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ECONOMIC GROWTH AND EU FUNDS IN BULGARIA (2007 – 2011)

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Abstract: *The public in Bulgaria and the political forces focus their attention on Bulgaria's admission to the European Union (EU) as an opportunity for speeding up economic growth and enhancing the competitiveness of Bulgarian economy, for overcoming social and regional inequalities, for increasing the values of human development index. With this objective in view the adopted National Reference Framework directed the incoming funds from the EU budget towards the implementation of specific programmes. This article discusses the amount of funds and the degree of implementation of the programmes exactly prior to the end of the first programme period following the country's accession to the EU. What successes were achieved? What results can be reported? What conclusions ought to be drawn for the next 2013 – 2020 programme period?*

Keywords: *GDP Growth, Population's Well-being, EU Funds.*

1. Introduction

At the time of its admission to the European Union (EU) Bulgaria was permanently the poorest country in the community. Its accession to the European Economic Area in 2007 was a chance for accelerated development. The possibility for access to European funds and programmes for restructuring was spelled out by the public as a panacea for a disintegrated economy, lost markets, obsolete technologies and primitive agriculture, degrading level of services in education and healthcare.

This article examines the degree of utilization of funds accessible for and agreed upon by Bulgaria, as granted from the EU budget and their impact on the country's macroeconomic indicators. An analysis is made as to what degree the National Strategic Reference Framework 2007-2013 (NSRF), worked out by the country, concentrates the resources into key fields for the achievement of economic growth and social cohesion; are the set objectives achieved and what ought to be Bulgaria's priorities for the new programme 2013 – 2020 period.

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Five years after its accession to the Community Bulgaria's population has decreased by 4.6% (according to National Statistical Institute 2012 data), employed persons – by 5.2%, the employment factor of Bulgarians is the lowest among the EU-27 (60.9% against 70.1%), one half of the 15-year old students experience considerable problems with elementary literacy, while able young Bulgarians opt for studying and living abroad because jobs are available for only 22% of the young people, the average monthly wage in the country reaches a modest Euro373 (during the first quarter of 2012), and in the sphere of healthcare access to medical assistance is restricted and the quality of health care is worsening.

Following the short-lived economic upswing, the basic macroeconomic indicators of development in Bulgaria returned by the end of 2011 to the levels of the 2007 starting year. Instead of a convergence in the population's income the gap between well-being of the average European and Bulgarian is widening. By the end of 2010 Eurostat indicated that Bulgarians, of all member countries, are in the highest (41.6%) risk of poverty and social exclusion (Eurostat 2012). The average level for EU-27 is 23.6% - almost twice as low (Antuofermo, Di Meglio 2012).

In support of the solution of problems key to the development of this country, the Community grants to Bulgarian an indicative budget under the seven-year National Strategic Reference Framework 2007-2013 (NSRF).

'The main objective of Bulgarian NSRF is: by 2015 Bulgaria to become a competitive EU member country with high living standard, incomes and social responsiveness of society. For the achievement of this long-term goal Bulgaria will be working in two main directions:

- Enhancing competitiveness of the economy with a view to achieve high and sustainable growth, and
- Developing the human capital with the aim of ensuring higher employment, incomes and social integration' (NSRF 2007)

In the beginning of the sixth year (2012) of this country's accession to the EU the utilization of these funds did not exceed 30%. Even the most optimistic analysers indicate 50% as difficult-to-achieve levels of utilization until the end of the period (2013) since, besides the difficulty of catching-up with years missed by the inefficient administration, there is a need also of own co-financing funds that will be difficult to provide from the melted-down state reserve, a budget balanced 'on the brink' and a shrunk real sector.

What is the country's progress as a result of the adopted reference framework today? What are the results from the implementation of operational programmes? What inferences and recommendations can be formulated for the next programme period?

2. Macroeconomic Framework – Trends of Change

Since 2003 until its admission to the EU Bulgaria has been reporting on an annual basis a stable real growth of its GDP (between 5.5% - 6.5%). The period between 2007 and 2008 (inclusive) is characterized by preservation of the favourable trends from previous years for a real GDP growth by about 6.5 per cent on the average. Development was interrupted in 2009 and the real GDP fell to the levels of 2007. A minimum growth is at hand in 2010 and 2011 with the levels of 2008 indicators still not restored by the economy. After 2006 Bulgaria is permanently the poorest country among the states of EU-27. The

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lowest GDP per capita was reported as measured against the Purchasing Power Standard (PPS). According to the NSRF by the end of the programme period 2013 this indicator should reach 51.2% of the average level for the countries of EU-27. The indicator does not change for the period 2008-2010 and represents 44% of the average level for EU-27. There is no trend towards convergence of the well-being of the population to the indicators average for the Community.

The basic macroeconomic indicators for the country are presented in Table No. 1.

Table 1. Basic macroeconomic indicators of Bulgaria during the 2003 – 2011 period

№	Indicators	2003	2004	2005	2006	2007	2008	2009	2010	2011
1	Nominal Gross Domestic Product (mill. euro)	18,310	20,362	23,256	26,476	30,772	35,430	34,932	36,052	38,483
2	Real Gross Domestic Product (2005 prices, mill. euro)	20,483	21,865	23,256	24,770	26,367	27,999	26,465	26,570	27,013
3	Real growth of GDP on an annual basis (%)	5.5	6.7	6.4	6.5	6.4	6.2	-5.5	0.4	1.7
3.1	Agrarian sector (%)	-2.4	3.5	-8.8	-0.5	-27.2	32.4	-9.5	-6.2	-1.1
3.2	Industry sector (%)	6.9	4.2	5.3	8.6	11.9	5.7	-6.1	-5.9	6.8
3.3	Services sector (%)	4.3	5.8	8.4	6.8	7.8	4.3	-0.8	4.3	-0.2
4	Inflation at the end of the year (%)	5.6	4	6.5	6.5	12.5	7.8	0.6	4.5	2.75
5	Average annual inflation (%)	2.3	6.1	5	7.3	8.4	12.3	2.8	2.4	4.22
6	Nominal per capita GDP (euro)	2,347	2,623	3,013	3,448	4,017	4,648	4,605	4,785	5,189
7	Real per capita GDP (euro)	2,626	2,817	3,013	3,225	3,442	3,673	3,489	3,527	3,643
8	Population (x 1000)	7,800	7,761	7,718	7,680	7,660	7,623	7,585	7,534	7,416
9	Per capita GDP in Purchasing Power Standards (EU-27=100)	34	35	37	38	40	44	44	44	
10	Direct investments in Bulgaria (% of the GDP)					29.42	18.99	6.98	3.35	3.49
11	GDP per one employed – Physical volume index calculated on 2005 prices (previous year = 100) %				103.07	103.17	103.45	97.07	105.32	106.13
12	Human development index			0.749	0.753	0.758	0.765	0.766	0.768	0.771

Source: National Statistical Institute,

<http://www.nsi.bg/otrasal.php?otr=19&a1=376&a2=377&a3=383> (8.08.2012)

Changes in the GDP have a two-fold influence on the utilization of European funds. On the one hand, the drop in GDP amount causes a severe shortage of funds allotted by the state through public funds and by economic entities for investments and social activities. On the other hand, the growing number of projects requires administrative capacity for management and selection, which is currently in short supply.

It is clear that the GDP can not reflect a number of aspects of economic life part of which are the object of reference frames. For such reason solely focusing on GDP, on its growth rates, does not reflect the real perception of economic processes by this country's citizens. Mistrust thus arises in the official statistics, but even more important: 'What we measure has an impact on our actions and, if the metrics are inaccurate, solutions can be erroneous' (Stiglitz, Sen, Fitoussi 2009). One of the more precise indicators of this aspect of economic activity is the Human Development Index. It can be follows in the table that this indicator is on the increase throughout the years of the period under investigation.

The analysis of productivity, measured through the GDP of one employed person (physical volume index), shows a rhythmic growth by about 3.5 per cent until the crisis year of 2009, when it marked a slump of 2.9 per cent. Reported for 2010 were optimistic data of a recovery of the favourable trend. At the very same time the index of GDP physical volume per capita in a Purchasing Power Standard (PPS) is, steadily from 2008 to the end of the examined period, 2.3 times lower compared with the average for the countries from

EU-27 and 2.5 times lower than that for the countries in the Eurozone. This fact is extremely alarming. Instead of a convergence in the levels of productivity a further lagging behind is observed. The fact should not be overlooked that, in reality, Bulgaria achieves lower rates with a lower starting base. (Nordhaus 1998)

Although, to a certain extent, the change in GDP per capita depends on the negative trends in demographic processes (the decreasing number of population in active working age, the low economic activity factor – there are almost 1 million people in the economy working without contracts and most likely employed in the grey economy (farming, commerce, etc.), self-employed and emigrants who are abroad at present), on the unfavourable situation on the international markets, which, with the open character of the Bulgarian economy, directly transposes the negative trends onto Bulgarian manufacturers and traders, this change is under the immediate influence also of the actions and measures taken under the reference framework.

In spite of the fact that incomes from work in the country have been increasing over recent years the share of compensations for employed persons in the GDP reached a peak during the crisis year 2009 at levels close to 38 per cent and a drop in 2010 (36.5 per cent). This indicator is about 50% for the countries from EU-27. The low levels of wage predetermine also the structure of households consumption, where expenses for leisure, cultural recreation and education (including enhancing the education and qualification) for the 2003-2009 period decreased from 3.9% to 3.5%, while expenditure on health-care increased from 4.8% to 5.6% (NSI 2012). The changing structure of consumption by households can be compensated through funds from the European programmes.

Also subject to re-thinking is the strategy with respect to the choice of sectors (Shearer 1961), where intervention with European funds ought to be most active.

The crisis has changed the structure of this country's GDP. The Services Sector was least affected with its share growing to 65 per cent compensating for the slump in the share of the Industry Sector by 3 percentage points and the agrarian sector – by one percentage point. During 2010 the Industry Sector fell to the levels of 2006, while in 2011 it marked a slight recovery.

If the shrinking share of the agrarian sector can be accepted as a stable trend, with a need to establish through specific analyses the optimum levels that should be maintained in our country, for the Industry Sector, however, these slumps must be compensated and a series of measures directed to increasing the share of the extraction and mainly the processing branches. Employment in this sphere is considerable more stable in nature and it is not under the strong influence of seasonal factors and, therefore, projects realized in these branches will have a long-term reflection on the trends of change in the GDP. This promising approach ought to be adopted in the elaboration of the new reference framework too.

Between 2007 and 2011 the share of direct foreign investments in GDP has decreased almost tenfold – the withdrawal of investors from our country started before the crisis was felt in earnest here. Also recognized is a slump in the gross capital formation, which after 2009 dropped for long by about 20 per cent. Probable causes for this are the earlier shrinking of production in world economy, the reduction in freely available funds for companies' expansion, the search for maximum efficiency of invested funds. One should not ignore, however, the internal factors as well. The most essential among these is the quality of the work force and often the low administrative capacity.

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3. Net Cash Flows from the EU – Effect and Trends

Bulgaria's admission to the EU in 2007 is a chance for this country's development. European funds and schemes become accessible for economic restructuring, its objective being to assist the convergence of economic indicators of the country with those of the developed European states. After its admission to the EU the net financial position of the country remains a positive one, as the received European funds considerably exceed the contribution paid by Bulgaria.

The evaluation of the effect of net donation on this country's economic development ought to be refracted through the implementation of the specifically set target indicators under each and every instrument. As a whole, each utilized donation exercises a positive effect on the economy, insofar as funds come into the country and enter the economic turnover. Unlike the temporary effect of passive utilization, active utilization is characterized by the creation of a possibility for continued economic effect and direct impact on the values of basic economic and social indicators.

Data on the cash flows between Bulgaria and EU are presented in Table No. 2. Part of the enumerated streams under which funds have come are transient or with approaching closure of the contractual period and for such reason financial flows there under can not be accepted as permanent ones.

Table 2. Cash flows of Bulgaria with the EU, in mill. Euro During the 2007-2011 Period

	Indicators	2007	2008	2009	2010	2011	Total
I	Contribution of Bulgaria to the EU budget	304.3	368.2	381.5	342.4	398.4	1,794.8
	<i>Share of GDP (%)</i>	<i>1.0</i>	<i>1.0</i>	<i>1.1</i>	<i>0.9</i>	<i>1.0</i>	
II	Total proceeds from EU	651.7	846.6	1,016.7	1,198.5	1,319.6	5,033.1
	<i>Share of GDP (%)</i>	<i>2.1</i>	<i>2.4</i>	<i>2.9</i>	<i>3.3</i>	<i>3.4</i>	
1	The structural funds and the Cohesion Fund	0.0	367.9	266.9	397.2	539.3	1,571.3
2	The Programme for Development of Rural Areas (PDRA)	0.0	82.4	113.7	295.8	335.6	827.5
3	European Agricultural Guarantee Fund (EAGF)	165.9	199.3	268.7	293.1	348.9	1,275.9
4	Operational Programme for Fisheries Development (OPFD)	0.0	0.0	0.0	3.4	7.2	10.6
5	'Kozloduy' International Fund	75.0	75.0	75.0	75.0	75.0	375.0
6	Schengen Instrument and the Instrument for facilitating budget cash flows	134.6	58.6	64.7	0.0	-0.8	257.1
7	Transient financial instrument	0.0	0.0	8.7	8.7	1.7	19.1
8	Pre-accession instruments (PHARE, ISPA and SAPARD)	276.2	63.4	219.0	125.3	12.7	696.6
III	Net financial position	347.4	478.4	635.2	856.1	921.2	3,238.3
	<i>Share of GDP (%)</i>	<i>1.1</i>	<i>1.4</i>	<i>1.8</i>	<i>2.4</i>	<i>2.4</i>	

Source: Data from Ministry of Finance, Ministry of Agriculture and Food, Executive Agency "Fisheries and Aquaculture", Ministry of Economy, Energy and Tourism

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A clear tendency is observed of a growing share of the net financial position in the GDP, which has been occupying a stable share of 2.4 per cent in the GDP over the past two years.

The impact of financing by the Community is reviewed in two of the active positions – Agrarian Sector (PDRA, EAGF and OPFD) owing to the considerable share of provided funds and all remaining sectors for which the funds from the Structural funds and the Cohesion Fund are relevant.

4. Impact of EU Financing on the Agrarian Sector

Several instruments are targeted at development of the Agrarian Sector – the Programme for Development of Rural Areas (2007-2013), the European Agricultural Guarantee Fund, and the Operational Programme for Fisheries Development (2007-2013). Incoming funds under these three instruments increase every year. Their share from all payments from the Community – 25% in 2007, reached 53% in 2011. Nevertheless, the level of utilization of these funds is unsatisfactory compared to the agreed European budget. In the course of five years utilized under PDRA were only 31.7% of the funds (827.5 mill. from Euro2,609 mill.), and under OPFD – the humble 10.4% (10.6 mill. from Euro101.2 mill.).

Table 3. Main indicators of the development and financing from EU for the Agrarian Sector in Bulgaria during the 2007-2011 period

Indicators	2007	2008	2009	2010	2011
Payments under PDRA, EAGF and OPFD (mill. Euro)	165.9	281.7	382.4	592.3	691.7
GAV in current prices Agriculture, Forestry and Fisheries (mill. euro)	1,205	1,596	1,444	1,354	1,339
Agrarian Sector – real growth (%)	-27	32	-10	-6	-1
Share of the European financing from GAV (%)	14	18	26	44	52
Agrarian Sector share in GDP (%)	4.6	5.7	5.5	5.1	5.0
Employed persons in Agriculture, Forestry and Fisheries (x1000 persons)	723.9	737.3	730.8	703.7	678.0
Share of the employed persons	19.4%	19.3%	19.6%	19.8%	19.9%
Average wage (euro per month)	155	201	225	245	
Population in the rural areas (%)	29.3	28.9	28.6	28.4	27.3

Source: Data from National Statistical Institute, Ministry of Finance, Ministry of Agriculture and Food, Executive Agency "Fisheries and Aquaculture"

Statistical data on the development of the Agrarian Sector during the 2007-2011 period are indicative of no-growth in the share of employed persons from the total number of employed in the country (2007- 19.4%, 2011 – 19.9%); the net reduction in their number is by 46 thousand persons or 6.3 per cent. On the average, only about 3 per cent of the rural

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areas population was employed in the sector. The share of rural population up to 30 years of age is slowly decreasing as well, from 29.8 per cent in 2008 to 28.8 per cent in 2011.

Following the country's accession to the EU the Agrarian Sector began to shrink abruptly irrespective of the yearly increased European financing, which reached in 2011 an impressive share of 52% of the Gross Added Value (GAV) in the sector.

Until this country was admitted to the EU (1999-2006) the average annual gross added value in the sector, by comparable prices, remained at average levels of Euro 1,756 mill. After the accession of this country to the EU this value shrank abruptly by some 30% reaching average levels of about Euro1,388 mill. Production of cereals, vegetables, potatoes, fruits fell down and so did the products of stock-farming.

In spite of the donor programmes the Bulgarian village is increasing becoming unattractive – rural population decreases every year and grows older. Just an insignificant part of it is occupied in agriculture. The average wage, although growing slowly, remains the lowest in the country (Euro245 per month in 2010). The index of physical volume of one man-hour worked in the sector during 2011 fell to 87.9% of the basic 100 in 2005.

It is logical to ask – are European programmes effective enough for the Bulgarian agrarian business at the background of an annual reduction of production of cereals, vegetables, fruits and livestock products, while consumption on the domestic market increases at the expense of an ever greater import?

5. Operational Programmes in the NSRP – an Instrument for Financing the Restructuring of the Economy

While approximately half of the European funds support the agrarian sector, Structural funds and the Cohesion fund are the main donor of money for all remaining streams in the economy of the country. The sector with the highest potential for development and long-term opening of jobs – the Industry, remains in the 'peripheral vision' of the European idea on development and the Bulgarian governments have not assigned it any importance of priority.

Table 4. National Strategic Reference Framework (2007-2013) – indicative allocation of Community participation by programmes

Operational Programme 2007-2013	Sum (mill. euro)	Structure (%)
Transport	1,624.5	24.3
Environment	1,466.4	22.0
Regional development	1,361.1	20.4
Competitiveness	987.9	14.8
Technical assistance	48.3	0.7
Human resources	1,031.8	15.5
Administrative capacity	153.7	2.3
Total	6,673.6	100.0

Source: Bulgarian National Strategic Reference Framework 2007 – 2013
<http://www.eufunds.bg/en/page/66> (8.08.2012)

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The NSRF provides for Community participation in the financing of 7 operational programmes (OP) with a common budget of Euro6,674 mill. In the course of 7 years (2007 – 2013). The budget framework of approved indicative financing from the Community represents 21% of the GDP of this country for 2007 or about 3% for each of the years until the end of 2013. For comparison, the amount of these funds is commensurate with the public spending for health care of the country. The indicative allocation of funds by programmes is represented in table 4.

The structure of allocation of funds allows some inferences to be drawn about the priorities set. Almost one quarter of the funds are oriented towards OP ‘Transport’ and one fifth each for environmental protection and equalization of the degree of development of regions. Only 15% of the funds are directed immediately to enhancing the economy’s competitiveness. Approximately the same is the figure for improving the quality of the work force.

Implementation of the operational programmes is an objective process, yet with a clearly expressed political coloration. It is frequently interpreted in a different context by the party or coalition in party and by the opposition. Most of the statements are based on relative quantities with a selective approach to either the number of approved projects, or the value of utilized funds, these two having diametrically different contents. Unbiased analysis ought to include the factual data and must allow the reader to rely not only on conclusions formulated in advance by politicians and journalists, but also on his/her own independent judgment. Data on achieved results under the operational programmes by 10.08.2012, according to the official reports, are presented in Table 5. Reflected in it are the full budget of financing for the programmes (BFP), including the agreed EU funds and the national financing (NF), the actually submitted projects and the contracts concluded, the agreed and actually paid out funds.

Table 5. Implementation of the operational programmes for the 2007-2012 period

Operational Programme	Budget of the Programme			Projects		Agreed funds				Funds Actually Paid-out*		
	Total	EU Financing	NF	Number of submitted projects	Number of concluded contracts	Total	BFP	% **	Financing from EU	Total	% **	Financing from EU
Transport	2 003.5	1 624.5	379.0	114	74	2 647.6	1 899.9	94.8%	1 532.9	699.4	34.9%	569.6
Environment	1 800.7	1 466.4	334.3	951	460	1 812.5	1 697.2	94.3%	1 377.1	241.1	13.4%	201.8
Regional development	1 601.3	1 361.1	240.2	1838	987	1 516.0	1 427.3	89.1%	1 213.2	433.0	27.0%	374.8
Competitiveness	1 162.2	987.9	174.3	6538	1897	915.0	636.6	54.8%	541.1	311.3	26.8%	266.0
Technical assistance	56.8	48.3	8.5	108	93	34.9	34.9	61.3%	29.6	15.4	27.1%	14.5
Human resources	1 213.9	1 031.8	182.1	7708	2214	942.6	937.0	77.2%	796.4	287.4	23.7%	246.8
Administrative capacity	180.8	153.7	27.1	1691	364	125.2	125.2	69.2%	106.4	58.1	32.2%	50.6
Total	8 019.2	6 673.6	1 345.6	18948	6089	7 993.8	6 758.0	84.3%	5 596.7	2 045.7	25.5%	1 724.0

Notes: * Data is as at 10.08.2012

**As percentage of the programme budget

Source: Information System for Management and Monitoring of the Structural Vehicles of EU in Bulgaria <http://umispublic.minfin.bg/opOperationalProgramms.aspx> (8.08.2012)

OP ‘Transport’ is with indicative European financing of Euro1,624.5 mill.

The main strategic goal of the programme is the development of a sustainable transport system through integration to the transport network of the EU and achievement of a balance between the individual types of transport. The main indicator for achievement of this goal

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will be the realization of economic growth as a result of the improved transport connectivity and the reduction of transport expenditure. The evaluation can be objectified through the relative contribution of the 'Transport' sector to the gross added value of the country. An indirect effect will be achieved by reducing the time of transportation of passengers and cargo. Utilized as at 10.08.2012 were 35% of the agreed funds. According to NSI data the road network of the country has expanded by a total of 139 km during the past five years 64 km of which are motorways, 1 km of first-class road, 9 km of second class and 65 km – third-class roads and road connection points at crossroads and junctions. As a serious success of the programme in the field of intermodality one can report the extension of the first subway diameter and the expected commissioning before the end of 2012 of the second subway diameter in the capital Sofia. Renovation and construction of the road structure is also financed under OP 'Regional Development'. The volume of cargo hauled by automobile transport for the 2007-2011 period remains relatively constant at about 135 mill. tons. This, however, is at the expense of an increase in the distance of haulage from 108 km in 2007 to 157 km during 2011. Also growing is the amount of work done in the sector: from 14.6 bill. ton-kilometers in 2007 to 21.2 bill. tkm in 2011.

In parallel with this the railway transport of Bulgaria is in a financial and technological collapse (the volume of work performed in cargo haulage decreased from 5,241 mill. tkm in 2007 to 3,291 mill. tkm in 2011 or by about 37%. Similar is the situation also with the passengers transported – from 2,423 mill. passenger-kilometers in 2007 to 2,068 mill. pkm in 2011). Identical is the drop in the river transport over the monitored period. Marine transport levels remain the same at the expense of the export of goods.

Indicative European financing of euro1,466.4 mill. is planned under OP 'Environment'. The main strategic goal of the programme is to improve and preserve the natural environment and to develop the ecological infrastructure through conservation and improvement of the condition of waters, to make better the management of waste and protection of soils and to preserve the biodiversity and safeguard nature. This is the operational programme with the lowest degree of implementation as at the present time – 13.4%. An undisputable fact is that for the period from Bulgaria's admission in the EU the emissions of noxious gases released in the atmosphere continue to diminish. Probably, the reasons are partially rooted in the shrinking industrial production in the country also. Unchanged remains the percentage of the population having access to public water supply (99% also in 2007 and 99.1% in 2010). Over the same years the share of the population with public sewerage has grown insignificantly (from 69.7% to 70.6% or by about 27 thousand people), and so has the population connected to waste water treatment plants by 5.5 percentage points (a total of 165 thousand people). Even today the biggest city – Sofia, the capital of the country, which is home of about 20% of all Bulgarians, has no landfill and transports the waste to other regions of the country where waste depots built with European funds are localized.

Environmental preservation and improvement is one of the main components of sustainable economic development. The first to raise this issue was Brundtland in his report 'Our common future' (Brundtland, 1987) and at present it is extensively reflected in economic literature. One of the least touched upon theses is the issue of de-growth (Martínez-Alier 2010) (Kallis 2011) – an idea trying to expand the scope of the term economic growth and its connection with quantitative value indicators like GDP.

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Therefore, concentration of efforts on the utilization of funds exactly under this programme is of critical importance.

The indicative European financing under OP ‘Regional development’ is on the amount of euro1,361.1 mill. Its strategic goal is the achievement of balance regional development. The priorities set are as follows: firstly, to achieve a sustainable and integrated urban development, as well as for adjacent and peripheral regions; secondly, sustainable development of tourism and thirdly, regional and local accessibility through the construction of infrastructure based on the information and communication technologies.

A total of euro374.8 mill. have been paid out under this programme as at 10.08.2012, or 27% of the indicative budget.

Objective expectations about the ultimate effect of the ‘Regional development’ OP are associated with increase in the incomes and employment in the poorly developed and peripheral regions. No specific indicators are set in the NSRF for measuring the achieved results, yet one of the objective criteria is the share of the population in risk of poverty and social exclusion.

Table 6. Share of the population of Bulgaria in risk of poverty and social exclusion by statistical regions in comparison with EU-27

Indicators	(% of the population)			Difference with EU 27		
	2008	2009	2010	2008	2009	2010
EU 27	23.6	23.1	23.5	0	0	0
Bulgaria	44.8	46.2	41.6	21.2	23.1	18.1
Northwestern region	52.5	53	44	28.9	29.9	20.5
Northern Central region	54.5	56.3	53.2	30.9	33.2	29.7
Northeastern region	48.3	45	43.9	24.7	21.9	20.4
Southeastern region	50.1	47.8	43.9	26.5	24.7	20.4
Southwestern region	33.8	33.8	30.5	10.2	10.7	7.0
Southern Central region	43.1	52.5	45.3	19.5	29.4	21.8

Source: EUROSTAT

http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_peps11&lang=en (8.08.2012)

According to data published by Eurostat the Northern central region of Bulgaria remains permanently the poorest and least developed region in the EU. Disproportion in the development of regions in the country is within the range from 10 for the Southwestern region to almost 30 percentage points for the Northern Central and Northwestern regions of the country.

The indicative framework makes a provision of Euro1,162 mill. for the realization of OP ‘Development of the competitiveness of Bulgarian economy’. The main objective of the programme is a dynamic economy and enterprises competitive on the European and world market, encouragement of innovations, increasing the efficiency at macro level and improvement of the business environment. The priority fields are, as follows: encouraging an economy based on knowledge and innovation activities, reducing energy consumption, modernizing the equipment, technologies and production processes, facilitating the access to financing, particularly for micro and starting enterprises and overall strengthening of the international positions of Bulgarian economy.

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The main indicators for achieving the objective are as follows:

- per capita GDP by purchasing power parity in Bulgaria during 2013 to reach 51.2% of the average EU level (the base level in 2005 was 32.1%);
- GDP growth (on average yearly basis) for the 2007 – 2013 to amount to 5.73%;
- the 'Export to GDP' ratio to be 89.77% in 2013.

To what extent it is realistic for these indicators to be achieved within the defined terms one can judge from the data examined in detail in the analysis of the macroeconomic environment, but at present the values are 44%, 1.7% and 66%, respectively.

In reality the set of indicators in the NSRF will not be achieved.

Provided from the European funds for the realization of OP 'Administrative Capacity' and OP 'Technical Assistance' are euro153.7 mill. and 48.3 mill, respectively. The objective of the first programme is to improve the institutional and administrative capacity of the state towards realization of reforms and efficient implementation of EU policies. The main priorities are to assist the structuring of the other programmes, monitoring, evaluation and analysis of the impact through studies, statistical data, forecasts, facilitating the dialogue between the public and private sectors, improving coordination between the institutions and training managers and employees in the administration. The second programme is aimed at improving the coordination, control and evaluation of the Structural funds and the Cohesion Fund in Bulgaria by building an Integrated Management Information System and by providing information to the public on NSRF and on European policies in the various fields.

As a share from the funds the two programmes account for barely 3% of the indicative European financing for the country and there are mainly oriented to the state administration.

It must admitted that, thanks to the information system created for management and monitoring of the EU structural instruments in Bulgaria, it is possible to track out a considerable part of the processes of utilization of the European funds.

Still far from crowned with success are the efforts, however, to create an electronic government, to ensure one-stop-shop for firms and citizens, to network the masses of information of the various bodies of legislative, executive and judicial authority, of the state and local administration.

OP 'Human Resources' is with indicative European financing of Euro1,031.8 mill. The strategic goal is to improve the quality of life of Bulgarian people through betterment of the human capital, to attain high employment levels, increase labour productivity, access to quality education and life-long schooling, to enhance social inclusion. The number of employed persons in the country has dropped in 2011 by 10% (303 thousand people) against the starting year 2007. The index of physical volume of the gross added value per one worked man-hour is an accurate indicator, which allows the measurement of labour productivity on a comparative basis. The value of this indicator (equal to 100 at 2005 base) for 2007 is 108.3%, and 126.4% - in 2011.

Owing to the long-term character of the influence exercised by this programme particular attention ought to be paid to the results achieved in the sphere of education.

Extremely alarming is the fact that Bulgaria also reports the highest share among member-countries of 15-year old students who are at level 1 or lower according to the Combined Scale of the Programme of international students assessment (PISA) for reading literacy – 41% of all students against the average level of 19.6% for EU-27. This means that in the field of reading trainees can only determine the theme of the text, discern particular information and form simple links to everyday knowledge, whereas in the field of mathematics they are able to solve problems that are routine, in a familiar context in the where clearly defined and detailed information and concrete instructions are at hand, to perform plain actions immediately related to the particular stimulus.

In parallel with the processes of spreading illiteracy nearly 14% of young Bulgarians drop out from school early with 40% of them not working and not willing to work. The number of teachers in this country is drastically falling and their average age is dangerously increasing (77% of them are above 40 years of age today).

Against the background of a declining quality of secondary education, Bulgaria has opted for investing in higher education and has been increasing state financing every year, regardless of the fact that an increasing part of the disciples of the few remaining elite secondary schools choose education abroad. Higher education in the country, although predominantly financed with public funds trains specialists in fields that are outside labour market demand. One half of the graduates from bachelor and master programmes have acquired qualification in the sphere of economy and behavioral sciences and there are no jobs for them. Often the choice of a specialty for continuing the education is dictated not by the interests and prospects for realization of young people, but by the absence of an alternative – like work, or owing to poor knowledge in the field of mathematics and the natural sciences, which makes engineering sciences difficult to access. If this trend continues, after a quarter of a century Bulgaria will not have enough specialists of its own in the field of science and technology. Rhetorical is the question whether a modern European state can develop its economy with economists and experts in political sciences alone?

The narrow spheres of education, according to the qualification adopted in the country, are 22 in total. Almost 81% to 83% of the bachelors and masters graduate in 8 of them (all in the field of social sciences, human behaviour sciences, law, pedagogy). Of all university graduates 45% to 49% are educated on only two of the fields and these are the economic sciences and administration (from 29% and 34%), and the sciences of society and human behaviour (from 14% to 15%). The share and the net number of graduates in the field of Training for teachers and educational sciences is also impressive – some 3500 persons on the average annually. Let us note that teachers in this country aged 25 to 29 years are 1691 only; and those aged 30 to 34 years – 4387 people and their number is on a decrease every year.

A considerable part of specialists in demand either does not work in the specialty acquired (teachers) or work abroad (doctors, nurses, specialists in the field of sciences and technology). The absence of a link between the country's economy, as real and target parameters for the respective sectors, and higher education is a catastrophe. The concept of investing with priority in higher education that has no application in the country, at the expense of school training, makes it impossible for the system to reproduce its own self. It is recommendable to restrict the expansion of higher education in the form of parasitizing specialties in parallel with improvement of the quality of secondary education in order to make it possible, in the medium term, for secondary school graduates to possess basic

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knowledge in the sphere of natural sciences, technology, engineering sciences and mathematics, to have to potential to continue their higher education in specialties perspective for the growth of the national economy.

The importance of education for the achievement of economic development is discussed in various aspects, but data from a study conducted in more than 90 countries show (Rindermann, 2011) that an increase by one per cent in the IQ of people who fall within the five per cents with the highest level of this indicator in one nation increases the average GDP by USD468, whereas an increase in the average IQ for the nation augments the average GDP by USD229.

Public health care in the country has been delegated to the background. Projects in this sphere can be proposed in one of the priority axes of this programme only. Among the EU countries Bulgaria has the lowest GDP and parallel to this it sets aside an insignificant part of it for public health services (4.8% in 2010). In 2002 this indicator was 5.3%, and in 2007 it fell as low as 4.1%). By comparison Eurostat data for 2010 show that the EU countries set aside 7.5% on the average of their GHDP for public spending in health services (state and social funds). Such indicators point to a serious problem with the access to healthcare in the country, the quality of medical services and the lack of administrative capacity for introducing efficient healthcare.

Problems in the social domain can be clearly outlined also in the level of incomes of vulnerable groups. Poverty affects most-severely the aged people – about 80% of the persons above 65 years of age, regardless of the accumulated employment record and acquired rights to pension. At the same time this social group is facing the necessity to pay additionally considerable funds in order to get health care and buy medicines. The average pension in 2010 barely reached 40% of the average wage and there is no tendency for this share to increase (for EU it is about 60%). According to NII data the average monthly pension in 2011 was Euro136. The amount of pensions has been ‘frozen’ over the past three years. The minimum wage (MW) for 2010 and 2011 has also come to a standstill at Euro123. This level is negligibly lower than the average pension. The MW was increased in 2012 to Euro148.3 whereby it exceed the levels of the average pension for this country.

6. Conclusions for the New Programme 2014-2020 Period

The unsatisfactory utilization of European funds against the background of the poverty and collapsed economy of the country is the result of numerous negative factors, such as poor planning, lack of administrative capacity for adequate making use of the agreed funds and corruption. This is evidenced by the drastic differences in the implementation of the programme according to their managing bodies (the respective ministries). Until the end of quarter one of 2012 barely 29 per cent of the funds planned for the period have been utilized, and 24 per cent of the overall indicative fund. There are no expectations for catching up such in the implementation. Programmes also require co-financing, which means that even with the most optimistic forecasts for finalizing the delayed projects there exists a significant risk of severe shortage of funds from local co-financing.

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Table 5. National Strategic Reference Framework (2007-2013) – indicative allocation of Community participation by years and utilization (mill. Euro)

Year	Indicative estimate		Utilized funds		Implementation in %
	For the period	Cumulatively	For the period	Cumulatively	
2007	490.8	490.8	0.0	0.0	0%
2008	713.2	1,203.9	367.9	367.9	31%
2009	967.0	2,170.9	266.9	634.8	29%
2010	1,018.5	3,189.4	397.2	1,032.0	32%
2011	1,089.8	4,279.2	539.3	1,571.3	37%
2012	1,161.5	5,440.7	12.6	1,583.9	29%
2013	1,233.0	6,673.6		1,583.9	24%

Source: Information System for Management and Monitoring of the Structural Vehicles of EU in Bulgaria <http://umispublic.minfin.bg/opOperationalProgramms.aspx> (8.08.2012)

Overoptimistic forecasts are associated with achievement of up to 50% utilization of the European funds until the end of the reference period – 2013. Exceeding the importance of the unrealized implementation is the preparation and coordination of the new reference framework – 2014-2020 as a new chance for Bulgaria’s revival on the road of European development.

Isn’t it a more successful intervention that is to stimulate the development of the economy in order to give a chance to qualified Bulgarians to work and create national product in the country? This would provide a stable foundation for overcoming both the social and ecological problems, since a precondition for the re-distribution of public wealth is that they be created first. The pace of spreading poverty, social exclusion and dissemination of illiteracy ought to be brought under control. Developed countries from the Community attract educated and qualified young Bulgarians. The establishment of attractive well-paid jobs, the creation of a secure and harmonious environment for habitation are among the main factors that can induce highly educated young people to remain in the country.

The European Council adopted in 2004 a set of Structural indicators to monitor the progress achieved by member-state with respect to the reformed Lisbon Strategy: (1) GDP, (2) labour productivity, (3) level of employment, (4) employment of ageing population, (5) percentage of the population aged 20-24 with secondary education, (6) expenditure for scientific research, (7) level of prices, (8) investments in industry, (9) percentage of the population exposed to risk of poverty, (10) long-term unemployment, (11) greenhouse gas emissions, (12) energy-intensity of the economy, (13) cargo transport volume. It is expedient that all these should be included as criteria for assessing the achievements in NSRF for the new programme period. This will create a possibility to compare results against the progress of other Community countries.

The new MSRF must be worked with consideration taken of several criteria.

The first one is the degree of substantiation of proposed interventions with the help of EU funds. Important issues in this field are how to formulate the objectives and priorities of the respective programmes, whether they meet the needs of society and the possibilities to achieve real results, are European, national and regional priorities harmonized, to what extent the real needs are reflected

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The second criterion is efficiency – the degree of attainment of objectives. It is necessary to determine whether the formulated programmes, interventions lead to the anticipated results, what is the level of utilization of the financial funds, can one expect favourable or unfavourable side effects from the realization of the planned actions.

The third criterion is effectiveness – to what extent results can be achieved by inputting fewer resources or better results can be achieved with the same quantity of resources. At first glance this is a tactical question that ought to be clearly formulated when determining the project that will be selected for realization. If, however, it is not asked as early as during the elaboration of the strategic document – the NSRF, the means of control will not be at hand either.

The fourth criterion is related to the assessment of risk. In the implementation of the present NSRF the World, Europe and Bulgaria were faced with an economic and financial crisis of exceptional scope. The evaluation of possible negative impacts is directly related to the formulation of indicators. It is difficult in life to distinguish clearly the impacts of interventions under the programmes and of external negative factors, yet, such aspects ought to be clearly outlined as early as in the phase of NSRF elaboration.

Last, but not least, the fifth criterion is the degree of resistivity to impacts. Will the measures undertaken have a lasting influence or they will be forgotten at the time of termination of financing for the projects. This country's long-term development ought to be explicitly provided for in the new programme 2013 – 2020 period.

From the viewpoint of practice it is probably expedient to pay greater attention to the programmes oriented towards improvement of the competitiveness of Bulgarian economy. To a considerably higher degree they can be directed to technological renewal, introduction of modern equipment and production methods, implementation of present-day management systems. The expansion of the base for scientific and applied research ought to be made a national priority.

In order to underscore the importance, specifics, sustainability of achieved results and how indispensable for young people is to be trained for participation in economic and public life, a separate operational 'Education' programme could be individualized. This will enable the attention of society and those in government to be focused on an extremely painful problem – provision of elementary literacy and an opportunity for integration into the labour market. Pressing is the solution of problems with the quality of secondary and higher education and definition of needs for specialists with particular qualifications.

7. Conclusion

The economic crisis in 2009 paralyzed the Bulgarian economy that was lagging behind in its structural transformation and technological renewal. Three years later this country's macroeconomic indicators are again at the levels of the starting year 2007. The funds granted by the EU to Bulgaria for development are not utilized in full value and fail to provide the expected result, respectively. The strategic goal of Community financing, namely, the improvement of quality of life of people in Bulgaria has not been attained. The rates of development of this country lag behind European ones and it remains lasting the poorest state in the community. It is imperative to re-consider the objectives and priorities.

The positive net financial position under the accounts with the Community does not automatically result in acceleration of the Bulgarian economy. Bulgaria demonstrates a lack

of administrative capacity, motivation and insistence for an adequate utilization of European funds - fewer than 30 per cent of the funds have been utilized in five years, whereas until the end of the reference framework term there remains less than a year and a half.

Measures are necessary both for overcoming the delay in the utilization of planned funds and efforts to formulate the strategy for the next programme period.

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EKONOMSKI RAST I FONDOVI EU U BUGARSKOJ (2007 – 2011)

Rezime: Javnost u Bugarskoj i političke snage usredsređuju svoju pažnju na prijem Bugarske u EU kao šansu za ubrzavanje ekonomskog rasta i uvećanje konkurentnosti Bugarske privrede, za prevazilaženje društvenih i regionalnih nejednakosti, za povećanje vrednosti Indeksa razvoja. Imajući u vidu ove ciljeve, usvojeni Nacionalni referentni okvir usmerava dolazna sredstva iz budžeta EU ka realizaciji konkretnih programa. U ovom radu razmatra se o iznosu sredstava i stepenu realizacije programa pre kraja prvog perioda nakon pristupanja EU. Šta je postignuto? Kakvi su rezultati? Kakvi zaključci se mogu primeniti za predstojeći programski period 2013-2020.?

Ključne reči: Rast BDP, Društveno blagostanje, fondovi EU