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By Paul Taylor

BRUSSELS, July 18 (Reuters) - The European Commission will issue a withering indictment next week of high-level corruption, maladministration and failures in the handling of European Union funds in new member state Bulgaria, according to a draft.

The report on the management of EU funds in the most recent and poorest newcomer, seen by Reuters on Friday, said: "High level corruption and organised crime exacerbates these problems of general weakness in administrative and judicial capacity."

As a result, it said, Brussels has barred four Bulgarian agencies from handling EU funds because of corruption, freezing nearly 1 billion euros (\$1.6 billion) in pre-accession aid and threatening future payments, the document showed.

The report, described by EU officials as the most scathing ever written about a member state, is due to be adopted by the EU executive next Wednesday, and changes are still possible.

EU officials said the final figure for frozen funds may be smaller because some of the money has already been spent, but Sofia stands to lose nearly half a billion euros by the end of the year unless it can remedy flaws in its payments agencies.

"Bulgaria is not able to reap the full benefits of this assistance because of critical weaknesses in administrative and judicial capacity, be it at local, regional or central level," said the report.

"Urgent action is needed because deadlines for contracting some of the funds are approaching after which the funds will be lost to Bulgaria," it said.

Bulgarian Deputy Prime Minister Meglena Plugchieva, who was appointed this year to clean up the handling of EU funds, was in Brussels to meet the EU anti-fraud agency on Friday.

European Commission spokesman Mark Gray said: "I am not going to deny the existence of a report on EU funding. This is work that is ongoing. The document that I have seen circulated is not the latest draft. The only report that matters is the one adopted on July 23."

A partial draft of that report was handed to the Bulgarian government on Thursday for factual checks, without the key sections on the next steps to be taken and the conclusion.

The biggest chunk of money at risk is in the PHARE programme which provided technical assistance to central European countries before they joined the EU.

The report said payments to two key implementing agencies had been suspended, estimating the amount of funds affected to be around 610 million euros, of which 250 million euros has not been contracted.

"As a consequence, these agencies will not be allowed to contract until they can guarantee that effective, functioning management and control systems are in place," it said.

The other agencies affected are the National Authorising Officer for the SAPARD agricultural marketing programme, with 210 million euros yet to be paid, and the National Road Infrastructure Fund, for which funding for road building worth 144 million euros has been frozen. (Reporting by Paul Taylor, Editing by Mark John)