

AGRICULTURAL SECTOR IN BULGARIA DURING THE TRANSITION TO MARKET ECONOMY AND THE INTEGRATION INTO THE EUROPEAN UNION

The paper is aimed at outlining the main features of the reforms in the agricultural sector and development in Bulgaria from 1989 onwards. This is the period of transition from centrally planned to market economy and the following integration into the European Union (EU). Firstly, the reforms in agriculture during the early transition to market economy in the 1990s are discussed. Further on the reforms in agriculture related to the integration of Bulgaria into the EU are described. Problems and challenges for the agricultural sector in Bulgaria under the conditions of EU membership, including the role of CAP are analyzed. The two periods for financing and development of the agricultural sector in Bulgaria are considered: First programming period (2007–2013) and Second programming period (2014–2020). Finally recommendations are given concerning building competitive Bulgarian agriculture in the conditions of the CAP.

Key words: *agriculture, Bulgaria, transition to market economy, EU integration.*

Introduction and review of literature. The agriculture has long been the most important sector for Bulgaria mainly due to the availability of natural resources, traditions, high employment of the population, and late transition to industrial development.

In the 20th century agriculture in Bulgaria passed through three radically different periods of development. Two of these periods were described in the two authors' article "Long-term retrospective development of agriculture in Bulgaria, 1934–1989" [16, pp. 17–29]. There is presented an analysis on the agricultural sector development before and during WWII as well as the period of centrally planned economy leading up to 1989.

Until 1960s Bulgaria was an agrarian country, but after that it transitioned to an industrial country, relatively successfully developing agriculture with good markets of the countries in the former Council of Mutual Assistance (CMEA or Comecon). But even in the years of significant industrial development (1970s – 1990s) the agricultural sector remained important as a resource for specialization and the considerable amount of food and other commodities (such as textiles and clothing, footwear, etc.), specialization of the country within the former Comecon and providing substantial employment to working age population.

The historical overview is employed for the purpose of outlining preconditions, as well as the conditions under which the transition to the third period of agriculture

took place – once again to market economy in the conditions of integration into the European Union (EU).

The transition to a market development of agriculture in Bulgaria from 1989 onwards has been achieved through radical, multidimensional and slow changes. The Bulgaria's entry into the EU and its agricultural policy accelerated these changes. The national production thereafter focused exclusively on crops financed by the EU. Presently, much to the dismay of the general public, a vast amount of the agricultural production on the Bulgarian markets is imported from neighboring and distant countries.

The purpose of the article is to highlight the main features of the reforms in agricultural sector of Bulgaria during the transition to market economy and the following integration into the EU.

Results and discussion.

1. Reforms in agriculture during the transition to market economy

The transition of agriculture in Bulgaria to a market economy took place in the general process of political and economic transformations in the country from a centrally planned to a market economy after 1989. The reform of agricultural land was one of the primary tasks.

According to the Law on Ownership and Use of Agricultural Land, 1991 (the Land Law) land restitution had to be based on the real borders of the lands of 1946 [25]. This led to a long and difficult recovery of land ownership¹. For example, while in Romania at the end of 1995 some 90% of arable land and 85% of livestock were reinstated to their owners, in Bulgaria at the end of 1996 only 54% of eligible land restitution was done since only 12 % of owners possessed title deeds dated prior to 1946 as proof of ownership. The latter made difficult legal actions regarding the land [17, pp. 34–46]. The delay in the land reform, the lack of official titles in particular, posed severe obstacles to private investment and development in the Bulgarian agriculture. The unmitigated situation concerning land ownership resulted in a considerable proportion of uncultivated arable land (from 10% to 30% in various years). Regarding investment in agriculture, the official data shows an accelerated process of de-capitalization [10, pp. 19–43; 18, pp. 99–123].

The process of land restitution was very complicated and included many stages. It was actually the imposition of a politically inspired model for which most of those involved in agriculture were unprepared. The land reform was accompanied by intense activity in disbanding the former cooperative's (TKZS) with ideological and

¹These processes are described in depth and in comparative perspective with other countries of Central and Eastern Europe (CEE) in the book of N. Swain [24]. This monograph looks at rural change in six countries: Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia. N. Swain exposes common features as well as specific divergences between the countries under review; he portrays the winners, losers and engineers of transformations. In fact, it reflects the results of the research project [1]. The project for Bulgaria was conducted by R. Rangelova and K. Vladimirova. It included analysis and study of 9 villages (located in three places) through questionnaires, case studies, and bulk of the interviews.

political aspect. The Government was much more successful in putting out of order the old system rather than providing the institutional support required by the new one. This practically meant uncontrolled distribution and devastation of livestock, equipment, buildings, etc. Functioning organizational bodies was liquidated, without there being any replacement ones. More than 2 mln hectares land was restored to owners. In some instances the heirs of the original owners possessed between 0.2–0.5 and 2 hectares. Thus the construction and operation of a large number of natural individually owned farms began.

As a testimony of the uncertainty in the legislation it can be pointed that between 1991 and 1999, the Land Law was correct 20 times. The delay in agrarian reform, the specific approach for its implementation in Bulgaria, and the other parallel socio-economic processes such as privatization in other sectors, restructuring of production and markets, and the deep economic crisis, have produced a very fragile rurality which should be treated only as temporary (transitional) [10, pp. 19–43].

The agricultural transformation in Bulgaria was highly politicized. It became a major theme in national politics and divided nearly all rural communities and resulted in the destruction of many socialist assets of which managers and members alike had been proud. The new farming was built on the ruins of socialist agriculture rather than its achievements. Livestock farming in particular struggled to survive into the post-socialist era. The biggest winners in the process *the arendatory* (which means takers on lease), were invisible in the villages. The only alternative was subsistence farming, in the most difficult of condition [24, pp. 150–151].

Practice proved that the reform of agriculture in Bulgaria was implemented using a flawed model. Other CEE countries, which like Bulgaria are former socialist countries and current EU members (the Czech Republic, Slovakia and Hungary) employed more flexible forms of returning the land. The production cooperatives there transitioned to market principles by creating joint-stock companies – with dividends from the profits of the cooperative and the right to leave the cooperative together with the land, but with the obligation that it would be used for agricultural purposes only. In the referred CEE countries the reforms in the agricultural sector were completed around 1993, while in Bulgaria the same were prolonged until 1998 (some sources indicate 2000). Even today lawsuits between the heirs are still ongoing [5].

As a result, there was a significant drop in the volume of production in Bulgaria, especially in the first four-five years after 1989, which were dominated by a severe crisis. By official statistics the crisis was expressed in slowdown of Gross Domestic Product (GDP) by one third and of industrial production by half. The immediate consequence of the transformation on rural performance was the drastic fall in agricultural production, in particular in 1992 and 1993. Bulgaria's agriculture saw the lowest production in 1993. The real output in agriculture decreased by 55% within the period 1990–1994.

After two years of moderately improving macroeconomics stability and growth

(1994 and 1995), Bulgaria fell into a new economic decline in 1996, when GDP dropped by 10.9%. The lack of structural reform, combined with a real appreciation of the currency, led to a weakening of the balance of payments and decline in foreign reserves. In April 1997 new parliamentary elections were held aiming to stabilize the economy and to restore confidence. The programme agreed with the IMF entails and the introduction of currency board arrangements (from 1 July 1997), price liberalization, and a major acceleration of privatization. In general, the programme was with a strong emphasis on structural reform. In the end of 1997 there were indications that Bulgaria was starting to emerge from its deep economic crisis [18, pp. 99–123].

The slow reform in the agricultural sector has coupled with the lack of equipment and long protracted clarification of land ownership. This development combined with a sharp increase in activity in the services sector led to a reduction in the share of agriculture in Gross Valued Added (GVA) of the country.

Other unfavourable circumstances related to the transition, is the emerging demographic crisis manifested in the agricultural sector in the significant reduction of rural population and accelerated aging processes. The income of rural population sharply dropped [22, pp. 150–177; 23, pp. 3–23].

In general, the agrarian reform in Bulgaria managed, although with difficulties, to change public to private ownership of land. The reform however failed to fulfill its primary purpose – to create the necessary prerequisites for the implementation of highly effective and competitive production within the EU.

2. Reforms in agriculture related to the integration of Bulgaria into the EU

The integration of Bulgarian agriculture in the EU passed through the implementation of so-called Copenhagen criteria for political, economic and institutional compatibility. These criteria are reflected in the National Agriculture and Rural Development Plan (NARDP), 2000–2006 [11] and follow other plans and programs. Achieving institutional interoperability required to adapt the Bulgarian legislation to the European one (so called *aquis communautaire*) and creating institutions consistent with those of the EU. Although Bulgaria met serious difficulties in these areas, the country fulfilled the requirements. A similar situation is in terms of requirements for political compatibility – stability of institutions guaranteeing democracy, the rule of law, human rights, respect for and protection of minorities. The most difficult and time-consuming was the process of achieving economic compatibility in the integration of the Bulgarian agriculture. This process required the building of an efficient and competitive agricultural sector that meets the economic criteria for EU membership. This means that the agricultural sector should be able to function in conditions of intense competitive pressure of market forces in the EU. The main purpose of the introduced NARDP was to implement strategic investment policy, to mobilize and combine effectively all financial resources in order to achieve European standards for production and trade in agriculture, forestry and fisheries, sustainable development of agriculture and rural development [3; 11; 19].

The main EU instruments to help overcome the backlog of Bulgarian agriculture in the period before formal accession are the following three [21, pp. 163–182]:

- Europe Agreement;
- White Paper on approximation of legislation;
- Structural funds of the EU.

One of the main objectives of agrarian policy of Bulgaria in the pre-accession period was (and still remains in perspective) to increase the competitiveness of the sector and individual producers to resist the pressure from Western countries agricultural sectors and individual producers. By official statistics for the late 1990s, the productivity of Bulgarian agricultural sector is between 11% and 27% of the EU average (depending on the indicator).

As a result of land reform from the 1990s dualistic structure of land was formed consisting of, on the one hand, a large number of small farms producing mainly for self-sufficiency, and on the other, of a relatively small number of large farm structures. The former farms cover about a third of arable land and the majority of the employed population in the sector. They produce mainly intensive crops (vegetables and animals). The latter type farms produce mainly for the market and by their nature are closer to the definition of "farmer" used in Western European agriculture. The proportion of holdings of natural persons is 99%, which managed 33.8% of useable agricultural area (UAA). Only 1% of farms are legal entities, but they handled 70% of the land. These are mainly large-scale production structures with an average size of 3100 ha UAA [8; 9; 13, pp. 133–149].

In the 1990s the production and financial performance of Bulgarian agriculture sharply decreased and that led to reduced competitiveness, deteriorating trade balance in almost all positions, as in some products this drop was measured up to several times its original value [21, pp.163–182]. Foreign trade shifted to new markets as major importers of Bulgarian markets are the EU countries, whose subsidized goods are more competitive and impede the realization of local agricultural production [5].

The transition CEE countries could regard as an achievement the redirection of their trade from East to West. This means that the region is steadily returning to its position as an integral part of Europe and the world economy. This situation is evident even in the case of Bulgaria being in the past one of the most economically connected with the former centrally planned economies, in particular the former Soviet Union, which was the main trading partner and main supplier of energy and raw materials. It should be noted, however, that the collapse of CMEA trade, in particular both former Soviet markets and Soviet suppliers, has been earlier and deeper than expected. Bulgaria paid a very high cost for the redirection in recent years, and will continue to do so [18, pp. 99–123].

In the last 10–15 years leading in the Bulgarian agriculture are extensive crops. Although the share of area of cereals decreased – from 40.6% in 1998 to 31% in 2006, they are the most highly developed group. Leading is wheat – 18.9%, followed by corn and barley. Production of sunflower also increased, because it was preferred since at lower yields provides a return on costs and certain profit. The main reasons

for the formation of the production structure in agriculture are the following: reduced demand for some agricultural product in domestic and international market, weak economic support of the agricultural sector and the difficulties posed by the agrarian reform, leading to fragmentation of land and restructuring of agriculture.

Bulgaria joined the EU at a time when the main objectives of the Common Agricultural Policy (CAP) for modernization of agriculture, saturation of the domestic market with basic food products at affordable prices and providing better quality of farmers' life in the EU are achieved. In the new CAP, which involves Bulgaria, the objectives are of a higher rank: enhancing competitiveness of agricultural products and higher requirements for quality and safe food [8; 13, pp. 133–149].

Basically Bulgaria's accession to the EU provides economic benefits to the country because of the potential for accelerated development of the agricultural sector. Participation of Bulgaria in a market with large absorption capacity and solvent population is a strong factor in stimulating production and increasing exports. On the other hand, the starting position of the Bulgarian agriculture in the EU as scale of production was very low and far below its potential opportunities. The issue of restructuring of individual sectors in a common market organization of agricultural products to the EU is extremely complex and depends on the impact of multiple internal and external for the country factors.

Before joining the EU the status of Bulgarian agriculture was far from the requirements of the CAP. It was the least subsidized in comparison with the other EU countries, despite the use of pre-accession funds under SAPARD² funds under the National Funds "Agriculture" and "Tobacco". When in the EU was discussed the issue of necessity of raising financial support for new Member States due to their low starting level, one of the arguments was that the payment of full benefits will block the structural changes in the sector. The limited funds in Bulgaria delayed the restructuring and modernization of the sector. Great challenges for the agricultural sector derived from the state of preparations for integration a weak sector in economically strong European Community. The European model of agriculture has been formed in highly developed countries, which can afford to support the development of this sector.

A significant barrier to accelerate the agricultural sector development in Bulgaria is strong fragmentation of agricultural land and the presence of many small uncompetitive farms. Over the past 15 years there is a trend of consolidation of UAA while reducing the number of farms. The first fact is explained by the large amount of uncultivated lands in the country at the beginning and middle of the decade before the adoption of the EU. For the period 2003–2010 Bulgaria registered the largest increase

²SAPARD (Special Accession Programme for Agriculture and Rural Development) was established in June 1999 by the Council of the European Union to help countries of CEE deal with the problems of the structural adjustment in their agricultural sectors and rural areas, as well as in the implementation of the *acquis communautaire* concerning the CAP and related legislation.

in the UAA and the second largest reduction of farms number in EU (after Estonia). Due to the structural transformation of the agriculture average size of farms in Bulgaria (and Hungary) grow much faster (by 128% and 43% respectively) compared to the EU average 23%. Nevertheless, the average size of farms in both countries continues to be below the EU average. Concerning the structure of arable land, Bulgaria is a typical monoculture country because nearly 93% of the land is occupied by grain and industrial crops. The share of land with vegetables is one of the lowest (0.8%) compared to other countries in the region – in Greece for example it is 6% in 2007 [20, pp. 29–62].

Over the period 1990–1999, the share of employed in industry in the total number of employees decreased to 26.2%, while employment in the agricultural and services sectors grew respectively to 26.6% and 47.1%. Employment growth in agriculture is not related to effective labor demand, but rather this is an expression of the demand for employment opportunities as an alternative to unemployment. This has led to an increase in the efficiency of employment in industry and services at the cost of lower efficiency of employment in agriculture [4, pp. 14–16]. The relatively high share of employed in agriculture was due also to a significant degree to progress in the land reform in the country. Thus agricultural sector began to play the role of buffer cuts workforce as some fired workers from the industry were returning to rural areas to grown produce for their own consumption.

Over the past 15 years the proportion of agriculture, forestry and fishing in total GVA declined 2.5 times (Table 1). From 2005 onwards the share dropped below 10% and then from 2009 onwards – around or lower than 5% (4.8% in 2015). It however still remains high compared with those in the other EU-28 countries where in most cases is already under 3%.

Table 1

**Distribution of GVA and Employed by economic sector in Bulgaria,
2001–2015, %, Total=100%**

Indexes	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015
Gross Value Added											
Agriculture*	12.0	11.2	10.3	10.0	8.6	7.1	5.5	7.1	4.8	4.9	4.8
Industry	27.4	27.1	28.0	27.4	29.1	30.9	32.4	31.1	31.3	29.5	27.9
Services	60.6	61.7	61.7	62.6	62.3	62.0	62.1	61.8	63.9	65.6	67.3
Employment (thousand persons)											
Agriculture*	23.9	23.8	22.9	22.1	21.2	20.3	19.4	19.3	19.6	20.1	18.8
Industry	27.4	27.5	27.0	27.0	27.4	28.3	29.1	29.5	28.0	26.9	25.4
Services	48.7	48.7	50.1	50.9	51.4	51.4	51.5	51.2	52.4	53.0	55.8

Note. Agriculture, forestry and fishing

Source: NSI www.nsi.bg.

The proportion of employees in the sector agriculture, forestry and fishing also decline but much slower, only by 5.1 percentage points. Although declining, employment in agriculture remains high – around 19 % versus 5 % in the EU–28 average for 2015 [4; 6, p. 29].

The main reason for declining proportion of agriculture in total GVA is that

subsidies per unit area are directed mainly to grain and oilseeds at the expense of livestock and other branches, supporting high added value. Another reason for this trend is the higher growth of the other economic sectors industry and particularly services. There is clearly a significant difference between the growing underdeveloped at that time sectors of services in Bulgaria,³ as well as higher labor intensity of the industry, and particularly a big difference in labor productivity in agriculture [22, pp. 150–177].

Despite the high share of employment in the agricultural sector and the improved labour market in Bulgaria, vulnerable groups still face employment challenges. Particularly affected are low-skilled workers (with a much higher unemployment rate), those working in agriculture (many of whom are unremunerated family workers), and in general those working in rural areas [6, p. 30]. Moreover the high share of people living at-risk-of-poverty or social exclusion remains a major economic and social challenge for Bulgaria. The high-risk groups include among others (children, the elderly, the Roma) and people living in rural areas [6, p. 3].

3. Problems and challenges for the agricultural sector in Bulgaria under the conditions of EU membership

The development of Bulgaria's agriculture is dependent on the economic situation in the country and worldwide, but mainly on the agrarian policy in the country – the organizational, structural and regulatory changes related to EU membership.

As an EU member Bulgaria implemented all the mechanisms of the CAP to support the agricultural sector. Until the accession of Bulgaria to the EU in 2007, which means under the pre-accession EU funds and SAPARD Programme approximately EUR 3068 mln (BGN 6,000 mln) were implemented in the agrarian sector. Since 2007, in the conditions of full membership Bulgaria absorbed annually on average of about EUR 1 bln (BGN 2 bln) under the CAP.

In other words, a vast amount of financial resources in agriculture were received in Bulgaria as a member of the EU: through pre-accession funds; PHARE and SAPARD programmes; and under the CAP. In addition, the EU funds are related to financing both in terms of the state budget and municipal budgets as well as the recipients (farmers) budgets. All funds from the CAP are paid from the state budget and approved projects are implemented with funds from the recipients themselves. The EU pays only real projects implemented or transferred to recipients' payments.

The financing and development of the agricultural sector in Bulgaria passes two periods: First programming period (2007–2013) and Second programming period (2014–2020). The financial support for the farming branch for 2007–2013 is implemented through funding from three funds: the European Agricultural Guarantee Fund; European Agricultural Fund for Rural Development [19] and the European Development Fund. Nearly EUR 6 billion is planned to be implemented in farming of

³By comparison, Bulgaria's economy in 1989 was prevailing industrial and the structure was as follows: agriculture – 10.9%, industry – 59.4% and services – 29.7%.

the rural areas [5].

Bulgaria's participation in the CAP over the 2007–2013 programming period shows the following result:

In Pillar I – *Direct payments*: 75% of the subsidy is received from 3,700 individuals and legal entities, which in practice are 100 affiliates.

In Pillar II – *Rural development*: from EUR 3242 million spent EUR 2609 million, of which 67% are consumed by 100 affiliates.

It is known that about 50% of the EU budget is designated for the CAP, that this is a huge financial resource. Approximately 50% of the European funds for Bulgaria are for Direct Payments per hectare and Rural Development (which are the two pillars of the CAP).

In Bulgaria, 1.5% of all registered farms cultivate 82% of the land. They concentrate the main financial resources, both as value of production, and the amount of subsidies they receive.

The enormous size financial resource however did not impact on the amount of GVA generated in the agricultural sector.

These issues are explored in detail by scientists from the Institute for Economic Research at the Bulgarian Academy of Sciences. They claim that in fact particularities of financing raised or strengthened distortions over the past 20 years. The distortions are summarized as follows [2, pp. 133–152]:

- concentration of land and capital;
- formation of a monopoly in leasing additional farmland;
- disconnection between farmers and consumers;
- invasion of multinational retail chains;
- declining livestock, fruit, vegetable;
- products with low added value, mainly grain and other raw materials;
- almost totally stopped production of traditional Bulgarian food;
- lack of integration of agricultural production and food production with tourism as a priority sector.

From 2007 onward, high specialization of the country in the production of extensive crops is observed – mainly cereals and oilseeds (sunflower). In 2011 the cultivated by grain and oilseed area represents 88% of all arable land. Among the main reasons for this are the lower production costs and schedule for the unit area payment under the European programmes. According to the Ministry of Agriculture and Food for the financial year 2012 around 80% of direct payments to the country goes to 6% of the farms – these are large farms of grain. In contrast, activities such as wine producing, fruit and vegetables, tobacco, which are traditional for the country, noted a gradual reduction of the cultivated areas [13, pp. 133–149]. Over the past 20 years production of some fruits and vegetables decreased about 10 times. This violation of the traditional Bulgaria structure of agricultural production in Bulgaria is due to the state policy on the selected model of implementation of the CAP and European subsidies over the past fifteen years. The policy is aimed at stimulating large lease holdings or practice to monopolistic structures in land use. In most of the

old EU countries the system of single payment per unit of arable land does not apply, and agriculture is subsidized based on the farm, taking into account the availability of livestock and others with a larger share of added value [2, pp. 133–152].

As a result of this policy, the prevailing part of the consumed vegetables, fruits and meat in Bulgaria today are imported. More than 80% of all sold in Bulgaria fruit and vegetables are now grown in neighboring countries [12] like Turkey, Greece and FYR Macedonia and other non-EU countries (even Egypt and Jordan). They were traditionally Bulgarian products. In the last year, after the introduction of the embargo from Russia a greater presence of Polish vegetables is observed. Today Bulgarians consume 75–80% imported foods that pay EUR 3.6–4.1 bln (BGN 7–8 bln).

At the same time people quickly switch to businesses that are subsidized. The production of Bulgarian fruits and vegetables is planned to be supported by the national policy in the coming years.

Main partner of Bulgaria in agricultural trade are EU countries, which is explainable and due to more favourable economic conditions for the marketing of European single market. The agricultural trade with the EU increased in 2015 by 2.6% to previous year. The total agricultural export of the country for other EU countries is 64.5%, while that of agricultural imports – 79.2% [7, p. 71].

Over the current Second programming period 2014–2020, Bulgaria will receive EUR 9.9 billion from the European Structural and Investment Fund (ESI Funds). This is equivalent to 3 % of GDP (annually over 2014–2017) and over 49 % of total public investment. The aim this time is to help small farms and to eliminate the EU-wide spread injustice, i.e. big farmers to absorb most of the resources of direct payments [6, p. 14; 14, pp. 34–40].

Summarizing, after the entry of Bulgaria into the EU, new rules and new regulations for agriculture changed the sector radically. In general the changes consist of the following: payment of EU subsidies, opening up markets, introducing new requirements for businesses. The bottom line, however, shows a contradictory picture between fast developing sub-sectors such as grain and laggards such as gardening and livestock.

The reform of the CAP introduced multilayered structure of direct payments for the period up to 2020 in order to achieve fairer and more effective targeting of direct payments. To support vulnerable and experiencing difficulties sectors such as livestock, vegetables and perennials Bulgaria notified the European Commission on the implementation of ten schemes of coupled support. In order to prolong the policies and take into account to the fullest extent of national specifics, Bulgaria continues to apply the Scheme of Unified Payment per area. A new Scheme foresees however to reduce the minimum allowable farm of 1 ha to 0.5 ha, with a minimum plot size of 0.1 hectares, which will allow supporting a wider range farms. Another scheme, the so-called Redistributive Payment Scheme aims to promote economically vulnerable small and medium-sized farms. The new CAP policy provides for improved environmental performance of agricultural land by introducing a mandatory

component "greening" of direct payments. In order to improve the age structure of the employed in agriculture a scheme for young farmers was introduced in 2015, as well as new schemes bound by payment for livestock, fruits and vegetables and others [7, pp. 81–91; 15].

Conclusions. Bulgaria undertook heavy and slow process of transformation of the agricultural sector from central planning to a market economy.

Ongoing agricultural policy in Bulgaria in the conditions of the EU membership is very expensive and less efficient. The agricultural sector today is characterized by a high proportion of heavily rounded farms, development of monoculture farming and a decline in the production of traditional products in the country. Pre-accession funds under SAPARD programmes and those under the CAP are very large financial resources. The effect of these funds, however, has not yet found adequate economic returns. Over the last twenty years substantial investment has been invested in the agricultural sector, but their contribution to GVA does not respond to them. Reforms in the agricultural sector and its administration are expensive and inefficient compared to the results obtained. The main reason for this is the undertaken national public policy in this sector, but not the policy of the EU. Bulgaria could not formulate national objectives in agriculture for growth and production competitiveness.

At present the development of agriculture in Bulgaria has a number of limitations such as insufficient investment in new technologies, fragmented ownership, problems with the funds and programs of the EU, etc.

Bulgaria's membership in the EU means that the country need to build competitive agriculture in the conditions of the CAP. This means efforts to be channeled into three main areas: *first*, building institutional and administrative capacity to implement the CAP mechanisms and to defend its policy for the administration in the EU; *second*, absorption of income support for farmers and market regulations and *third*, optimizing the effect of the absorption of financial resources for rural development. The problems facing the agricultural sector, however, has less to do with the mechanisms of absorption of European funds as formulating and positioning of national priorities for development of agriculture sector and food production, as well as rural development in the country.

Bulgaria needs long-term strategy for the agriculture, referring to issues that matter to its competitiveness. Financial resources under the CAP are a fixed element and ability to realize the long-term business-intentions in the sector. At the same time, competition from the other EU member states in terms of financial resources, land use, the used technique, obliges the country to set realistic goals. In long-term this is the best way to integrate the Bulgarian agriculture to EU.

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