Analysis of public investment expenditure in Bulgaria 2015–2024

Фискален Съвет на България

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Introduction

This study examines public investment expenditure in Bulgaria for the period 2015–2024, focusing on planned and reported capital expenditure, the discrepancies between them, and the reasons for under-spending and the reallocation of funds. The data show that, for the greater part of the period under review, capital expenditure remained below the levels set in the annual estimates, with the exceptions being years with higher payments under European projects from the 2014–2020 and 2021–2027 programming periods, or other factors at national level. The exceptions are in 2015, 2018 and 2023. Common causes of deviations include delayed or contested public procurement procedures, administrative obstacles, changes in budgetary priorities, the reallocation of funds to current expenditure or capital transfers, as well as delays in the implementation of European projects and payments under the National Programme for Vocational Education and Training (NPVET). Since 2020, the pandemic crisis, rising construction costs and disrupted supply chains have had an additional impact. It is important to bear in mind that the carry-over budgets for 2022 and 2023 further hampered the investment programme, limiting expenditure on investment projects and diverting the funds earmarked for implementation away from the planned capital targets.

The analysis separates the data from the State Budget (SB) and that from the Consolidated Fiscal Programme (CFP) due to differences in their scope – the trend is similar at times, whilst in other cases it is even opposite. For the SB, the comparison is between the updated plan (incorporating the latest amendment to the State Budget Act for the year) and the reported capital expenditure according to data from the Ministry of Finance and the National Audit Office. The National Audit Office's audit reports provide more specific data on the under-spending under the State Budget, whilst in the report on the implementation of the State Budget, the Ministry of Finance primarily describes the Consolidated Fiscal Programme and, accordingly, the under-spending in a more comprehensive manner, including data on local authorities and EU funds. The analysis for 2016, for example, makes it possible to distinguish the effect of reallocated funds from that of actual under-spending, but for all other years the effect of these two factors is more difficult to separate.

Where possible, the analysis is also supported by data for the 'General Government' sector, the scope of which is comparable to that of the CFP.

Aggregating the data for all the years analysed yields a total of 6,383.3 million BGN in under-spending on capital expenditure for the period according to the State Budget estimates, and 15,296 million BGN in under-spending according to the CFP. A significant proportion of these amounts has been reallocated in line with the changing priorities at the various levels of public administration, with a large percentage being restructured into current expenditure, particularly in the second half of the year and the final months of the year. These reallocations are problematic not only in themselves, due to the lack of predictability and targeted use of funds, but also because of the opportunity cost associated with any diversion of funds from capital investment and the corresponding economic growth linked to it.

An additional column has been added to the tabular analysis (in the appendices) in the CFP data, which indicates what the CFP balance would have been if capital expenditure had been utilised in full for the year in question. This column provides an indicative/approximate result, as it must be viewed with the caveat that some unspent capital expenditure has been reallocated and, consequently, part of the unspent amount is already included in the CFP balance, but under a different expenditure category. On the other

hand, the column does not take into account the potential secondary effects of unspent capital expenditure, namely the multiplier effect of this type of government expenditure, which triggers a chain reaction of other expenditure and revenue in the economy.

State Budget

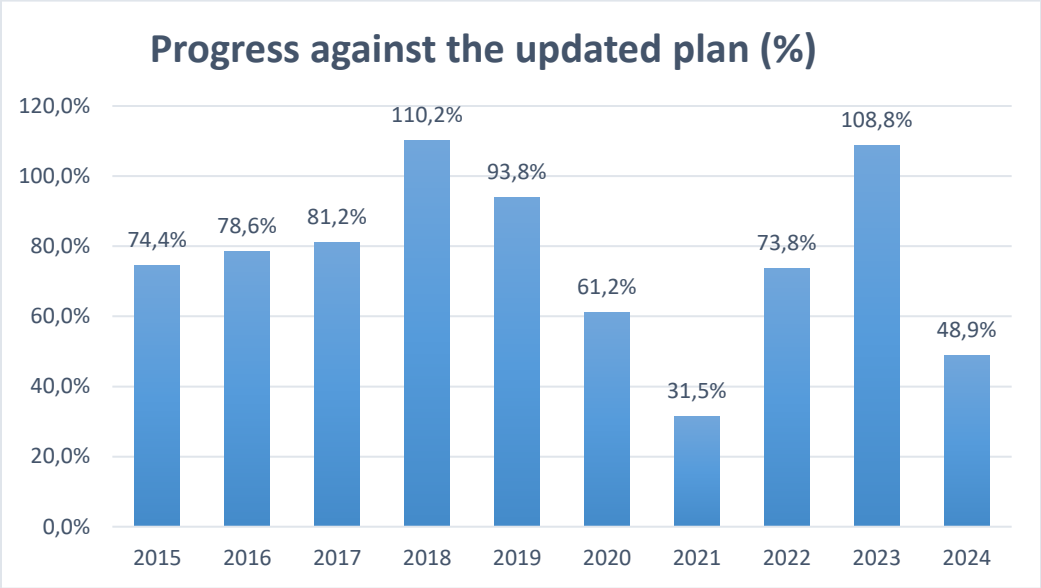


Figure 1 – Execution of capital expenditure under the State Budget for the period

For the greater part of the period, capital expenditure under the State Budget remained below the annual estimates, with the exceptions of 2018 and 2023, when overspending was recorded (Figure 1). Most often, the deviations are linked to delayed, contested or uncompleted public procurement procedures, unrealised investment projects, changes in budgetary priorities and the reallocation of funds to current expenditure or capital transfers. Since 2020, the pandemic, rising prices of construction materials and labour, and delays in individual projects have also had an impact. When interpreting the difference between the plan and the actual figures, it should be borne in mind that this does not always represent purely unspent resources: in a number of years, a significant proportion of the initially planned capital expenditure was reallocated to other budget headings.

Figure 2 presents the reported capital expenditure as a percentage of total expenditure under the State Budget, providing a clearer picture of its significance over the period under review. Capital expenditure accounted for the largest share of total expenditure in 2019 – nearly 30 per cent – which was largely due to the purchase of new F-16 fighter aircraft. Years with a relatively smaller share of capital expenditure are 2015, 2021 and 2024, mainly due to a higher degree of under-spending compared to the planned budget.

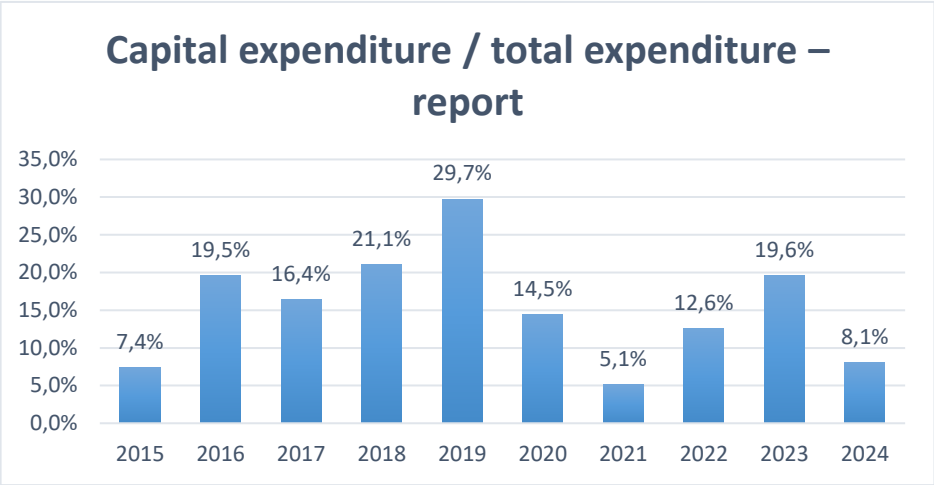


Figure 2 – Reported capital expenditure as a percentage of total expenditure under the State Budget for the period 2015–2024

Appendix 1 presents more specific numerical information, including in tabular form the initial and updated capital expenditure plans, the capital expenditure reported in nominal terms, the implementation rate, and the amendments included in subsequent updates to the State Budget Act. The table also includes the share of reported capital expenditure in total expenditure, as well as its share of GDP.

Appendix 2 provides detailed information on the implementation of the two main categories of capital expenditure under the State Budget for each year – for the acquisition of fixed assets and major repairs, and capital transfers.

2015

In 2015, the reported capital expenditure under the State Budget deviated significantly from the plan set out in the law – of the BGN 858.6 million earmarked, BGN 638.8 million (74.4 per cent) was spent, leaving the remaining BGN 219.8 million unspent or reallocated. According to the audit report on the State Budget Act, the shortfall was mainly in the acquisition of fixed assets and major repairs – a difference of 198 million BGN – and, to a lesser extent, in capital transfers – 21.8 million BGN. The National Audit Office also draws attention to the more than 1,200 amendments made to the budgets of the State Budget Programme during the year (a large proportion of which in the last two months), but no specific information on the amendments and their impact on capital expenditure has been published.

At the expense of the reserve for unforeseen and/or urgent expenditure, 83 million BGN were allocated for capital expenditure for the State Fund 'Agriculture'.

The transfers provided by the State Budget to the National Railway Infrastructure Company, 'BDZ – Passenger Transport' Ltd and the State Enterprise 'Port Infrastructure' have been almost entirely utilised, with a minor exception being the funds for the latter enterprise – of the BGN 11 million earmarked for it, 9.9 million were utilised for major repairs and rehabilitation of ports, whilst the difference is attributed to delays in the procedures for selecting contractors for the projects in the investment programme.

2016

Under the state budget, the initially planned capital expenditure was 2,511.9 million BGN, whilst the Ministry of Finance's report shows an implementation rate of nearly 79 per cent, or a shortfall of 537 million BGN. Of the initial amount, 2,102 million BGN were earmarked in the central budget for subsequent allocation. Such reallocation is accounted for through Council of Ministers' decisions on amendments to the central budget totalling 1,882.3 million BGN, of which 1,690.9 million BGN were allocated to the Public Investment Programme, and the remainder to the municipalities. Following these central budget operations, a balance of 220 million levs remains for capital expenditure, of which 68 per cent has been spent according to the report. It is important to note that, following these allocations and adjustments to budgetary arrangements, the updated capital expenditure plan under the State Budget stands at 2,098 million levs.

One of the most significant increases is that in the budget of the Ministry of Regional Development and Public Works (MRDPW), which is responsible for coordinating the provision of grant funding to households under the 'National Programme for Energy Efficiency in Multi-family Residential Buildings'. Due to the unexpected level of interest in the programme, the initial draft of the Central Budget allocated 100 million BGN for its implementation; however, as of November 2016, the contracts concluded between contractors and local authorities totalled nearly 1 billion BGN, necessitating an increase in the MRDPW's capital expenditure plan by 1,096.5 million BGN. As regards the Operational Programmes (OPs) using a programme-based format – of which the MRDPW is one – the absorption rate of the funds allocated for capital expenditure is high at 98 per cent, which may be attributed to the high efficiency of the funds allocated to the energy efficiency programme. For PRBs without a programme budget, implementation stands at just 41 per cent, and the report attributes this mainly to the Supreme Judicial Council, which, despite an increase in capital expenditure during the year to nearly 18 million BGN, has reported only 32 per cent of this amount. The under-spending is due to delays in Public Procurement Act procedures and to procedures that have been launched but not yet completed.

These figures explain the reasons behind the BGN 537 million shortfall for 2016 mentioned earlier. Reallocations account for 77 per cent of the shortfall, whilst the actual under-spending amounts to BGN 123.89 million, or 23 per cent.

Capital expenditure from the state budget for the National Railway Infrastructure Company (105 million BGN), 'BDZ – Passenger Transport' Ltd (30 million BGN) and the State Enterprise 'Port Infrastructure' (11 million BGN) is characterised by a near-100 per cent implementation rate.

The Court of Auditors' audit report also confirms the reallocations described above, specifically through the data on the implementation of the capital expenditure components – the allocated amount for the acquisition of fixed assets and major repairs was implemented by only 32.4 per cent, which contrasts with the implementation of capital transfers – where the implementation rate was 510 per cent. This is mainly due to the large transfer to the Ministry of Regional Development and Public Works' budget, but there is no data on the under-execution of the amount allocated for the acquisition of fixed assets.

Thus, 2016 was characterised by significant restructuring of resources from the State Budget and their subsequent relatively more efficient utilisation.

2017

In the context of the State Budget, implementation stood at 81.2 per cent of the amount set out in the State Budget Act, which equates to a shortfall of nearly 391 million BGN. As in 2016, in 2017 the 'Acquisition of fixed assets and major repairs' component stood at a critically low level of 23.9 per cent, whilst capital transfers were implemented at 504.7 per cent. This indicates a huge volume of reallocated funds; however, unlike in 2016, for the current year the National Audit Office attributes the discrepancy in 'Acquisition of fixed assets and major repairs' to unrealised investment projects and delays in public procurement procedures. The overrun in capital transfers compared with the estimates, amounting to nearly BGN 1 billion, is primarily due to additional funds approved under the Ministry of Regional Development and Public Works' budget for the 'National Programme for Energy Efficiency in Multi-family Residential Buildings'. An additional BGN 1 billion was approved for the programme via a Council of Ministers decree in December 2017, whilst the initially planned expenditure amounted to BGN 150 million. Consequently, expenditure and transfers totalling 850 million BGN are being reallocated from the Central Budget, thereby increasing the budgetary relationship between the Central Budget and the Ministry of Regional Development and Public Works. The discrepancy between the planned and actual funding for this programme has been highlighted. In 2016, this was explained by a lack of predictability, but the recurrence of this discrepancy in 2017 raises questions regarding predictability, particularly given that the initially planned amounts and the subsequent significant adjustments were of approximately the same magnitude for both 2016 and 2017.

The total deviation in transfers of nearly 1 billion levs is also due to approved additional expenditure and transfers for the purchase of equipment and the construction of a cardiology unit at the Silistra General Hospital. A further BGN 35 million has been allocated to the State Enterprise 'National Railway Infrastructure Company' (NRIC) to complete projects under the 'Transport 2007–2013' Operational Programme, whilst additional expenditure has been approved for the Ministry of the Economy to cover payments due to beneficiaries following court rulings.

As in previous years, capital transfers from the State Budget to the National Railway Infrastructure Company (NRIC), Bulgarian State Railways (BDZ) and Port Infrastructure, amounting to 105 million, 35 million and 11 million BGN respectively, have been utilised almost in full.

2018

According to data from the National Audit Office, capital expenditure for the year stood at 110.2 per cent of the State Budget's updated plan (of 2,243 million BGN), with total reported expenditure amounting to 2,471.8 million BGN. This over-execution is attributable to the component for the acquisition of fixed assets and major repairs, where the reported amount was 12.1 per cent above the planned figure. Capital transfers under the State Budget fell short by around 13 million levs for the year.

The nominal growth in planned and actual capital expenditure in 2018 is mainly attributable to the construction of infrastructure projects and investment projects in the defence sector. A significant proportion of capital expenditure under the State Budget relates to the completion of the Hemus Motorway; according to data from the Ministry of Finance, a sum of 1.3 billion levs was approved for the Ministry of Regional Development and Public Works by a Council of Ministers decree in December 2018.

In its audit report, the National Audit Office explains a transfer from the Central Budget amounting to 1,149 million BGN against the capital expenditure provided for in the Central Budget, resulting from the implementation of the same Council of Ministers' Decree approving additional expenditure for the construction of a bypass around the town of Gabrovo and for the construction of the 'Hemus' motorway.

The Court of Auditors also cites the following reasons for the over-execution of the annual capital expenditure under the State Budget:

- Approval of additional expenditure to support Bulgaria's Presidency of the Council of the EU;
- Additional expenditure from the Ministry of Defence budget for ensuring and restoring the airworthiness of the MiG-29 and Su-25, as well as other items relating to maintenance, repair and construction works – the total capital expenditure paid from the Ministry of Defence budget amounts to 331.8 million BGN;
- Additional transfers to the Ministry of the Interior, the State Agency for Information Security, the Ministry of Foreign Affairs, the Ministry of Labour and Social Policy, the Ministry of Education and Science, the Ministry of Environment and Water, the State Agency for State Reserves and Wartime Stocks, and other changes to the budgets of the Public Revenue Budget. The exact amounts are not specified. The reported capital expenditure of the Public Revenue Budget amounts to 223.48 million BGN, which is 13.4 million BGN less than planned.

The traditional capital transfers to the National Railway Infrastructure Company (NRIC), BDZ – Passenger Transport Ltd and the Port Infrastructure State Enterprise, amounting to BGN 115, 35 and 11 million respectively, have been fully implemented.

2019

There has been a significant increase in capital expenditure in the revised State Budget Act plan from July, which is due to expenditure on the purchase of new F-16 military aircraft. This explains the difference of nearly 2 billion levs in capital expenditure between the initial and revised plans. Of the revised total of 4,593 million levs, the reported figures show that 4,307 million levs were actually utilised. This represents 93.8 per cent of the target, leaving 286 million levs unspent. The discrepancies in implementation are more pronounced in the acquisition of fixed assets and capital transfers – for the former, 88.7 per cent has been implemented (with no specific explanation given for the shortfall of 470 million BGN), whilst for transfers, implementation was 42.4 per cent above the revised estimate.

Regarding the latter, the National Audit Office cites several reasons, such as funds allocated under the Ministry of Transport, Information Technology and Communications (MTITC) budget to the National Railway Infrastructure Company (NRIC) for the repayment of repayable financial assistance, additional expenditure on medical equipment under the Ministry of Health (MoH) budget, and additional payments to beneficiaries following court rulings in the Ministry of the Interior (MoI).

A more detailed analysis of capital expenditure under the State Budget shows that, for the most significant item for the year, namely through the Ministry of Defence's budget, 2,335.4 million BGN were paid for the acquisition of the first tranche of eight F-16 Block 70 fighter aircraft, as well as for ensuring the airworthiness of the MiG-29s, the maintenance and repair of aviation equipment, etc. Through the Ministry of Regional Development and Public Works (MRDPW), including the Road Infrastructure Agency

(RIA), BGN 902 million was disbursed, primarily for the repair of Class I, II and III roads within the national road network (BGN 186.6 million) and for the construction of new infrastructure projects (BGN 591.5 million).

Transfers to the National Railway Infrastructure Company (NRIC), Bulgarian State Railways (BDZ) and the State Enterprise 'Port Infrastructure' – amounting to BGN 120 million, BGN 39 million and BGN 211 million respectively (the increase for the latter enterprise is from BGN 200 million compared with the years considered so far) – have been utilised to nearly 100 per cent. The sum allocated to the State Enterprise 'Port Infrastructure' was utilised for the construction and major refurbishment of ports of national importance.

2020

Investment activity was severely affected in 2020 due to the pandemic; in numerical terms, the figures are as follows: an increased, updated plan during the year, but under-spending even to a level below the initial plan; implementation amounted to 61.2 per cent of the revised State Budget Act, or nearly 2 billion levs out of the planned 3.248 billion. To a large extent, the shortfall is attributable to the 'Acquisition of fixed assets and major repairs' item, where only 56.3 per cent was implemented, and the difference in nominal value is over 1.2 billion BGN. For capital transfers, the shortfall is minimal, at around 25 million BGN.

The National Audit Office cites reasons for the shortfall in both budget lines; for the first, the components include:

- Reimbursed expenditure from 2019 for an aircraft that was not purchased;
- Expenditure reallocated to anti-epidemic measures at the expense of expenditure under the budgets of the Ministry of Transport, Information Technology and Communications, the Ministry of Energy, the State Agency for Energy, the Commission for Combating Corruption and Illegal Assets, the Energy and Water Regulatory Commission and the State Agency for Information Systems;
- Unspent funds relating to the introduction of a Unified Information System in the courts and obstacles to the conduct of public procurement within the Supreme Judicial Council;
- Capital expenditure reallocated to operating and current expenditure for the Ministry of Energy, to support artists affected by the crisis via the Ministry of Culture's budget, and to state aid subsidies via the State Fund for Agriculture;
- Unspent expenditure in the area of e-government at the Financial Supervision Commission (FSC).

With regard to transfers, funds have been reallocated for the implementation of the 2020 annual programme for the 'Radioactive Waste' activity and for transfers to local authorities in this regard, as well as for anti-epidemic purposes at the expense of the Public Health Budget.

With regard to investment activity carried out under the State Budget, a significant sum was disbursed through the budget of the Ministry of Regional Development and Public Works (in particular the Road Infrastructure Agency) to finance major road repairs and the construction of new infrastructure projects (a total of BGN 883.4 million). BGN 346.6 million was disbursed from the Ministry of Defence's budget for various purposes relating to the acquisition, modernisation and major repairs of facilities.

The annual transfers to the National Railway Infrastructure Company (NRIC), Bulgarian State Railways (BDZ) and the Port Infrastructure State Enterprise, amounting to 120, 139 and 110 million BGN respectively, were not fully utilised in the first year of the period examined to date. The transfer to the National Railway Infrastructure Company (NRIC) was utilised in full, whilst that to BDZ fell short of the annual plan by 50 million BGN. The 'Port Infrastructure' State Enterprise managed to spend 93.6 million BGN on major repairs and refurbishment of ports, representing 84.3 per cent of the revised annual plan.

2021

This year has seen a critically low level of capital expenditure under the State Budget. It stands at 31.5 per cent, the lowest level for the period under review. Of the BGN 2,444 million allocated under the updated State Budget Act, only BGN 770 million was spent. The reasons for this have been provided by the Ministry of Finance and the National Audit Office, with the lower execution of investment expenditure for 2021 observed at all levels of government consolidation. The shortfall in the State Budget stems primarily from the 'Acquisition of fixed assets and major repairs' sub-section, which was implemented at 18.7 per cent. The deviation in capital transfers is significantly smaller (88.1 per cent), amounting to 53.5 million BGN in nominal terms. The marked discrepancy in the first item is due to the following factors, as provided by the National Audit Office:

- Reimbursed expenditure on the construction of the Hemus Motorway;
- Capital expenditure reallocated from the Ministry of Finance, the Communications Regulation Commission, the Commission for Prevention and Counteraction of Corruption and Illegal Enrichment, and the State Audit Office to the Social Security Fund;
- Additional expenditure and transfers under the Ministry of Health's budget at the expense of expenditure on the acquisition of the State Agency and major repairs to public roads;
- Restrictions on expenditure by certain line-management bodies (Ministry of Agriculture, Ministry of Energy and the State Agency for Tourism);
- Changes to the budgets of secondary budget administrators (Ministry of Education and Science);
- Delayed projects and contracts due to the pandemic (Ministry of Finance, State Agency for Tourism, State Agency for Tourism and Development, and State Fund for Agriculture);
- Delayed public procurement procedures (Supreme Judicial Council, Ministry of Transport and Communications and State Agency for Tourism);
- Projects abandoned due to rising prices of building materials and labour (Ministry of Municipal Services);
- Changes to the Ministry of Health's budget to provide funds for medical equipment to tackle the pandemic.

Capital transfers under the State Budget are not being fully implemented due to restructuring in favour of the activities of the State Enterprise 'Radioactive Waste' (ME), reallocations due to a lack of approved projects for sports facilities under the Ministry of Youth and Sports (MYS), and approved additional expenditure under the Ministry of Health's budget at the expense of capital expenditure for non-financial enterprises by the Central Bank.

Of the reported investment activities, a significant share of capital expenditure was used to finance projects under the Ministry of Defence's budget (381 million BGN). The planned transfer from the State

Budget to the National Railway Infrastructure Company amounts to 140 million BGN, of which 137.8 million BGN has been utilised. The transfer to the Bulgarian State Railways (BDZ) was planned at 109 million BGN, with 84.1 million BGN utilised, whilst for the State Enterprise 'Port Infrastructure', the planned amount of 148.5 million BGN was utilised by only 69.5 per cent, or 103.2 million BGN. This indicates lower-than-expected investment activity, the reasons for which are set out in the explanations for the aforementioned deviations.

2022

In 2022, no significant improvement in investment activity is observed, although the absorption of capital expenditure under the State Budget stands at 73.8 per cent of the revised plan. This nevertheless leaves around 825 million levs unspent – this amount is half that of the shortfall for the previous year, but is nonetheless significant. The shortfall again stems from the acquisition of fixed assets and major repairs, where BGN 918 million remains unspent, whilst capital transfers show an over-execution of 28.2 per cent above the estimate.

The National Audit Office explains the difference in the 'Acquisition of state-owned assets and major repairs' item as follows:

- Transfers to local authorities from the Ministry of Regional Development and Public Works and the Ministry of Youth and Sports for sports facilities;
- Changes to the Ministry of Justice's budget;
- Changes to the Ministry of Health's budget in favour of capital transfers to healthcare facilities for medical equipment;
- Appealed/uncompleted Public Procurement Act procedures by the Ministry of Environment and Water, uncompleted public procurement contracts by the Commission for Combating Corruption and Illegal Asset Forfeiture, failure to select a contractor for tenders conducted by the National Assembly, and obstacles to conducting Public Procurement Act tenders for the renovation of the Supreme Judicial Council;
- An additional VAT transfer to local authorities under the State Fund for Agriculture.

Capital transfers have exceeded the target due to:

- Changes to the Ministry of Health's budget in favour of capital transfers to healthcare facilities for medical equipment;
- An increased state subsidy for registered religious denominations (Council of Ministers);
- A change to the Ministry of Youth and Sports' budget for the construction of new sports facilities.

The Ministry of Finance also provides more detailed information on funds disbursed through the ministries:

- Through the Ministry of Defence's budget – 694.9 million BGN (for a new patrol vessel, a system for the integration of F-16 fighter aircraft, etc.);
- Through the budget of the Ministry of Regional Development and Public Works – BGN 694.6 million for major repairs and the acquisition of the State Agency;

- Through the Ministry of Transport, Information Technology and Communications (MTITC) budget – BGN 244.8 million; from 2022, the usual transfers to the National Railway Infrastructure Company (NRIC), Bulgarian State Railways (BDZ) and the State Railway Transport Agency (DPPI) are divided between the Central Bank and the MTITC – expenditure under the latter amounted to BGN 152 million, BGN 30.7 million and BGN 42.5 million respectively;
- Through the Ministry of the Interior's budget – BGN 152.9 million;
- Through the Ministry of Health's budget – 137.1 million BGN;
- Through the budget of the Ministry of Education and Science – 96.4 million BGN, of which 54.4 million BGN was for the purchase of school buses.

Through the Central Bank, transfers to the National Railway Infrastructure Company (NRIC), Bulgarian State Railways (BDZ) and the State Property Agency (SPA) amounted to 11.1, 18.3 and 10.5 million BGN respectively, all three of which were fully utilised.

2023

This year is an exception to the general trend of under-spending on capital expenditure – according to the State Budget, 108.8 per cent of the estimates were met, which is BGN 308.5 million more than planned. The over-execution stems from the acquisition of state-owned assets and major repairs – 311 million levs above the planned 3,235 million levs. For capital transfers, the shortfall is negligible, amounting to 2.4 million levs. A detailed description of the over-execution is provided by the National Audit Office:

- Changes to the budgets of the Programme for Regional Development at the expense of capital expenditure provided for in the Central Budget (Ministry of Defence, Ministry of the Interior and Ministry of Education and Science);
- Additional funds for the Municipal Projects Programme (Ministry of Regional Development and Public Works);
- Higher capital expenditure funded by transfers received from the Ministry of Energy to ensure the quality of systems at the Ministry of Foreign Affairs, as well as for election preparations;
- Compensatory adjustments to allow for higher capital expenditure at the Ministry of Agriculture and Food, the Ministry of Energy, the Central Election Commission and the Supreme Judicial Council;
- Renewal of the vehicle fleet (BTA);
- Approved expenditure for the renovation of halls of residence to be met by the Central Bank (DVU);
- Allocation of expenditure at the Bulgarian Academy of Sciences;
- Additional expenditure under the PRB budget for the purchase of a building for the Constitutional Court;
- Changes following a transfer received from the Environmental Protection Activities Management Enterprise (EPAME) for the implementation of environmental activities and projects (Ministry of Environment and Water);
- Increased capital expenditure to meet the budgetary needs of the Customs Agency (Ministry of Finance);

- Changes to expenditure relating to an integrated staff knowledge management system (Nuclear Regulatory Agency);
- Adjustments to the expenditure of the State Agency for Road Infrastructure and Transport.

The Ministry of Finance's report also includes information for 2023 on capital expenditure incurred under the budgets of individual ministries:

- The largest share – the Ministry of Regional Development and Public Works (MRDPW) – BGN 1,959.2 million (BGN 1,879.2 million for the acquisition of fixed assets – construction of infrastructure projects – roads in the national road network, water supply facilities, etc.);
- Ministry of Defence – BGN 1,172.2 million – for the acquisition and maintenance of major combat equipment for the formation of battalion-sized combat groups, the acquisition of a multi-purpose modular patrol vessel, the repair of aviation equipment, etc. Also included is BGN 77.2 million in capital expenditure for accrued interest on the Ministry of Defence's account at the Federal Reserve Bank of New York for the acquisition of new combat aircraft;
- Ministry of Transport, Information Technology and Communications (MTITC) – 233.8 million BGN, with capital transfers to the National Railway Infrastructure Company (NRIC), Bulgarian State Railways (BDZ) and the State Road Infrastructure Agency (SRIA) amounting to 153.9 million BGN, 49 million BGN and 29.2 million BGN respectively – all three of which have been fully utilised;
- Ministry of the Interior – BGN 50.7 million, including for equipment, machinery, computer systems and to fund the management of the barrier (fence) along the Bulgarian-Turkish border;
- Ministry of Health – 38.8 million BGN

2024

The reversal of the trend compared with 2023 is partly due to the failure to meet the planned capital expenditure targets, and partly to the new methodology set out in the National Capital Programme, which provides for a different approach to investment projects at national and local authority level. Data from the Ministry of Finance's report indicate that capital expenditure under the State Budget was implemented at a rate of 48.9 per cent. The nominal value of the shortfall is 1,727.3 million BGN. As in some of the previous years examined (2016 and 2017, for example), there has been a significant reallocation of funds from the 'Acquisition of fixed assets and major repairs' line to capital transfers, with the former showing a substantial level of under-execution – over 2 billion levs, or 38.8 per cent executed. Capital transfers were implemented at 2,169 per cent, which is nearly 20 times the originally allocated amount of 15.9 million levs.

The National Audit Office attributes the under-execution in the acquisition of state-owned assets and major refurbishment to a terminated public procurement procedure at the Constitutional Court, unimplemented works on the refurbishment of a building and the supply of equipment for the National Assembly, the failure to carry out the refurbishment of a hall due to legal proceedings in the Supreme Prosecutor's Office, uncompleted works on the building stock of the Supreme Judicial Council, and transfers made to local authorities and other budgetary organisations at the expense of the capital expenditure funds of the Environmental Protection Activities Management Enterprise.

Capital transfers are BGN 329 million higher than planned, due to additional expenditure incurred and internally offset changes made to the Ministry of Health's budget, due to the construction and renovation of church buildings (Council of Ministers), archaeological surveys (Ministry of Culture), the preparation of an assessment of the potential for implementing high-efficiency combined heat and power generation, as well as for funding radioactive waste management activities (Ministry of Energy), and others.

The National Capital Expenditure Programme for 2024 distorts the analysis of non-compliance under the two headings – acquisition of state-owned assets and major repairs – as it provides for changes to be made to investment projects at national and local authority level during the year (through approval by the Ministry of Regional Development and Public Works or the Council of Ministers and the corresponding amendments to Appendices 2 and 3 to the State Budget Act). The State Budget Act provides for a centralised resource from the Central Budget, to be allocated during the year to local authorities and regional budgets – without every regional budget necessarily having capital expenditure initially earmarked. This flexibility partly explains the significant shortfall in the acquisition of fixed assets and, on the other hand, the over-utilisation of capital transfers. A large proportion of the resources earmarked in the Central Budget has been reallocated to ministries and other institutions during the year on the basis of capital projects approved in a timely manner.

With regard to the investment expenditure implemented under the State Budget, the Ministry of Finance notes that the largest share of reported capital expenditure and transfers is accounted for by the budgets of the Ministry of Defence, the Ministry of Transport and Communications, the Ministry of the Interior and the Ministry of Health, broken down as follows:

- Under the Ministry of Defence budget – 1,275 million BGN for the procurement of major combat equipment for the Army, for the procurement of a patrol vessel for the Navy, for the procurement of anti-aircraft missile systems, for ancillary expenditure relating to the procurement of F-16s, etc.;
- Under the Ministry of Transport and Communications budget – 286.6 million BGN, with transfers predominating (totalling 277.7 million BGN) for the National Railway Infrastructure Company (145.7 million BGN), the Bulgarian State Railways (61.7 million BGN) and the State Railway Infrastructure Agency (70.5 million BGN);
- The Ministry of the Interior's budget – 142.7 million BGN, part of which is for activities under the Road Safety Fund:
- Under the Ministry of Health's budget – 75.8 million BGN for construction, repairs, equipment and the upgrading of modules of the National Health Information System

Figure 3 provides a summary of the main reasons for the under-spending of capital expenditure over the entire period under review.

Year	Main Reason for the Deviation
2015	Failure to meet targets for the LT assets and major repairs; numerous budget changes
2016	Reallocation of funds from the Central Budget, delayed public procurement contracts and projects
2017	Unimplemented projects and delayed contracts under the Public Procurement Act; reallocation to capital transfers
2018	Exceeding the budget due to additional funding for infrastructure, defense, and the EU presidency
2019	Shortfall in revenue and major repairs, partially offset by higher capital transfers
2020	COVID-19 — reallocation to crisis response and operating expenses; delayed orders and projects
2021	Shift toward health and social measures, COVID-19, public procurement contracts, and rising construction costs
2022	Restructuring towards transfers, public procurement contracts subject to delays and appeals
2023	Exceeding the target due to additional funds, budget changes, and carryover balances
2024	Delayed/unimplemented projects and the Public Procurement Act; reallocation from the State Budget to capital transfers

Figure 3 – Main reasons for the under-spending of capital expenditure under the State Budget for the period 2015–2024

CFP/Public Administration Sector

Under the CF, capital expenditure also remained below annual estimates for most of the period under review, with the exceptions of 2015 and 2023 (Figure 4). A key factor driving trends in the CF is the implementation of projects co-financed under EU programming periods. Towards the end of these periods – in 2015 and 2023 – there was an increase in payments for completed or nearing-completion projects, whilst at the start of the periods, the take-up of expenditure was weaker due to administrative procedures and other causes of delay. The absorption of capital expenditure by local authorities also has a significant impact on overall implementation, and in certain years accounts for part of the difference between the implementation of investment expenditure under the State Budget and that under the Capital Expenditure Programme and the Public Administration sector.

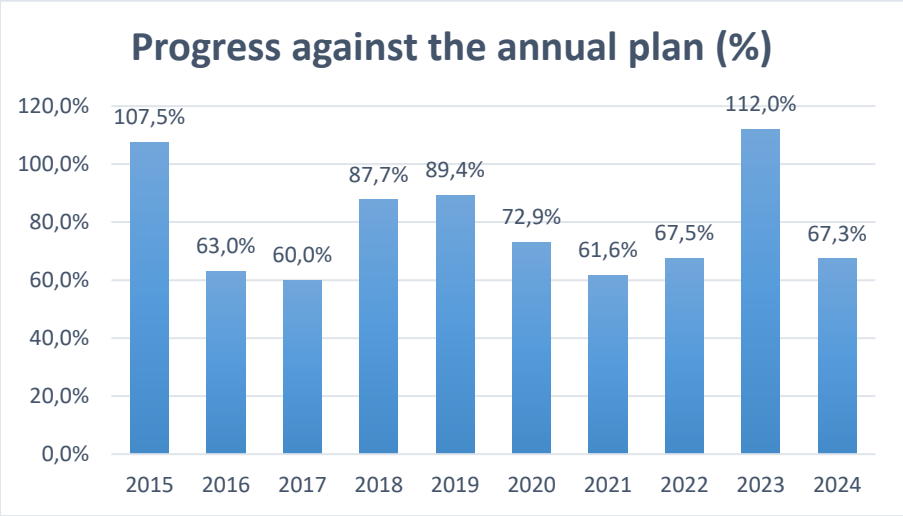


Figure 4 – Execution of capital expenditure under the Medium-Term Fiscal Framework

The significance of capital expenditure under the Medium-Term Fiscal Framework is illustrated by Figure 5, which shows its value as a percentage of GDP.

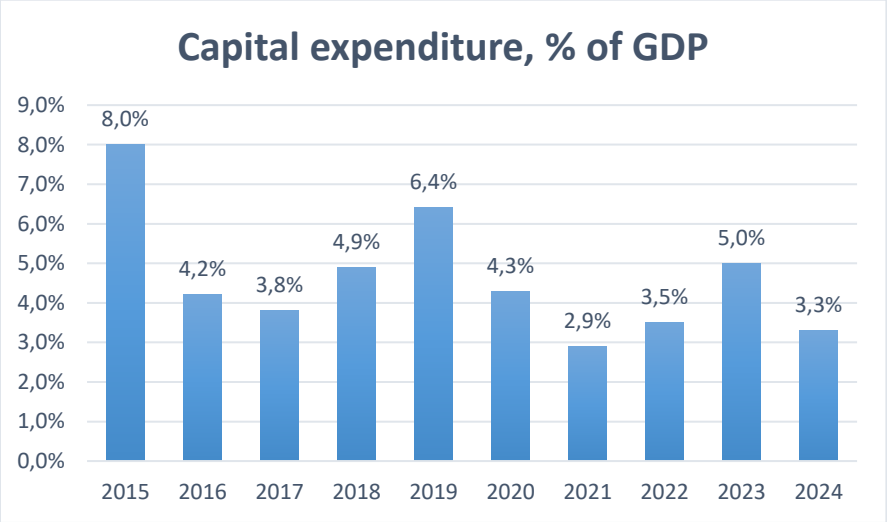


Figure 5 – Reported capital expenditure under the MFF, % of GDP for the period 2015–2024

Appendix 3 presents more detailed data on the implementation of capital expenditure under the CFI for the period, including information on planned and reported expenditure, the implementation rate, the share of capital expenditure in GDP, as well as an indicative column for the deficit/surplus of the overall balance under the MFF, had expenditure been fully implemented (the result of which should be viewed with the caveat that some unspent capital expenditure has been reallocated and, accordingly, part of the unspent amount is already included in the MFF balance, but under a different expenditure heading).

2015

The CFP provides a different perspective on investment expenditure. The amount set out in the annual plan of 6,420 million BGN was exceeded by 107.5 per cent. This surplus of nearly half a billion levs is the result of payments made for projects from the concluded 2007–2013 EU programming period – European funds account for the largest share of the excess amount, having increased by nearly 2 billion levs compared with the previous year.

Investment activity is concentrated primarily in the 'Economic Activities and Services' sector (46.3 per cent of total expenditure), which includes investment in transport and communications. Regional development and public works, as well as defence and security, account for a significant proportion of the remaining capital expenditure under the State Budget. In 2015, the public investment programme for healthcare, introduced in 2014, was discontinued, resulting in a reduction of approximately 100 million BGN in capital expenditure under the State Budget.

The year saw increased disbursements on EU projects, leading to a significantly better result at the consolidated level.

2016

During the year, various trends were observed in capital expenditure relative to the state budget and the Consolidated Fiscal Programme (CFP). At the CFP level, the following trend was observed: of the planned BGN 6,150 million in capital expenditure, only 63 per cent was implemented. This was primarily due to the transition to the new EU programming period (2014–2020), with administrative procedures and delays in funding applications posing a significant problem at the outset. Investment under the CF is mainly focused on housing construction and urban development (41 per cent of total expenditure), defence and security, as well as economic activities and services, some of which are projects in the 'Transport' sector. Significant projects in this sector include the maintenance and construction of infrastructure projects, sections of the Struma motorway, the rehabilitation of railway infrastructure on the Plovdiv–Burgas line, the extension of the Sofia metro and the construction of the Maritsa motorway.

Capital expenditure reported in municipal budgets as at 31 December 2016 stood at 110 per cent of the annual estimate. This is a consequence of Council of Ministers Decrees allocating additional earmarked funds to municipalities.

2016 saw weaker implementation of the investment component of the Medium-Term Fiscal Framework, primarily due to delays in receiving EU funds.

2017

According to the Consolidated Fiscal Programme, 60 per cent of capital expenditure has been implemented. The Ministry of Finance attributes the higher proportion of unspent funds to delays in launching the application procedures and in the implementation of EU-co-funded projects under the 2014–2020 programming period. This reason has featured in the reports for the second year running, but here the Ministry of Finance is now reporting an incremental increase in absorption rates and expressing optimism for the coming years.

Other reasons for the shortfall include administrative difficulties, as well as overly ambitious targets set in the annual budget estimates. Under the national budget, planned projects to purchase new equipment for the Bulgarian army were not implemented. They have been postponed until future years.

In line with previous years, investment expenditure under the State Budget is directed primarily towards the 'Housing Construction, Urban Development and Public Utilities' function (44.5 per cent of total expenditure, or 1,668.9 million BGN). This category also includes expenditure on the 'National Programme for Energy Efficiency in Multi-family Residential Buildings'. The second-largest category is expenditure under the 'Economic Activities and Services' function, which includes infrastructure projects. Expenditure under the 'General government services' function, which has doubled, is BGN 128.8 million less than in 2016, a result of the construction of a temporary barrier on the Bulgarian-Turkish border in 2016.

The capital transfers reported under the Consolidated Fiscal Programme account for the largest share of capital expenditure (50.4 per cent), which is consistent with the information in the State Budget regarding the significant transfers made.

2018

At the General Government level, the execution of capital expenditure increased significantly compared with previous years, with 87.7 per cent of the planned expenditure being executed. Compared with 2017, reported expenditure rose to 4.9 per cent of GDP in 2018, representing an increase of 1.1 per cent. Investment expenditure in the 'General Government' sector, in terms of gross fixed capital formation, confirmed this trend, rising by 0.7 per cent of GDP. This was due to the advancing stage of absorption of funds from EU programmes. The remaining components of capital expenditure under the National Budget Framework recorded a decline in absolute terms, and no data on their implementation is available.

Unlike in the previous two years, investment expenditure is concentrated in the 'Economic Activities and Services' function (54.3 per cent of total expenditure under the State Budget), where nearly BGN 2.9 billion is recorded, mainly for infrastructure projects – maintenance of the national road network, repair works, and the construction of 134 km of the Hemus Motorway. Second in terms of size are expenditure on housing construction and urban development, followed by defence expenditure and expenditure under the 'General Government Services' function. For the latter function, the increase of BGN 210 million compared with 2017 is due to repairs to oil storage depots, maintenance depots and grain depots. During the year, the largest share of capital expenditure was for the acquisition of fixed assets and repairs (52.5 per cent), in contrast to 2017, when capital transfers dominated.

A shortfall against the approved budget is observed in capital transfers to non-financial enterprises from the EU funds account of the Agriculture State Fund, with the reported BGN 185.1 million being significantly less than the planned BGN 501.6 million. In the municipal budgets, capital expenditure was executed at 104.9 per cent of the 2018 estimate; the increase compared with 2017 is due to additional earmarked funds allocated by a Council of Ministers decree from 2017, which were utilised in 2018 following the completion of procedures under the Public Procurement Act.

2019

The Consolidated Fiscal Programme (CFP) shows that investment expenditure was implemented at 89.4 per cent, representing an under-spend of nearly BGN 900 million. For 2019, capital expenditure increased by 1.5 per cent of GDP compared with the previous year; as indicated in the preceding paragraphs, in addition to expenditure under EU-funded accounts, expenditure financed from the State Budget also increased. This trend is also evidenced by the report for the 'General Government' sector. The increase is primarily due to expenditure on new fighter aircraft.

Investment expenditure by function is as follows: 'Economic activities and services' (38.2 per cent of total expenditure), defence and security (33.6 per cent of capital expenditure under the Medium-Term Fiscal Framework) and housing construction and urban development (14.1 per cent). The priorities for the year are large-scale infrastructure projects, projects to modernise the armed forces, railway infrastructure projects, etc. Within the economic structure, expenditure on the acquisition of fixed assets accounts for the largest share of capital expenditure (over 55 per cent), again as a result of the purchase of military aircraft.

Capital expenditure under the municipal budgets, amounting to 1,037.8 million BGN, represents 118.4 per cent of the annual estimate, and the increase is due to additional earmarked funds allocated in the second half of 2018 by a Council of Ministers decree, which were utilised in 2019 owing to the time required for procedures under the Public Procurement Act.

2020

The Ministry of Finance reports relatively high investment activity under the State Budget and in the 'General Government' sector, despite the crisis. According to the report, 'The increase in government capital expenditure partly offsets the decline in private investment caused by high uncertainty'. The Capital Expenditure Programme (CEP) is characterised by a 72.9 per cent implementation rate of the total planned capital expenditure of nearly 7 billion BGN. As a share of GDP, a decline to 4.3 per cent was recorded in 2020.

By function, the largest share of expenditure is on economic activities and services (2.36 billion BGN) for projects in rail and road infrastructure. Second in terms of size were expenditure on housing construction and urban development, followed by expenditure on defence (for the modernisation of the armed forces). The acquisition of fixed tangible assets was the category with the largest reported share of investment (47.7 per cent of capital expenditure under the State Budget).

The Ministry of Finance reports a shortfall in capital transfers to non-financial enterprises and non-profit organisations from the State Fund for Agriculture's EU funds account. For the former, implementation totalled 67.7 per cent of the plan (170 million levs out of a total of 250.8), whilst for the latter, the report shows a shortfall of nearly 13 million levs compared to the targeted amount of 21.6 million levs.

The municipalities also failed to absorb 100 per cent of their planned capital expenditure. In their case, the report shows an absorption of 824.4 million BGN, which is 87.2 per cent of the annual budget, with the reason lying in the delay in investment activity due to the pandemic.

2021

The data for the Comprehensive Fiscal Programme (CFP) point to a trend of under-spending on investment expenditure, although the implementation rate under the CFP is nearly double (61.6 per cent) that under the State Budget. This indicates that institutions within the broader scope of the CFP are demonstrating greater efficiency in the implementation of their investment expenditure – local authorities, for example, are contributing to the higher level of implementation.

Information from the Ministry of Finance on the 'General Government' sector shows a decline in gross fixed capital formation and in the other components of capital expenditure; this decline is attributed to the economic situation in Bulgaria and the resulting shift in budgetary policy priorities during the year. The need for additional funds to combat the pandemic and to compensate businesses for rising electricity prices were the reasons for the reallocation of expenditure. On the other hand, investment projects were delayed and not implemented due to the need for an analysis to ensure compliance with legislation relating to the Public Procurement Act, as well as due to delays in the approval of the Recovery and

Development Plan for Bulgaria (now the National Recovery and Development Plan) and the only just beginning process of negotiating projects for the new EU programming period (2021–2027).

Returning to the data from the Consolidated Fiscal Programme, the functional categories with the largest share of capital expenditure are housing improvement (1.1 billion levs), 'Economic Activities and Services' (just over 1 billion levs) and defence. Projects under OPTTI are among the larger components of this year's capital programme, and significant infrastructure and other projects have been implemented despite the pressures caused by the pandemic.

A shortfall was recorded in EU funds allocated to the State Fund for Agriculture (SFA), where the implementation rate stood at 74.5 per cent (actual expenditure: 141.8 million levs; planned expenditure: 190.3 million levs). The annual estimates for capital transfers to non-profit organisations amount to 17.3 million BGN, of which only 5.4 million BGN have been spent.

Municipalities show the opposite trend, with reported capital expenditure amounting to 95.1 per cent of the budgeted figure – this is a result of their higher revenues in 2021, which give them greater scope for investment expenditure.

2022

The 'General Government' sector reports an increase in capital expenditure. The rise in gross fixed capital formation is due to the payment for construction works, which had been delayed in 2021. The political situation in 2022 complicates the launch of new projects, with some expenditure under the Convergence Programme being postponed. Capital expenditure under the Public Investment Programme (PIP) was restricted, as was expenditure on projects under the operational programmes for the EU programming period 2021–2027.

Investment activity under the Cohesion Fund differed from the previous year not so much in terms of the implementation rate (67.5 per cent for 2022) as in nominal terms – just over 5,700 million BGN spent, representing 3.5 per cent of GDP.

Capital expenditure is highest under the 'Economic Activities and Services' function – 2,074.2 million BGN. Expenditure in this group has been negatively affected by inflation, disrupted supply chains and the unfavourable international situation. A large proportion of the expenditure is funded under the OPTTI.

Expenditure on housing construction was the second largest (1,256 million BGN), followed by defence and security (1,042.2 million BGN).

In terms of economic nature, expenditure on the acquisition of fixed assets leads the way, followed by capital transfers and expenditure on major repairs to fixed assets.

The Ministry of Finance reports a shortfall in the State Fund for Agriculture's EU funds account for capital transfers to non-financial enterprises – 87.6 per cent of the planned BGN 142.7 million was spent. Capital transfers to non-profit organisations also remain far from being fully realised – BGN 9.7 million out of the planned BGN 17 million.

In contrast to the shortfalls described so far, local authorities have spent BGN 1,266 million on investments, which is 116.1 per cent of the budgeted amount. This trend stems from the gradual recovery

from the pandemic crisis and the increase in local authorities' revenues, which is providing them with scope for investment activity.

2023

At the 'General Government' sector level, the trend towards a noticeable increase in investment expenditure is similar. Gross fixed capital formation rose by 2.6 billion levs. This is driven by the growth in capital expenditure under EU-funded accounts, as well as higher investment under the State Budget and municipal budgets. Another key reason is that the deadline for disbursement of funds for projects under the 2014–2020 EU programme was 31 December 2023, resulting in a significant build-up of capital expenditure, particularly in the second half of 2023. On the other hand, political uncertainty has delayed the launch of new projects, including those under the Public Administration Operational Programme (PAOP), whilst expenditure planned under the Convergence Programme has been postponed.

Given the close alignment of the 'General Government' sector with that of the Consolidated Fiscal Programme, the picture for the latter is similar. During the year, capital expenditure and transfers exceeded the planned figure of 8,212 million BGN by almost 1 billion BGN, which is 12 per cent above the forecast. This is due to the increase in investment expenditure from EU funds, as well as higher expenditure in municipal budgets and the State Budget, including funding for the Investment Programme for Municipal Projects.

By function, capital expenditure under the Consolidated Fiscal Programme is ranked (from the largest share to the smallest) as follows: housing construction and urban development (nearly 3 billion levs), 'Economic activities and services', and defence and security. By economic category, the expenditure with the highest share is that for the acquisition of fixed assets (58.2 per cent of capital expenditure), followed by expenditure on major repairs and capital transfers.

Capital transfers to non-financial enterprises via the State Fund for Agriculture account were utilised at 95.5 per cent, whilst those to non-profit organisations amounted to 37.5 per cent of their annual budget (17.1 out of 45.6 million levs planned).

Municipalities have achieved a remarkable level of implementation, spending 1,878.5 million levs on investments – 176.6 per cent of the annual budget. The increase in municipal revenue, combined with the rise in the targeted subsidy for capital expenditure, has enabled local authorities to allocate more funds to capital expenditure, whilst payments under European projects have also had an impact.

2024

The CFP reports a 67.3 per cent implementation rate for its capital expenditure. This represents a decline compared with 2023, both in percentage terms and in nominal terms – the projects implemented are worth 6,802.4 million levs, or 3.3 per cent of GDP. For a nominal comparison, the capital expenditure initially budgeted for the first year exceeded the psychological threshold of 10 billion levs – this indicates particularly optimistic expectations on the part of the institutions at the start of the year. The Ministry of Finance notes that capital expenditure shows a significant decline compared with 2023, due to a base effect from the previous year resulting from higher payments for European projects that had been

completed. Under the new investment programme (2021–2027), disbursements are still proceeding at a moderate pace. The report also highlights a significant shortfall in the planned expenditure under the National Programme for Urban Development (NPUD) – with only 30 per cent absorbed – due to the late start and slow pace of implementation. These are also the reasons why the 'General Government' sector has recorded a decline in gross fixed capital formation and in capital transfers (to 1.2 per cent of GDP).

With regard to the National Capital Programme, which also falls within the scope of the Medium-Term Fiscal Framework, it should be noted that, according to information from the Ministry of Regional Development and Public Works, as at 31 December 2024, agreements had been concluded with mayors for funding totalling just over 3 billion levs. Under these agreements, payment requests to the municipalities totalling half a billion BGN had been approved by the end of the year, with 445.6 million BGN recorded and actually paid. The programme at national level accounts for funds amounting to 3,565.5 million BGN.

The functional breakdown of expenditure under the CF is as follows, in descending order of funding: Economic activities and services in first place, accounting for 44.8 per cent of total expenditure or just over 3 billion BGN, followed by Defence and security (1,739 million BGN), Education (710.6 million BGN) and Housing construction (456.3 million BGN). Major infrastructure projects, together with projects to modernise the armed forces and repair road and rail infrastructure, remain a priority this year as well.

The largest share is accounted for by expenditure on the acquisition of fixed assets (40.1 per cent), followed by expenditure on major repairs (31.3 per cent) and capital transfers (25.4 per cent). Under the budget of the paying agency at the State Fund for Agriculture (SFA) for capital transfers to non-financial enterprises, BGN 451.8 million was planned, of which BGN 372.2 million was reported, or 82.4 per cent of the annual plan.

Municipal capital expenditure amounts to BGN 2,410 million, which is 440.3 per cent of the annual estimate. This is a result of the newly introduced National Investment Programme for municipal projects, which does not encourage predictability in the initial estimates. Higher capital expenditure compared with the previous year is also observed due to the increase in municipal revenue, giving municipalities the freedom to allocate more investment expenditure to local activities; there has also been an increase in the value of state-delegated activities, some of which finance capital projects.

Figure 6 presents summarised information on the main reasons for the under-spending of capital expenditure under the Medium-Term Fiscal Framework (MTFF) throughout the period.

Year	Main Reason for the Deviation
2015	Over-execution due to final payments for the 2007–2013 EU programming period
2016	A Slow Start to the 2014–2020 Programming Period and Administrative Delays
2017	Delayed EU projects, administrative difficulties, and postponed military investments
2018	Incomplete absorption of EU funds, including capital transfers under the State Fund for Agriculture (SFA)
2019	Partial failure to meet the investment plan; no specific reason is given
2020	COVID-19, delayed municipal investments, and underutilization of EU funds
2021	Anti-crisis spending, delayed projects, the National Recovery and Resilience Plan, and the new programming period
2022	Political instability, inflation, disrupted supply chains, and a slow start to the National Recovery and Resilience Plan and the 2021–2027 programming period
2023	Surplus due to final payments under the 2014–2020 EU program and strong municipal investments
2024	Poor performance under the National Strategic Reference Framework and the 2021–2027 programs; elimination of peak EU payments starting in 2023

Figure 6 – Main reasons for the under-spending of capital expenditure under the CFS for the period 2015–2024

Conclusion

A review of the period shows that the under-spending of capital expenditure is a recurring problem, but the reasons for it vary significantly over the years. In some cases, this involves delayed or unrealised investment projects, the cause of which lies in delayed public procurement procedures, pandemic-related circumstances, rising construction costs or disrupted supply chains; in others, it involves the reallocation of initially planned funds to capital transfers, current expenditure and other budget headings. The European funding cycle has a significant impact on the implementation of expenditure under the State Budget – strong implementation is observed in years marking the end of programming periods, whilst the start of new programming periods is associated with weak investment implementation.

The accounts and reports of the Ministry of Finance and the National Audit Office for the most recent years covered by the analysis provide more detailed information on the implementation of capital expenditure by individual departments; however, the ability to track the implementation of annual investment projects in detail and with specific data remains limited. A useful step would be the publication of an annual breakdown by the State Budget and by project, which would include the initial and revised annual plan, as well as the reported expenditure by project and ministry, accompanied by an explanation of the movements and deviations in these parameters. This would enable a study such as the present one to distinguish between expenditure that has genuinely not been incurred and funds that have been diverted, and would improve the accountability and transparency of public investment policy.

Appendices

Year	Initial Plan – Capital Expenditures (million BGN)	Updated Plan – Capital Expenditures (million BGN)	Report – Capital Expenditures (million BGN)	Shortfall Compared to the Updated Plan (in million BGN)
2015	858.6	858.6	638.8	219.8
2016	2,511.9	2,511.9	1,975.0	536.9
2017	2,076.9	2,076.9	1,686.1	390.8
2018	2,360.3	2,243.0	2,471.8	-228.8
2019	2,764.2	4,593.2	4,306.9	286.3
2020	2,888.4	3,247.8	1,988.8	1,259.0
2021	2,419.7	2,444.7	769.5	1,675.2
2022	2,982.7	3,144.8	2,319.5	825.3
2023	3,515.6	3,515.6	3,824.1	-308.5
2024	3,377.2	3,377.2	1,649.9	1,727.3

Year	Performance Relative to the Updated Plan (%)	Change from the Original Plan (%)	Capital Expenditures / Total Expenses (%) - Report	Capital Expenditures / GDP (%)
2015	74.4%	0.0%	7.4%	0.7%
2016	78.6%	0.0%	19.5%	2.1%
2017	81.2%	0.0%	16.4%	1.6%
2018	110.2%	-5.0%	21.1%	2.3%
2019	93.8%	66.2%	29.7%	3.6%
2020	61.2%	12.4%	14.5%	1.6%
2021	31.5%	1.0%	5.1%	0.6%
2022	73.8%	5.4%	12.6%	1.4%
2023	108.8%	0.0%	19.6%	2.1%
2024	48.9%	0.0%	8.1%	0.8%

Appendix 1 – Data on the implementation of capital expenditure under the State Budget for the period 2015–2024

		State Budget - Updated Plan	Report	Difference	Performance, %
2015	Acquisition of Fixed Assets and Major	645.5	447.5	-198	69.3%
	Capital Transfers	213.1	191.3	-21.8	89.8%
2016	Acquisition of Fixed Assets and Major	2268.6	734	-1534.6	32.4%
	Capital Transfers	243.3	1240.9	997.6	510.0%
2017	Acquisition of Fixed Assets and Major	1829.5	437	-1392.5	23.9%
	Capital Transfers	247.5	1249.1	1001.6	504.7%
2018	Acquisition of Fixed Assets and Major	2006.1	2248.3	242.2	112.1%
	Capital Transfers	236.9	223.5	-13.4	94.3%
2019	Acquisition of Fixed Assets and Major	4158.9	3688.3	-470.6	88.7%
	Capital Transfers	434.3	618.6	184.3	142.4%
2020	Acquisition of Fixed Assets and Major	2825.9	1592.2	-1233.7	56.3%
	Capital Transfers	421.9	396.6	-25.3	94.0%
2021	Acquisition of Fixed Assets and Major	1995.6	374.1	-1621.5	18.7%
	Capital Transfers	448.9	395.4	-53.5	88.1%
2022	Acquisition of Fixed Assets and Major	2815	1896.8	-918.2	67.4%
	Capital Transfers	329.8	422.7	92.9	128.2%
2023	Acquisition of Fixed Assets and Major	3234.9	3545.9	311	109.6%
	Capital Transfers	280.6	278.2	-2.4	99.1%
2024	Acquisition of Fixed Assets and Major	3361.3	1305	-2056.3	38.8%
	Capital Transfers	15.9	344.9	329	2169.2%

Appendix 2 – Data on the implementation of capital expenditure under the State Budget by item for the period 2015–2024

Year	Plan – Capital Expenditures (million BGN)	Report – Capital Expenditures (million BGN)	Shortfall compared to the annual plan (million BGN)	Performance Relative to the Annual Plan (%)
2015	6,419.8	6,899.7	-479.9	107.5%
2016	6,149.7	3,871.5	2,278.2	63.0%
2017	6,244.3	3,749.7	2,494.6	60.0%
2018	6,076.0	5,325.7	750.3	87.7%
2019	8,462.2	7,561.5	900.7	89.4%
2020	6,979.0	5,089.4	1,889.6	72.9%
2021	6,281.0	3,871.5	2,409.5	61.6%
2022	8,448.1	5,706.6	2,741.5	67.5%
2023	8,211.9	9,201.3	-989.4	112.0%
2024	10,103.3	6,802.4	3,300.9	67.3%

Year	Capital Expenditures, % of GDP	CFP Budget Balance Deficit/Surplus, % of GDP	Deficit/Surplus in the CFP Balance with 100% Execution of Capital Expenditures*
2015	8.0%	-2.9%	-2.34%
2016	4.2%	1.6%	-0.87%
2017	3.8%	0.9%	-1.63%
2018	4.9%	0.1%	-0.59%
2019	6.4%	-1.0%	-1.76%
2020	4.3%	-3.0%	-4.60%
2021	2.9%	-2.9%	-4.71%
2022	3.5%	-0.8%	-2.49%
2023	5.0%	-3.1%	-2.56%
2024	3.3%	-3.0%	-4.60%

Appendix 3 – Data on the implementation of capital expenditure under the Medium-Term Fiscal Framework for the period 2015–2024

*Indicative column – the result should be viewed with the caveat that some unspent capital expenditure has been reallocated and, accordingly, part of the unspent amount is already included in the MFF balance, but under a different expenditure heading

Sources

- Audit reports on the audit of the report on the implementation of the State Budget of the Republic of Bulgaria by the National Audit Office
- Reports on the Ministry of Finance's report on the implementation of the State Budget of the Republic of Bulgaria
- Laws on the State Budget of the Republic of Bulgaria and their subsequent amendments
- Reports on the implementation of the budget and programmes of ministries and the Public Revenue Budget