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Five years of Bulgaria's membership into the European Union – the slow absorption of EU funds slackens Bulgaria's europeanization

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The report is an excerpt from the author's latest book „Bulgaria and the Balkans at the beginning of XXst century. On the road of the Europeanization”.

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1 What is the amount of financial assistance provided to Bulgaria for the initial seven years of its membership into the European Union?

One of the serious advantages of Bulgaria's accession into the European Union (EU) is the opportunity to use the resources of EU Funds. In the Accession Treaty signed in April 2005 there was laid down the total amount of available funds and their distribution for the separate sectors in the first three years of Bulgaria's membership. The main contribution was comprised of the aid provided by the Structural Funds worth €2.3 bln (Article 33). The Structural Funds are the primary funding source for promoting the EU regional policy whose principal aim is the economic and social cohesion among the member states.

The Structural Funds consist of three major channels: the European Regional Development Fund (ERDF) supporting the implementation of infrastructure projects and providing assistance to SMEs; the European Social Fund (ESF) focusing on employment and education; the Cohesion Fund (CF) financing activities in the fields of environment and infrastructure. The European Territorial Cooperation (ETC) belongs to the above group as well, providing for cross-border and other related projects.

Part of the EU financial aid granted to Bulgaria is designed to boost the development and reforms in agriculture. To that end, a total of €1 552 mln (Article 34) is allocated by the European Agricultural Fund for Rural Development (EAFRD) for the period 2007-2013. Pursuant to Article 32 of the Accession Treaty Bulgaria is entitled to get €239 mln for funding the measures taken by its government for improving border security in its efforts to prepare the country for its future entry into the Schengen Area. A certain sum of money in this appropriation is intended to act as a buffer for Bulgaria's balance of payments. The EU also has pledged financial compensation for the premature decommissioning of the first four units of Kozloduy nuclear power plant amounting to €210 mln within 2007-2009 (Article 30). Furthermore, Bulgaria, along with Romania, has received €82 mln for raising the administrative and judicial capacity with a view to better implementing the Acquis (Article 31).

The financial assistance promised to Bulgaria for the initial three years of its EU membership amounted to over €4.2 bln in total.² In addition, the country could rely on the funds that remained unutilized till 2007 under the three pre-accession financial instruments – PHARE (providing assistance for restructuring the economies of the applicant countries), SAPARD (supporting the applicant countries in their rural and agricultural development) and ISPA (covering the pre-accession structural policy in the environment and transport fields). The overall amount of those funds was around €1.5 bln.³ For the specified period of three years following its entry into the EU Bulgaria was granted resources by the EU Funds and pre-accession instruments, as well as through other channels, such as bilateral agreements with Member states, totaling to around €6 bln.

When the country acceded to the EU in 2007 the 2007-2013 financial framework was already endorsed by the Union. The key share in the funds provided to Bulgaria represents the assistance intended for structural measures (raising economic competitiveness, developing human resources, expanding and upgrading infrastructure, promoting regional development). More than half of the 2007-2013 EU funding for Bulgaria has come from the Structural Funds, while the overall assistance set in the financial framework is €6.8 bln. (See Table №1)

Table 1. Financial assistance provided to Bulgaria by the EU Structural Funds 2007-2013

Fund	Budget (€bln)	Share (%)
European Regional Development Fund	3.205	46.8
Cohesion Fund	2.283	33.3
European Social Fund	1.186	17.3
European Territorial Cooperation	0.179	2.6
Total	6.853	100.0

Source: Financial allocations 2007 – 2013, European Union Regional policy, EU Assistance to South-eastern Europe new Member states and Candidate Countries, Cohesion Policy 2007 – 2013, Commission of the European Communities, Regional policy – Inforegio, 2006.

Apart from the Structural Funds the country has benefited greatly from other funds and programmes. The largest amount of €2.7 bln has been given for agriculture and rural

² See: Treaty between the member states of the European Union and The Republic of Bulgaria and Romania concerning the Accession of the Republic of Bulgaria and Romania to the European Union, Official Journal of the European Union, 21. 6. 2005.

³ Author's calculations on the basis of data published by the Ministry of Finance of the Republic of Bulgaria, 2011.

development. Additionally, there has been provided assistance for cross-border cooperation (€480 mln), recompense for the shut-down of third and fourth units of Kozloduy NPP (€210 mln paid in 2007-2009 later followed by another €300 mln promised to be paid in 2010), financial aid for Bulgaria's preparation to join the Schengen Area (the so-called Schengen Facility which accounted for €130 mln), support for fisheries and agriculture (€104 mln), funding by the three pre-accession instruments (PHARE, SAPARD and ISPA), assistance granted on a bilateral basis by other Member states, etc.

Thus, in its capacity as a Member state Bulgaria has found itself with the opportunity to utilize over the 2007-2013 period outside financial resources estimated at around €13 bln. It makes approximately €1.8 bln per year on average which is equivalent to more than 6% of the national GDP.⁴ The EU funding is considerably bigger compared to its amount in the time prior to the country's accession into the Union when it already started displaying a trend of gradual increase. On an annual basis it jumped from €100-150 mln in the '90s to €500 mln in the period preceding Bulgaria's membership when it reached 2% of the GDP.⁵

2 What were the reasons for the slow absorption of the EU Funds?

One of the major issues Bulgaria was confronted with after its accession to the EU was the rate of absorption of the financial assistance provided through the funds and programmes of the Union. As a matter of fact, that problem existed before its real membership and was manifested in the low degree of utilization under the pre-accession instruments – PHARE, ISPA and SAPARD. By 2007 the absorption of funds reached relatively the highest rate with respect to SAPARD. Bulgaria managed to spend €393.7 mln of the available 869.9 mln, or 45.3%. As to ISPA, the utilized amount was €222.5 mln out of a total of 1 496 mln, or around 15%. The least effectively absorbed funds were those provided under PHARE. In the period between 2003 and 2006 the EU granted over €681 mln but the country succeeded in spending a little more than 64 mln which is barely 9.4%. Through the three pre-accession programmes in all, it reached an absorption rate of 22.3%, or translated into figures – just €680 mln out of an available pool of €3.05 bln.⁶ The funds that hadn't been put into use,

⁴ Author's assessment according to the value of Bulgaria's GDP in 2007.

⁵ EU - Bulgaria relations, Financial assistance, European Commission. Enlargement

⁶ Author's assessment on the basis of data published by the Ministry of Finance of the Republic of Bulgaria, 2011.

fortunately, were not irrevocably lost since Bulgaria was allowed, after its joining the EU, to continue spending them up to a specified point in time (2009-2010).

As an EU member state the country had to absorb significantly larger financial resources coming from the outside. The difficulties in this respect proved rather tough mainly due to the delay in building up administrative capacity and in creating a mechanism for utilization of the assistance provided through the EU Structural Funds. What aggravated the process further were the cases of fraud and abuse of EU funds. They occurred despite the Mechanism for Cooperation and Verification (MCV) for both Bulgaria and Romania introduced by the European Commission (EC) at the end of 2006 with the aim to speed up the reforms in some lagging areas such as the judicial system and the fight against corruption and organized crime. It was the first time a mechanism of this kind was applied to a newly joined EU member state.

The year when Bulgaria became an EU member state, the government along with experts from the EC drew up various programmes to deal with the absorption of EU funds all the way to 2013. The central role was assigned to seven Operational Programmes distributing the EU Structural Funds. They have a total budget of a bit over €8 bln and focus on the following fields: transport, environment, regional development, human resources, competitiveness, administrative capacity and technical assistance. The financial contribution provided by the EU funds is €6.65 bln and accounts for 83.2% of the overall amount, whereas the remaining part of around €1.5 bln should be covered by the state budget.

Operational Programme “Transport” has a budget of €2 bln, out of which the EU grants €1.6 bln, or 81% of its financial capacity. The Programme is pivotal for the expansion and upgrading of the national transport infrastructure, including the funding of the construction of Trakia, Maritza, Struma, Hemus and Lyulin motorways, all of them being part of the pan-European transport corridors traversing Bulgaria. Operational Programme “Environment” has at its disposal €1.8 bln, 81.4% or €1.46 bln of which is provided by the EU. The budget of Operational Programme “Regional Development” is €1.6 bln with an 85% - 15% split in the funding between the EU and Bulgaria. Operational Programme “Development of the Competitiveness of the Bulgarian Economy” whose purpose is to advance the implementation of the national strategic priorities can rely on a total of €1.162 bln, out of which nearly €1 bln (85%) is provided through ERDF. Operational Programme “Human Resources Development” has a

financial capacity of €1.2 bln as €1.03 bln (85) is secured by the EU funds. A rather limited budget is allocated to Operational Programme “Administrative Capacity” - €180.8 mln with a contribution by the EU of €43.8 mln (81.4%).⁷

In 2007 there were established other programmes for the absorption of EU funds as well. The largest programme from a financial point of view is the one dedicated to the rural development, naturally taking over the baton from SAPARD. Its budget is calculated to be €3 385.4 bln, of which the EU's payments account for €2.7 bln, or 80.4%. The additional programmes playing a significant part are those promoting cross-border cooperation (across the EU's internal and external borders, in the Black Sea basin, in South-Eastern Europe, transnational and inter-regional cooperation, etc.). Within this category the biggest budget is allotted to the programmes for cross-border cooperation with Bulgaria's neighbouring countries. It is over €480 mln and 80% of the resources come from the EU funds. There were drawn up “indicative annual work programmes” for the absorption of the assistance under the Schengen Facility which amounts to a total of almost €130 mln and is entirely provided by the EU. The Operational Programme for fisheries and aquacultures has a financial capacity of €106.7 mln with a contribution by the European Fisheries Fund of €80 mln.⁸

By and large, the compiling of the Operational Programmes was complete at the end of 2007. They came to life in collaboration with the EC which gave its in-principle approval, yet their real launch needed the positive compliance assessment. The procedure started in 2008 and ended as late as February 2010. The delay was due to Bulgaria's failing to fulfill the necessary conditions on time thus leaving the EC no choice but to require “additional tuning” of the programmes. It turned out that more than three years after its entry into the EU Bulgaria could not actually make any use of the larger part of funds available through the Operational Programmes. By the time they were officially approved their implementation was carried out mainly via preliminary payments remitted from the EU funds and the state budget.

A number of difficulties were faced in the absorption of unused funds under the pre-accession instruments. As a consequence of the persistent irregularities revealed during the contracting and implementing of the Operation Programmes, the EC

⁷ Bulgaria and the European Union. Structural Funds, Integrated information portal, Ministry of Finance of the Republic of Bulgaria, 2011.

⁸ Author's calculations on the basis of data published by the Ministry of Finance of the Republic of Bulgaria, 2011.

imposed sanctions on Bulgaria leading to the suspension of project funding in various areas. The first instance indicating a risk of that kind occurred in the autumn of 2007 when the EC warned the country that because of the delay in establishing an integrated nation-wide system for management and control of direct payments to farmers, it would cut down by 25% the annual appropriation in this field which was €250 mln. The Bulgarian government duly took the necessary measures and avoided penalty action.

Yet, in 2008 the initial sanctions imposed on Bulgaria by the EC became fact. Following the discovery of the abusive practices performed by the National Infrastructure Fund management the EC notified the government in January 2008 that it would suspend funding under ISPA for projects worth €144 mln.⁹ In February the Commission stated that it suspended the right of two National Paying Agencies to fund projects under PHARE worth approximately €50 mln.¹⁰ At the beginning of March the same year the implementation of three projects under SAPARD was put on hold, including projects for €145-150 mln.¹¹ Later the sanctions were further tightened.

The investigation of the misuse of the pre-accessions instruments was taken over by the European Anti-Fraud Office (OLAF) which published its findings with respect to the utilization of SAPARD funds. It was said in the report that within the ranks of the Bulgarian government and state institutions there were influential factors not interested in the indictment of persons investigated for committing embezzlement of EU funds.¹² The same year OLAF inspected the absorption of PHARE funds and concluded that there were present "fundamental deficiencies in Bulgaria's administrative and judicial capacity".¹³ An unprecedented measure ever taken by the EU was the introduction in the country in June 2008 of the LOTHAR system designed to control and manage the resources distributed in the Operational Programmes through the EU Structural and Cohesion Funds.

The suspension of the financial assistance for a series of projects under PHARE, SAPARD and ISPA was in tune with the judgments in the annual reports issued by the

⁹ Mediapool.bg, 25.01.2008.

¹⁰ News.bg, 29.02.2008.

¹¹ Focus Information Agency, 7.03.2008.

¹² European Commission, European Anti-Fraud Office (OLAF), Report, 0072190a0708.

¹³ Report by the Commission to the European Parliament and the Council On the Management of the EU Funds in Bulgaria, Commission of the European Communities, Brussels, 23.7.2008, COM (2008) 496, p. 8.

EC as part of the MCV highlighting the sluggish reforms in the judicial system and the modest results in the fight against corruption and organized crime, especially among the senior ranks of state administration. The crunch time for the EU funds absorption was in 2007-2009 when Bulgaria succeeded in utilizing a very limited portion of the available financial resources. The Operational Programmes were still pending for approval and as a result of the sanctions imposed by the EC a chunk of the pre-accession funding worth around €1 bln was temporarily blocked.

The report issued by the EC within the MCV in the summer of 2008 pointed out that “Bulgaria was not able to prove that its judicial system works efficiently...Institutions and procedures look well on paper but don’t deliver any practical results...The key problems are still vibrant and require urgent solutions...There should be developed a clear strategy and maintained a steadfast commitment on all levels to the reformation of the system”.¹⁴ The unfavourable EU funds absorption record during the initial period of Bulgaria’s membership made the EC write up a special report on the EU funds management. It was published in July 2008 along with the Regular Report on Bulgaria’s progress in the fields reviewed under the MCV. Its conclusion was that the country was not capable of making the most of the EU financial assistance due to “critical shortcomings in the administrative and judicial systems at local, regional and state level...A serious challenge is the lack of liability and transparency in public procurement procedures for the absorption of EU funds...The degree of corruption and organized crime is running high”. As a result the government was prompted to apply “urgent measures” in the specified areas.¹⁵

The sanctions on Bulgaria provoked by its failure to curb corruption and misuse of EU funds escalated into a decision made by the EC in November 2008 on irrevocably withdrawing €220 mln under PHARE.¹⁶ In this way the Bulgarian authorities were temporarily deprived of and eventually lost financial resources badly needed for the national economic development. Although that chunk of blocked EU funding was covered with money from the state budget, the negative effect actually reverberated across the board. It was most acutely felt in the transport infrastructure as the implementation of key projects were halted, one of them being the construction of

¹⁴ Report by the Commission to the European Parliament and the Council on progress in Bulgaria under the Co-operation and Verification Mechanism, 23/7/2008, COM (2008)495.

¹⁵ Report by the Commission to the European Parliament and the Council on the Management of the EU Funds in Bulgaria, Commission of the European Communities, Brussels, 23.7.2008, COM (2008) 496.

¹⁶ BGNES.com, 25.11.2008.

Lyulin motorway. The agricultural sector sustained considerable losses inevitably stirring up protests over unpaid state subsidies among grain producers, stock breeders and dairy farmers.

Following the criticisms by the EC and especially the suspension of EU funds allotted to Bulgaria, the government undertook action for intensifying the fight against corruption and organized crime. At the beginning of 2008 the State Agency for National Security (SANS) started its work. Specialised units to the National Prosecutor's office were established and a number of amendments to the Ministry of Interior Act were adopted with the sole purpose of boosting the efficiency of the Ministry. In April a minister holding a Deputy Prime Minister title was appointed to closely manage the absorption of EU funds.

At the same time high-ranking officials at different Bulgarian institutions tried to justify the shortcomings in the absorption process and the retarded reforms in the judiciary and the other vulnerable areas. In an interview with the *Financial Times* the then Prime Minister Sergei Stanishev stated that the country is "still a young democracy which needs time to introduce the European standards".¹⁷ Striving to improve the situation, in March 2009 Stanishev suggested an uncommon measure – the appointment at the Bulgarian state administration of EC civil servants and diplomats from other EU member states who should, in addition to the existing MCV, assist the cabinet in observing the rule of law and managing the EU funds, as well as supporting the work of the national courts, Prosecutor's office and investigation authorities. The suggestion qualified by the *Economist* as "new colonialism" was downright rejected by EC President Barroso who argued that no parallel structures to the present monitoring mechanism were to be created.¹⁸

The consequence of the encountered difficulties in utilizing the EU funds during the first year of Bulgaria's membership (2007) was that it spent just around €250 mln of the available financial assistance.¹⁹ The amount was comprised mainly of pre-accession funding and the compensation for the premature shut-down of the third and fourth units of Kozloduy NPP. There were in fact no funds whatsoever benefited under the Operational Programmes, hence the paradoxical situation which came to the fore – in

¹⁷ The Financial Times, July 9, 2008.

¹⁸ The Economist, March 19, 2009.

¹⁹ Author's calculations on the basis of data published by the Ministry of Finance of the Republic of Bulgaria, 2008.

2007 Bulgaria managed to use less of the pre and post-accession EU financial instruments than the amount it paid as an EU membership contribution which was €304.5 mln.²⁰

Slight progress in this respect was achieved in 2008. Despite the imposed sanctions by the EC the country succeeded in somewhat increasing the absorption rate under PHARE, SAPARD and ISPA (around €330 mln). The Operational Programmes, however, didn't move up a notch. The resources provided till the end of the same year through the EU Structural Funds were nearly €370 mln but the utilized amount was just €18.8 mln, which accounts for a meager 5%. It represented a negligible share of the total budget of those funds (less than 0.1%). All in all, in 2008 the country absorbed roughly €500 mln via all available EU financial instruments.²¹ Juxtaposed against the membership contribution of €337.5 mln²² paid that year the calculation shows that Bulgaria got a net financial benefit from using the EU assistance worth a little more than €160 mln.

3 Has any change occurred in the absorption rate of EU funds during the rule of the current Bulgarian government?

The parliamentary election held in July 2009 brought to power a new government in Bulgaria headed by Boyko Borissov as Prime Minister. It tipped itself as the government of the European development of the country and declared as one of the top priorities in its political agenda the increasing of EU funds absorption rate.²³ Three new public administrative structures were created to that end. The central place is assigned to the EU Funds Management Council comprised of a total of nine ministers, including the Deputy Prime Minister and Minister of Finance Simeon Diankov. Its function is to coordinate the measures dealing with the government's policies conducted in the key areas which attract EU funding. A special unit to the Minister of Justice was set up with the aim to supervise the implementation of the EC's recommendations regarding the judicial reform. The third newly established body was an agency designed to oversee the EU funded projects.²⁴

²⁰ Law on the State Budget for 2007, State Gazette, № 108, 29.12.2006.

²¹ Author's calculations on the basis of data published by the Ministry of Finance of the Republic of Bulgaria, 2009.

²² Law on the State Budget for 2008, State Gazette, № 113, 29.12.2007.

²³ Focus Information Agency, 27.07.2009.

²⁴ News.bg, 13.08.2009.

The firm resolve expressed by the new Bulgarian government to boost the absorption of EU funds and to combat corruption and misuse in that field received President Barroso's response that "Bulgaria will be given a credit of confidence and a fixed period of six months to comply with all recommendations put forth in the last report on justice and home affairs at the same time applying zero tolerance to corruption".²⁵ Apart from that, the EC partially removed the suspension over SAPARD, lifted some restrictions on direct payment subsidies for the Bulgarian farmers and extended by an year the activity period of ISPA (by the end of 2010) provided that the government fulfils the commitments detailed in a special action plan. The Commission also approved the country's request for additional financial aid of €300 mln as compensation for the shut-down of two units of Kozloduy NPP.²⁶

In spite of those moves on the part of the EC the new Bulgarian government proved incapable of reaching a turning point in the absorption of EU funds. It's a fact that in the first year and a half the upward trend in utilizing the EU resources kept going but the genuine progress was comparatively slow and gradually lost rhythm. In August-September 2009 the EC refrained from rendering a positive compliance assessment for the Operational Programmes. The reasons behind it were the unresolved issues in developing a central database system for management and oversight of EU funded projects.

In 2009 Bulgaria was able to absorb a bigger chunk of the pre-accession funding. It was around €410 mln as the increased rate was mainly due to payments remitted under ISPA, which exceeded those made in 2007 and 2008 taken together, and especially due to PHARE payments which actually tripled. There was also headway in utilizing the budgets allotted to the seven Operational Programmes. Until the end of 2009 the payments through the EU Structural Funds were €634.9 mln, with a share of €174.3 mln, or 27.4%, actually used up. The absorption rate of the available funds under the Programmes, however, hardly reached 2.6%.²⁷

By and large, together with the resources provided by the other EU instruments and the compensation for the premature decommissioning of third and fourth units of Kozloduy NPP, in 2009 Bulgaria managed to utilize a total of €800 mln which represented an

²⁵ Mediapool.bg, 20.08.2009.

²⁶ Dnevnik, 29.10.2009.

²⁷ Author's calculations on the basis of data in: Bulgaria and the European Union. Structural Funds, Integrated information portal, Ministry of Finance of the Republic of Bulgaria, 2010.

increase by one-third in comparison with 2008.²⁸ The improved performance was thanks to the measures taken by both the current and former governments, as well as the gradual lifting of sanctions imposed by the EC on the pre-accession financial aid.

In the reports issued by the Commission within the MCV it highly welcomed the raised volume of absorbed EU funds but at the same time criticized extensively the insufficient results from the fight against corruption and fraudulent practices. As many as 21 recommendations for reform were made to the Bulgarian authorities in the July 2009 report, with the more crucial being: the development of an integrated anti-corruption and organized crime strategy, establishment of specialized prosecution units, speeding up of prosecution for corruption committed by persons holding senior governmental positions or representing the underground, enhancing of the functional and political independence of the judiciary, efficient enforcement of the new legislation in cases of conflict of interest, introduction of an effective system for forfeiture of assets obtained through criminal means, revision and eventual comprehensive reform of the Penal Procedure Code, etc.²⁹

The first summarized assessment of the implementation of the above mentioned recommendations, which in fact addressed the EU funds absorption rate achieved by the new Bulgarian government, came through in the interim report (March 2010) and in the regular report four months later (July 2010) published by the EC within the MCV. Although the Commission acknowledged the reform drive in the judiciary and the concrete action taken against corruption, including the indictment of senior governmental officials, the predominant conclusion was that the attained results lacked consistency. The country was urged to take prompt administrative steps in a response to the EC's concern about irregularities, conflicts of interest and misuse of EU funds. The recommendations in the July 2009 report need to become a national priority and to embrace a greater number of areas. The paramount objective must be an all-out reform in the legal system.³⁰ In its annual report the EC paid a special attention to the

²⁸ Author's calculations on the basis of data published by the Ministry of Finance of the Republic of Bulgaria, 2010.

²⁹ Report by the Commission to the European Parliament and the Council on progress in Bulgaria under the Co-operation and Verification Mechanism, 23/7/2009, COM (2009)402.

³⁰ Interim report by the Commission to the European Parliament and the Council on progress in Bulgaria under the Co-operation and Verification Mechanism, 23/3/2010, COM (2010) 112, p.3, etc.

faults in enforcing the public procurement legislation, particularly in those cases where EU funding is involved.³¹

During her visit to Sofia in January 2010 Jean-Marie Seyler, Director of DG for Regional Policy of the EC, stated that Bulgaria had dropped behind in absorbing the funds under the Operational Programmes and therefore was ranked last among the EU member states by this standard.³² In his turn Thierry Chretien, Head of OLAF's mission, appreciated the government's political will to fight corruption and misuse of EU funds more vehemently, but nevertheless he pointed out that substantial results were yet to be delivered.³³

The year 2010 more or less proved to be the most successful period in terms of absorption of EU funds, albeit the critical remarks by the EC. That happened primarily due to the deblocking of financial resources practically under all EU instruments. The pre-accession assistance was made available once again in the 4th quarter of 2009 when two of the programmes officially expired, i.e. PHARE and SAPARD. The removal of restrictions was conducive only to the greater utilization of ISPA funding which was extended till the end of 2010. In February 2010 the EC accepted the positive compliance assessments of the Operational Programmes thus enabling Bulgaria to start using adequately their financial capacity. With a view to boosting the absorption rate the government appointed in March 2010 a minister in charge of the state policy in this field, an office created by the former cabinet but closed after the parliamentary election in the summer of 2009. Tomislav Donchev, the newly appointed Minister, declared that the government's objective was to double the share of absorbed funds under all Operational Programmes by the year's end compared to what was absorbed in 2009, reaching a two-digit number, i.e. at least 10%.³⁴ The target was successfully attained. The official statistical data published by the Ministry of Finance shows that by the end of 2010 the country was granted via the EU Structural Funds €1 032 mln. The contracted projects were estimated to be a total of €2 463 mln and the payments amounted to €680.8 mln.

³¹ Report by the Commission to the European Parliament and the Council on progress in Bulgaria under the Co-operation and Verification Mechanism, European Commission, Brussels, 20/7/2010, COM (2010)948, p. 7.

³² Dnevnik, 15.01.2010.

³³ News.bg, 23.02.2010.

³⁴ BGNES.com, 21.04.2010; 9.05.2005.

Table 2. Execution of the seven Operational Programmes 2007-2013 (Absorption of the financial assistance from the EU Structural Funds)

Operational Programme	Budget (€mln)		31.12. 2010 (EU funds)			30.11.2011 (EU funds)		
	Total	EU funds	Contracted (€mln)	Absorbed (€mln)	Rate (%)	Contracted (€mln)	Absorbed (€mln)	Rate (%)
Transport	2 003*	1 624	489.0*	94.4*	5.81*	1 167.5*	334.7*	20.61*
Environment	1 801	1 496	396.9	100.8	6.88	726.7	152.7	10.42
Regional Development	1 601	1 361	698.8	157.6	11.58	873.7	252.1	18.52
Competitiveness of Economy	1 162	988	308.2	192.1	14.44	406.1	227.1	22.99
Technical Assistance	57	43	11.5	5.3	11.00	24.7	9.1	18.89
HR Development	1 213	1032	488.6	91.9	8.91	582.2	159.3	15.44
Administrative Capacity	181	154	69.3	38.6	25.13	90.1	42.3	27.55
TOTAL	8 019**	6 674**	2 463.3**	680.8**	10.20**	3 871.0**	1 177.4**	17.64**

Note:

* Round value

** Precise value

Source: Bulgaria and the European Union, Structural Funds, Integrated Information Portal, 2010-2011

The absorbed funds accounted for 65.9% of the financial resources granted by the EU till 2010 and for 27.6% of the contracted funding for projects. Calculated as a share of the EU contribution to the Operational Programmes' overall budget they soared to 10.20%.³⁵ Compared to 2009 the absorption rate actually quadrupled. The largest amount was utilized under Operational Programme "Administrative Capacity" (25.13%), whereas the most modest result was achieved by Operational Programme "Transport" (5.81%). On an annual basis Operational Programmes "Regional Development" and "Development of the Competitiveness of Bulgarian Economy" displayed the most sizeable progress while "Transport" and "Environment" ranked last in this respect. (See Table №2)

The absorption of funds via the other financial instruments was also on the rise. The most impressive rate was generated by the National Indicative Programme (Schengen Facility) designed to facilitate Bulgaria's preparation for joining the Schengen Area. It was the only programme entirely financed by the EU and whose capacity was 100% utilized. A lot more unconvincing was the execution under Rural Development

³⁵ Author's calculations on the basis of data published by the Ministry of Finance of the Republic of Bulgaria, 2011.

Programme which holds the largest budget of all. The allocated EU funding is €2.64 bln but the amount spent till the end of 2010 hardly reached €500 mln, or 18.5%.³⁶

Unfortunately, the absorption performance under the other Operational Programmes was even worse. For example, less than €1 mln was used under “Fisheries and Aquacultures” at the end of 2011 which is something like 0.5% of its total budget.³⁷ One of the main reasons for that was the delayed positive compliance assessment made by the EC as late as December 2010. A small portion of around €20-30 mln (according to the author’s estimate) was utilized from the funds allotted to the Cross-Border Cooperation Programmes between Bulgaria and its neighbouring countries. Some of them (the Cooperation Programmes with the Republic of Macedonia, with Serbia and with Turkey) were given positive compliance assessments near the end of 2010.

Bulgaria managed to absorb almost €400 mln through ISPA prior to its conclusion date at the end of 2010 thus eventually bringing the share of used funds (including the national budget co-financing) from 40.6% to 65%.³⁸ Nevertheless, a substantial part of its financial capacity wasn’t capitalized on since eight large-scale projects funded primarily by the EU were not completed on time – the construction of Vidin-Kalafat bridge over the Danube (also known as Danube bridge 2), the reconstruction of Plovdiv-Svilengrad railway line, Kardjali regional waste management centre, sulphur purifying facilities at Maritza East 2 thermal power plant, water-related projects, etc.

Through the other two pre-accession instruments, PHARE and SAPARD, whose activity span expired at the end of 2009, were remitted only limited payments in 2010 specifically for projects that were already under way but not entirely finished. In the long run, the amount paid under PHARE was a meager €28.5 mln out of its entire budget of €212.4 mln. As far as SAPARD goes, out of its total capacity of €593.2 mln Bulgaria spent €450 mln together with the national co-financing of €227.5 mln, or 76% of the instrument’s overall funds. Furthermore, from the available €33.3 mln under the Transition Facility the country took advantage of €18 mln, or 54%.³⁹ On the whole, the EU funds absorbed in 2010 were around €1.4 bln altogether or twice the rate achieved in the preceding year. That has actually turned out to be the highest rate attained on an annual basis over the 5 years (2007-2011) of Bulgaria’s membership into the Union.

³⁶ Ibid.

³⁷ Ibid.

³⁸ Ibid.

³⁹ Ibid.

Despite all the effort made by the country towards raising the EU funds absorption rate, it still remained unsatisfactory. That's why the EC went on to strongly advise the Bulgarian government to take vigorous action to make up for the considerable lagging behind in this respect. In December 2010 EC President José Manuel Barroso wrote a letter personally addressed to the Bulgarian Prime Minister Boyko Borissov. He pointed out therein that the real volume of EU funds absorbed by the country till the end of 2010 was barely 6% of the total resources provided within the 2007-2013 financial framework.

President's Barroso's estimation was that "it is not sufficient for producing a positive effect on the economy and for preventing possible loss of EU funds for Bulgaria".⁴⁰ He urged the Bulgarian government to take "decisive measures" to overcome the poor performance, especially in those areas where the absorption was below 1%, e.g. the preparation and implementation of key railway and road infrastructure projects, as well as water-related ones. There was recommended the adoption of action plans in the respective fields, streamlining of their activity and the creation of new administrative units, application of new alternative procedures.⁴¹

In his response to Barroso's letter the Minister of EU Funds Management Tomislav Donchev declared before the National Assembly that the existing national mechanism for EU funds absorption would be streamlined. One of the moves will be the enactment of an EU funds law in 2012. Another step in this direction was the set of contracts that were signed in July 2011 for setting up a total of 27 municipal information centres raising the public awareness of EU funding issues.⁴² The pivotal suggestion was the establishment of a specialized agency being in charge of the coordinated management of resources provided through the EU Structural and Cohesion Funds that will draw on the relevant experience of the other EU member states, including the newly-joined ones. The agency is, however, expected to get going in 2014 at the start of the next 7-year financial framework.⁴³ But some time later the government renounced this idea.

The Bulgarian government's paramount objective in 2011 regarding this area was to double the EU funds absorption rate under the seven Operational Programmes achieved at the end of 2010. In other words, the target was a 20% utilization of the

⁴⁰ Information Office of the Council of Ministers of the Republic of Bulgaria, 23.12.2010.

⁴¹ Ibid.

⁴² Mediapool.bg, 12.07.2011.

⁴³ BGNES.com, 2.08.2011.

funding provided by the EU for the 2007-2013 financial framework.⁴⁴ According to the official statistics collected by the Ministry of Finance, up to November 2011 Bulgaria absorbed 17.64% of the capacity of the seven Operational Programmes. The performance by each Programme varied with “Administrative Capacity” soaring to 27.5% (the highest result) and “Environment” on the opposite side of the scale having absorbed barely 10.4% of the available funds. (See Table №2) Compared to the average level attained under the seven Operational Programmes, the absorption percentage under the EAFRD was a bit higher, i.e. 23.52%, yet the noticeable inefficiency in this field remained as well unchanged.

All the official data shows that Bulgaria hasn't made it to a 20% absorption rate under the Operational Programmes. Minister Tomislav Donchev has reported that at the end of 2011 the share was around 19%. Benchmarked against the other EU member states Bulgaria has ranked last but one in this regard leaving behind only Italy, while Estonia has come first in the EU reaching an absorption rate of 39%. Nevertheless, Donchev has considered a success the contracting of 65% of all available funds under the Operation Programmes. He has yet again reiterated that the government's objective is doubling the rate of absorbed EU funds (38-40%) by the end 2012.⁴⁵

What should be noted here is that in 2011 the country relied solely on the EU Structural and Cohesion Funds since the extended period for benefiting from the unutilized resources under the pre-accession assistance had expired. In addition, it could spend a certain volume of funds allotted to a few uncompleted projects under ISPA. By and large the author's estimate shows that in 2011 Bulgaria absorbed around €900 mln via all available pre and post-accession financial instruments. The amount is calculated on the basis of the utilized funds under the seven Operational Programmes which are approximately €600 mln and the resources granted by the EAFRD worth roughly €200 mln. It turns out that the country hasn't moved upwards in the EU funds absorption but has, conversely, declined by one-third juxtaposed against the rate achieved in 2010 when it absorbed the biggest amount of funds on an annual basis for the whole period of its EU membership. Taking into account the contribution of €415 mln⁴⁶ paid to the EU budget in 2011, Bulgaria got a net financial benefit that same year of around €485 mln.

⁴⁴ Europe.bg., 25.01.2011.

⁴⁵ Dnevnik, 29.12.2011.

⁴⁶ Law on the State Budget for 2011, State Gazette, № 99, 17.12.2010.

Apart from the drop in the utilized amount of EU funds, in 2011 the government failed to comply with the requirements concerning the financing deadlines due to the slow speed of implementation of projects that were already approved. As a result the EC was compelled to cut down the funding for a number of projects, some of them crucial for the national economy. In November 2011 it was communicated that the slow absorption of funds for the first time put at risk part of the funding pledged by the EU under the EAFRD. The reason was that by the end of 2011 the country wouldn't manage to fully utilize the resources provided in 2009 which were stipulated to be spent within a 2-year period. The consequence in this case could be a loss of €80 to €120 mln. The Bulgarian Ministry of Agriculture and Food responded to that threat by setting up a special Agricultural Reserve Fund where the unabsorbed funding under this channel should be redirected.⁴⁷

In December 2011 Ivaylo Kalfin, Vice-Chair of the Budgets Committee of the European Parliament and former Bulgarian Foreign Minister, announced that due to the redistributing procedure of EU funds which takes place at the end of each year on the basis of the effectiveness of currently running projects, Bulgaria would be deprived of part of the funding for the construction of gas pipeline connections with Romania and Greece. The decision was justified by the serious delay in the execution of the projects funded under the European Economic Recovery Plan and highly necessary for the diversification of natural gas imports. What's more, Bulgaria is confronted with the risk of losing a significant portion of the resources earmarked for its participation in regional programmes, as well as those meant to be spent on ISPA uncompleted projects, as some of them had their execution periods already stretched further by the EC.⁴⁸

In 2010-2011 the Bulgarian authorities didn't make any palpable headway in reducing the misuse of EU funds. There even exists a noticeable discrepancy in this regard between the assessments presented by governmental officials and the findings disclosed by the EC and OLAF. The Minister of EU Funds Management Tomislav Donchev stated that as a result of the enhanced system of control "the misuse of EU funds is a closed chapter" and that, in fact, it was brought "below 1%".⁴⁹ He further claimed that "a significant number of the detected irregularities have rather stemmed

⁴⁷ Dnevnik, 17.11.2011.

⁴⁸ Mediapool.bg, 6.12.2011

⁴⁹ CROSS Information Agency, 15.09.2010; BGNES.com, 28.09.2010.

from incompetence, lack of experience, insufficient technical and administrative capacity.”⁵⁰

The reality, however, was somewhat different. The EC and other EU institutions continued to criticize the country for the sluggish absorption rate and misuse of EU funds. In OLAF’s regular annual report published in the autumn of 2011 it was pointed out that as to the investigation of fraudulent and abusive practices with EU funds Bulgaria ranks top of the line in the EU for the third consecutive year regarding the number of cases under scrutiny. They were 81 in 2010, or one-fifth of 419 such instances reported in all EU member states. The majority of misuse cases⁵¹ were revealed in the agricultural sector. According to this “benchmark” Bulgaria is far ahead of the rest of EU countries.⁵²

A positive trend in this field is the improved performance by the Bulgarian controlling bodies which in 2010 reported a total of 210 cases of alleged fraud with EU funds amounting to €29.6 mln. They were distributed in the following way: 94 cases estimated at €4.2 mln in the agricultural sector, 123 cases accounting for €12.4 mln in the cohesion policy area, 201 cases worth €13 mln in the absorption of national co-financing.⁵³ The number of cases of alleged misuse of EAFRD funds reported in Brussels in 2010 was four times higher compared to 2009, respectively 94 and 23, while for the initial two years of Bulgaria’s membership (2007-2008) there were only a couple of such instances.⁵⁴

At a conference held in Sofia in November 2011 with the participation of OLAF representatives, the Prosecutor General of Bulgaria Boris Velchev disclosed information making evident that the number of persons convicted for misuse of EU funds has been on the rise over the past years. In 2008 were pronounced a mere five convictions. In the following year they rose to 28 and in 2010 the number jumped to 175, with only 5 of the cases ending in acquittals. Despite the achieved breakthrough,

⁵⁰ CROSS Information Agency, 15.09.2010.

⁵¹ Dnevnik, 2.08.2011.

⁵² Annual Report 2011, European Anti-Fraud Office, Eleventh Operational Report for the period 1 January to 31 December 2010, OLAF, Brussels, 2011, p. 28.

⁵³ Statistical Evaluation of Irregularities – Own Resources, Agriculture, Cohesion Policy, Pre-Accession Funds and Direct Expenditure – Year 2010, Accompanying document to the Report from the Commission on the protection of the European Union’s financial interests and the fight against fraud – 2010, European Commission, Brussels, 29.9.2011, SEC (2011) 1108, p. 162.

⁵⁴ Ibid., p. 144.

OLAF Director General called on the Bulgarian authorities to step up the effective fight against corruption and other crimes in this field.⁵⁵

The last report issued by the EC on 20 July 2011 within the MCV submitted a summarized assessment of the judiciary reform and the fight against corruption and organized crime in the country which are fundamental conditions for the efficient absorption of EU funds. The Commission acknowledged the political will for reforms but yet again focused on the insufficient practical results which actually motivated it to refrain from recommending termination of the monitoring activities in this particular domain. The issue is contingent on seven major recommendations to be carried out by the Bulgarian government, i.e. accelerating the reform in the legal system, improving the prevention and fight against corruption, increasing the transparency and accountability of the judiciary, etc.⁵⁶

The report prompted the Dutch Minister of European Affairs Ben Knapen to qualify the progress in tackling corruption in Bulgaria (as well as in Romania) as “small steps” which don’t provide good reason to reckon that the necessary level of the rule of law has been established.⁵⁷ More or less, a similar view has been expressed by other EU nations such as Germany, France, Finland, etc. The European Council endorsed the Commission’s report in the autumn of 2011 where one of the conclusions was that the MCV must keep running at least until the summer of 2012 when the EC will compile an overall assessment of the results achieved by Bulgaria (as well as Romania) in this so vulnerable a field over the entire stretch of time following the two countries’ accession into the Union.⁵⁸

What corroborates the poor anti-corruption performance by Bulgaria is its score in the Global Corruption Perception Index (CPI) rankings published annually by Transparency International. The index is determined on the basis of expert assessments of the existing corruption levels in the different countries. The score assigned to Bulgaria followed a regression curve after its entry into the EU. In the 2007 rankings (which measured corruption in 2006) its score was 4.1 placing it in the 28th spot in Europe and

⁵⁵ Newsbg, 17.11.2011.

⁵⁶ Report by the Commission to the European Parliament and the Council on progress in Bulgaria under the Co-operation and Verification Mechanism, European Commission, Brussels, 20/7/2011, COM (2011)459, p. 8 - 10.

⁵⁷ EUobserver, 20 July 2011.

⁵⁸ Council of the European Union, Cooperation and Verification Mechanism for Bulgaria and Romania – Council Conclusions, 3109th General Affairs Council Meeting, Brussels, 12 September 2011, p. 2 – 3.

third in the Balkans. In the latest rankings (released December 2011) which reflect the corruption in 2010 its CPI has dropped to 3.3 which corresponds to 34-35th place (together with Serbia) among all forty-two European states and 8-9th place among the twelve Balkan countries. (See Table №3) Bulgaria scored the same CPI 12 years ago (in 1999) when it hadn't yet launched its EU accession talks.

Table 3. Corruption Perception Index in Bulgaria (2007–2011)

Year	Score	Rank in Europe*	Rank in the Balkans**
2007	4.1	29	3
2008	3.6	32	6
2009	3.8	30-33	3-6
2010	3.6	33	7
2011	3.3	34-35	8-9

* Among 42 countries

** Among 12 countries

Source: Corruption Perception Index 2007 – 2011, Transparency International, Berlin, 2007-2011.

4 Repercussions for Bulgaria from the slow absorption EU funds

The general conclusion that might be drawn after the initial five years of Bulgaria's membership into the EU (2007-2011) is that the country has failed to make the most of one of the key benefits of the European integration, namely the financial assistance provided through the EU funds. In 2010 it occupied one of the bottom spots in the EU in this respect having been ahead only of Romania. For the first five years in the EU Bulgaria utilized €3.9 bln which accounts for 30% of the total financial resources available through the various EU funds and programmes.⁵⁹

As it has already been pointed out, the absorption rate was considerably less regarding the seven Operational Programmes – around 20%. The share of used funds under the EAFRD was a bit higher – roughly 23% at the end of November. Over the same period Bulgaria has made a financial contribution to the EU budget (mainly in the form of a membership fee) amounting to approximately €1.9 bln in all.⁶⁰ Therefore the net

⁵⁹ Author's calculations on the basis of data published by the Ministry of Finance of the Republic of Bulgaria, 2011.

⁶⁰ Author's calculations on the basis of data published by the Ministry of Finance of the Republic of Bulgaria, 2008 -2011; Law on the State Budget for 2007, State Gazette, № 108, 29. 12.2006; Law on the State Budget for 2008, State Gazette, № 113, 29.12.2007; Law on the State Budget for 2009, State Gazette, № 110, 30.12.2008; Law on the State Budget for 2010, State Gazette, № 99, 15.12.2009; Law on the State Budget for 2011, State Gazette, № 99, 17.12.2010.

financial benefit from the country's EU membership in the period 2007-2011 has turned out to be around €2 bln, or an average of €400 mln per year.

Taking into consideration that the resources granted to Bulgaria through all EU funds and programmes incorporated in the 2007-2013 financial framework amount to roughly €13 bln, which makes an average of €1.9 bln per year, it means that the country could have relied on a financial capacity of €9.5 bln. However, it should be observed that the absorption of these funds would have been practically impossible, since even the best prepared new EU member state needs to undergo a period of adjustment to the EU context. Still more, the experience shows that due to administrative or various other reasons all EU funds are quite hard to be provided in time.

So, if Bulgaria had pursued the most effective policy in this field instead of €3.9 bln in 2007-2011 it could have absorbed €7-7.5 bln through all pre and post-accession financial instruments of the EU. In other words, over the specified period it has in fact missed the opportunity to utilize between €3.1 and €3.6 bln, or an average annual amount of €600-700 mln. The potential losses Bulgaria has incurred under the Operational Programmes are calculated to be €1-1.5 bln, while under the three pre-accession instruments (PHARE, ISPA and SAPARD) they reach almost €1 bln. The greatest share has been lost under ISPA (approximately €500 mln), with SAPARD (€300 mln) and PHARE (€180 mln) suffering less.⁶¹

The negative outcome of the tardy and ineffective absorption of EU funds manifested itself in lost financial resources for thousands of projects in all areas of the national development. According to the author's calculations, that brought about a slower growth rate of 0.8-1% per year. The successful utilization of such a huge amount of funds could have created more favourable conditions for carrying out the reform, more investment in infrastructure, restructuring and modernizing of the economy, higher employment, settlement of social issues, quicker increase in the nation's standard of living. Apart from that, the more adequate EU funds absorption would have made Bulgaria better geared up to face and overcome the adverse impact, including that in the social sphere, from the global financial and economic crisis that came to the fore at the end of past decade.

⁶¹ Author's calculations on the basis of data published by the Ministry of Finance of the Republic of Bulgaria, 2008 - 2011.

In the long run, the poor achievements in the absorption of EU funds stood out as one of the factors that affected badly the country's prospects to catch up more rapidly with the developed European countries. In the initial few years as an EU member state rather than stepping it up Bulgaria slowed down the process of its Europeanization (it is the process of getting closer and eventually reaching the political, economic and social standards of the developed countries in Europe). Upon joining the EU in 2007 its GDP per capita was 40% of the average rate in the Union. In 2008 the share rose to 44% but consequently dropped again to 43% at the end of the decade.⁶² The real picture in 2010 revealed that Bulgaria's GDP per capita was the lowest in the EU.

According to this one and other basic economic and social indicators, Bulgaria performed poorly not only in comparison to almost all EU member states but also to a number of Balkan countries. It even lost ground in some fields. It held sixth spot in terms of GDP per capita in the Balkan region falling behind Greece, Slovenia, Croatia, Turkey and Romania. Bulgaria occupied the same place before its accession into the EU. In the period between 2007 and 2010 it regressed Balkan-wide from fourth to seventh spot by Human Development Index and from third to seventh by Corruption Index. At the close of the past 10-year span the country ranked fourth among the Balkan states in the Global Competitiveness and Global Prosperity Indices.⁶³

5 What are the prospects for the EU funds absorption?

Bulgarian government officials, including PM Boyko Borissov and the Minister of EU Funds Management Tomislav Donchev declared in 2010-2011 that by the end of the current EU financial framework in 2013 Bulgaria would achieve 75-80% or even 90% absorption of the assistance provided through the Structural and Cohesion Funds.⁶⁴ In the spring of 2011 Donchev determined the following EU funds absorption schedule: 20% by the end of 2011 and no less than 35-40% by the end of 2012. In his view by 2015 Bulgaria will have utilized 98% or even 100% of the overall EU funding but with

⁶² Eurostat, GDP per capita in Purchasing Power Standards (PPS) (EU -27= 100), November 2011.

⁶³ Eurostat, GDP per capita in PPS, November 2011; Human Development Report, Sustainability and Equity: A Better Future for All, UNDP, 2011; The Global Competitiveness Report, Klaus Schwab, World Economic Forum - Geneva, September 2011; The 2010 Corruption Perception Index, Transparency International, October 2011; The Global Competitiveness Report, Klaus Schwab, World Economic Forum - Geneva, September 2011; The 2010 Legatum Prosperity Index, Legatum Institute, London, October 2010.

⁶⁴ Dnevnik, 22.03.2010; BGNES.com, 9.09.2010; Focus Information Agency, 21.12.2010.

the reservation that “we may be compelled to return part of it in case we have failed to fulfill something in the right way.”⁶⁵

The ambitious objective set by the government is practically impossible to attain. Even if the absorption rate is accelerated in 2012-2013, the share of utilized resources under the seven Operational Programmes will account for no more than 40-45% in the period stretching from 2007 to 2013. This means that Bulgaria will hardly succeed in spending around €3.5 - 4 bln. Furthermore, under the EAFRD it will miss out on the absorption of at least €1 bln. If the lost funds under PHARE, ISPA and SAPARD are added up, the balance will look even more discouraging. In all likelihood, within the current 7-year framework the country won't be able to utilize €5.5 – 6 bln which represents nearly half of the total financial assistance due to be granted by the EU in the period from 2007 to 2013.

Such an outcome would cause negative repercussions for Bulgaria's development as an EU member state but unfortunately it seems inevitable due to the inefficient state governance evident not only in the delay of reform but also in tackling the impact from the economic crisis in the country. What's worse, if Bulgaria fails to absorb a significant amount of EU funds, it will be confronted with the real threat of not getting an increase in the financial resources allocated for its purposes in EU budget 2014-2020.

The objective set by the government is for a 20% rise in the funding Bulgaria will receive under the Structural and Cohesion Funds in the next financial framework compared to 2007-2013. Minister Tomislav Donchev has declared that the country is going for an EU budget allotment of BGN16.5 bln (approximately €8.5 bln) in 2014-2020.⁶⁶ He has reiterated that the Bulgarian authorities oppose to this issue being bound to the current delay in the absorption of funds.⁶⁷ In the autumn of 2011 PM Borissov expressed an even more ambitious aim, i.e. that Bulgaria wishes to be granted €14 bln within the upcoming financial framework. He was nevertheless quick to reveal that the EC is contemplating a suggestion which is €6 bln less.⁶⁸

The aggravating debt crisis and the new economic recession that loomed over the EU at the close of 2011 will render impossible any substantial surge in the 2014-2020 EU

⁶⁵ Vesti.bg., 4.04.2011.

⁶⁶ Dnevnik, 2.08.2011.

⁶⁷ Vsekiden.com, 2.07.2011.

⁶⁸ Mediapool.bg, 14.10.2011.

funding. EC Commissioner for Regional Policy Johannes Hahn proposed in October 2011 that two-thirds of the funding be granted to the poorer countries in the Union with a parallel rise in the share of national co-financing. The pattern of allocated funds will also be modified leading to less financial resources for transport infrastructure⁶⁹ which is a key priority in the Bulgarian government's policy. Presuming that all this is true Bulgaria is very likely to receive less EU funding than it is striving for.

Government representatives have disclosed that the latest version being considered by the EC at the end of November 2011 provides for an amount of funds granted to the member states through the next 7-year EU budget equaling 2.5% of their GDP on average. Provided that the proposed manner is adopted Bulgaria may expect to receive around €8.5 bln.⁷⁰ The amount covers the funding of projects through the EU Structural and Cohesion Funds. It is seemingly bigger than the amount granted through them in 2007-2013. What shouldn't be ignored, however, is that in the stated period the country had access to substantial additional funding, though not properly absorbed, under the pre-accession instruments. Therefore, whether it will be allotted a larger share of EU funds in 2014-2020 also depends on what conditions and to what measure the EU is willing to extend the period for absorbing the resources under the seven Operational Programmes not fully utilized by the end of 2013.

Bulgaria's demand for a greater allocation from the 2014-2020 EU budget will gain support in the EU on condition that its government steps up the utilization rate, curbs the corruption and misuse of funds and improves the effectiveness in absorbing the EU resources. In this crucial respect the remaining couple of years (2012-2013) within the current financial framework will prove to be of paramount importance.

⁶⁹ Ibid., 6.10.2011.

⁷⁰ Ibid., 30.11.2011.

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