

Bojidar Danev, President of the Bulgarian Industrial Association with guidelines to the businesses on the absorption of the European Structural Funds and the Cohesion Fund:

Partnerships between businesses and municipalities will result in successful projects

The opportunity, afforded by Bulgaria's European Union membership providing to our country almost EUR 7 billion for absorption in the course of 7 years, opens great perspectives for the businesses and the society in Bulgaria.

Businesses have **four important roles** to play in the absorption of the Structural Funds and the Cohesion Fund. The first one is that they could be direct beneficiaries under two Operational Programmes – Development of the Competitiveness of the Bulgarian Economy and Human Resources Development. Under part of the Programmes the businesses can be only contractors – these are the Funds providing resources for the improvement and building of infrastructure and in the environmental area. They can also partner with municipalities in relation to the Regional Development Fund. The last role, but not the least important one is consultancy, which the businesses may professionally provide to state and municipal authorities.

The sums to be disbursed under the European Funds are substantial. Almost EUR 7 billion in the course of 7 years are envisaged under the Structural Funds and the Cohesion Fund. The national Operational Programmes, approved by the European Union, are focused on the weaknesses of the Bulgarian economy that need further development. First and foremost these are EUR 1.6 billion for Operational Programme “Transport”, EUR 1.4 billion for Operational Programme “Environment”, EUR 1.360 billion for Operational Programme “Regional Development”, etc. **Transport and infrastructure** in Bulgaria are in critical condition. The old Roman maxim says that “the state extends to where roads get” and roads in the 21st century are much more important for the economic development. The only progress that our country has in

this respect is the signing of the Open Sky Agreement and presently we see the opportunity being established Bulgarian businesspeople to travel at a lighter financial regime.

Bulgaria has huge problems in the area of **environment** too. I am not to elaborate on well known problems. The Operational Programme provides an opportunity to raise the potential to address the problems with the landfills and treatment of wastes, waste water, air and soil pollution problems, etc.

Regional development in Bulgaria is uneven. Typical is the concentration of human and industrial resources in the big towns while all the other towns and villages seem to be of marginal importance. We should not forget also the structural and difficult to solve problem of human labour resources in terms of the demographic condition and the aging of the population, as well as the emigration of qualified cadres abroad.

The absorption of the EU Funds will establish here in Bulgaria too the globally successful practice of **public private partnership**. The choice of such a model could only be to the benefit of all parties concerned in project application. The regional structures would not be able to absorb alone all the funds allocated and therefore businesses and municipalities must work for the establishment of public private partnerships. We must not forget that the businesses can co-finance projects and almost all projects need also bridge financing. This is the best way to absorb the Funds, using the consultancy of enterprises, which already have considerable experience in the absorption of European funds, while our municipalities do not have experience in absorption yet, or at least not of large amounts.

The Bulgarian Government has made every effort to **facilitate potential beneficiaries**. For example, the time for project completion has been extended to 3 years for the period 2007-2009. Such a measure would certainly have an impact on the level of absorption. Another burden assumed by the State is that projects will be paid in Bulgaria currency, while euros will come in the country, which means that the exchange rate fluctuations will be on the account of the State. The application forms will be in Bulgarian unlike the ones for the pre-accession instruments – thus another barrier will be eliminated, which will allow our country to absorb huge amounts in important economic areas. The opportunity

achieved for bridge financing by certain banks is a progressive approach. The overall idea for an information campaign to promote the possibilities for absorption of the Structural Funds and the Cohesion Fund will have very positive results.

Despite all the factors listed above that will contribute to a stronger economic and social environment in the country, I really doubt that Bulgaria will be among the leaders in European Funds absorption. The model for this is Ireland which has absorbed 98% of the committed resources. What we could do, however, is to endeavour to exceed the average level of the 10 new EU Member States. We have the great advantage of being able to learn from the lessons of these ten countries – to take what has made them successful and to overcome what has hindered them, i.e. not to repeat their mistakes. It is complicated, but there should be synergy between the institutions, the administration itself, the municipalities and the businesses in the absorption of EU Funds. There is no room for defending one's own position. We must work as a team. And be active!

