROGRAMME

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