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SOCIAL COSTS OF THE INEFFICIENT MANAGEMENT OF THE EU FUNDS FOR BULGARIA

Shteryo Nozharov*

Abstract: The study identifies and defines the social costs of the inefficient management of EU funds for Bulgaria. It is analyzed the last due programme period (2007-2015) and its prolongation. As methodology of the research the V4 BM model of Al-Debei and Avison (2010) which has not been used for analysis of EU funds management for cohesion policy in the public sector, is applied. In this way its potential for application in this field is tested. The concept of the study could be successfully used for analysis of the social costs of inefficient management of EU funds in other member-states.

JEL Codes: F15, H43, O21

Keywords: social costs, V4 BM model, absorption of EU funds

Introduction

Lessons learned from the previous programme period 2007-2013 in the absorption of EU funds for Bulgaria are of great importance for the successful fulfilment of the new programme period 2014-2020.

Our country is still far from the pre-crisis period growth rates of 7% per year (2004-2007) compared to 3.5% for 2015.[1] Its economy is to a large extent related to and dependant on the EU grants, mainly for technology innovations and public infrastructure construction, as well as for balancing the aggregate demand of cash flows, related to the fulfillment of projects by Bulgarian companies, their turnovers and wages.

That is why, it is very important the EU funds absorption to be accomplished in an efficient way in order better competitiveness and better living standards for society to be achieved.

The main objective of the research is to identify and define the social costs, caused by the inefficient management and absorption of the EU funds for Bulgaria. Such kind of analysis could be of great importance for the applying countries for EU membership like FYROM, Turkey and Serbia in order much more efficient structuring and design of the systems for EU funds management, including the pre-accession programmes to be achieved.

The thesis of the current study is that the present model, concerning the reporting of EU funds absorption for Bulgaria does not give information for the social costs caused by its ineffectiveness, which fact hinders its optimization and the public control over this kind of activity and needs changes.

The object of the analysis is the management system of the EU funds for Bulgaria and *the subject* is the functional and structural correlations of the existing model for management of the system and its main indicators.

In methodological aspect, by testing the potential of V4 BM model of Al-Debei and Avison (2010) for analysis of the EU funds management for cohesion policy in

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the public sector, will be identified the real absorption of EU funds for Bulgaria.[2] The identification of social costs as a result of the inefficient EU funds management and absorption for Bulgaria will be made by means of descriptive analysis.

For some of the calculations, the model of I.Paliova, T.Lybek (2014) will be applied. [3]

The information provision of the study is mainly based on public databases such as statistical data, officially published by the national government and EC.

The restrictive conditions of the study result from the format of the research – a conference paper and that is why the analysis will be indicative.

The study covers the funding through the EU cohesion and structural funds. Funding through Agricultural and Fisheries Funds is not examined in the research. Such activities that could not be finished till the end of 2015 will be funded by the beneficiaries and they are also not covered by the research. Phase funding gives opportunities single phases of relevant projects to be funded by the new programme period but this topic is not examined in the current study.

1. Application of the V4 BM model in reporting the real absorption of EU funds (for Bulgaria)

The application of V4 BM model of Al-Debei and Avison (2010) when reporting real absorption of EU funds is a way through which business-modeling could be successfully used in public sector analysis. Specifically for this model, in the literature review, no publication related to the application of the model in public sector analysis, especially in the field of EU funds absorption was found.

Although business models are oriented towards better opportunities for companies 'profit maximization and their application in the public sector aims better public goods provision and society welfare, their usage as a whole is directed towards better effectiveness of each organization. That is why, these models could be applied in the public sector analysis while studying its specifics compared to the private sector.

Another example of a business-model, used for analysis of the public sector is McKinsey 7S Framework - Waterman, R. H., Peters, T. J., & Phillips, J. R. (1980).[4] It is successfully used for studying the effective management of EU funds by Sht. Nozharov (2014).[5]

V4 BM model has four main dimensions: Value Proposition, Value Architecture, Value Network and Value Finance, including many elements. The current study will consecutively focus on each dimension as the accent will be put on the failures.

The main organization on which the model will be tested is the Bulgarian government and more specifically those structures which are occupied with the management and absorption of the EU funds for Bulgaria.

A. Value Proposition

Bulgaria received 3.8% of the total EU funds (175.9 billion. Euros) for the period 2007-2013 (KPMG, 2016).[6] The funding of 6.7 billion. Euros for Bulgaria is allocated into 7 operational programmes in the European structural and cohesion funds (ERDF, CF, ESF).[7]

The main objectives of the EU grants are cohesion and removing the gaps in socio-economic perspective with the other member-states as well as the negative effects of the global economic crisis. In this regard as Value Proposition in this case will be taken the public goods, which are produced with the help of EU funds and

whose main objective is better living standards and effects for economy and convergence to be achieved.

The main failures which could be identified in this field are the following:

First of all, shifting the accent from quality public goods provision in Bulgaria to maximum absorption of the EU funds. In this way the public authorities shift the public attention from quality of the final product (e.g. efficient functioning of a local wastewater treatment plant) to the sum for the construction of the plant. In this way some paradoxes raise. In relation to the example mentioned, in Operational programme "Environment" many times the public infrastructure is resized in order maximum money from the funds to be absorbed, which leads to inability the operational costs to be covered in the future and not sufficiently working of the infrastructure. Similar case is the constructed local wastewater treatment plant in Gorna Oriahovitza, which project price was 17 million. Euros, and that plant was resized.[8]

Second, opportunities for corruption after shifting the accent to maximum absorption of the EU funds. With the example of resizing the public infrastructure was illustrated the shifting of the focus on running up the necessary sums for projects fulfillment. In this way the potential number of people serviced from the local population by construction of a water waste treatment plant is increased in order the total sum for the public procurement and respectively the commission for the executive to be enhanced. In this way most of the public procurements are fulfilled by exact groups of big companies because small and medium enterprises are incapable of constructing such huge objects. This hinders fair competition and public interest of achieving the optimal fulfillment price of the project. For example, in the end of 2015 the government stopped public procurements for over 1 billion. Euros because of suspected irregularities and grouping of ownership of executing companies of large infrastructure public procurements.[9]

B. Value Architecture

This issue is in details examined by the author in his previous publication (Sht. Nozharov, 2014).[5] In this regard, only the main concepts will be abstracted in order their significance to be taken into account in the current study:

First of all, this is the inefficient architecture of the organization' structure.

The structure of Bulgarian administration, occupied with the EU funds absorption is ineffectively organized in many individual operational programmes, managed by the relative authorities of the Bulgarian ministries and coordinated by the Central Coordination Department at Council of Ministers whose main role is coordinating, not decision-making. This structure is dispersed and manages the same types of programmes in different way and with different effectiveness, which causes many functions and occupations to be duplicated as well as leads to budget costs increase. The main conclusions of the aforementioned publication of the author are that it will be better only two managing authorities to be differentiated for all operational programmes in Bulgaria. One for the infrastructural programmes (Environment, Transport, Regional Development) and the other for the non-investment programmes (Science, Better Management and etc.) which to be situated at the Council of Ministers or at the Ministry of the programme with the best results. The previous Managing authorities must be transformed into intermediate units of the new Managing authorities while at the same time their functions are free of outsourced functions in order no duplication of government costs to be reported. This thesis is proved with the examples of Operational programme "Environment" and

Operational programme “Transport. Obviously Operational programme “Environment” functions ineffectively in spite of the numerous staff, receiving the same high wages as their colleagues in Operational programme “Transport and fulfilling the same project types. Moreover, the main activities in this programme are outsourced while the staff attends post-graduate courses for hundreds of thousands of Euros for the state account even though they are paid double as overqualified professionals.

Second, it is the inefficient structure and qualification of the staff of the organization. Some of the operational programmes (such as Operational programme “Environment”) consist of a complex structure with a managing authority and intermediate units.[10] Generally the intermediate unit is not a mandatory structure in the European legislation and the member-state or the managing authority decides if they need such body. When such units are established, this leads to great number of senior executives and complex interconnections among them. The complicated hierarchical architecture leads to ineffectiveness, long decision-making processes and lack of balance among many interests and qualifications. Very few operational programmes have efficient structures. Such is for example Operational programme “Transport” which consists only of managing authority. The managing authority directly negotiates with the beneficiaries.[11]

Thirdly, it is the pledged low competence of the staff in the organizational structure. The previously cited research of the author proved that:

- at least one third of the staff in public administration responsible for the EU funds absorption for Bulgaria are appointed without competition. This leads to a high risk of insufficient recruitment of employees who cover only the minimum requirements for the occupation and when competition is held these applicants will not be ranked. The most commonly used method for recruitment is reappointment from low skilled occupation or replacement of an employee on maternity leave. Another way, the competition procedure is bypassed, is to appoint directly part-time employee as a senior expert in EU funds. Subsequently the employee is reappointed to a full-time job;

- the assessment of employees responsible for the management and absorption of EU funds is unreasonable. According to the information about assessment of employees, for the period 2007-2013, approximately half of the staff in public administration (47%) responsible for EU funds absorption substantially over fulfilled their obligations and the other half of them (55%) fulfilled their duties properly, but at the same time the effectiveness of the operational programme is low. At that moment, according to the Brussels Office of the German Society for International Cooperation (GIZ), the sum of the really absorbed EU funds by Bulgaria for the period 2007-2013 (reimbursed from EU funds) at the end of the second quarter of 2014 is 48%.[12] This means that the capacity of Bulgaria for real absorption of the earmarked funds (really reimbursed by EU) is 50%, and if the European Commission did not extend the term of the programme period ('N+2 or N+3' rule), Bulgaria would suffer significant losses as a result of the inefficient work of these employees who have been excellently assessed.

- the variations in wages of staff responsible for the management of EU funds and staff, occupied with the management of national budget with the same qualifications and fulfilling the same obligations lead to ineffectiveness of the financial processes at public administration. The employees responsible for management of the national budget and at the same time assisting the management of the EU funds are not motivated as their wages are 5 times lower than those of servants occupied with the fulfillment of operational programmes. At the same time their colleagues,

receiving high wages are also not motivated to work as they rely on the formal and unreasonable assessment of their work. In this regard prerequisites for deteriorated communications and relations among directorates in relevant ministries and agencies are created.

- the low initial qualification of appointed employees leads to high additional government costs for their re-qualification and supporting their work by outsourcing. For example, for re-qualification of staff at the Managing authority and at the Intermediate Unit of Operational Programme “Environment” only for two years (2012-2013) are spent half of million Euros. It turns out that in 2012, at the end of the programme period, 30% of the staff is taught how to manage EU funds and projects as well to assign and monitor public procurements. Here raises the question, how these employees performed their obligations during the period 2007-2012.

The level of language proficiency of the staff responsible for the EU funds in Bulgaria is also questioned, although according to the national legislation it is one of the requirements for appointment of such kind of experts. It is interesting that for the period 2008-2014 for the needs of Operational programme “Environment” approximately 200 000 Euros were spent for outsourced translations.

Having in mind the level of qualification of the staff, there will be examined also the share of outsourced activities. While the highly qualified staff of the Managing Authority in Operational programme “Environment” continued to be trained for half of million per year and at the same time received monthly their high wages, most of their duties are outsourced to private companies:

The Managing Authority of Operational programme “Environment” has outsourced the activities on mid-term and running assessments of the operational programme, which is its main obligation according to the legislation. Also the activities on risk analysis and management of the contracted grants are outsourced to private companies and are spent approximately 250 000 Euros.

The Intermediate Unit of Operational programme „Environment” has also outsourced some of its main functions despite they are its obligation according to the national legislation. For example, the preliminary and follow up control of the public procurements is outsourced to private companies and the sum of the money paid is 130 000 Euros. The activities, related to monitoring and verification of projects is also outsourced and the money paid is 300 000 Euros. The examples are not exhaustive, there are many others, but they will not be listed because of the limited volume of the study.

For the period 2007-2013, in Operational programme „Environment” for staff re-qualification and execution of the main functions of the authority are spent more than 2 million Euros.

It is inadmissible, for the same activity which is inefficient to be paid the highest rates both for public administration and outsourcing. This outsourcing shows that one of the both parties is redundant – either the staff of the public administration who do not exercise their obligations, or the private companies which in spite of the high commissions they receive, the fulfillment of the projects is not so effective (only 50%), what is the level of absorption of the EU funds for Bulgaria in the mentioned period.

C. Value Network

This issue is also examined in details in the previous publication of the author (Sht.Nozharov, 2014).[5] In this regard, the main conclusions will be abstracted due to their significance for the current research:

First of all, the interconnections and functional relations are ineffective.

What is specific for the period 2007-2013 are the problems in the control systems? The processes in the *follow-up control* are duplicated. Executive Agency "Audit of the European Union Funds" performs functions in accordance with the Internal Audit Law and duplicates the functions of the directorates in internal audit at each Ministry with operational programme which also carry out activities in accordance with the Internal Audit Law. The systems for *preliminary control* are also duplicated. Such type of control is carried out by the staff in the relevant operational programmes and at the same time, preliminary control is exercised by other government bodies such as the Public Procurement Agency. The systems for *follow-up control* are also duplicated. Such control is carried out by the Supreme Audit Institution, by the Public Financial Inspection Agency and by the Prosecutor's Office of the Republic of Bulgaria. At the same time, each operational programme sets measures for auditing (in some of the programmes the sum equals 2% of the total budget) which in most of the cases are outsourced to private companies.

The large number of participants in the control systems with duplicate functions leads to higher ineligible costs and ineffectiveness. The model needs to be changed.

Additionally the cumbersome application and execution procedures could be examined, as well as the systems for information exchange, the insufficient levels of the so-called e-government, discrepancy in the management and control systems of the operational programmes and etc.

Secondly, the inappropriate structured strategic framework outlines wrong interconnections in the organizational system which leads to conflicts among the participants:

As a long-term strategic document in the field of EU funds could be examined the National Reform Programme.[13] This programme is complemented and specified with various sector strategies in the field of environment, transport, agriculture, regional development and etc. The sector strategies do not correspond with the administrative structure of the public authorities. For example there are various operational programmes where measures for the environment are set: environment, transport, agriculture, regional development, which is carried out in different way in accordance with the specifics of each operational programme. In addition, the environmental policy is examined differently in the strategic documents of ministry of economy; ministry of transport, ministry of agriculture, ministry of environment and waters. This results in uncoordinated effect of the national budget and EU funds and leads to ineffectiveness of value networks.

D. Value Finance

To March, 1st 2016 Bulgaria reported that 96% of the earmarked EU funds for cohesion policy for the country are absorbed.[14] It covers the period to December 31st, 2015 which is the reference date after which the funding is stopped.

The reported percentage for absorption of the EU funds for Bulgaria is incorrect because it does not present the real financial value of the analyzed organization.

In order real results to be achieved, the model of I.Paliova, T.Lybek (2014) will be used. [3]

The main data resources used are:

- Progress report 2007–2015 (KPMG, 2016)
- Annual report concerning the strike balance of programmes, co-funded by EU funds and of the countries from the European Economic Area for the period

2007 – 2013, as well as progress made in the programmes from the period 2014 – 2020“.[7]

The output data for Bulgaria according to the aforementioned resources are:

- Available budget of the EU funds: 6.7 billion Euros;
- Contracted budget: 7.0 billion Euros;
- Paid grants with the beneficiaries: 6.4 billion Euros;
- Certified grants: 5.4 billion Euros;
- contract ratio: 105%
- payment ratio: 95%
- certified ratio: 81%

Conclusions:

First of all, Bulgaria has absorbed **1.2 billion Euros** less than the available budget of the EU structural and cohesion funds. This happens because of the reported frauds and that their amount is bigger than the financial corrections made. They are paid by the national budget and in this way result in public social costs.

Secondly, the Bulgarian state authorities presented incorrect share of EU funds absorption (96%) for the period 2007-2015, which corresponds to the paid grants with beneficiaries but not to the certified ones by the EC grants (81%). The variations of 15% down are a huge deviation.

Thirdly, it is better to be given an example of the absorption percentage and the officially reported percentage of absorption of EU funds in an individual operational programme. Having in mind the huge volume of information about the seven operational programmes as an example will be taken Operational programme “Environment”.

The output data for Operational programme “Environment” 2007-2013 are the following:

- Total budget for the realization of the programme 1 641 623 150 Euros.
- National co-funding: 246 243 473 Euros (15%)
- EU funding: 1 395 379 677 Euros (85%)
- Reported implementation of the programme: 97% of the absorption of the EU funds. [7]

What is the real percentage of EU funds absorption in Operational programme “Environment”?

To December 31, 2015 the total paid grants to the beneficiaries are 1 792 220 756 Euros, which is 109,17 % of the Operational programme budget.

The total verified grants to December 31, 2015 are 1 491 540 142 Euros, which is 90,86% of the Operational programme budget.

The total certified grants to December 31, 2015 are 1 205 458 058 Euros which is 73,43 % of the Operational programme budget.

The financial corrections in Operational programme made to December 21, 2015 are 97.145 million Euros (97 145 457).

Calculations and conclusions:

1. The variations between the operational programme budget and the certified grants are 436 165 092 Euros.

This means that 27% of the Operational programme total budget is uncertified grants, related to frauds.

2. The variations between the uncertified grants in Operational programme “Environment” and the financial corrections made are 339 019 635 Euros, which is 20% of the operational programme total budget.

According to the calculations made, the reported figure of 97% of EU funds absorption by the Ministry of environment and waters is incorrect. The real one is 15% lower - 72% .

2. Identification of the social costs, caused by the inefficient EU funds management and absorption for Bulgaria

When analyzing this issue, first of all the term “inefficiency of EU funds management and absorption” must be defined. In this aspect two individual elements which are correlated to each other, could be examined:

- **Quantitative inefficiency** – as a result of the lower level of EU funds absorption, and
- **Qualitative inefficiency** – as a result of the low quality of the provided public goods, expected to be constructed by EU funds.

In the first case, the quantitative inefficiency could be calculated in currency in accordance with the presented model in the previous chapter of the study by comparing the planned, contracted, paid and certified ratio of the EU grants.

In the second case, the qualitative inefficiency could be calculated by the decreased number of public infrastructure sites (e.g. less waste depots) or by the number of insufficiently working public infrastructure facilities (e.g. the resized waste water treatment plant in Gorna Oriahovitza, which was mentioned in the previous chapter of the research).

Both types of inefficiency could be measured quantitatively, but in the second case, the quantitatively measurement will not give full picture of the damage endured by the society. In this regard, the initial quantitative assessment of this type of inefficiency is not complete and could be complemented with the qualitative losses for the society. That is why; it is defined as quantitative inefficiency.

Defining the term “inefficiency” of EU funds management and absorption is a prerequisite for the determination of social costs, caused by this inefficiency.

The inefficiency (loss of social welfare) in this case will be caused by:

- Inefficient government policy (leading to inefficient architecture of the EU funds management and absorption structures);
- Illegal or incompetent behavior of public administration staff, who work inefficiently in this field (due to insufficient control or bad system for recruitment of the personnel);
- Lack of public control also leads to inefficiency (because of the complexity of the matter and low knowledge of citizens in this issues);
- Inefficient intervention of the European Commission for public awareness in the member-states for the real level of EU funds absorption (lack of public information about the certified ratio of the absorbed grants);
- Selfish actions of private companies which want to maximize their profit through inefficient implementation of the projects and spending money for expensive media campaigns for misinterpretation of the public opinion;

Having in mind the aforementioned, the “social costs of the EU funds management and absorption” could be determined as a function of its quantitative and qualitative inefficiency as well as the reasons for it.

That is why, „**social costs of the EU funds management and absorption**“ will be defined as:

- lower level of absorption of the grants from EU cohesion funds;
- provision of public goods with lower quality which will be produced by EU funds;
- infringements by EC for the not fully constructed public infrastructure;
- lack of convergence, measured by the GDP per capita for the period of EU funding. As another indicator could be used the decreasing number of immigrants to EU member states with average or high GDP per capita;
- reallocation of national budget resources from areas which are under the jurisdiction of the national governments to areas entirely funded by EU funds, which leads to low provision of the relative public goods;
- increase taxes and fiscal burden because of the filling of the budget deficits, caused by the uncertified EU grants and the necessity of higher share of the national funding;
- increased budget expenditures to provide the inefficient public administration responsible for the management of EU funds;
- unfair competition among companies, caused by the poor control in funding projects with EU funds in order some companies to conquer huge market shares, based on corruption practices;
- missed opportunities in direct foreign investments as a result of the not fully constructed public infrastructure (respectively less jobs and less paid taxes to the budget);

The so determined “social costs of the EU funds management and absorption” could be measured by different approaches:

The first hypothesis, concerning the lower level of EU funds absorption, could be measured by comparing the planned, contracted, paid and certified EU grants and taking into consideration the sum of the uncertified EU grants as well as the financial corrections made by the Managing Authorities to the beneficiaries.

At national level, this sum was mentioned in the previous chapter and for the period 2007-2015, it was 1.2 billion Euros. Taking into consideration that the correct period is 2007-2013, because in 2014 started the new programme period (2014-2020), which has its own financial resources, the direct annual financial loss for the society because of unabsorbed EU grants is 200 million Euros per year.

The second hypothesis concerning the provision of public goods with lower quality could be measured by the sum of the first hypothesis (1.2 billion. Euros). This sum could be sufficient for the construction of the entire missing infrastructure in Bulgaria in the field of environment and waters protection. In this way the citizens will receive public goods with better quality.

The third hypothesis, concerning the infringements by EC for not fully constructed infrastructure could be measured by the sum of the total infringements, caused by this inefficiency. For example, because of the inefficient absorption of the EU funds in the field of environment, Bulgarian government has not constructed the public infrastructure for waste management and treatments and because of that is given to Court by the European Commission.[15] It is possible a serious penalty to be levied to our country which in this case will be the social costs of the inefficient management of the EU funds for environment.

The fourth hypothesis, concerning the lack of convergence could be measured by the potential for increasing the values of GDP per capita during the

period of EU funding. For example, for the period 2007-2015, according to the EUROSTAT database, the economic growth of Bulgaria, compared to that of Romania is 30% slower.[16] This means that the reported absorption of EU funds of 96% is incorrect or the constructed public infrastructure is with low quality and does not lead to the necessary economic growth and living standards for the society. In addition, the number of permanently migrating Bulgarians to member states with average or high GDP per capita means that they do not see real effect of the EU funds absorption.

Fifth hypothesis, concerning the reallocation of national budget resources from areas which are under the jurisdiction of the national governments to areas entirely funded by EU funds, could be measured by decreasing the volume of financial resources for public services funding. If we take the calculated sum of inefficiency of 200 million Euros per year for the period 2007-2015 then this sum could be successfully used for funding of the health system in Bulgaria. It could be hypothetically accepted that these financial resources are reallocated for filling the deficits, caused by the ineligible costs, i.e. by the inefficient EU funds management.

Sixth hypothesis, concerning increased taxes and fiscal burden because of the filling of the budget deficits, caused by the uncertified EU grants and the necessity of higher share of the national funding, could be measured by the sum of the first hypothesis (1.2 billion Euros) and as a result of the classic tax multiplier. The social cost will be determined by the distortions of the business cycles or not achieving the planned economic growth.

Seventh hypothesis, concerning the increased budget expenditures to provide the inefficient public administration responsible for the management of EU funds, could be measured by the increased cost control (more internal auditors, inspectors, experts in preliminary control, external auditors, various specialized departments for control in the Supreme Audit Institution and etc.). This will indicate that the main departments do not function efficiently and the complex control structure will also lead to inefficiency.

Eight hypothesis, concerning unfair competition among companies, caused by the poor control in funding projects with EU funds in order some companies to conquer huge market shares, based on corruption practices could be measured by the increase number of cases at the Commission for competitiveness protection, related to the market power of companies which gain public procurements funded by EU funds and there are many claims against them for inefficient implementation of the projects, which is a signal for corruption practices and influence peddling.

Ninth hypothesis, concerning missed opportunities in direct foreign investments as a result of the not fully constructed public infrastructure could be measured by the variations between the planned growth rate of the direct foreign investments as a result of the fully constructed public infrastructure by EU funds and their real rate. For example, some strategic investors preferred investing their financial resources in Romania rather than in Bulgaria, where the public infrastructure is much more efficient.

Conclusions

The current study achieved two main goals. Firstly it proved that V4 BM model of Al-Debei and Avison (2010) could be successfully applied in the public sector, also in the field of EU funds management and absorption for the cohesion policy. Through

this model are identified the weaknesses of the national strategic frame and measures for their development are proposed.

Secondly, the real level of EU funds absorption for Bulgaria was identified to be with 15% lower than the reported level by the government, which is a huge deviation.

On third place, the social costs, caused by the inefficient EU funds management and absorption for Bulgaria, are defined.

On fourth place, a conceptual model for measurement of the identified and defined social costs caused by the inefficient EU funds management and absorption for Bulgaria, is presented.

In spite of the presented statistical data and calculations of the social costs, a complete statistical analysis is not made.

The main objective of the current study is to identify and define the social costs caused by the inefficient EU funds management and absorption for Bulgaria in order to be supported the work of the public authorities for society awareness and increased public control.

Even conceptually defined high social costs caused by the inefficiency in this field, the public interest and control in Bulgaria are too low and formal. This leads to taxpayer's losses from other member-states caused by the migration flows, as a result of the lack of convergence and cohesion.

On fifth place, the current study contributes to development of the model for assessment and control of the operational programmes, which could be used by the European Commission offices.

The main objective of the research does not have to be accepted as maximum EU funds absorption, but as an opportunity efficient public services to be provided and construction of qualitative public infrastructure to be achieved. The EU funds absorption must be oriented towards better living standards of the society and competitiveness of the national economy in order cohesion and convergence to be achieved.

The failure and inefficient EU funds absorption in Bulgaria could discourage countries like FYROM, Turkey and Serbia in their ambition to become EU member-states. This could be perceived as a serious reason for deepening the researches in the field of efficient EU funds absorption and management.

The current study is only a concept for identification and measurement of the social costs, caused by the inefficient EU funds management and absorption and if it could raise discussion on this topic, it will be of great public interest.

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