



**EUROPEAN COMMISSION**  
DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT

Directorate F. Rural development programmes II  
F.4. Bulgaria, Czech Republic, Romania, Slovakia

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**Subject: Implementation of the Bulgarian Rural Development Programme  
2007-13**

Dear Dr Naydenov,

I am writing to you in your capacity as Head of the Managing Authority of the Bulgarian Rural Development Programme (RDP) 2007-0213, financed by the European Agricultural Fund for Rural Development (EAFRD).

As you may be aware, the Annual Review Meeting for the RDP was held recently in Brussels, on 22<sup>nd</sup> January. This meeting provided a useful opportunity for a detailed exchange between representatives of the RDP Managing Authority and Paying Agency and the Commission services about the latest situation concerning the implementation of Bulgaria's RDP. The constructive participation of your services during this meeting was appreciated.

Following these discussions, the purpose of this letter is to share with you our assessment and concerns regarding the current implementation situation and outlook for the RDP.

We are now in the 4<sup>th</sup> year of the 2007-13 programming period. For all Member States programme years 2007 and to a certain extent 2008 were atypical, as time was needed to approve and launch the RDPs. We fully acknowledge certain additional challenges Bulgaria has faced as a new Member State launching its first large scale post-accession RDP, and with the need for careful follow-up of the difficulties that emerged under Sapard in order to avoid their repetition under the RDP.

However, at this mid-stage in the programming cycle, the slow implementation and apparent stagnation in parts of the Bulgarian RDP are a matter of increasing concern to the Commission. I would like to highlight three issues in particular:

1. First, there is the current situation and future outlook regarding absorption of EAFRD funding.

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The N+2 automatic decommitment provisions will apply to the Bulgarian RDP for the first time at end 2010 with regard to an amount of €581 million (covering both the 2007 & 2008 commitments for the RDP).

To date, Bulgaria has received a total of €379 million from EAFRD (of which, €183 million in advance payments and €196 million in reimbursement of declared expenditure covering period to end 2009). It is of note that of the expenditure claimed from EAFRD to date, nearly 50% relates to payments under the measure '*Complements to direct payments*' which is an effective financial transfer to the 1<sup>st</sup> Pillar of the CAP and whose implementation is limited to the period 2007-09 only.

Thus during 2010 Bulgaria will need to generate expenditure claims for a **further €202 million EAFRD contribution** to avoid any automatic decommitment at the end of this year. This will rapidly be followed by a further €457 million EAFRD contribution to be claimed by end 2011.

My concern is that without early corrective actions, a serious risk of decommitment under the Bulgarian RDP lies ahead.

2. Second, is the situation regarding contracting and payments to beneficiaries under the RDP.

Since the RDP was launched in 2008, a substantial backlog of applications has built up in the Paying Agency. This issue has been raised with the Bulgarian authorities on several previous occasions, and the latest information presented at the Annual Review Meeting continues to give rise to concerns. While we recognise some significant progress in recent months in addressing the backlog for two measures (M112-'*Setting up of young farmers*' and M121 '*Modernisation of agricultural holdings*'), there remains overall an unacceptable level of delays in processing applications from potential beneficiaries.

Furthermore, implementation of the RDP to date is highly un-balanced, with applications and administrative capacity focused on a few 'more attractive' measures, and others neglected. There are some 8 measures which were opened for applications since 2008 and where not a single application has yet been approved, but whose objectives are central to delivery of the overall RDP strategic objectives. We also understand that the cumulated backlog of applications in the Paying Agency has led in recent months to a decision to close some 11 of the total of 13 measures under axis 1 and 3 of the RDP, whilst this backlog is addressed.

These circumstances are bound to cause considerable frustration among potential beneficiaries – who are either waiting too long for project approval or are unable to submit new aid applications - with an associated reputational risk not only for the Bulgarian authorities, but also for the European Commission.

A further concern is the low uptake under area-based measures for agriculture and forestry under axis 2. Without a step-change in the level of applications it is difficult to see how Bulgaria will manage to absorb the legally established minimum 25% of EAFRD resources allocated to this axis of its RDP. Reinforced information and advisory actions to assist farmers to apply and fulfil their commitments under axis 2, particularly under measure 214 '*Agri-environmental payments*' which is at the core of EU rural development policy, are urgently needed.

It is clear that only by encouraging sufficient good quality applications across the range of RDP measures; and by the efficient approval of applications and correct implementation of selected projects can the programme deliver its strategic objectives, and Bulgaria's rural areas start to see the related tangible benefits from EU accession. However, excluding the '*Complements to Direct Payments*' measure, as of 15<sup>th</sup> January 2010 and 3 years into the programming cycle, only €126 million of public expenditure has been paid out to final beneficiaries under the programme under standard rural development measures, from a programme with a total budget of €3.2 billion.

Establishment of a steady pipeline of approved projects/commitments and related payment claims is also a pre-requisite for successful absorption of EAFRD funds and avoiding the risk of automatic decommitment outlined above.

3. Third, is the issue of administrative capacity.

The Commission services have repeatedly underlined the need for sufficient numbers of staff, relevant training, and retention of expertise (which has often been developed with EU support - through TAIEX, RDP technical assistance etc) for RDP implementation. The Commission responded rapidly to a Bulgarian request to expand the scope of technical assistance to provide additional staff needed for RDP implementation, notably within the Paying Agency. However while the relevant RDP modification was submitted by the Bulgarian authorities as a priority in late October 2008 and was accepted by the Commission after accelerated procedures on 4 December 2008, we understand the additional staff concerned are only now being appointed and will then require training before they can be fully operational.

Staff turn-over has generally been very high especially in recent months. While decisions on individual appointments are a matter of purely national competence and, where there are cases of irregularities with RDP funds involving staff, relevant follow-up actions and reporting must clearly be pursued by the Bulgarian authorities, it is also important to create and keep the required expertise to implement the RDP successfully and to avoid undue instability.

Therefore, whilst ensuring the regularity of expenditure of EU funds and avoiding the weaknesses which emerged under Sapard, the Bulgarian authorities also have a responsibility to ensure that the RDP implementation system is completed and stabilized in time for the programme to reach a satisfactory 'cruising speed' and deliver its planned strategic objectives.

Given the above context, during the Annual Review Meeting DG AGRI requested certain follow-up actions from your services in order to permit reinforced monitoring by the Commission services of RDP implementation. These included:

- the establishment of an Action Plan setting out the concrete actions and the timetable envisaged to process the outstanding backlog of applications in the Paying Agency, which was requested for end February;
- regular submission of updated tables of monitoring data on RDP implementation until the above backlog is resolved;


- submission of an indicative timetable for opening calls for applications under closed RDP measures during 2010 and the associated budgets linked to these application windows.

To conclude, I am sure you will agree that the RDP represents a major – if not unique - opportunity to improve competitiveness in Bulgaria's important agri-food sector; promote sustainable management of Bulgaria's valued and diverse natural landscapes; and address the economic diversification and development needs of rural communities. In particular, the significant funding it contains can be a valuable tool in assisting the rural economy during the current harsh economic downturn.

I rely on your support to overcome the implementation difficulties the programme is currently facing in order to ensure the potential of the RDP is realised in practice, and that EU funds are correctly managed.

I and the services of DG AGRI remain at your disposal for any assistance required on the matters outlined above, within our respective roles under shared management.

Yours sincerely,



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Director General

c.c.: Ms J Nikolova, Adviser to the Prime Minister, Council of EU Funds Management  
Mr P Borisov, Deputy Minister for Agriculture and Food  
Ms D Bairaktarska, acting Director, Rural Development Directorate, MAF  
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