



REPUBLIC OF BULGARIA
Ministry of Finance

EUROPE 2020: NATIONAL REFORM PROGRAMME

2018 Update

April 2018
Sofia, Bulgaria

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List of Abbreviations

AAQ – Ambient Air Quality;	FM – Financial mechanism;
ASO – Amending and Supplementing Ordinance;	FSAP – Financial Sector Assessment Programme
BNB – Bulgarian National Bank;	FSC – Financial Supervision Commission;
CL – Commercial Law;	GA – Grant Assistance;
CAIS – Centralised administrative information system;	GDP – Gross Domestic Product;
CESA – Centres for Employment and Social Assistance;	GFA – Grant Financial Assistance;
CIP – Climate Investment Programme;	GIS – Geographic Information System;
CMD – Council of Ministers Decree;	GMI – Guaranteed Minimum Income;
CoM – Council of Ministers;	HICP – Harmonised index of consumer prices;
CoM Decision – Decision of the Council of Ministers;	IJSC – Insurance Joint-Stock Company
CP – Clinical paths;	ILO – International Labour Organisation;
CPC – Commission for Protection of Competition;	IMF – International Monetary Fund;
CRT – Control of road transport;	INN – International non-proprietary name;
CSES – Center for Special Educational Support;	IPA – Institute of Public Administration;
CSR – Country Specific Recommendation;	IPURD – Integrated Plan for Urban Regeneration and Development;
EA – Employment Agency;	IRLPP – Implementing Rules of the Law on Public Procurement;
EA “GLI” – Executive Agency “General Labour Inspectorate”;	IRLSA – Implementing Rules of the Law on Social Assistance;
EAC – Ex ante conditionalities;	IRLIP – Implementing Rules of the Law on Investment Promotion
EAM – Executive Agency for Medicines;	ISCED – International Standard Classification of Education;
EBRD – European Bank for Reconstruction and Development;	ISSS – Innovation Strategy for Smart Specialization;
EC – European Commission;	JSC – Joint Stock Company;
EEA – European Economic Area;	LAS – Law Amending and Supplementing;
EE – Energy Efficiency;	LBNB – Law on the Bulgarian National Bank;
EIOPA – European Insurance and Occupational Pensions Authority;	LQAA – Law on Quality of Ambient Air;
EMEPA – Enterprise for Management of Environmental Protection Activities;	LCI – Law on Credit Institutions;
EP – European Parliament;	LEE – Law on Energy Efficiency;
EPSR – European Pillar of Social Rights;	LEnP – Law on Environmental Protection;
ESF – European Social Fund;	LEP – Law on Employment Promotion;
ESIF – European Structural and Investment Funds;	LERS – Law on Energy from Renewable Sources;
ESO – Electricity System Operator;	LFAC – Law on Family Allowances for Children;
EU – European Union;	LFSC – Law on the Financial Supervision Commission;
EU ETS – European Union Emissions Trading System;	LIP – Law on Investment Promotion;

LIPD – Law on Integration of People with Disabilities;

LMPHM – Law on Medicinal Products in Human Medicine;

LCP – Law on Child Protection;

LOC – Law on Obligations and Contracts;

LPP – Law on Public Procurement;

LPSE – Law on Pre-School and School Education;

LSA – Law on Social Assistance;

LSBRB – Law on State Budget of the Republic of Bulgaria;

LVAT – Law on Value Added Tax;

LVET – Law on vocational education and training;

LWM – Law on Waste Management;

MAH – Marketing Authorisation Holder;

GC – Governing Council;

MES – Ministry of Education and Science;

MEW – Ministry of Environment and Water;

MH – Ministry of Health;

MIP – Macroeconomic imbalances procedure;

MLSP – Ministry of Labour and Social Policy;

MS – Member States;

MW – Minimum wage;

NA – National Assembly;

NAPE – National Action Plan for Employment;

NFM – Norwegian Financial Mechanism;

NHIF – National Health Insurance Fund;

NIF – National Innovation Fund;

NRA – National Revenue Agency;

NRIA – National Roads Infrastructure Agency;

NRP – National Reform Programme;

NSDSR – National Strategy for the Development of Scientific Research;

NT – National target;

NTEF – National Trust Eco Fund;

OP – Operational Programme;

OPE – Operational Programme “Environment”;

OPGG – Operational Programme “Good Governance”;

OPHRD – Operational Programme “Human Resources Development”;

OPIC – Operational Programme “Innovation and Competitiveness”;

OPRG – Operational Programme “Regions in Growth”;

OPSESG – Operational Programme “Science and Education for Smart Growth” 2014-2020;

OPTTI – Operational Programme “Transport and Transport Infrastructure” 2014-2020;

PA – Priority axis;

PDL – Positive Drug List;

PM – Particulate matter;

PPA – Public Procurement Agency;

RB – Republic of Bulgaria;

RCSIE – Regional Center for Support of Inclusive Education;

RD – Research and Development;

REER – Real effective exchange rate;

RES – Renewable Energy Sources;

RPCMA – Rules of Procedure of the Council of Ministers and of its administration;

SAA – Social Assistance Agency;

SAC – Supreme Administrative Court;

SB – State Budget;

SDP – Strategic Development Policy;

SG – State Gazette;

SIC – Social Insurance Code;

SMEs – Small and medium-sized enterprises;

SPI – Single Point of Information;

SRF – Scientific Research Fund;

SRSS – Structural Reforms Support Service;

SRSP – Structural Reform Support Programme

TFP – Transitional and final provision;

TH– technology hubs;

TTO – Technology transfer offices;

TUFA – Total useful floor area;

ULC – unit labour costs;

UNO – United Nations Organisation;

VAT – Value Added Tax;

VET – Vocational Education and Training;

WB – World Bank;

WSS – Water Supply and Sewerage;

WWTP – Waste Water Treatment Plants;

YEI – Youth Employment Initiative.

INTRODUCTION

The 2018 update of the NRP has been prepared in the framework of enhanced monitoring of economic policies in the EU. Bulgaria has focused on the implementation of measures, addressing the 2015 and 2016 CSRs of the Council on the macroeconomic imbalances, identified by the EC. The Country Report Bulgaria 2018, together with the documents launching the next European Semester, has served as a starting point for the current update of the NRP. Emphasis has been laid on the areas where limited or some progress has been found, as well as where progress has been substantial but the recommendations have not been fully implemented yet.

The 2018 update of the NRP has been developed in accordance with the government priorities for the period 2017–2021, the Medium-Term Budget Forecast for the period 2019–2021 and the Convergence Programme of the Republic of Bulgaria (2018–2021).

The favourable economic situation helps to overcome imbalances that are no longer considered excessive. The stability of the financial sector has been ensured and the labour market continues to recover. Major commitments in areas with imbalances have been fulfilled. Progress has also been made in implementing the measures, including the ones improving the business environment. Economic growth, positive developments of key macroeconomic indicators and strong fiscal stance are fundamental for the implementation of the reforms presented in the programme that accelerate the process of convergence. Programme commitments and measures are consistent with the implementation of EPSR principles and rights. Also included are projects funded under the EC SRSP designated in 2017 by the Council of Ministers as priority.

The National Reform Programme includes four sections. The first one contains a brief overview of the macroeconomic outlook. The second section is divided into two parts and includes measures in response to the recommendations and the deficiencies specified in the Country Report Bulgaria 2018, as well as policies to improve the competitiveness of the economy. The third section provides a progress review in the implementation of the NT under the Europe 2020 Strategy. For each CSR, policy area and NT, specific tabular information is presented on the measures that will implement the commitments and policy objectives within the present semester. The relation between the priorities in the financing of the ESIF for the period 2014-2020 with the identified challenges in the Country Report Bulgaria 2018, the 2017 CSR and the implementation of the NT under Europe2020 Strategy is briefly presented in the last section.

1 MACROECONOMIC CONTEXT AND SCENARIO

1.1 Macroeconomic outlook for the period covered by the programme

In 2017 GDP grew by 3.6% in real terms, with domestic demand being the main driver. It will determine the expected acceleration of the economic growth to 3.9% in 2018, underpinned by the projected increase in public consumption and investment, as well as by the private consumption. The forecasts of the international institutions are for a negligible slowdown in the economic activity in the EU and acceleration of global growth. This will maintain the external demand and the growth of exports of goods will remain close to that of the previous year, while the expected improvement in services will drive the acceleration of total exports compared to 2017. The higher economic activity in 2018 will contribute to the increased growth of imports of goods and services, which would increase the negative contribution of net exports.

In the period 2019–2021, the rate of economic growth is expected to gradually slow down, but to remain high, which will continue to foster real convergence to EU average levels of income and provide a stable environment for sustained adjustment of macroeconomic imbalances. The slowdown in growth to 3.8% in 2019 will be linked to the weaker increase in public investment and private consumption due to the expected deceleration in income and employment dynamics. The latter will continue to limit the growth of consumption over the period 2020–2021, while investment activity is expected to moderately increase. The negative contribution of net exports will gradually decline, influenced by the slowdown in imports, and economic growth will remain at 3.7% over the last two years of the projected horizon.

After being negative in 2014–2016, the annual average inflation turned positive in 2017 and HICP rose by 1.2%. In 2018, the rise in the overall price level is expected to accelerate to 1.8%, with higher domestic demand contributing to higher services prices and rising international oil prices, on their turn, to higher domestic energy prices. Under the impact of rising core inflation, the average annual inflation is expected to gradually accelerate to 2.1% in the period 2020–2021, while fuel price increases will slow down due to the expected decline in the international oil price after 2019.

The dynamic development of the labour market in 2017 led to employment growth of 1.8%¹, unemployment decrease to the lowest level since 2009 at 6.3%² and to increased economic activity of the working-age population to historically highest value of 71.3%. Thus, all labour market indicators included in the MIP³ Scoreboard remained within the indicative thresholds for a second consecutive year. The reported increase in the labour force was especially favourable, which shows the activation of inactive groups under the conditions of shrinking population. The group of young people (15–24) also registered an increase in the economic activity, which had an impact on the increase of the youth employment rate, while youth unemployment rate of 12.9% was by 3.9 percentage points below the EU average. The structural improvement in the labour market is also evidenced by the rapid decline in the rate and the share of long-term unemployed.

Positive trends in the labour market are expected to persist over the medium term, although the pace of improvement will be curbed by negative demographic developments and the corresponding impact on the labour supply. The unemployment rate will slow down the pace of decrease in the period 2018–2021 and will reach 5.4% at the end of the forecast period.

Competitiveness indicators also showed favourable dynamics in 2017. Compensation per employee growth accelerated to 7.5%, as nominal unit labour cost (ULC) rose by 5.7% compared to 2016. However, the sustained growth rate of the compensation per employee in the period 2014–2016, which is the lowest since 2003, along with the increase in labour productivity, helped to keep the three-year change in nominal ULC in 2017 below the indicative threshold for a second consecutive year. In 2017, labour productivity growth

¹ According to the definition of employment under the ESA 2010

² Eurostat data.

³ For the purpose of monitoring under the Macroeconomic imbalances procedure in the EU.

slowed down to 1.7%⁴ due to the reported decrease in agriculture. However, in the period 2018–2021, the growth rate of the indicator is expected to increase to about 3.5% on average. Under the influence of strengthening economic activity in 2018 and the projected increase in wages in priority areas of the public sector, the growth of the compensation per employee will remain close to that observed in 2017. From 2019 to the end of the forecast horizon, the income growth rate will decelerate, in line with the slower employment growth, while nominal ULC will rise moderately, at an annual average rate of around 3%.

The improved competitiveness in 2017 is also evidenced by the continuous increase in Bulgaria's export market shares in both world and intra-EU imports. The surpluses on the current (3.9% of GDP) and the capital (1% of GDP) accounts supported the improvement of the net external position of the economy. At the end of September, the net international investment position fell below 40% and it is expected that the indicator will remain close to the indicative threshold in 2017. The expected positive current account balance during the forecast horizon remains within the defined threshold and will continue to restrict the negative balance of the investment position.

In 2017, the banking system sustained its high levels of capital, liquidity and profitability. At the end of December, the liquid assets ratio was 38.97% and the total capital adequacy ratio reached 22.08%. The net profit realized by the banking system amounted to BGN 1,174 million or 7% less than in 2016, reflecting banks' credit risk management policies and the effect of impairment costs on their financial results. The trend from the previous year of growth of regular loans and the accelerated decline of bad and restructured loans continued. The shrinkage of the latter was more pronounced in loans to non-financial corporations. The share of gross non-performing loans and advances in the banking system at the end of December 2017 decreased to 10.2% (against 12.9% at the end of 2016).

In 2017, credit growth for the private sector rose steadily to 4.8% at the end of the year. In the period 2018–2021, lending to the private sector will continue to accelerate progressively, in line with the expectations for the relatively stable growth in private consumption and investment, and the projected sustained, albeit decelerating, increase of employment and income. By the end of 2021, the annual growth rate of claims on the private sector is expected to reach 6.3%.

The improved consumer confidence, increased household disposable income, high level of savings, and historically low interest rates have contributed to rising house prices. The annual rate of change in the housing price index accelerated above 8% in the third quarter of 2016. The real index⁵ also accelerated and for the whole 2017 it recorded an increase of 7.5%, which was above the indicative threshold of 6% for second consecutive year. The reported dynamics was related to the higher domestic demand and the strong influence of fundamental factors. Supply is still lagging behind, but there are already signs of its recovery, including the substantial increase in building permits, the improvement of business climate and output in construction in 2017, as well as the recovery of the value added in the sector.

⁴ Measured as GDP in 2010 prices per employed according to ESA 2010

⁵ Calculated with private consumption deflator

Table 1-1: Scoreboard of Microeconomic Imbalances

Indicators	Thresh- old	2010	2011	2012	2013	2014	2015	2016	2017
Current account balance - % of GDP (3 years average)	-4%/6%	-10.7	-3.2	-0.7	0.3	0.2	0.4	1.8	3.1*
Net international investment position, % of GDP	-35%	-91.9	-82.8	-77.9	-72.8	-75.2	-61.2	-47.0	-39.6**
REER deflated with HICP, against 42 trading partners (3 years percentage change)	± 11%	9.7	1.9	-4.0	-0.9	-2.8	-4.2	-4.7	-3.4
Export market share, % of global exports (5 years percentage change)	-6%	8.1	11.3	-0.6	0.3	5.9	12.2	8.2	
Nominal unit labour cost index (2010=100, 3 years % change)	12%	29.5	17.7	12.2	15.6	18.0	14.9	9.5	10.6
House price index (2015=100, deflated, annual percentage change)	6%	-12.3	-8.7	-5.3	0.4	1.5	1.6	7.1	7.5
Private sector credit flow, % of GDP(consolidated data)	14%	3.7	1.4	3.0	7.2	-1.1	-0.3	4.0	
Private sector debt,% of GDP (consolidated data)	133%	132.5	124.2	125.0	131.9	123.6	110.5	104.9	
General government gross debt, % of GDP	60%	15.3	15.2	16.7	17.0	27.0	26.0	29.0	
Unemployment rate, % (3 years average)	10%	7.6	9.5	11.3	12.2	12.2	11.2	9.4	7.7
Total financial sector liabilities (non-consolidated data, 1 year % change)	16.5%	-5.4	5.4	10.2	4.3	5.6	6.2	11.1	
Activity rate (15-64), (3 years change in p.p.)	-0.2%	0.4	-1.9	-0.1	1.7	3.1	2.2	0.3	2.3
Long-term unemployment rate (15-74), (3years change in p.p.)	0.5%	0.6	3.4	3.8	2.7	0.6	-1.2	-2.9	-3.5
Youth unemployment rate (15-24), (3years change in p.p.)	2%	7.8	13.1	13.0	6.5	-1.2	-6.5	-11.2	-10.9

* Based on annual data as of 14 March 2018

** As of September 2017 with reported data as of 14 March 2018

Source: EC, MoF

2 POLICY RESPONSE TO MAJOR ECONOMIC CHALLENGES

2.1 Implementation of the 2017 country-specific recommendations of the Council addressing macroeconomic imbalances

The recommendations to Bulgaria for 2017 are four, and for the third consecutive year they are in areas with macroeconomic imbalances – tax collection and combating undeclared work, banking and non-banking supervision, regulatory insolvency framework and active labour market policies. Recommendations have been also made in the area of public procurement, as well as in certain social aspects of the education and healthcare sectors, which were also monitored in 2016.

Items 3.1.1 to 3.1.4 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

Further improve tax collection and tax compliance, including through a comprehensive set of measures beyond 2017. Step up enforcement of measures to reduce the extent of the informal economy, in particular undeclared work.

🕒 Policy summary

Tax and social security policy continues to be aimed at supporting economic growth, improving the business environment and enhancing fiscal sustainability in the long run. Internationally, tax policy is aimed at supporting the functioning of the European Union's Single Market and meeting the challenges of globalisation and the digitalisation of the economy. Reducing administrative burden and costs for businesses and citizens remain in the policy focus.

In the field of tax policy, with regard to the shadow economy, the objectives are aimed at implementing measures and actions that can have a restrictive effect on the prerequisites and indicators of the shadow economy and its impact on the amount of tax revenue in the state budget. Such prerequisites and indicators are: cash payments, concealing sales or reporting sales at lower prices (e.g. real estate at tax value), performing unregistered activities or undeclared work for remuneration, keeping double-entry bookkeeping. Policy measures aim at effective control and correct determination of tax obligations.

Legal changes and actions of the revenue administrations in the field of collection and control have been envisaged in order to implement the above mentioned priority objectives. Achieving better effectiveness in implementing the measures is directly linked to strengthening interinstitutional cooperation, coordination and effective exchange of information both at national level and with EU Member States and third countries.

With a view to making significant progress in improving tax revenue collection and in the fight against the shadow economy, a Single National Strategy for improving the tax collection, tackling the shadow economy and reducing the compliance costs is currently implemented. The results obtained from its implementation are reported to the Council of Ministers on an annual basis. In view of the positive results achieved and in response to the Council recommendation to provide a comprehensive set of measures beyond 2017 the Single National Strategy was extended to 2018.

The implementation of measures to reduce and prevent the informal economy and to transform undeclared work into regular employment will continue to be a subject of an interinstitutional approach. To facilitate access to one-day labour contracts for farmers EA "GLI" has developed an Internet-based information product that allows declaring the contracts at any time in remote areas. The online service is expected to make seasonal employment more popular among small farmers in remote areas.

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The EC notes that, despite the relatively simplified tax system, the administrative burden of paying taxes remains high. The ability of the tax system to correct poverty and social disparities is considered limited.

The Commission recognizes that efforts to improve compliance with tax legislation are effective. However, the Commission considers that their impact on revenues remains limited. The tax system is evaluated to be still unable to reach its full potential.

The EC recognizes the positive effect of introducing one-day contracts aimed at reducing undeclared work in agriculture. Despite this, it notes that high levels of undeclared work continue to distort the labour market and hinder fair working conditions, especially in the ongoing increase in the number of workers without a contract. Organized joint inspections between fiscal and labour authorities are assessed as promising future improvements in efficiency and scope.

🕒 Policy response

Competent institutions will continue to apply the best practices recommended by the Council, adhering to planning, interinstitutional cooperation and coordination, and applying a systematic approach to the measures implemented and the effect pursued. In this respect, in 2018, the Single National Strategy will continue to be implemented to increase tax collection, tackle the shadow economy and reduce compliance costs.

The NRA will continue to develop new e-services for the other administrations to enable their staff to receive the information they need to fulfil their direct official duties. The extension of the scope and the improvement of the mechanism for fiscal control of high fiscal risk goods are continuing.

In response to the Council's CSR1 of 2016, the NRA is implementing seven projects under the EU Structural Reform Support Programme. They are aimed at improving fiscal control, risk management, collection, avoidance of double taxation, and customer service.

In the field of undeclared work in enterprises, an amendment to the LPP from the end of 2017 will apply, which regulates the removal of a participant in a LPP procedure, when it is established that in the previous three-year period a penalty has been imposed on him/her for the use of undeclared work. This requirement also applies to subcontractors, which are mainly small and micro enterprises. The measure is expected to significantly reduce the use of undeclared work in the construction sector.

Based on the cooperation between the NRA and researchers from two Bulgarian universities, in 2017 a project aimed at risky employers, mostly SMEs registered under the LVAT, started. Two behavioural experiments will be conducted, based on theoretical behavioural patterns that provide positive behavioural changes.

The joint work of EA "GLI" and the NRA continues by carrying out various campaigns as well as improving the coordination between the two institutions. The NRA communication campaign "Wage in an envelope" aims at raising the awareness of the risk groups about the disadvantages related to the payment of social security contributions on amounts lower than the actual amounts, as well as the signing of the so-called "part-time employment contract". The campaign also includes promoting the site (<http://zaplatavplik.bg>) containing a "loss calculator".

In 2018, the fourth part of the NRA's "Get to Know the Taxes" Education Programme will be held. The main goal of the campaign is to raise tax and fiscal awareness of the young generation and to provide it with basic knowledge about Bulgaria's tax and social security system. For this purpose, tax online video tutorials are created and published on a specialized tax portal (www.vlezcvas.bg). In the course of the campaign, over 100 teachers trained by NRA officials will meet with students aged between 14 and 18.

Table2-1: Measures addressing CSR 1, part of Annex 1

Policy area	Measure title	Information on measures taken and planned					Expected effect, incl. budgetary	Output indicators: current and target value
		Brief description of the measure	Start date	Current state (as of 11 April 2018)	Upcoming stages in the implementation of the measure until its implementation deadline (after 1 May 2018)	End date		
1	2	3	4	5	6	7	8	9
Tax policy, improvement of tax collection / reduction of informal economy	Implementation of the Single National Strategy for improving the tax collection, tackling the shadow economy and reducing the compliance costs 2015-2017.	<p>Extending the implementation of the Strategy in 2018.</p> <p>Implementing the 2018 Action Plan measures.</p> <p>Preparing a report on the 2017 implementation of the measures of the Action Plan to the Strategy.</p>	January 2018	<p>The deadline for implementing the Strategy has been extended. An Action Plan for 2018 was approved by Council of Ministers Decree No 95 of 16.02.2018.</p> <p>The annual report on the implementation of the measures of the Action Plan to the 2017 Strategy was prepared and adopted; it was approved by the Council of Ministers by a decision under item 22 of Protocol No. 12 on 21.03.2018.</p>	Implementation of the measures and activities of the 2018 Action Plan to the Strategy.	<p>December 2018</p> <p>March 2018</p>	<p>1/ Amount of established damages/violations;</p> <p>2/ Growth of liquidated liabilities and remuneration paid to employees;</p> <p>3/ Reduced compliance costs.</p>	<p>1/ Facilitating administrative procedures and shortening the time for the provision of services by the administration;</p> <p>2/ Decreasing the size of informal economy.</p>

2.1.2 Country-specific recommendation 2

Take follow-up measures on the financial sector reviews, in particular concerning reinsurance contracts, group-level oversight, hard-to-value assets and related-party exposures. Improve banking and non-banking supervision through the implementation of comprehensive action plans, in close cooperation with European bodies. Facilitate the reduction of still-high non-performing corporate loans, by drawing on a comprehensive set of tools, including by accelerating the reform of the insolvency framework and by promoting a functioning secondary market for non-performing loans.

🕒 Policy summary

In December 2017, amendments to the LCI were adopted as regards exposures to bank related parties. In the same period amendments to the LBNB were adopted, which transferred to the BNB Governing Council banking and payment supervision competencies from the Deputy Governor in charge of the Banking Supervision Department and the Deputy Governor in charge of the Banking Department.

As a result of the reviews carried out in the non-banking financial sector, including with regard to the group level supervision of insurers, corrective actions have been taken in due course both by the insurers and by the FSC. Concerning reinsurance contracts, the FSC published a well-established interpretation of EIOPA on the application of the provisions of Solvency II and its implementation will be monitored after submission of the annual audited accounts of insurers. To improve supervision in the non-banking financial sector in November 2017 amendments to SIC⁶ were adopted aimed at improving the definition of “related parties” and at restricting investing in financial instruments issued by related parties and acquiring assets from related parties. With respect to hard-to-value assets, insurers report a significant reduction in their exposures.

In response to the recommendations in the IMF and WB report on the Financial Sector Assessment Programme (FSAP) 2016-2017, legislative amendments were made to the LFSC⁷ in order to improve the FSC’s powers, and the regulator adopted new Procedural Rules for the Organisation and the Operation of its administration⁸.

With the changes in the CL introduced at the end of 2016, application of more effective measures was ensured by introducing stabilisation proceedings as a way to prevent bankruptcy. It allows an agreement to be concluded between the trader and his creditors on how to fulfil his obligations before the opening of insolvency proceedings and on the restructuring of the undertaking’s liabilities. Stabilisation proceedings can be initiated for a trader who is not insolvent, but is in imminent danger of insolvency. It is expected that the new insolvency legislation will also have significant horizontal effects, incl. creating conditions for facilitating the process of reducing non-performing business loans.

In response to this recommendation and in view of the proposal of the EP and the Council for a new restructuring and a second chance Directive⁹, with the amendments to the CL, the Bulgarian parliament adopted a procedure allowing the restructuring of viable companies and sole traders. The procedure is entirely new and is applicable from 1 July 2017. It allows companies with temporary financial difficulties to renegotiate their obligations and restart their business activities. At the same time, measures have been taken to strengthen the capacity of judicial and out of court bodies dealing with insolvency.

Possible further development of the policy promoting the development of a secondary market for non-performing loans transactions will also be consistent with the development of the Europe-wide policy implementing of the Council Conclusions on the Action Plan to tackle non-performing loans in Europe adopted in July 2017.

⁶ The bill was adopted and promulgated in the State Gazette No. 92 of 17.11.2017.

⁷ Prom. State Gazette, No 95 of 28.11.2017, in force since 1.01.2018

⁸ Prom. State Gazette, No 53 of 4.07.2017

⁹ Proposal for a Directive of the European Parliament and of the Council on preventive restructuring frameworks, second chance and measures to increase the efficiency of restructuring, insolvency and discharge procedures and amending Directive 2012/30/EU.

🕒 Country Report Bulgaria 2018

According to the EC, the positive macroeconomic developments and policy actions undertaken have led to fading of imbalances. The European Commission has reported improving of the stability of the banking sector. Nonetheless, it considers it necessary to focus the attention on exposures to hard-to-value assets and to related parties. Banks have adhered to the deadline for strengthening their capital buffers and are making efforts to regain their stability. Significant progress has been made in improving banking supervision, with some measures remaining to be fully implemented.

The European Commission also appreciates the increased sustainability of the non-banking financial sector. The net assets of pension funds and insurance companies, as well as the debt securities market and the stock market capitalisation have increased. Steps have been taken to address some specific issues with regard to: specific reinsurance contracts, the valuation of some hard-to-value assets, and group level supervision.

The share of non-performing loans is declining but still remains high. As a reason for the slow reduction of the high level of corporate indebtedness, the EC identified the incomplete reform of the insolvency framework and the still undeveloped secondary market for non-performing loans.

🕒 Policy response

The BNB analysis assesses the current state of the regulatory framework as adequate and all banks in the country fulfil the regulatory requirements. Banks have covered the recommendations of the asset quality review conducted in 2016. In addition to the amendments to the LCI adopted in December 2017 regarding exposures to bank related parties under Article 45, the BNB plans to issue an ordinance regulating the requirements for the process of identifying and assessing exposures to related parties, while introducing regular reporting to supplement the current notification regime under Article 71 para 1 item 5 of the LCI.

The principles for assessing the value of banks' assets and liabilities are governed by IFRSs and, in particular, IFRS 13 "Fair value measurement". The practical application of IFRS 13 takes into account International Financial Reporting Standards prepared by the International Valuation Standards Council, London. IFRSs offer clear principles for determining the value of assets, therefore each asset class is fairly valued and it should not be considered that the so-called hard-to-value assets exist.

At the beginning of April 2018, the BNB adopted a decision on the implementation of the Guidelines of the European Banking Authority on connected clients in force since January 1, 2019¹⁰. The Guidelines set out the appropriate practices that banks should apply in the area of large exposures and identification of connectedness between the bank's customers.

The trend regarding the non-performing loans continues to be positive. Further regulatory framework amendments regarding non-performing loans are expected in connection with the forthcoming guidelines of the European Banking Authority and EC proposals for provisioning of such exposures.

As regards reinsurance contracts, the FSC published an interpretation by the European Insurance and Occupational Pensions Authority (EIOPA) on the application of the Solvency II provisions in connection with the reporting of recoverable amounts under "clean-cut" quota reinsurance contracts and EIOPA's opinion on the reporting of recoverable amounts under "clean-cut" quota reinsurance contracts. The FSC will monitor all insurers and reinsurers that conclude such contracts and whether the auditors comply with the opinion of EIOPA. Performance will be tracked after the submission of the annual audited accounts of insurers.

With regard to group level supervision, one of the companies falling within the scope of supervision has sold the shares held by it and is no longer identified as an insurance group and is not subject to group level supervision.

¹⁰ Guidance on connected clients pursuant to Article 4 (1) (39) of Regulation (EU) № 575/2013, http://www.bnb.bg/PressOffice/POPressReleases/POPRDate/PR_20180402_BG

Following the FSC's decision to perform the second balance sheet review at group level, another ultimate parent entity falling within the scope of supervision, appealed the decision and requested suspension of the interim execution of the decision. In April, the Supreme Administrative Court adjourned suspension of interim execution of the decision until the final settlement of the dispute by an effective decision of the court. At this point, the dispute is still pending before the court. In this respect, no group-level supervision measures can be taken as regards this company until the decision by the Court on the case is final.

With a view to improving non-banking supervision, the FSC has jointly developed with EIOPA an Action plan containing concrete measures reflecting the Council's recommendation and those of the IMF and WB final report. Most of the measures in the Plan were fulfilled with the promulgation of the LFSC (No. 95 of 28.11.2017) and the new FSC Procedural Rules for Organisation and Operation.

At present, proceedings for the stabilisation of traders, analogous to the restructuring process, are applicable in Bulgaria (in force since 1 July 2017). Some institutes have also been improved in the existing legal framework of insolvency, for example, new presumption of insolvency under Art 608 of the CL have been introduced in order to allow for expediting the initiation of insolvency proceedings. There is still no legal basis of the debt waiver proceedings. The initiative at EU level for a completely new directive in the field also includes the introduction of EU-level harmonization of debt waiver proceedings for natural persons – entrepreneurs. A special section with measures to increase the effectiveness of insolvency proceedings is foreseen, which includes greater involvement of MS in the training of judges/court assistants and insolvency lawyers and related restructuring and debt waiver procedures. In connection with these measures, an improvement of the criteria and mechanisms for collection and processing of the related statistics is also envisaged.

Under the SRSP 2017–2020, funding has been provided for the implementation of a large-scale project to ensure the improvement of the legal framework of insolvency and its implementation through relevant organizational, technological and other tools. The project will be structured with the participation of representatives of the executive and the judiciary.

Table 2-2: Measures addressing CSR 2, part of Annex 1

Policy area	Measure title	Information on measures taken and planned					Expected effect, incl. budgetary	Output indicators: current and target value
		Brief description of the measure	Start date	Current state (as of 11 April 2018)	Upcoming stages in the implementation of the measure until its implementation deadline (after 1 May 2018)	End date		
1	2	3	4	5	6	7	8	9
Strengthening banking supervision and legislation	Ordinances, internal rules and manuals in regard to supervisory activities.	Expanding the regime and detailing the treatment of exposures to bank related parties.		In December 2017, amendments to the LCI were adopted as regards exposures to bank related parties. Forthcoming is the preparation of an Ordinance related to the cited amendments that will detail the requirements for the process of identifying and assessing exposures to related parties as well as implementing regular reporting in addition to the current notification regime.	Preparation of an ordinance and a reporting form.		Enhancing banking supervision effectiveness and expanding the scope for prudential measures related to incorrect accounting and compliance with limits on lending to related parties.	
Strengthening supervision and legislation in the non-banking financial sector	Implementing an Action Plan prepared jointly with EIOPA.	Preparing FSC's medium-term resource management procedure in accordance with identified risks for FSC's failure to perform its functions, emerging risks and change in priorities.	January 2018	The risks for 2017 regarding the functions of the FSC through the Risk Register for 2017 have been identified and the implementation of the actions undertaken has been monitored through the Risk Register Report for 2017. The Risk Register for 2018 has been prepared. A three-year budget forecast for 2019-2021 has been prepared; An overview of the current internal rules has been made; The following FSC internal rules have been updated: <ul style="list-style-type: none"> – for commissioning of staff in EU structures and international organisations (Order No 153/03.05.2017); – Procedure for planning, organizing and implementing training of employees (Order No. 373/03.11.2017); 	<ol style="list-style-type: none"> 1. Preparation of a timetable for updating and synchronising FSC's internal rules; 2. Update of the Internal Rules for Organization and Accountability of Own Earnings; 3. Updating of the Human Resource Management Policy; 4. Assessing procedures and rules for adequacy; 5. Preparation of an overall procedure. 	December 2018	Creating conditions for effective FSC resource management.	Prepared internal rules and procedures.

1	2	3	4	5	6	7	8	9
				<ul style="list-style-type: none"> – Internal Rules on Wages (FSC’s Decision on Protocol No. 92 of 21.12.2017); – Internal Working Regulations in FSC (Ordinance No. H-418/22.12.2017); – Internal Rules for Organization and Accountability of Expenditures in FSC (Ordinance No. 335/05.10.2017); – Internal Rules for the Organization of the Budgetary Process in FSC (Ordinance №374/03.11.2017); – FSC’s accounting policy, the individual chart of accounts and the establishment of the FSC’s Depreciation Policy (Order 421/22.12.2017). 				
		Implementing a training plan for employees.	standing	In 2017, 44 specialized trainings were held in the country and abroad, involving 299 FSC employees.	Establishing a new training plan for FSC employees for 2018, focusing on specialized training for the improvement of the professional qualification of the employees.	Q1 2018	Maintaining a high level of competence by FSC employees.	Number of trainings
		Review of the FSC’s activity for compliance with the requirements for risk-based supervision.	January 2018	<p>A draft of a manual for implementing a risk-based supervision of the activities of the pension insurance companies and the pension funds managed by them, as well as of the banks – trustees of the pension funds, has been prepared.</p> <p>Order No. 343/12.10.2017 establishing a system of criteria for the categorization of insurance companies according to their degree of risk and systemic significance has been issued.</p>	<p>Validation of the manual and step-by-step implementation of risk-based supervision.</p> <p>Practical testing of the system of criteria in 2018 and updating based on the results of internal documents.</p>	December 2018 – testing;	Bringing supervisory activity over regulated entities in the insurance and social security sector in line with the risk-oriented approach.	<p>1/ A Draft of internal procedures and practices has been prepared; Drafts of internal documents based on the results of their testing/implementation have been updated;</p> <p>2/ Identification of risks and planning of inspections of risk-rated persons under supervision.</p>
		Preparing a summary annual report on compliance with supervisory rules and procedures.	January 2018	The measure is set out in the Statute of the Internal Audit Unit, the 2018 Audit Commitments Annual Plan and the 2018 FSC Action Plan.	Implementation of the Annual Audit Commitments Plan for 2018.	December 2018	Improving supervisory activities.	Providing an independent and objective compliance

1	2	3	4	5	6	7	8	9
								assessment.
		Preparing and submitting for consideration by the Financial Supervision Commission of quarterly reports on the ongoing supervisory activities carried out (remotely and on the spot) over the supervised entities.	standing	Preparing the relevant units in FSC for producing the quarterly reports.	Reports will be produced after the end of each quarter.	Every quarter	Timely information of the FSC on identified supervisory issues, the objectives of the supervisory actions taken and their enforcement, as well as changes in the shareholder structure of the supervised entities.	Reports prepared.
		Performing review of premiums and reserves of the insurance sector.	2017	Prepared analysis of sufficiency of insurance premiums of third party liability insurance, according to insurance company and risk group for the period 2012-2017.	Preparing a report.	March 2018	Improved supervisory activity of the FSC.	Report prepared.
		Filling of vacancies.		In 2017, 43 competition procedures were conducted and 67 new employees were appointed to the FSC.	A new procedure for the selection of candidates for work at the FSC has been established, which will facilitate the appointment of experts with the required experience and education.	Q3 2018	Enhancing the FSC's administrative capacity to fulfil the powers and functions.	Reaching 100% occupancy of posts.

2.1.3 Country-specific recommendation 3

Improve the targeting of active labour market policies and the integration between employment and social services for disadvantaged groups. Increase the provision of quality mainstream education, in particular for Roma. Increase health insurance coverage, reduce out-of-pocket payments and address shortages of healthcare professionals. In consultation with social partners, establish a transparent mechanism for setting the minimum wage. Improve the coverage and adequacy of the minimum income.

🕒 Policy summary

Improving the focus of active labour market policy is related to improving employment services and introducing and implementing new tools and initiatives aimed at the labour integration of the most disadvantaged groups. An individual approach is applied, with an individual action plan prepared for each unemployed person. The actions in the plan are determined in line with the person's profile and chances of getting a job. Depending on the specific needs of the unemployed, they are involved in training and employment under programmes and measures, as well as in employment of non-subsidized vacancies. With regard to representatives of the most disadvantaged groups with low employment opportunities, an integrated approach is being applied to the provision of employment and social assistance services in 73 Employment and Social Assistance Centers.

In 2017, a new National Training and Employment Programme for the unemployed entitled "Work" was launched; it is aimed at increasing the employment and labour skills of disadvantaged unemployed people from municipalities with high unemployment rates in the labour market. Priority for employment is given to the long-term unemployed, unemployed young people and unemployed persons who receive social benefits or have basic and lower education and no professional qualification. The programme is also targeted at economically inactive, including discouraged people, who can participate in it after registering with the Labour offices. The programme started as a pilot project in September in 14 municipalities in the districts of Vidin, Vratsa and Montana, and in 2018 its implementation will continue at a national scale with the support of the OPHRD.

Implementing the principles and rights of the EPSR in the field of adult employment and training, a number of measures have been implemented. Most of the rights under Principle 4 "Active Support to Employment" are subject to regulation and their development and improvement is an ongoing process. The rights to actively support youth employment and the long-term unemployed are part of the Youth Guarantee and the recommendation of the Council of the EU on labour market integration of long-term unemployed persons, for which specific actions have been taken at national level. In order to better implement the rights in the field of employment support and adult education, new measures have been planned, including the development of mediation services, the development of an electronic qualification card providing up-to-date, publicly available information on the number of jobseekers registered in the Labour Office Directorates, according to academic degree and professional qualification, etc.

In the area of social assistance, opportunities for upgrading and supplementing social policies have been identified through an increase in GMI from BGN 65 to BGN 75. The increase positively effects: monthly and lump-sum social benefits under the LSA; targeted heating allowances; monthly social integration benefits under the LIPD; benefits under the LCP. Since the beginning of 2017, social assistance has been provided at the current address, thus, among other positive effects, labour mobility and migration are stimulated.

The results of children's education are strongly influenced by the socio-economic status of their families. Early support and intervention are needed as the most effective way to increase the future prospects of children's education. Improving the access to pre-school education for children whose mother tongue is not Bulgarian by investing in additional Bulgarian language training has been promoted. As a result of the implementation of the Programme for the Development of Pre-school Education System, it is expected that conditions for an equal start will be ensured upon entry into the first grade. Additional training has been organized for children in preparatory groups in state and municipal kindergartens and schools.

In 2017, an Ordinance on inclusive education was adopted. It gives greater autonomy to kindergartens and schools to organize their inclusive education activities. Regional support teams for children and pupils with special educational needs have received extended opportunities to provide methodological support to all kindergartens and schools in the area concerned, including by means of mobile teams. Coordination and co-operation between the education and the social systems have been strengthened. Teacher training in kindergartens throughout the country is organized to carry out a mandatory early assessment of the risk of emergence of learning difficulties for children aged 3 to 3 years and 6 months. The organization of more programmes for health education, healthy nutrition, first aid, etc., is also regulated so as to be implemented in partnership with the parents. School libraries are becoming places with social functions for information meetings between students and for access to modern technology.

Since August 2017, the auxiliary schools have been transformed into CSES, and the subject of their activity has been changed.

For the inclusion of children and pupils from ethnic minorities, a Plan for the implementation of the objectives of the Strategy for Educational Integration of Children and Pupils from Ethnic Minorities (2015–2020) has been implemented.

To increase the efficiency of the healthcare system and health outcomes continues the implementation of the objectives and measures of the National Health Strategy 2020 and its Action Plan.

🕒 Country Report Bulgaria 2018

Matching supply and demand has been hampered by persistent structural problems. Despite the methodology introduced to monitor the effectiveness of policy measures, there is still a potential to improve the targeting and effectiveness of active labour market policies. Structural problems remain, including a high share of young people not in employment, education or training, as well as labour shortages and skills mismatches.

The sizeable potential labour force is an opportunity for the economy. Long-term unemployment decreased substantially, but challenges still exist. Measures have been taken to tackle the situation of young people, but the coverage of the Youth Guarantee still remains low. Participation in active labour market policies remains limited.

Some progress has been made in improving the targeting of active labour market policies and integration policies between employment services and social services dealing with disadvantaged groups.

Integration of employment and social services is continuing and is not yet completed. Despite the progress in the modernization of the EA, a fully functional, competency-oriented and IT-based job matching is not yet in place. Significant investment is required to introduce a one-stop-shop approach for the purpose of expanding the network of centres¹¹ and harmonizing administrative processes, and joint case management, including data collection and sharing. The limited involvement of municipalities, main providers of social services, has hindered the integration of employment and social services.

Progress is being made in reforming education, but some challenges remain valid. Investment in education is improving in real terms, but it remains below the EU average. Almost 50% of teachers are aged 50 or over. Teachers are not well prepared for using inclusive teaching methods and working with disadvantaged children and young people. The new curriculum that has been developed is aimed at improving the low present educational outcomes. However, the percentage of pupils with best results in the PISA study is low. Still, the low involvement of Roma in education remains challenging. The share of low outcomes in disadvantaged pupils is among the highest in the EU, which is also due to the impact of their socio-economic status.

The kindergarten fees are a barrier to the full involvement of children in early education and care. Less than 15% of the municipalities for which data are available provide mandatory pre-primary education free of charge. This leads to low involvement of Roma children (66% in 2016) and unequal start of education. De-

¹¹ Centres for Employment and Social Assistance

spite the introduction of a new system for identifying children who do not go to school and for their returning to the education system, additional measures are needed for keeping pupils at school.

The relevance of VET to the labour market continues to be limited.

Despite the reforms that have been carried out in the field of higher education, the shortage of skilled labour remains a challenge. There will be a shortage of specialists in sectors such as ICT, pedagogy, healthcare and engineering. The number of graduates in these fields is low, especially in healthcare. Weak participation in adult education and training remains critical, given the lack of adequate skills. Almost every fifth adult is underskilled, thus having worse job prospects. Investment in adult education remains insufficient, assessment and control being weak. There is also an uneven distribution of supply in different regions of the country.

Health insurance continues to be a challenge. In 2015, 4.7% of Bulgarians faced problems with access to healthcare, which is above the EU average of 3.2%. Twelve percent of the population has no health insurance, and direct payments by patients remain high. Some groups such as long-term unemployed are at high risk of inadequate access to healthcare. Less than half of Roma are covered by public health insurance. Low public spending has a negative impact on the quality and accessibility of health care, which covers only 51% of healthcare costs. The rest is covered by the patients.

The healthcare system remains focused on hospital care. The number of hospitalisations that is one of the highest in the EU, as well as the big number of hospital beds in intensive care units, show frequent use of hospital care. Approximately 34% of health care costs are spent on hospital maintenance, which is 5 percentage points above the EU average. At the same time, the cost of outpatient care amounting to 18% of the total costs is estimated to be very low. The process of integrating health and social services is expected to improve the situation. Part of the hospital beds should be converted into long-term care beds.

The number of doctors is higher than the EU average but general practitioners make up 15.6% of all doctors (compared to an average of 30.2% in the EU), indicating the relatively low importance of primary care. There are also high regional disparities. In recent years, fewer doctors have left the country, and the number of medical students has increased. On the other hand, the ratio of nurses to doctors is very low. The profession of nurse is unattractive, partly because of the low pay.

The problems in the health system also affect the health of the population. In recent years there has been an increase in life expectancy, but it is still 6 years below the EU average. Infant mortality rates are almost twice higher than the EU average, with significant regional disparities.

Income inequalities, poverty and social exclusion remain high. Poverty is strongly linked to regional disparities and labour market participation. The risk of poverty or social exclusion is much higher in rural areas, especially in the sparsely populated ones. Children, the elderly and people with disabilities face even higher risks of poverty. The situation is particularly severe among disadvantaged groups in children, such as Roma and rural residents. Poverty and lack of employment in people with disabilities is also among the highest in the EU, which signals weaknesses in the social protection and employment measures used. Roma still face problems related to employment, education, housing and health services. Planning, monitoring and cross-sectoral coordination of Roma inclusion policies are weak.

Despite some improvements, the coverage and adequacy of social benefits remain low. In 2016, monthly social and heating allowances cover respectively 3% and 6% of the adult population. After a 9-year freeze of the guaranteed minimum income, in 2018 it has been increased by BGN 10 and reached BGN 75. The system has a limited coverage and there is still no objective mechanism for regularly updating the guaranteed minimum income. In addition, the coverage and duration of unemployment benefits are also among the lowest in the EU, despite the recent 25% increase in daily minimum unemployment benefits.

Access to social protection is a challenge for the most vulnerable workers. Selfemployed and seasonal workers do not have access to unemployment protection. About 1 out of 10 people employed are at risk of not being entitled to sickness or unemployment benefits. The situation is also worrying for those employed in agriculture.

Efforts to integrate social workers into the labour market are assessed as weak. The EA has appointed managers of cases of long-term unemployed persons, including those who receive social benefits. However, the EC finds the cooperation with the SAA, including the link between their databases, unsatisfactory.

The EC highlights the fact that Bulgaria still lacks a transparent mechanism for setting the minimum wage, and that the increases are adopted without clear and transparent criteria. Over 13% of the workforce has received a minimum wage since the beginning of 2017, and this number is expected to go higher. The changes in the level of the minimum wage may thus not provide a balance between fostering employment and competitiveness and protecting earned income.

🕒 Policy response

In order to improve the matching between labour demand and supply in 2018, some 10,600 unemployed persons will be training in professions needed in the labour market using funding from the state budget for active labour market policy. Training will be tailored to the needs of employers. In 2018, the Employment Committees within the Regional Development Councils will participate in the process of determining the labour force demand. They will have an obligation to provide the EA with information about local employers needs for a skilled labour force.

In 2018, the medium and long-term forecasts for labour supply and demand will also be updated as part of a public procurement contract, and will be used in the implementation of higher education policy and in vocational education and training. To overcome the identified shortage of qualified specialists in the field of information and communication technologies, of engineers in industrial production and others, a simplified Blue Card authorization procedure for third-country nationals is applied. In 2018, an accelerated procedure will be applied to gain access to the labour market for third-country nationals who have been legally engaged in seasonal work in the Republic of Bulgaria during the last 5 years. In view of the increased labour demand, in February 2018 a bilateral agreement on the regulation of labour migration was also signed with Armenia. Negotiations for the signing of bilateral Agreements for the regulation of labour migration between the Government of the Republic of Bulgaria and the governments of the Republic of Moldova and Ukraine are pending.

To improve the focus of the active labour market policy in 2018, a 10% increase of the financial resource compared to 2017 is foreseen for private sector employers under measures of the LEP, which is in line with the results of the net effect assessment of the active labour market policy.

A new instrument for reducing long-term unemployment is the Agreement on Employment Integration which is concluded between the long-term unemployed person and the Labour Office. The agreement includes proposals for using specific mediation services and for directing to services provided by other institutions, including municipalities, in order to overcome specific obstacles hampering the employment integration of the person. In the CESA, new services will also be offered in 2018, including the Agreement on Employment Integration, and Family and Labour Counselling. Mobile joint teams of EA and SAA staff will provide comprehensive services to unemployed persons on social assistance in receptions of the CESA.

In 2018, efforts will be focused on covering young people up to 25 years of age with a stay of up to 4 months without job or education/training by the Youth Guarantee. The aim is to ensure that these young people have the right to receive a qualitative proposal for education, apprenticeship, traineeship and employment. In this respect, in 2018, jobseekers will be more precisely referred to jobs matching their profiles (knowledge, skills and competencies, attitudes). Youth mediators will continue to work in municipalities with the highest number of inactive young people for activating those neither in employment nor in education or training and not registered in the Labour Offices. The Ready-to-Work operation will also contribute to expanding the coverage of the Youth Guarantee – activities which are aimed at encouraging active labour market participation of inactive young people so as to engage them in training and employment.

In 2018, the opportunities for training and employment of unemployed and inactive people from the regions with high unemployment rate will be improved through the implementation of a new large-scale Work scheme, which will be implemented with the support of ESF and OPHRD.

In the fourth quarter of 2017, there was a decrease in the number of employees receiving the minimum wage by about 4% compared to the first quarter of 2017. With the increase of the GMI, favourable conditions for widening the coverage and increasing the social benefits have been created thus providing better social protection for the most vulnerable social groups. As the regulated more liberalized access to social assistance programmes from the last year created important regulatory preconditions for optimizing the coverage of those in need, the relative increase in GMI, significantly surpassing the increase in the minimum wage and pensions, is the second major change in this respect. As a result, a wider range of monthly welfare benefits, targeted rent allowances for a municipal dwelling and targeted heating allowances that have the greatest effect on beneficiaries can be expected, other things being equal.

The provision of general and additional support for children and pupils will continue, with more effective results expected from the implementation of the Inclusive Education Ordinance.

The adoption of a new model for state budget funds allocation is forthcoming, with the number of children and pupils not being the only indicator. Geographic and demographic characteristics of the regions will be taken into account.

For the inclusion of children and pupils from ethnic minorities, a Plan for the implementation of the objectives of the Strategy for Educational Integration of Children and Pupils from Ethnic Minorities (2015-2020) is being implemented.

Measures will continue to be implemented in relation to dual education and the conduct of pupils practices in an operational environment.

In order to better address the problem of skills shortages and the mismatch with labour market needs, a project financed under the SRSP is being implemented to introduce a National Qualification Framework by revising and adapting the List of Professions for Vocational Education and Training. The expected outcomes of the project implementation are updated tools and mechanisms for better addressing skills shortages and mismatches, and the recommendations made during the implementation will help improve the LVET.

The process of expanding the scope of activities in outpatient medical care continues. The refinement of hospitalization criteria helps to avoid unnecessary hospitalizations. Many medical standards are being updated to ensure the quality of medical activities.

Under preparation is a major investment project that will be funded under the OP "Regions in Growth" 2014-2020, which will modernize and update the whole Emergency Medical Aid System in the country. The implementation of the project will improve the access of the population to health services and specialized medical care and 98% of the population will be provided with up to 30 minutes access to emergency medical care for 24 hour treatment and observation. The implementation of the projects financed under OPHRD, will guarantee improvement of qualification, knowledge and skills of the employees in the emergency medical system and provide support to the postgraduates undergoing specialised training.

The National Framework Agreement for 2018 fine-tunes the mechanisms of valuation of medical activities in order to achieve a more efficient use of public resources while guaranteeing patients' access to the health network.

Table 2-3: Measures addressing CSR 3, part of Annex 1

Policy area	Measure title	Information on measures taken and planned					Expected effect, incl. budgetary	Output indicators: current and target value
		Brief description of the measure	Start date	Current state (as of 11 April 2018)	Upcoming stages in the implementation of the measure until its implementation deadline (after 1 May 2018)	End date		
1	2	3	4	5	6	7	8	9
Active labour market measures	Implementation of the National Implementation Plan of the European Youth Guarantee. Implementation of the NAPE 2018.	Integration into the labour market of young people who are not in employment, education or training. Implementation of programmes and training and employment measures, incl. traineeship and apprenticeship of unemployed young people up to 29 years of age (Career Start Programme, Article 36(1) and (2), Article 36a, Article 41, Article 41a of the LEP).	January 2018	Employment to young people up to 29 years of age has been provided.	Implementation of supporting measures aimed at bringing unemployed young people up to 29 years of age into the labour market.	December 2018	BGN 6 million from the SB.	Total employment of 1,496 young people.
	Implementation of OPHRD.	Operation "Active". Implementing activation measures for inactive youths.	2015	The Operation "Active" is in the process of implementation of the contracts concluded. 86 contracts have been concluded (of which 17 were terminated at a total amount of BGN 4.6 million).	The Operation "Active" – continuation of the activities under the concluded contracts.	2018	BGN 26 million	1/ Inactive participants from 15 to 29 years of age out of training or education – 8,700;
		Operation "Youth Employment".	2015	Under the "Youth Employment" operation 10,608 persons have been enrolled in training and 4,167 persons in apprenticeship, or a total of 14,775 from the start of the project. 5,823 persons have successfully completed the training and remained with the same employer and 1051 persons participated in traineeships and stayed with the same employer.	The Operation "Youth Employment" – continuing the implementation of the operation activities.	2020	BGN 82 million	2/ Unemployed persons up to 29 years of age including, at least 18,655;
		Operation "Ready to Work".	2016	"Ready to Work" operation – is in the process of implementation. 2,145 inactive persons have been identified, of whom 1,400 were activated.	The Operation "Ready-to-Work" – continuation of the activities.	2019	BGN 10 million (YEI – BGN 8 million, ESF – BGN 2 million).	3/ Inactive participants from 15 to 29 years of age out of training or education – 10,000;
	Operation "Training and Employment for Young People".	2015	Project activities are in the process of implementation. Since the start of the scheme, employment has been provided	In the process of implementation of project activities.	2020	BGN 123,854,936 million (ESF –	4/ Unemploy-	

1	2	3	4	5	6	7	8	9
				to 19,652 persons and 2,022 persons have been included in the training with vouchers of persons and 737 persons have been included in employment after the training.			BGN 6,9 million; YEI – BGN 116,954,936 million).	ed persons from 15 to 29 years of age – 24,700.
	Integration of long-term unemployed and economically inactive into employment. Implementation of the NAPE 2018.	Implementing a measure to encourage the recruitment of long-term unemployed persons (Article 55 c of the LEP) and a Programme for training and employment of long-term unemployed persons financed by the state budget.	January 2018				BGN 8.2 million	Employment provided to 1 987 long – term unemployed persons.
	Implementation of the OPHRD.	1. Operation “Work”.	2018	The project activities are in the process of implementation – on 30.01.2018 a contract was concluded.	Implementation of project activities.	December 2018	BGN 80 million	1/Unemployed and inactive persons included in employment – 9,635.
		2. Procedure “Education of adults, who have passed literacy courses”.	2016	In the process of implementation of project activities. The persons enrolled in the voucher training scheme are 22.	Continuation of the implementation of project activities.	2019	BGN 10 million	2/Unemployed having a low level of education (below the average - ISCED 3) - 6,600.
		3. Operation “New workplace” under OPHRD.	2015	748 contracts have been concluded (including 15 terminated contracts amounting to BGN 2,318,247.97).	Continuation of the implementation of project activities.	2018	BGN 125 million	3/Unemployed and inactive participants – at least 9,375 persons;
		4. Operation “Training and employment”.	2015	In the process of implementation of project activities. Since the implementation of the Scheme, 8, 883 persons have been employed, the issued vouchers for inclusion in training are 1 555, and 407 persons have been included in employment after already undergoing training.	Continuation of the implementation of project activities.	2020	BGN 81 million	4/ Inactive and unemployed persons over 29 years of age – 7,400.
Strengthening social and labour inte-	Enhancing the integration between em-	Operation “Centers for Employment and Social Assistance”.	2015	The project activities are in process of implementation.		2018	BGN 33 million	Number of persons using services for

1	2	3	4	5	6	7	8	9
gration	ployment and social services for disadvantaged groups.							finding a job – 10,000.
Reducing labour market imbalances	Reducing disparities between regional supply and demand.	Promoting the territorial mobility of unemployed persons for starting work (Article 42(3) of the LEP) by hiring them in a settlement more than 50 km away from the settlement where their current address is.	January 2018				BGN 240,000 from the SB.	Employment for 200 unemployed persons.
Labour income and standard of living	Mechanism for setting the MW.	Conceptual design of a mechanism for setting the MW.		<p>On 24 January 2018, the National Assembly adopted a Law on the Ratification of ILO Convention 131 for setting the MW. Decree No 23 of the President of the Republic of Bulgaria stipulated the promulgation of the Law on the Ratification of ILO Convention 131 in SG, no. 12 of 06.02.2018), which is a positive step towards achieving a consensus with the social partners on the development of a mechanism for setting the MW.</p> <p>The work on developing a mechanism for setting the amount of the MW with the social partners continues. New proposals have been prepared regarding the draft Framework agreement on the mechanism for setting the MW.</p>	Continuation of the activities for developing the mechanism.	2018		For 2018 the MW is BGN 510 – a 10.9% increase compared to 2017.
	Guaranteeing social protection of vulnerable groups of the society.	Ensuring social protection for the lowest income and groups at risk of the population by providing social assistance benefits.	2016	<p>In July 2017, an amendment was made to Ordinance No. RD 07-5 of 16.05.2008 on the conditions and procedure for granting targeted heating allowances to pensioners receiving assistance from the Targeted Energy Assistance Programme. The support mechanism is in line with IRLSA, and the allowance is already provided at the current address. The amount of targeted heating allowances in the heating season 2017/2018 has been increased so as to fully offset the increase in the price of electricity.</p> <p>Amendments to Decree of the Council of Ministers No 17 of 31.01.2007 on the setting of the terms and procedure for spending the targeted funds for diagnosis and treatment in hospitals of persons who have no income and/or personal property to provide them with personal</p>	In 2018, the social protection of the lowest-income and risky groups of the population will continue to be guaranteed by providing them with social allowances.	standing	<p>1/ Amount of social allowances (monthly, lump-sum, targeted rent allowances, targeted means for diagnosis and treatment of Decree of the CoM No 17, targeted heating allowances) for 2018 - BGN 126.5 million;</p> <p>2/ Promoting labour mobility and migration.</p>	Provided social protection to the lowest-income and risky groups of the population by improving the effectiveness of providing social assistance benefits.

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				<p>participation in the health insurance process, in order to synchronize it with the legal framework, by replacing the permanent address with the current address. After the amendments, the applications will be filed based on the current address.</p> <p>By Decree of the Council of Ministers No 305/19.12.2017 the amount of GMI has been increased by 15.38%. As a result, the thresholds for access to monthly social assistance benefits, targeted rent benefits for municipal housing and targeted heating allowances have been changed. The amount of the monthly and lump-sum social assistance benefits, ID card issuance allowances, integration supplements for people with disabilities and allowances under the LChP have been increased.</p>				
Qualitative education for disadvantaged groups	Improving the facilities in educational institutions.	Under OPRG 2014-2020: Construction, reconstruction, repair, equipment and furnishing of educational institutions - nurseries and kindergartens, primary and secondary schools. Improving access to quality inclusive pre-school and school education.	2014	<p>Procedures have been launched to provide GFA under PA 1 "Sustainable and Integrated Urban Development" and PA 3 "Regional Educational Infrastructure".</p> <p>Under PA 1, Investment priority "Educational Infrastructure" 33 contracts have been concluded. GA worth BGN 281.1 million.</p> <p>Under PA 3, for the renovation of vocational high schools, sports schools and art and culture schools 45 GAs worth BGN 176.6 million have been awarded.</p>	Implementation of projects under PA 1 and PA 3 of OPRG 2014-2020.	2023	BGN 390 million under OPRG 2014-2020.	Capacity of assisted infrastructure for childcare or education – target value – 180,447 persons (reference value – 0).
Improving the living conditions of vulnerable groups	Improving housing conditions for vulnerable groups and regional health infrastructure (Emergency Health Care System).	Under OPRG 2014-2020: Construction, reconstruction, repair and extension of social housing in order to prevent poverty and social exclusion. Building, renovation, equipment and furnishing facilities of healthcare infrastructure from the emergency health care system.	2015	<p>Open procedures for the provision of GFA under PA 1 "Sustainable and Integrated Urban Development" – for projects for the construction/reconstruction of social housing for disadvantaged people, incl. for marginalized groups. 1 project for social housing worth BGN 9.5 million has been signed.</p> <p>A procedure for the provision of GFA under PA 4 "Regional Health Infrastructure" under the OPRG 2014-2020 with the MH as a beneficiary has been announced. A project proposal is being prepared under the procedure.</p>	Implementation of projects under OPRG 2014-2020 under PA 1 "Sustainable and Integrated Urban Development" – for projects for the construction/ reconstruction of social housing for disadvantaged people, incl. for marginalized groups. Upcoming is the submission of a project proposal and implementation of a project for improvement of the emergency health care system with the MH as a beneficiary.	2023	1/ For social housing: OPRG 2014-2020 – BGN 27 million 2/ Emergency Health Care: OPRG 2014-2020 – BGN 163 million.	1/Rehabilitated housing in urban areas - target value 560 houses. 2/ Population with 30 minutes access to Emergency Health Care for 24 hours of treatment and medical supervision – reference value – 3,637,539; - target value –

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								7,045,677); 3/ Number of hospitalizations per year – reference value 2,038,179, target value – 1,925,448. 4/ Population, covered by improved services in Emergency Health Care (target value of 7,245,677 people).
Improving the scope of pre-school and school education and reducing the number of school drop-outs	Improving the effectiveness of the institutions for coverage and retention in the educational system of children and pupils at compulsory pre-school and school age.	1. Supporting the activities of the teams for the selection and systematization of measures for the coverage and retention of children and pupils at compulsory pre-school and school age. 2. Improving communication between representatives of the different institutions involved in the coverage teams. 3. Ensuring effective public communication and publicity of the process of coverage and retention of children and pupils in the education system. 4. Engaging parents in the process of coverage and retention of children and pupils in the education system and raising the educational potential of the family.	2018	Draft National Education Development Programme for 2018 has been prepared.	Adoption of the National Education Development Programme for 2018 – by a CoM decision. Implementation of the Programme during the school year 2018-2019.	August 2019	BGN 450 000	Number of parents covered.
Development of the pre-school education system	Improving the quality of pre-school education and ensuring an equal start before entering school.	Ensuring additional work for learning the Bulgarian language and the use of modern didactic materials in the kindergarten.	2018	130 kindergartens have been involved in the implementation of the measure.	An updated version of the national programme has been prepared and upcoming is the adoption of the CoM Decision for its implementation in the school year 2018-2019.	August 2019	BGN 400 000	1,600 children covered by the national programme.
Development of supportive environment in the system of pre-school and school	Ensuring conditions and resources for further support for personal development by	Providing further support for the personal development of children and pupils included in the general education environment of pre-school and school education.	2018	The Inclusive Education Ordinance regulates the conditions and mechanism for providing further support for the personal development of children and pupils in the system of pre-school and school education.	Collecting and summarizing information about: 1. The number of specialists (resource teachers, psychologists, speech therapists, hearing and speech rehabilitation staff, teachers of visually impaired chil-	2018	Ensured supportive environment by the RCSIE specialists and others for children and	1/ Number of specialists; 2/ Number of children and pupils for whom a

1	2	3	4	5	6	7	8	9
education for the implementation of inclusive education	RCSIE specialists.				dren, etc.) from the Center for the Study of Child Abuse, etc., which help children and pupils with special educational needs; 2. The number of children and pupils who have been provided with a supportive environment by experts from the RCSIE, etc.		pupils with special educational needs, included in the general education environment in the system of pre-school and school education.	supportive environment has been provided by specialists of the RCSIE, etc.
Inclusion of children and pupils seeking or having received international protection and of children and pupils from migrant families by learning the Bulgarian language	Ensuring conditions for the inclusion of children and pupils seeking or having received international protection and of children and pupils from migrant families by learning the Bulgarian language.	Providing additional Bulgarian language training as foreign language for persons seeking or having received international protection and migrants at compulsory pre-school and school age. Ordinance No. 6/2016 on the learning of the Bulgarian literary language, regulates additional Bulgarian language training as foreign language for children and pupils seeking or having received international protection.	2018		Collecting summary information for children and pupils seeking or having received international protection attending additional classes in the Bulgarian language: at the end of the school year for each educational grade up to the first high school grade including, but not later than 30 July; - at the beginning of the school year for each educational grade up to the first high school grade if the training is conducted during the summer vacation but not later than 15 September.	2018	Provided supportive environment for children and students seeking or having received international protection and migrants.	
	Training teachers to acquire knowledge, skills and competencies for teaching Bulgarian as a foreign language to children and pupils seeking or having received international protection.	Preparing pedagogical specialists for teaching Bulgarian as a foreign language. Ordinance No. 6/2016 on the learning of the Bulgarian literary language regulates additional Bulgarian language training as foreign language for children and pupils seeking or having received international protection.	2018		Nominating teachers to be included in training for teaching Bulgarian as a foreign language.	2018	Trained pedagogical specialists for teaching Bulgarian as foreign language to children and pupils seeking or having received international protection.	30 teachers - primary school teachers and Bulgarian language teachers who teach Bulgarian as a foreign language to children and pupils seeking or having received international protection.
Full socialization of children and pupils from ethnic minorities	Conducting awareness campaigns among parents and the public to explain the mutual benefits of educational integration	Developing an instrument containing separate mechanisms, models, guidelines and innovative ways of conducting a successful nation-wide awareness campaign to reduce the number of parents that impede their children's access to education.	2018		Guidelines for conducting information campaigns have been developed. Regions and participants in information campaigns have been identifying. Information campaigns to explain the benefits of educational integration have been conducted. An Educational Integration Site for "Inclu-	2018	Increased coverage of children and pupils from ethnic minorities in kindergartens and schools.	1/ Guidelines for conducting awareness campaigns among parents that impede their children's

1	2	3	4	5	6	7	8	9
	tion.				sive Education” has been developed. The Third National Conference to disseminate good practices in the field of educational integration has been conducted.			access to education have been developed; 2/ 3 information campaigns have been conducted; 3/ Section on Educational Integration for the Inclusive Education site has been developed ; 4/ 1 national conference has been conducted.
Providing quality education and training	Providing quality VET geared to the needs of the economy.	Updating the Strategy for the development of VET in the Republic of Bulgaria and preparing an action plan for the period 2018-2020.	March 2018	Updated Strategy for the development of VET.	Report on the Action Plan 2015-2017 has been prepared. Draft Action Plan for the period 2018-2020 has been prepared.	2018		Action Plan developed and adopted by the CoM.
		Developing and implementing a national model for dual training.	2015	Activities launched in connection with the organization of the admission plan for the school year 2018/2019.	Admission to Dual training for the 2018/2019 school year has been conducted.	September 2018	1/ Increased number of pupils enrolled in dual training; 2/ Increased number of companies offering dual training places.	1/ Number of pupils enrolled in dual training; 2/ Number of schools/ classes offering dual training; 3/ Number of companies offering dual training places.
		Regulating the admission plan in compliance with the businesses’ needs for specialists with professional qualification.	January 2018	An updated Ordinance on the organization of activities in school education. Increased number of classes in the state admission plan for majors in professions experiencing shortage of qualified specialists.	Implementation of the state admission plan for the school year 2018/2019.	September 2018		Number of students enrolled in specialties from professions with a shortage of qualified specialists.

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		Increasing funding for vocational schools where training is in line with labour market needs.	January 2018	The provisions of Article 282(15) of the LPSE (in force from 01.01.2018) have been implemented.	Implementing the provisions of Article 282(15) of the LPSE with regard to the specialties in the state admission for the school year 2018/2019.	September 2018		% of additional funds for the school year 2018/2019 for classes and pupils in specialties with shortages of qualified specialists.
		Developing new curricula jointly with the business.	January 2018	Working groups to develop new curricula jointly with the business have been set up.	Developing new curricula jointly with the business.	September 2018		Number of programmes developed.
Improving the effectiveness of the healthcare system	Implementing the National Health Strategy 2020.	<p>Implementing the Health Objectives Concept 2020 and the Action Plan to the National Health Strategy 2020.</p> <p>Implementing the Concept for Development of Emergency Health Care in the Republic of Bulgaria.</p> <p>Developing high-tech medical activities for interventional treatment of cerebrovascular diseases.</p>	2017	<p>Updated Ordinance on Preventive Examinations and Dispensary Surgery.</p> <p>The Ordinance on determining the package of health activities guaranteed by NHIF budget has been promulgated.</p> <p>10 draft medical standards have been published for public discussion.</p> <p>Judgment 202 of the Council of Ministers, of 2016, on the endorsement of the National Health Map of the Republic of Bulgaria has been cancelled. A draft National Health Map has been published for public discussion.</p> <p>A draft proposal under the OPRG for improving the infrastructure and the material and technical provision of the emergency health care system according to the published Guidelines for Applicants has been developed.</p> <p>The payment for medical devices for interventional treatment of cerebrovascular diseases has been regulated through the Methodology for subsidizing the medical establishments for 2017 and financing contracts have been concluded</p>	<p>Ensuring the implementation of the activities stipulated in the Ordinance on Preventive Examinations and Dispensariation and in the Ordinance on the definition of the package of health activities guaranteed by NHIF budget through the National Framework Agreement for 2018.</p> <p>Medical standards promulgated.</p> <p>The National Health Map, which also defines and plans, based on the territorial principle, the needs of the population for accessible outpatient and hospital medical care.</p> <p>Submission of a project proposal to the Managing Authority of the Operational Programme "Regions in Growth" 2014-2020 and signing of a grant agreement.</p> <p>The Methodology for Subsidizing Hospitals for 2018 by which they are paid for medical devices for interventional treatment of cerebrovascular diseases has been approved.</p>	2020	Improving and strengthening the health status, reducing health inequalities and providing a healthcare system for medical services of high quality.	Achieving the five key objectives of the Strategic Framework (see National Health Strategy 2020).

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				with the medical establishments for the provision of medical devices for interventional treatment of cerebrovascular diseases.				
	Improving the mechanism of pricing of medicinal products and rationalization of drug use.	Introducing clear rules for pharmaceutical market players and good European practices in the pricing of medicinal products. Introducing a mechanism for assessing health technologies when using medicinal products. Introducing effective drug treatment by creating opportunities for generic substitution and/or prescription of medicinal products.	2017	Maintenance of the reimbursement status of medicinal products included in the PDL. A draft of the Implementing Rules of the LMPHM, adopted by the CoM and submitted to the National Assembly on 20.12.2017 - creating terms and conditions for the application of Article 83 of Regulation (EC) No 726/2004 of the European Parliament and of the Council laying down Community procedures for the authorisation and supervision of medicinal products for human and veterinary use and establishing a European Medicines Agency; <ul style="list-style-type: none"> Regulating the measures to monitor medicinal products and to limit their export wherever necessary; Optimising the activities related to clinical trials and creating conditions for the implementation of Regulation (EU) No 536/2014 of the European Parliament and of the Council on clinical trials of medicinal products for human use, and repealing Directive 2001/20/EC (OJ L 158/2014) (Regulation (EC) No 536/2014); Reducing the administrative burden of donations of medicinal products through the implementation of Measure No 8 in the Second Regulatory Burden Reduction Package adopted by CoM Decision No 635 of 2013; Measures reducing the administrative burden on the business. Draft Ordinance amending and supplementing Ordinance No. 10 of 2009 on the terms and conditions for the payment of medicinal products under Article 262(6)(1) of. The project focuses on two main directions: <ul style="list-style-type: none"> a clear definition of the medicinal products for which Marketing Authorisation Holders (MAH) have to pay discounts to the NHIF; 	Maintenance of the reimbursement status of medicinal products. Validation of Pharmacotherapeutic Guides. Improving the access to innovative medicinal products after a mandatory health technology assessment. Changes in the legal framework concerning: <ul style="list-style-type: none"> Prescription and release of medicinal products. Regulation of terms and conditions for treatment with medicinal products for compassionate use. Regulation of measures to monitor medicinal products and to limit their export if necessary; Preparation of a list of medicinal products for which export may be restricted. Preparation of a list of monitored medicinal products that will contain the medicinal products for which during the last three months notifications have been submitted to the EAM that they are about to be exported. Preparation of draft Ordinance amending and supplementing Ordinance No. 4 of 2009 on the terms and procedure for prescribing and disposing of medicinal products. Preparation of a draft Ordinance amending and supplementing Ordinance No. 10 of 2009 on the terms and procedure for payment of medicinal products under Art. 262, para 6, item 1 and item 2 of the Law on Medicinal Products in Human Medicine, Medical Devices and Dietetic Foods for Special Medical Purposes, as well as Medicinal Products for Health Activities under Article 82, Paragraph 2, point 3 of the Health Law. Preparation of a draft Ordinance amending and supplementing Ordinance No. 34 of 2005 on the procedure for paying from the Republican budget the treatment of Bulgarian cit- 	2020	1/ Optimizing the cost of public funds for treatment; 2/ Reducing the prices of the PDL medicinal products; 3/ Improved access to healthcare; 4/ Savings resulting from the introduction of centralized bargaining of discounts on medicinal products that the NHIF pays in full or in part.	1/ Number of low-priced medicines in the PDL; 2/ Number of approved pharmacotherapeutic guides – 11 currently. 100% for all 62 clinical specialties; 3/ Number of medicinal products with maintained reimbursement status in PDL – 100%. Assessments of Health Technologies – 51 at the moment which is 100% of all new INNs included in the PDL.

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				<ul style="list-style-type: none"> types of discounts payable by the MAH negotiated with the NHIF for the reimbursed products. <p>The Ordinance has passed through public discussion. Promulgated in SG, №89 from 2017.</p> <p>Decree of the Council of Ministers №323/20.12.2017 for amending and supplementing the Ordinance on the conditions, rules and procedure for regulation and registration of the prices of medicinal products, adopted by Decree of CoM № 97 of 2013 has been adopted. The project introduces:</p> <ul style="list-style-type: none"> a ban on the inclusion in the PDL of combined medicinal products in which at least one of the ingredients has the legal status “without prescription”. it is proposed to extend for another two years the prohibition introduced by § 2 of the Transitional and Final Provisions of the Ordinance, according to which until 31.12.2017 the marketing authorization holders or their authorized representatives may not claim an increase in registered prices of non-prescription medicinal products with a higher percentage than the statistically reported inflation for the period since the last registered price was set. 	izens for diseases not covered by the compulsory health insurance.			
EHealth	Setting up a National Health Information System.	Improving quality and efficiency of healthcare by introducing a national health information system and providing patients with real access to information about their own health. Reducing patient and citizens’ time, improving quality of healthcare administrative services, and reducing financial costs. Achieve significant change in healthcare quality by using new health technologies in eHealth.	March 2017	The project is being currently implemented. The tender documentation for the project is under preparation.	Contract for direct grant of GFA under the title “Priority projects in implementation of the Roadmap for implementation of the Strategy for Development of e-Governance in the Republic of Bulgaria for the period 2016 – 2020” under the OPGG with health as a priority. In November 2017 an Additional Agreement No 1/07.11.2017 to the Administrative Grant Agreement for the provision of grant financial assistance was signed for the purpose of modifying the project.	December 2018	BGN 12 million GFA under OPGG.	The national health information system has been established.
		Identification of corrupt practices in connection with the supply and use of medical devices. Model solution.	July 2017	In the course of the activity an additional feasibility study was carried out, the scope of the analyses and the subject of the project being extended. Analyses of the European, international and national strategic and legal framework in connec-	1. Preparation of a final report on the basis of the opinions of the competent authorities and institutions with proposals for legal, organizational and technical measures, incl. measures related to the e-commerce of medical devices for	2020		1/ Reduced risk of corruption and fraud. 2/ Achieved lower prices

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				<p>tion with production, trade and distribution of medical devices, their use in hospital and outpatient care and their decommissioning, the system of MH control bodies, coordination and relations between them; the supervision of the national market in medical devices and the degree of coordination in this activity between the Ministries of Health, Economy and Finance. Individual meetings with individual experts from different departments were held to collect information for case analysis, as well as a discussion of the findings, conclusions and proposed measures.</p> <p>A Round Table was organized and held - a discussion on "Prevention and Counteraction of Corruption in the Delivery and Use of Medical Devices".</p> <p>The overall result of the analytical activity is the disclosure in the national legislation of a total of 136 problems and weaknesses, of which:</p> <p>96 are system-oriented and relate to the current regulatory framework in the field of national market surveillance and the use of medical devices in hospital and outpatient care;</p> <p>27 are process-oriented and directly affect procedures related to different stages of the life cycle of medical devices, including the activities of control bodies;</p> <p>13 refer to the integrity of various officials pertaining to market surveillance, trade and use of medical devices.</p> <p>To counteract these weak points, a system containing the total of 81 basic and auxiliary measures aimed at reforming the system of application of medical devices, incl. through a higher degree of use of information technology was proposed.</p> <p>The proposed measures are systematized in the following separate packages:</p> <ul style="list-style-type: none"> measures for updating strategic documents; measures for developing the national legislation; measures for improving market surveillance; measures for improving health care 	<p>the needs of hospitals;</p> <p>2. Implementation of the proposed measures by the competent authorities.</p>			<p>and better quality.</p>

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				control; Anti-corruption measures at low level. The brief report was sent to the Ministry of Health, National Council on Anti-Corruption Policies (NCACP), as well as to the experts from EAM, Executive Agency Medical Audit, Medical University and others, who participated in the project.				
Reducing direct payments by patients	Improving the payment mechanisms of medical activities and effective control on the financing of health activities with public resources.	Optimizing the activities paid by the NHIF for the purpose of removing outpatient care activities. Expanding the scope of healthcare activities that are paid from the NHIF budget. Improving the mechanisms for valuation of medical activities. Improving the control mechanisms in the valuation and payment of the activities from the NHIF budget.	2017 2017 2017 2017	New Ordinance laying down the basic package of health care activities, which are guaranteed by the NHIF budget. Finalized negotiations to conclude a National Framework Contract for 2018 and updated prices of medical activities in 113 clinical paths.	Ensuring the implementation of the National Framework Contract for 2018. Optimizing the NHIF activities.	2018 2020 2020 2020		1/ Updated regulatory acts; 2/ Number of clinical paths included in the payment of medical devices / medical activities by the NHIF; 3/ Increased number of outpatient procedures; 4/ Reduced financial burden for patients in the payment of medical activities and medical devices beyond the CP value; 5/ Number of checks with established violations.
Dealing with shortages of health professionals.	Creating favourable opportunities for the professional development of healthcare professionals in the country.	Creating favourable conditions for acquiring a specialty in the healthcare system and for improving the practical skills of the medical specialists. Preparing a proposal for increased admission of students in specialties	2017 2017	Problems encountered have been identified regarding the training for the acquisition of a specialty and curricula have been updated for acquiring a specialty in the healthcare system. A proposal to the Ministry of Education and Science for increasing the admission	Updating Ordinance No. 1 of 2015 on the acquisition of specialty in the healthcare system. Validation of updated curricula for the acquisition of specialty in the healthcare system. Preparation of a proposal to the Ministry of Education and Science to increase the	2019 2019 2019		1/ Increased admission of students to specialties with established shortages.

1	2	3	4	5	6	7	8	9
		with established shortages. Implementing Project BG05M9OP001-1.015-0001 "Specialization in healthcare", funded under OPHRD 2014-2020. Implementing Project BG05M9OP001-3.007-0001 "Improvement of Emergency Treatment Conditions", funded under OPHRD 2014-2020.	2016 2017	of students in specialties in the professional field "Health care" have been prepared. Implementation of the planned project activities. Implementation of the planned project activities.	admission of students in specialties with established shortages. Implementation of the planned project activities. Implementation of the planned project activities.	2019 2019	OPHRD - BGN 5,496,628. OPHRD - BGN 7 million.	

2.1.4 Country-specific recommendation 4

Ensure efficient implementation of the 2014-2020 National Public Procurement Strategy.

⦿ Policy Summary

Policy efforts in the sector are aimed at increasing the transparency of public procurement. Work is continuing on the introduction of e-procurement through a single national electronic web-based platform for e-Procurement. A number of actions have been taken to strengthen the PPA's administrative capacity.

⦿ Country Report Bulgaria 2018

The European Commission considers that most of the measures set out in the National Strategy for the Development of the Public Procurement Sector for the period 2014-2020 have been implemented. The advantages of centralized procurement for contracting authorities are found to remain largely unused, especially at the local level. Special attention is paid to the effectiveness of public procurement in the healthcare sector. Delays in the operation of e-procurement platforms have been reported. They are important for enhancing transparency and limiting corruption. Despite the contract to build e-procurement platforms, compliance with the statutory deadline for e-procurement may be at risk due to previous delays caused by appeals.

The Public Procurement Training Plan is expected to improve the capacity of contracting authorities, especially in the municipalities. To improve the efficiency and consistency of interpretation, ex-ante and ex post control bodies are urged to cooperate regularly.

⦿ Policy Response

The measures of the National Strategy for the Development of the Public Procurement Sector for the period 2014-2020 have been for the most part fully realized. The implementation of five ongoing measures with periodic implementation by the end of 2020 is still continuing. Another three measures are in the process of being implemented and are expected to be completed within the set deadlines.

To develop the capacity of the contracting authorities, training activities are carried out, as well as activities related to the PPA's administrative capacity.

With a view to exercising a thorough and effective control through random choices as well as effective monitoring, since the beginning of January 2018 the verification of technical specifications in the ex-ante control exercised by the PPA is carried out by external experts, specialists in the respective area.

Table 2-4: Measures addressing CSR 4, part of Annex 1

Policy area	Measure title	Information on measures taken and planned					Expected effect, incl. budgetary	Output indicators: current and target value
		Brief description of the measure	Start date	Current state (as of 11 April 2018)	Upcoming stages in the implementation of the measure until its implementation deadline (after 1 May 2018)	End date		
1	2	3	4	5	6	7	8	9
Public Procurement	Strengthening the PPA's administrative capacity.	Functional review of PPA's capacity to effectively and efficiently perform the tasks assigned (especially in relation to the agency's ex-ante control of public procurement).	January 2018	Reimbursable Advisory Services between the PPA and the IBRD signed in 2017 – conducting a comprehensive review and evaluation of the national public procurement system (including functional review of the PPA).	Performing a functional review of the PPA and making recommendations for improving the structure and organization of the Agency's activities.	June 2018		
	Strengthening the capacity of the contracting authorities.	Implementing the project "Support for the Design and Implementation of the Bulgarian Public Procurement Training and Development Programme in the Frame of ESIF Ex-ante Conditionality Action Plan" under Ex ante conditionalities (EAC) 4 of the Partnership Agreement of the Republic of Bulgaria. Implementation of the approved IPA annual programme.	2018		Conducting trainings.	2019		1/ Number of training sessions; 2/ Number of trained persons; 3/ Improved administrative capacity of the contracting entities in terms of quality.
	Implementing electronic public procurement.	Developing, implementing and maintaining a single national electronic web-based platform for e-Procurement unified national electronic web-based platform: CAIS "e-Procurement", funded by the OPGG.	January 2018	The procurement contract was awarded (December 2017). Phased implementation is expected according to the set deadlines.	The development of the platform is planned to take place in two stages. First stage - Implementation of the main functionalities of the system (including submission of an electronic tender and electronic invoicing).	December 2020 October 2018	BGN 6,999,982 under OPGG. Contract № BG05SFOP001-1.003-0002C01/15.06.2017.	Increased transparency, effectiveness and control over public procurement spending.

2.2 Policies for Improving the Business Environment

⦿ Policy Summary

Reducing administrative and regulatory burdens and creating good investment conditions for local and foreign enterprises is a top priority. Efforts are now focused on improving administrative regulation by simplifying the procedures for the provision of administrative services at local and regional level.

In 2018, in the field of judiciary, two projects supported by the SRSS will be implemented – to improve the capacity of the Inspectorate to the Supreme Judicial Council and to improve and speed up the administrative proceedings by carrying out a functional analysis of the Supreme Administrative Court.

Legislative measures have been taken to create a regulatory, institutional and administrative environment conducive to recycling and waste recovery activities to create a “recycling society” and to implement an approach taking into account the whole “products and materials life-cycle”. Work will also be done to develop “end of waste” criteria and to apply a waste hierarchy. It is envisaged to develop a national strategy in relation to the EU Circular Economy Package.

The Third Action Plan for reducing the administrative burden on businesses for the period 2015–2017¹² is in process of being implemented. Administrative burden is one of the important elements defining the business environment and a major obstacle to economic growth. The lack of accessible information on the application of certain regulatory regimes creates an excessive administrative burden on the SMEs. In this connection, an EU SRSP project is being implemented to develop an instrument to help the SMEs implement regulatory regimes. It is foreseen to identify 70 of the most used and 30 of the most complex regulatory regimes targeting SMEs for which information and instructions are not available or are too complicated. Simplified descriptions of 100 regulatory regimes are expected mainly in the areas of business start-ups, commercial property, production, trade of food and beverages, etc.

The access to capital markets and electronic governance also contributes to reducing the administrative burdens. In order to review administrative procedures for the provision of services on capital markets and to optimize the exchange of documents between institutions, a draft EU SRSP is being implemented to develop a single point of entry for the disclosure and dissemination of information by capital market participants. The project is part of the measures of the Capital Market Development Strategy of 2016 and is in line with the second objective of the State Administration Development Strategy (2014-2020). Its main results will be to analyse the deficiencies and to provide recommendations for changing the legal and regulatory framework in order to attract foreign and local investments by shortening certain administrative deadlines and developing a conceptual design and terms of reference for building an integrated single entry point.

Forthcoming is the implementation of a project financed under the SRSP, which aims to support the reform in strategic planning, assignment and monitoring of the execution of the concession contracts. The expected results are related to supporting national planning authorities’ initiatives in line with EU law and good practices, as well as strengthening administrative capacity.

In support of balancing the electricity market and ensuring the participation of ESO in regional and cross-border EU projects, projects under the SRSP will be implemented. An amendment to the current legislative and organizational framework is foreseen.

For further measures, see Table 2-5.

¹² Approved by the Council of Ministers on 27 May 2015.

Table 2-5: Measures addressing the business environment, part of Annex 1

Policy area	Measure title	Information on measures taken and planned					Expected effect, incl. budgetary	Output indicators: current and target value
		Brief description of the measure	Start date	Current state (as of 11 April 2018)	Upcoming stages in the implementation of the measure until its implementation deadline (after 1 May 2018)	End date		
1	2	3	4	5	6	7	8	9
Business environment	Promoting investment in facilities, systems, and business models for using wastes as a resource supporting circular economy.	Establishing a legislative, strategic and methodological framework for achieving resource efficiency through application of waste management hierarchy, prevention of waste generation, promotion of reuse and recovery by recycling, reduction of landfilling and mitigation of their harmful effects on the environment and human health.	2017	<p>Ordinances have been adopted for: construction waste management and use of recycled building materials; separate collection of bio-waste and treatment of biodegradable waste; classification of waste.</p> <p>Amendments to Ordinances have been adopted for: end-of-life vehicles; conditions and requirements for the construction and operation of landfills and other facilities and installations for recovery and disposal of waste; calculation and determination of the amount of collaterals and deductions for the disposal of waste.</p>	<p>Adoption of the Law amending and supplementing the LEnP, which envisages amendments to the LWM in order to reduce administrative and regulatory burdens by removing documents that will no longer be required when permitting waste operations.</p> <p>Adoption of ASO of Ordinance No 2 on the classification of waste for the purpose of reducing the administrative and regulatory burden by removing the requirement for the producer of the waste to submit some documents.</p> <p>Preparing and adopting a draft of a CoM decree for amending and supplementing normative acts incorporating amendments and supplements to the End-of-Life Vehicles Ordinance and the Waste Electrical and Electronic Equipment Ordinance.</p> <p>Preparation and adoption of a draft ASO of Ordinances No 4 on the conditions and requirements for the construction and operation of incineration plants and co-incineration plants.</p> <p>Development and Adoption of the End-of-Life Tire Ordinance and the Ordinance on the Conditions and Requirements to the Sites for the Storage and/or Disposal of Waste Treatment Facilities and for the Transport of Industrial and Hazardous Waste.</p> <p>Development of criteria for a by-product under Article 4 of the LWM and of “end of waste” criteria under Article 5 of the LWM for certain waste streams.</p> <p>Drafting a National Strategy for the EU’s Circular Economy Package.</p>	2020	Rational use of natural resources by increasing the amount of recycled and recovered waste.	1/ Optimized administrative regimes and procedures; 2/ Incentives introduced.
	Technical support for the development of a tool to help SMEs implement regulatory	Identifying the most widely used and most sophisticated procedures and regimes for SMEs through a national representative survey. Preparing simplified descriptions for	March 2018	A contract is to be concluded between the SRSS and a consortium of contractors.	Identification of the services that are most complex and most used by SMEs; Development of simplified rules.	December 2019	The measure is financed by the SRSO.	1/ Reduced administrative burdens for SMEs and improved under-

1	2	3	4	5	6	7	8	9
	regimes.	their compliance.						standing of regulatory requirements and lightening the informal economy; 2/ Number of identified services; 3/ Number of described simplified rules.
	Implementing the Third Action Plan for reducing the administrative burden 2015-2017.	Simplifying the requirements arising from national and European legislation.	May 2015	Protocol No. 40 of CoM meeting on 21.09.2017 adopted a report on the implementation of the measures of the third action plan as of 30.06.2017. By the end of June 2017, a total of 79 measures of the Plan were met. This has led to a reduction in the administrative burden for the business totalling BGN 124.4 million per year or 26% of the 30% planned reduction.	By the end of March 2018, a report will be drawn up as of the end of December 2017 on the third action plan and its submission for approval by the CoM.	December 2017	Reduced administrative burden for the business by 30%, which corresponds to saved business expenses per year totalling about BGN 144.5 million.	1/ Number of amended normative acts - 25; 2/ Number of simplified disclosure obligations for the business - 66; 3/ Number of institutions that have created a technical opportunity for electronic exchange of information on the measures included in the Action Plan - 15.
	Building a GIS-based electronic SPI platform.	Establishing a GIS-based SPI platform that will provide access to information on existing physical infrastructure suitable for the deployment of electronic communications networks and will assist meeting the requirements of Directive 2014/61/EU on measures to reduce the cost of deploying high-speed electronic communications networks.	2017	A contract has been signed with the OPGG; a procedure has been launched for conducting a public procurement contract for the implementation of the project. By decision RD-14-1 of 02.01.2018 the public procurement was launched, which was suspended on 25 January 2018 due to a complaint lodged with the CPC.	Determination of base layers and related metadata and attributes; Development of GIS for Network Infrastructure; Integration with other systems; Development and implementation of a software platform for data processing and graphical presentation within the meaning of Directive 2014/61/EU; Introduction of GIS-based on-line electronic administrative services for SPI activities; Creating public online registers; Training of stakeholder to work with the GIS-based SPI information system.	2018	BGN 2 million under the OPGG. Optimization of the working processes and strengthening of the transparency in the work of the administration.	A platform has been built.
	Improving tourist competitiveness.	Improving the conditions for economic activity by developing cultural and historical attractions of national and global importance, including development of tourist and technical infra-	2017	A mechanism for providing support under OPRG, Priority Axis 6 "Regional Tourism" has been prepared. Operational selection criteria approved by the OPRG Monitoring Committee 2014-2020. Draft Guidelines	A procedure for providing GFA under Priority Axis 6 "Regional Tourism" of OPRG 2014-2020 is forthcoming. The implementation of OPRG 2014-2020 projects under Priority Axis 6 "Regional Tourism" is to be	2023	OPRG 2014-2020 – BGN 197 million.	Tourist products have been developed for the sites of cultural heritage

1	2	3	4	5	6	7	8	9
		structure within an integrated tourist product.		for Applicants drawn up.	launched, aimed at increasing the tourist supply of cultural monuments of national and world importance.			of national and world importance (target value - 18).
	Developing a basic technical infrastructure targeted at the business.	Improving the conditions for economic activity. Improvement/upgrade and reconstruction of existing or construction/development of new technical infrastructure related to the business and entrepreneurship.	2015	Open procedures for the provision of GFA under Priority Axis 1 "Sustainable and Integrated Urban Development". 4 GAs for projects for renovation of economic zones under the IPURD at a total amount of BGN 20.5 million have been signed.	Implementation of OPRG 2014-2020 projects under Priority Axis 1 "Sustainable and Integrated Urban Development" for Areas of Impact with Economic Development Potential from the IPURD.	2023	OPRG 2014-2020 r. – BGN 164 million.	Total area of rehabilitated land (target value - 172 hectares).
	Improving the quality of the urban environment for the sustainable development of the business.	Improving the quality of the urban environment by constructing and restoring elements of the urban environment.	2015	Published Procedures for the provision of GFA under Priority Axis 1 "Sustainable and Urban Development" of OPRG 2014-2020. 36 GAs have been concluded at a total amount of BGN 300 million.	Implementation of projects for construction and restoration of elements of the urban environment.	2023	OPRG 2014-2020 – BGN 304 million.	Underground areas created or rehabilitated in urban areas – target value 3,184,724 km ² .
	Improving accessibility and connectivity.	Construction, reconstruction and rehabilitation of first-class, second-class and third-class roads.	2015	Published Procedure for the provision of GFA under Priority Axis 7 "Regional Road Infrastructure" of OPRG 2014-2020. 25 projects with a total budget of BGN 373.6 million are under implementation.	Implementation of projects by the NRIA for construction, reconstruction and rehabilitation of first-class, second-class and third-class roads under OP 7 "Regional Road Infrastructure" of OPRG 2014-2020.	2023	OPRG 2014-2020 – BGN 380 million.	Total length of reconstructed or upgraded roads – 665 km.

3 PROGRESS ON THE NATIONAL TARGETS UNDER THE EUROPE 2020 STRATEGY

Table 3-1: Progress on the implementation of the national targets under the Europe 2020 Strategy

National Target	2013	2014	2015	2016	2017	2020
Employment of the population aged 20-64	63.5%	65.1%	67.1%	67.7%	-	76%
Investments in R&D as % of GDP	0.63%	0.79%	0.96%	0.78%*	-	1.5%
Share of energy from renewable sources in gross final energy consumption	19%	18%	18.2%	18.8%	-	16%
Increasing energy efficiency	-	-	-	-	-	25%
Share of energy from renewable sources in gross final energy consumption in transport	6.0%	5.8%	6.5%	7.3 %	-	10%
Avoiding increasing greenhouse gas (GHG) levels beyond the EU ETS by more than 20% by 2020 compared to 2005	-3.5%	-4.6%	-5.1%	-	-	20%
Share of early school leavers	12.5%	12.9%	13.4%	13.8%	13.2%*	11%
Share of 30-34 year olds with completed tertiary education	29.4%	30.9%	32.1%	33.8%	33.1%*	36%
Reducing the number of people living in poverty by 260,000 by 2020	1 527 500	1 578 300	1 585 800	1 638 700	-	260 000

* Preliminary data of EUROSTAT

3.1 National target for employment

⊙ Policy measures

According to the NAPE, in 2018 it is planned to provide employment for about 18,000 unemployed and training for about 11,000 unemployed. The unemployed from the most disadvantaged groups will be involved in training in professions which are in demand on the labour market for faster job creation and sustainable employment. The measures for reducing the number of long-term unemployed and the incentive measure for “green jobs” will continue to be implemented. Additional opportunities for generating green employment will be provided by investments in activities contributing to sustainable water and waste management, flood risk prevention, biodiversity and ecosystems assessment and conservation and energy efficiency through OPE 2014–2020, the Bulgarian-Swiss Cooperation Programme, EMEPA, the National Trust EcoFund.

The actions of the National Youth Guarantee Implementation Plan will be implemented to accelerate the reduction of unemployment among young people, especially young people who are not in education, training or employment. To improve the matching between demand and supply of skills and increase the employability of jobseekers, training will continue to be provided on request by specific employers.

With the financial resources provided under OPHRD in 2018, it is envisaged that 28,000 unemployed and inactive persons, of whom 18,000 young people, will be included in training and employment. Approxi-

mately 31 thousand people are expected to improve their qualification, and to undergo specific training for specific workplace.

In pursuance of the policy of investment promotion, priority is given under the LIP and IRLIP to the realization of investment projects creating jobs for qualified specialists in high-tech industries and services as well as in regions with high unemployment rate by providing administrative and financial incentives, incl. financial support for staff training and partial reimbursement of health and social security contributions for the new jobs created by the projects.

The measures for early career guidance of pupils at risk of dropping out are also being implemented. Emphasis is placed on dual training as an opportunity to reintegrate the early school leavers and to prepare specialists in line with labour market requirements. In the 2017/2018 school year, 58 classes for training pupils in dual form of education have been set up.

Table 3-2: Measures addressing NT for employment, part of Annex 1

Policy area	Measure title	Information on measures taken and planned					Expected effect, incl. budgetary	Output indicators: current and target value
		Brief description of the measure	Start date	Current state (as of 11 April 2018)	Upcoming stages in the implementation of the measure until its implementation deadline (after 1 May 2018)	End date		
1	2	3	4	5	6	7	8	9
Employment	Facilitating the professional transitions of unemployed and employed persons and providing active support for the employment of unemployed people.	Providing mediator services to find a job. Preparing an individual action plan for each unemployed person with specific actions for inclusion in training and/or employment under programmes and measures, as well as in employment on a non-subsidized vacancy.	January 2018	Elaboration of an individual action plan for each unemployed person up to 1 month from the registration at the labour office with concrete actions supporting the transition from unemployment to employment, according to the individual needs of the persons.	Providing active support to unemployed and employed persons in carrying out professional transitions.	December 2018	BGN 26 million.	Number of unemployed persons working on the primary market – 195,000.
	Active support for employment. 1. Execution of NAPE 2018. 2. Implementation of OPHRD.	1. Programmes and measures to promote job creation for disadvantaged groups in the labour market. 2. Improving labour market policies and access to employment. Financial incentives to create jobs in enterprises in high added value sectors. Lifelong Learning Policy.			Implementation of the measures and programmes included in the plan, funded by the SB. Continuation of implementation of project activities relating to operations.	December 2018 2018-2019	BGN 60.2 million. BGN 542 million under OPHRD.	1/ 18,048 unemployed persons included in employment. 2/ Unemployed persons who have undergone training or acquired a qualification or in employment at the end of the operation – 60,000.
	Skills, education and lifelong learning. Improvement of qualifications.	Including unemployed persons in various forms of training for acquiring professional qualification and key competencies, including under OPHRD measures.	January 2018		Execution of projects of social partners included in the plan funded by the SB, as well as implementation of adult education under Article 63 of the LEP. Implementation of project activities under OPHRD measures.	December 2018 2016-2019	BGN 12.8 million. BGN 110 million.	1/ 10 663 unemployed persons included in training; 2/ Employed persons who have acquired qualification under OPHRD- 71,000.
Promoting investment creating jobs in high-tech sectors	Financial incentives to create jobs in enterprises in high added value sectors.	Issuance of certificates for investment class and priority project under IPA. Providing funds for implementation of incentive measures under the IPA, incl.	2013 2017	In the period 01.01.2018 - 11.04.2018, 10 certificates were issued under the IPA (9 for investment class A and 1 for priority investment project) providing for the opening of 877 new jobs, of which 677 in	In the period 1 May 2017 - 31 December 2020, 48 IPA projects are planned to be certified at a total of BGN 817 million, providing for the creation of 1,590 new jobs.	2020	1/ Growth of investment and employment in high-tech sectors	1/ Employment rate in high added value sectors (change) – 5.4% growth in

1	2	3	4	5	6	7	8	9
and in areas of high unemployment		for partial reimbursement of the employer's social security costs for newly created jobs.		high tech productions and services. Investments in certified projects amount to 588.6million of which BGN 314.7 million in high-tech manufacturing and services.	During the period, incentives are planned to provide 35 of the certified projects with a total investment volume of BGN 323 million, providing for the creation of 910 new jobs.	2019	and in areas of high unemployment; 2/ Proceeds in the budget in the form of taxes and social security and health contributions.	2016 compared to 2015; 2/ Share of newly created jobs in high added value sectors (as a % of all newly created jobs under certified IPA projects) – 77.2% as at 11.04.2018.

3.2 National target for R&D

⦿ Policy measures

The NSDSR 2017-2030 was adopted by a Decision of the 44th National Assembly dated 07.06.2017. A draft operational plan with activities for the first stage of the strategy was also prepared.

In 2017, the Council of Ministers adopted the updated National Roadmap for Research Infrastructure.¹³ A Standing Committee for Planning, Monitoring and Evaluation of its implementation was established.

In compliance with the Statute on the monitoring and evaluation of the research activities of the scientific organizations, the higher education institutions as well as the activities of the SRF, an evaluation of the fund and pilot application of the statute for five scientific organizations and higher schools has been carried out. Activities have been launched to prepare an independent international evaluation of research carried out by higher education institutions and scientific organizations.

In the National Strategy for the Development of Scientific Research and in order to prepare and qualify young scientists in the field of research by revealing attractive perspectives for career development, the National Programmes for Young Scientists and PhD Students and Postdoctoral Students have been prepared.

In 2017, the SRF joined two ERA NET programmes (Black Sea Horizon, ERA NET RUS PLUS), and supported the work under BiodivERSA programme. Several events were held to attract, encourage and develop young scientists, as well as to attract prominent Bulgarian scientists working in prestigious foreign scientific institutions. The Bilateral scientific and technical cooperation with Japan, France, Austria and China is continuing.

The implementation of the measures included in the ISSS Action Plan is continuing. The realization of activities in the process of entrepreneurial discovery aims at creating conditions for strengthening the innovation activity of enterprises and increasing the number of SMEs that have introduced a new product, service, technology and marketing or organizational innovation.

The plan includes a measure to track the implementation of projects funded by the National Innovation Fund, aimed at promoting innovation and technological development in SMEs which cooperate with research organizations.

The implementation of the Eurostars, Eurostars 2 and Eureka programmes which provide an opportunity for joint national and European funding of international research projects is being monitored. The programmes have also contributed to the fulfilment of the objectives of Horizon 2020.

The implementation of measures to improve pro-innovative infrastructure and promote innovation in enterprises with OPIC funds is continuing. In 2018, a procedure for stimulating the introduction of innovation in enterprises and the establishment and development of thematically focused laboratories worth BGN 107.6 million as well as for the development of innovative clusters with a budget of BGN 29.9 million will be announced. Support is also envisaged to upgrade Sofia Tech Park.

¹³ CoM Decision No 354/29.06.2017.

Table 3-3: Measures addressing the NT for R&D, part of Annex 1

Policy area	Measure title	Information on measures taken and planned					Expected effect, incl. budgetary	Output indicators: current and target value
		Brief description of the measure	Start date	Current state (as of 11 April 2018)	Upcoming stages in the implementation of the measure until its implementation deadline (after 1 May 2018)	End date		
1	2	3	4	5	6	7	8	9
Support to innovation and implementation activities	ISSS	Implementation of the ISSS Action plan measures.	2014	An annual report for the implementation of the objectives of ISIS for 2017 has been prepared. Its final adoption is forthcoming.	Implementation of the ISSS Action plan measures for 2018.	2020		Number of innovative companies supported.
	Funding of applied research.	NIF funding of industrial research and pre-market survey of companies.	2005	The results of ranked applicants approved for funding under the eighth competition session have been announced.	Information support and promotion of NIF activities.	2020	For 2018, BGN 5 million.	Investments in R&D as % of GDP (change) an increase of 0.01% per annum of public spending on R&D.
Support to SME	European initiative "Eureka" Programmes Eurostars, Eurostars 2.	Implementation of the programmes.	2009	A procedure for negotiation and signing of agreements with two Bulgarian participants ranked in the Sixth Session of Eurostat was launched.	Information campaigns and promotion of Eureka and Eurostar programmes.	2020	For 2018 – BGN 1 million.	Number of approved projects with Bulgarian participation.
Improving the research infrastructure	Enhancing the capacity of scientific organizations and the transfer of knowledge to the economy and society.	Implementation of the National Road Map for Scientific Infrastructure and complementing new scientific complexes of regional and European importance.	January 2018	The National Strategy for the Development of Scientific Research in the Republic of Bulgaria 2017 - 2030 was adopted by a decision of the 44th National Assembly of 07.06.2017. A revised National Roadmap for Scientific Infrastructure was adopted by CoM Decision No. 354/29.06.2017.	Improvement of the R&D infrastructure.	December 2022		1/ Number of supported scientific infrastructures; 2/ Number of participations in pan-European infrastructures.
Innovation infrastructure	Developing innovation infrastructure.	Supporting the creation/development of TCs, TTOs, thematic focussed laboratories and high-tech laboratories for testing and technological verification. Establishing and Developing Technology Park "Sofia Tech Park".	2012	Implementation of Phase II of the project for the construction of Sofia Tech Park worth BGN 12.3 million.	Providing support for upgrading and developing Technology Park "Sofia Tech Park" to the amount of BGN 39.6 million. Providing support for the thematic focussed laboratories at the amount of BGN 9.8 million.	2023	For the period 2014-2020, under OPIC, BGN 61.9 million will be allocated as GFA.	
	Promoting innovation in enterprises.	Supporting the development and implementation of innovations in enterprises; Developing cooperation between enterprises and the scientific community; Financing of projects for renova-	2012	Under the procedure "Improving the Manufacturing Capacity of SMEs" under OPIC, 644 contracts with a total amount of BGN 339,3 million have been successfully completed; 72 contracts have been currently implemented.	Completion of the evaluation and conclusion of contracts under the procedure "Development of product and production innovations". Planned procedures: "Improvement of the production capacity and development of	2023	For the period 2014-2020, under OPIC, BGN 1.066 billion will be provided.	1/ Share of innovative enterprises (% of the total number) - reference value (2012) -

1	2	3	4	5	6	7	8	9
		<p>tion and improvement of technologies in enterprises; Introduction of new ICT-based services; Support for existing and newly created clusters; Financing of projects for renovation and improvement of technologies in enterprises; Introducing new ICT-based services; Supporting the existing and newly created clusters.</p>		<p>Under the procedure "Support for the implementation of innovations in enterprises", 11 contracts with BGN 6.3 million have been successfully concluded and 140 contracts with a total value of BGN 109.7 million have been implemented. Under the procedure "Managing Capacity Development and Growth of SMEs" 234 contracts with a total value of BGN 57.5 million are in process of implementation. Under the procedure "Support for the development of innovations from start-ups", 82 contracts with a total value of BGN 30.1 million are in process of implementation. Under the "Cluster Development in Bulgaria" procedure, 26 contracts worth 16.6 million BGN were concluded.</p>	<p>specialized services for SMEs and ICT" with a budget of BGN 150.6 million; "Stimulating the introduction of innovation in enterprises" with a budget for the implementation of innovations of BGN 97.8 million and "Development of innovative clusters" with a budget of BGN 29.9 million. Implementation of concluded contracts.</p>		<p>As of 10 January 2018, BGN 603.96 million.</p>	<p>27.4, target value (2023) - 30.4. 2014 - 26.1 2/ Innovation costs not resulting from R & D (% of turnover) – reference value (2012) - 0.49, target value (2023) - 0.63. 2014 - 0.74.</p>

3.3 National targets under the „Climate-energy" package

3.3.1 National Target: a 16% share of RS energy in the gross end-use consumption of energy by 2020

⊙ Policy measures

For the period 2015-2016, a continued growth of the use of energy from renewable sources has been reported, with a share of the energy from renewable sources in the gross final energy consumption of 18.2% in 2015 and 18.8% in 2016, respectively.

Given the implementation of the national target, the planned measures to promote the development of energy from renewable sources are in line with current conditions, sectoral developments and EU energy policy guidelines.

Implementing the requirements of Directive 2015/1513/EC amending Directive 98/70/EC relating to the quality of petrol and diesel fuels and amending Directive 2009/28/EC on the promotion of the use of energy from renewable sources, a draft Law amending and supplementing the LERS has been developed which aims at:

- ▶ transposition of the requirements of Directive 2015/1513/EC;
- ▶ fulfilment of the EC conditions of state aid No C (2016) 5205 final of 04.08.2016 of the EC, on the support for the production of energy from renewable sources in Bulgaria – SA.44840 (2016/NN) and elimination of the risk of violation of Article 30 and/or Article 110 TFEU;
- ▶ implementation of the Court of Auditors' recommendation on Audit Report No 0300001613 on the Audit of the Implementation of the EU targets and the National Targets for the Production and Use of Biofuels for the Period 01.01.2008 – 31.12.2012;

Pursuant to Article 2(2)(4) of Directive 2015/1513/EC, Bulgaria has designated and submitted to the EC a national target for the consumption of new generation biofuels under Annex IX, Part A, at the rate of 0.05 pp. energy content of the mandatory share of energy from renewable sources (1,648 toe) in all modes of transport which is to be achieved by 2020.

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

⊙ Policy measures

Energy efficiency is of high priority for the national policy. The main directions in which savings potential is sought are mainly related to the final energy consumption in the industry, transport, households and services. Improving energy efficiency in transformation processes, in transmission and distribution of energy, as well as in increasing the share of energy produced in a highly efficient combined manner, will contribute to the efficient use of energy in the country.

In order to support the fulfilment of the national target, the LEE has also introduced a target to increase EE in end-use, which will be distributed as individual targets among the liable persons¹⁴.

An opportunity is introduced to implement the national cumulative target through alternative measures. When the individual energy savings targets are met, there is also an opportunity for the liable persons to offer energy efficient services at competitive prices through companies providing energy efficient services and/or through contributions to the Energy Efficiency and Renewable Energy Fund or to other financial intermediaries. Agreements with providers of energy efficient services or other non-liable parties for the transfer of energy savings may also be concluded through the transfer of energy savings certificates.

¹⁴ Liable persons are all fuel and retail energy suppliers, excluding fuel suppliers for the transport sector.

Another measure to increase EE is to carry out mandatory audits of buildings with a total floor area over 250 m² as well as of industrial systems with an annual energy consumption of more than 3,000 MWh. All large enterprises are also subject to energy auditing at least once every four years.

Support for increasing energy efficiency in enterprises is also provided under OPIC, and in 2017 and early 2018, support to the amount of BGN 423.5 million was provided to 497 enterprises.

3.3.3 National Target: Preventing the increase in the levels of greenhouse gases (GHG) outside the EU ETS by more than 20% by 2020 compared to 2005

⊙ Policy measures

In order to reduce greenhouse gas emissions outside the EU ETS, the country's policies are geared to effective waste management, improving energy efficiency in industry, introducing new technologies, improving the energy performance of buildings, improving transport infrastructure and promoting sustainable urban mobility, reducing soil emissions of land for agricultural use and organic fermentation in livestock breeding and afforestation.

The financial support from the OPE 2014–2020 is essential for the provision of plant and equipment for separate collection of biodegradable and green waste, anaerobic and/or composting installations for biodegradable and/or green waste, facilities and equipment for the treatment of sludge from WWTPs, as these types of waste are a significant source of greenhouse gases. Contracts under the OPE 2014–2020 for the design and construction of composting plants and pre-treatment facilities for municipal waste have been concluded with the municipalities of six regional waste management associations amounting to BGN 57.6 million are in the process of implementation.

The Climate Investment Programme of the National Trust EcoFund is also being implemented. The Programme finances projects to improve the energy efficiency of state and municipal buildings, with funds being secured by auctioning greenhouse gas emission allowances under the EU's Greenhouse gas emissions trading scheme. So far, measures have been implemented to reduce energy consumption in 72 sites totaling BGN 27.2 million. The greenhouse gas emissions savings are 590,278 tonnes (tCO₂eq) for a thirty year period. Under this Programme, a total of 44 electric and hybrid vehicles have been also delivered to prevent greenhouse gas emissions amounting to 1,387 tCO₂eq.

Table 3-4: Measures addressing the “Climate-energy” package, part of Annex 1

Policy area	Measure title	Information on measures taken and planned					Expected effect, incl. budgetary	Output indicators: current and target value
		Brief description of the measure	Start date	Current state (as of 11 April 2018)	Upcoming stages in the implementation of the measure until its implementation deadline (after 1 May 2018)	End date		
1	2	3	4	5	6	7	8	9
Improving EE and using energy from RS	Programme BG04 “Energy efficiency and renewable energy”.	Improving EE and using energy from RS.	2014	Implementation of the 53 contracts under approved projects for increasing EE and RS, training of representatives of government institutions and municipalities with respect to the development, planning and implementation of measures for EE and RS. By 30 April 2017, all activities under the contracts were executed.		2018		1/ Increased EE and increased share of RS for heating and/or cooling in municipal and state buildings and local heating systems. 2/ Increased administrative capacity in terms of EE and RS.
Improving energy efficiency	Auditing and certification of public service buildings with a total floor area of over 250 m ² .	The measure envisages performing energy audits and certification of all public service buildings in operation with a total area exceeding 250 m ² .	2016	Energy savings – 142 ktoe/year.	Performing energy audits and certification of all public service buildings in operation with a total floor area exceeding 250 m ² .	2020	Investment needed – BGN 1.746 million.	Energy savings – 214 ktoe/year.
	Fulfilment of individual targets for energy savings by energy traders.	To support the implementation of the NT, the LEE introduces also an aim to increase EE in end-use that will be distributed as individual targets between liable persons - all suppliers of fuel and energy, except for transport fuel suppliers.	2014	Energy savings - 173ktoe/year.	Fulfilment of individual targets for energy savings by energy traders.	2020	Investment needed – BGN 3.450 million.	Energy savings - 486 ktoe/year.
	Measures increasing energy efficiency and reducing harmful emissions into the atmosphere.	Integrated Urban Transport: Building Transport Infrastructure. Supply of vehicles. Developing new route lines. Promoting alternative forms of transport. Implementing EE measures in the building stock - residential buildings, administrative buildings of the state and municipal administration and student dormitories.	2015	Open procedures for the provision of GFA under PA 1 “Sustainable and Integrated Urban Development” – for projects for integrated urban transport and the implementation of EE measures in residential and administrative buildings and in student dormitories. Under PA 1, 7 GAs were concluded for improving the urban transport systems totalling BGN 114.4 million. Under PA1, 4 GAs for EE in residential buildings worth BGN 7 million and 14 GAs for EE in administrative buildings totalling BGN 23.9 million were concluded. Under PA 2 “Support for energy efficiency	Implementation of projects under the OPRG 2014-2020 within PA 1 “Sustainable and Integrated Urban Development” - for integrated urban transport and EE measures in a building stock. Implementation of projects under the OPRG 2014-2020 under PA 2 “Support for energy efficiency in supporting centers in the peripheral regions” – for projects for implementation of EE measures in a building stock. A new procedure for the awarding of GFA under PA 2 “Support for Energy Efficiency in supporting centers in the peripheral regions” is to be announced.	2023	OPRG 2014-2020 - BGN 279.8 million for urban transport; OPRG 2014-2020 – BGN 661 million for EE in a building stock.	1/ Reduction of the quantity of fine particulate matter in cities (reference value 1.79 µg/m ³ , target value 1.57 µg/m ³ ; 2/ Urban transport: estimated annual decrease of GHG – target value of 13,927.73 tonnes of CO ₂

1	2	3	4	5	6	7	8	9
				in support centres in the peripheral regions" 63 GAs were concluded for EE in residential buildings totalling BGN 93.7 million and 107 GAs for EE in public buildings totalling BGN 78.3 million. One project is over.				eq.; 3/ Number of households with improved energy consumption classification - 12,901; 4/ Decrease of annual primary consumption in public buildings – 140,645,420 kWh/year.
	Law amending and supplementing the LERS.	Transposition of the requirements of Directive 2015/1513/EC, fulfilment of the EC State Aid Statement No. C (2016) 5205 final of 04.08.2016 of the European Commission on Supporting the Production of Energy from Renewable Sources in Bulgaria - SA.44840 (2016/NN) and eliminating the risk of breach of Article 30 and/or Article 110 of the Treaty on the Functioning of the European Union; implementation of the Court of Auditors' recommendation on Audit Report No 0300001613 on the audit of the implementation of the EU targets and the national targets for the production and use of biofuels for the period from 01.01.2008 to 31.12.2012.	2017	Draft Law amending and supplementing the LERS has been prepared. Conciliations under Article 32 of the RPCMA, under Article 10(1)(7) of the CMD 85 and public consultations have been held.	Draft Law amending and supplementing the LERS approved.	June 2018	No financing needed.	
	Improving EE of enterprises through ESIF.	Providing support to investment in energy saving technologies and energy production from RS and construction works of production facilities.	2012	446 contracts were signed under the procedure "Energy Efficiency for SMEs", with GFA of BGN 327.83 million. 51 contracts were signed under the procedure "Improving energy efficiency in large enterprises", with GFA of BGN 95.67 million.	Implementation of concluded contracts.	2023	For the period 2014-2020, under OPIC BGN 466 million will be provided. As to 1 February 2018, BGN 423.5 million have been provided.	Energy intensity of the economy (change) – reference value – 0.470 (2012) tonnes of oil equivalent per EUR 1,000 GDP (2005 = 100) and 0,608 (2014), target value (2023) – 0,604. 2015 - 0.449.
Reducing greenhouse gas emissions	Effective implementation of European policy on climate change and participation of Bulgaria in	Participation in negotiations at European level concerning amendments in the functioning of the EU ETS, as well as at international level regarding implementation of the Paris Climate Agreement and regulation of the	2013	The ETS continues to operate successfully, with free allowances issued to 126 installation operators and 4 aviation operators participating in the ETS for 2017. As to 31.12. 2017 revenues generated from the auctioning of allowances for	Implementation by the Bulgarian Presidency of the Council of the EU of the negotiation process at European level on the adoption of the following legislative proposals: Regulation of the EP and the Council on the monitoring and reporting of CO ₂	2020	Saved greenhouse gas emissions as a result of CIP projects.	1/ CIP projects Implemented; 2/ Adopted legislative acts and methodological docu-

1	2	3	4	5	6	7	8	9
	international negotiations on climate change.	<p>issues unsettled by the Agreement.</p> <p>Ensure the implementation of the requirements of the newly adopted EU legislation in the field of biofuels (Directive 2015/652 and Directive 2015/1513).</p> <p>Investment in actions for reducing greenhouse gas emissions in non – EU ETS sectors.</p>		<p>greenhouse gas emissions from installations and aviation activities amounted to BGN 254.5 million.</p> <p>From transfers of annual emissions allocations allowances (Annual emissions allocations - AEAs) to the Republic of Malta, pursuant to a bilateral agreement, funds amounting to BGN 283.2 thousand were received.</p> <p>With the auctioning proceeds within the EU ETS, the NTEF Climate Investment Programme has been funded and the following results are achieved:</p> <p>Energy management measures were implemented in 72 sites including 26 schools, 16 nurseries and kindergartens, 10 administrative buildings, 8 community centers, 5 public buildings and facilities, 4 universities, 2 health services and 1 municipal hospital. The total value of the projects is BGN 27.2 million, with greenhouse gas savings of 590,278 tons (tCO₂eq) for a thirty year period;</p> <p>A total of 44 electric and hybrid vehicles have been delivered to prevent greenhouse gas emissions of 1,387 t (tCO₂eq). Upcoming is the purchase of another 18 vehicles;</p> <p>Ensuring the transposition and implementation of the requirements of the new European legislation in the field of biofuels (Directive 2015/652 and Directive 2015/1513). In 2017, the following were adopted: Ordinance on the conditions, terms and procedures of preparing and verifying the reports of the suppliers of fuels and energy for transport (CMD No 198 of 15 September 2017). Methodology for determining the life cycle greenhouse gas emissions intensity of non-organic fuels and energy for transport (Order No RD635/29.09.2017 of the Minister of Environment and Water).</p>	<p>emissions and fuel consumption of new heavy vehicles; Regulation of the European Parliament and the Council on setting emission performance standards for new passenger cars as part of the Community's integrated approach to reduce CO₂ emissions from light-duty vehicles.</p> <p>Preparation carried out by the Bulgarian Presidency of the Council of the EU for EU participation in: the international negotiations on the remaining unregulated issues in the Paris Agreement, incl. in the 2018 Ancillary Dialogue (Talanoa Dialogue) in order to make progress on the Work Programme of the Paris Agreement; the preliminary negotiating session in Bonn in May 2018, preceding the 24th Conference of the Parties to the UN Framework Convention on Climate Change (Katowice, Poland).</p> <p>Preparation and adoption of: Ordinance on the Sustainability of Biofuels with Indirect Land Use Change, by the CoM; Methodology for Determining GHG Emissions for Biofuels Life Cycle, taking into account Indirect Land Use Changes, by MEW.</p>			<p>ments in the field of biofuels for the purpose of their promotion.</p>
Improving the quality of ambient air	Developing tools and making regulatory amendments, where necessary, to reduce pollutant levels and achieve the established	Elaboration of national programmes for reducing the emissions of harmful substances and for air quality in order to reduce the total emissions of certain pollutants and achieve and maintain levels of controlled atmospheric pollutants corresponding to the norms laid down in the national legislation.	2017	A National AAQ Programme is being developed on the basis of an Agreement between the MoEW and the International Bank for Reconstruction and Development. A preliminary report on the identification and prioritization of air quality management measures has been prepared in order to achieve compliance with the	Adoption of the National AAQ Programme. Development and adoption (by 01.04.2019) of a National Programme for reduction of total annual emissions of sulphur dioxide, nitrogen oxides, volatile organic compounds, fine particulate matter and ammonia in the ambient air.	2020	1/ Reduction of PM10 levels in the settlements, improved air quality and achievement of ambient air	1 Number of exceedances of the daily average PM10 limit values in each settlement and the annual average limit

1	2	3	4	5	6	7	8	9
	norms in areas with poor ambient air quality (AAQ).			<p>legislation.</p> <p>An interdepartmental working group has been set up and functioning to develop regulatory documents limiting the sulphur and ash content of coal and briquettes sold for domestic heating in order to reduce emissions of fine particulate matter (PM10) and sulphur dioxide (SO₂).</p> <p>In the Road Traffic Act (Amended and supplemented, SG No. 97 of 05.12.2017) amendments have been made which envisage that in the event of finding a dangerous malfunction of the vehicle (incl. the lack of cleaning equipment in its exhaust system - catalyst and DPF - filter), its registration in the Traffic Police system will be temporarily withdrawn. Once the discrepancy has been removed by the owner, an annual technical inspection should be re-conducted where this is certified. These provisions of the Law enter into force on 06.06.2018.</p>	<p>Introduction of requirements for sulphur and ash content in solid fuels offered for domestic heating (coal and briquettes) by LAS of the LQAA and a normative document (ordinance).</p> <p>Improvement of the control over the periodical inspections of the technical condition of the vehicles through amendments and supplements to the Road Traffic Act and the secondary legislation: Ordinance amending and supplementing Ordinance No. H-32 on the periodic road-worthiness tests for road vehicles - a draft OAS has been prepared and is about to be signed. It is envisaged that the amendments to Ordinance No. H-32 will enter into force on 20.05.2018.</p> <p>Adopted OAS of Ordinance No. I-45 on the Registration, Reporting, Commissioning and Decommissioning of Motor Vehicles and Trailers Towed by Them, and the Procedure for Providing Data on Registered Road Vehicles (Prom. S.G. 20/06.03.2018). It is envisaged that the amendments to Ordinance No I-45 will enter into force on 20.05.2018.</p> <p>Introducing additional restrictions on the purchase of catalytic converters at the waste reception points through the Ordinance Amending and Supplementing the Ordinance on End-of-life Motor Vehicles.</p> <p>Strengthening control over the quality of liquid fuels by adopting the LAS the LQAA. Adoption of an Ordinance amending and supplementing the Ordinance on the requirements for the quality of liquid fuels, conditions, terms and procedures of their control, in order to implement the requirements of the Directive 2015/1513/EC amending Directive 98/70/EC on the quality of petrol and diesel fuels and amending Directive 2009/28/EC on the promotion of the use of energy from renewable sources.</p> <p>Strengthening the control over the achievement of the AAQ standards for Waste Water and Waste Gas envisaged in</p>		<p>quality standards.</p> <p>2/ Reduction of emissions of certain pollutants leading to a decrease in their levels in the settlements and to help achieve the ambient air quality standards where they are violated.</p> <p>3/ Reduction of transport emissions, leading to improvement of ambient air quality.</p> <p>4/ Limiting the abuses of the transfer of catalysts at the waste reception sites.</p> <p>5/ Expanding the control of liquid fuel distributors, which will ensure a higher quality of fuel and will result in a reduction of emissions of harmful substances.</p>	<p>values of PM10.</p> <p>2/ For 2020, a reduction of the total annual emissions, against the reference 2005, of SO₂, NO_x, dust, NMVOCs and NH₃ in accordance with the requirements of Directive (EU) 2016/2284 and the Gothenburg Protocol revised in December 2012, namely: SO₂ – 78%, NO_x – 41%, NMVOC – 21%, NH₃ – 3% and PM2.5 – 20%.</p>

1	2	3	4	5	6	7	8	9
					<p>the programmes set forth in Article 27 of the LQAA by making amendments to the LQAA.</p> <p>Adoption of the Law on the Ratification of the amendment to the Protocol to the 1979 Convention on long-range trans boundary air pollution to abate acidification, eutrophication and ground-level ozone.</p> <p>Introduction through the Law amending and supplementing the LQAA and regulations (ordinances) of the requirements of: Directive (EU) 2016/2284 on the reduction of national emissions of certain atmospheric pollutants; Directive (EU) 2015/2193 on the limitation of emissions into the air of certain pollutants into the air from medium combustion plants.</p>			

3.4 National target for education

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

⊙ Policy measures

Policies aimed at enhancing the coverage of children and pupils by the system of pre-school and school education and reducing the share of early school leavers are related to the realistic coordination of the efforts of the institutions to overcome the identified problems according to the specifics of the environment in the school, the settlement, the municipality. In view of the need for immediate coordinated action of the institutions to overcome the negative trends related to the high share of early school leavers, a Mechanism for joint work of the institutions for coverage and retention of children and pupils at compulsory pre-school and school age in the educational system has been created in implementation of the CoM Decision No. 373 of 05.07.2017.

Since the school year 2018-2019, a new system has been introduced to identify children out of school and to return them to education. General support measures for improving retention in schools – additional classes for children and pupils who do not speak Bulgarian at home, counselling, and career guidance have been developed. Through the National Programme for Collaboration of the Institutions for Coverage and Retention of Children and Pupils in the Educational System, kindergartens, schools from areas where there is a significant share of children and pupils at risk of dropping out of school have been supported. Activities are being carried out to impact the most marginalized communities, as well as to ensure active cooperation in line with the scope of the mechanism.

In order to make the activities under the Mechanism a permanent, sustainable long-term policy for the prevention of dropping-out, a draft CMD is being prepared.

A draft Plan 2018-2020 for the implementation of the Strategy for reducing the share of early school leavers (2013–2020) is under preparation. It includes measures for the prevention and intervention of dropping out of school and for the reintegration of early school leavers. The emphasis will continue to be on policies preventing dropping out of school.

Table 3-5: Measures addressing the NT for a share of early school leavers of 11% by 2020, part of Annex 1

Policy area	Measure title	Information on measures taken and planned					Expected effect, incl. budgetary	Output indicators: current and target value
		Brief description of the measure	Start date	Current state (as of 11 April 2018)	Upcoming stages in the implementation of the measure until its implementation deadline (after 1 May 2018)	End date		
1	2	3	4	5	6	7	8	9
Share of early school leavers of 11% by 2020	Establishing, developing and functioning of the Mechanism for joint work of the institutions for enrolment and retention in the educational system of children and pupils in obligatory pre-school and school age.	The mechanism is based on an approach combining the efforts of all responsible institutions to overcome dropping out of school and retention in the education system of children and pupils at compulsory pre-school and school age and to build an information system with all the data needed to detect and cover children and pupils in the education system and with full information on the actions taken by different institutions.	2017	A draft of the CMD on Creating, Developing and Sustainable Functioning of the Mechanism for Joint Work of the Institutions on the Coverage and Retention in the Educational System of Children and Pupils at Compulsory Preschool and School Age has been prepared.	Development of cooperation between institutions. Complementing the functionality of the information system to implement the mechanism. Continuous operation of coverage teams.	2018	Achievement of the NT for the share of early school leavers.	Value of the share of early school leavers; Current value for 2016 – 13.8%; Target value – 2020 – 11%.
	Adopting the 2018-2020 Plan for the implementation of the Strategy for reducing the share of early school leavers (2013-2020).	The Draft Plan contains measures to prevent early school leaving and to intervene and to reintegrate school dropouts. It is based on an approach that requires the implementation of sustainable policies with the coordinated efforts of the institutions concerned to improve the coverage and the successful inclusion of children and pupils in the education system.	2018	The 2018-2020 Draft Plan for the implementation of the Strategy for reducing the share of early school leavers (2013-2020) have been prepared.	Adoption of CoM Decision.	April 2018		Value of the share of early school leavers; Current value for 2016 – 13.8%; Target value – 2020 – 11%.
	Implementing the National Programme “Together for every child” for 2018.	The Programme aims to support the coverage teams and promote their activities, as well as to engage parents to participate actively in the educational process in kindergartens and schools.	2018	A draft of the National Programme “Together for every child” for 2018 has been prepared.	Adoption of the CoM Decision for the approval of national education development programmes – by the end of April 2018.	2019		1/ Number of supported teams; 2/ Number of activities to engage parents in school life.

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

⊙ Policy measures

Activities have been carried out to promote the efforts of higher education institutions to continuously improve the quality of the offered higher education by introducing internal evaluation systems, developing the academic staff, creating conditions for the inclusion of the latter in the European educational domain to learn best practices.

An assessment of the progress made in implementing the Higher Education Development Strategy of the Republic of Bulgaria for the period 2014–2020 is forthcoming with a view to updating the Action Plan and the set indicators as well as publishing the new edition of the Rating System of Higher Education Institutions in the Republic of Bulgaria.

Table 3-6: Measures addressing the NT for a share of 36% of the people aged 30-34 with completed higher education by 2020, part of Annex 1

Policy area	Measure title	Information on measures taken and planned					Expected effect, incl. budgetary	Output indicators: current and target value
		Brief description of the measure	Starting date	Current state (as of 11 April 2018)	Upcoming stages in the implementation of the measure until its implementation deadline (after 1 May 2018)	End date		
1	2	3	4	5	6	7	8	9
Increasing the share of people aged 30-34 with completed higher education	CoM Decision to validate the number of students and PhD students admitted to higher education institutions and scientific organizations during the academic year 2018-2019.	Ensuring the conditionality between state funded training of students and PhD students and the priorities of the socio-economic development of the country.	January 2018	A draft of CoM Decision has been prepared.	A CoM Decision has been adopted.	May 2018	Provided commitment between government-funded student and PhD training and labour market needs.	
	Evaluation of progress in implementing the Strategy for the Development of Higher Education in the Republic of Bulgaria for the period 2014-2020 with the aim of updating the Action Plan and the set indicators.	Analytical overview of the implementation of the Strategy for the Development of Higher Education in the Republic of Bulgaria for the period 2014-2020 and the Action Plan thereto.	January 2018	Making an analytical over review.	Making an assessment of the progress in implementing the Strategy for the Development of Higher Education in the Republic of Bulgaria for the period 2014-2020 and updating the Action Plan.	December 2018	A long-term framework for adequate development of the higher education system has been established.	
	Project under the OP SESG "Maintaining and Improving the Rating System of the Higher Schools – Phase 1".	Annual update of the system.	June 2016	Implementation of the project proposal.	Implementation of the project proposal.	2019	BGN 3 million from ESF funding (85%) and national co-financing (15%).	One update of the Rating System.
Improving the facilities of higher education institutions	Construction, reconstruction, repair, equipment and furnishing of higher education institutions.	Under OPRG 2014-2020: Construction, reconstruction, repair, equipment and furnishing of higher education institutions.	2015	Under PA 3 "Regional Educational Infrastructure", Procedure "Support for Higher Education Institutions in the Republic of Bulgaria" - 13 GAs concluded totalling BGN 42.4 million.	Implementation of projects under PA 3 "Regional Educational Infrastructure" OPRG 2014-2020, with higher education institutions as beneficiaries.	2023	BGN 43 million under OPRG 2014-2020.	1/ Capacity of the supported infrastructure for childcare – number of students; 2/ Modernized educational institutions.

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

⊙ Policy measures

The fulfilment of social inclusion objectives is closely linked to the implementation of employment policies and access to education policies, which address CSR 3. Among the key policy priorities in the field of social inclusion are the continuation and finalization of the childcare deinstitutionalization process; launching the process of deinstitutionalization of care for the elderly and people with disabilities; expanding access to services by building an adequate network of accessible and quality social and health services in the community and in the home environment; support for families with children, etc.

In order to continue and finalize the reform for deinstitutionalization of childcare, the measures set out in the updated Action Plan for the implementation of the National Strategy “Vision for Deinstitutionalization of Children in the Republic of Bulgaria” have been implemented. The updated plan contains measures grouped into several main areas: providing social and integrated services for early intervention and prevention in a family environment; providing care in a family environment for children at risk not raised by their biological parents, and phasing out homes for medical and social care for children; providing social services and community support for children placed in homes for children deprived of parental care and for children from these homes leaving the childcare system; providing social, health and integrated health and social services for children with disabilities; enhancing the effectiveness of the system for guaranteeing children’s rights; providing the necessary infrastructure.

The reform of the care for elderly and people with disabilities and the development of accessible and quality services in home environment are also among the priority directions of the social inclusion policy. In this regard an Action Plan for the implementation of the National Strategy for Long-Term Care for the period 2018-2021¹⁵ has been adopted. Several major groups of measures have been envisaged under the Plan: providing support in home environment and in the community to disabled and elderly people dependent on care; providing quality social services in the community to persons placed in specialized institutions with poor living conditions and quality of care and phasing out of institutions; increasing the effectiveness of the long-term care system; building up the necessary infrastructure to provide social and integrated health and social services to people with disabilities and elderly people dependent on care. The implementation of these measures will initiate the process of deinstitutionalisation of the care for elderly people and people with disabilities.

An essential dimension of the policy of poverty reduction and promotion of social inclusion is to ensure effective support to families with children. In order to achieve better targeting of the aid and support to more families with children, amendments to the LFAC¹⁶ have been introduced by the 2018 LSBRB. The amendments relate to: an increase in the amount of the income criterion for three of the four types of family benefits provided on the basis of an income criterion; an introduction of a differentiated double income criterion with regard to monthly child-raising allowances up to the completion of secondary education, which determines not only the entitlement to allowances but also the amount thereof; an increase of monthly allowances for families with an income test of up to BGN 400.

In implementation of the social inclusion policy, and in particular of the National strategy for reducing poverty and promoting social inclusion 2020, an Action Plan for the period 2017-2018 has been implemented.

¹⁵ CoM Decision No 28/19.01.2018

¹⁶ Effective as of 01.01.2018

Table 3-7: Measures addressing the NT to reduce the number of people living in poverty by 260 000 by 2020, part of Annex 1

Policy area	Measure title	Information on measures taken and planned					Expected effect, incl. budgetary	Output indicators: current and target value
		Brief description of the measure	Start date	Current state (as of 11 April 2018)	Upcoming stages in the implementation of the measure until its implementation deadline (after 1 May 2018)	End date		
1	2	3	4	5	6	7	8	9
Reducing poverty and promoting social inclusion	Supporting families with children.	Providing Family Allowances for Children under the LFAC.	on-going	For 2017, family allowances for children under the LFAC were paid at the amount of BGN 532 million.	Family allowances for children.	on-going	2018 – 2020 BGN 568.7 million.	Share of children at risk of poverty before and after social transfers (43.5% and 31.9%, respectively) - a decrease of 11.6 percentage points in 2016.
	Integrated services for early childhood development.	Providing support for continuing funding of services for early childhood development created under the Social Inclusion Project within Operation “Services for Early Childhood Development” OPHRD 20142020.	December 2015	64 contracts at the total amount of BGN 28.8 million have been concluded.	The implementation of project activities continues.	2019	OPHRD – BGN 30 million.	Number of providers of social inclusion services – 66.
	Providing access to social services in the community and continuing the deinstitutionalization process.	Creating newcommunity-based social services for children and families, elderly and people with disabilities and removing the institutional model of care.	2016	Implementation of the updated Action Plan for the implementation of the National Strategy "Vision for deinstitutionalization of children in the Republic of Bulgaria" (adopted by CoM Decision No. 859/13.10.2016).	Continuation and finalization of the process of deinstitutionalization of childcare according to the updated Action Plan for the Implementation of the National Strategy “Vision for the Deinstitutionalization of Children in the Republic of Bulgaria”.	2025	OPHRD – BGN 74 million OPRD – BGN 57 million.	
			2018	Action Plan for implementation of the National Strategy on Long-term Care for the period 2018-2021 have been adopted by CoM - Decision No 28/19.01.2018.	Implementation of the measures and activities set out in the Action Plan for the period 2018-2021 for the implementation of the National Strategy on Long-Term Care.	2021	OPHRD – BGN 70 million OPHRD – BGN 41.3 million.	
			2016	Implementation of the project “New standards for social services” with the MLSP as specific beneficiary.	The implementation of the project is extended until the end of 2018. New and/or updated processes and models for planning and implementing policies and services will be implemented within the project.	2018	OPHRD – BGN 1.7 million.	
	Providing access to social services in the community	Developing new community-based social services for children						

1	2	3	4	5	6	7	8	9
	and continuing the deinstitutionalization process	and families, the elderly and people with disabilities and removing the institutional model of care: 1. Operation "Accept Me" 2. Operation "Increasing the capacity of staff in the field of child protection, social services and social assistance" 3. Procedure "Independent Living" 4. Operation "Find me". 5. Operation "Continued support for deinstitutionalization of children and youth". 6. Deinstitutionalization of children and young people - STAGE 2 - provision of social and integrated health and social services for children and families.	2015 2016 2015 2017 2018 2018	1. Under the "Accept Me" operation, 2,104 children were accommodated and raised in 1,734 foster families in partner municipalities. 2. In process of implementation. 3. Indicators with accumulation have been achieved: Persons with disabilities and persons above 65 years of age unable to self-service – 32,623; Participants with disabilities and participants over 65 years of age unable to self-service, with improved access to services – 13,059; Number of providers of social inclusion services – 6; Number of social inclusion service providers who widened their scope of activity – 4. 4. The project proposals submitted under the operation are in a process of evaluation. 5. The procedure is announced. An evaluation of the submitted project proposal is forthcoming. 6. The operation is to be announced in April 2018.	1. Continuation of the implementation of the project activities. 2. Continuation of the implementation of the project activities. 3. Implementation of the project activities. 4. Preparation and conclusion of contracts as well as implementation of the approved project proposals. 5. Evaluation of the submitted project proposal. 6. The operation is to be announced in April 2018.	2020 2019 2018 2020 2023 2023	BGN 136 million. BGN 28 million. BGN 150 million. BGN 4 million. BGN 3 million. BGN 74 million.	1/ Children and young people receiving social and health services in the community after their removal from the institution – 3,300; Number of social service providers - 150. 2/ Number of employees who have acquired a qualification upon leaving an operation - 7300. 3/ Persons with disabilities and persons over 65 in unable for self-service – 16,000; Number of service providers for social inclusion – 265; 4/ Number of providers of social inclusion services – 25; Children and young people living in institutions covered by deinstitutionalization interventions /incl. children and young people accommodated in community-based residential services/ - 600; 5/ Children and young people accommodated in institutions covered by interventions for deinstitutionalization – 1,630; 6/ Children and young people accommodated in institutions covered by interventions for deinstitutionalization – 1,470.
	Providing access to social services in the community and continuing the process of deinstitutionalization.	Developing new social services in the community for children and families, elderly people and people with disabilities, and	2017	Under OPRG 2014-2020, Priority Axis 5 "Regional Social Infrastructure", Procedure "Support for deinstitutionalization of childcare": 30 GAs of BGN	Implementation of projects under the procedure "Support for deinstitutionalization of childcare" under PA 5 of OPRG	2023	OPRG 2014-2020 – BGN 99 million.	Number of supported projects of social infrastructure in the process of deinsti-

1	2	3	4	5	6	7	8	9
		elimination of the institutional model of care. Under OPRG 2014-2020: infrastructure projects supporting deinstitutionalisation of social care for children and adults.		14.1 million have been concluded.	2014-2020. A procedure for the provision of a grant financial assistance for deinstitutionalisation of care for elderly people and people with disabilities is forthcoming.			tionalization – target value – 138 projects.
	Modernization of social infrastructure projects.	Under OPRG 2014-2020: construction, reconstruction, equipment and furnishing of projects of social, cultural and sports infrastructure.	2015	Under Priority Axis 1 “Sustainable and Integrated Urban Development” 4 Gas have been signed to support social infrastructure projects at a total value of BGN 5.6 million.	Project implementation under Priority Axis 1 “Sustainable and Integrated Urban Development” of OPRG 2014-2020 to renovate social, cultural and sport infrastructure projects.	2023	OPRG 2014-2020 – BGN 246 million.	Population benefiting from improved social services – target value 264,383 persons; Public or commercial buildings constructed or renovated in urban areas – target value 94,911 m ² .
	Improving the access to the labour market for people with disabilities.	1. Operation “Active Inclusion”. 2. Operation “Development of social entrepreneurship”. 3. Operation “Support for the People with Disabilities”. 4. Operation “Equal Opportunities”. 5. Operation “New Chance for Social Inclusion”.	2016 2017 2017 2017 2018	1. 61 contracts amounting to BGN 19 million have been concluded. Total inactive persons included – 3,356. 2. The evaluation of the project proposals ended on 23.02.2018. 3. The procedure is announced and the deadline for submitting project proposals is 17:30 h. on 30.03.2018. 4. The operation is in a process of evaluation of the submitted project proposals. 5 of the submitted project proposals have been approved for funding, the rest are still under evaluation.	1. Continuation of the implementation of the project activities. 2. Concluding a contract with the applicants approved for funding. 3. Evaluation of the submitted project proposals. 4. Conclusion of a contract with the applicants approved for funding. 5. Operation is to be announced in June 2018.	2018 2019 2020 2020 2018	BGN 22.7 million. BGN 51.2 million. BGN 6 million. BGN 8 million. BGN 1 million.	1/ Inactive or unemployed participants – 1,120; People with disabilities over 18 – 1,120; 2/ Number of supported cooperatives and social economy enterprises – 230; Inactive or unemployed participants – 1640; 3/ 520 people with disabilities over 18 to be included in the operation; 4/ Children, incl. with disabilities – 250; People with disabilities over 18 – 1,200; 5/ People with disabilities over 18 – 250.

4 USING EU FUNDS

The European Structural and Investment Funds 2014-2020 as well as the financial mechanisms under the bilateral cooperation with the EFTA countries – the Financial Mechanism of the European Economic Area and the Norwegian Financial Mechanism 2014-2021 – have provided funding for measures and operations under three of the priorities of the Europe 2020 Strategy.

In accordance with the approved Indicative Annual Work Programmes under the OP in 2018, 54 procedures will be announced for a total amount of BGN 1.452 million (EUR 742.4 million), of which 11 are in support of the smart growth priority, 17 – in support of sustainable growth priority and 26 – in support of inclusive growth priority. The planned procedures are related to:

- ▶ Stimulating the implementation of innovations in enterprises and the development of innovation clusters, improving production capacity and developing specialized services for SMEs and ICT;
- ▶ Investments in support of non-agricultural activities;
- ▶ Establishing regional research centers and unique research infrastructures;
- ▶ Adaptation of secondary vocational and higher education systems to the labour market requirements, quality assurance system for vocational education and training, validation and development of the dual training system (DOMINO 2);
- ▶ Vocational training and acquisition of skills in the field of agriculture and forestry;
- ▶ Increasing the capacity of pedagogical specialists to work in a multicultural environment;
- ▶ Support to vulnerable groups for access to higher education;
- ▶ Support for deinstitutionalisation of social services for adults and people with disabilities;
- ▶ Improving the working conditions by reducing discrimination, improving the efficiency of the income policy and employability of Bulgarian citizens, supporting the social inclusion of people with disabilities and other vulnerable groups;
- ▶ Promoting innovation and productive investments in the aquaculture sector;
- ▶ Implementation of demonstration/pilot projects in the field of waste management;
- ▶ Supporting regional investment planning of the water and sewerage sector – stage 2;
- ▶ Supporting the development and management of ecosystem services and assessing the condition of the elements of green infrastructure.

Some of the procedures outlined above address directly CSR of July 2017, namely:

- ▶ Improve the targeting of active labour market policies and integration between the employment services and social services for disadvantaged groups.
- ▶ Increase the provision of quality education, in particular for Roma.

In addition, under the OP “Foods”, funded by the Fund for European Aid to the Most Deprived for 2018, BGN 35.1 million is envisaged.

The implementation of the major infrastructure projects under OPTTI, for which payments amounting to BGN 531.5 million will be provided for 2018, will continue.

In the framework of the EEA FM and the NFM 2014-2021, in 2018 it is envisaged to launch projects and procedures aimed at local development, poverty reduction and increased inclusion of vulnerable groups, improving energy efficiency in buildings and using the potential of hydropower and thermal energy, environmental protection, waste management and climate change, promoting cultural entrepreneurship and improving access to culture, promoting business innovation and development through an inclusive environment. ●