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This is not my first visit to Bulgaria. I was coming often as Commissioner. Over last year, I had several meetings in Brussels with Minister Donchev. Minister Plewnelijew presented to the Regional Development Committee of the European Parliament the situation in Bulgaria with regard to the implementation of European regional policy in your country.

Bulgaria needs growth and you must grow faster than others because you must catch up. To have growth, you need investment and investment must be financed. Your domestic savings are scarce. Your national budget is in relatively better situation on deficit and debt compared to many other Member States but it is a small budget, with limited capacity to finance public investment. Private investment is limited because banking sector is relatively reluctant to provide credits and loans, especially for SMEs. Without doubt, you must make yourself attractive to foreign capital. The reforms are necessary. Coordination and verification mechanism reports of the European Commission show how much remains to be done in the field of judiciary sector with regard to its enforcement capacities. Like in many new Member States, structural reforms (e.g. health) are crucial. Also the regulatory regime for SMEs must be improved.

You are attractive for investors. You have still low labour costs and you offer other low costs, including office space or tax rate. But those comparative advantages related to generally low costs will be exhausted very quickly,

investment in factors of growth based on productivity and innovation is needed. And I am fully aware of your infrastructure challenge. No investor would go to a city or a region in need of investment if there is no decent road or rail.

We are approaching the moment when negotiation of the next Multiannual Financial Framework will begin. By summer European Commission's proposal of the next 7-year budget, and the package of new regulations for cohesion policy will be put on the table. It is important for you to use this period of discussion not only to participate in it but to have impact on decisions and also to better understand your specific situation. It is worth looking at where changes proposed by the European Commission will take us and then start preparing for the next edition of European regional policy.

What is clear is that we will have regional policy focused on objectives of EU 2020 strategy, with limited number of priorities, with concentration on selected areas. It will require from you a lot of strategic choices. And now it is the time to think of these choices. You will negotiate with the Commission a kind of contract in which Bulgarian government will agree with the European Commission on priority areas. Also conditions that will have to be met will be identified. This requires good preparation of strategies in all areas of interest for Bulgaria.

European regional policy is just an opportunity. It must be better used. It can help, but of course major responsibility is with you. I would like to encourage you to look at the experience of other governments as well as other regions and cities. Not only how they use funds, but how they organise their development, build strategies, how they prepare to next period of funding.

Focus should be put on modernisation of Bulgarian economy. Now your productivity is below EU average and there is no reason to keep it like this. You must improve your competitiveness and you must start it now.

Learning from others is an art. It is not about doing the same, but doing better. We, in Poland have decentralized state back in 1990, when our transition to democracy and market economy had begun. And it was the most important reform of democratic Poland. But real decentralisation and empowerment of local and regional level of governance occurred in 2004 when we joined the European Union. Municipalities and regions started to benefit from EU regional policy. This has given the regions and municipalities of Poland comfort of ownership and feeling of responsibility, and a real chance to invest and grow.

Today in Europe two thirds of public investment is decided and implemented at local and regional level. It is an opportunity to take into account local and regional specificity when creating jobs and mobilising growth potential. Capacities in municipalities must be built in a systemic way. It is crucial for next period when their role in generating development in Bulgaria will grow.

European experience shows that local and regional level interventions are decisive for dynamism and change, productivity creativity and innovation, job creation and effectiveness, bringing different actors together. Citizens expect from authorities around the corner effective local actions in response to their concerns. This will be growing in importance in the future.

Public administration must be protected from political change. It is crucial for efficiency and effectiveness of Bulgaria's membership in the European Union. It is not only about using structural funds, it is about your participation in all European policies and decision making.

Across European Union, political organisation of states is different. We have federal states, decentralised, regionalised or centralised. Also in the European regional policy management systems have national specificities, within legally binding European framework imposed by regulations. In any case, coordination at national level is fundamental. European Commission needs one partner. There should be the right balance between hard coordination and soft coordination through guidelines ensuring stability and uniformity. But

institutional capacity is not one off investment. It can deteriorate, it has to be under continuous surveillance. It can evolve. You can create institutions to implement policy in some areas and have to replace them with others, if they do not deliver. But minimum stability and indentifying weak elements is essential. In this context let me say that it is very useful, for example, to develop capacity to help municipalities to prepare projects for the future. You can do it now using the current available funding.

Across Europe, there are also differences in the way public finances are organised, especially with regard to the relations between competencies and finances of local level. It influences capacity to use European funding. Let me also comment on public procurement through which most of the funding is channelled to the economy. Even when transposition of European directives into the national legal framework is formally correct, there can be procedures which make its enforcement cumbersome and lengthy. Look into experience of others. Now is the time to adjust the public procurement system if you want that it functions better in the future.

To have enough projects in pipeline is also important. Even if you are perfect there will be always moments when some projects will fail and an urgent need to replace them with those not affected by irregularities will emerge. So pipeline should be much bigger than funding capacity.

I know that absorbing structural funds presents a challenge. I know that huge efforts are taken by Minister Donchev and his colleagues. Getting ready for the future is crucial. So it is indeed essential to look now at areas of major importance for your modernisation, prepare strategies and policy papers with action plans for all areas of importance. Infrastructure is an obvious priority. But also energy efficiency and renewable energy strategy must be prepared. Bulgaria's strategic capacity in research must be improved. Setting up competence centres, strengthening universities and investing more in their links with enterprises is a must.

Financial management is always an issue, so it is essential to avoid different interpretations, prepare guidelines and ensure coordination mechanisms. You should keep system as simple as possible.

To build a competitive economy increasing productivity is a must. Introducing structural reforms involving all levels of governance, using the potential of every municipality will make Bulgaria's economy stronger and expand its growth base.

There are many deeply rooted problems in Brussels economy, some of them can be tackled at national level and some require involvement of local and regional authorities and partners.

Municipalities have to think now what are they priorities for future, what big projects should be planned and start to prepare them now. It is useful to go around, learn good practices from others across all Europe, but not only on general management. Get acquainted with concrete schemes and solutions. Start your pilot projects. In addition, you have other International Financial Institutions that can help on your territory. You should coordinate them and use synergies between different types of assistance they offer.

There is no reason to be slow. When decisions are made at a too high level, it slows processes but when you decentralise decision making, prepare guidelines for all to be respected. Then you can move faster.

And, please do not see Europe as a source of funding of your investment plans only. Europe can be a major source of modernisation of your economy and society through all its policies. Be present in Europe.