

# EFFECTIVENESS OF CONTROL IN THE AGRARIAN SECTOR

YORDANOV, KRASIMIR<sup>1</sup>

## Abstract

Control in the agricultural sector is a key function of management systems in this field, both at the national level and at the level of individual farms. The sustainability and competitiveness of Bulgarian agriculture depend significantly on the effectiveness of control and its direct influence on risk management in the sector. The effectiveness of control in the agricultural sector is a fundamental factor for transparency and sustainability. It is focused on the transparent distribution and management of public resources, as well as on the detection and limitation of errors, irregularities, and abuses.

The effectiveness of control should be considered in two directions. Firstly, the effectiveness of internal control systems in large, medium, and small farms across various sub-sectors. Secondly, the effectiveness of the control system at the national level. The conducted research indicates that control at both levels suffers from various weaknesses and problems. Addressing these is important for compliance with the EU's Common Agricultural Policy (CAP). The methodological basis of this study combines an analysis of legal acts and audit reports from the Bulgarian National Audit Office and the European Court of Auditors with a comparative analysis of practices in other countries and an institutional review of the role of control institutions.

Therefore, control should not be viewed as a formal administrative activity, but as a strategic factor for stability and predictability in the agricultural sector.

Assessing the effectiveness of control in the agricultural sector requires considering both the institutional framework and the cost-benefit ratio of control activities. The problems with the effectiveness of control in this sector are also due to:

- The influence of private interests on the management of the sector;
- Complex and non-transparent procedures that increase the cost of control;
- Threats to the independence of control institutions;
- Weak coordination between control bodies;
- Non-implementation or partial implementation of recommendations given by control bodies.

The analysis of control in the agricultural sector showed that, despite an established institutional framework in Bulgaria, the effectiveness of the control system remains limited due to a combination of institutional fragmentation, staffing weaknesses, lack of digitalization, and insufficient accountability.

Effectiveness is necessary for building trust between the state, farmers, and society, and for guaranteeing the successful integration of Bulgaria into the common European framework of agricultural policy.

Risk management in the agricultural sector shows that the effectiveness of control systems is not exhausted by technical checks but depends on the institutional environment, transaction costs, and the ability of public authorities to provide timely regulation.

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<sup>1</sup> Assoc.Professor, Dr., University of National and World Economy – Sofia, Republic of Bulgaria, [kvjordanov@gmail.com](mailto:kvjordanov@gmail.com)

The Bulgarian control system in the agricultural sector must adapt to European standards of transparency, digitalization, and accountability to ensure the effective absorption of funds and to accelerate the modernization of agriculture.

**Keywords:** control, agrarian sector, efficiency, audit.

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## Introduction

Control in the agrarian sector is an important component of governance systems, both at the national level and at the level of agricultural holdings. It is a crucial factor in guaranteeing the effective use of national financing and that from the European Union, in the context of growing public expectations for transparency and sustainability.

Despite the high requirements for accountability and coordination between national and European control bodies, practice reveals weaknesses in the Bulgarian institutional environment – foremost among them are complex administrative procedures, frequent cases of irregular absorption of funds, and limited capacity for effective control and, in particular, audit (National Audit Office, 2014; European Court of Auditors, 2019).

The sustainability and competitiveness of Bulgarian agriculture depend significantly on the effectiveness of control and its direct influence on risk management. A substantial financial resource flows into the sector under study, the expenditure of which is often accompanied by various weaknesses – institutional fragmentation, insufficient coordination, limited administrative capacity, etc. (Institute of Agrarian Economics, 2020, pp. 94–96).

Risk management at the institutional level is hampered by the lack of an integrated approach for a timely and effective response to data on errors, violations, and abuses. The existence of diverse financing instruments from both the national and the European budget necessitates a rapid reaction, but in practice, these mechanisms are often not used to their full potential due to weak coordination and a low degree of diversification of holdings (Institute of Agrarian Economics, 2020, pp. 94–96).

This report examines control as a dynamic process aimed at the real problems of the agrarian sector. It is focused on the transparent distribution and management of public resources and on the detection and limitation of errors, irregularities, and abuses.

The effectiveness of the various types and forms of control in the agrarian sector can be considered from several perspectives. Within the framework of the EU's Common Agricultural Policy (CAP), the effectiveness of control is a condition for receiving and managing subsidies. This turns it not only into an instrument for sanctions but also into a necessary element for achieving the policy's goals – sustainable production, competitiveness, and innovation.

As one of the largest beneficiaries of European funding, agriculture in Bulgaria requires particular attention to the establishment of a reliable control environment. The lack of effective control, besides undermining public and agricultural producers' trust in institutions, also creates a risk to the sector's sustainability in the context of European integration (National Audit Office, 2014; Institute of Agrarian Economics, 2020).

In Bulgaria, control in the agrarian sector is carried out by several bodies – the National Audit Office, the National Revenue Agency, the State Fund "Agriculture," and the Bulgarian Food Safety Agency. The lack of effective coordination among them leads to overlapping functions, delays in processes, and often an unclear distribution of responsibilities (Institute of Agrarian Economics, 2020). In this sense, control is perceived as a bureaucratic burden, rather than as a tool for optimizing the management of public expenditure and guaranteeing efficiency.

Another factor affecting the effectiveness of control is limited digitalization and a lack of information for conducting monitoring. Difficulties in the digital integration of data between institutions reduce transparency and simultaneously create preconditions for corrupt practices (European Court of Auditors, 2019).

Various audit reports by the National Audit Office highlight the difficulties faced by control in fulfilling its primary function – to add value and minimize risks in the agrarian sector (National Audit Office, 2016).

There are serious deficiencies in management, including inadequate allocation of budgetary funds, absence of mechanisms for evaluating long-term results, and a low level of accountability in the use of public funds (National Audit Office, 2022).

According to Bashev (2011), a weak system of governance and control increases risks and uncertainty, while effective control creates conditions for higher sustainability. Therefore, control should be viewed not as a formal administrative activity, but as a strategic factor for stability and predictability in the agrarian sector.

Assessing the effectiveness of financial control in the agrarian sector requires examining both the institutional framework and the cost-benefit ratio of control activities. In the cost-benefit analysis, efficiency is understood as the ratio between invested resources and prevented financial and social losses (Boardman et al., 2018). According to the principles of New Institutional Economics, the effectiveness of a control system depends on the capabilities of institutions, their autonomy, and their ability to limit opportunistic behavior (Williamson, 1996).

From the perspective of the economics of regulation, the problems in the effectiveness of financial control in Bulgaria are also due to:

- Influence of private interests on control bodies;
- Complex and non-transparent procedures that increase the cost of control;
- Insufficient independence of control institutions.

Studies based on data from the Farm Accountancy Data Network (FADN) show that the profitability and efficiency of Bulgarian agricultural holdings are directly influenced by the mode of financing, with an emphasis on capital structure and return on investment (Milev, Mutafov, 2024).

A comparative analysis covering the period after Bulgaria's accession to the EU proves that the return on invested assets has gradually increased, but the pace and dynamics vary depending on the political and institutional environment (Kirchev, 2021). This means that control must be strategically oriented towards increasing the sustainability of the agribusiness.

Control in the agrarian sector cannot be viewed in isolation within the national economy. Bulgaria is part of the European Union, where the Common Agricultural Policy (CAP) accounts for nearly one-third of the budget and requires a strict system of monitoring, accountability, and control (European Court of Auditors, 2019). This places national systems before the necessity to combine their own mechanisms with the multi-level European framework.

The control system in the CAP is built on several interconnected elements: paying agencies that administer payments (in Bulgaria – the State Fund "Agriculture"), independent certification bodies, the European Commission, which exercises oversight and imposes corrections, and the European Court of Auditors, which assesses the effectiveness and efficiency of expenditure. The intention of this model is to guarantee transparency and minimize the risk of irregular expenditure, but in practice, it often increases the administrative burden for both Member States and agricultural producers (Regulation (EU) No 1306/2013).

Audit reports from the European Court of Auditors reveal that many weaknesses are found not only in Bulgaria but also in other Member States. For example, the lack of harmonization of procedures leads to the establishment of different control criteria, which creates difficulties. Furthermore, certification systems do not always succeed in detecting serious weaknesses in the operation of paying agencies. The objects of control are the transparency and traceability along the supply chain (European Court of Auditors, 2019).

There are also positive examples that demonstrate how good practices can minimize the system's shortcomings. In Estonia and Lithuania, digital monitoring systems significantly reduce administrative costs and limit opportunities for fraud. The Netherlands shows a significant degree of institutional integration, thanks to the existence of common databases that improve coordination and accountability. Germany emphasizes the independence of certification bodies and introduces clear guidelines. These examples show that successful financial control can be achieved under conditions of digitalization, good coordination, and ensured institutional independence.

Against this background, Bulgaria still lags behind in several important areas. Despite efforts to advance in e-governance, integrated digital systems that could

reduce costs and increase transparency do not exist (Institute of Agrarian Economics, 2020). The lack of coordination between the State Fund “Agriculture”, the National Audit Office, the National Revenue Agency, and the Bulgarian Food Safety Agency leads to duplication of actions and low efficiency. In addition, although audits regularly uncover systemic problems, the recommendations are rarely fully implemented.

It is logical for control in Bulgaria to face difficulties characteristic of the entire EU. Bulgaria has still not achieved sufficient integration and independence of control bodies. This substantially reduces the system's effectiveness and increases the risk of financial losses for both the national budget and European funds.

To improve control in the agrarian sector, consistent reforms need to be carried out. Enhancing institutional coordination can be achieved through joint actions and strengthening administrative capacities. It is necessary to develop a long-term personnel policy and invest in training. Digitalization must become a priority, with the implementation of integrated electronic monitoring systems and public accountability platforms. Furthermore, the regular use of cost-benefit analysis will allow control to be evaluated not only by the number of inspections conducted but also by its actual economic effectiveness.

The analysis of control in the agricultural sector reveals that, despite the existence of an established institutional structure in Bulgaria, the effectiveness of the control mechanism is limited. This is due to a combination of fragmentation between institutions, insufficiently qualified personnel, and a lack of resources.

Effectiveness is necessary for building trust between the state, farmers, and society and for guaranteeing Bulgaria's successful integration into the common European framework of agricultural policy.

Risk management in agriculture demonstrates that the success of control systems does not depend solely on technical inspections. It is also influenced by the institutional environment, transaction costs, and the ability of state bodies to guarantee the necessary support.

The European Commission repeatedly emphasizes that financial control is an important aspect of the sustainable management of the Common Agricultural Policy. The goal is expressed not only in compliance with legislation but also in achieving long-term results in terms of development (European Commission, 2021). This means that the Bulgarian control system must adapt to European norms of transparency, digitalization, and accountability. The goal is to ensure the effective absorption of funds and to accelerate the modernization process in agriculture.

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