

Bulgaria Steps Up EU Funds Absorption

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by Raina Lazarova, SeeNews SOFIA. **Bulgaria will absorb no less than 20% of the allocated European Union funds this year - double the combined amount it absorbed in the previous four years, the cabinet minister in charge of EU funds said.**

"So far, more than 11.3% of the whole allocated sum has been disbursed which in absolute terms is equal to 1.775 billion leva (\$1.346 billion/907.6 million euro). By the year's end we expect to have disbursed at least three billion leva worth of EU funds," Tomislav Donchev said in an interview for SeeNews.

This compares with an absorption rate of 8.6% at the end of 2010 in neighbouring Romania, reported in March by the country's Fiscal Council which advises the government in Bucharest on designing and implementing the fiscal policy.

The Bulgarian government has signed agreements with local beneficiaries for a total of seven billion leva worth of funding under EU programmes since 2007, or nearly 46% of the amount available in the 2007-2013 programme period, Donchev said.

"In the best-case scenario disbursements should catch up with the volume of agreed EU funding," he added.

The three billion lev 2011 disbursement target is equivalent to 16.5% of Bulgarian budget spending planned for the year and 3.9% of the Gross Domestic Product projected in the 2011 budget bill.

In order to meet the target Bulgaria will need to see more project applications, Donchev said, highlighting both the importance and challenge of major investment projects, which are subject to double approval by the governing body of the respective operational programme and by the European Commission.

Instrumental in reaching the 20% target will also be the Joint Assistance to Support Projects in European Regions (JASPERS) initiative in the preparation of major projects, as well as the mobilisation of both national resources and international financing, Donchev added. Bulgaria is already using financing from the World Bank, the European Investment Bank (EIB) and in some cases the European Bank for Reconstruction and Development (EBRD), to sustain key projects.

"But most important is the mobilisation of national resources at all levels - from intermediate bodies to managing authorities and beneficiaries."

Referring to the progress made in simplifying the application process, Donchev said that "over the last year the main priority was to simplify and optimise all procedures in order to make them closer to real Business processes." These measures include the commitment for advance publication of Information about financing opportunities and the ongoing revamp of the Public Procurement Act aimed at minimising abuse.



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Although the simplification process has its limits and much of the work has been done already, Donchev said that there are still possible niches for improvement like the introduction of electronic applications. "E-application will be introduced before the middle of the year in terms of technical capabilities and all tools and operational programmes will be included in it in stages," Donchev said. Priority will be attached to programmes which provide financing to a wide range of beneficiaries like the Competitiveness and Human Resources operational programmes.

Asked what Bulgaria can learn in terms of best practices from the older EU member states, Donchev singled out the providing of relevant information, increased realism in the application process with focus on bankable projects, and the quality of implementation.

"Two-thirds of all mistakes in the execution stage are made in the awarding of contracts," he said.

At the same time, increasing the administrative capacity in project preparation and management has been one of the main recommendations to the Bulgarian government.

"As European Parliament member Danuta Hubner recently said, we cannot afford walking, we have to run. Above all, the effective absorption of European funds must be an absolute national priority. This will gauge the quality of our administration."

"Investment in administrative capacity, expertise, technical capabilities, in motivation and improved management at all levels of the chain - from the governing authority to the ministries and municipalities - is a non-stop process," Donchev said.

To improve the absorption of EU money, the centre-right government that took office in July 2009 has stepped up its training programmes for beneficiaries - most of all local authorities - related to public procurement orders, frequently made mistakes, financial management and public-private partnerships. In addition, preparations are underway to set up a mobile group of 10-15 experts, or a so-called Bulgarian JASPERS, which will advise local governments mostly in the project execution stage, said Donchev.

He added there is potential for further improvement in absorbing EU funds in the plan for outsourcing government activities related to the management of EU operational programmes unveiled recently by Economy Minister Traicho Traikov.

Pilot outsourcing projects will run in the Competitiveness operational programme (energy efficiency schemes) and in the Regional Development programme (housing schemes), said Donchev. These outsourcing plans will involve international financial institutions and local commercial banks.

There are examples from other EU member states in which commercial banks, in assuming the role of intermediaries, are responsible for verification of expenses, conformity with the law, and even for evaluation.

"I am willing to go for a pilot procedure to be fully outsourced to one commercial bank selected by tendering. We must be aware that this is not an easy procedure as long as the bank will control the verification process. Banks have to go through audits and certification to prove conformity with all systemic requirements," said Donchev, 37, a former mayor of Gabrovo, in central Bulgaria.

The post of minister in charge of EU funds was created in March 2010 to improve and intensify the absorption of money available from the various programmes of the bloc. A deputy premier was in charge of coordinating the absorption of EU funding in the previous Socialist-led three-party coalition government.

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