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BULGARIAN MUNICIPALITIES: KEY PLAYERS IN THE PROCESS OF THE IMPLEMENTATION OF EU FUNDS AT THE NATIONAL LEVEL

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Abstract: The role of Bulgarian municipalities in the processes of programs that implement EU funds is absolutely undeniable. They are direct or potential beneficiaries of the major part of the operational programs – both in the previous and current programming period. More so, they are the beneficiaries of so-called "big projects" (according to the European legislation, projects with budgets over \in 50 million), which are key infrastructure projects in priority sectors such as transport and water infrastructure. This paper is devoted to these municipalities and their attitudes towards European funds in the context of the overall development of the municipalities. The study is based on empirical research among representatives (n = 73) of the Bulgarian municipalities, and their perceptions on the importance of EU funds and programs for the municipalities' development.

Keywords: European funds, Bulgarian municipalities, EU projects, local policies.

JEL: F59, H70, O22

1. Introduction

Bulgarian municipalities are key beneficiaries at the national level of a major part of the programs financed by the European Structural and Investment Funds. It could be said that their role and importance for the overall process of the implementation of these programs was underestimated during the previous programming period (2007–2014), which was Bulgaria's first programming period as a regular member-state of the European Union. Currently we are almost at the end of the present programming period, and lessons have to be learnt including with the provision of a special centralized governmental policy, and measures that support the administrative capacity of the Bulgarian

municipalities as key beneficiaries. Therefore, the progress of implementation projects by municipalities, especially those concerning infrastructure, could be interpreted as indicators for their readiness and project capacities in this important field. For a national economy such as the Bulgarian one, European funds are absolutely crucial for the development of society in almost all essential aspects, both at the national and regional levels.

On the other hand, the municipal authority is the closest public structure to the everyday life of their citizens. The importance and role of the municipality is undisputable in modern democracy, which proclaims independent (from the centralized authority) local government. Local authorities are responsible for the overall development of the region, ensuring that the prosperity of citizens is provided by different policies and measures. For this major purpose local governments possess, as general rule, two basic sources of finance: from one side – the revenues according to local taxes and fees; and from the other – European funds. The present paper primarily explores European funds and their role in the development of Bulgarian municipalities in priority sectors, but also presents the bidirectionality of these relations (municipalities are just as important for the overall implementation of the operational programs as the resources provided by the programs are important for the local development of the concrete municipalities).

2. Literature overview

The role of European Funds and Programs and their impact on the European, regional, and national economy is a subject that is explored in depth, and involves many different authors' points of view. One of the major scientific foci in the sphere of European funds, logically, is the impact that EU funds have on the economy, and more specifically on the SMEs which are usually described as a backbone of the national and the European economy. For instance, Bostan et al. [6] present the impact of these funds on the competitiveness of SMEs in the specific geographic area of the Danube Delta. They conclude that the Structural Funds have made a major contribution to achieving this goal, being aimed mainly at meeting European standards on the environmental protection and economic development of the area, while respecting its biodiversity and the inhabitants' general interest in improving the quality of life in the Danube Delta [6]. The interest of another study is again focused on the role of EU funds in SMEs at the national level, this time in Hungary [4]. After a profound analysis, the scholars concluded: "According to our results, economic development funds had a significant positive effect on the number of employees, sales revenue, gross value added and, in some cases, operating profit. However, the labor productivity of enterprises was not significantly affected by any of the support schemes. Furthermore, by explicitly comparing non-refundable subsidies (grants) and refundable assistance (financial instruments), we find that there is no significant difference in the effectiveness of the two types of subsidy" [4]. The survival rate of the enterprises of four relatively new EU member states (from the EU wave enlargement of 2004 - Czech Republic, Poland, Slovakia, and Hungary) are explored in detail in another survey. Using and analyzing data from an impressive sample of almost 42,000 companies, Baumöhl, Iwasaki, and Kočenda [5] claim that large shareholders, solvency,

and more board directors are preventive factors; foreign ownership and higher ROA also increase survival rates; and larger firms and those hiring international auditors have lower survival chances. Further research is dedicated to the field of SMEs and specific instruments supporting their activities, this time in the specific context of open innovation (OI). After a comprehensive analysis especially focused on the companies operating in digital sectors, the authors found that the SMEs awarded the grants are less engaged in the challenging dimensions of Open Innovation than companies that did not receive any funding. This is contrary to the intended goals of the grants. They also provided policy and methodological implications relevant for the design of better OI-informed policy and the more effective evaluation of companies participating in the SME Instrument [9].

Kalfova has provided a multifactor analysis on regional policy in Bulgaria with a focus on the implementation of EU funds. The author claims that structural funds are the main tool of EU Regional policy, and the level of absorption is accepted as a substantial indicator of the successful implementation of Regional policy [14]. An interesting approach is proposed by Kiryluk-Dryjska and Beba [15] in the process of identifying the budget and its allocation for rural areas within the Common agriculture policy of the EU. The authors propose a method for the region-specific budgeting of European Union rural development funds, based on objectively measured indexes of rural development. The indexes are calculated based on statistical data with the use of factor analysis, and the results demonstrate that the proposed approach allocates the funds according to an assumed logic that supports the weaker and underdeveloped regions and features of agriculture. In the field of ensuring sustainable development through the landscape in the context of the European Union, Mann et al. [19] have provided a special comprehensive study. The authors identify three major conflict zones: "(1) agricultural production versus nature conservation, (2) urban sprawl and rural land abandonment versus landscape integrity, and (3) renewable energy generation versus landscape aesthetics." On this basis, they have proposed measures to improve European landscape policy through Integrated Landscape Management that combines and fosters collaboration between all stakeholders. Again in the field of agriculture is another study, this time dedicated to special policy on agroforestry, which is considered by the authors to be one of the active tools for achieving sustainability of land management. The scholars explore European policy in the field of agroforestry and conclude that agroforestry was poorly adopted in the CAP 2007-2013, having better success in the CAP 2014-2020 due to the recognition of woody vegetation and the compensation of 5 years given for maintenance once agroforestry is established. However, policy rules ensuring Pillar I payment when agroforestry measures are adopted, such as a management plans ensuring that maximum tree density (100 trees per hectare) is not reached, should be pursued. [22]

The subject of the public system responsible for EU management and its possible improvements as well as proposals in terms of policy and procedures for beneficiaries are the focus of many scholarly works. In this regard, a plethora of scientific analysis can be outlined – for instance Anguelov [1,2] and Dobrovolskienė, and Tamošiūnienė [10].

The work of public authorities (including municipalities and centralized institutions) as beneficiaries under different EU funds and programmes is not so well explored, especially in comparison with the interaction between SME-EU funds. On the other hand, a large majority of recent research is focused on very specific aspects of the work of public authorities. For instance, Olanubi, Osode, and Adegboye [20] have explored the efficiency of the public sector in a very specific time period. On the basis of their analysis, the scholars concluded that their results reveal large-scale inefficiencies in the use of funds allocated to the scheme during the great recession and euro area sovereign debt crisis that followed, with member states wasting on average 34.6% of funds allocated to it.

Naterer, Žižek, and Lavrič have explored the urban strategies prepared by the municipalities and their accordance with the general strategy at the EU level – Europe 2020 – a strategy for smart, sustainable, and inclusive growth. The scholars explored a number of new integrated urban strategies (IUSs) prepared by the Slovenian municipalities, and considered that their results show that the IUSs of Slovenian cities are generally of low quality and that they conform to the Europe 2020 strategy poorly, but rather more to national guidelines defined by the Slovenian government [19]. New research on urban development sheds more light on the modern practices of cities (and of their government in local municipalities) in the context of entrepreneurship. After a profound comparative analysis covering 60 EU cities, it was noted that in the contemporary global economy, cities are essentially competing with each other in terms of attracting investments, businesses, inhabitants, tourists, as well as improving citizen satisfaction. Cities use different tools to compete: strategic planning, marketing strategies, or city branding, for example... "Our results confirm that the top cities are located in Northern Countries" [21].

The requirements of sustainability that are characteristic of all EU funded projects are extremely important in terms of community development due to the fact that through sustainability there is a guarantee that public money is spent towards a visible purpose. In this regard, interesting analysis has been conducted by Dobrovolskienė, Tvaronavičienė, and Tamošiūnienė [11]. On the other hand, the role of EU funds both in the public and private sectors in Lithuania is described elsewhere [23].

The role of municipalities in the field of waste management and related services and their implementation by different stakeholders are the subject of vivid scientific interest by different authors within the countries of the European Union. For instance, Chamizo-González, Cano-Montero, and Muñoz-Colomina [7] have explore the type of management and taxes in this field. After their comprehensive analysis they concluded that their results reveal, first, that the most widely-used solution at local government level is the easiest to apply—namely, a flat rate per household or a step-variable flat rate covering on average 59.03% of the cost (in 2012); and, second, that Madrid's waste stepflat rate cannot be considered a PAYT system, despite the fact that it covers up to 70% of the cost (in 2012) [7]. Another piece of research dedicated to the subject of the role of municipalities in the field of solid-waste recycling and the correspondence of practice to the guidelines of Europe 2020 has been developed by two Spanish authors. Expósito and Vlasko have explored, in depth, the experience of Spanish municipalities, and have provided on this basis a comprehensive regional efficiency analysis at the national level. In conclusion, the scholars claim that their results confirm that Catalonia, Navarre, and Madrid function as benchmark regions to be emulated by the remaining inefficient regions. The necessary regional investments and output projections to reach an efficient development of the recycling sector are also estimated. Additionally, it is found that per capita income and population density significantly explain differences in regional efficiencies [13].

On the other hand, different types of public institutions predetermine the role of the process of the implementation of EU funds. For instance, Higher Education Institutions, which also are potential beneficiaries under EU programs managed at the national level, are essentially placed under very different conditions than municipalities in their role as potential beneficiaries. Unlike municipalities, Higher Education Institutions are not direct beneficiaries of any operational programmes. More information on the role of Higher Education Institutions in the process of the implementation of EU funds has been developed by other scholars [3].

In summarizing the literature overview, it is clear that the role of modern municipalities is complex, dynamic, and difficult, and covers different aspects of modern life, including economic, social, culture, urban etc. Therefore, scientific interest is absolutely logical when taking into account the fact that local authorities are the closest public institutions to their citizens. In the present paper we will explore the role of Bulgarian municipalities as key stakeholders in the process of the implementation of EU funds at the national level, and their assessment of the central management of EU funds.

3. Methodology

For the purpose of our current research a special questionnaire was developed, devoted to the different aspects of the overall process of the implementation of EU funds and focused on the municipalities and their role as potential and direct beneficiaries of operational programs. The questionnaire included 35 questions, aiming to understand self-assessment from two sides. Firstly, from the perspective of the activities of concrete municipalities in the field of the preparation and implementation of EU projects; and secondly from the perspective of the assessment of representatives of the local authorities on the overall work of central administration in managing EU funds in Bulgaria. These two types of assessment are desperately needed, especially taking into consideration the final timing of project implementation during the current programming period (2014–2020).

The questionnaire developed consisted of 3 types of questions. The first type of question involved closed questions, where the respondents had to choose among different options of predefined answers. The second type of question was open, and respondents were asked to give their own original answers. The third and final type of question was designed using the rating scale, where the respondents were asked to evaluate, using the scale presented, different key elements of the overall project cycle – from the project preparation phase to the process of submission, evaluation, implementation, reporting and monitoring, final evaluation, and sustainability.

The questionnaire was sent to all 265 Bulgarian municipalities via e-mail in two major phases: the first period saw it distributed among big municipalities, which are also district centers and of which there are 27; and then in the second period it was distributed

to the remainder of all Bulgarian municipalities. In order to facilitate access to the questionnaire for the different representatives of the Bulgarian municipalities, as well as to simplify the process of its fulfillment, we used the online platform Google Forms.

Due to the specifics of the information provided by the questionnaire, as well as in order to ensure reliable and quality primary information, our respondents are anonymous. We collected information only on the name of the municipality and the role of the representative in terms of EU implementation projects. We have not yet noted the limitation of one municipality: only one answer was received, and therefore we have several municipalities where different experts have completed the questionnaire. For the purposes of this research, this fact only brings more clarity and gives more reliable information to the situation of the respective municipality in its specific role as a potential or direct beneficiary of EU funds through operational programs. On the other hand, despite targeting every Bulgarian municipality, we received 112 responses from 73 municipalities.

4. Results and Discussions

The profile of our respondents covers essential information such as sex, age, level of education, and their position within the municipality. In terms of sex, the demographics are clear – there is a dominance of female respondents, with almost 77% (76.7%) of respondents being female and 22.3% male (Figure 1). This finding in fact repeats the reality of Bulgarian administration, where the predominant number of employees are women.

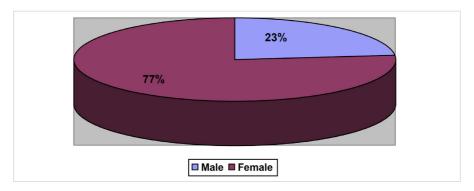


Figure 1. *Sex of respondents*

The second question concerning the profile of respondents is regarding their age. These results are presented in Figure 2. As can be seen from the figure, the majority of respondents are in the age group of between 41 and 50 years old. This fact could be considered as positive in terms of the level of experience of employees of municipalities, including in the field of project preparation and implementation. The next group according to their number consists of people aged 31–40, followed by the group of respondents aged 51–60. This finding again could be considered to be a strength of the municipalities – it

could ensure the succession between different generations of employees and the transfer of knowledge, specifically knowledge achieved on the basis of experience and sufficient practice in team work between different age groups. Young people in the local authorities among our respondents form a share of 12%. Therefore, our sample has representatives from all age groups – a prerequisite for the quality of the primary information collected from the survey.

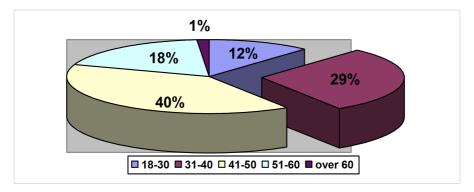


Figure 2. Respondents' ages

The next question on the profile of respondents is regarding their educational level. Our findings here categorically identify that all respondents have tertiary education, and one among the 112 respondents has a PhD degree. It is interesting to note that this holder of a PhD is a representative of a big municipality administration, in a district center with many universities.

The next question collected information on the positions of the respondents. These results are presented in Figure 3. For the specific purposes of our survey, we predefined four answers and the respondents were asked to choose which best represented their position in implementing EU funded projects from four options: Manager of the administration (i.e., the mayor and deputy mayors); EU Project Team Manager; EU Project Team Member; or Final beneficiary of EU funded project.

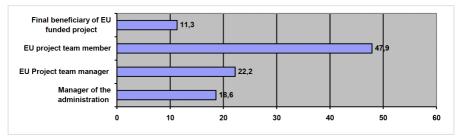


Figure 3. *Distribution of respondents according to their position* in the municipal administration, %

As can be seen from Figure 3, the largest share of respondents was formed by EU Project Team members – almost 50%, or one half of respondents – followed by the group of EU Project Team managers (22.2%). Our third most represented group of respondents are managers of the overall local authority, which means that 18.6% of the respondents are mayors or deputy mayors in the different types of municipalities. The smallest group includes respondents who are the final beneficiaries of the EU funded projects, and work in local administration. This group's size suggests the overall quality of the collected information and ensures its reliability. This structure to our respondents is absolutely sufficient in terms of their competence, experience, and position within municipalities.

The respondents were asked to compare the changes made by the managing authorities and National Coordination Unit within the Council of Ministers Administration, between the two programming periods of Bulgaria as a regular member state of the European Union. The results are presented in the Figure 4. The question through which we collected information on this topic was as follows: "According to your personal opinion, compared to the previous programming period, in general, the procedures related to preparation and monitoring processes are...." The respondents were again given predefined answers and the option to choose only one response among five different assessments (two positive, two negative, and one neutral). According a significant majority of our respondents, the changes between the two programming periods initiated by the central authorities are considered in a positive light. 38.6% of our respondents declared that the changes made by the managing authorities significantly improved upon the initial situation, and at the same time another 42.8% of respondents were positive but more moderate, claiming that there was an improvement but it could have been better. These findings reveal that, in total, 81.4% of respondents positively assessed the changes made by the managing authorities in the application and monitoring phase. For 14% of respondents there were no significant changes, and the remaining 4.5% of the total evaluated the changes negatively.

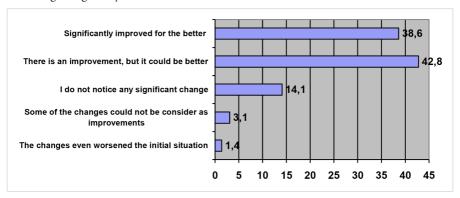


Figure 4. Assessments of the respondents on the changes made by Managing Authorities in the preparation and monitoring phases, %

This impressive support by the representatives of local authorities for the decisions of the central administration responsible for EU funds in Bulgaria is, in fact, mainly due to the electronic procedures for project application submission, as well as monitoring reports introduced with the beginning of this programming period by the Central Coordination Unit within the Council of Ministers' administration. The Unified Managing Information System (UMIS) operates at the national level, and this programming period was developed through new functionalities so that we now have electronic procedures for the submission of project application forms and the monitoring of the funded project. These huge changes, especially in comparison to the previous programming period, were accepted with enthusiasm by all types of beneficiaries, including enterprises, non-governmental organizations, and different types of public institutions which are potential beneficiaries. On the other hand, the municipalities, which are some of the biggest beneficiaries including of big (over €50 million) infrastructure projects, for instance in the field of the environment (for different types of waste infrastructure etc.), have enormous documentation for reporting that has to be included in one interim request for payment sent to the Managing Authority of the responding programmes. If we imagine the very real situation that one municipality can be a beneficiary of three or four projects at the same time under different operational programmes, then the volume of documentation that has to be sent to the Managing Authorities accumulates drastically. Here we do not even consider the situation that each Managing Authority could ask for the same type of document. All of these problems have, in fact, been overcome by the usage of the new functionalities of the UMIS 2020. They are undoubtedly in favor of the beneficiaries, but are also in favor of the Managing Authorities and audit institutions as well.

These conclusions are supported by the answers received to the special questions dedicated to the new functionalities of UMIS 2020. All of the respondents were asked to evaluate the new functionalities of UMIS with the following question: "Do you think that the electronic submission of project proposal launched, as well as the electronic monitoring of an implemented project, support the preparation and project implementation processes?" Evaluation was executed through a ranking system from 1 to 7, where 1 indicated a "very slight benefit" and 7 a "very strong benefit." The results are visualized in Figure 5, and form a very clear evaluation of the municipalities as beneficiaries of EU funded projects. As we can see from the data, approximately half of the respondents (almost 51%) indisputably evaluated the new functionalities of the system with the highest score. This result could be considered, with great confidence, to indicate that these changes are broadly accepted by the experts of the municipalities responsible for the preparation and implementation of EU funded projects.

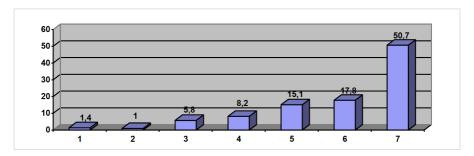


Figure 5. Results of the evaluation of the new functionalities of the UMIS 2020 (1 to 7), %

The next assessment asked the representatives of municipalities the following question: "According to your personal opinion, what would be the effect of shortening the deadlines for the evaluation and approval of project proposals?" Again, the respondents were asked to evaluate this effect through the 7-degree scale, where 7 indicated a "very strong effect."

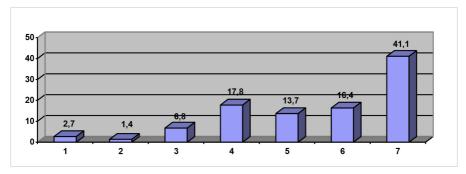


Figure 6. Results of the evaluation of potential shortening of the deadlines for the evaluation and approval of project proposals (1 to 7), %

Our results (Figure 6) again indicate positive assessments – 41% of our respondents evaluated the potential effect from the shortening of deadlines in the procedures of evaluation and approval of project proposals from the Managing Authorities as potentially having a very strongly positive effect for beneficiaries. In fact, the relatively long deadlines for approval are one of the most common criticisms from enterprises aimed at the work of the Managing Authorities. This is logical, having in mind the strong competition and the speed of business, for instance in an open call for innovations in a project proposal. As far as the municipalities are concerned, we can again see their opinion on the potential effect of shortening the timing for project proposal approval.

The next question for which evaluation was requested through the same system is the following: "According to your personal opinion, what would be the effect on beneficiaries if the requirements of all operational programmes were standardized?"

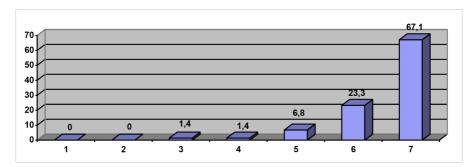


Figure 7. Results of the evaluation of the potential standardization of all requirements on beneficiaries from Managing Authorities (1 to 7), %

The results in Figure 7 show the most categorically expressed opinion on the potential for eventual change thus far. One frequent criticism during the previous programming period was connected to the fact that each Managing Authority has its own procedures, rules, and requirements of the beneficiaries that can differ drastically from one to the other. In practice, this leads to confusion among beneficiaries that have many projects under different operational programmes (and all municipalities are guilty of this), resulting in the making of frequent mistakes due primarily to these different rules.

The next possible change put to our respondents for evaluation was the following question: "In your personal opinion, what would be the effect if the amount of advance payment to municipalities was further increased?"

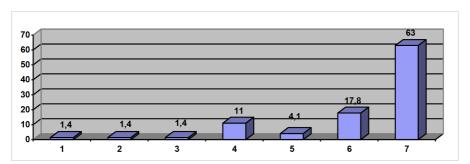


Figure 8. Results of the evaluation of a potential increase in the amount of advance payment for municipalities (1 to 7), %

The support expressed in the assessment scores is again very clear – the representatives of municipalities that responded to the questionnaire found this eventual change to be very positive (Figure 8). In fact, in the previous programming period this was one of the most common recommendations to the Managing Authorities. The problem usually arises for big infrastructure projects, where the necessity of operational financial resource is strongest. Now, however, the municipalities already have good experiences of and collaboration with the FLAG fund, which is designed especially for the needs of local governments and local authorities.

The next evaluation was again connected to payments, but this time it concerned the final payment. The respondents were asked to evaluate the effect of reducing the time for final payment. The question was phrased: "According to your personal opinion, what would be the effect if the deadline for the final payment was reduced to 30 calendar days?"

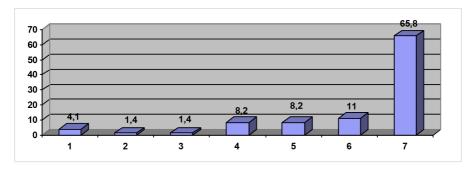


Figure 9. Results of the evaluation of reducing the potential time of the final payment (1 to 7), %

This potential measure in the vein of supporting beneficiaries is commented on and offered by all types of beneficiaries – they share the same opinion on the deadlines needed by the Managing Authorities to make final decisions on the concrete project and to proceed to the final payment (Figure 9). It is common practice by all Managing Authorities, in order to ensure and to secure public resources, to unnecessarily complicate the procedures that lead to the final payment. Therefore, a reasonable solution that is accepted by both sides has to be developed. For instance, for problematic projects the overall final procedure should be absolutely obligatory, and for the rests of the projects – another principle should be developed that guarantees the required level of risk.

The next evaluation is on the very sensitive subject of the implementation of Public Procurement legislation as the major tool for spending public money by different types of public authorities and institutions. One of the major burdens related to the delays, and often to the impossibility of executing some of the initial planned project activities, is the difficulty of the procedures of the Public Procurement Law. Over the years there have been different changes to the Bulgarian Public Procurement Law, but in fact these changes have not led to better procedures and implementations. The question that was

posed for evaluation by our respondents was: "According to your personal opinion, what would be the effect of improving the procedures under Public Procurement Law?" The results of this evaluation are presented in Figure 10.

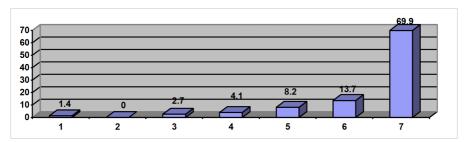


Figure 10. Results of the evaluation of potential improvements to the procedures of Public Procurement Law (1 to 7), %

During the previous programming period, and indeed during the current one, the municipalities have rich experiences in the different procedures under Public Procurement Law. Some of the Managing Authorities execute ex-ante control of the overall documentation of concrete procedures prepared by beneficiaries, but there are two absolutely opposite opinions on this practice. From one side, ex-ante control is perceived as some kind of initial insurance on the public procurement procedure. From the other side, ex-ante control usually takes extra time than the beneficiary has planned. Perhaps the most common criticism of ex-ante control is the fact that there is no shared responsibility. Once one procedure has approval from the Managing Authority's ex-ante control, there is no guarantee that any of the responsible audit institutions impose financial corrections due to imperfections in the same procedure that has passed the ex-ante control of the Managing Authorities. Therefore, this impressive level of approval of the potential improvements to the Public Procurement Law is no surprise.

The final evaluation of potential change is connected to the major subject of sustainability, which is another field in the process of implementing EU funds on which Managing Authorities have differing interpretations. The question used to collect the distributions of opinions is the following: "In your personal opinion, what would be the effect if the institutions responsible for the control of the sustainability of the projects unified their requirements?" The results achieved from this question are presented in Figure 11, and reveal the most categorically clear picture made across all of the evaluations.

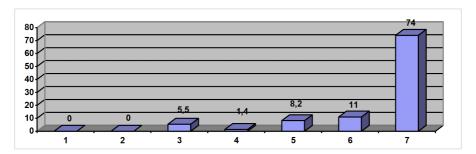


Figure 11. Results of the evaluation of the potential unification of the requirements of all controlling institutions in terms of sustainability (1 to 7), %

In comparing all of the evaluations, the results categorically indicate that, according to the representatives of the municipalities, the most desirable change is the unification of sustainability requirements. This finding in fact corresponds to the recent practice and financial corrections of the projects of the municipalities that have already been implemented which, however, fail on the issue of sustainability. One of the possible solutions here is connected to the centralized guidelines approved by the deputy-ministers of the EU funds in Bulgaria, which are compulsory for all institutions at the national level. These guidelines have to be in accordance with the European and national legislation in the field, and approved by the majority of stakeholders in a broad public discussion.

5. Conclusion

Local municipalities and local governments have key roles in the overall process of programs for the implementation of EU funds at the national level. Their opinions are very important as they already have rich experiences, and lessons have to be learnt in order to improve the environment, applicable legislation, and procedures.

The findings from our research indicate that the representatives of municipalities have very clear understandings of the specific requirements that have to be achieved in preparing, implementing, and reporting a project financed by the European Structural and Investment funds. However, there must be an intersection between the requirements of the Managing Authorities in terms of securing the legitimacy of every public euro spent on a project, and the proposals of municipalities as one of the major players in the field of EU funded projects at the national level. Representatives of the different municipalities declare their clear appreciation for the changes that have already been made to procedures, especially those on e-project submission and e-monitoring. On the other hand, they also point out the need for significant improvement in terms of clarifying unified practice on the sustainability of projects, and the specific requirements therein for beneficiaries.

The present research is an attempt to collect, analyze, and offer the opinions of representatives of municipalities on changes that have the potential to drastically improve the overall national system of the management of EU funds.

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