

## Financial Data About “SAPARD – PHARE – IPA”, Three Key Financial Projects, Offered by the EU for Bulgaria

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### Abstract

Bulgaria is a country that is positioned in the south-east Europe and north-west of the Balkan Peninsula. Bulgaria in the east it borders on the Black Sea, to the south are Turkey and Greece, on the west by Macedonia and Romania in the north-west. Since 1999 the region of Bulgaria is divided into 28 regions. The total area of Bulgaria is 110.910 km<sup>2</sup> and has a population of about eight million people. Many different economical studies have been realized in Bulgaria area these last years. This study provides some financial data about some financial projects, during years ahead of EU membership, provided the latter. The goal of this paper is to present the correlation between comparative analyses of three financial projects on different periods of time. For this purpose we have received financial data from three respective projects during the four years of the study. Economical data for this country will presented for the first time in this scientific international activity. Financial data are presented, according to the comparative analyses we found out several interesting data that showed clearly the real contribution to the economy and development of the country. Comparing these data we found out that, financial investment has an unquestionable importance for advancing economic life and the EU provides adequate funding to achieve this goal.

**Keywords:** Bulgaria, economical data, financial investment, projects, development.

### 1. Introduction

The EU provides financial assistance repeatedly for its member states, but not only. The financial assistance mainly consists of efforts of these countries to advance in the different economic and political reforms. (Kaplan, 2006; Kreyнар, 2005; Hammer, 2006). After becoming part of the European Union, the latter provides financial aid from different funds. (Gibson, 2003; Fishing & Vassilev, 2006).

In the Bulgaria before its membership in the EU, financial assistance is carried out mainly by PHARE, IPA and SAPARD.

- **PHARE** program finances mainly projects related to transposition of acquits and institution building in all sectors. A growing number of these projects are implemented within the so-called twinning (cooperation of the administration and NGOs in the candidate countries with their counterparts in Member States to implement acquits). Phare also finances projects from the investment of differences in various areas of socio-economic cooperation, mainly covered by IPA and SAPARD. The projects supported by Phare are included in national programs, programs for trans-border cooperation, multilateral and horizontal programs. In addition to its annual PHARE Bulgaria receives additional funding in conjunction with the commitment to close reactors 1 to 4 at the NPP "Kozloduy". Phare project contributes to meet the expenses of the Bulgarian state.
- **IPA** (opened in 2000) finances projects in various fields of environmental infrastructure. The program is guided by the strategies for environmental protection and development of transport infrastructure adopted by the Bulgarian government agreed with the European Commission. IPA is coordinated by DG "Regional Policy".
- **SAPARD** (opened in 2000) supports measures to develop agriculture and rural areas. SAPARD programming framework is governed by multi-annual National Plan for Rural rayon. Programmatic is coordinated by DG "Agriculture" of the EC.

During the period prior to accede to the EU Bulgaria has received financial assistance under the program by financial institutions as European Bank for Reconstruction and Development (EBRD) or the European Investment Bank (EIB). (Drucker, 2001; 2006).

## 2. Results and Discussions

### 2.1 PHARE

PHARE program has two main objectives in Bulgaria. For EU candidate countries, the purpose of the program is to help them join the Union as quickly as possible. (Gibson, 2003; Drucker, 2001)

#### 2.1.1 Funding:

Partner countries set priorities for seeking assistance and then negotiate with the European Commission and sign a financial memorandum. PHARE funds shall be raised from the common EU budget.

The financial resource under the PHARE program is allocated as grant and the scope of its activities has expanded considerably.

PHARE program has as main purpose the amendment and adoption of reforms. This program has continually supported the administrative legislation committing significant investments in infrastructure.

#### 2.1.2 Types of aid:

Provision of information: this includes advice on policy, on reform of the institutions and the legal system, implementation in the new management technologies Academic Exchange Program ("Tempus").

Investment support: PHARE program provides feasibility studies, lines of credit and guarantees, and sometimes capital (free of charge) in order to drive significant investment projects which are retained due to insufficient funds. Cooperation of the PHARE program with the EBRD and the EIB on this line leads to the development of infrastructure projects for over 1 billion euro.

The program provides loans and managed locally for small businesses and farms, to address a critical shortage of goods.

Direct investment: PHARE program invests directly in infrastructure, particularly which depends on the successful reorientation of the economies in transition, such as bridges, roads and border checkpoints. Priority is given to trans-European transport networks. 1994 for these purposes are used to 25% of the total program budget. At this rate includes funds for environmental protection.

Supporting the development of civil society through programs Democracy, Lien, Partnership and others. EU cooperation with Bulgaria in the program began in 1990, when the country meets the conditions for participation, political pluralism and free elections, the start of market reforms.

- *First stage in the program PHARE:* 1990-1991, - support for macroeconomic stabilization, humanitarian aid deliveries to strengthen industry and agriculture. Focus on the immediate tasks related to economic reconstruction.
- *Second stage:* 1991-1994 years - wide sector aid (a total of 4 248.5 million. ECU), especially knowledge to build the necessary structures of a market economy in 11 countries. Through the program support current priorities related to socio-economic reconstruction.
- *Third stage:* 1994-1997: - new tasks to the program associated with the decision of Copenhagen, 1993, wherein meet the political, economic and legal criteria for membership. Home of the annual programming Program PHARE - 1996-1999, the
- *Fourth stage:* 1997-2000: - proposed by the European Council (Amsterdam, 1997) PHARE program shifts from providing technical assistance in problem areas to support processes directly related to the preparation for accession. At this stage PHARE program assisting to solve the tasks set in the agreement "Accession Partnership". After 1997 there is a change in the procedures for implementing the program.

The new EU approach provides "programming purposes" when drawing up national programs. The aim is PHARE program to integrate with national budgets and to become part of the national priorities in efforts to join. PHARE funds shall be raised from the common EU budget and national co-financing.

Phare project funds are awarded as grants; the scope of its activities has expanded considerably. Phare adjusts reforms in each of the countries that are candidates for EU membership. The meaning of the Structural Funds is to bring all regions / countries of the EU to the level of social cohesion EU average. As part of these measures and tackling regional disparities within individual countries.

## 2.2 Financing IPA

IPA is one financial instrument for grants of the European Union. IPA mainly finances projects in the field of transport and environment. The program was established in June 1999 and covers the period 2000 – 2006. (Kreynar, 2005; Hammer, 2006; Fishing & Vassilev, 2006).

In the field of transport infrastructure projects granted funding for the networking of national transportation networks (railways, highways) with pan-European as well.

### *Objectives are:*

- Assist to reach EU standards in the field of environment
- Implementation of the countries that pretend to join a primary policy of the EU
- Improving and increasing links with the trans-European transport networks.

IPA was established by decision of the EU Council №. 1267/1999 in June 1999 and covers the period 2000 – 2006.

For the years from 2000 to 2006, the income of the IPA, there were around 1 billion euro. Year and is distributed among all the candidates on the basis of criteria that include: population, GDP per capita, complex and specific needs the country.

During the beginning of the exercise of its policies IPA program gave its contribution to the 300 projects significant infrastructure in the candidate countries for membership, mainly Eastern European countries. Provided support in the amount of about 7 billion euro's.

After 2004, the year in which the EU was followed by another extension, Bulgaria and Romania retain access to IPA, while the remaining 8 countries gain access to the EU Cohesion Fund. The European Council in Copenhagen in December 2002 decided to increase aid to Bulgaria and Romania by the end of 2006. From 1 January 2005 access to IPA receive and Croatia.

## 2.3 The Bulgarian experience in the application of SAPARD

SAPARD is one of the projects, which have contributes significantly to a preparation for accession candidate countries concentrated mainly in terms of rural and agriculture-livestock..

### *SAPARD objectives are:*

- Given the ability to aid in the constant advancement of agriculture.
- Give solutions to problems in the agricultural sector;
- Supports and does that create space for the application of European Community law mainly in agricultural policy. The amount of direct subsidy for each party is determined on the basis of objective criteria such as population, GDP, employment in agriculture, agricultural areas, and the specific territorial. (Kaplan, 2006; Drucker, 2006).

This is the official document that guided the programming and implementation of SAPARD. The plan is developed by the Bulgarian government and this plan includes four priority areas, and in each of them apply specific measures.

### *The priority areas for Bulgaria are:*

- Improvement of production, Forestry and Fisheries by European standards and the development of activities in environmental and forest protection;
- Development in order to maintain and develop the economy;
- Investing in training and education of employees in the production and processing of agricultural, forestry and fishery production;
- Technical assistance.

Relevant government institutions manage the accession process, screening and selection of projects approved for funding from SAPARD in full kordinance vondsosyra procedures in advance by the European Commission. SAPARD finances 50% of project costs (75% of which are funded by the European Union and 25% - by the Bulgarian state budget).

### 2.3.1 Information on the closure of SAPARD

SAPARD is implemented in Bulgaria since 2001. The role that SAPARD played in the development of Bulgarian agriculture, preparing him for Bulgaria's membership in the European Union is significant. Significant investments were made for modernization of agricultural machinery, horticulture, and in the food sector. Thanks to investments made under the program increase the competitiveness agriculture, food processing industry and forestry.

At the end of his performance on the SAPARD program, 3509 projects with a grant of 1,375,796 333.30 lev settled all correctly completed projects number 2600 with a grant of 876 739 772.17 lev as follows:

- Under Measure 1.1 Investments in agriculture are paid 1485 project with a subsidy totaling 343 333 768.26 lev
- Under Measure 1.2 Investment in processing and trade in agricultural and fishery products are paid the subsidies totaling 264 478 324.06 lev for 267 projects.
- Under Measure 2.1 Investment in the development of various economic activities and providing alternative income paid the subsidies totaling 97 975 038.89 lev for 468 projects.
- Under Measure 1.2.1 Markets for manufacturers and auctions are paid 7 project with a grant totaling 17 689 187.25 lev
- Under Measure 1.5 Producer groups are paid 4 projects with a subsidy worth 221 557.95 lev
- Under Measure 1.4 Investment in forest holdings are paid 32 projects with a subsidy totaling 5 064 165.56 lev
- Under Measure 2.2 Investment in the development of the villages, helping mainly in the protection of cultural traditions and heritage are paid 175 projects with a subsidy worth 75 791 087.57 lev
- Under Measure 2.3 Development and improvement of rural infrastructure are paid 43 projects with a subsidy totaling 69 291 350.14 lev
- Under Measure 3.1 Investment in vocational training by paying exactly 3 projects with a subsidy worth 398 613.45 lev
- Under Measure 4.1 Technical assistance paid 11 projects with a subsidy worth 945 280.57 lev
- Under Measure 1.3 Agri paid 105 projects with a subsidy totaling 1 551 398.47 lev

Since the beginning of the program have been canceled 208 projects with a subsidy worth 79 040 235.01 due found inadmissible on investment as a result of examinations carried out, including the Action Plan.

For the period has canceled 682 projects with a subsidy worth 295 801 719.4 lev in which the beneficiaries have not submitted payment requests within the prescribed period or have applied for voluntary termination of the contract for financial support under SAPARD.

28 projects are ongoing investigations carried out by the competent authorities and the subsidy on these projects worth 24 872 200.00 lev will be spent under the SAPARD program. Upon completion of these checks positive, subsidy for these projects will be paid at the expense of the national budget.

Since the beginning of the program until 14.12.2009 as a result of the implementation of the control procedures were registered 423 irregularities and fraud as 291 pcs of them have financial consequences and 132 pcs. They have no financial implications as irregularities are established before payment. 52 registered irregularities which have paid grants are repaid in full plus interest. The total principal repaid until 5257 is 770.34 lev Total amount recovered - principal and interest is 7204 515.50 lev Total amount owed to 30.11.2009 - principal and interest is 155 618 981.93 lev.

### 3. Conclusion

- ✓ Mainly financed by means of projects is of special importance for the economic development of a country and the EU gives the main contribution to the successful realization of this project being financed directly (grants) or indirectly order.
- ✓ Phare has been for the countries of Eastern Europe, the main financial project of the European Union. PHARE program since the beginning of his, support administrative law, providing major assistance in the implementation of the democratization in the civil society, also accompanied it even more with important investments in infrastructure.
- ✓ IPA is a financial instrument that aims primary, the concrete financial aid for countries that claim membership in the EU; mainly stimulate socio-economic development of the country. The IPA project covers about 85% of the project funded, while 15% is left to cover the project beneficiary country.
- ✓ SAPARD aims and primary task is the financial support in the field of agriculture seeking and supporting its overall modernization. Support and assistance provided by this program is mainly focused on advancing the development of agriculture and food industry.

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