

Economic Program

In 2011, the Economic Program focused on four key topics: energy security and sustainable development; hidden economy and anti-corruption; competitiveness and the knowledge economy; and the impact of the European Funds in Bulgaria.

2011 Highlights

- **Energy security and sustainable development.** The Economic program published a series of reports on the quality of energy governance in Bulgaria. These elaborated on the necessary policy measures for filling in governance gaps, such as in public procurement and for transitioning towards sustainable development.
- **Hidden economy and anti-corruption.** The Economic program published *The Hidden Economy in Bulgaria and the Global Economic Crisis*. A round table and a conference organized by CSD discussed the size and share of the hidden economy, bad practices in public procurement, the lack of transparency in the energy sector, the healthcare and pharmaceutical sectors, as well as the losses associated with VAT fraud.
- **Competitiveness and knowledge economy.** With the active participation of CSD, Bulgaria was included, for the sixth time, in the 2011 edition of the World Competitiveness Yearbook, published by IMD (International Institute for Management Development). According to the ranking, in 2011 the Bulgarian economy occupied 55th place out of 59, losing two positions compared to the 2010 results. CSD experts took part in the elaboration of the annual innovation performance assessment report *Innovation.bg 2011*.
- **Evaluation of the impact of the European Structural Funds on Bulgaria.** The Economic program prepared two analyses on the effects of the EU Structural Funds and in particular the European Fund for Regional Development (ERDF). The first report focused on EU fund's effects in the areas of renewable energy sources (RES) and energy efficiency of residential housing, while the second reviewed the overall effects of ERDF interventions.

I. Energy security

Energy governance in Bulgaria faces multiple challenges of technical, legal and institutional nature. The review of the execution of Bulgaria's big energy infrastructure projects undertaken by

the government in 2009 – 2011 revealed serious problems in terms of governance. CSD's Economic Program continued its work on advocating for better governance and transparency in the energy sector. Its focus in 2011 was energy security and diversification. Through its



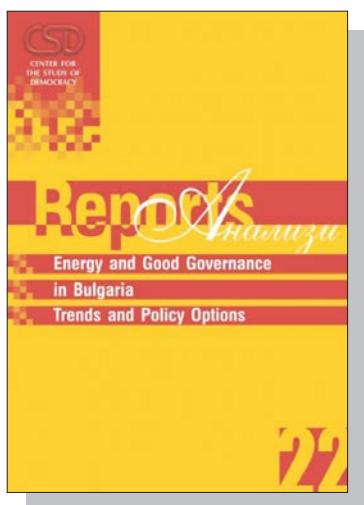
Policy Forum Energy and Good Governance in Bulgaria: Trends and Policy Options, from left to right: Dr. Ognian Shentov, Chairman of CSD; Mr. Martin Dimitrov, Chairman of the Economic Policy, Energy and Tourism Committee at the National Assembly and Ms Tove Skarstein, Ambassador of Norway to Bulgaria

research, public awareness raising, the organization of multiple round tables and public discussions, as well as policy forums with national and international participation, the Center for the Study of Democracy has put these pressing issues into the spotlight of the country's public policy agenda.

A highlight of CSD's advocacy work on energy governance was the presentation of the report *Energy and Good Governance in Bulgaria: Trends and Policy Options*. The policy forum on the recommendations of the report took place on 18 January 2011 at the National Assembly of the Republic of Bulgaria. Among the panelists at the event were Mr. Martin Dimitrov, Chairman of the Economic Policy, Energy and Tourism Committee at the National Assembly, Mr. Traicho Traikov, Minister of Economy, Energy and Tourism, H.E the Ambassador of Norway and H.E the Ambassador of

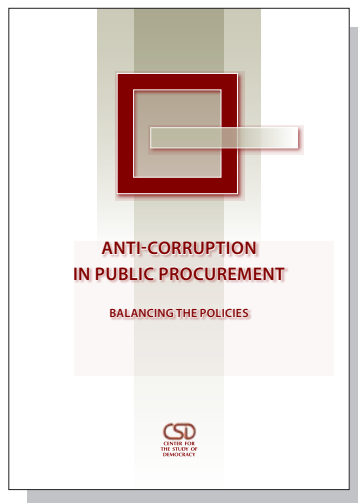
Hungary in Sofia (the country holding the EU rotating presidency then), the Head of the International Secretariat of the Extractive Industries Transparency Initiative, Mr. Jonas Moberg, the Director of the Sofia Office of Konrad Adenauer Foundation Mr. Andreas von Below, representatives of the National Assembly and other stakeholders. H.E. Tove Skarstein, Ambassador of Norway to Bulgaria noted that, albeit slowly, Bulgaria had demonstrated tangible progress in improving the transparency of the energy sector. Mr. Traicho Traikov, Minister of Economy, Energy and Tourism pointed out that, for the first time in 20 years, energy decisions were subject to such an extensive discussion among experts as well as among the general public. Minister Traikov noted that the discussion of the proposal for the new energy strategy of the country was about to commence, which was indicative of the government's

strong commitment to transparency. According to Minister Traikov, CSD's report clearly and accurately described the energy situation in Bulgaria. As the process of building a better governance structure is long, Minister Traikov stated that the government's efforts in 2011 would be targeted at the restructuring of the management of state energy companies, the balanced inclusion of renewable energy sources in the network, as well as the implementation of important national energy projects.



The report *Energy and Good Governance in Bulgaria: Trends and Policy Options* explores the major deficiencies in the strategic, institutional, and legal governance of the Bulgarian energy sector. The analysis of the management of state-owned energy companies and large energy infrastructure projects in the recent past reveals the disregard for even the most fundamental principles of accountability and control in their planning and implementation. This has affected negatively the Bulgarian taxpayers and consumers, has jeopardized the financial stability of the state-owned energy companies, and, ultimately, has reduced the energy security of the country. The report recommends that

the implementation of the large energy infrastructure projects be reconsidered and be based on a sound cost-benefit analysis with regard to Bulgaria's energy security.



The Center for the Study of Democracy and the Norwegian Institute of International Affairs (NUPI) organised a round table, on 26 May 2011 in Oslo, on the various aspects of good governance in the energy sector and in particular on anti-corruption policies in public procurement. NUPI and CSD presented their joint publication *Anti-corruption in Public Procurement: Balancing the Policies* during the round table. Among the participants were high-ranking Norwegian officials and experts as well as the Ambassador of Bulgaria to the Kingdom of Norway. The publication, available in English only, reviews the existing counteraction measures against corruption in the sphere of public procurement in Norway, Bulgaria and the EU. The area of public-private contracting presents high corruption risks everywhere in the European Union, and adequate measures should be taken to counter those risks. Only 1.6 % of the total EU public procurement market is won by entities



Professor Bulat Nigmatulin, former Deputy Minister of Energy of Russia, in charge of nuclear energy, and currently First Deputy General Director of the Institute of Natural Monopolies, Moscow (left); and Mr. Ilian Vassilev, Former Ambassador of Bulgaria to Russia

originating from another EU country, which in effect points to a dysfunctional internal public procurement market in Europe. The text of the publication enabled the Center for the Study of Democracy to prepare and submit to the European Commission an official position regarding the public consultation on the modernization of the European public procurement system.

The topic of Bulgaria's nuclear energy, post-Fukushima, was discussed during a round table, organised by the Center for the Study of Democracy on 31 May, 2011. Professor Bulat Iskanderovich Nigmatulin, former Deputy Minister of Energy of Russia in charge of nuclear energy, and currently serving as First Deputy General Director of the Institute of Natural Monopolies in Moscow, participated in the event.

Professor Nigmatulin pointed out that from a global perspective there cannot be any talk about a renaissance of nuclear energy because new projects are only in their infancy in fast developing economies such as China, and because of the growing phobia towards this type of energy in developed countries such as Germany. In his opinion, the cost of nuclear energy is extremely high in the former Soviet bloc and, in addition, economic growth is fully assured via the energy savings resulting from the use of modern technologies. This results in a negligible increase in the projected demand for new energy generation capacities. The central challenge to nuclear energy development in Russia and Eastern Europe, and to some extent in Bulgaria, is whether there will be enough customers for this type of energy.



General James Jones, former NATO Supreme Allied Commander Europe and former National Security Advisor to President Obama (left) and Dr. Ognian Shentov, Chairman of the Center for the Study of Democracy

CSD hosted a round-table discussion on energy security on 28 July 2011. General James Jones, former NATO Supreme Allied Commander Europe and former National Security Advisor to President Obama, and Mr. Traicho Traikov, the Bulgarian Minister of Economy, Energy and Tourism, were among the distinguished participants.

General Jones acknowledged that the topic of energy security remained largely unnoticed in the general national security debate. He noted that there was a lack of a coherent US energy security strategy. The US energy portfolio is divided between 9 departments and 30 oversight committees and subcommittee, affecting the coherence of energy policies. Minister Traicho Traikov specified that in Bulgaria energy security and national security were

one and the same issue now. Bulgaria attempts to improve national (energy) security through investment in renewables, conventional and new technologies as part of a wider European effort to improve energy supply and economic competitiveness. The challenges that Bulgaria faces are that within the EU it is hardly possible to convince some (bigger) nations that they should give up part of their sovereignty in energy decision-making. Overcoming this is a prerequisite to common energy policy in Europe, which is of paramount importance to smaller EU member states such as Bulgaria. Participants in the discussion indicated that Bulgaria could benefit from a more proactive energy security policy, through clearly defining its own national energy projects rather than reacting to outside initiatives.



Mr. Traicho Traikov, Minister of the Economy, Energy and Tourism (left) and Ms. Susan Sutton, Deputy Chief of Mission, U.S. Embassy

The Center for the Study of Democracy organised a series of other events, dedicated to the topics of energy security and good governance in the energy sector.

- A round table at CSD on 10 March 2011 discussed the role of the Black Sea Region for the country's economic development and for security relations, including energy security within the European Union. A recurring theme in the discussion was the development of a common EU strategy and policy on the EU level on key security issues, and a more active participation of Bulgaria and Romania in its conception.
- The link between organised crime and energy security was discussed on 25 March 2011. Mr. Dimitar Georgiev, Deputy Minister of the Interior, opened up the event by touching upon the challenges that law enforcement bodies face with regard to the infiltration of organised crime into the energy market. Mr. Steve Harvey, Senior Expert, OC Networks Unit, Europol, gave a presentation focusing on three scenarios linked to the potential risks that the infiltration of organised crime into the energy sector of Europe might create.
- The Center for the Study of Democracy and the Institute for Energy at the Joint Research Centre (JRC) to the European Commission held a seminar in Petten, the Netherlands, to exchange experience in energy security research. The event, entitled "Gauging Energy Security: European and Bulgarian Trends", was held on 5 April 2011 and included topics on the modeling of energy policy in Europe, gas demand and

interconnectedness of gas networks in Europe, etc.

- Exchange of good practices on the application of foresight in the areas of energy and environment took place during the round table discussion “Environment and Energy Foresight: EU-China Cooperation”, organised by the Center for the Study of Democracy on 11 April 2011. The participants voiced the opinion that Bulgaria was at the threshold of renewing its energy generation capacity and faced important choices concerning the reduction of pollution, the construction of nuclear plants and the lowering of harmful emissions.
- The Center for the Study of Democracy hosted a seminar discussion on 18 April 2011 on sharing the experience with renewable energy sources (RES) from the US and some developing countries around the

globe. The key-note presenter at the discussion was Mr. Kumayl Khaleeli, VP Corporate Development and Strategy of “Suntrough Energy” – a California-based developer of solar thermal power plants in a range of developing countries in Africa, the Middle East, Asia, and Latin America.

- The Center for the Study of Democracy organised a round table on Bulgaria’s energy security in light of the experience of the new EU member states from Central Europe. The event took place on 28 April 2011.

During the course of 2011, the Center for the Study of Democracy has paid special attention to the link between energy security and sustainable development, as well as between the themes of climate change and renewable energy sources.

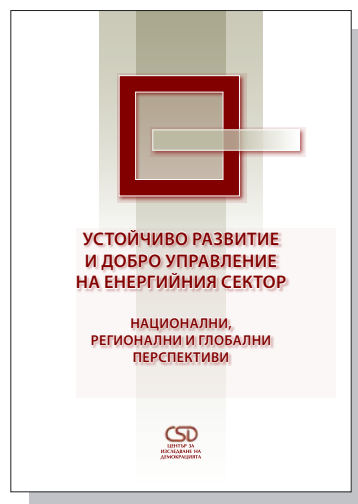


The participants in the Policy Forum: The Costs and Benefits of Renewables on 26 April 2011

The Center for the Study of Democracy hosted a policy forum on the costs and benefits of biomass as a renewable source of energy. Among the participants in the discussion on the 26 April 2011 were representatives from the German Biomass Research Center (DBFZ), the Association of Bulgarian Energy Agencies, the Institute for Green Policies, and others. Mr. Ruslan Stefanov, Director, Economic Program, Center for the Study of Democracy, opened up the discussion outlining the importance of the renewable energy debate in Bulgaria a week after the new *Law on the Energy from Renewable Sources* was voted by the Bulgarian Parliament. He underscored the importance of good governance for the proper development of a green energy mix in Bulgaria. Mr. Stefanov underlined that the debate in Bulgaria was too much focused on prices now than on their development in the next ten years. Though green energies are portrayed in the public as the main drivers of price hikes of electricity this is misleading and shortsighted, and fails to account for the changing international environment. Mr. Dietrich Becker, Deputy Chief of Mission, Embassy of Germany to Bulgaria, acknowledged the need for a new energy policy complementing the current policies based on fossil fuels. Mr. Becker underlined the need to consider the costs and the negative side effects from every energy source so as to make informed and transparent decisions.

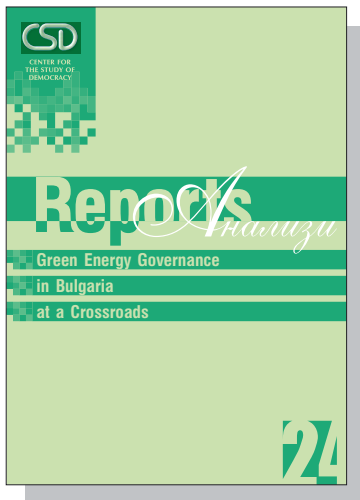
The reader *“Sustainable Development and Good Governance of the Energy Sector: National, Regional and Global Perspectives”* (available in Bulgarian only) is a continuation of CSD’s efforts to accommodate greater information flow to national institutions, energy companies and the general public with regard to sustainable development and good governance in the energy sector. The publication comes as a reminder that in order to

reach or sustain higher levels of high-technological development in a modern society, one needs to ensure (through appropriate management methods in each sector of the economy) secure access to affordably priced energy.



In 2011 the Economic Program of the Center for the Study of Democracy has also published the policy research report “Green Energy Governance in Bulgaria at a Crossroads”. The study presents a summary of the transition to sustainable development in Bulgaria, and offers policy recommendations for improving the governance of the Bulgarian green energy sector. Two major events – the gas crisis of January 2009 and the Fukushima nuclear disaster of March 2011 – have reshaped the thinking and rekindled the debate on the ways of achieving energy security and stability of supply in Europe. The analysis highlights the fact that Bulgaria faces serious problems when it comes to the accessibility of energy resources. The current low price of electricity for Bulgarian households comes from old, fully depreciated coal and nuclear facilities as well as an aging electricity network. Yet, when considered as a percentage of income per capita, elec-

tricity prices in Bulgaria are among the highest in Europe. The pressing need for renovation of the obsolete energy system puts the country in a difficult situation. Being a major importer of energy, Bulgaria has to make better use of the EU Structural Funds, as well as of European know-how and expertise, in order to prioritize energy efficiency and support for vulnerable consumers. This is essential because it is highly unlikely that the country would be able to exercise price control over the future liberalized energy market.



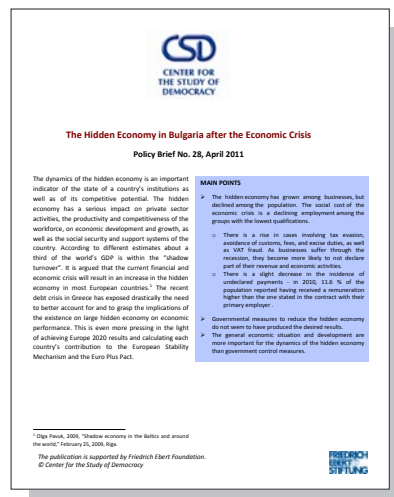
Representatives from the Economic Program participated in numerous international events on network building and experience sharing in energy and sustainable development. They also established contacts with a variety of institutions and partners, among which: Directorates-General (DG) Energy, DG Regional Development and DG Research and Innovation at the European Commission in Brussels; Foundation “ENI Enrico Mattei”, Milano; Extractive Industries Transparency Initiative; and Karita Research, Stockholm. The Center also became a member of the European Nuclear Energy Forum’s working group “Transparency”.

II. Hidden economy and anti-corruption

The Center for the Study of Democracy continued, in the course of 2011, to work on the hidden economy and anti-corruption topics.

As a member of the Advisory Council to the National Revenue Agency (NRA), CSD provides recommendations for improvement of the national tax and insurance legislation, as well as for decreasing the current level of hidden economy.

The Center for the Study of Democracy and Friedrich Ebert Foundation organised a press conference on the topic “The Hidden Economy in Bulgaria after the Economic Crisis”. During the press conference at the Bulgarian Telegraph Agency on the 15 April 2011, CSD experts presented the results of the 2010 Hidden Economy Index. During the discussion a lot of questions were raised over the size and the share of the hidden economy in the country; the corruption in public procurement; the lack of transparency and oversight of the energy sector, health, and pharmaceutical sectors, as well as the losses from VAT fraud.





From left to right: Ms Denitza Mantcheva, Policy Analyst at the Economic Program of the Center for the Study of Democracy; Mr. Tihomir Bezlov, Senior expert, European Program, Center for the Study of Democracy; Mr. Ruslan Stefanov, Director of the Economic Program of the Center for the Study of Democracy; Dr. Pencho Hubchev, Program coordinator, Friedrich Ebert Stiftung; Dr. Mark Meinardus, Director of Friedrich Ebert Foundation, Bulgaria and Mr. Todor Yalamov, Senior Analyst at the Economic program, Center for the Study of Democracy

The experts also presented the dynamics of the various components of the 2010 Hidden Economy Index in the analysis “*The Hidden Economy in Bulgaria after the Economic Crisis*”. The policy research examined recent trends in the Bulgarian economic development and expected effects on the informal sector. The hidden economy has had a serious impact on private sector activities, the productivity and competitiveness of the workforce, on economic development and growth, as well as the social security and support systems of the country. The recent debt crisis in Greece has drastically exposed the need to better account for and to grasp the implications of the existence on large hidden economy on economic

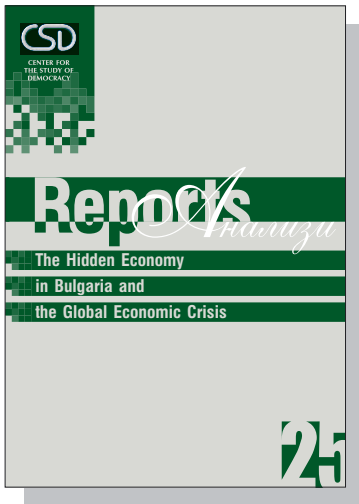
performance. This has become even more pressing in the light of achieving Europe 2020 targets and calculating each country’s contribution to the European Stability Mechanism and the Euro Plus Pact. According to the analysis, the hidden economy in Bulgaria has increased among the business sector, while the opposite trend has been observed among the population.

The authors have come to several overall conclusions:

- There has been a rise in the cases involving tax evasion, avoidance of customs fees and excise duties, as well as VAT fraud. As businesses have continued to suffer from the

recession, they have become more likely to not declare part of their revenue and economic activities;

- There has been a slight decrease in the incidence of undeclared payments – in 2010, 11.6 % of the population reported having received a remuneration higher than the one stated in the contract with their primary employer;
- Measures undertaken by the government to reduce the hidden economy do not seem to have produced the desired results;
- The general economic situation and development have been more important for the decline in the share of the hidden economy than government control measures.

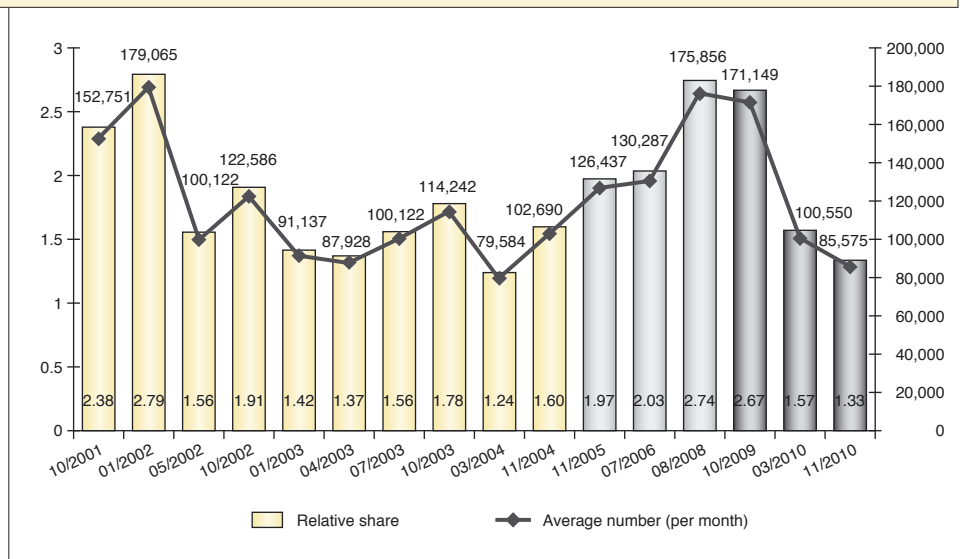


The Center for the Study of Democracy organised a press conference on 27 October 2011 to present its publication *“The Hidden Economy in Bulgaria and the Global Economic Crisis”*. The authors reviewed the effects of the global economic crisis on the labor market and undeclared employment, based on the data from the Hidden Economy Monitoring System. Taking into account relevant European and national experience, the authors of the publication

formulated specific recommendations for improving public policies, aiming at reducing negative effects of the hidden economy.

The Center for the Study of Democracy presented its thirteenth consecutive annual results from the *Corruption Monitoring System (CMS)* on 11 February 2011. Implemented since 1998 by the Center for the Study of Democracy and Vitosha Research, the CMS measures the actual incidence (corruption victimization) and dynamics of corruption in Bulgaria, but also assesses the attitudes and the perceptions of businesses and the population towards corruption. According to the CMS data, there has been a continuous decline in the corruption pressure applied by the administration onto the general population recently. The latter has, in turn, led to a drop in the level of corruption among the general population, thus, reducing the number of corrupt transactions from a monthly average of 171,000 in 2009 to 85,000 in 2010. Yet, despite citizen’s reduced susceptibility to corruption, the level of administrative corruption remains high. During the last three months of 2010, one in every ten Bulgarians, who have dealt with the public administration, resorted to bribing as a means to receive services. Unlike the general population, no decline in administrative corruption has been observed in the business sector. The number of bribes paid by businesses to the administration has been slightly higher in 2010, compared to 2009, while businesses have become more susceptible to corruption. The level of corruption in the business sector has still remained below its values prior to Bulgaria’s accession to the EU. Yet, during the last three months of 2010, one in every six firms that dealt with the public administration reported resorting to a bribe in order to receive a particular service or avoid penalty. The Bulgarian

Figure 3. Involvement in corruption transactions (general population, average % per month)



population still has a high tolerance for corrupt activities. About a quarter of the Bulgarian population has declared that they would agree to giving and/or receiving a bribe, while three fourths would not – whatever the circumstances. CSD and Vitosha Research experts have noted that the share of the population not willing to accept and/or offer a bribe should be about 90 % for a society to be considered corruption averse.

Based on the CMS methodology, the Economic Program developed a comprehensive national corruption survey, conducted in Bosnia and Herzegovina. The survey will be used as a basis for the elaboration of a Corruption Assessment Report, which is going to be presented during a policy forum in Sarajevo in the early 2012. The report would review the progress in corruption and anti-corruption in Bosnia and Herzegovina between 2001 and 2010, based on the CMS methodology.

The Economic Program continued its commitment to strengthening the governance of the Bulgarian civil society. CSD organised on 25 November 2011, in the city of Varna, a round table on the topic of “Civil Society in the System of Education and Culture”. The participants in the event discussed the findings of the analysis “National Community Centers (Chitalishta) – Reinstating Their Status in the Bulgarian Civil Society”. The analysis has proposed changes in the Law on Amendment and Supplementing to the Law on National Community Centers (Chitalishta).

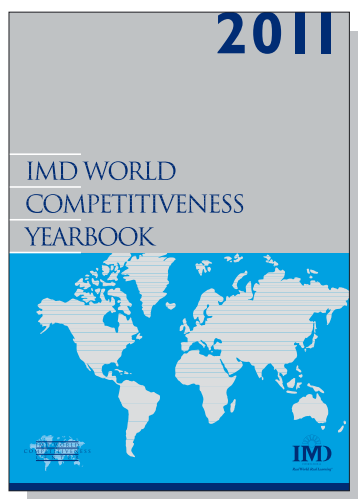
III. Competitiveness and the knowledge economy

Experts from the Economic Program actively contributed in the preparation of the latest edition of the report *Innovation.bg 2011: Innovation Policy and Sectoral Competitiveness*. The study



provides a reliable annual assessment of the innovation potential of the Bulgarian economy and the state and development capacity of the Bulgarian innovation system. It puts forward recommendations for an improved public policy on innovation in Bulgaria and the EU, drawing on the latest international theoretical and empirical research, while taking into account the specific economic, political, cultural, and institutional framework in which the country's innovation system is operating. The 2011 report has raised awareness of the importance of innovation activities, as a factor for setting national priorities. The study has highlighted relevant developments on EU level, such as the initiation of the Europe 2020 Strategy for intelligent growth and the preparations for the 2014 – 2020 budget framework. For the first time, Bulgaria faces the challenge and the opportunity to define its new national innovation policy, participate in the formulation of the EU innovation policy and determine the programs and priorities of financial support from the EU for the next decade – all at the same time. The decisions and actions of the Bulgarian government in the development of the new EU financial perspective will determine whether in

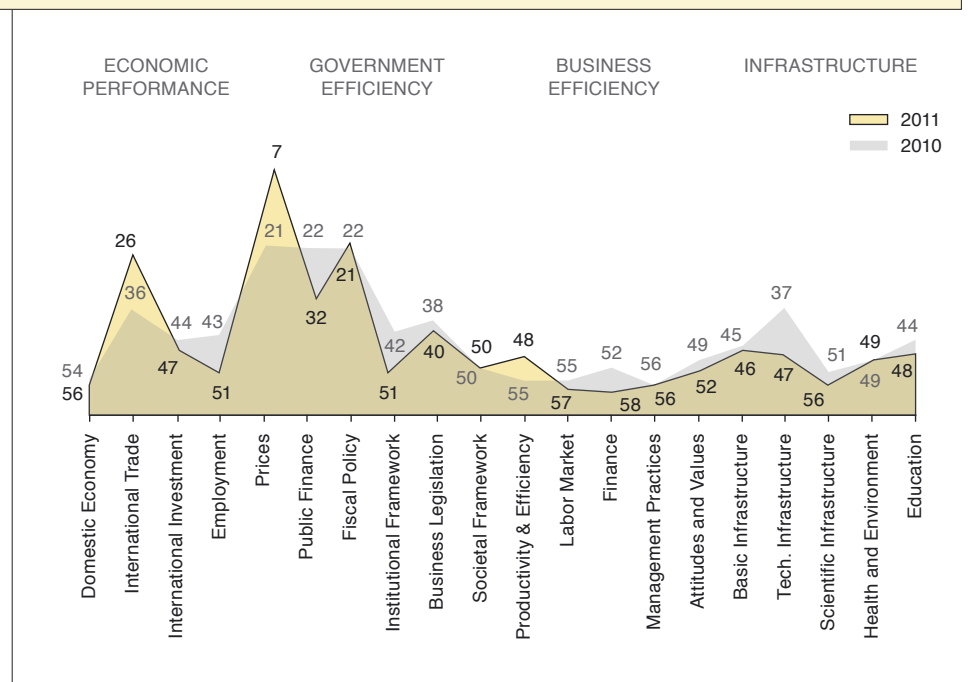
2020 Bulgaria will continue to be the poorest member state or will become a model to emulate. This year's report has also included two sectoral analyses on innovation systems (construction and energy) and has presented the results from their innovation activities.



In 2011 the Economic Program continued to monitor closely the relevant trends and factors, which shape the competitiveness of the Bulgarian economy and its development, compared to other economies. CSD presented the results of the 2011 IMD World Competitiveness Yearbook on 18 May 2011. The previous five editions of IMD's (International Institute for Management Development) publication have contributed to the formulation of competitiveness policies of the Bulgarian government, as well as to the creation of specific policy documents. International investors are closely monitoring the results of the Yearbook. In the latest edition, the Bulgarian economy occupies the 55th place, out of 59, in the country competitiveness ranking, thus losing two positions as compared to the results from 2010.

According to the ranking, in Europe only Greece (where the decline has been one

Figure 4. The Competitiveness Landscape of Bulgaria, World Competitiveness Yearbook, IMD, 2011



of the greatest – 10 positions), Ukraine and Croatia fall behind Bulgaria. The ranking is headed by Hong Kong and the USA, which have managed to get ahead of last year's leader Singapore.

Apart from low incomes and slumped domestic consumption, the Yearbook's competitiveness ranking has outlined problematic issues that Bulgaria has to resolve:

- the decline in employment levels, as well as long-term and youth unemployment;
- the drop in foreign investment inflows;
- the worsening of the scientific and technical infrastructure;
- the continued decline in education quality.

Next to the weaknesses, the competitiveness ranking captures the strengths of the Bulgarian economy. Improvements have been observed in the current account deficit, labour market flexibility and exports.

In continuation of its work on Bulgarian competitiveness, the Economic Program participated in and information seminar for journalists on the topic "EU against the Crisis", organised on the 11 February 2011 by the Information Office of the European Parliament in Bulgaria. Mr. Ruslan Stefanov, Director of the Economic Program at the Center for the Study of Democracy summarized the effects of the crisis on the European and Bulgarian economies. MEPs Mr. Ivaylo Kalfin and Ms Iliana Yotova, as well as Dr. Ingrid Shikova, Head of the



From left to right: Mr. Ruslan Stefanov, Director of the Economic Program at the Center for the Study of Democracy; Dr. Ingrid Shikova, Head of the European Studies Department at St. Kliment Ohridski University; Ms Violeta Stanicic, Head of the Information Office of the European Parliament in Bulgaria and Mr. Ivaylo Kalfin, MEP

European Studies Department at “St. Kliment Ohridski” University were the other speakers at the seminar.

A delegation from the China Center for World Contemporary Studies (CCWCS), headed by Professor Yu Hongjun, President of CCWCS and Vice Minister of the International Department of the Central Committee of the Communist Party of China, visited the Center for the Study of Democracy on the 25 May 2011. Professor Hongjun emphasized that in recent years Chinese researchers have paid special attention to the transition experience of the countries from the former Soviet Union and Eastern Europe. He mentioned two issues of particular interest: Bulgaria’s privatization and its impact on the nation’s economic development, and policies in the public health sector.

In 2011 the Center for the Study of Democracy presented its work internationally through the Stockholm Network. The Stockholm Network provides cooperation platform to more than 130 market-oriented European think tanks. Among others, the Network operates within the topics of competitiveness, energy, environment, intellectual property, and healthcare.

IV. Evaluation of the impact of the European Structural Funds on Bulgaria

The Center for the Study of Democracy is a member of the Consultative Council on EU Funds to the Committee on European Affairs and Oversight of the European Funds (CEAOEF) to the Bulgarian Parliament. It is also a part



The delegation from the China Center for World Contemporary Studies (CCWCS)

of the network for expert evaluation of EU Cohesion policy at DG Regional Policy. In 2011 CSD continued to monitor the influence and effectiveness of EU Funds in Bulgaria. Two separate analyses on the EU Structural Funds' impact have been prepared. These focused on the programmes, financed though the European Fund for Regional Development (ERDF).

The first report has evaluated the programmes, aimed at funding renewable energy sources (RES) and energy efficiency of residential housing. The ERDF support for these two areas of intervention has been restricted to 5.12 % of the total indicative funding available under this instruments to Bulgaria in the 2007 – 2013 budget period. Measures supporting the use of RES represent less than 3 % of the total Operational Programme (OP) "Competitiveness" and 4 % of OP "Regional Development" (OPRD). The support for energy effi-

ciency of residential housing is even scarcer. Nevertheless, ERDF support would be essential for reaching the objectives of improving energy efficiency and accomplishing 50 % saving of primary energy until 2020, which have been embedded in the Bulgarian Energy Strategy 2020.

The second report has reviewed all of the areas in Bulgaria, which have received support thought the ERDF. It has also commented on the 2011 mid-term evaluation of the EU Structural Funds. According to the analysis, Bulgaria has still been facing challenges in the implementation of the ERDF programmes. The report has provided several recommendations seeking to improve the impact of EU funds on Bulgaria's competitiveness:

- acceleration of payments towards beneficiaries;
- concentration on several key priori-

ties with clearly defined objectives and indicators;

- improvement of the evaluation system for OP implementation;
- enhancement of the OP's regional coordination and provision of the necessary operational tools (organizational capacity and financial resources) to the Regional Development Councils;
- improvement of the public procurement implementation procedures and the development of electronic application for handling of projects from all Operational Programmes.