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EUROPE 2020: NATIONAL REFORM PROGRAMME

2016 Update

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EUROPE 2020: NATIONAL REFORM PROGRAMME

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List of Abbreviations

EA	Employment Agency;	LSA	Law on Social Assistance;
PPA	Public Procurement Agency;	LFA	Law on Family Allowances;
SAA	Social Assistance Agency;	LSS	Law on Social Services;
GDP	Gross Domestic Product;	LWM	Law on Waste Management;
BNB	Bulgarian National Bank;	ICT	Information and Communication Technology;
GA	Grant Assistance;	IPURD	Integrated Plan for Urban Regeneration and Development;
RS	Renewable Sources;	ICP	Investment Climate Programme;
SER	State Educational Requirements;	ISSS	Innovation Strategy for Smart Specialization;
SES	State Educational Standard;	UMIS	Unified Management Information System;
RESD	Regional Employment Service Directorate;	QES	Qualified electronic signature;
EE	energy efficiency;	IC	Insurance Code;
EC	European Commission;	MC	Monitoring Committee;
EWCA	expert work capacity assessment;	KRIB	Confederation of Employers and Industrialists in Bulgaria;
EIOPA	European Insurance and Occupational Pensions Authority;	CITUB	Confederation of Independent Trade Unions in Bulgaria;
ESMA	European Securities and Markets Authority;	SIC	Social Insurance Code;
EP	European Parliament;	FSC	Financial Supervision Commission;
EAAL	European Agenda for Adult Learning;	CFP	Consolidated Fiscal Program;
EPALE	Electronic Platform for Adult Learning in Europe;	MI	Ministry of Interior;
EU	European Union;	MH	Ministry of Health;
ESIF	European Structural and Investment Funds;	MAF	Ministry of Agriculture and Food;
EU ETS	European Union Emissions Trading System;	MCI	minimum contributory income;
ECB	European Central Bank;	MES	Ministry of Education and Science;
LBB	Law on Bank Bankruptcy;	MEW	Ministry of Environment and Water;
LRRCIIF	Law on the Recovery and Resolution of Credit Institutions and Investment Firms;	MSST	Minimum Social Security Thresholds;
LBDG	Law on Bank Deposit Guarantee;	IWG	Interdepartmental Working Group;
CSL	Civil Servants Law;	MW	minimum wage;
LERS	Law on Energy from Renewable Sources;	MRDPW	Ministry of Regional Development and Public Works;
LEE	Law on Energy Efficiency;	CoM	Council of Ministers;
EIL	Electronic Identification Law;	SMEs	Small and medium-sized enterprises;
LAS	Law Amending and Supplementing;	MLSP	Ministry of Labour and Social Policy;
LEP	Law on Employment Promotion;	MF	Ministry of Finance;
SIL	Statutory Instruments Law;	NRA	National Revenue Agency;
LIP	Law on Investment Promotion;	NTEF	National Trust EcoFund;
LIFA	Law on Independent Financial Audit;	NEC	National Electricity Company;
RPL	Registered Pledges Law;	NEMC	National Expert Medical Commission;
LPP	Law on Public Procurement;	NHIF	National Health Insurance Fund;
LPSE	Law on Preschool and School Education;		
LASDRB	Law on Academic Staff Development in the Republic of Bulgaria		

NSS	Electronic Platform for Adult Learning in Europe National Support Service;	TTOs	Technology Transfer Offices;
NIJ	National Institute of Justice;	AAUs	Assigned amount units;
R&D	Research and development;	PIC	Personal identification code;
NISAL	National Information System for Adult Learning;	AQR	Asset quality review;
NIF	National Innovation Fund;	CoM	
NCGLL	National Coordination Group for Lifelong Learning;	Decree	Council of Ministers Decree;
NCS	National Communication Strategy;	PICo	Pension Insurance Company;
NIIP	Net international investment position;	VET	Vocational education and training;
NSSI	National Social Security Institute;	WWTPs	Wastewater treatment plants;
NAPRE	National Action Plan for Renewable Energy;	RB	Republic of Bulgaria;
NAPE	National Action Plan Employment;	WG	Working Group;
NPIEYG	National Plan for Implementing the European Youth Guarantee;	REER	Real effective exchange rate;
NRP	National Reform Programme;	REI	Regional Education Inspectorate;
NWP	National Work Programme of the Electronic Platform for Adult Learning in Europe National Support Service;	UNFCCC	UN Framework Convention on Climate Change;
NA	National Assembly;	CoM	
NGIS	National Green Investment Scheme;	Decision	Decision of the Council of Ministers;
NAMRB	National Association of Municipalities in the Republic of Bulgaria;	WB	World Bank;
NSLL	National Strategy for Lifelong Learning;	CAW	Construction and assembly works;
NT	National Target;	SEN	Special educational needs;
IA	impact assessment;	CSR	Country-specific Recommendation;
UN	United Nations Organization;	LPVET	List of Professions for Vocational Education and Training;
OPIC	Operational Programme "Innovation and Competitiveness";	TEMCs	Territorial Expert Medical Commissions;
OP SESG	Operational Programme "Science and Education for Smart Growth";	CL	Commerce Law;
OPE	Operational Programme Environment;	TE	Technology exchange;
OP DCBE	Operational Programme "Development of the Competitiveness of the Bulgarian Economy";	CR	Commercial Register;
OPRD	Operational Programme Regional Development;	TCs	Technology centres;
OPRG	Operational Program Regions in growth;	SC	Steering Committee;
OP HRD	Operational Programme Human Resources Development;	GC	Governing Council;
		LLL	Lifelong learning;
		HICP	Harmonised Index of Consumer Prices;
		CA	Central Administration;
		CDCC	Child Day Care Centre;
		CESA	Centres of employment and social assistance;
		CGCs	Career Guidance Centres;
		VTC	Vocational Training Centre

Introduction

The 2016 update of the NRP has been prepared within the framework of the enhanced economic policies coordination in the EU. Following the guidelines on what came to be known as the streamlined European Semester, Bulgaria has focused on the implementation of the 2015 measures addressing the Council's CSRs on the excessive macroeconomic imbalances identified by the EC, while also committing to a set of measures in policy areas that help enhance the competitiveness of the economy.

The National Reform Programme includes four major sections. The first one contains a brief overview of the expectations for the macroeconomic development in the period 2016-2019. The second one is split into two parts and includes measures in response to the recommendations and the risks and bottlenecks identified in the Country Report for Bulgaria for 2016, as well as policies to enhance the competitiveness of the economy. The third section provides an overview of the progress towards the national targets under the Europe 2020 Strategy. Specific information on each CSR, policy area and NT regarding the measures by means of which the commitments and policy objectives will be put through within the current semester is presented in tabular form. The link between the ESIF funding priorities in the 2014-2020 period and the challenges identified in the Country Report for 2016, the CSR for 2015 and the attainment of the NT under the Europe 2020 Strategy is presented in brief in the last section.

The Country Report for Bulgaria for 2016, released on 26 February 2016, together with the documents launching the next European Semester were taken as a starting point for the update of the NRP. The emphasis was laid on the areas where limited or some progress was identified, as well as where progress was substantial but the recommendations were not yet fully addressed.

In the context of the EC's Investment Plan for Europe initiative the government has defined ten problem areas covering regulatory barriers directly related to the investment process in Bulgaria. This update of the NRP provides more details on the developments in this respect.

The 2016 update of the NRP is consistent with the priorities, the objectives and the measures included in the Government Programme for Sustainable Development of the Republic of Bulgaria (2014–2018) and corresponds to the medium-term budget forecast for the period 2017–2019 and to the Convergence Programme of the Republic of Bulgaria (2016–2019). ▼

1

MACROECONOMIC OUTLOOK AND DYNAMICS OF THE HEADLINE INDICATORS IN THE MACROECONOMIC IMBALANCES SCOREBOARD

In 2016 the GDP will go up by 2.1% in real terms and the growth will be driven both by external demand and by increased household consumption. At the same time a decrease in investments is expected as a result of a decline in public capital expenditure. This is linked to the technical time needed for formulation and submission of EU funded projects under the new Financial Framework 2014–2020. Private investments are expected to recover to a certain extent driven both by higher investments in the form of dwellings and by a rise in the expenditure on machinery and equipment.

In the period 2017–2019 the economic growth will accelerate to 2.7%, mostly driven by private consumption and investments. Public capital expenditure are also expected to have positive contribution in this period. The exports of goods and services will sustain their uptrend and along with the higher domestic demand will lead to an accelerated rate of import growth. As an outcome by the end of the forecast period the positive contribution of net exports will gradually decrease to 0.1 pp.

International institutions forecast a substantial drop in crude oil prices in 2016, which is the main reason for the projected negative value of -0.8% for the 2016 average annual inflation rate. Core inflation has been slightly positive since mid-2015 mostly due to higher services' prices and this trend is expected to persist in 2016. Starting in 2017 the overall inflation rate will be positive (1.1%), and in the period 2018-2019 it will accelerate to 1.4% given the assumption for higher international prices of oil and non-energy commodities, as well as for a stronger domestic demand.

The recovery of the labour market, already underway, will continue throughout the forecast period. The favourable changes observed in 2015 affected all the indicators in the area of labour market included in the Scoreboard with the headline indicators¹. On the one hand, the rapid decline in the unemployment rate over the past two years and the expected further drop suggest that the indicator will reach a level lower than the established 3-year threshold of 10% even in 2016. The rising level of employment will support a further drop in the unemployment rate, and the negative impact of the shrinking labour force on unemployment is expected to be largely offset by the increase in the retirement age and of the length of service. On the other hand, the downward trend in the level of unemployment reported in 2014 and 2015 was also associated with an improvement in the structural indicators of the labour market including the long-term unemployment rate and the youth unemployment rate. The activity rate of the population aged 15-64 was also characterized by further favourable development. Thus, the levels of all social indicators included in the Scoreboard remained under the relevant threshold even as early as 2015.

The favourable trends reported in 2015 provide grounds for the expectation that even in 2016 all indicators related to labour market development will be sustained under the established thresholds and this trend will also persist in the period 2017-2019. It is expected that over the forecast horizon the dynamics of labour productivity and the compensation per employee will contribute to a continued slowdown in the growth of nominal unit labour costs. The rate of increase of the indicator under review remained below the set threshold of 12% even in 2015 and this trend will be observed in the coming years as well.

The ongoing increase in the exports of goods and the moderate acceleration in imports, along with the positive balance in the trade in services and the gradual growth in the transfers from the European structural and investment funds will support the persistence of a positive current account during the projection period. The indicator will remain within the reference range. An improvement in the NIIP is also expected. In view of the gradual reduction of the external debt, the favourable dynamics in the reserve

¹ The so-called "scoreboard" used for the purposes of monitoring the macroeconomic imbalances in the EU.

assets and the nominal GDP growth, the negative NIIP balance will be limited and at the end of the forecast horizon it will get closer to the threshold of 35% of GDP.

After the asset quality review and the stress tests in the banking sector lending to the private sector will slowly begin to recover during the forecast period driven mainly by the demand for loans of the corporate sector.

Table 1: Dynamics of some of the headline indicators in the Microeconomic Imbalances Scoreboard

Indicators	Threshold	2014	2015	2016*	2017*	2018*	2019*
Current account balance as percent of GDP (3 year average)	- 4%	0.4%	1.2%	1.3%	1.7%	1.9%	1.8%
REER based on HICP, relative to 42 countries (3 years cumulative % change)	± 11%	-2.6%	-3.6%	-4.7%	-5.7%	-4.0%	-4.0%
Nominal unit labour cost (3 years % change)	12%	17%	10.8%	4.6%	1.8%	4.3%	5.2%
Unemployment rate, in %, (3 year average)	10%	12.2%	11.2%	9.7%	8.5%	7.9%	7.5%
Government debt, in % of GDP	60%	27%					
Activity rate (15-64), (3 years change, pp.)	-0.2%	3.1%	2.2%				
Long-term unemployment rate (15-74), (3 years change, pp.)	0.5%	0.6%	-1.2%				
Youth unemployment rate (15-24), (3 years change, pp.)	0.2%	-1.2%	-6.5%				

* Forecast. The 2015 REER value is also based on projections.

2

POLICY RESPONSE TO MAJOR ECONOMIC CHALLENGES

2.1 Implementation of the 2015 country-specific recommendations of the Council addressing macroeconomic imbalances

In July 2015 the Council adopted five recommendations to Bulgaria with four of them focusing on the following areas associated with the generation of macroeconomic imbalances: fiscal policy, banking and non-banking financial sector, active labour market policies and insolvency regulatory framework. The fifth recommendation is in the area of secondary education with a focus on the access of disadvantaged children to it. Items 3.1.1 to 3.1.5 present the policy response in greater detail. The measures in the area of fiscal policy relevant to the implementation of the Stability and Growth Pact are presented in the Convergence Programme.

2.1.1 Country-specific recommendation 1

Take decisive measures to improve tax collection and address the shadow economy, based on a comprehensive risk analysis and evaluation of past measures. Improve the cost-effectiveness of the healthcare system, in particular, by reviewing the pricing of healthcare and strengthening outpatient care and primary care.

⊙ Policy summary

In 2015 a nominal increase in the revenues under the CFP by BGN 2.8 billion compared to the 2014 level was reported as a result of the better macroeconomic development and of the measures undertaken to improve tax collection.

In 2016 there will be further implementation of the measures included in the Action Plan annexed to the Single National Strategy for improving tax collection, tackling shadow economy and reducing the compliance costs 2015-2017. The implementation of the National Health Strategy, of the Health Insurance Law and of the Medical Treatment Facilities Law will help the increase of healthcare sector cost-efficiency. The amount of the contingent liabilities in the energy and railway transport sectors is subject to additional measures presented below.

⊙ Country Report for Bulgaria for 2016

According to the EC assessment, Bulgaria has made “some progress”² in addressing CSR 1.

EC has emphasized on the high tax collection and compliance costs. It has identified lack of anti-tax fraud measures and of an impact assessment in the Single Tax Compliance Strategy³ and in the Action Plan annexed to it. Some of the measures do not address key issues, while others demonstrate inadequate use of the available technologies and information. A comprehensive analysis of the most important tax collection shortcomings and of the main reasons for them is also lacking.

In the area of healthcare, the Commission focuses on the limited access stating as its arguments the ineffective distribution and use of resources, the fact that the system is underfinanced and that informal payments are widespread. The lack of a policy on health workforce is another contributor to the problems in the system. The Report also highlights the need for improving policies on pharmaceutical pricing and reimbursement.

² “Some progress” is a degree on the following relative scale: “no progress”, “limited progress”, “some progress”, “substantial progress”, and “fully addressed”, as per footnote No 89 of the “Commission staff working document – 2016 Country report for Bulgaria, including an In-depth review on the prevention and correction of macroeconomic imbalances”.

³ Single National Strategy for strengthening the tax collection, tackling the shadow economy and reducing the compliance costs 2015-2017.

The main finding in the area of long-term care is that the delivery of the services takes place under two different systems – the healthcare system and the system for provision of social services, and that there is fragmentation of legislation. Furthermore, despite the progress achieved, the deinstitutionalisation of people with disabilities and of the elderly is still slow and the process of children deinstitutionalisation continues to be predominantly financed by the ESIF.

EC sees an additional risk to the stability of public finances in the possibility state guarantees on state-owned enterprises' liabilities to be activated.

⊙ Policy response

In 2016 a routine analysis and evaluation of the implementation of the Single Tax Strategy will be launched and if necessary, the Strategy can be updated.

With the introduced restructuring of the package of medical services covered by the NHIF and with the National Health Map the financial resources will be channelled to activities ensuring the overall process of diagnosis, treatment and rehabilitation of socially significant diseases and a mechanism for more effective planning will be provided. This will discontinue the process of unjustified increase in the number of medical institutions. The transfer of hospital services to the outpatient sector will continue in the coming years as well, along with efficiency analysis. The selection of NHIF contractors will enable the channelling of funds to medical establishments providing complex treatment and having the capacity to be resource efficient. The introduced patient satisfaction survey has an important part to play in the mechanism.

For the purpose of sustainable increase of the funds for health insurance payments, a phased raise in the amount of the contribution⁴ paid by the state for the categories of citizens it ensures has been introduced. The level of the payments made by individuals with suspended health insurance rights for recovering their status of health insured persons is also increased⁵.

Centralized negotiation of discounts was introduced for medicinal products. A Concept for a Central Authority for Awarding Public Procurement Contracts in the Healthcare Sector as well as the required regulatory framework were developed and approved. The expected effects include savings in the amount of BGN 65 mln. for 2016 and BGN 80 mln. for 2017 respectively. Mechanisms have also been created for negotiating discounts upon inclusion of medicinal products in the Positive Drug List and for health technology assessment. The Ministry of Health has introduced new regulations limiting the price range of the surcharge paid by a patient for medicinal products of the same group to 60% of the price of the cheapest reference product, as well as rules regulating the prices of medicinal products, for which no output prices have been found in the reference countries for Bulgaria or no price has been detected on the packaging.

Further efforts are being made to reach an agreement on rescheduling / restructuring the debt of Holding BDZ EAD. There is an ongoing discussion on the options of raising the funds required for rehabilitation of the railways.

As a part of the process of liberalisation of the energy market in August 2015 WB was contracted to propose models for attaining financial stability in the sector, as well as for transition to full liberalization that would serve as a basis for choosing the most suitable model for Bulgaria. The Bank should also propose an offsetting mechanism for filling in the shortage generated by the difference between market prices and those set by preferential agreements, as well as an analysis of the possible solutions for the energy vulnerable consumers.

⁴ The state has undertaken the obligation to pay 55% of the 8 per cent contribution due in 2016, and this amount will go up by 5% per year to reach 100% in 2026.

⁵ Within the period June, 1 – December, 31 2015, 195 726 people have restored their health insurance rights.

Table 2: Measures addressing CSR 1 (part of Annex 1)

Policy area	Measure title	Information on the measures undertaken and planned					Expected effect, also on the budget	Outcome indicators: current and target value
		Brief description of the measure	Start date	Current status (as of 15 April 2016)	Upcoming stages in the implementation of the measure until the deadline for its implementation (after 1 May 2016)	End date		
1	2	3	4	5	6	7	9	10
Tax policy, improving the collection of public receipts	Single National Strategy for improving tax collection, tackling shadow economy and reducing compliance costs 2015-2017	Implementation of the 2016 Action Plan annexed to the Strategy.	January 2016	A Strategy Implementation Monitoring Group has been set up, which will also handle the system of monitoring and evaluation indicators. Drafting of a report on the 2015 implementation of the Strategy with recommendations and proposals that can serve as a basis for updating the 2016-2017 Action Plan. An option provided by NRA for making all types of electronic payments of taxes and insurance contributions. Payments of corporate income tax, VAT and payroll taxes, including taxes on salaries and social security contributions are made only by bank transfer. An option has been provided to submit insurance declarations with numbers 1,3 and 6 electronically, by using a QES. An option has been provided for self-employed persons to submit electronically tax returns and insurance declarations by using PIC. Easing the administrative regimes and procedures and shortening the periods for services provided by the revenue agencies. Ongoing analysis of the effects of the implemented measures in combating tax fraud.	A report on the 2015 implementation of the Strategy drafted and submitted for approval by the CoM along with possible proposals for updates, including risk analysis. Increasing the share of the <i>ex officio</i> exchange of information and of modern technology used in interacting with the taxable persons. Development of ex-ante assessment of the impact of measures implementation from the Strategy, when legislative amendments are required. Preparation of an assessment of the performance of Strategy measure in the process of their implementation. Ongoing analysis of the effects of anti- tax fraud measures.	December 2016 April 2016 Permanen t	1. Reducing tax compliance periods and costs; 2. Shorter periods for providing services to the taxable persons; 3. Execution of the estimated tax revenue.	Number of newly introduced and expanded e-services; Collected tax revenue. Percentage of accounting records submitted electronically with a QES under the VAT Law, along with a VAT return – 97%. Electronically submitted annual tax returns as part of Art. 92 from the Law on Corporate Income Tax 61% (for 2014, including advance payments for 2015) - 85.7% for medium-sized and large companies
Raising the cost-effectiveness of health care system	National Health Strategy 2014-2020	Implementation of the Concept "Objectives for Health 2020" and of the Action Plan annexed to the National Health Strategy 2014-2020. Human capital development in the healthcare system. Coordination of the operation of the social and healthcare systems in delivering long-term care.	2014	Ordinance No 1 on Specialisations in the Healthcare System has been adopted to facilitate specializations of young physicians and other healthcare professionals. A National Health Map determining the needs of physicians, dentists and health care professionals in the primary health care system has been adopted. A pay increase has been planned for the staff in the emergency medical care system. There are regulations in place for the introduction of a new type of personnel in the healthcare system: medical assistants and paramedics. Training for medical assistants has also been launched.	Enlargement and updating the competencies of nurses and midwives in the course of the training. Training of paramedics and medical assistants. Establishment of a single information system for monitoring healthcare staff and tracing migration processes as a part of the national healthcare information system. Introduction of economic incentives to boost the interest of medical professionals in undertaking training and specialization in significantly understaffed areas. Implementation of modern systems for managing the activities of ensuring health	2020	Improvement and enhancement of the health status, reduction of health inequalities and ensuring of a health system providing high quality medical services	Attainment of the five main objectives of the Strategic Healthcare Policy Framework for improving the nation's health in the period 2014 – 2020.

1	2	3	4	5	6	7	9	10
				A project for training paramedics is currently under preparation. There are regulations in place for the creation of a new type of a medical establishment: centre for providing comprehensive services to children with disabilities and chronic conditions. A WG has been set up for the purpose of drafting an ordinance regulating integrated services (healthcare and social) related to long-term care for children and elderly people. A Draft Concept for the development of the child and family care system has been prepared	and safety at work in the healthcare system Establishment of integrated healthcare and social services delivering long-term care to children with disabilities and elderly people Establishment of centres for providing comprehensive services to children with disabilities and chronic conditions			
	Improving the mechanism of pricing medicinal products and streamlining drug policy	Introduction of clear rules for pharmaceutical market players and of good European practices in pricing medicinal products; Introduction of a mechanism for health technology assessment in applying medicinal products; Introduction of effective medicinal treatment by allowing for generic substitution and / or prescription of medicinal products.	2014	A CoM Decree amending and supplementing the Ordinance on the terms, rules and conditions of regulating and registering prices of medicinal products, effective since 1 December 2015, has been published. Maintenance of the reimbursement status of medicinal products included in the Positive Drug List (PDL). Six pharmaco-therapeutic manuals approved by the National Council on Prices and Reimbursement of Medicinal Products (NCPRMP). Ordinance No 9 of 1 December 2015 on the terms and conditions for assessing health technology. A health technology assessment commission has been set up.	Maintenance of the reimbursement status of medicinal products. Approval of pharmaco-therapeutic manuals. Introduction of mechanisms for limiting the payment of surcharges by patients. Creation of a National Pharmacy Map. Allowing pharmacies holding a retail trade permit for medicinal products to operate at a second or third address in settlements experiencing shortage of pharmacies. Introduction of a mechanism for ensuring 24/7 access to medicinal products for residents in areas experiencing shortage of non-stop pharmacies. Creation of "mobile pharmacies" in communities with no operational pharmacies. Improvement of the access to innovative medicinal products after a mandatory health technology assessment. Amendments in the regulatory framework concerning the prescription and dispensing of medicinal products	2017	Streamlining of public spending for therapeutic purposes Reduction of prices of medicines from the Positive Drug List. Improved access to health care	Number of medicinal products with negotiated discounts Number of medicinal products with reduced prices Number of medicinal products with sustained reimbursement status Number of approved pharmaco-therapeutic manuals
	Implementation of e-procurement in the healthcare sector	Implementation of the Concept for a Central Authority for Awarding of Public Procurement Contracts in the healthcare sector	2015	A public procurement procedure was launched and a contract was concluded for the development of specialized software for a single national platform for trading in medicinal products in order to meet the needs of medical establishments.	Implementation of an information system and launching of public procurement procedures for concluding framework agreements for supply of medicinal products. Performance of e-procurement tendering procedures by medical establishments on the basis of the concluded framework agreements. Expansion of the information system by including a platform for trading in medicinal products.	2016	Reduction of the corruption and fraud risk. Attainment of lower prices and better quality.	

2.1.2 Country Specific Recommendation 2

By December 2015, complete a system-wide independent asset-quality review and a bottom-up stress test of the banking sector, in close cooperation with European bodies. Perform a portfolio screening for the pension funds and insurance sectors. Review and fortify banking and non-banking financial sector supervision, including by strengthening the bank-resolution and deposit-guarantee frameworks. Improve corporate governance in financial intermediaries, including by tackling concentration risk and related-party exposures.

⦿ Policy summary

The effective policy in the banking sector was focused on the implementation of the EU legislation regarding the recovery and resolution of banks and improving the quality of operation of banking supervision⁶. The necessary preliminary preparation for conducting an asset quality review and a stress test in the banking sector was completed and on 15 February 2016 the implementation of the work processes of the on-site asset review defined by BNB was initiated in the banks.

The policy pursued in the non-banking financial sector sought to enhance the legislation and supervision on the operations of the companies in the social insurance market and in the insurance one. Amendments were introduced in the Social Insurance Code (SIC)⁷ for the purpose of improving the definitions of “related parties” and “control” and a new Insurance Code (IC) was adopted, which implemented the requirements of Directive 2009/138/EC (Solvency II) in the Bulgarian legislation.

In connection with the review of the pension funds’ asset and of the balance sheets of insurance companies, a Steering Committee (SC) was set up in September 2015. It includes both voting members representing FSC and EIOPA, and observers representing MF, BNB, EC and ESMA. In February 2016, with the active involvement of SC, FSC developed and approved a plan with follow-up actions and supervisory measures in case such were needed after the completion of the reviews⁸. The calls for proposals for independent external reviewers that were to conduct the review of the pension fund assets and of the insurer balance sheets were published. In March 2016 the selected consultant submitted drafts of the methodologies for performing the reviews.

⦿ Country Report for Bulgaria for 2016

According to the EC assessment, Bulgaria has made „some progress“⁹ in addressing CSR 2.

The Commission has assigned a “some progress” assessment in connection with the completion of a system-wide AQR and stress test. The same assessment has been given regarding the strengthening of banking supervision and the enhancing of corporate governance with a view to tackling concentration risk and related-party exposures.

“Limited progress” has been reported in the non-banking financial sector and decisive action has been taken by FSC, which, acting in close cooperation with European institutions, has undertaken the necessary steps for launching the reviews of pension funds’ assets and insurers’ balance sheets. They will be performed by independent external reviewers according to the international best practices.

⦿ Policy response

The EC assessment concerning the implementation of the assumed commitments to reform the financial sector is a consequence of a series of measures taken in the past year.

⁶ These goals are set in the BNB published Plan on Reforms and Development of Banking Supervision, which can be accessed here.

⁷ Promulgated in the State Gazette, issue 61 of 11 August 2015.

⁸ “Review of pension funds’ assets and insurance undertakings’ balance sheets in Bulgaria: Follow up actions”. The document is publicly available on the FSC website at: <http://www.fsc.bg/bg/podnadzorni-litsa/saobshteniya/>

⁹ See footnote № 2 on page 8.

In line with the assumed commitments and deadlines new LBDG and LBB were adopted. LRRCIIF was also adopted, transposing the requirements of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms. The newly created framework introduced rules for the resolution of banks and large investment intermediaries and the BNB GC was assigned the responsibility of a decision-maker in cases of resolution of credit institutions. An administrative structure has been created to perform the operational functions and to support GC.

The BNB GC adopted and commenced the implementation of the Plan on Reforms and Development of Banking Supervision, the deadline for implementing all planned measures being the end of 2016. Structural changes were undertaken in the Banking Supervision Department including the establishment of new supervisory units and reorganization of existing ones so as to match the identified priorities in improving the effectiveness of the supervisory process.

The asset quality review progress is in compliance with the project schedule. After the selection of a consultant for the project and the adjustment of the ECB methodology in accordance with the local market business models and the prevalent risk factors, on 23 December 2015 the BNB sent out to the banks detailed instructions and requirements on the selection of service providers (AQR Providers), which will conduct the main part of the asset quality review activities at the banks. After a detailed evaluation of the tenders of the prospective service providers by the BNB and its external consultant the companies selected by the banks were verified. 15 February 2016 marked the beginning of the actual work of the service providers and by 25 March 2016 they completed the assessment for the first stage “Policies, Processes and Accounting Review”, as well as the work under the second stage “Loan tape creation and data integrity validation”. The results yielded by these two work blocks served as a basis for launching the operations included in work blocks 3, 4 and 5, involving random sampling, credit file review and collateral valuation. A parallel process is the preparation of the methodology for performing the stress test, which will be based on the results of the Asset Quality Review.

The plan is that the Review should be completed by the beginning of July, then a stress test will be carried out and the results will be analysed. In parallel with the Asset Quality Review process the banks will also update their recovery plans in such a way as to account for the outcome of the review. The final results of the Review and the stress test will be announced in August.

FSC has prepared a draft of LAS of the SIC, which provides for amendments towards improving the corporate governance of PICo, also by adopting requirements from the Solvency II Directive as regards persons having a qualifying holding in the capital of PICo and in its system of governance. The framework for investing the assets of the pension funds is improved and the possibilities for investing in related parties are restricted by introducing prohibitions on the investment in financial instruments issued by entities, which are part of a group, where the PICo is a subsidiary, for acquiring by the pension funds of assets from entities that are part of the group, where the PIC is a subsidiary, and for acquiring by such entities of assets held by the pension funds.

Furthermore, in accordance with the measure to strengthen supervision the control functions of the custodian bank are developed. Other important amendments are proposed aiming at better regulation of supplementary pensions in order to safeguard the interests of the insured persons and pensioners, for example, developing the pay-out phase as far as the current regulation is to some extent in contradiction with rules established in the theory and the international practice, increased requirements for persons engaged in insurance intermediation, etc.

The reviews of the pension funds’ assets and of the balance sheets of the insurance companies will start on 15 July 2016. The draft methodologies are being examined by the SC and FSC. They should be approved by the end of April 2016. After reporting the results of the reviews an analysis will also be made of the need to perform stress tests of the balance sheets of the insurers.

Table 3: Measures addressing CSR 2 (part of Annex 1)

Policy area	Measure title	Information on measures taken and planned					Expected effect, also on the budget	Outcome indicators: current and target value
		Brief description of the measure	Start date	Current status (as of 15 April 2016)	Upcoming stages in the implementation of the measure until the deadline for its implementation (after 1 May 2016)	End date		
1	2	3	4	5	6	7	9	10
Bank supervision	Asset quality review and stress test of the entire banking sector	Comprehensive review of the accounting policies and rules, as well as check on the adequate accounting for the assets held by the credit institutions in their banking book. The results of the completed review are used as input data in the stress test of the entire banking system.	25 November 2015.	An AQR consultant selected (third-fourth quarter of 2015). Drafting of AQR methodology - fourth quarter 2015 and first quarter 2016. Drafting of a list of eligible and highly experienced companies and selection of a company by the banks (first quarter 2016) Start of AQR (15 February 2016). Completed stages – work on the first two work blocks: the assessment for the first stage “Policies, Processes and Accounting Review”, as well as work on the second stage “Loan tape creation and data integrity validation” (first quarter 2016).	Random sampling, credit file review and collateral validation (second quarter 2016). Completion of AQR and submission of the results to BNB for the purposes of the stress test (third quarter 2016). Stress test (third quarter 2016). Defining the measures to be taken by banks to fill prospective capital shortfalls (third quarter 2016). Defining the public communication strategy - third quarter 2016 (July 2016). Announcing the results of the AQR and the stress test (August 2016).	August 2016	Up-to-date and complete reflection of credit risk in the balance sheet of the banking system	
	Improvement of the regulatory framework for performing risk-based supervisory activities	Performance of an overall review of ordinances, in-house rules and handbooks regulating supervisory activities for the purpose of aligning them to the Basel principles.		A preparation of a manual on the supervisory review process is underway. An IMF TA mission for its preparation has been completed.	Drafting of legislative amendments for the purpose of expanding the powers concerning supervisory measures such as release not only of members of governing and supervisory bodies, but also executive staff; imposing of a requirement for rotation of bank auditors and access to more extensive information about their work. Performance of an overall review of ordinances, internal rules and handbooks regulating supervisory activities, and aligning them to the Basel principles. Adoption of a manual on the supervisory review process.	September 2016 September 2016	Improving the effectiveness and efficiency of Banking Supervision	
Bank failure	Introduction of the institute of temporary receiver in cases of bank failure	Legislative amendments for introducing the institute of temporary receiver in cases of bank failure.	mid - March 2015	Adopted Law Amending and Supplementing the Bank Bankruptcy Law.			Improving the effectiveness and efficiency in case of bank bankruptcy proceedings.	
Strengthening of non-banking financial sector supervision and legislation	Review of the effective legislation on the valuation of the pension funds' assets and preparation of proposals for legislative amendments	Review of the effective legislation on the valuation of the pension funds' assets and preparation of proposals for legislative amendments.	May 2015	Prepared Draft of LAS of the SIC with proposed texts regulating the exercising of daily control by the custodian bank vis-à-vis the valuation of the pension funds' assets and the calculation of the value of one unit.	Forwarding of the final version of LAS of the SIC to MF for coordination.	April 2016	Improvement of the regulatory framework and enhancement of the control exercised by custodian banks on the valuation of pension funds'	Adopted law.

1	2	3	4	5	6	7	9	10
							assets.	
Strengthening of supervision in the non-banking financial sector	Pension funds' asset review and overview of the insurance market	Review of pension funds' assets and insurers' balance sheets.	May 2015	An open tendering procedure was held under the LPP and an external consultant was selected in December 2015 to develop two methodologies for the reviews and to coordinate their execution. On 27 January 2016 a CoM Decree was adopted with regard the approval of additional expenditures for the 2016 FSC budget necessary for concluding the contract with the consultant, which was signed in February 2016. In February 2016 was approved and published follow-up action plan to be implemented after the completion of the reviews. Calls for proposals were published for independent external reviewers that were to perform the review of the pension funds' assets and of the insurers' balance sheets. In March 2016 the external consultant submitted drafts of the methodologies.	Approval by FSC of the lists of persons to perform the reviews (April 2016). Appointment of the persons that will perform the reviews (June 2016). Performance of the reviews - in the period 15 July – 15 October 2016. Preparation of final reports by the consultant – by the middle of November 2016. Publication of the reports on the FSC website (December 2016) Organization and performance of an impact assessment (a stress test to assess the overall effect) of the entry into force of the proposed legislative amendments on the operations and organization of pension companies and the effects on the capital market of the envisaged new investment restrictions on the capital market (September 2016). Development and adoption of Communication Strategy for restoring confidence within 3 months after the completion of the reviews.	December 2016	Provision of a more comprehensive picture of the status of the two sectors; Strengthening of public confidence in the non-banking financial sector.	Impact assessment of the impact of the proposed amendments in the legislation; Assessment of the risk of insurer insolvency or capital shortage and undertaking of supervisory measures in case of insufficiency of own funds for covering the applicable capital requirements; Completed review of the assets of 27 pension funds and of the balance sheets of 54 insurance companies.
	Overall review of the legislation regulating the operation of pension funds	Overall review of the legislation regulating the operation of pension funds.	May 2015	Prepared Draft LAS of the SIC by FSC, which envisages improvement of the framework for investing of the assets of pension funds, as well as enhancement of the corporate governance of pension insurance companies. The Draft LAS of the SIC developed by FSC has also incorporated requirements from Directive 2009/138/EC (Solvency II) as regards persons having qualifying holding in the capital of PICO and regarding its system, of governance including risk management internal control and internal audit.	Forwarding of the final version of LAS of the SIC to MF for coordination.	April 2016	Restricting the possibilities for investing in related parties; Strengthening of corporate governance of pension insurance companies.	Adopted Law.
	Review of the effective legislation on the powers of FSC	Transposing of the provisions of Directive 2009/138/EC (Solvency II) and Directive 2013/36/EC (CRD IV). Inviting independent external institutions to perform a review of the legislation in force on the powers of FSC in line with the rules of ESMA and EIOPA on the strict and uniform application of the EU legislation by the national regulator for the purpose of preparing proposals for strengthening supervision.	May 2015	With the adoption of the IC by the NA in December 2015 the requirements of Directive 2009/138/EC (Solvency II) were transposed into the Bulgarian legislation.	Forwarding of an invitation to the external consultant or to other companies with high internationally recognized reputation and/or EIOPA to perform a review of the legislation in force on the powers of FSC in line with the rules of ESMA and EIOPA on the strict and uniform application of the EU legislation by the national regulator and for the purpose of preparing proposals for strengthening supervision. The invitation will be forwarded prior to the publication of the results attained under the Financial Sector Assessment Program (FSAP) for the non-banking financial sector.	October 2016	Ensuring the implementation of an effective supervision.	Drafting of proposals for new legislative changes prompted by the results of the review aimed at improving the FSC powers.

1	2	3	4	5	6	7	9	10
	Overall description of the ownership structure of pension funds	Overall description of the ownership structure of pension funds by way of examining the legislation in force governing transactions between related parties. The findings will serve as a basis for suggesting amendments that will expand the scope of the definitions of "related parties" and "control".	May 2015	The LAS of the SIC adopted by the NA and promulgated in SG issue 61 of 11 August 2015 introduced changes in the definitions of "related parties" and "control". In addition, the Draft of LAS of the SIC, prepared by FSC, elaborates on the prohibitions and restrictions concerning the investment of pension funds' assets and provides the relevant definitions of the terms "group" "parent undertaking" and "subsidiary". The Draft Law also proposes additional requirements for identifying shareholders possessing over 1% of the capital of the pension insurance company.	Forwarding of the final version of LAS of the SIC to MF for coordination.	April 2016	Restricting the possibility for investing in related parties; Improving the supervision over the shareholders of pension insurance companies.	Adopted Law.

2.1.3 Country Specific Recommendation 3

Develop an integrated approach for groups at the margin of the labour market, in particular older workers and young people not in employment, education or training. In consultation with the social partners and in accordance with national practices, establish a transparent mechanism for setting the minimum wage and minimum social security contributions in the light of their impact on in-work poverty, job creation and competitiveness.

⊙ Policy summary

Recent policy changes towards improving the access of the most vulnerable groups to the labour market aim at better adjustment of the delivered services to the person's individual needs. Conditions for integrated provision of services have been created. Joint teams of EA and SAA at CESA provide complex services consistent with the individual needs of all the representatives of the vulnerable groups. The aim is prevention of social exclusion and ensuring of smooth transition from passive receipt of benefits to employment. From 1 January 2016 new legislative measures are in force for increasing service quality by outsourcing supported employment services, by introducing dual training and by expanding the scope of intermediary employment services and by including activities for motivation active behaviour at the labour market. Self-employment and the ability to adjust quickly to the labour market are encouraged. Opportunities are provided for training, for acquiring professional qualification and key competencies that would improve the employability to a maximum number of individuals. Initiatives promoting employment and training are used with a view to extending the active working life of individuals aged 55+.

As regards youth unemployment, medium term efforts are aimed at improving the quality of education for the purpose of reducing mismatches between supply and demand for skills at the labour market. Young people including inactive ones, are offered opportunities to get a job, training, apprenticeship or internship. The goal of the policy is to develop and implement sufficiently diverse measures and intervention activities identified by taking into account the profile of the young people. To coordinate their implementation 107 local cooperation agreements have been concluded between labour offices and local stakeholders (municipalities, schools, regional inspectorates of the Ministry of Education and Science, youth NGOs, representatives of employers and trade unions at local level). The policy pursued in the area of income and living conditions rests on the principles and mechanisms intended to protect the incomes and the living conditions of low-paid workers and of the "working poor".

⊙ Country Report for Bulgaria for 2016

According to the EC assessment, Bulgaria has made "limited progress" in addressing CSR 3.

The European Commission has found that the increase in the share of long-term unemployment is associated mostly with the limited scope of the activation programmes. The lack of data exchange between employment and social authorities leads to gaps in the coverage of long-term unemployed.

The EC quoted main reasons for the vacancies in the sectors with high-skilled occupations are the lack of available workforce (IT personnel, doctors, nurses, engineers) and outward migration, while in lower-skilled occupations these are most likely the unfavourable working conditions, for example low wages, and the inconvenient working hours. Regarding youth unemployment, most of the measures are focused on young people with secondary or tertiary education and not on low skilled ones, including Roma.

The EC points out as a major deficiency of the active labour market policies the focus on employment subsidies rather than the implementation of training, up-skilling and re-skilling measures. In addition, limited conditionality towards employers receiving wage subsidies has a negative effect on the long-term sustainability of the jobs.

EC has once again pointed out that Bulgaria has not yet developed transparent mechanisms for determining MW and MSST.

⊙ Policy response

For improving the employability for the long-term unemployed and low-skilled persons existing measures and programs for training and employment will continue to be applied, new measures envisaged in EPA, as well as new projects financed under OP Human Resources Development 2014-2020, a large portion of which are aimed at labour market integration of disadvantaged groups, including long-term unemployed and low skilled individuals.

In order to ensure consistency and continuity of the support for the unemployed, joint EA and SAA teams will provide complex services to the vulnerable groups. Case managers, psychologists and mediators (youth and Roma) will continue to work on the adaptation of the services to the individual needs. Job Search Ateliers and employment exchanges have an important role to play for starting work on the primary labour market.

In the short term, to address the shortage of highly qualified specialists in the ICT sector, the necessary legislative measures have been taken, including the introduction of a simplified procedure for issuing permits of "blue card" type to citizens to non-EU countries. In the long term efforts are focused on increasing the admission of university students in ICT subjects. The medium and long-term forecasts on labour demand and supply prepared by the MLSP offer information for the lack of professionals in certain economic activities.

The implementation of the measures under NPIEYG 2014–2020 will be sustained for the purpose of improving the employment opportunities for young people. Youth mediators will continue their work, as mediator between economically inactive young people and the institutions that provide them with adequate social, healthcare, educational and other services, as well as intermediary services in the employment area. In 2016 OP HRD 2014-2020 will fund projects, which will provide training and employment of young people and will grant enrolment priority to long-term unemployed, low-skilled and inactive individuals and young Roma.

In a situation of limited creation of new jobs further subsidized jobs will be opened in combination with various types of training, including in the work place. Training opportunities are provided both to unemployed and employed individuals, including by means of training vouchers. Employers apply for projects that comply with the requirements to the newly created positions. Training of unemployed individuals from the vulnerable groups in the labour market is also applied under projects developed by the social partners. A complex approach is applied, which includes training, internship and employment. Many of those, who finish successfully their vocational training will be hired for a period of at least 3 months at the primary labour market or at subsidized work, while the funding will be shared between the state and the employers.

There is an increase in 2016 NAPE funding (from BGN 5.8 mln. in 2015 to BGN 14.8 mln. in 2016) for private sector employers, who provide employment to unemployed under employment promotion measures stipulated in LEP, while the co-funding from the state budget under employment promotion measures is kept at the BGN 300 level. The increased amount of MW has resulted in an increase in the financial responsibility of employers: from 16.7% (at MW of BGN 360 in the period 01.01.2015 - 30.06.2015) and 21.1% (at MW of BGN 380 for the 01.07.2015 - 31.12.2015 period) in 2015 to 28.6% (at MW of BGN 420 since 01.01.2016) in 2016.

Further work is being done on the development of a mechanism for determining the level of MW and MSST, and the expectations are that the mechanisms will be ready in the first half of 2016.

Table 4: Measures addressing CSR 3, (part of Annex 1)

Policy area	Measure title	Information on the measures taken and planned					Expected effect, also on the budget	Outcome indicators: current and target value
		Brief description of the measure	Start date	Current status (as of 15 April 2016)	Upcoming stages in the implementation of the measure until the deadline for its implementation (after 1 May 2016)	End date		
1	2	3	4	5	6	7	9	10
Integration of youths in the labour market	Implementation of the 2016 NAPE and of the National Plan for Implementing the European Youth Guarantee 2014 - 2020	Implementation of measures for activation of inactive young people under the National program "Activation of inactive persons" and operation "Active" under the OP HRD.	2015		Conclusion of contracts with beneficiaries and implementation of project activities.	2017	BGN 2 mln. from the state budget(SB); BGN 26 mln. under OP HRD	1. 3 000 activated youths aged up to 29 ; 2. Inactive participants aged 15 to 29 NEETs – 8 700.
		Ensuring employment incl. traineeships and apprenticeships for unemployed young people aged up to 29 through measures under the "Career Start" programme under LEP (Article 36, Article 41, Article 41a) , under the "Youth Employment" operation and operation "Training and employment of young people," Operations "Training of adults, who have taken literacy courses under OP HRD".	2014	Under the "Youth employment" scheme a new group of 1 264 young people were included in employment until 25 March 2016. Under the "Training and employment for young people" scheme the first stage of collecting applications from employers has been launched, where the unemployed persons will be directed to the job vacancies. The total number of the submitted applications is 777, where 12 976 jobs have been reported. The number of the persons included in employment as of 25.03.2016 is 9 541.	Collection of applications from employers and inclusion of persons in employment. Under the "Training and employment for young people" scheme a second stage of collecting applications from employers is about to be launched, where it will be possible for people to be first enrolled in training and then included in employment.	2018	BGN 10.2 mln. from SB; BGN 150 mln under OP HRD.	1. 6 000 youths aged up to 29 included in employment, out of which 3 562 included in employment under youth measures and programmes; 2. Unemployed aged up to 29, at least 8 000; 3. Unemployed participants aged 15 to 29 – 23 000.
Integration of elderly people in the labour market	Implementation of NAPE for 2016	Labour integration of elderly people by including them in training and employment under programmes and measures, including operations "Training of adults, who have taken literacy courses under OP HRD", "Training and employment" and "New job" under OP HRD, "Assistance for retirement" Programme and measures under LEP (Art. 55a, Art.51(1)).	2015	On 25.03.2016, under the "Training and employment" scheme, the first stage of collecting applications from employers has been launched, where the unemployed persons will be directed to job vacancies.	The announcement of the procedure under the "Training of adults, who have taken literacy courses" operation is forthcoming. Forthcoming is the start of collecting applications from employers for job vacancies under the Operation "Training and employment". Upcoming is the conclusion of contracts with the beneficiaries and implementation of the project activities under the "New job" operation. Development of a concept for the creation of training funds by sector. Inclusion in employment of unemployed persons, and launching of a second stage of collecting applications from employers where it will be possible for the persons to be first enrolled in training and then included in employment	2016	BGN 2 mln. from SB; 191 mln. under OP HRD.	1. Unemployed with low-level education (lower than secondary - ISCED 3) – 6 600; 2. 7 000 persons aged over 50 included in employment and training, out of which 714 persons aged over 50 included in employment under measures and programmes for persons aged over 50; 3. Inactive and unemployed persons aged over 29 – 7 400; 4. Unemployed and inactive participants – at least 7 500 persons.
	Labour market policies improvement	Implementation of measures under OP HRD for upgrading the operations of EA and providing better quality services to the job seekers and employers. 1. Operation "Improving the quality and	July 2015	A contract has been signed with EA under the operation "Improving the quality and effectiveness of public services for vulnerable groups in the labour market and employers". By the end of December 2015 a	The implementation of the project activities is forthcoming. 40 Centres for Employment and Social Assistance will become operational under the operation "Centres for Employment and	2018	OP HRD – BGN 48.25 mln.	1. Persons employed at the labour market institutions covered by measures under the programme – at least 2

1	2	3	4	5	6	7	9	10
		effectiveness of public services for vulnerable groups in the labour market and employers". 2. Operation "National EURES network". 3. Operation "Centres for employment and social assistance".	Q1 2016 July 2015	total of 9 procedures were held at the 9 RESD for selecting labour mediators –390 persons have been appointed. 9 procedures have been held at the 9 RESD for selection of career consultants –25 persons have been appointed. 10 procedures have been held at the 9 RESD and CA for the selection of professional employment consultants –22 persons have been appointed. 5 rental agreements have been signed. MLSP has been signed a contract with beneficiary under the operation "Centres for Employment and Social Assistance". Terms of Reference have been prepared for selection of a contractor in the awareness and publicity area; An analysis of the implemented operational methods and processes has been developed and approved; A Methodology of operation of the joint CESA regarding the administrative services delivered has been developed and approved.	Social Assistance".	2016		000 employed persons included in activities under the scheme 2. Job seekers to whom support services EURES have been provided – 120 000. 3. Number of CESA created and operational – minimum 40.
Income and living standards	Development of transparent guidelines for changing the statutory level of MW and of a mechanism for determining MSST	Identification of problems and possible guidelines for creating transparent mechanisms.	2015	An assessment of specific mechanisms /criteria for determining MW has been made. The results from the analyses will serve as a basis for continuing the dialogue with the social partners until the final adoption of the mechanism for determining the level of MW and of transparent guidelines or negotiating MSST. An Action Plan for developing the mechanisms has been prepared.	An independent impact assessment of MW has been prepared.	June 2016		

2.1.4 Country Specific Recommendation 4

Adopt the reform of the School Education Law, and increase the participation in education of disadvantaged children, in particular Roma, by improving access to good-quality early schooling.

⊙ Policy summary

The LPSE adopted at the end of 2015 will ensure the sustainability of policies in the secondary education. It reflects the changes which have occurred in social development and meets the expectations for educational process with higher quality and adequacy by introducing a new educational structure; ensuring the access to education and reducing the number of children not covered by the system and of the dropouts; improving the quality of education; ensuring a fair and flexible financial model; ensuring an effective partnership and defining the responsibilities of all participants in the educational process; creating conditions for implementation of integrated policies with other public sectors to achieve the objectives of education.

New developments in policy involve the introduction of a new understanding of educational standards and National Qualifications Framework. Inclusive education is now regulated as an integral part of the right to education. Active participation of parents is ensured. The new educational structure¹⁰ in the school educational system provides vertical and horizontal mobility across the system, options for changes of choice, pre-university preparation and narrow profiled and vocational education in the last two years. By creating a new type of school – “united” (1st to 10th grade) students from small towns or those whose families experience financial difficulties will be able to earn graduate degree in the first stage of secondary education in their hometown. Vocational high schools will be able to provide vocational training in the second high school stage (11th and 12th grade) and on-the-job training¹¹. The statute of school of national importance is introduced which allows for the development of innovative schools.

An important tool for the prevention of school dropping out is the gradual introduction of all day organisation of the school day from 5th to 7th grade. The autonomy granted to schools to develop curricula for extended and additional training helps to meet the needs of the students. Self-independent, individual, distance and combined forms of training are further developed. Options for validation of competences in non-formal education and informal learning are regulated.

⊙ Country Report for Bulgaria for 2016

According to the EC assessment, Bulgaria has made “some progress” in addressing CSR 4.

The European Commission again focuses on the difficulties faced by the vulnerable groups (e.g. Roma and students from poor families) in relation to access and completion of education, especially in rural areas. There is still a strong correlation between socioeconomic status and educational opportunities. Access to education for children with disabilities remains limited as a result of poor infrastructure, lack of qualified staff and hidden costs. According to the Commission, the mechanisms for inclusive support to vulnerable students should be targeted at their parents and teachers.

⊙ Policy response

Until the entry into force of the LPSE¹² the necessary conditions and prerequisites will be put in place for its proper enforcement by establishing a clear and workable legislation. No rules for implementation will be enacted, resulting in reduced volume of legislation in the system. Efforts will be made to ensure better understanding and implementation by the participants in the educational process.

The SES prepared for inclusive education will focus on improving the conditions for equal access to education and on its quality for the children and students from ethnic minorities. An important element in

¹⁰ Basic educational level in two stages: initial (1st – 4th grade) and lower secondary school (5th - 7th grade), and secondary in two stages: lower high school (8th – 10th grade) and upper high school (11th and 12th grade).

¹¹ Dual training

¹² Entering into force on August 1 2016

this respect is all-day organisation of the learning process to ensure better adaptation to school life, diverse opportunities for development and for application of personalised approach to learning.

To develop the institutional capacity to provide inclusive education and ensure its sustainability, training is offered to specialists and teachers from schools working with children with SEN to enhance their knowledge, skills and competences and to improve teamwork and cooperation. Thematic specialised training is planned in relation with the promotion of inclusive education of children and students with sensory impairments, intellectual disability, multiple disabilities, specific learning disorders, hyperactivity disorder and attention deficit, children and students from the autistic spectrum. Funds have been allocated to improve the educational infrastructure of nurseries, kindergartens, primary, secondary and higher education institutions.

Table 5: Measures addressing CSR 4 (part 4 of Annex 1)

Policy area	Measure title	Information on the measures taken and planned					Expected effect, also on the budget	Outcome indicators: current and target value
		Brief description of the measure	Start date	Current status (as of 15 April 2016)	Upcoming stages in the implementation of the measure until the deadline for its implementation (after 1 May 2016)	End date		
1	2	3	4	5	6	7	9	10
Reform in pre-school and school education	Providing the necessary conditions and prerequisites for the proper enforcement of LPSE through clear and workable regulations	Development of SES		The following SES were approved: - curriculum; - common core state standard on education; - books, textbooks and teaching guidelines.	Preparation of 16 draft SES stipulated in Article 22 of the LPSE.	August 2016	Conditions for enforcement of the LPSE put in place.	Current value - 3 standards, target value - 19 SES.
Improved access to quality education for disadvantaged children, especially Roma	Strategy for Educational Integration of Children and Students from Ethnic Minorities 2015-2020 and Plan for its implementation	Improving access to education and improving the quality of education of children and students from ethnic minorities	January 2016		Approbation of a model for monitoring the educational integration of children and students from ethnic minorities; Preparation of a needs analysis for disaggregation at national level; Establishment of an electronic platform for collection and promotion of good practice based on the website of the MES.	December 2016	Improved access to education and quality of education for children and students from ethnic minorities	Approbated model for monitoring the educational integration of children and students from ethnic minorities; Needs analysis for desegregation at national level; Established electronic platform for collection and promotion of good practice based on the site of MES.
	Operation BG05M20P001-3.002 "Educational integration of students from ethnic minorities and/or those seeking or who have received international protection" OPSESG	Improving conditions for equal access to school education; strengthening the motivation of students and parents to participate in the educational process; improving the quality of education in schools, which educate integrated students from different ethnic groups; additional activities with students for whom Bulgarian is not a native language to compensate for gaps in understanding the material.	November 2015 - deadline for submission of proposals	February 2016 - completion of the evaluation of submitted proposals; April 2016 - second evaluation of the proposals.	Implementation of project proposals.	2018	Number of students and young people from ethnic minorities (including Roma) covered by educational integration and reintegration measures – 18 750; grant - BGN 25 mln.	Number of students and young people from ethnic minorities (including Roma) integrated in the educational system: - current value - 0, target - 15 000.
	Operation BG05M20P001-3.003 "Providing conditions and resources for building and developing a	Creating conditions for the establishment of an educational environment that promotes personal development as well as successful realisation and socialisation; Achieving higher quality and better	December 2015	Project BG051PO001 - 4-1.07 "Inclusive Education" under Operational Programme "Human Resources Development 2007-2013" achieved general and specific objectives. For the period of the project "Inclusive	Selection of new kindergartens and schools and appointing pedagogical specialists - resource teachers, psychologists, speech therapists, etc., to support children and students with SEN.	2017		Number of kindergartens to provide a supportive environment for early prevention

1	2	3	4	5	6	7	9	10
	supportive environment in kindergartens and schools to implement an inclusive education - Phase 1 OP SESG BG05M2OP001-3.003-0001 project "Support for equal access and personal development"	access to education by creating a supportive environment for early prevention of learning difficulties, including training of children and pupils with SEN and of supportive environment for inclusive education and social inclusion of students with deviant behaviour.		education" the six main activities covered a total of over 3 000 children and pupils with SEN and preschool children at risk of learning difficulties. The total number of professionals and teachers covered, including teachers and other members of the teams for resource support is over 2 000 people.				of learning difficulties - current value - 0; target value -33; Number of children and students with SEN involved in the process of incorporating training - current value - 0; target – 1 800.
	Improvement of facilities in educational institutions	Construction, reconstruction, repair, equipment and furnishing of educational institutions - nurseries, kindergartens, primary, secondary and higher education institutions Improving access to quality inclusive preschool and school education	2014	Approved OPRG 2014-2020. Procedures opened for award of grants under Priority Axis 1 "Sustainable and Integrated Urban Development" and Priority 3 "Regional educational infrastructure".	Implementation of projects under PO 1 and PO 3 of OPRG 2014-2020	2023	BGN 390 mln. under OPRG 2014-2020	Capacity of supported infrastructure designed for child care or education - target value - 180 447 persons (base value - 0).

2.1.5 Country Specific Recommendation 5

With a view to improving the investment climate, prepare a comprehensive reform of the insolvency framework drawing on international best practice and expertise, in particular to improve mechanisms for pre-insolvency and out-of-court restructuring.

⊙ Policy summary

The government is making serious efforts to improve the legal framework of the insolvency proceedings with the aim to eliminate the existing shortcomings, including those enabling manipulation and misuse, causing intentional damage to the creditors. The low efficiency of insolvency procedures motivates the initiation of legislative changes to shorten the time limits of the proceedings and to introduce a stabilization procedure preceding the insolvency one. Specific actions have also been undertaken to enhance the institutional capacity of the courts.

The policy changes should lead to increased legal certainty and predictability for economic operators. The development of the legal framework will contribute to the strengthening of enterprises at risk of bankruptcy, freeing resources invested in unproductive activities and stimulating lending, providing more guarantees in taking entrepreneurial risk. In the medium term this will reduce the indebtedness of the private sector.

⊙ Country Report for Bulgaria for 2016

According to the assessment of the EC Bulgaria has made „limited progress” in implementing CSR 5.

The European Commission highlights the need for well-structured and functioning insolvency framework, allowing a smooth debt work-out process and minimization of the destruction of value. Existing shortcomings of the framework limit debt work-out and increase the uncertainties surrounding the assessment of corporate balance sheets.

Ineffectiveness of some of the major courts and their great congestion requires urgent action to increase their capacity, specialization and balanced distribution of the workload of judges. The Commission considers that important elements for improving the quality of justice are missing or are only provided to a limited extent.

⊙ Policy response

A LAS the CL is under preparation, which will provide more opportunities to take effective measures to prevent bankruptcy by rescuing the enterprise, including when there is a real danger of insolvency. The goal is to negotiate obligations restructuring, to create conditions for the recovery and stabilization of the enterprise and continuation of its activity by establishing effective procedures, including the possibility of an agreement reached before the opening of insolvency proceedings.

To increase the efficiency of the insolvency procedures, a report concerning insolvency and creditor rights¹³ is under preparation in cooperation with the World Bank. Based on the results of the analysis, the necessary amendments to the insolvency framework will be developed. At the same time, trainings of judges are provided for more effective implementation of the insolvency proceedings. Changes in the order of selection, qualification and control of administrators in insolvency have also been made in the beginning of 2016.

Implementation of activities continues on finalizing the interconnection between the Insolvency Register and the documents management systems of the courts for automatic feeding in the CR of all judicial acts in insolvency proceedings that are required to be published in the register.

Measures have also been taken for solving the problem related to the timely submission of annual financial statements of the companies through more effective control in case of non-compliance with the requirement and through facilitation of the process for submission of annual financial statements.

¹³ „Monitoring of standards and regulations for Bulgaria” (ICR ROSC)

For the prevention of corruption, measures are implemented under the plan to the National Strategy for Preventing and Combating Corruption in Bulgaria 2015 – 2020. In the end of October 2015 a new Sector “Combating corruption in the administration” was established at the Chief Directorate “National Police” of the Ministry of Interior.

Table 6: Measures addressing CSR 5 (part of Annex 1)

Policy area	Measure title	Information on measures taken and planned					Expected effect, also on the budget	Outcome indicators with current and target value
		Brief description of the measure	Starting date	Current status (as of April, 2016)	Upcoming stages in the implementation of the measure until the deadline for its implementation (after 1 May 2016)	End date		
1	2	3	4	5	6	7	9	10
Regulatory framework of insolvency proceedings	Comprehensive analysis of the regulation of commercial bankruptcy and improvement of the mechanisms for stabilization before bankruptcy	Review of the regulatory framework for insolvency proceedings to prevent abuse of rights, to enable rescue and stabilization of the enterprise, including in cases when there is a real danger of insolvency. Finalization of the interconnection between the data module on bankruptcy of the CR and the four documents management systems of the courts.	April 2015	Prepared LAS of the CL for the introduction of a stabilization preventive procedure preceding the insolvency procedure. Prepared LAS of the SPA for the purpose of overcoming ambiguities and loopholes in the law related to the application of specific provisions, and achieving uniformity and consistency of regulations, Regulatory provision of the passage of the activities of existing as an independent legal entity under the Minister of Justice Administration of the Central Pledges Register to the Registry Agency and the overall computerization of the register of pledges, aimed at the provision of electronic services and making the register publicly accessible database of registered circumstances and announced acts under the SPA. Organizing trainings for judges hearing commercial cases. Enabling automatic submission to the CR of all judicial acts for insolvency proceedings that are required to be published in the Register.	Adoption by the CoM of LAS of the CL. Adoption by the Parliament of LAS of the CL Adoption by the Parliament of LAS of the SPA. Carrying out trainings for judges hearing commercial cases. Putting in service the exchange of data between the insolvency system, filing systems of courts and the CR.	April 2016 April 2016 December 2016	Preventing abuse of rights, enabling rescuing and stabilization of the enterprise; Creation of guarantees for lawful running of the processes and regaining the confidence of citizens and businesses in exercising the right to negotiate and economic initiative.	
Independent financial audit	Improving control over statutory audits of corporate financial statements, strengthening supervision over auditor's companies and guaranteeing shared liability in cases of fraud and incorrect reporting.	Adoption of a new LIFA, to transpose Directive 2014/56 / EC of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43 / EC on statutory audits of annual accounts and consolidated accounts.	2015	An inter-institutional WG is established to prepare a new LIFA. Drafted new LIFA prepared.	To be adopted by the CoM. To be adopted by the Parliament.	April 2016 June 2016		

2.2 Policies for increasing the competitiveness of the economy

This section presents the implementation of policies contributing to the increase of the competitiveness of the economy. The listed measures are aimed at addressing the challenges identified in the National Report for Bulgaria for 2016 such as: low efficiency of central and local administrations, lack of transparency in public procurement, and the existence of restrictive regulatory frameworks with respect to certain regimes.

2.2.1 Business environment and investments (third pillar of the “Juncker” Plan)

⊙ Policy summary

Bulgaria is among the first EU member states that have undertaken individual actions at national level to remove regulatory barriers to investments. A working group was established in May 2015 to identify the main obstacles to the investments in the country. The working group prepared an analysis on the basis of which ten major problem areas¹⁴ were derived, among which fall some that are directly related to the investment process as well as wider challenges affecting the business environment.

In August 2015 the Council of Ministers has approved¹⁵ the analysis and created ten IWG for each of the areas to develop measures that will lead to an improvement of the investment climate and an increase of the investment activity. The working groups will complete work by the middle of April 2016, after which the CoM will approve an action plan. In order to ensure steady progress of the efforts to improve the investment environment, a mechanism will also be developed to monitor the implementation of the action plan.

An entirely new Law on Public Procurement has been adopted in the beginning of 2016 and it is coming into force on 15.04.2016. The scope of the preliminary control performed by PPA is extended. It is envisaged that the exercise of control at random will begin by 01.09.2016. The important characteristics of the changes include increasing the transparency and predictability of the process of contracts awarding, as well as simplifications of administrative procedures. The work on the introduction of a national centralized single platform model for e-procurement is ongoing. The phased introduction of electronic procurement starts from 2016, and initially it will be implemented by the provision of compulsory electronic communication between awarding authorities and participants, including electronic submission of tenders. All of its stages should be implemented fully by 2020.

The Third Action Plan for Reducing the Administrative Burden on Businesses for the period 2015-2017¹⁶ is in the process of implementation.

Efforts continue for the improvement of the administrative regulation, including simplification of procedures for providing administrative services at local and regional level. The inclusion of impact assessment on SMEs will reduce the regulatory burden on business and respectively the over-regulation respectively.

In March 2015 a regulation was adopted, by which the complex administrative services were approved. Actions have been undertaken for introduction of approaches for providing administrative services that are new to the Bulgarian administration.

Important area for creating an investor-friendly regulatory, institutional and administrative environment is waste management, also taking into account the promotion of use of waste as resource for the benefit of "circular" economy. The purpose of the legislative changes prepared is to limit the "grey" sector and unfair competition in the scrap trade. Administrative burden is also relieved by updating and simplifying the

¹⁴ 1) connection to the technical infrastructure networks; 2) building permits; 3) inconsistency of administrative procedures related to the implementation of investment intentions and delays in the provision of services by central and local administration; 4) frequently changing legislation; 5) absence of developed road infrastructure or poor condition of the existing one; 6) lack of specialists in areas in demand by business and poor quality of vocational education; 7) independence of the judiciary and corruption; 8) low efficiency of the legal framework for dispute settlement; 9) administrative procedures in respect of the international trade and related costs for imports and exports; 10) time to pay taxes.

¹⁵ CoM Decision № 617 of 12.08.2015

¹⁶ Approved by the CoM on 27.05.2015

applications to be completed by persons who release market products, which after use form waste under extended producer responsibility schemes.

Improvement of the central electronic control systems and the processes for providing electronic administrative services continues so as to ensure a standard and consistent environment for better administrative services to citizens and businesses. The draft EIL prepared aims to achieve a higher degree of efficiency in the functioning of e-government in Bulgaria oriented towards citizens and businesses; to ensure an adequate level of security of electronic transactions and interoperability of electronic identification means. Efforts to reduce red tape will be focused also on the unification of municipal services.

⊙ **Policy response – in tabular format (Table 7)**

Table 7: Measures in the area of business environment to enhance the competitiveness of the economy (part 6 of Annex 1)

Policy area	Title of measure	Information on measures taken and planned					Estimated effect, also on the budget	Outcome indicators with current and target value
		Brief description of measure	Starting date	Current status (as of April 15, 2016)	Upcoming stages in the implementation of the measure until the deadline for its implementation (after 1 May 2016)	End date		
1	2	3	4	5	6	7	9	10
Improvement of the business environment	Expanding the ex-ante control of the PPA	Creating a legal basis for extension of the scope of preliminary control. Phased expansion of ex-ante control exercised by the PPA.	April 2016	The new LPP entered into force.	Implementation of the extended scope of control of procedures of negotiations without notice and introduction of a new type of control. Introduction of ex-ante control on a random basis.	Permanent Permanent after September 2016.	Effective use of national and European funding Reducing the risk of corruption and fraud	Tariff of fees electronic versions of standardized templates, etc.
	Strengthening the administrative capacity of the PPA	Implementation of the National Strategy for the Development of the Public Procurement Sector for the period 2014-2020. Analysis and justification of the administrative capacity of the PPA in accordance with the new LPP.	April 2016		Institutional strengthening of the PPA Improving ex-ante control efficiency and carrying out random checks.	September 2016		
	Increasing transparency and predictability of the public procurement process in the MI	Identifying existing corruption risks and practices in procurement in the Ministry of Interior and preparation of a concept model of solutions.	December 2015	Collected and systematised information about the contracting authorities in the MI; Performance of the analytical part is in process - various analyses of information provided.	Finalising the analytical part and objectification of a concept model of a Decision on public procurement in the MI	May 2016	Reducing the risk of corruption and fraud Achieving lower prices and better quality	
	Introducing the principle of "tacit consent" in the special laws	The Ministry of Economy will create an intergovernmental working group to submit proposals for the actual implementation of tacit consent, including proposals for legislation in which tacit consent to be introduced.	March 2016	Determining the composition of the working group.	First meeting until April 2016	December 2016	Actual implementation of tacit consent principle	Number of certification and registration regimes.
	Reducing the time and cost of access to technical infrastructure and streamlining the procedures for access to electricity, gas and water for the business.	Shortening the deadlines and facilitating the procedures for access to electricity and for connecting business to technical infrastructure.	August 2015	One procedure was suspended from the 6 procedures presented in the part "Getting electricity" according to the WB methodology of ranking in the "Doing Business" Report. The procedure "Purchasing Materials" unites with the procedure, "Receive external works from utility" An analysis of the procedure and time for its performance is carried out concerning connection of a company to the gas transmission network. Connecting to gas transmission and gas distribution networks is carried out with 6 procedures and within 86 days. Determining the cost of providing access to the gas transmission network is performed in accordance with the Methodology for pricing of transport and access to natural gas in gas transmission networks.	Work continues with the competent authorities (MRDPW, MAF, MEW, and NAMB) and other stakeholders concerned with the problem for improving conditions for business and for finding optimal solutions for investors.	December 2016	Reducing the number of procedures and time needed for the business to be connected to the technical infrastructure.	Time to join the grid - reduced by 9 days and 1 procedure. The electrical connection will be implemented by 5 procedures and within 121 days.

1	2	3	4	5	6	7	9	10
				An analysis of the connection of a company to the water supply network was carried out taking account of the number of procedures, time and expenses. Connecting to water supply consists of 6 procedures. This area provides to investors a choice in regard to the deadline for implementation of the procedures. Express service lasts 25 days while the regular service takes 95 days.				
	Implementation of the Third Action Plan for reduction of the administrative burden 2015-2017.	Simplifying the requirements ensuing from the national and EU legislation.	2015	A report on the implementation of the Third Action Plan as of 31.12.2015 was prepared during the period January - March 2016 which is currently at the stage of inter-ministerial coordination. 21 measures of the Third Action Plan were implemented during the period July - December 2015, 3 of them before the due date. As a result, the administrative burden on business was reduced by BGN 104.5 mln. per year or 21.7% of the planned 30% reduction. Number of changed regulations - 5. Number of changed and abolished information obligations - 18. Number of institutions that have created technical feasibility of electronic exchange of information on the measures included in the action plan - 2	By the end of September 2016 a report on the implementation of the third action plan (until June 2016) has to be developed and adopted by the CoM.	2017	Reduced administrative burden for business by 30%, which corresponds to cost savings for the business amounting to approximately BGN 144.5 mln. per year.	Target values: 1 Number of pieces of legislation amended - 25; 2 Number of simplified information obligations for businesses - 66; 3. Number of institutions that have created technical feasibility of electronic exchange of information on the measures included in the action plan – 15
	Electronic identification and authentication of citizens to use electronic services	Preparing regulations to the EIL. Creating an electronic identification centre for verification of the validity of electronic identity certificates.	2016	Adoption of the EIL	Drafting the regulations. Establishing an electronic identification centre.	2017	BGN 4 mln. OP Good Governance“	Target values: 1. Number of regulations to the EIL developed; 2. Established electronic identification centre.
	Developing basic technical infrastructure oriented to the businesses	Improvement of economic activity conditions. Improvement/ upgrade and reconstruction of existing technical infrastructure or construction / development of new technical infrastructure related to business and entrepreneurship	2015	Approved OPRG 2014-2020 Open procedures for the award of grants under Priority Axis 1 "Sustainable and Integrated Urban Development".	Starting the implementation of projects under OPRG 2014-2020 under Priority Axis 1 "Sustainable and Integrated Urban Development" for intervention zones with a potential for economic development of IPURDs.	2023	OPRG 2014-2020 r. – BGN 164 mln.	Total surface area of rehabilitated land (target value– 172 hectares)
	Reduction of administrative and regulatory burden on businesses in waste management	Undertaking legislative changes to ease the administrative burden, limiting the "grey" sector and reduction of environmental risks in waste treatment activities.	2014	A draft LAS of the LWM is prepared	Submission of the draft LAS of the LWM for approval by the CoM. Preparation and adoption of the secondary legislation.	2020	Rational use of natural resources by increasing the quantities of recycled and reused waste.	Streamlined administrative regimes and procedures

1	2	3	4	5	6	7	9	10
	Reduction of administrative burden on citizens and business	Implementation of the First, Second and Third Package of measures to reduce the regulatory burden	2013	1. Abolished or simplified - 7 regimes; 2. Reduction of the implementation period of 14 regimes; 3. Reduction of fees under 7 regimes; 4. Reduction of the number of required documents under 22 regimes; 5. Simplification of the procedures under 11 regimes.	Adoption of legislative changes by the CoM and submission to the NA.	December 2016		1. Saved annual costs for citizens and businesses (BGN 50 mln.); 2. Time saved to citizens and business (1 500 000 days).
	Implementing services based on the "Life Episodes" and "Business Events" principle	Analysis of existing practices, preparing a list of potential services based on both principles and piloting.	2016	Currently the legislation does not allow provision of administrative services on the "Life Episodes" principle.	Analysis of existing practices in Bulgaria and the EU in the provision of services based on a "Life Episodes" and "Business Events" principles. Determination of services of "Life Episodes" and "Business Events" type and creating a catalogue. Drafting the legal framework for the provision of services of the "Life Episodes" and "Business Events" type Implementation of 2 priority services of the "Life Episodes" and "Business Events" type.	December 2017		Current value: 0 Target value: at least 2 priority services of the "Life Episodes" and "Business Events" type implemented
	Limitation of corruption practices in the municipalities by reducing the administrative burden on small and medium business	Analysis and risk assessment of existing corruption practices in the municipalities in the implementation of the various types of authorisation, registration and other regimes and services and prevention measures	February 2016	Preliminary research, collection and systematisation of information from municipalities related to corruption practices.	Analysis and risk assessment for the presence of corruption risks in the implementation of various types of registration, authorisation and licensing regimes and prevention measures.	December 2016	Reducing the risk of corruption and fraud in municipal services and improving the business environment	
	Standardisation and simplification of municipality services	Regulating the services provision by enactment of a central body Establishing uniform practice of providing these services.	2016	Services related to civil registration are unified by an ordinance of the MRDPW.	Defining a set of services to be standardised and unified. Development of models for reengineering business processes. Introduction of 17 standard municipal services.	December 2017		17 standard municipal services implemented
	Identifying corruption risks and practices in the control and sanctioning activities of the administration.	Analysis and risk assessment of existing corruption risks and practices in the implementation of control and sanctioning activities of the administration. Solution model.	October 2016	Prepared concept for performing risk analysis.	Information gathering, systematisation and risk assessment.	May 2017	Reducing the risk of corruption in the sanction and control activities of the administration	

2.2.2 Public administration

☉ Summary of the policy applied

In the field of public administration efforts are directed towards optimisation of the institutional environment and a more efficient use of resources in the provision of public services.

The roadmap for implementation of the Development Strategy of the State Administration for 2015-2020¹⁷ updates the current strategic framework and provides longer-term planning of measures and activities. A Concept for the Introduction of Compulsory Centralized Selection for Appointment in Public Administration was adopted as well as the LAS of the Law on Civil Servants¹⁸ which was submitted to the National Assembly.

The process of normative regulation of the impact assessment the implementation of its stages and key analytical steps in the general procedures for preparation of regulations, as well as the mandatory requirement for online public consultation on the Portal for public consultation will be completed in 2016.

The process of upgrading of the existing central systems of e-governance and the construction of new ones continues. A Roadmap¹⁹ for implementation of the Strategy for the Development of E-governance in the Republic of Bulgaria for the Period 2015 - 2020 was adopted and its implementation is underway.

☉ Policy response – in tabular form (Table 8)

¹⁷ CoM Decision № 1033 of 30.12.2015

¹⁸ CoM Decision № 186 of 21.03.2016

¹⁹ Adopted with CoM Decision on 23.03.2016

Table 8: Measures in the field of public administration to increase the competitiveness of the economy (part 7 of Annex 1)

Policy area	Title of measure	Information on measures taken and planned					Estimated effect, incl. budgetary	Outcome indicators with current and target value
		Brief description of measure	Starting date	Current status (as of April 15, 2016)	Upcoming stages in the implementation of the measure until the deadline for its implementation (after 1 May 2016)	End date		
1	2	3	4	5	6	7	9	10
Public administration	Institutionalization of impact assessment. Mandatory requirement for public consultations on the portal www.strategy.bg	Normative regulation of the impact assessment. Implementation of its stages and key analytical steps in the general procedures for preparation of regulations. Mandatory requirement for online public consultation at one place will facilitate citizens and business. Increasing citizens' participation in governance.	February 2015	LAS of the SIL is approved by CoM Decision 664 of September 1, 2015 The Law was adopted by Parliament at first reading.	Adoption of the LAS of the SIL Adoption of an ordinance on the scope, methodology and minimum content of IA Updating the Guidance on the preparation of an impact assessment of legislation.	December 2016	Increased transparency of the process of policy development and decision-making	Reduced number of amendments to the legislative acts.
	Introduction of a centralized stage of competitions for civil servants	Introduction of a centralized stage of the competition on recruitment in the public administration and reassignment / mobility to a management position for the first time.	April 2015	Draft LAS of the CSL approved by CoM and submitted to the Parliament	Adoption of the LAS of the CSL by Parliament Developing an online platform Developing tests	December 2017	Increased transparency and objectivity in the selection of employees	Reducing the appointments without competition (less than 400 employees in 2017, 0 in 2020)
	Publication of public information in an open, machine-readable format	Publication of data sets in an open machine-readable format.	February 2016	List of datasets approved by CoM Decision № 214 of 2016 to be published in an open format on an open data portal by the end of 2016. The list contains 304 data sets.	Publication of the data sets adopted by the CoM in an open format on the open data portal by the end of 2016 by CoM Adoption of an Ordinance on standard conditions for reuse of public sector information and its publication in an open format.	December 2016	Creation of opportunities for reuse of the already available administrative information	Current value: 141 data Target value: 445 data sets
Network industries - ICT	Inventory of ICT infrastructure for the needs of the e-governance	Performing an audit of the ICT resources of central and local administration. Mapping of the ICT resources. Performing an analysis and creating conditions for the imposition of a model for monitoring and optimization of the costs of building and maintaining an integrated environment for the development and operation of e-governance. Supporting the process of creating an environment for e-governance.	2016	Contract concluded with the Managing Authority.	Assessment of the real opportunities to build an environment for e-governance and transition to cloud computing organization of ICT resources of the administration based on the Single Electronic Communications Network.	2017	BGN 2 mln. OP Good Governance"	Number of physical inventories of central, regional and local administrations carried out.

3

PROGRESS IN ACHIEVING THE NATIONAL TARGETS UNDER THE EUROPE 2020 STRATEGY

Table 9: Progress on the implementation of the national targets under the Europe 2020 strategy

National target	2013	2014	2015	2020
Employment of the population aged 20-64 years	63.5%	65.1%	67.1%	76%
Employment of the population aged 55-64 years	47.4%	50.0%	53%	53%
Reducing the level of youth unemployment (15-29 years.)	21.8%	17.7%	14.4%	7%
Investment in R&D as % of GDP	0.64%	0.8%		1.5%
Share of RS energy in the gross final consumption of energy	19%	18%		16%
Increasing energy efficiency				25%
Share of RS energy in the gross final consumption of energy in transport	5.6%	5.3%		10%
Non-admitting a rise in the levels of greenhouse gases (GHG) outside the EU ETS of more than 20% by 2020 compared to 2005	-3.5%			20%
Share of early school leavers	12.5%	12.9%	13.1%	11%
Share of the people aged 30-34 with higher education	29.4%	30.9%	32.1%	36%
Reducing poverty and promoting social inclusion	1 527 500	1 578 300	1 585 800 ²⁰	260 000

Source: Eurostat

3.1 National target for employment

⊙ Policy measures

Active labour market policy covers a wide range of intermediary services, trainings and employment which on the one hand provide opportunities for job seekers to start work and on the other encourage job creation. An essential tool for its implementation is NAPE and it is expected to provide employment to over 21 000 unemployed and training to nearly 11 000 unemployed. With the mediation support of the labour offices, 194 thousand persons are expected to start work on non-subsidized jobs in 2016. OP HRD 2014–2020 will also support the implementation of national targets on employment.

Under the LIP the policy implementation for promoting investment, will continue to encourage investment projects for creating jobs in high-tech industries and services as well as in regions with high unemployment, with the aim of integrated countering negative trends in investment activity and employment and for reducing regional disparities in socio-economic development. In 2016, 11 investment projects with a total amount of investment of BGN 270 mln. were planned to be issued which envisaged the opening of 540 new jobs. Promotion is envisaged of 7 of the certified projects with volume of investments amounting to BGN 100 mln. and opening of 270 new jobs.

The implementation of the promotion measure of "green jobs" as regulated by the LEP opened in 2015 a total of 106 jobs. The unemployed provided with jobs are 112, of which 43 are long-term unemployed. Employers using preference under the promotion measure are 29. Additional significant opportunities to generate "green" jobs will be provided by investment activities contributing to the sustainable management of the water sector and waste, prevention of the risk of flooding and landslides and biodiversity valuation and conservation.

²⁰ Preliminary data

Table 10: Measures addressing NT for employment (part 8 of Annex 1)

Policy area	Measure title	Information on measures taken and planned					Expected effect, also on the budget	Outcome indicators with current and target value
		Brief description of the measure	Starting date	Current status (as of April 15, 2016)	Upcoming stages in the implementation of the measure until the deadline for its implementation (after 1 May 2016)	End date		
1	2	3	4	5	6	7	9	10
Employment	Implementation of NAPE for 2016	Measures and programmes to reduce unemployment among disadvantaged groups in the labour market. Placement provided by employment agencies to start work on the primary labour market.	January 2016	NAPE for 2016 adopted with a CoM Decision.	Implementation of the measures of the Plan.	2016	BGN 73 mln.	21 000 unemployed included in employment 11 000 unemployed included in training 194 000 started a job in the primary labour market
Promoting investment, creating jobs in high-tech sectors and in regions with high unemployment	Financial incentives for job creation in enterprises in sectors with high added value.	Issuing certificates for investment class and for priority project under the LIP. Allocation of funds for the implementation of promotion measures under the LIP, including for partial reimbursement of social security contributions of the employer for the new jobs created. Operation "Specific training for employed persons" under the OP HRD.	2013 Q3 2016	As of April 2016 one certificate was issued under the LIP for investment class "A" for a project envisaging the creation of 400 new jobs in a high-tech activity of the manufacturing sector. The project investments worth BGN 7.6 mln.	For the period May 1 st of May 2016 – 31 st of December 43 projects are scheduled to be certified under the LIP totalling BGN 1020 mln. and providing the creation of 600 new jobs. Within the period provision of promotion measures is planned for 29 certified projects with a total investment amount of BGN 367 mln. providing for the creation of 1035 new jobs. Approval of "Specific training for employed persons" program by the OP HRD is forthcoming.	2018 2019	Growth in investment and employment in high-tech sectors and in areas with high unemployment. Budget revenues in the form of paid taxes and social security and health insurance contributions as a result of the implementation of the economic activities.	1. Employment share in sectors with high added value (change); 2. Share of jobs created in sectors with high added value (as% of all new jobs created by certified LIP projects) - 75.3% for 2015; 3 / Employed persons - 4000 under operation "Specific training for employed persons."
Improving access and increasing quality of vocational education	Introduction of dual education	Introduction of dual education in two professions of the LPVET in the field of tourism and electrical engineering implementing the project under the Bulgarian-Swiss cooperation program.	March 2016	Development and approval of curricula and syllabi for dual vocational education in three new professions – chef, technician of energy systems and installations and electrician; Developing Situation profiles of both professions; Training of teachers from vocational schools and mentors from businesses to carry out practical training in a real working environment.	For each new school year will be included two new professions.	2019		Dual degree introduced in two new professions of the LPVET For 2016 – in the field of tourism and electrical engineering.

1	2	3	4	5	6	7	9	10
	Introduction of credits in the VET system - operation under OPSESG	Development of SES for attainment of qualification and modular training packages (curricula, programs and national examination programs). Training teams for development of SES for attainment of qualification in professions of the LPVET.	2016	Project proposal approved by the MC under OPSESG.	Development of SES for attainment of qualification in 20 pilot professions of the LPVET based on the "units of learning outcomes" approach. Developing modular training packages (curricula, syllabi and national examination programs) for 20 professions of the LPVET to achieve the learning outcomes set out in the SES. Carrying out trainings for the development of modular plans and modular curricula and NEP. Training teams for developing standards for attainment of qualification in professions of the LPVET.	2018	Creating an open and flexible educational environment adapted to the growing requirements of modern labour market and providing conditions for efficient use of available human resources	1 Number of vocational schools and VTC, training the pilot professions; 2 Number of students who began their training under the new modular curricula; 3. Number of students in VTC who have completed successfully at least one training module under the new SES.
	System for career guidance in school education	Implementation of the "System for career guidance in school education" project under OP SESE which builds on the project funded under the OP HRD and is implemented during the period 31.01.2012 - 31.12.2015.	2016	150 consultants hired in the COC. Local teams formed to provide assistance and support to 28 REI.	Creating and approving Program for Career Guidance to Students in 42 pilot schools. Training of pedagogical specialists from pilot schools and guidance counsellors from the career guidance centres. Creating and implementing a "school - labour market" model at the National Portal for career guidance to students for information and guidance on opportunities for employment and career for secondary education graduates. Creation of tools for early career guidance to early school leavers and students with SEN.	2017	Creating conditions for the improvement of professional skills and acquiring new knowledge by students through development of a career guidance system	1 Number of students covered by the career guidance - Target - 100 000 2 Number of supported centres for career guidance Target – 28
Life-long learning policy	Promoting life-long learning	Implementation of the 2014-2020 NSLL. Interaction with interested parties for implementation, monitoring and evaluation of the LLL policy within NCGLL. Implementation of EPALE - III stage. Implementation of the work program of NSS of EPALE.	2016	A draft action plan for 2016 has been developed pending submission to the CoM following a public consultation - March-April 2016. Creating National Platform "United for adult learning" February-March 2016. Coordination and support of institutions and organizations responsible for completing data in the National Platform for Lifelong Learning 2020 in relation to the monitoring and evaluation of the implementation of the Action Plan 2015 - March-April 2016.	Development of 2 universal logic matrices: for the preparation of an analysis of the regional sector of adult learning and for the structure and content of the regional development program for the sector of adult learning-May 2016. Organizing and conducting National Days for Lifelong Learning - June 2016. Preparation and adoption of the Annual Monitoring Report on the Action Plan for 2015 - June 2016. Preparation of a proposal for the NWP to support EPALE for the period 2017 - 2018 years - July 2016. Annual update of the database in NISAL - August 2016 Development of a model for coordination of interested parties at the district Level - November 2016. Establishment of regional coordination groups for lifelong learning in 6 pilot areas -	2020	"Erasmus +" Program of the EU (75%) and the budget of the Ministry of Education (25%) Project № 3761-EPP-1-2015-1-BG-EPPKA3-AL-AGENDA "Erasmus +" of the EU (80%) and budget of the Ministry of Education (20%) Project №	At least 300 participants in the Life- long learning Days.

3.2 National target for R&D

⊙ Policy measures

The draft ISSS 2014–2020²¹ was adopted by CoM. Four thematic areas for development are identified, which will help the country to move from the group of "modest innovators" into the group of "moderate" ones – ICT and Informatics; Mechatronics and clean technologies; industry for healthy living and biotechnology; new technologies in the creative and recreation industries.

In 2016, a LAS of the Law on the Promotion of Scientific Research will be prepared, which aims at improving the functionality of the Register of scientific activities, implementing a policy of open access to scientific results, improving the organization, management and financing of research based on research results, establishing an Agency for promotion of scientific research and application of financial engineering and ethical rules.

²¹ By CoM Decision № 857 of 3.11.2015

Table 11: Measures addressing the NT for R&D (part 9 of Annex 1)

Policy area	Measure title	Information on measures taken and planned					Expected effect, also on the budget	Outcome indicators with current and target value
		Brief description of the measure	Starting date	Current status (as of April 15, 2016)	Upcoming stages in the implementation of the measure until the deadline for its implementation (after 1 May 2016)	End date		
1	2	3	4	5	6	7	9	10
Support to innovation activities	ISSS	Implementation of the ISSS measures.	2014	An open procedure under the LPP was announced with subject: "Developing technology roadmaps associated with the identified thematic areas in ISSS".	Implementation of the action plan to the ISSS, including carrying out 4 thematic events under ISSS and carrying out the National Day for Support of Innovations.	2020	In accordance with a financial plan included in ISSS	Number of innovative enterprises supported
	Funding of applied research	NIF funding of industrial research and pre-market survey of businesses.	2015	Technical and financial monitoring of contracts carried out for the implementation of R&D projects and TF projects of the Sixth and Seventh Competitive Session of the NIF.	Information support and promotion of NIF activities. Announcing and carrying out the Eighth Competitive Session under NIF for calls and evaluation of proposals.	2017	BGN 5 mln. for 2016	Investments in R&D as % of GDP (change) an increase of 0.01% per annum of public spending on R&D
Support to SMEs	Eureka Eurostars, Eurostars 2 programmes	Implementation of programs	2009	Signed agreement for the implementation of the Eurostars 2 programme. Within the Thirteenth Competitive Session under Eurostars (third under Eurostars 2) 2 projects have been approved.	Second and Fourth Competitive Sessions of Eurostars 2 Programme are upcoming. Conducting information campaigns for Eureka and Eurostars 2.	2020	BGN 1 mln. for 2016	Number of approved projects with Bulgarian participation
Pro-innovative infrastructure	Development of a pro-innovative infrastructure	Support for the creation / development of TC, TTO, thematically focused laboratories and high-tech laboratories for testing and technological verification. Building and development of technological park "Sofia Tech Park"	2012	2 contracts for support of TTO and 1 for TC have been completed. The grant disbursed amounts to BGN 460,185. The verification of grants contracts for grants under OPDCBE to be completed until March 2016. Preparation of the second phase of the Sofia Tech Park construction project.	Start and implementation of the measures under OPIC 2014-2020. Launching the procedure for phase II of the Sofia Tech Park project for the final construction of all sites.		BGN 52,1 (EUR 26,65) of grants will be provided under OPIC for the period 2014-2020.	
	Promoting innovation in the enterprises	Support for the development and introduction of innovations in the enterprises; Development of cooperation between enterprises and academia; Funding of projects for renovation and upgrading of technologies in the enterprises; Introduction of new ICT-based services; Support for existing clusters and newly created ones.	2012	228 contracts worth BGN 118.7 mln. were signed under the procedure "Improving production capacity in SMEs" under OPIC for the period 01.01- 25.03.2016. Launched procedure "Supporting the development of innovations by start-ups" with a budget of EUR 10 mln. Completion of contracts under OPDCBE and payments and verification until 31.03.2016	Start and implementation of measures under OPIC 2014-2020: Launching procedure "Developing product and manufacturing innovations" with a budget of EUR 35 mln. Planned procedure "Development of clusters in Bulgaria" (with a budget of EUR 20 mln.) and procedure "Development of managerial capacity of SMEs" (EUR 30 mln.).	2023		1. Share of innovative enterprises (% of the total number of enterprises) – reference value (2012) – 27.4, target value (2023) – 30.4. 2. Expenses for innovations that are not a result of R&D, (% of the turnover - reference value (2012) – 0.49, target value (2023) – 0.63.

1	2	3	4	5	6	7	9	10
Improving research infrastructure	National target for R&D	Updating the National Roadmap for Scientific Infrastructure by complementing new scientific developments of regional and European importance	2013	Mapping of the available scientific infrastructure in the country was carried out by planning regions and according to the priority directions of ISSS. An information campaign in the regional centres of the country was launched to redefine the priority directions of ISSS that are linked to the bonus schemes of OP SESG and of OP IC. An assessment was carried out by the international panel for support of the policies within the framework of "Horizon 2020" (Framework Programme for Research). Schemes were developed under the Triple Helix model and they were set out in steps 1 and 2 of Priority Axis 1 "Science" of OPSESG for the establishment of Centres of Excellence and Centres of Competence. Specialized software "Register for application and project management of the Research fund" was developed and implemented.	Preparation of LAS of the Law on promotion of scientific research in Bulgaria. Implementation of the three-year action plan in relation to the recommendations of the international panel.	December 2016	Strengthening research activities, technological development and innovations.	1. Number of international projects in which Bulgarian researchers take part 2. % increase on an annual basis of the number of scientific publications by Bulgarian researchers/research units in international journals 3. % increase of the number of patents per 100 thousand citizens.

3.3 National targets under the „Climate-energy“ package

National Target: a 16% share of renewable energy sources in the gross final consumption of energy by 2020

⊙ Policy measures

Bulgaria achieved ahead of schedule its national target for achieving a 16% share of RES in the gross final energy consumption and in this regard no new measures are planned for implementation.

National Target: Increasing the energy efficiency by 25% by 2020

⊙ Policy measures

A new LEE was adopted in 2015²². Its implementation will contribute significantly to the achievement of the national targets for energy efficiency. To support the implementation of the NT, a target was also introduced for improving energy efficiency in the final energy consumption, which is distributed as individual goals between the liable persons. Three ordinances to the LEE were adopted: for determining the content, structure, conditions and procedures for collecting and providing information²³; for the indicators of energy consumption and energy performance of buildings²⁴; for energy efficiency examination, certification and assessment of energy savings in buildings²⁵. Another four drafts of ordinances to the LEE were also prepared²⁶.

Development of the market for electric green cars and systems for energy storage, as well as for the necessary infrastructure for this purpose is forthcoming. Efforts will also be directed towards the development of the latest management systems – the so called "smart" grids.

National Target: Non-admitting a rise in the levels of greenhouse gases (GHG) outside the EU ETS with of more than of 20% by 2020 compared to 2005

⊙ Policy measures

To reduce greenhouse gas emissions outside the ETS policies aimed at effective waste management, energy efficiency improvements in industry, introduction of new technologies, improvement of the energy performance of buildings, improvement of transport infrastructure and promotion on sustainable urban mobility, reduction of emissions from agricultural soils and biological fermentation in livestock and afforestation.

The envisaged financial support from OPE 2014–2020 for providing the necessary equipment and facilities for the separate collection of biodegradable and green waste and for anaerobic and/or composting installations for biodegradable and/or green waste and facilities for treatment of sludge from WWTP will be essential, as this waste represents a significant source of greenhouse gases.

The implementation of the NGIS completed successfully at the end of 2015. In the period 2011–2015, the proceeds from the sale of AAUs under the scheme were used to finance projects to reduce energy consumption in public facilities through energy efficiency amounting to BGN 32 mln. in total, of which over BGN 27.2 mln. is provided as a subsidy from the sale of AAUs to 90 buildings in 39 municipalities in Bulgaria,

²² Promulgated in State Gazette 35/15.05.2015

²³ Ordinance № E-RD-16-647 of 15.12.2015

²⁴ Ordinance № E-RD-04-2 of 22.01.2016

²⁵ Ordinance № E-RD-04-1 of 22.01.2016

²⁶ Ordinance on methods for determining the NT for energy efficiency, determination of the general cumulative goal, introducing obligation scheme for energy savings and allocating individual targets for energy savings between those liable for the charge; Ordinance on eligible measures for the implementation of energy savings in end-use means, methods of proving and verifying energy savings achieved and requirements to methods for their assessment; Ordinance on the conditions and procedures for determining the amount of funds planned under contracts with guaranteed result, leading to energy savings in buildings - state and / or municipal property and the procedure for their payment; Ordinance on the indicators for energy consumption, the energy performance of enterprises, industrial systems and external lighting, as well as terms and conditions for carrying out energy efficiency audits and preparation of an assessment of energy savings.

incl.: 31 kindergartens, 40 schools, 7 medical facilities, 9 cultural and social organizations and three administrative buildings. The total reduction of greenhouse gas emissions achieved as result from the projects implementation is over 484 thousand. tons CO₂/eq.

In 2015 ICP was launched as a continuation of NGIS. It is implemented by NTEF and the budget for the program amounts to BGN 13 mln. budget. ICP provides financing of 85 % of the value of the energy efficiency projects of public facilities. Additional funds are provided for 2016 amounting to BGN 15 mln., which will be spent to finance projects within the ICP and to promote the use of electric and hybrid vehicles by public authorities. The source of the funds is the revenues which Bulgaria realized in 2012 from the sale of quotas for greenhouse gas emissions from installations by an auction within the EU ETS.

Table 12: Measures addressing NT for the „Climate-energy“ package (part 10 of Annex 1)

Policy area	Measure title	Information on measures taken and planned					Expected effect, also on the budget	Outcome indicators with current and target value
		Brief description of the measure	Starting date	Current status (as of April 15, 2016)	Upcoming stages in the implementation of the measure until the deadline for its implementation (after 1 May 2016)	End date		
1	2	3	4	5	6	7	9	10
Improving energy efficiency	Increasing energy efficiency in enterprises through the ESIF	Providing support for investments in energy saving technologies and energy production from renewable sources and Civil Works of production facilities.	2012	5 contracts have been finalised with a total amount of funds disbursed of BGN 1.5 mln. Total amount of funds disbursed under OPDCBE for implementation of contracts under this measure – BGN 325.8 mln.. Start and implementation of measures under OPIC 2014-2020: Launching the procedure "Energy Efficiency for SMEs" with a total budget of EUR 90 mln.	Completion of the process of verification of contracts under OPDCBE until 31/03/2016 By the end of 2016 notification of procedure "Increasing energy efficiency of large enterprises" is pending with a budget of EUR 50 mln.	2023		Energy intensity of the economy (change) – reference value - 0.644 (2012) t.n.e per 1000 Euro GDP (2005=100) and 0,608 (2014), target value (2023) – 0.604.
	Effective implementation of European policy on climate change and participation of Bulgaria in international negotiations on climate change	Participation in negotiations at European Level with regard to changes in the functioning of the EU ETS, as well as at international level regarding the implementation of the Paris Agreement on climate and regulation of the outstanding issues concerning the Agreement.	2013	CoM Decision № 80 of 11.02.2016 laying down the procedure and manner of spending in 2016 of part of the transitional balance on foreign currency account revenue from the sale of quotas for greenhouse gas emissions from installations by auction, received in the budget of the MEW until December 31, 2012. The Decision foresees spending the funds amounting to BGN 15 mln. for the following purposes: - financing projects for improving the energy efficiency of municipal or state facilities within the Investment Climate Programme implemented by the NTEF, amounting to BGN 14 mln. - promoting the use of electric and hybrid vehicles by public institutions within the Investment Climate Programme implemented by the NTEF to the amount of up to BGN 1 mln. CoM Decision № 241 of April 4, 2016 for approving the Paris Agreement to the UNFCCC.	Participation in the negotiation process at European level for the adoption of the proposal for a Directive amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investment (the draft directive for revision of EU ETS after 2020). Participation in preparatory sessions and in the Conference of the Parties to the UNFCCC. Participation in international negotiations on the remaining unregulated issues in the new global legally binding agreement in relation to the climate change (Paris Agreement). Preparation of the procedure for signing by the President of RB of the new global agreement on climate change which will be held at the United Nations Headquarters in New York between April 22, 2016 - April 21, 2017.	2020	Protection of the national interests in the negotiation process at European level for the adoption of new EU legislation related to the implementation of the EU policy framework for the climate and energy during the period 2020-2030.	
	Measures to improve energy efficiency and reduce greenhouse gas emissions into the atmosphere	Integrated urban transport: Construction of transport infrastructure. Delivery of vehicles. Developing new shuttle lines. Promotion of alternative forms of transportation. Implementation of EE measures in the building stock - residential buildings, administrative buildings of state and municipal administration and student dormitories.	2015	Approved OPRG 2014-2020. Open procedures for the award of grants under Priority Axis 1 "Sustainable and Integrated Urban Development" - projects for integrated urban transport and implementation of EE measures in residential and administrative buildings and in student dormitories. An open procedure for the provision of grant funding under Priority Axis 2 "Support for energy efficiency in support centres in peripheral areas" - projects for implementation of energy efficiency	Starting the implementation of projects under OPRG 2014-2020 under Priority Axis 1 "Sustainable and Integrated Urban Development" - for integrated urban transport and EE measures in building stock. Starting the implementation of projects under OPRG 2014-2020 under Priority Axis 2 "Support for energy efficiency in support centres in peripheral areas" - projects for implementation of EE measures in building stock.	2023	OPRG 2014-2020 – BGN 279.8 mln. for urban transport OPRD 2014-2020 – BGN 661 mln. for EE in building stock	1. Reducing the amount of fine particles in cities (reference value 1, 79 µg / m ³ , target value 1, 57 µg / m ³ . 2. Expected annual decrease of GHG - a target amount of 13 927.73 tonnes of CO ₂ eq.

1	2	3	4	5	6	7	9	10
				measures in residential and administrative buildings.				3. Number of households with improved energy consumption classification- 12 901. 4. Decrease of annual primary energy consumption of public buildings - 140 645 420 kWh / year.
Improving energy efficiency	LAS of the LEE	Transposition of European legislation in the field of energy efficiency	2016	An IWG is to be created currently to prepare the LAS of the LEE	LAS of the LEE adopted by the CoM	2016		Improving energy efficiency and utilization of renewable sources of the LEE
Improving energy efficiency and making use of the energy from RS	LAS of the LERS	Transposition of Directive 2015/1513 / EC amending Directive 98/70 / EC on quality of petrol and diesel fuels and amending Directive 2009/28 / EC on the promotion of energy from renewable sources	2016	18% share of energy from renewable sources is reported in 2014, which is overachieving the mandatory national target for 2020. A share of 5.3% of energy for transport was achieved that exceeds the share of 4.5% specified in NAPRE and is close to the one predicted for 2015.	LAS of the LERS adopted by the CoM	2016		

3.4 National target for education

National Target: 11% share of the early school leavers by 2020

⊙ Policy measures

Council of Ministers approved an interim report on the execution of the Plan for the period 2014-2015 on the implementation of the Strategy for Reducing the Share of Early School Leavers (2013-2020). The main conclusions and findings therein are associated with the establishment and approbation of an early warning system, as well as with the necessity policies for prevention, intervention and compensation of early school leaving to be tailored to the specificities of the demographic, economic and social development of the respective municipalities, districts and regions, and the activities planned - to facilitate the transition from pre-school to school education, as well as the transition between the various stages of training. It is also recommended conditions for supporting the personal development of each child and student with a focus on those at risk of dropping out and / or the group of those that have never attended school and of the early school leavers to be created.

A draft plan for the period 2016-2017 on the implementation of the Strategy has been prepared. It is based on an approach integrating all members of the school community to tackle dropping out and early leaving of the system.

For the realization of the Implementation Plan of the Strategy for Educational Integration of Children and Students from Ethnic Minorities (2015–2020), in 2015 draft guidance for monitoring the educational integration of children and students from ethnic minorities at local, municipal, regional and national level was developed. Its approbation is pending.

National Target: 36% share of the people aged 30–34 with higher education by 2020

⊙ Policy measures

In order to regulate the network of higher education institutions and the structure of state higher education institutions, conditions were ensured for clearer regulation and for optimum functioning of the higher education system, its harmonization with the EU legislation, modernization and improvement of the quality of teaching and research, and for higher competitiveness. The fifth edition of the Bulgarian University Ranking System has been published.

In 2016, the policy focuses on the regulatory framework (including the model for financing higher education institutions), promotion of activities related to improvement of the quality of education, learning outcomes in priority economic areas and the successful realisation of graduates in the labour market.

Ongoing is the implementation of the Action Plan to the Strategy for Development of Higher Education in the Republic of Bulgaria 2014-2020.

Table 13: Measures addressing the NT for education (part 11 of Annex 1)

Policy area	Measure title	Information on measures taken and planned					Expected effect, also on the budget	Outcome indicators with current and target value
		Brief description of the measure	Starting date	Current status (as of April 15, 2016)	Upcoming stages in the implementation of the measure until the deadline for its implementation (after 1 May 2016)	End date		
1	2	3	4	5	6	7	9	10
Reducing the share of early school leavers	2016-2017 Plan for the implementation of the Strategy to reduce the share of early school leavers	Execution of the 2016-2017 Plan for implementation of the Strategy to reduce the share of early school leavers	2016	Preparation, coordination and adoption of the 2016-2017 Plan	Implementation of Plan's activities.	2017	Reducing the share of early school leavers	Reducing the share of early school leavers Current value - 13.1% for 2015
Increasing the share of 30-34 year-olds with higher education	Project under OP SESG "Student Practices - Phase 1"	Improving the relevance of education and training systems to the labour market, facilitating the transition from education to work	January 2016	Project proposal assessment process.	Implementation of the project proposal.	2017	Number of students involved in student practices – 46 000; Grants – BGN 37 mln.	Share of students who passed successfully practical training in a real working environment from those involved in practical training under the OP – current status - 0%; target value - 87%.
	Regulations on the state requirements for acquiring higher education in specialties of the regulated professions	Preparation of draft regulations	2015	Prepared final draft of the ordinance - a procedure for intergovernmental coordination.	Adoption of a CoM Decree.	December 2016	Established long-term framework for adequate development of the higher education system	Regulations on the state requirements for acquiring higher education in specialties of the regulated professions
	Improving the infrastructure of the higher education institutions	Construction, reconstruction, repairs, equipment and furniture of the higher education institutions.	2015	Prepared draft Guidelines on application under Priority Axis 3 "Regional educational infrastructure" under OP "Regions in Growth" 2014-2020	Implementation of projects under Priority Axis 3 "Regional educational infrastructure" under OPRR 2014-2020, with beneficiaries – higher education institutions	2023	Increasing the capacity of supported infrastructure BGN 43 mln. under OPRR 2014-2020	Improving the infrastructure of the higher education institutions
	LAS of the LASDRB	Preparing a draft LAS of the LASDRB	January 2015	Under discussion in the Parliament		December 2016		Long-term framework for adequate development of the higher education system

3.5 National target to reduce the number of people living in poverty by 260 000 by 2020

⊙ Policy measures

Implementation of the social inclusion targets are closely related to the implementation of policies on employment and access to education that address CSP 3 and 4. Among the key highlights of the policy of social inclusion are: continuing the process of deinstitutionalization, expansion the access to services by establishing an adequate network of affordable and quality social and health services available in the community and at home, development of integrated cross-sectorial services, including early childhood development services; supporting families with children and others.

Specific steps are taken towards improvement the regulatory environment. Changes to the LSA adopted in the beginning of 2016 aim at improving access to social services, ensuring consumer rights, ensuring individual approach, etc. The LSS is under preparation in response to the identified challenges in the sector.

The Action Plan to the National Strategy "Vision for deinstitutionalization of children in the Republic of Bulgaria" is being updated. A major priority in supporting the process of deinstitutionalization will continue to be building a network of services and measures to support parents and families with small children, including support for early childhood development. In this context and in order to continue to provide services for early childhood development, at the beginning of 2016 the implementation of operation "Services for Early Childhood Development" under OP HRD 2014–2020 has started.

Development of an Action Plan for the Implementation of the National Strategy for Long Term Care is pending and its development will be supported also by operation "New Standards for Social Services" under OP HRD 2014–2020.

When the National Strategy to Reduce Poverty and Promote Social Inclusion 2020 will be implemented by the development of the next Action Plan for the period 2017–2018.

Support for families with children is another important dimension of the policy in the field of social inclusion, a key priority in 2016, is being the improvement of efficiency and targeting the family benefits in accordance with the adopted changes in the LFA and the regulations.

In 2016 projects under the Operational Program under the Fund for European Assistance to the Most Deprived Persons 2014–2020 will start. The total budget amounts to EUR 123 mln., of which nearly EUR 104 mln. is provided by the EU. The funds are channelled to deprived persons as well as to public canteens. At the end of 2015 Annual Plan for allocation of the financial resources of the program for 2016 totalling BGN 62.9 mln., was approved.

Table 14: Measures addressing NT for poverty and social inclusion (part 12 of Annex 1)

Policy area	Policy title	Information on measures taken and planned					Expected effect, also on the budget	Outcome indicators with current and target value
		Brief description of the measure	Starting date	Current status (as of April 15, 2016)	Upcoming stages in the implementation of the measure until the deadline for its implementation (after 1 May 2016)	End date		
1	2	3	4	5	6	7	9	10
Improving the living conditions of vulnerable groups	Improving housing conditions for vulnerable groups and regional health infrastructure (emergency medical services system)	Construction, reconstruction, repair and expansion of social housings with the purpose of preventing poverty and social exclusion. Construction, renovation, equipment and furnishing sites of the health infrastructure of the emergency medical care system.	2015	Approved OPRG 2014-2020. Open procedures for the award of grants under Priority Axis 1 "Sustainable and Integrated Urban Development" – projects for building / reconstruction of social housings for disadvantaged people, incl. for marginalized groups.	Starting the implementation of projects under OPRG 2014-2020 under Priority Axis 1 "Sustainable and Integrated Urban Development" - projects for building / reconstruction of social housings for disadvantaged people, incl. for marginalized groups. Publication of Guidelines on Priority Axis 4 "Regional health infrastructure" of OPRG 2014-2020. Implementation of a project for improvement of the emergency medical care system is pending.	2023	OPRG 2014-2020 – BGN 27 mln. OPRD 2014-2020 – BGN 163 mln.	Population with 30 minute access to emergency medical care and treatment and observation for 24 hours: - basic value – 3 637 539; - target value – 7 045 677; Population covered by improved emergency medical care (target value – 7 245 677 people).
	Introducing a mechanism to protect vulnerable electricity consumers	Defining the categories of persons who can be determined as energy poor consumers.	December 2015	A Technical WG is established for the liberalization of the electricity market with the participation of representatives of the EC.	Review of the existing provisions for vulnerable consumers in Bulgaria. Indication of data on the energy consumption of households, on the relationship between income and regulated prices; estimates of the cost of electricity for households after liberalization; existing protection measures (financial, physical, informational) and monitoring tools. Providing a definition of vulnerable consumers and defining the criteria for their determination.	July 2016	BGN 60 mln.	Adequate definition of the target group of vulnerable consumers and determining a number of options for protection of the vulnerable consumers.
Improving the quality of medical expertise and the expertise on performance	EP is improved	Developing a concept of EP setting the system and rules to evaluate the possibility of persons of working age with established type and degree of disability to perform employment and/or use rights specified by the legislation.	January 2016	Developed draft concept of EP. Public discussion of the draft concept. A working group established to discuss specific measures included in the concept and possibilities for changes to the legislation. The MC of OP HRD has reviewed the conceptual idea to support activities related to the creation of methodological base.	Developing draft regulations by means of which changes to the legislation resulting from the concept are carried out.	2017	Providing opportunities for people with disabilities to actively participate in the labour market. Increasing the effectiveness of the social inclusion of people with disabilities. Improving the	

1	2	3	4	5	6	7	9	10
							effectiveness of public expenditure on providing support to persons with disabilities and with reduced capacity, and protection of their labour rights.	
	Comprehensive analysis on possible corrupt practices and preventive measures in this field	Preparing a report with findings and measures to prevent corruption under the project "Analysis of the Regulations and Procedures Governing the Activities of the Medical Expertise Bodies (TEMCs) and Disability Pensions and Proposals for Measures to Prevent Corruption".	September 2015	Prepared preliminary report with findings and measures sent to the Ministry of Health, MLSP, NSSI, NEMC, CEIB, CITUB for opinion and discussion. A discussion with stakeholders carried out - roundtable to assess the performance - discussed findings and proposed measures for prevention. Adopted prevention measures by the competent authorities.	Implementation of the measures proposed in the competence of the MH, MLSP, which correspond to the conception of employability expert report and of medical one.	April 2016	Prevented corruption practices	
Reduction of poverty and promotion of social inclusion	Integrated services for early childhood development	Providing support for continued funding of services for early childhood development started under the Social Inclusion Project within the Operation Services for Early Childhood Development, OP HRD 2014-2020.	December 2015	Operation Services for Early Childhood Development under OP HRD 2014-2020 was approved in October 2015. On 29.01.2016, the deadline for applying ran out.	Concluding contracts with municipalities and launching project activities are pending.	2018	OP HRD – BGN 30 mln.	Number of suppliers of social inclusion services - 66
	Supporting families with children	Providing family allowances for children under the LFA.		Family allowances for children under the LFA amounting to BGN 547 mln. were paid until 31.12.2015. Enacted changes in the Implementing Regulations of the LFA.	Paying family allowances for children.	Permanently	2016. – 2018 BGN 568 mln.	Share of children at risk of poverty before and after social transfers (45.8% and 31.7% respectively) - a decrease of 14.1 percentage points for 2014.
	Providing access to social services in the community and continuing the process of deinstitutionalization	Developing new community based social services for children and families, the elderly and people with disabilities and removing the institutional model of care	January 2016 2016. August 2015	An intergovernmental WG has been set. The structure of the document is developed and adopted by the Expert WG on deinstitutionalization and will serve as a basis for drafting the updated Plan. Preparing a draft Action Plan to the National Strategy for Long Term Care. Operation "Take Me 2015" under OP HRD 2014-2020 is in a process of implementation. As of January 2016 1 455 children have been placed in foster care. In October 2015 the Monitoring committee of OP HRD approved operation "Increasing the	Preparing a draft updated action plan for implementation of the National Strategy "Vision for deinstitutionalization of children in the Republic of Bulgaria". Operation New standards for social services under OP HRD 2014-2020 starts within which a draft Action Plan will be developed. Implementation of the operation is in progress. Starting the procedure.	May 2016 December 2016 2018 2019	 OPHRD – BGN 51.6 mln.	1. Draft Action Plan prepared. 2. Draft Action Plan prepared.

1	2	3	4	5	6	7	9	10
			2016 October 2015 February 2015	capacity of staff in the field of child protection, social services and social assistance”, OP HRD 2014-2020. Operation “New Standards for Social Services” under OP HRD 2014-2020 started; a draft Action Plan is prepared. Project proposals under operation “Independent Living” under OP HRD 2014-2020 were submitted within the third submission period. Contracts were signed with 235 municipalities and districts of municipalities. Approved OPRG 2014-2020.	Implementation of the project “New Standards for Social Services” started within the frame of the Operation. Concluding contracts with the rest of the municipalities that have submitted proposals. Publication of Guidelines on applying under Priority Axis 5 “Regional social infrastructure” of OPRG 2014-2020 and implementation of projects.	2016 2017 2023	OPHRD – BGN 28 mln. OPHRD – BGN 2 mln. OPHRD – BGN 150 mln. OPRD 2014-2020 – BGN 99 mln.	
	Improvement of legislation in the field of social services	Improvement of legislation in the field of social services to improve the system of financing and provision of social services, planning and quality of services and develop systems for monitoring and control of services efficiency.	2015	Forming a WR for the preparation of draft LSS.	Preparation of draft LSS.	June 2016		Prepared draft Law
	Ensuring social protection of vulnerable groups	Ensuring social protection for the lowest income and high-risk groups of the population through the provision of social benefits. Preparing a Concept for a new model of social assistance.	2016	Draft Concept for a new model of social assistance was prepared by a working group as of January 31, 2016.	A discussion is pending on improvement of legislation in the field of social assistance and streamlining the institutional structure related to social protection of the lowest income and highest risk groups of the population.	December 2017	Total amount of social benefits in 2016 – BGN 148.5 mln.	
	Improving access to the labour market for people with disabilities	Integration of people with disabilities and vulnerable groups	Q1 2016	Operation “Active inclusion” was approved by the MC members of the OP HRD 2014-2020 in July 2015. Operation “Development of social entrepreneurship” was approved at the 2nd meeting of the MC of OP HRD 2014-2020.	Launching the procedure for a call of proposals is pending.	2018 2019	OP HRD – BGN 115 mln.	

Partnership Agreement of the Republic of Bulgaria, outlining the ESIF assistance for 2014-2020 sets the priorities and organization of effective and efficient use of the ESIF for work on the Union strategy for smart, sustainable and inclusive growth for 2014-2020. All programs supported by the ESIF have been approved and started at the end of 2015.

Focus of investments of calls for proposals announced in 2015 under the programs financed by the ESIF²⁷:

- ▶ Two procedures are launched aimed at achieving *smart growth*. They aim at increasing innovation activities in enterprises and increasing productivity and export potential of Bulgarian SMEs. Contracted funds as of 25.03.2016 amount to BGN 227.2 mln.
- ▶ Twenty-two procedures are announced aimed at achieving *sustainable growth*. They are targeted at protecting and improving water status; reducing the amount of landfilled municipal waste; improving the conservation status of species and habitats of Natura 2000 network; reducing air pollution; improving energy efficiency; development of rail and road infrastructure in the trans-European transport network; increasing the use of metro. Contracted funds as of 25.01.2016 amount to BGN 1.42 bln.
- ▶ Twenty-five procedures are announced aimed at achieving *inclusive growth*. They are targeted at increasing participation in continuing training; increasing the share of graduates of vocational or higher education, starting work on their skills during the first year after graduation; increasing the number of university graduates; reducing the share of early school leavers and sustainable retention of students in the education system; increasing the educational institutions that provide a supportive environment for inclusive education; increasing the number of students and children from marginalized communities, including Roma, successfully integrated through education; improving the conditions of modern educational services; increasing the number of unemployed or inactive persons starting work; improving access for people with disabilities and people over 65 years to the service of social inclusion and healthcare; reducing the number of children and young people placed in institutions; sustainable integration in the labour market of young people, particularly those who are not engaged in employment, education or training, including young people at risk of social exclusion and young people from marginalized communities. Contracted funds as of 25.01.2016 amount to BGN 416 mln.

Focus of investment of procedures of programs planned for granting financial assistance in the Indicative Annual Programs for 2016²⁸:

- ▶ Eleven are the procedures designed to achieve smart growth. The procedures are planned for construction and development of centres of excellence; construction and development of centres of competence; development of product and manufacturing innovation; development of pro-innovative infrastructure and of a science and technology park; development of clusters; development of managerial capacity of SMEs; diversification and new forms of income, boosting technological development, innovation and knowledge transfer.
- ▶ Twenty are the procedures aimed at achieving *sustainable growth*. The procedures are planned for improving monitoring of water quality; design and construction of anaerobic plants for separately collected biodegradable waste and to provide additional capacity for the recovery of waste with energy production; improving the conservation status of species and sanctuaries in the Natura 2000 network; to increase energy efficiency; to remove obstacles in the security of

²⁷ The information is provided by the Information system for management and monitoring of EU funds -ISMM 2020

²⁸ The information is from the Indicative annual work programs for 2016 under the programs co-financed by the ESIF

gas supply; the conservation of marine biological resources and reduce the impact of fisheries on the marine environment.

- ▶ Twenty-three are the procedures aimed at achieving *inclusive growth*. The procedures are planned for creating conditions for modern educational services; to support emergency departments in district general hospitals to develop capacity for emergency medical assistance; deinstitutionalization of social services for children and adults; for introduction of a system of credits in vocational education and training; for an educational environment for active social inclusion; to promote labour mobility; to help raise the professional capacity of doctors in training, specializing and providing better health services; for education of adults who have passed training courses; to facilitate access to employment for unemployed individuals by providing services in consumer's home; for trainings of employees; for active inclusion; for socio-economic integration of vulnerable groups and for development of social entrepreneurship.

Investments aimed at increasing effectiveness and efficiency of public administration and judicial system and provision of quality administrative services²⁹:

- ▶ Six procedures were announced in 2015 aimed at good governance and access to quality administrative services; reducing administrative and regulatory burdens and increasing services provided electronically; increasing transparency and efficiency of the judiciary; modernization of institutions in the field of social inclusion, health, equal opportunities and non-discrimination and working conditions.
- ▶ Indicative procedures planned in the annual work program for 2016 are aimed at improving the business environment; enhancing the expertise in the administration; improving the effectiveness and performance of organizations in the public sector by introducing the Common Assessment Framework (CAF); more active involvement of NGOs and professional organizations in the development process; monitoring and evaluation of reform strategies and suggestions for improvements in the judiciary. Contracted funds as of 25.01.2016 amount to BGN 8 mln. ▲

²⁹ The information is provided by the ISMM and IAWP for 2016 concerning programs co-financed by the ESIF