



REPUBLIC OF BULGARIA
Ministry of Finance

EUROPE 2020: NATIONAL REFORM PROGRAMME

2012 Update

April 2012
Sofia, Bulgaria

Table of Contents

1. OUTLOOK FOR THE DEVELOPMENT OF THE BULGARIAN ECONOMY.....	9
1.1 Macroeconomic Scenario for the Development of the Bulgarian Economy	9
1.2 Alert Mechanism	13
2. IMPLEMENTATION OF PROGRAMMES AND MEASURES IN 2011	19
Addressing Country-Specific Recommendations 1 and 2 (CSR 1 and CSR 2)	19
Addressing Country-Specific Recommendation 3 (CSR 3)	23
Addressing Country-Specific Recommendation 4 (CSR 4)	23
Addressing Country-Specific Recommendation 5 (CSR 5)	25
Addressing Country-Specific Recommendation 6 (CSR 6)	32
Addressing Country-Specific Recommendation 7 (CSR 7)	34
3. SMART GROWTH.....	37
3.1 Policy Strategy for Achieving Smart Growth	37
3.2 Scientific Research and Innovation	38
3.2.1 Promoting R&D Investments	38
3.2.2 Improving the Access to Financing and Institutional Support for Enterprises, including SMEs	39
3.2.3 Improving the Quality of Scientific Activity, including by Developing Human Potential for Scientific Research and Innovations and Realising the Science-Business Connection	40
3.2.4 Building and Improving the Scientific Research and Innovation Infrastructure	40
3.3 Education and Training	42
3.3.1 Increasing the Access to Education, Retaining the Pupils in the Educational System and Raising the Education Level	42
3.3.2 Improving the Quality of Education	43
3.3.3 Raising Knowledge and Skills through Lifelong Learning	45
3.4 Information and Communication Technologies	45
4. SUSTAINABLE GROWTH	47
4.1 Policy Strategy for Achieving Sustainable Growth	47
4.2 Efficiency and Sustainability of Public Spending	48
4.2.1 Pension Reform and Social Security	48
4.2.2 Improving Public Spending Effectiveness	49
4.3 Climate and Energy	50
4.3.1 Increasing Energy Efficiency and Reducing Energy Dependence	50
4.3.2 Electricity Market Liberalisation	52
4.3.3 Environmental Protection, including Development of Technological Infrastructure	53
4.4 Business Environment	54
4.4.1 Strengthening Administrative Capacity	54
4.4.2 Reducing the Administrative Burden and Improving the Quality of Administrative Services	55
4.4.3 Deployment and Effective Implementation of e-Governance	58
4.5 Infrastructure	59
4.5.1 Road and Transport Infrastructure	59
4.5.2 Sustainable and Integrated Urban Development	60
5. INCLUSIVE GROWTH	61
5.1 Policy Strategy for Achieving Inclusive Growth	61
5.2 Employment	62
5.2.1 Promoting Employment and Reducing Unemployment	62
5.2.2 Improving the Match between Supply and Demand on the Labour Market	65
5.3 Poverty and Social Inclusion	66
5.3.1 Poverty Reduction and Social Inclusion of Vulnerable Social Groups	66
5.3.2 Improving the Quality of and Access to Healthcare Services	67
6. CONTRIBUTION OF THE STRUCTURAL FUNDS AND THE COHESION FUND TO THE IMPLEMENTATION OF THE NRP UNTIL 2015	69
6.1. Measures for Improving the Absorption of the Structural Funds and the Cohesion Fund	69

6.1.1 Measures in process of implementation	69
6.1.2. Planned measures	70
6.2 Contribution of the Structural Funds and the Cohesion Fund to the financing of the NRP measures at present and projections until 2015	71
6.3. Projections for the funds' absorption under priority themes contributing to the achievement of the NRP targets by 2020	72
7. HORIZONTAL AND METHODOLOGICAL ISSUES	75
7.1 Political Participation (Parliament, Regional and Local Authorities) and Participation of the Social Partners	75
7.2 Coordination of Sectoral Policies at Regional and Local Level	76
7.3 Instruments for Monitoring	77
8. ANNEXES	79

List of Tables

Table 1: Assumptions on Key Macroeconomic Indicators	10
Table 2: Key Indicators of the 2011-2015 Macroeconomic Scenario	10
Table 3: Progress in financial implementation of OPT by priority axis and priority project,	59

List of Figures

Figure 1: Contributions to annual GDP and GVA growth, by component (pps)	9
Figure 2: Number of Employed* and Unemployment Rate**	11
Figure 3: Real ULC Dynamics, 2009=100	12
Figure 4: Trade Balance by Type of Goods, mln EUR	14
Figure 5: Net International Investment Position, by components, mln EUR	14
Figure 6: FDI Inflows by Main Economic Sector, mln EUR	15
Figure 7: REER based on different deflators, 1999=100	16
Figure 8: Allocation of NRP (2011-2015) measures	19

List of Boxes

Box 1: Priority projects under OPT for which direct grant award procedures have been launched	59
Box 2: List of main and alternative projects, which also cover part of the extended TEN-T network	74

List of Annexes

Annex 1: Assessment of the country-specific recommendations and key macro-structural reforms in the 2012 update of the National Reform Programme of the Republic of Bulgaria	80
Annex 2: Report on the implementation of the National Targets in pursuance of the "Europe 2020" Strategy targets and other key commitments, set forth in the 2012 update of the National Reform Programme of the Republic of Bulgaria	90
Annex 3: Information on the Project Implementation under Priority Axis 2 "Development of road infrastructure along the Trans-European and national transport axes" under OPT:	108
Annex 4: Sources of financing of measures promoting the use of RES and increasing the energy efficiency, as well as tax incentives to promote the use of RES and increasing the energy efficiency	109
Annex 5: Absorbed and Contracted Funds for financing measures related to the achievement of higher growth and more jobs, UMIS data as of 20.03.2012 (EUR million)	111

List of Abbreviations

AGS – Annual Growth Survey	CSR 5 – Country-Specific Recommendation 5: “Take steps to address the challenge of combating poverty and promoting social inclusion, especially for vulnerable groups facing multiple barriers. Take measures for modernising public employment services to enhance their capacity to match skills profiles with labour market demand; and focusing support on young people with low skills. Advance the educational reform by adopting a Law on Pre-School and School Education and a new Higher Education Act by mid-2012.”
AIS – automated information system	CSR 6 – Country-Specific Recommendation 6: “Step up efforts to enhance administrative capacity in key government functions and regulatory authorities, in order to make public services more effective in responding to the needs of citizens and businesses; introduce and implement effectively measures to check public procurement on the basis of risk assessments, strengthen the capacity of the authorities to prevent and sanction irregularities, in order to improve quality and value-for-money in the use of public funds.”
ASA – Agency for Social Assistance	CSR 7 – Country-Specific Recommendation 7: “Abolish barriers to entry, guaranteed profits arrangements and price controls and ensure full independence of the Bulgarian Energy Regulator, in order to open up the electricity and gas markets to greater competition. Introduce incentives to upgrade the energy efficiency of buildings.”
ASED – Agency for Sustainable Energy Development	EA – Employment Agency
BASEA – Bulgarian Accreditation Service Executive Agency	EAD – Single-owner joint-stock company
BBMRI – Biobanking and Biomolecular Resources Research Infrastructure	EBRD – European Bank for Reconstruction and Development
BIA – Bulgarian Invest Agency	EC – European Commission
BIM – Bulgarian Institute of Metrology	ECNISEA – Electronic Communication Networks and Information Systems Executive Agency
BIS – Bulgarian Institute for Standardisation	EE – energy efficiency
BSMEPA – Bulgarian Small and Medium-Sized Promotion Agency	EEP – Energy Efficiency Programme
CAR – Council for Administrative Reform	EERES Credit Facility – Energy Efficiency and Renewable Energy Sources Credit Facility
CAW – construction and assembly works	EIB – European Investment Bank
CCEUFM – Coordination Council for European Union Funds Management, with Bulgaria’s Council of Ministers	EMEPA – Enterprise for Management of Environmental Protection Activities
CCU – Central Coordination Unit	ERDF – European Regional Development Fund
CFP – Consolidated Fiscal Programme	ESCO – Energy service company
CLARIN – Common Language Resources and Technology Infrastructure	ESF – European Social Fund
CoM – Council of Ministers	ESGRAON – Unified system for civil registration and administrative services for citizens
CRC – Communications Regulation Commission	ESO – Electric System Operator
CSR 1 – Country-Specific Recommendation 1: “Proceed with effective budget implementation so as to correct the excessive deficit in 2011, in line with the Council Recommendation of 13 July 2010 under the EDP. Specify the measures underpinning the budgetary strategy for 2012–2014. Take advantage of the economic recovery to ensure adequate progress towards the medium-term objective, primarily by keeping tight control over expenditure growth, while prioritising growth-enhancing expenditure.”	EU – European Union
CSR 2 – Country-Specific Recommendation 2: “Take further steps to improve the predictability of budgetary planning and the implementation control, including on an accruals basis, in particular by strengthening fiscal governance. To this end, design and put in place binding fiscal rules and a well-defined medium-term budgetary framework that ensures transparency at all government levels”.	EURO-ARGO – Pan-European science infrastructure project in the area of maritime sciences and monitoring of seas and oceans
CSR 3 – Country-Specific Recommendation 3: “Implement the agreed steps with social partners under the current pension reform, advance some of its key measures that would help to increase the effective retirement age and reduce early exit, such as through the gradual increase of the social insurance length of service, and strengthen policies to help older workers to stay longer in employment.”	EU-SILC – EU Statistics on Income and Living Conditions
CSR 4 – Country-Specific Recommendation 4: “Promote, in consultation with the social partners and in accordance with national practices, policies to ensure that wage growth better reflects developments in productivity and sustain competitiveness while paying attention to on-going convergence.”	FDI – Foreign Direct Investment
	FLSUs – First Level Spending Units
	FTPC – Family-type Placement Centre
	GDP – Gross Domestic Product
	GF 1 – Factor to sustainable economic growth 1: “Improving the Efficiency of Public Spending and Ensuring a Reallocation of Public Expenditure towards Growth-enhancing items.”
	GF 2 – Factor to sustainable economic growth 2: “Ensuring Better and More Efficient Utilisation of the

Economy's Labour Potential (with regard to growth-supportive measures)."

GF 3 – Factor to sustainable economic growth 3: "Addressing the Weaknesses in the Business Environment and Enhancing the Administrative Efficiency, including at Regional and Local Level."

GF 4 – Factor to sustainable economic growth 4: "Improving the Quality and Efficiency of Education and Training Systems."

GF 5 – Factor to sustainable economic growth 5: "Infrastructure to Improve the Access to the Single Market."

GIS – Green Investment Scheme

GLIEA – General Labour Inspectorate Executive Agency

GVA – Gross Value Added

HIPC – Harmonised Index of Consumer Prices

HMRCYP – Homes for mentally retarded children and young people

HRF – Housing Renovation Fund

ICT – Information and Communication Technologies

IFCs – international financial corporations

IFIs – international financial institutions

IMF – International Monetary Fund

JEREMIE – Joint European Resources for Micro to Medium Enterprises

JESSICA – Joint European Support for Sustainable Investment in City Areas

LCS – Law on Civil Servants

LE – Law on Energy

LEE – Law on Energy Efficiency

LEP – Law on Employment Promotion

LERS – Law on Energy from Renewable Sources

LFS – Labour Force Survey

LHE – Law on Higher Education

LIBOR – London Interbank Offered Rate

LIP – Law on Investment Promotion

LLARACEA – Law on Limiting Administrative Regulation and Administrative Control over Economic Activity

LPP – Law on Public Procurement

LPSE – Law on Pre-school and School Education

MA – Managing Authority

MEET – Ministry of Economy, Energy and Tourism

MEYS – Ministry of Education, Youth and Science

MF – Ministry of Finance

MFF – Multiannual Financial Framework

MH – Ministry of Health

MI – Ministry of Interior

MLSP – Ministry of Labour and Social Policy

MRDPW – Ministry of Regional Development and Public Works

MTITC – Ministry of Transport, Information Technologies and Communications

NAMRB – National Association of Municipalities in Republic of Bulgaria

NAPE – National Action Plan on Employment

NAPEE – National Action Plan on Energy Efficiency

NAPRE – National Action Plan on Renewable Energy

NEC – National Electric Company

NHIF – National Health Insurance Fund

NRN – National Reference Network

NRP – National Reform Programme

NSI – National Statistical Institute

NSSI – National Social Security Institute

NT 1 – National Target 1: "Reaching 76% employment of the population aged 20–64 by 2020".

NT 2 – National Target 2: "Investments in R&D in the amount of 1.5% of GDP".

NT 3 – National Target 3: Climate-Energy package "Achieving a 16% share of renewable energy sources in the gross final consumption of energy and increasing the energy efficiency by 25% by 2020".

NT 4 – National Target 4: "11% share of the early school leavers by 2020, and a 36% share of the people aged 30–34 with higher education by 2020".

NT 5 – National Target 5: "Reducing the number of people living in poverty by 260 thousand".

OJ – Official Journal (of the European Union)

OP – Operational Programme

OPAC – Operational Programme "Administrative Capacity"

OPDCBE – Operational Programme "Development of the Competitiveness of the Bulgarian Economy"

OPDFI – Operational Programme for Development of the Fisheries Industry

OPE – Operational Programme "Environment"

OPHRD – Operational Programme "Human Resource Development"

OPRD – Operational Programme "Regional Development"

OPT – Operational Programme "Transport"

OPTA – Operational Programme "Technical Assistance"

PFIA – Public Financial Inspection Agency

pp. – percentage point

PPA – Public Procurement Agency

PPP – public-private partnership

PSSS – Public social security system

R&D – research and development

RDP – Rural Development Programme

REER – Real Effective Exchange Rate

RES – renewable energy sources

RIA – Road Infrastructure Agency

RTD – research, technology and development activities

(R)ULC – (Real) Unit Labour Cost

SAMTS – State Agency for Metrological and Technical Surveillance

SCF – Structural Funds and Cohesion Fund

SEWRC – State Energy and Water Regulatory Commission

SG – State Gazette

SIP – Social Inclusion Project

SMEs – small and medium-sized enterprises

SSC – Social Security Code

TBA – total built-up area

TEN-T Corridor – Trans-European transport corridor

TETC – Trans-European Transport Corridor

TFP – Transitional and Final Provisions

TOE – tonnes of oil equivalent

UMIS – Unified Management Information System (of funds under the EU structural instruments)

WWTPs – waste water treatment plants

INTRODUCTION

The National Reform Programme (2011–2015) was approved by the Council of Ministers in April 2011. This update (2012–2020) has been prepared within the framework of the 2012 European Semester and addresses the recommendations made in the conclusions of the 2012 Annual Growth Survey. Together with the Convergence Programme of the Republic of Bulgaria (2012–2015), it covers the measures and policies adopted by the Bulgarian government as a follow-up to the Council recommendations and opinion as of 12 July 2011. The implementation of the measures set in the National Reform Programme (NRP) also delivers on the country's commitments under the Euro + Pact for fostering competitiveness, employment and public finance sustainability.

The priority areas which contribute mostly to increasing the standard of living as an ultimate goal of economic policy have been defined in the National Reform Programme of the Republic of Bulgaria (2011–2015). These are: better infrastructure, competitive youth, better business environment and greater confidence in state institutions. These areas are complemented by targeted actions for improving the efficiency of growth-enhancing public spending, providing institutional and financial support to enterprises and reducing unemployment among the most vulnerable social groups (young, low-skilled and discouraged people, and older people).

The Bulgarian government preserves unchanged the national targets in implementing the Europe 2020 Strategy as defined in the National Reform Programme of the Republic of Bulgaria (2011–2015). Considering the continuing uncertainty in the external environment and expectations of economic recovery, we envisage a mid-term review of progress made towards achieving the national targets. The presented in the current update of the Programme measures are aimed at addressing the current bottlenecks to growth and reaching the national targets for smart, sustainable and inclusive growth. They also in line with the Integrated Guidelines and the seven Flagship Initiatives of the Europe 2020 Strategy. ▼

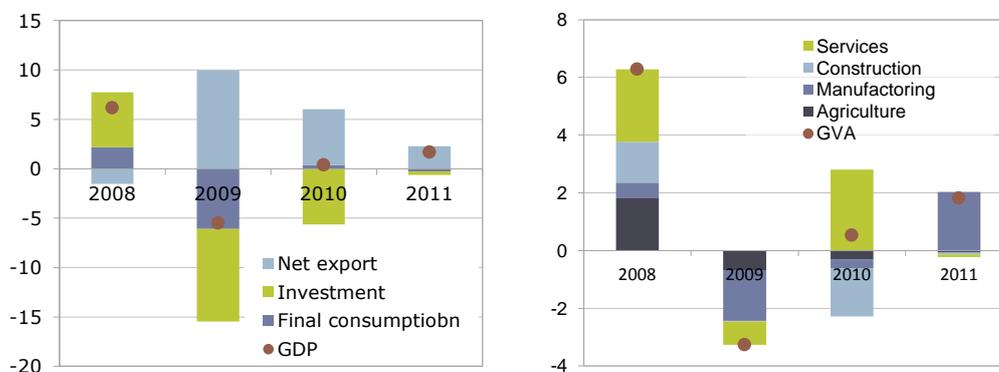
1 OUTLOOK FOR THE DEVELOPMENT OF THE BULGARIAN ECONOMY

1.1 Macroeconomic Scenario for the Development of the Bulgarian Economy

The current update of the National Reform Programme for 2012–2020 is based on the 2012–2015 macroeconomic framework and potential growth estimates until 2015 under a baseline scenario without any policy changes and assumptions for key external environment indicators of the European Commission (EC), the International Monetary Fund (IMF) and the Ministry of Finance of the Republic of Bulgaria (MF) valid as of the beginning of March 2012.¹ The applied in the Programme baseline scenario coincides with the one in the Convergence Programme of the Republic of Bulgaria (2012–2015).

In 2011 Bulgaria reported an economic growth rate of 1.7% and its dynamics was largely determined by external demand. Exports grew by 12.8% in real terms, reaching its highest levels in constant prices. Domestic demand remained subdued, with a decline in household consumption (0.6%) and a continuing, albeit at a slower pace, decline in investment (1.6%).

Figure 1: CONTRIBUTIONS TO ANNUAL GDP AND GVA GROWTH, BY COMPONENT (PPS)



Source: NSI

The 2012 forecast for Bulgaria’s economic development is based on the assumption for a deteriorated external environment and an economic growth slowdown of the main trading partners. Growth is expected to be fuelled mostly by the gradual recovery in domestic demand, characterised by relatively low increase in consumption and investments. In 2013–2015, the projections indicate a recovery of external demand, but also a faster growth of domestic demand. Consumption and investment are however not expected to reach their pre-crisis growth rates, thus resulting in any macroeconomic imbalances.

¹ See Table 1 in the Convergence Programme.

Table 1: ASSUMPTIONS ON KEY MACROECONOMIC INDICATORS

	2011	2012	2013	2014	2015
USD/EUR Exchange rate, annual average	1.39	1.32	1.28	1.28	1.27
GDP (in real terms, % change), World economy	3.8	3.3	3.9	4.4	4.6
GDP (in real terms, % change), EU	1.5	0.0	1.5	1.8	2.0
Crude oil price (APSP) (USD/barrel, % change)	31.5	1.6	-3.1	-4.3	-3.2
Six-month LIBOR on USD-denominated deposits	0.51	0.71	0.71	0.73	1.35
Six-month LIBOR on EUR-denominated deposits	1.39	0.89	0.88	1.28	1.91
International prices of non-fuel commodities (annual change, %)	17.8	-10.4	-1.7	-3.4	-3.2
Food	19.7	-10.6	-2.0	-3.8	-3.7
Beverages	16.6	-16.9	1.7	-4.0	-14.5
Agricultural raw materials	22.7	-10.8	-3.9	-1.9	-4.0
Metals	13.5	-8.9	-0.7	-3.4	-0.6

Source: EC, IMF, MF

In line with the key assumptions, economic growth in 2012 is projected at 1.4%, with the relative slowdown coming primarily on the back of the lower contribution of net exports. With regard to household consumption, households expenditures are expected to have the major contribution. The latter will be supported by the labour market stabilisation, as well as the lower inflation as compared to 2011. Household savings are potential source for stronger consumption, which might gather pace once the uncertainty in EU is brought down. Investments are expected to grow primarily on the back of EU funds absorption. A slower-than-expected recovery of the European economy is regarded as the main downside risk to Bulgaria's GDP growth forecast for 2012.

Table 2: KEY INDICATORS OF THE 2011-2015 MACROECONOMIC SCENARIO

		2011*	2012	2013	2014	2015
GDP, current prices	mIn BGN	75 265	78 553	82 819	88 110	94 142
Real GDP growth	%	1.7	1.4	2.5	3.5	4.0
Contributions to GDP growth, incl.						
Investment	pps	-0.4	0.8	1.3	1.8	2.1
Consumption	pps	-0.3	0.5	1.6	2.7	3.2
Net exports	Pps	2.3	0.1	-0.5	-1.0	-1.2
GDP deflator	%	5.0	2.9	2.9	2.8	2.7
Harmonised inflation, annual average	%	3.4	2.1	2.4	2.5	2.5
Current Account (GDP)	%	1.9	1.5	0.1	-0.8	-1.4
Trade balance	%	-4.8	-4.9	-5.9	-6.8	-7.7
Services, net	%	6.2	6.1	5.8	5.7	5.8
Income, net	%	-3.9	-4.3	-4.2	-3.6	-3.3
Current transfers, net	%	4.4	4.6	4.4	3.8	3.8
Financial and Capital Accounts, incl.	mIn EUR	-897	1 665	987	2 992	2 824
Foreign Direct Investments	mIn EUR	1 065	1 148	1 721	2 202	2 512
Overall balance	mIn EUR	159	2 249	1 024	2 611	2 130

* Data used for the forecast are as of 6 March 2012.

Source: MF

In 2013–2015 the economic growth is projected in the range of 2.5–4%. The process of real convergence is expected to accelerate during the period. The sustained stronger labour productivity growth as compared to the EU average will be a factor for attracting foreign investments. In 2009–2011 the external environment was the main restraining factor for the

investment activity in the country. The improved business and consumer confidence, as well as the preservation of macroeconomic stability in the country will allow for an acceleration of domestic demand growth to 5.2% in 2015.

According to Ministry of Finance estimates, Bulgaria's potential economic growth in 2011 was 0.7%. In 2012 potential growth is projected at 1.2%, thus it is expected to grow at 2.4% on average during the period 2013–2015. In terms of production factors, total factor productivity is to contribute most, while labour will have a positive contribution in 2014 and 2015. The economy will perform below its potential until 2014 including.

The employment decrease against the backdrop of a growing GDP resulted from the different as compared to the pre-crisis period source of economic growth and the sluggish recovery in domestic demand. The economic recovery which began in mid-2010 was mostly driven by exports, while domestic demand, which is also among employment dynamics drivers, showed some signs of recovery only as of the second quarter of 2011.

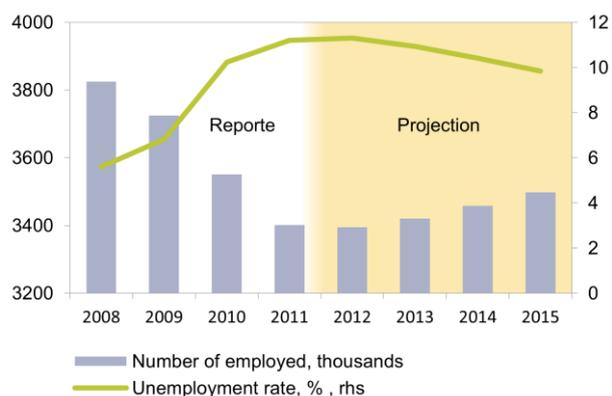
The annual decrease in the number of people employed² in 2011 slowed down somewhat as compared to the previous year (4.2% against 4.7% in 2010), largely on the account of the slower rate of decline of the employment rate in industry, while the decrease in the number of employed in the service sector accelerated on an annual basis. The higher labour demand in some of the export-oriented sectors (manufacturing of machinery and electrical equipment) was insufficient to offset the continued decline in the number of employed in the economic activities which are highly dependent on domestic demand.

The seasonal revival on the labour market during the second and third quarters contributed to the slowdown in unemployment but was insufficient for overcoming and reversing the negative annual trends. Its annual average reached 11.2% and reported an increase of 1 pp. in comparison with 2010. As a result of the continuing process of employment optimisation and the narrowed opportunities for hiring people, participation rate (15+) went down by 0.7 pp. to 51.3%.

In the first two months of 2012, registered unemployment rate³ went up to 11.5% as of February, up 0.5 pp. in comparison with February 2011.

The key indicators concerning the labour market developments in 2012 are projected to stabilise at their 2011 levels. During the first half of the year, unemployment rate will remain higher on an annual basis, yet, during the second half it is to decline towards the levels reached in the second half of the previous year. Thus its annual average rate will reach 11.3%⁴, up by a marginal 0.1 pp. on an annual basis. A more significant labour market

Figure 2: NUMBER OF EMPLOYED* AND UNEMPLOYMENT RATE**



* As defined in the National Accounts.

** As defined by LFS.

Source: NSI, MF

² According to National Accounts data.

³ According to Employment Agency data.

⁴ As defined in LFS.

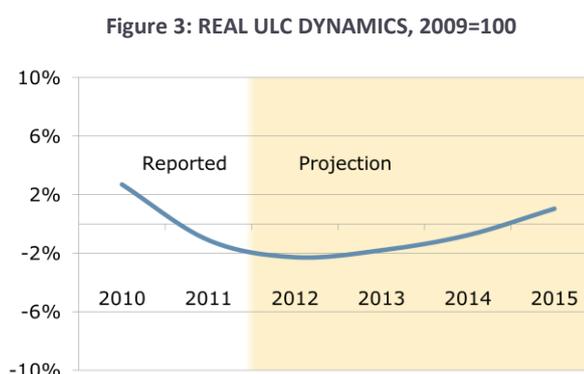
improvement is expected from 2013 onwards, when increased domestic demand and investment activity are expected to translate into a rise in employment. Over the period 2013-2015, the annual average increase in the number of employed⁵ is expected to be about 1%, with the unemployment rate gradually receding to 9.8% in 2015.

The average wage and labour productivity dynamics in 2011 had a favourable effect on maintaining the economy's cost and price competitiveness.

In the period under review, the average wage⁶ went up by 9.1% in nominal and by 4.7% in real terms⁷, respectively, as compared to 2010. The significant spending optimisation in the public sector of the economy determined the income dynamics in the public sector, where the nominal income growth slowed down to 3.1%, while decreasing by 1.1% in real terms. At the same time, average wage in the private sector was characterised by considerably higher growth rates: 11.2% and 6.7% in nominal and in real terms, respectively.

The continuing process of employment optimisation supported the increase in labour productivity⁸ by 6.1% in 2011. This development reflected the considerable gains of productivity in the tradable sector⁹ of the economy (12.4%). The service sector also registered an increase in value added per person employed, mainly on the back of high growth rates reported in professional activities and research, real estate, financial and insurance activities and trade.

The high labour productivity increase supported the decrease of the real unit labour cost (RULC) by 3.7%¹⁰ as compared to the previous year. This positive evolution was determined primarily by the tradable sector of the economy, which is directly exposed to competitive pressure and is a driver of economic growth. During the period under consideration, the tradable sector retained its cost competitiveness and reported an 8% annual decrease of the RULC.



Source: NSI, MF

The expected high unemployment levels will continue to weigh on average wage growth rate in 2012. Within the programme period, the indicator is projected to increase at moderate rates with the gradual rise in labour demand will push up the share of compensation of employees in GDP. The labour income will change at rates similar to those of labour productivity, which will not exert adverse effects on the competitiveness of the economy in the medium term.

Consumer price dynamics in 2011 largely followed international food and energy prices dynamics, while the favourable base effect of the 2010 increase in excise duty rates on tobacco products and the sluggish domestic demand recovery had a restricting effect on consumer prices rise. Headline inflation measured by the HICP slowed down to 2% at the end of 2011, while the annual average rate reached 3.4%. The annual change in administered

⁵ As defined in the System of National Accounts.

⁶ According to data from Enterprise Survey.

⁷ HICP-deflated.

⁸ Calculated as GDP per person employed in 2005 constant prices (NSI data).

⁹ In this analysis, the tradable sector is represented by manufacturing (industry, excluding construction).

¹⁰ Calculated as the ratio of compensation of employees and GDP per person employed at current prices.

prices is estimated at 4.5% and accounts for almost 1/3 of the overall increase in consumer prices at the end of the year.

In the first two months of 2012, the headline annual inflation stabilised at its level at the end of the previous year, while the 12-month moving average rate continued slowing down to 3% in February. Rising international oil prices and the euro depreciation vis-a-vis the US dollar led to an increase in domestic fuel prices, which was however largely offset by the continuing slowdown of food prices increase and the decrease of prices of non-food goods.

Consumer prices projected dynamics indicates slight inflation acceleration to 2.6% at the end of 2012 reflecting the influence of higher international prices of the energy commodities. The increase of administered prices of natural gas, electricity and heating, which have already been announced, are also to play upward pressure on the headline rate. The constrained consumer demand of durable goods and services will continue holding back core inflation on a relatively low level. Following the gradual recovery of domestic demand, prices of services are expected to start gradually increasing, while their dynamics will be also influenced by certain secondary effects linked with the more expensive fuels in transport services and administrative price rises.

The annual average inflation rate is expected to decelerate to 2.1% in 2012 due to the considerable slowdown of inflation rate reported in the end of 2011 and the early months of the current year; afterwards it is slightly to increase to 2.4–2.5% in the period 2013–2015.

In the coming years, the USD-denominated international commodity prices are not expected to rise and, assuming a stable euro, inflation is not expected to accelerate due to external factors. With the economic recovery higher relative consumer prices of services in comparison with those of foods and non-food goods are expected.

The contribution of administered prices in the overall inflation is expected to be low in the period 2013–2015. Tax policy changes are also expected to contribute quite moderately to inflation developments, since the planned increase in excise duty rates will have a minor effect on consumer prices, in the range of 0.01 pp. to the headline inflation at the end of 2012 and 2013.

The main risks to inflation forecast are linked to international prices as their increase might result into higher domestic inflation. At the same time, eventually lower economic growth of the Bulgarian economy would have a deterring effect on prices of non-food goods and services.

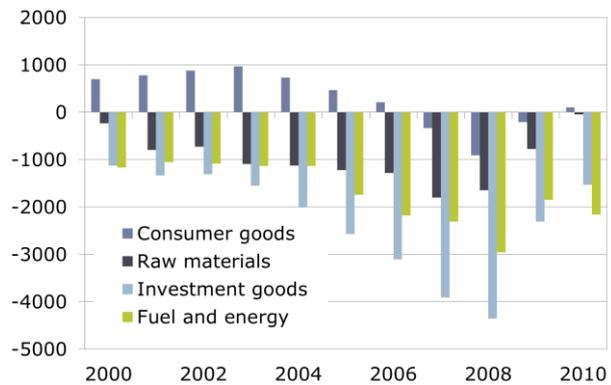
1.2 Alert Mechanism

In implementing Articles 3 and 4 of Regulation (EU) 1176/2011 on the prevention and correction of macroeconomic imbalances, the European Commission (EC) has proposed that Bulgaria is a subject to an in-depth review of the existence and the correction of potential macroeconomic imbalances. The Alert Mechanism Report¹¹ underlines the evolution of the country's external position assessed by the indicators on the current account balance and the net international investment position, the price competitiveness measured by an indicator on the unit labour costs, and private sector debt, particularly the corporate indebtedness.

¹¹ COM(2012) 68, 14.02.2012

The years before the global economic and financial crisis were marked by high economic growth and an accelerated real convergence of the Bulgarian economy following the country's accession to the EU in 2007. In those conditions, expectations for relatively high returns on investment and high growth accelerated financial inflows, primarily in the form of foreign direct investments (FDI). The increasing FDI inflows stimulated the domestic investment demand and thus resulted in stronger imports of investment goods. At the same time, the accelerated pace of convergence and the financial integration deepening contributed to the rise of income levels and private consumption which stimulated the consumer goods imports as well. The trade balance, and above all the considerable investment goods imports, which facilitated the economic growth and the convergence process of the economy, contributed most to the significant increase of the current account deficit, which reached 25.2% of GDP in 2007.

Figure 4: TRADE BALANCE BY TYPE OF GOODS, mln EUR

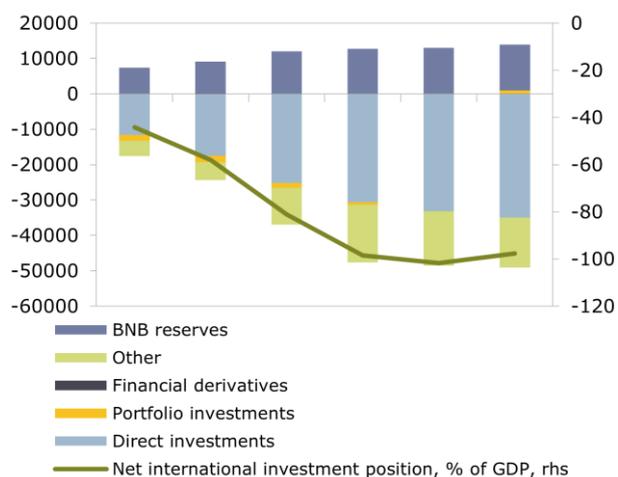


Source: BNB, MF

As a result of the global economic crisis, a fast adjustment of the current account deficit took place in 2009-2010, and the current account turned to a surplus of 0.9% of GDP in 2011. The rapid correction of the external position is indicative of the high flexibility of the economy, with the trade balance improvement having the main contribution to the adjustment. Initially, that improvement came on the back of considerable reduction of imports, while since 2011 the main contribution to this dynamics had the exports, which turned into a major factor for the positive dynamics in the trade balance and the recovery of the Bulgarian economy. In 2010, the exports growth rate was considerably higher than the average for EU Member States, thus regaining their pre-crisis levels at the end of the period. As a result, Bulgaria's market share grew faster than those of most of the other EU Member States. With the recovery of the domestic consumption growth, the current account is expected to turn negative again in the medium term; however, the current account balance will remain below the threshold set by the European Commission.

The considerable increase in the current account deficit during the period 2005–2008 was largely financed by FDI inflows in line with the catching-up process, with the coverage being above 100% on average for the period. Hence, the accumulation of large current account deficit did not pose any threat to the sustainability of the economic development. As of 2005, the FDI in export-oriented sectors such as the processing industries increased considerably, while the FDI in real

Figure 5: NET INTERNATIONAL INVESTMENT POSITION, BY COMPONENTS, mln EUR



Source: Eurostat, BNB

estate and construction peaked dramatically in the run-up prior to the crisis. In order to stimulate the inflow of investments in the production sectors which enhance growth and employment, the Law on Investment Promotion (amending the Law on Foreign Investment), introducing financial and administrative incentives for investments in long-term tangible assets, was passed in 2004. In 2009 the investment class thresholds were lowered and the so-called “priority investment projects” were introduced. In 2012 the scope of the law is to be extended towards providing incentives also for investments in the high-tech services sector, which is expected to support the export of services and to support the positive contribution of services to the current account balance, respectively.

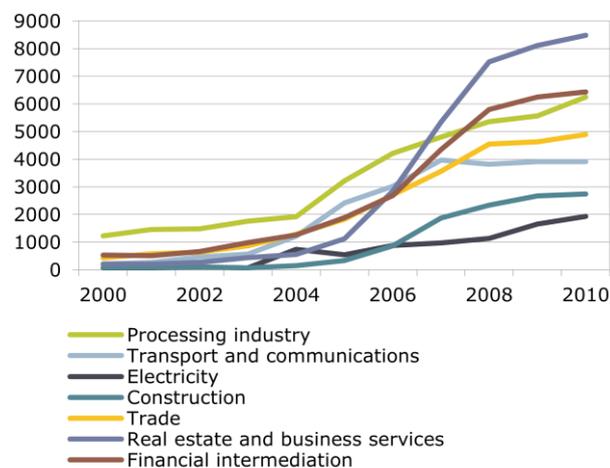
In the years preceding the crisis, Bulgaria ranked first among the new EU Member States in terms of the amount of FDI inflows as a share of GDP, and in 2007 the amount of FDI reached 29.4% of GDP against an average of 7.7% of GDP for EU10. The declining FDI inflows contributed mainly to worsening of the net international investment position of the country in the period 2005–2008. The significant correction during the crisis, mainly through financial liabilities in the Balance of Payments, resulted in an improvement of the net international investment position from 102% in 2009 to 85% in 2011.

The FDI inflow remained positive during the crisis, albeit at lower levels in comparison with the three years in the run-up to the crisis, and in the fourth quarter of 2011 FDI stood at 2.7% of GDP. The low FDI level reflected lower gross capital inflows and net repayment of intercompany

loans as a result of the lower investment demand. Achieving macroeconomic stability through the implemented fiscal consolidation measures and the strict adherence to the requirements of the Stability and Growth Pact will continue to support the investors’ confidence and will contribute to attracting foreign capital to the country. At the same time, the measures aimed to increase investments in research and innovation (presented in part 3.2), as well as the implementation of the Law on Investment Promotion will contribute to the allocation of the foreign investments to growth-enhancing activities. Nevertheless, the expectations of a subdued economic growth of the Bulgarian economy and in the EU as a whole will keep the positive FDI inflows at moderate levels in the short term.

Exports growth rates in 2010 and 2011 were above the EU average, which illustrates the improving country’s competitive position. The share of Bulgarian exports in EU imports continued increasing during the crisis as well.

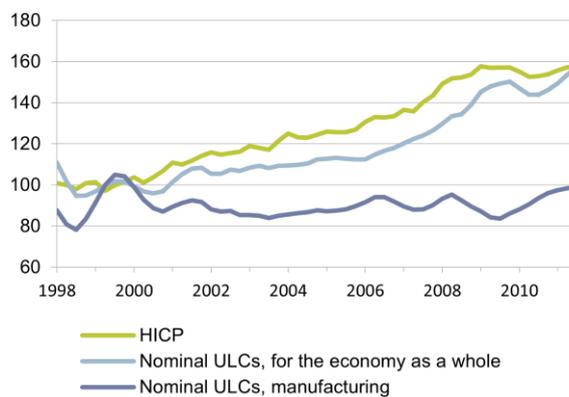
Figure 6: FDI INFLOWS BY MAIN ECONOMIC SECTOR, mIn EUR



Source: BNB

The real appreciation of the Bulgarian currency should be regarded as an equilibrium movement driven by fundamental factors such as the strong increase of labour productivity above the EU average rate of increase, rather than as a loss of competitiveness. REER data based on nominal ULC for the whole economy indicated that the Bulgarian currency appreciated as since 1999, but not as much as in other new EU Member States, including countries with independent monetary policy with floating exchange rates.

Figure 7: REER BASED ON DIFFERENT DEFLATORS, 1999=100



Source: European Commission

The real currency appreciation almost entirely resulted from the non-tradable sector of the economy, since the nominal ULC-based REER index in manufacturing did not exceed 100 over the entire 1999-2011 period. In 2010 and 2011, the HICP-based REER indicator¹² also improved. The HICP-deflated REER will continue to appreciate in the following years as a result of and depending on the preservation of a positive differential of productivity increases and the speed of real convergence vis-à-vis the more economically advanced EU Member States. In view of the expected relatively low inflation in Bulgaria in 2012–2015, the value of this indicator will not exceed the defined threshold.

In the run-up to the global financial and economic crisis, unit labour costs (ULC) followed an upward trend, mostly driven by high demand and the convergence process observed in the Bulgarian economy. A number of factors influenced the strong wage growth, in addition to those of a cyclical nature. For example, the annual increase of the minimum insurance thresholds aimed at reducing the share of undeclared income played both direct and indirect impact on the average income levels in the country.

With the onset of the crisis in 2009, a reduction in labour cost was observed. The optimisation process involved, above all, job cuts, which was complemented by restrictions on wage growth. The slower income adjustment was affected by the change in the employment structure as a result of dismissing low-paid workforce, including young people and low-skilled workers. Nevertheless, in 2010 and 2011, labour productivity increased at a considerable rate which exceeded that of labour income, as a result of which the ULC dynamics considerably slowed down as compared to the pre-crisis rates. During the period under consideration, the tradable sector of the economy (manufacturing) was among the first to implement intensive and comprehensive cost-cutting measures. This provided an adequate adjustment of nominal and real ULC, and hence, retention of the price competitiveness of the Bulgarian economy in the period 2009–2011.

Since 2000 the non-price competitiveness of the Bulgarian economy also improves. The labour productivity in the industry increases, which explains the stable dynamics of the ULC-base REER, as well as the significant reduction of compensation of employees share in gross value added of this sector. At the same time, the profit of the Bulgarian enterprises increased in the period 2009-2011 with the most significant improvement being reported in the industrial sector, where the gross operating income was up by more than 20 pp. in nominal terms in

¹² Listed as a measurement of external price competitiveness in the scoreboard for the surveillance of macroeconomic imbalances.

2011 as compared to 2010. Preserving the competitive position of the country is also provided by the gradual increase of the technological level and quality of the exported goods as proved by the increasing unit value of exports, which is one of the highest among the new EU Member States.

In the period 2012–2015, the dynamics of the indicator is expected to be below the defined 12% threshold. In line with the requirements of the economy, the implemented measures for enhancing the quality of labour force and better matching skills to jobs, improving the quality of services provided by employment agencies, as well as encouraging innovative growth will boost further labour productivity growth. Given that labour cost in Bulgaria is among the lowest in EU, its gradual rise might be expected to continue. Economic restructuring towards activities in higher value added sectors, and, respectively, higher pay, as well as the strengthened control and the sanctions against the undeclared employment, are expected to further contribute in this direction.

The ratio of total private sector debt to GDP in Bulgaria was 169% at the end of 2010, which is slightly above the defined maximum threshold of 160%. In 2011, a trend for private sector debt repayment was observed – from banks to parent banks and from other local subsidiaries in the non-financial sector (including intercompany lending) to their owners abroad. The banking sector deleverage run smoothly thanks to the growing domestic savings and the over-liquidity of the local banks. At the end of 2010, the level of the banking system's claims on the non-government sector only represented 74.1% of GDP, while at the end of 2011 it went down to 72.1%. Adding the private sector external debt to the bank credit brings down the ratio from 122.6% to 115.5%, or by more than 7 pp., thus getting it much closer to the admissible threshold. This trend will continue also in 2012, supported by the still high savings growth, and by the end of the year the ratio will have already fallen below its maximum admissible value.

The external imbalances adjustment is expected to be sustainable in the medium term. The global economic crisis has changed the growth pattern of the Bulgarian economy, with higher risk aversion observed in the behaviour of the economic agents. Moreover, the growth and the allocation of FDI inflows in the next years are expected to support the sustainable correction of the country's external position.

The sustainable adjustment is to be supported by the development of non-price competitiveness factors, which are deterministic for the exports and imports dynamics. The external demand and FDI inflows but not the price competitiveness are key for trade developments in a small open economy like the Bulgarian one¹³. According to the current account inter-temporal approach, FDI are the most significant determining factor for the savings and investment, while REER variable is statistically insignificant and its elasticity to the current account is practically zero.

One of the main factors for the gradual recovery of the Bulgarian economy and for the sustainable adjustment of the external position is the exports, which potential was built-up and reinforced during the years of high investment and considerable FDI inflow. The foreign competition, which the Bulgarian economy faces, will continue strengthening the discipline of the Bulgarian enterprises with regard to the unit labour cost, and will also encourage their efforts for improving the quality of the exported production and for efficient use of the production capacity. ▼

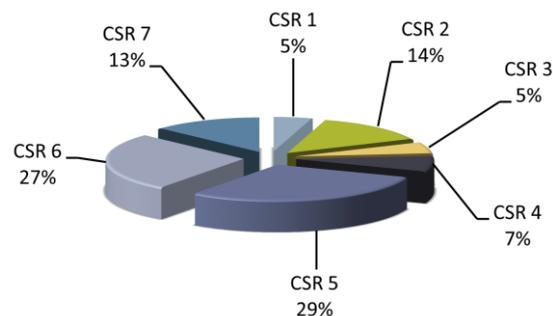
¹³ Penkova E.-Pearson (2011) "Trade, Convergence and Exchange Rate Regime: Evidence from Bulgaria and Romania"; *Bulgarian National Bank Discussion Papers, Issue 85/2011*.

2 IMPLEMENTATION OF PROGRAMMES AND MEASURES IN 2011

The adopted in April 2011 NRP (2011–2015) and the Action Plan thereto contained a total of 204 measures. In implementing CoM Decision No 605 as of 05.08.2011¹⁴, some of these measures have been consolidated, amended or supplemented in order to adequately address the Council recommendations of 12 July 2011. CoM Decision No 692 as of 15.09.2011¹⁵ improves the monitoring of Programme implementation by introducing a commitment for the line ministers to report on the non-implemented measures or those at risk of a delay two weeks after the quarterly report on the progress of NRP implementation has been adopted by the Council of Ministers. Out of the measures planned until 2020, most measures are envisaged to be implemented in 2011, 2012 and 2015. The planning until 2015 has been facilitated since it coincides with the medium-term budgetary framework horizon as well as with the end of the payments under the current programme period of the Multiannual Financial Framework 2007–2013.

77% of the measures defined in the Action Plan to the National Reform Programme of the Republic of Bulgaria (2011–2015) address the recommendations of the Council of the European Union.

Figure 8: ALLOCATION OF NRP (2011–2015) MEASURES



Source: MF

Addressing Country-Specific Recommendations 1 and 2 (CSR 1 and CSR 2)

Structural measures addressing CSR 1 and CSR 2 were implemented with priority in 2011 so as to ensure the sustainability and enhance the management of **public finances**. These measures, which are laid down in the *Convergence Programme of the Republic of Bulgaria (2012–2015)* in detail, also support the achievement of GF 1. **The legislative amendments** have contributed to preserving the macroeconomic stability as a basis for conducting growth-enhancing structural reforms:

¹⁴ CoM Decision No 605 as of 05.08.2011 on approving the Report on the outcome and the follow-up in response to the recommendations of the Council of the EU concerning the National Reform Programme of the Republic of Bulgaria (2011–2015) and the opinion of the Council of the EU on the Convergence Programme (2011–2014).

¹⁵ CoM Decision No 692 as of 15.09.2011 laying down the mechanism for reporting on the implementation of the measures and actions set forth in the National Reform Programme of the Republic of Bulgaria and on the control of reporting and implementing thereof.

- ▶ In order to improve the fiscal framework and financial management in the public sector, the Law on the Amendment of the Organic Budget Law¹⁶, has been in force as of 1 January 2012 introducing rules that limit the expenditure under the Consolidated Fiscal Programme (CFP) up to 40% of GDP, as well as defining the CFP deficit threshold up to 2% of GDP as laid down in the Financial Stability Pact. The sustainability of budgetary decisions has also been ensured with the 2013 budgetary procedure where emphasis is laid on the timely presentation of detailed information about the indicators and the assumptions for the budgetary forecast in the period 2013-2015, as well as on transparency at all levels of financial management in the public sector.
- ▶ In order to ensure efficient financial control and greater transparency in the financial management of public funds, the Law on the Amendment of the Law on Internal Audit in the Public Sector¹⁷ has been adopted, thus reaching compliance with the internal audit standards of the International Institute of Internal Auditors and the good European practices. Some of the amendments regulate the possibility for conducting internal audit by physical entities external to the organisation who meet certain requirements; the scope of the activities performed by internal audit units in First-Level Spending Units (FLSUs) in view of the efficient spending of public funds is expanded; specific texts in line with Council Regulation (EC) No 1083/2006 laying down the functions of the Audit Authority and the programmes of the “Audit of EU Funds Executive Agency” are being introduced. The implementation of this measure also addresses CSR 6 and GF 1.
- ▶ Transparency and better financial management of public funds is also achieved by the Law on the Amendment of the Law on Financial Management and Control in the Public Sector¹⁸. Introducing administrative and penal provisions for the failure to meet the requirement for provision of information to the Minister of Finance pursuant to Article 8, paragraph 1 of the Law enhances the managerial accountability of the managers of state-owned enterprises, which should limit the illegal and ineffective spending of public funds. The implementation of this measure also addresses CSR 6 and GF 1.

As defined in NRP (2011–2015), the **infrastructure development** is a priority of the Bulgarian government economic policy and a factor for sustainable economic growth (GF 5) so as to ensure better connectivity with Europe and convergence of Bulgaria’s regions. The following measures have been applied in this regard:

- ▶ Under Priority Axis 2 “Development of Road Infrastructure along the Trans-European and National Transport Axes” of OPT five corridors of the TEN-T network crossing the territory of the Republic of Bulgaria are being realised. Five infrastructure projects under the Programme are being constructed and another five are planned to be constructed by the end of the period 2007-2013 (Annex 3).
- ▶ The “Support for Rehabilitation and Reconstruction of Second- and Third-class Roads” scheme under OPRD is being implemented in order to develop road infrastructure with regional dimension, including second- and third-class roads. As of the end of 2011 44 contracts totalling EUR 251.3 million were signed with EUR 60.1 million having been disbursed.
- ▶ The “Support for Sustainable and Integrated Local Development through Rehabilitation and Reconstruction of Municipal Road Network” grant scheme is being implemented so as to improve the accessibility within the urban agglomeration areas. The beneficiaries

¹⁶ Promulgated in SG issue 54 as of 15.07.2011.

¹⁷ Issue 98 of the State Gazette of the Republic of Bulgaria as of 13 December 2011.

¹⁸ Issue 98 of the State Gazette of the Republic of Bulgaria as of 13 December 2011; effective as of 1 January 2012.

are 86 municipalities with the funds contracted at the end of 2011 totalling EUR 59.9 million, while EUR 48.5 million being paid.

- ▶ The strategic document “Priorities for building the road infrastructure in Bulgaria by 2020, for roads with pan-European and national importance” was drafted in 2011¹⁹ setting the national objectives and priorities for the road infrastructure development. The identified priorities will mostly be financed by OPT²⁰ whereunder 65 projects had been approved as of December 2011, with the contracted financial assistance totalling EUR 1,744.2 million or over 87% of Programme funds.
- ▶ In 2011 call for proposals under the “Support for the Development of Critical, Protected, Secure and Reliable Public ICT infrastructure” programme was launched for the establishment of broadband access to Information and Communication Technologies (ICT) in remote and less populated regions. The programme whose beneficiary is the Electronic Communication Networks and Information Systems Executive Agency (ECNISEA) to MTITC has a total budget of EUR 20 million to be disbursed until 2015.
- ▶ By the end of 2011 funds totalling EUR 164 million had been contracted under two OPRD schemes for development and improvement of urban environment²¹, with EUR 44.2 million having been disbursed as of 31.12.2011. Under the same OP in the same period in support of the integrated urban transport systems in two big municipalities, the municipality of Burgas and the Sofia municipality, have been contracted funds totalling EUR 51.8 million and EUR 50 million, respectively.
- ▶ As of the end of 2011 36 contracts with municipalities are being implemented under OPRD – 7 of which are municipalities of cities (Sofia, Plovdiv, Stara Zagora, Burgas, Varna, Ruse and Pleven) and 29 are municipalities of towns-centres of agglomeration areas. Financing is being provided in order to develop integrated plans for urban recovery and development, with the total budget being EUR 11 million and the absorbed funds as of 28.02.2012 being EUR 0.6 million.
- ▶ The “Support for Reconstruction/Modernisation and Equipping the Municipal Medical Institutions in Urban Agglomerations” scheme totalling EUR 44 million²² finances 9 oncological centres and specialised hospitals and 9 large municipal hospitals. The “Support for Reconstruction/Modernisation and Equipping the Municipal Medical Institutions outside Urban Agglomerations” grant scheme totalling EUR 15 million²³ finances 7 health institutions.

The implementation of the following measures in 2011 contributed to improving the effectiveness and efficiency of public expenditure:

- ▶ The amendments to the Law on Administration²⁴ introduced restrictions for increasing staff number of the public administration (except for local government administration) whereas the overall size of the staff is fixed as of the date of entry into force of the Law. Increase will be only possible through offsetting transformations within the existing staff numbers. The functioning of consultative bodies to the executive bodies is further

¹⁹ Approved by the Development Council to the Council of Ministers on 20 April 2011.

²⁰ Including under the future operational programme in the transport sector under MFF 2014-2020.

²¹ “Support for Integrated and Sustainable Development by Improvement of the Urban Environment” grant scheme (total budget of EUR 124.8 million) and “Support for Integrated Plans for Urban Recovery and Development” grant scheme (total budget of EUR 11 million) under OPRD.

²² Decision No РД 02-14-2629/19.12.2011.

²³ Decision No РД 02-14-2526/08.12.2011.

²⁴ Issue 15 of the State Gazette of the Republic of Bulgaria as of 21 February 2012.

specified – the former are to be set up only with the Council of Ministers with a decree, with their chairmen thereof being only members of the Council of Ministers. The required secondary legislation will be drafted within 6 months as of the entry into force of this Law, with enactments of the Council of Ministers being aligned with the Law. The implementation of this measure also addresses CSR 6 and GF 3.

- ▶ By implementing the plan with the measures for public administration optimisation for 2010–2011, some of the functions have been optimised, the effectiveness and efficiency of the administrative structures have been improved and administrative regimes have been terminated and alleviated. The implementation monitoring will continue also in 2012. The implementation of this measure also addresses CSR 6 and GF 3.
- ▶ As part of the measures for enhancing the public expenditure effectiveness a two-year project for the development and introduction by the end of 2013 of an integrated health information system was launched in August 2011; it is financed by the European Social Fund under Operational Programme “Human Resource Development” (OPHRD) in total value of EUR 5 million. In implementing this project, within which 8 000 people from the target group will be trained, the information systems of institutions and contractors in the health sector (health institutions and pharmacies) will be connected in real time. The implementation of this measure also addresses CSR 6 and GF 1.
- ▶ At the end of 2011 a contract concerning the rights for using the AR–DRG classification system²⁵ was ratified – the system introduces the diagnostically related groups as a method of payment and control over the operation of hospitals. The implementation of this measure also addresses CSR 6.
- ▶ The process of hospital restructuring will take place on the basis of the adopted in February 2011 National Healthcare Map of health institutions²⁶. The National Assembly passed the Law on the Amendment of the Law on the Healthcare Establishments at first hearing in February 2012 which will ensure the even territorial distribution of healthcare services financed with public funds by NHIF. The planning of healthcare establishments is to be carried out on national level only through the National Healthcare Map which will also determine the maximum number of hospitals financed by a contract with NHIF and/or by the Republican Budget. The amendments to the Law introduce the possibility for rendering first aid outpatient care services by the existing healthcare establishments for specialised outpatient healthcare services; regulates the “daily stationary” activity; the requirements for minimum number of beds in the various categories of medical establishments are being updated in order to guarantee the patients’ free access to hospitals. The implementation of this measure also addresses CSR 6 and GF 1.

²⁵ Ratification on grounds of the Constitution of the Republic of Bulgaria and CoM Decision No 836/17.11.2011. The contract is ratified by a Law of the 41th National Assembly on 14 December 2011, promulgated in issue 102 of the State Gazette as of 22.12.2011.

²⁶ Adopted by CoM Decision No 103 as of 24.02.2011, may be updated by amending the Law on Healthcare Establishments in 2015.

Addressing Country-Specific Recommendation 3 (CSR 3)

In order to respond to the Council recommendation for speeding up the defined in NRP 2011–2015 pension reform, the implementation of the measure for increasing the length of service needed for acquiring right to old-age pension for III category of workers by 4 months for each calendar year until reaching 37 years for women and 40 years for men in 2020 started as of the beginning of 2012. The government has also taken additional measures effective as from 1 January 2012 (addressing GF 3), namely:

- ▶ Increasing the retirement age for men and women by 4 months each year until reaching 63 years for women and in 2020 and 65 years for men in 2017;
- ▶ Increasing the weight of each year of insurance length of service from 3% to 4% in case the person continues working after meeting the conditions for retirement pursuant to Article 68 of the Social Security Code²⁷;
- ▶ Increasing by 2 years the length of service needed for acquiring right to old-age pension for employees of special institutions (military and police) from 25 to 27 years.

Addressing Country-Specific Recommendation 4 (CSR 4)

In order to maintain the competitiveness of the Bulgarian economy and given that the wage levels in Bulgaria, determined in line with the market principles, are among the lowest in the EU, the government policy is aimed at enhancing the **labour productivity** in the long run. Achieving the latter is ensured by the successful implementation of the measures for attaining National Target (NT) 2 and NT 4, as well as of the measures for improving the functioning of GF 4. These measures have a high potential positive effect on both labour productivity and employment (i.e. achieving NT 1), as well as on reducing poverty and social exclusion in response to CSR 5.

The measures below contribute to a great extent to the development of highly **innovation-intensive** sectors (also achieving NT 2), therefore improving the competitiveness of economy. The measures for achieving NT 2 which refer to the development of market-oriented research, establishment of appropriate R&D and innovation infrastructure and urging innovation activities in enterprises represent 13.5% of all measures in NRP (2011–2015).

- ▶ The adopted National Scientific Research Development Strategy 2020²⁸ is the basis for development of the Bulgarian smart specialisation strategy by introducing national priorities for the development of science in the next three years in the areas: energy, energy efficiency and transport, development of green and eco technologies; health and quality of life, biotechnologies and ecologically clean food; new materials and technologies; cultural and historical heritage and Information and Communication Technologies. The main objective of the strategy is to establish a modern research and development infrastructure by Structural Funds financing, with access being granted on competitive basis. In the beginning this will be supported by the state budget, afterwards – by joint financing from the state budget and transfers from the implemented research projects and tasks procured by the state bodies or the business.
- ▶ In December 2011 a project “Carrying out a horizontal functional analysis of the system for formulating and implementing the scientific policy” project, financed by OPAC, was

²⁷ The 2012 Law on the Budget of the State Social Security, which also included a proposal for amendments to Article 70, paragraph 1 of the Social Insurance Code is passed by the National Assembly (promulgated in issue 100 of the State Gazette as of 2011).

²⁸ Promulgated in SG Issue 62, 12 August 2011.

launched. Its implementation will allow for the optimisation of the structures and institutions participating in the formulating and implementation of the national scientific policy by ensuring better coordination among them, and identifying (in a roadmap) the need for amending other primary and secondary legislation. The project will be finalised by the end of 2012.

- ▶ In order to provide support for the development of innovation activities in enterprises, 6 grant procedures had been announced and 85 contracts in total value of EUR 33.5 million provided to enterprises had been signed under OP “Development of the Competitiveness of the Bulgarian Economy” as of 31.12.2011. Two grant procedures totalling EUR 25 million were also announced in 2011 under OP “Development of the Competitiveness of the Bulgarian Economy” aiming to improve the innovation infrastructure.

Measures have been taken to respond to the need for improving the **access of Bulgarian enterprises to financing** in accordance with the guidelines of the 2012 Annual Growth Survey. These measures, which are complementary to institutional and legislative measures for improving the business environment, facilitate private sector investments in innovations, which also contributes to achieving NT 2 and GF 3.

- ▶ As of December 2011, in implementing the JEREMIE initiative, 3 equity funds had been set up: Venture Fund, Growth Fund and Mezzanine Fund. The managers of all three funds have identified 26 potential investment projects in the amount of EUR 68.7 million. The selection of a fund manager of a fourth equity fund, Seed Fund, is due very shortly.
- ▶ A Guarantee Fund was established and is operating under JEREMIE whereunder 5 commercial banks grant loans for SMEs at better terms and conditions. The guarantee product aims to enhance investment loans for SMEs by encouraging banks to fund risky projects by requiring significantly lower collaterals in terms of borrower’s real assets, including start-ups and innovative businesses with no credit history. For the first three months of the launch of the guarantee product (September-November 2011) 88 loans totalling EUR 10 million were granted, with other loans totalling EUR 15 million awaiting approval. The volume of the new guaranteed loans is envisaged to reach EUR 200 million in 2012.
- ▶ JESSICA initiative is being implemented with a financial contribution of EUR 33 million under OPRD – it has a two-tire management structure through a Holding Fund managed by the European Investment Bank (EIB) and the Urban Development Funds, which finance public, private and public-private partnership projects by providing loans and bank guarantees. JESSICA initiative is being implemented in seven Bulgarian cities. So far a Regional Urban Development Fund has been selected to finance projects in the cities of Plovdiv, Stara Zagora, Burgas, Varna, Pleven and Ruse, and a selection of an Urban Development Fund for Sofia is forthcoming. Within the Regional Urban Development Fund two times higher private resource has been accumulated as compared to the funds invested by OPRD, with the managed by the Fund resources totalling EUR 56.6 million until 2015.

Addressing Country-Specific Recommendation 5 (CSR 5)

The complex and multifaceted character of **poverty** requires that complex measures covering various policy sectors are being taken. Some of these measures are defined in NRP (2011–2015) in view of achieving NT 5. In this regard, increasing the employment level by applying measures for the achievement of NT 1 and by improving the functioning of GF 2, as well as improving the access to education and training (GF 4), are key prerequisites for the poverty reduction and the social inclusion promotion. In addition to the implemented measures of general character for poverty reduction, specific measures are also targeted to the vulnerable groups identified as the mostly threatened by poverty and social exclusion, i.e. children, elderly people, unemployed, and the working poor.

- ▶ A draft National Strategy for Reducing Poverty and Promoting Social Inclusion (2012–2020) has been elaborated. The final version of the Strategy is expected in June 2012 in order to be submitted to the Council of Ministers for consideration. The Strategy has been drafted with the participation of all interested parties and presents the current status, national targets, key challenges, target groups, priorities and measures. The working group is to discuss the issues linked to the Strategy implementation, financing of the measure and its monitoring.
- ▶ In line with the European approach to active ageing, a National Concept Paper for Active Life of Elderly People has been elaborated and is to be adopted by the Council of Ministers by mid-2012. This concept paper outlines the framework for meeting the challenges of population ageing and identifies the priority areas for action to encourage the active ageing of older people in Bulgaria.
- ▶ The National Strategy for Demographic Development has been updated for the period 2012–2030²⁹. Its adoption will contribute to improving the demographic balance, slowing down the rates of population decrease towards its stabilisation in the long run, ensuring a good quality of human capital, equal opportunities for all and social cohesion.
- ▶ The draft Law on Child, which guarantees the rights of all children and not only of children at risk, is in process of public consultation. Its adoption is expected in 2012.
- ▶ In 2011, within the Social Inclusion Project (SIP), investment in integrated services for early child development has been made, with construction works contracts signed for 50 projects amounting to over EUR 10 million. The project construction works include construction and/or repair of buildings and premises for integrated services for early child development of children aged from 0 to 7 years. The absorbed under SIP funds in 2011 amount to EUR 3.1 million. The second stage of application for SIP started in January 2012, with nine municipalities having submitted project proposals totalling EUR 7.2 million. The proposals are currently being evaluated and the financing agreements with the municipalities are to be signed by the end of April 2012.
- ▶ In implementing the “Vision for the Deinstitutionalisation of Children in the Republic of Bulgaria” National Strategy, in 2011 measures have been taken to improve the situation of children and young people in Homes for Mentally Retarded Children and Young People (HMRCYP): staff training for intensive communication and monitored feeding was conducted in 20 HMRCYP and over 3 000 medical examinations of children and young people were carried out. Measures were also taken to establish and improve the social infrastructure for child care in line with the National Map of Residential Services. As of February 2012, 51 municipalities within the scope of urban agglomerations had

²⁹ Adopted by CoM Decision as of 01.02.2012.

signed contracts for grants under the “Support for Deinstitutionalisation of Social Institutions Providing Services to Children at Risk” scheme under OPRD totalling EUR 41.2 million. The signature of contracts totalling EUR 2 million with another three municipalities is being prepared. The remaining 8 municipalities in the beneficiaries’ list will submit project proposals for financing under measure “Basic Services for Population and Economy in Rural Areas” of Rural Development Programme (RDP). Within the last measure targeted financing for the construction of 16 family-type placement centres (FTPC), 9 sheltered accommodations, one daily centre for children with disabilities and 8 social rehabilitation and integration centres in 19 municipalities will be provided. The funds for the establishment of new social infrastructure provided under RDP total EUR 8.7 million. In addition to the work related to infrastructure projects, measures were taken to enhance the administrative capacity for the transition from institutional care to alternative care in family environment. In this regard, regional deinstitutionalisation teams were formed and trained, and 192 social workers from the Child Protection Divisions were trained to work with the families to assess the possibilities for maintaining child contact and care, for deepening the parent-child relations and possible reintegration.

- ▶ In implementing the Law on Family Allowances for Children, EUR 250.5 million were allocated as allowances for families with children from the state budget³⁰ in 2011, while the earmarked budgetary funds for 2012 amount to EUR 247.7 million. Thereby, through the integration of family allowances with the other family supportive measures, including the prevention of the violation of children’s rights to access to education and healthcare services, bringing-up children in family environment is being supported and attending school – encouraged. Financing of EUR 249.2 million per year is envisaged for the years up to 2015.
- ▶ The creation of integrated social, healthcare and educational services for homeless people is a key measure for poverty and social exclusion reduction. The number of temporary placement centres as of 31.12.2011 is 10, with a capacity of 613 places, of which 543 occupied. New possibilities for European financing will be sought in the next programme period.
- ▶ In 2011 EUR 81.3 million was allocated for providing material support and accessible environment for people with disabilities.
- ▶ In order to promote labour and social integration and improve the quality of life of people with disabilities, a Long-term Strategy for Employment of People with Disabilities 2011–2020 and an Action Plan for the period 2012–2013 have been drafted³¹. In 2011 EUR 83.9 million was allocated for the integration of people with disabilities under programmes and measures, with EUR 335.2 million envisaged to be spent in the period 2012–2015.
- ▶ In order to set up new and support the existing enterprises in the field of social economy, 88 OPHRD projects were funded in 2011.
- ▶ The most sizeable national active labour market policy programme “From Social Assistance to Employment” funded by the state budget is aimed at integrating the long-term unemployed people. In 2011 under the programme 28,943 unemployed people were included in employment. A change in the programme requirements for 2012 is made – that at least 70% of the included unemployed people should not have been

³⁰ *Support for Families with Children Programme.*

³¹ *Adopted together with the Action Plan 2012-2013 by the Council of Ministers on 29 June 2011.*

employed under the programme since the start of the previous year. The provided funds of EUR 9 million will be used to create employment for 5,400 people per year on average.

- ▶ The National Youth Programme (2011–2015) was elaborated and adopted in 2011³². It is based on the reported needs of young people on the grounds of the conclusions and recommendations made in the assessment of the Youth Activities Programme (2008-2010) and the “Youth Information and Consultative Centres” National Programme (2007-2010). The new programme envisages EUR 3.1 million for financing of projects for youth activities under 4 sub-programmes, i.e. development of the network of youth information and consultative centres, national youth initiatives and campaigns, youth volunteering and development and recognition of youth’s work.
- ▶ In accordance with the 2012 National Action Plan on Employment (NAPE) the remuneration of the employed people is EUR 138 full-time (EUR 148.3 as from 01.05.2012) and EUR 179 for the university graduates employed at positions requiring higher education. In addition, as of the beginning of 2012, apart from the expenditures for social security contributions of employers, the payroll for the hired unemployed young people is also subsidised by the state budget funds for active policy.
- ▶ In 2011 subsidised employment for 978 unemployed people in pre-retirement age was provided under the National Programme “Assistance for Retirement” and under promotion measures (Article 55a and Article 55b of LEP). In order to enhance the Programme’s effectiveness and scope, an increase in the period of subsidised employment to 2 years is envisaged in 2012.
- ▶ The National Programme “Assistants to People with Disabilities” will continue to be implemented in 2012, which will provide employment to 3 000 people working 6 hours a day, with the Programme budget totalling EUR 4.8 million.
- ▶ In 2011 the medium-term model for **forecasting the future needs of knowledge and skills** in Bulgaria was tested and the first data on the demand of labour with certain qualitative features for the period until 2020 was produced. This model, which will provide information about the demand of labour with certain qualitative features per economic activity, class, profession, etc., will be applied in 2012.
- ▶ A National Reference Network (NRN) for evaluating labour force competences at sectoral and regional level is being established under the OPHRD scheme “Improving Labour Market Flexibility and Efficiency through Active Actions by the Social Partners”. The total budget of the project implemented by the Bulgarian Industrial Association is EUR 4.6 million. Professional standards for 72 positions in seven key economic activities were elaborated in 2011.

With regard to the addressed to Bulgaria recommendation for implementing measures for modernising and enhancing the capacity of public employment services, the following measures were initiated in 2011:

- ▶ Three schemes within OPHRD: Under scheme “Improving the quality of the services provided by the Employment Agency to citizens and business focusing on the vulnerable groups on the labour market” (total budget of EUR 2.5 million) 250 labour mediators were hired to work mainly with the vulnerable groups. Trainings for carrier development and qualification refinement are envisaged for 1550 labour mediators in the Employment Agency system.

³² By Minutes of the Council of Ministers meeting on 27.07.2011, point 29.

- ▶ Under scheme “Modernising the services provision system” (total budget of EUR 1.3 million) electronic terminals will be established in 108 contact points in the Employment Agency System, which will facilitate the citizens and businesses’ access to information on the offered and demanded jobs.
- ▶ Under scheme “Improving the quality of services in the Ministry of Labour and Social Policy system” (total budget of EUR 1 million), a consultative body for providing telecommunication services to citizens and business on the provided by the MLSP services has been created.

In addressing the recommendation for focusing more efforts in support of young people and their labour market realisation, the following measures were implemented in 2011:

- ▶ Under scheme “Increasing the youth employment through their permanent inclusion on the labour market in Bulgaria” (total budget of EUR 5.6 million), unemployed young people with low education from the vulnerable groups on the labour market are provided mediation services, foreign language training and computer literacy training; so far more than 5000 young people have successfully improved their knowledge and skills.
- ▶ In the period January 2011 – January 2012, 916 young unemployed people aged up to 29 years with secondary and higher education were included in 6-month paid traineeships with private sector employers under “Creating employment for young people through providing opportunities for work experience” scheme. The total indicative budget of the scheme is EUR 17.9 million for the period 2010–2013, with EUR 12.2 million envisaged for 2012.
- ▶ Under the Career Start Programme, which enables university graduates aged up to 29 years to acquire length of service in the public administration, employment to 1040 young people for a period of nine months has been provided in 2011, and 2657 applications were made with an overall quota of 1200 jobs for all state institutions. In 2013 the paid traineeship is planned to be increased from 9 to 12 months which will ensure a smooth transition for young people from education to employment, as well as an opportunity for gaining valuable first experience.

A number of employment promotion measures, which indirectly address CSR 5, were also implemented:

- ▶ In implementing the 2011 National Action Plan on Employment, more than 50 000 people were included in programmes and measures for employment and training, with the state budget funds spent exceeding EUR 30.7 million.
- ▶ In 2011 the funds allocated under measures of the Law on Employment Promotion, which ensure sustainable employment in the private sector, amounted to EUR 9.5 million, with the total number of the newly included unemployed people in this period being 6747.
- ▶ In order to support the hiring of unemployed people, in 2011 107 employment exchanges were organised for ensuring direct contact between young people and employers. Another 297 employment exchanges will be organised by the end of 2015.
- ▶ In implementing the Law on Investment Promotion (LIP), in 2011 4 A class investment certificates were granted for projects totalling EUR 47.2 million, whereunder 338 new

jobs were opened.³³ For the same period and under the same law, two LIP-certified projects for construction of municipal road infrastructure have been promoted by MEET funds (EUR 1.3 million); the investments amount to EUR 25.8 million, with 355 new jobs being created. Preliminary data show that the foreign direct investment totals EUR 1.34 billion in 2011.

- ▶ In order to improve the control over the compliance with the labour legislation, 15173 inspections on the legal recruitment and labour remuneration were carried out in 2011 in accordance with the annual plan of activities of the General Labour Inspectorate Executive Agency (GLIEA). Inspections of the legality of labour relationships, working hours and remuneration were also made.
- ▶ The amendments to the Labour Code³⁴ set additional requirements for home working, regulate distance working, and provide for legal guarantees for equal treatment of home workers and the rest of workers while taking into account of the specific character of this kind of work. The amendments to the Labour Code and the Law on Employment Promotion (LEP)³⁵ regulate the activities of enterprises providing temporary work. The amendments to the Labour Code provide for the application of flexible forms of employment.
- ▶ The amendments to the Labour Code³⁶ introduce a new measure for fighting the undeclared employment by introducing sanctions for the employee working without a labour contract. The sanction will be to the amount of three health and social security contributions, which are to be transferred to the State Social Security Fund and the National Health Insurance Fund.
- ▶ In order to improve the geographic mobility of the labour force, in August 2011 the OPHRD scheme “Closer to Work” was launched with duration 2011–2013 and budget of EUR 18.9 million, whereunder 24 persons were included in introductory training by the end of 2011. The scheme provides for a possibility for persons who have found a job in a settlement different from that of residence to receive transport allowance to the place of work. As of the beginning of February 2012, 224 employed persons had submitted applications thereunder. The implementation of this measure will contribute to achieving NT 1.
- ▶ OPHRD-funded schemes were implemented in 2011 for including unemployed people in education and employment, and of employed people – in training. Since the start of operation of the “Development” scheme until the end of 2011 overall 23 870 people were included, of which 20,679 people – in employment. 1 481 people were included in training under the “Adaptability” scheme in the same period, while a total of 82 800 persons were trained through vouchers under “I can” and “I can more” schemes.
- ▶ In January 2012 the Council of Ministers approved the National Strategy for Roma Integration (2012–2020) and the Action Plan for the Implementation of the National Strategy of the Republic of Bulgaria for Roma Integration (2012–2020)³⁷. The Strategy, which is a policy framework document outlining the guidelines for implementing the Roma social integration policy, was unanimously approved by the National Assembly in

³³ All certified projects have foreign participation (Finland, Turkey, Germany, Austria) and are implemented in the processing industry, and one in the hi-tech production.

³⁴ Promulgated in SG Issue 82 as of 21.10.2011.

³⁵ Promulgated in SG Issue 43 as of 7.06.2011, effective as of 15.06.2011, and SG Issue 7 as of 24.01.2012.

³⁶ Promulgated in issue 7 of the State Gazette as of 24.01.2012.

³⁷ CoM Decision No 1 as of 05.01.2012.

March³⁸. The implementation of the action plan to the Strategy will also contribute to achieving NT 1, 4 and 5.

The reform in the **education and training systems** is of a multi-sectoral character, with some of the measures set in NRP (2011–2015) contributing to the achievement of NT 4 and to the better access to education and training (GF 4).

- ▶ The draft Law on Pre-school and School Education was proposed for discussion at the beginning of 2012. It is based on the concept³⁹ of organising the educational environment oriented towards children and pupils, to their skills and culture. The draft was approved by the Council of Ministers on 28 March 2012⁴⁰ and its consideration at the National Assembly is forthcoming. A better access to education and retaining pupils in the educational system is achieved through the elaboration of new educational standards for unified general education regardless of the location or the type of school, offering flexible learning pathways (alternative, parallel, distance) that conform with the children's various capabilities and needs, general and additional support, organisation of the learning process in outdoor activities and preparation, and improving the system's permeability. The Law introduces a new secondary educational structure that provides an equal access to quality education for all pupils in line with the objectives and priorities of the strategic framework for European cooperation "Education and Training 2020" and the Flagship Initiative "Youth on the Move".
- ▶ The amendments to the Law on Higher Education⁴¹ (LHE) as of 2011 respond to the European Commission Communications on modernising higher education and are to support the internationalisation of the Bulgarian higher education and science and improving the quality of education. In particular, the restraints for paid education for bachelor's and master's degrees after having graduated from secondary school are eliminated, the possibilities for training of students, franchising and free negotiations with businesses and manufacturing are expanded, the centralised system for academic recognition are eliminated, external evaluation of the accreditation of higher education institutions by an independent European agency is introduced and differentiated fees for students depending on the merits and the social status, is introduced. This will contribute to addressing CSR 4 and for ensuring better functioning of GF 1 and 4. In implementing the Council recommendation and given the need for modernising the higher education, the amendments to the existing legislation in the field of higher education will continue.
- ▶ The "New Chance for Success" project of MEYS for the inclusion of persons aged over 16 years in literacy training and studying the educational content for 5–7 class is being implemented since March 2011 under measure "Launching programmes for "second chance" schools – further opportunities for literacy and professional development of drop-outs". The validation of the training results provides opportunity for the continuation of the education in the next class of formal education or in professional qualification training. This opportunity is regulated in the draft Law on Pre-School and School Education and also contributes to the concentrated support for integrating low-qualified young people on the labour market. Financing for continuing with the

³⁸ Resolution of the National Assembly as of 1 March 2012.

³⁹ The concept was presented in March 2011.

⁴⁰ CoM Decision N 271 as of 05.04.2012.

⁴¹ The amendments were made in August and December 2011 – promulgated in SG Issue 61, 9 August 2011 and SG Issue 99 as of 16.12.2011, effective as from 1.01.2012.

implementation of this project will be therefore sought after its closure at the end of 2013.

- ▶ By introducing the Bulgarian University Ranking System⁴² in 2010, in 2011 the best faculties received up to 10% additional resources and will receive additional financing of up to 25% in 2012. The ranking system measures the realisation of the graduates on the labour market and currently a new model of financing of state higher schools depending on the ranking is being developed – it will be introduced through amendments to the Law on Higher Education. This model is elaborated under a World Bank project to be finalised in June 2012. The implementation of this measure will allow for the better functioning of GF 4.
- ▶ The register of bachelor and master graduates has become operational since January 2012⁴³. It contains data about the graduated specialty and the professional direction which will be used to analyse the educational level and the competences of the labour supply, as well as for better linking the training with the labour market requirements.
- ▶ In implementing the Students Loan Programme in line with the Law on Providing Credits to Undergraduate and Post-Graduate Students, and Doctoral Candidates, the three banks participating in the Programme (DSK Bank EAD, Raiffeisenbank Bulgaria EAD and Allianz Bank Bulgaria AD) extended student loans worth EUR 36 million as of the end of March 2012. In preparation of the 2011/2012 school year, a campaign to promote the Students Loan Programme under the motto “Invest in You” with the cooperation of the National Representation of Students’ Councils was launched in June 2011 – as a result, a specialised Internet website containing information that benefits present and future students was created⁴⁴. In addition to the state financing under the Students Loan Programme, the “Student Scholarships and Awards” OPHRD project totalling EUR 24 million under the European Social Fund continues being implemented. The monthly scholarships for 2010/2011 and 2011/2012 academic years cover around 8% of students in regular form of training, 10% of whom will receive one-off awards. The implementation of this measure will also contribute to achieving NT 4.
- ▶ The implementation of the three-year (2010–2012) “Establishment and Development of Entrepreneurship Promotion Centres at Higher Schools in Bulgaria” project continued in 2011. The project is being implemented through a contract between MEET and 4 higher schools – the University of Forestry in Sofia, the Technical University of Plovdiv, the Technical University of Gabrovo and the International University College of Dobrich. The budget of this project totals EUR 0.4 million from the MEET budget, with the amount absorbed in the first two years of the project being EUR 0.16 million. Under this project over 1,000 students have been so far trained in various entrepreneurship courses; 11 student start-ups have been supported with equipment; several competitions for “Best Business Idea for Start-Ups” and “Best Young Entrepreneur” have been carried out, and diverse specialised literature has been published. In addition to the project activities, meetings between successful entrepreneurs and students aiming to exchange good practices and promote entrepreneurship among young people are to be held in 2012.

⁴² By CoM Decree No 168 as of 17 June 2011, www.rsvu.mon.bg.

⁴³ Implementing Article 10, paragraph 3 of the Law on Higher Education.

⁴⁴ <http://www.studentskicredit.eu/>

Addressing Country-Specific Recommendation 6 (CSR 6)

In implementation of CSR 6 the following additional measures, which also support the functioning of GF 3, have been taken:

- ▶ A draft Concept Paper on Reforms at Regional Level⁴⁵ was elaborated in 2011 which proposes a model for a future regionalisation and preparation for the introduction of second level of self-governance. After the Council for Administrative Reform approves the Concept Paper by mid-2012, it will also be approved by the Council of Ministers. The Concept Paper will be implemented by amending the relevant legislation, i.e. the Law on Administrative and Territorial Governance of the Republic of Bulgaria, the Law on Regional Development, the Law on Administration and the Administrative Procedure Code.
- ▶ A Law on the Amendment of the Law on Public Financial Inspection⁴⁶ was adopted in 2011, which aims at increasing the effectiveness and enhancing the ex-post control in public procurement and improving the interaction and cooperation among the controlling bodies in the area of awarding and implementing public procurement.
- ▶ A Law on the Amendment of the Law on Public Procurement⁴⁷ was adopted in 2011 which offers a uniform regulatory framework for all types of public procurement regimes and procedures, improves the 'ex-ante' control of public procurement for EU-funded projects which is being implemented centrally by the Public Procurement Agency (PPA) and allows for a greater flexibility of procedures.
- ▶ The Law on Public/private partnership has been approved by the Council of Ministers⁴⁸ and is currently considered by the relevant committees of the National Assembly. The Law aims to bring in clear order for the relations between the state and the business, as well as to fill in the gaps in the laws on public procurement and on concessions. The Law expands the possibility for public-private partnerships for all social infrastructure sites (hospitals, schools, kindergartens, prisons, sports facilities, etc.), as well as for the maintenance of roads, railways, collection, landfilling and processing of waste.
- ▶ A Consultative Mechanism was set up in October 2011 in connection with the imposition of financial corrections. The mechanism is an expert working group for analysing case studies related to imposing financial corrections under the seven OPs, RDP and OPDFI. The working group includes representatives of the Contracting Authorities of all programmes, the CCU to the administration of the Council of Ministers, the Audit Authority, the Certifying Authority, the Bulgarian National Audit Office, of PFIA and PPA. The main objective of the consultative mechanism is to harmonise the practice of imposing financial corrections by OP Contracting Authorities concerning violations related with the implementation of grant contracts/orders as well as with the contract/orders enforcement for providing grants and with the implementation of the Methodology for Determining Financial Corrections⁴⁹. Providing methodological support to the Contracting Authorities with regard to evaluating the weight of each case of identified infringement and determining the specific amounts of financial corrections thereunder is planned.

⁴⁵ Adopted by Decision No 3 as of 13.07.2011 of the Council for State Governance Decentralisation.

⁴⁶ Promulgated in SG Issue 60 as of 05.08.2011.

⁴⁷ Promulgated in SG Issue No 73 as of 20.09.2011.

⁴⁸ CoM Decision No 685 as of 13 September 2011.

⁴⁹ CoM Decree No 134/2010.

- ▶ As of December 2011, funds in the amount of EUR 28.9 million had been contracted, of which EUR 5.8 million disbursed, under “Technical Assistance for Preparation, Management, Monitoring, Assessment, Information, Control and Strengthening of the Administrative Capacity Grant Scheme for the implementation of OPRD” with a total budget of EUR 54.1 million. The scheme-funded activities support mainly the overall activities of OPRD Managing Authority (MA) and strengthen the capacity of project beneficiaries.

The measures for **improving the business environment and enhancing the administrative efficiency** (GF 3) have the greatest share and represent 29% of all the measures implemented in 2011 with the planned measures in this area accounting for 42% of all the planned measures in NRP (2011–2015). Improving the business environment includes mostly horizontal measures for reducing the administrative burden together with improving the quality of administrative services, thus indirectly addressing CSR 6:

- ▶ As of the end of 2011, 91 (70%) of the 130 measures defined in the Action Plan⁵⁰ for achieving the national target for reducing the administrative burden are implemented, while the rest are still in process of implementation. Thereby, by the end of 2012 the administrative burden stemming from the national legislation that does not transpose EU requirements will be reduced by 20%. The second stage of the public procurement “Measuring the administrative burden stemming from the informational obligations of business and proposals for its reduction” was finalised in June 2011 with 20 national laws and codes containing both national and transposed EU requirements, 239 secondary legislative acts thereto and 193 acts related to EU legislation being measured. 918 informational obligations have been evaluated and measured, and 302 proposals have been made, which will allow reducing the administrative burden on the business stemming from the 20 measured laws by 20% by the end of 2014 or by EUR 150 million per year. The proposals have been sent to the relevant institutions for concordance.
- ▶ The Cost-Based Methodology for Determining Fee Amount⁵¹ was adopted in January 2012, according to which the fee amount should conform to the costs for delivering the administrative service. The Methodology envisages that revenue from fees be used to improve the quality of the provided services. According to the preliminary estimates, the implementation of this measure will result in cost savings of enterprises in the amount between EUR 25.6 and 102.3 million.
- ▶ The OPAC-funded project “Fee policy in line with public relations – a precondition for good governance” was launched in September 2011. It develops a concept for a new Law on Fees. The project has duration of 18 months, with the concept, on which basis a new Law will be drafted, expected to be passed in the first half of 2013.
- ▶ A system for electronic exchange of documents within the public administration was launched in December 2011 under the Digital Administration Strategic Heading. The introduction of such document exchange is expected to save time and financial resources, as well as to enhance the administration effectiveness. All central administrations joined the system in March 2012, with all local government administrations expected to start joining the system by mid-year.

⁵⁰ The Action Plan is reported every quarter.

⁵¹ CoM Decree No 1 as of 5 January 2012 *z. The Methods to Article 7a of LBARACEA should be applied by administrative bodies by 30 September 2012, with the latter becoming effective as from 1 January 2013. The scope of the Methods covers any administrative services related to economic activity*

- ▶ With a view to improve the quality of administrative services, under Priority Axis 3 “Quality Administrative Service Delivery and E-Governance Development” of OPAC, in 2011 were implemented 46 projects for the central, regional and local government administrations including re-engineering of processes and updating the internal rules governing the delivery of electronic administrative services by administrations, as well as introducing electronic services for citizens and businesses. Under the same procedure a Licensing and Registers information system was introduced in 2011 at the Communications Regulation Commission (CRC) in order to facilitate the access of external entities to the regulator’s complex administrative services and public database. The requirement for maintaining public registers was introduced as an obligation by enforcing the Law on the Amendment of the Law on Limiting Administrative Regulation and Administrative Control over Economic Activity (LLARACEA)⁵².
- ▶ In order to provide support for the establishment and development of regional business incubators, a call for proposals under the OPDCBE grant procedure for establishment and development of regional business incubators were closed in 2011. As a result, 17 contracts totalling EUR 7.2 million were signed. The implementation of these projects will contribute to the setting up of new and further developing already existing business incubators as a means for the provision of a wider range of business development services. Another grant procedure for regional business incubators is currently being prepared and will be open for applications in 2012.

Addressing Country-Specific Recommendation 7 (CSR 7)

Considerable part of the implemented in 2011 measures are aimed at **increasing the energy efficiency** and reducing the dependency of the Bulgarian economy. These measures also contribute to achieving NT 3.

- ▶ The “Support for Energy Efficiency in Multifamily Residential Buildings” OPRD grant scheme in the amount of EUR 25.6 million was announced in July 2011, under which calls for proposals have been submitted by 31.01.2012.
- ▶ In 2011 were contracted funds to support the energy efficiency in the municipal educational structure in urban agglomerations and in 178 small municipalities under two OPRD schemes⁵³. As of the end of 2011, the contracted funds under the two schemes totalled EUR 57.9 million and disbursed funds – EUR 6.2 million, with 23 projects in urban agglomerations and 38 projects in small municipalities being financed.
- ▶ In parallel, a Housing Renovation Fund selected through a public procurement procedure, as a financial engineering instrument for funding energy efficiency measures by providing loans and loan collaterals. OPRD provides EUR 6.4 million for the Fund management⁵⁴, while the co-financing by the Housing Renovation Fund amounts to EUR 0.5 million.

⁵² Effective as from 20 May 2012.

⁵³ “Support for the Implementation of Energy Efficiency Measures in the Municipal Educational Infrastructure of Urban Agglomerations” OPRD Grant scheme and “Support for the Implementation of Energy Efficiency Measures in the Educational Infrastructure of 178 Small Municipalities” OPRD scheme.

⁵⁴ The energy efficiency in public and residential buildings has been identified as a possible sector/area of intervention that may be funded by the Multiannual Financial Framework also in the following programme period 2014-2020.

- ▶ The second National Action Plan on Energy Efficiency 2011–2013 (NAPEE)⁵⁵ was adopted in September 2011. It outlines 60 individual measures for increasing energy efficiency in all sectors on the basis of the results of the evaluation of the first NAPEE for 2008-2010.
- ▶ In implementing the National Action Plan on Renewable Energy 2011–2020 (NAPRE)⁵⁶, which is elaborated in line with Directive 2009/28/EC, the first progress report on Bulgaria’s commitments under the Plan was drafted and sent to the European Commission in December 2011. This report presents the progress achieved in renewable energy sources (RES) in the period 2009–2010, including the total amount of consumed renewable energy and the progress in removing any regulatory and non-regulatory obstacles related to the implementation of projects for renewable energy production.
- ▶ A uniform coordinating administrative authority in the field of RES – the Agency for Sustainable Energy Development (ASED), was set up in October 2011⁵⁷ in order to encourage the investments in renewable energy technologies, as well as renewable energy generation and consumption. ASED establishment, which is the legal successor of the Energy Efficiency Agency, results in optimising the activities in line with the requirements stemming from the growing EU- and nation-wide importance of energy efficiency and using renewable energy, as well as a clear-cut division of functional responsibilities of the specialised administration in accordance with the Law on Energy Efficiency (LEE) and the Law on Energy from Renewable Sources (LERS).
- ▶ In implementing the Third Energy Liberalisation Package, a Law on the Amendment of the Law on Energy (LE) was drafted⁵⁸, which introduces the requirements of Directive 2009/72/EC concerning common rules for the internal market in electricity and Directive 2009/73/EC concerning common rules for the internal market in natural gas. The draft Law was passed by the National Assembly at first hearing on 8 March 2012 and is being considered in the parliamentary committees. The key amendments regulate the framework of independent performing of activities related to generation and supply, transmission and distribution of electricity and natural gas, strengthening the powers of the national energy regulator, facilitating the cross-border trade in energy, encouraging the cross-border cooperation and investment, increasing the market transparency with regard to network operation and supply, better protection of consumers’ interests and increasing solidarity among the member states. A major change is also the requirement in the Electricity Directive for a new model of an ‘independent’ transmission system operator. The network division in terms of ownership is part of this model with the transmission network and all the required assets will be owned by the independent transmission system operator (Electricity System Operator – ESO). The draft law also envisages that the State Energy and Water Regulatory Commission (SEWRC) will issue a single operational license “Organising Electric Power Exchange” by June 2012. In preparation for the application of the Law on the Amendment of the LE after being passed by the National Assembly, a consultancy procedure for the restructuring of the National Electric Company (NEC) EAD and the Electric System Operator EAD has been launched.

⁵⁵ *Minutes of the Council of Ministers’ meeting on 28.09.2011, point 36.*

⁵⁶ *NAPRE was sent to the European Commission on 30.06.2010 and after being revised in order to reflect EC recommendations for corrections, was sent again to the Commission in April 2011. On 5 December 2011, via the InfraSolve information system for management of infringement procedures, maintenance of databases of newly adopted Community legislation and query management, a message was received that the European Commission has accepted Bulgaria’s response and closed the case on 05.12.2011.*

⁵⁷ *Rules of Procedure of ASED were adopted by CoM Decree No 296 as of 30.10.2011.*

⁵⁸ *Approved by CoM Decision No 42 as of 23.01.2012.*

Pilot testing of the new model has been carried out since the beginning of 2011 which is to introduce an hourly market enabling the electricity trade on an electric power exchange.

- ▶ A feasibility study for the construction of a Bulgaria – Serbia intersystem gas connection worth EUR 2.5 million was launched in January 2012. EUR 48 million has been provided by OPDCBE for the actual construction of the intersystem gas connection. This measure also addresses GF 5.
- ▶ The Ruse – Giurgiu intersystem connection connects the national gas transmission networks of Bulgaria and Romania and has a total length of 23.8 km. The total value of the project is EUR 23.8 million, EUR 8.9 million of which is granted under the European Energy Programme for Recovery. Currently the contract signed between Bulgartransgaz EAD and Trakia Gaz Proekt EAD on the design of the ground part of the project on the Bulgarian territory and on the Geographic Information System Ruse-East is being implemented. The construction works are planned to start in August 2012 and be finalised at the end of 2012, with the gas pipeline becoming operational at the beginning of 2013.
- ▶ The adopted in 2011 National Action Plan for Encouraging “Green” Public Procurement⁵⁹ will be implemented in the period 2012–2014. Reflecting the EU initiatives, the Plan aims to increase the stakeholders’ awareness of the benefits from awarding “green” public procurement, to stimulate the purchase of goods and services with higher ‘public value’ and to be conducive to the effective process of awarding ‘green’ public procurement. ▼

⁵⁹ *Minutes of the Council of Ministers’ meeting on 13.10.2011, point 38.2.*

3 SMART GROWTH

3.1 Policy Strategy for Achieving Smart Growth

The innovation policy is one of the key areas for raising the competitiveness of the Bulgarian economy and accelerating the post-crisis growth potential in compliance with the guidelines in the 2012 Annual Growth Survey (AGS). Increasing the share of private investments will contribute most substantially to achieving the defined in the NRP (2011–2015) NT 2. In this regard, Bulgaria will continue undertaking measures ensuring an environment that promotes scientific activities and innovations, inter alia, by reducing the administrative burden and expanding the access of SMEs to financing. Given the fact that Bulgaria is a small economy, with the lowest income level⁶⁰ in the EU, the measures for the internationalisation of scientific research and innovation activities within the frameworks of European and international projects will play a major role for the development of innovations.

Currently Bulgaria is in the group of ‘moderate innovators’⁶¹. Investment in research and development in 2010 constitutes 0.6% of GDP, against the EU average of 2% – still, the private investments outstrip the public spending, albeit modestly, for the first time with the investments nearly doubling in 2010 as compared to their level in 2009. The innovative capacity of the economy, measured by the indicator for the number of patent registration applications lodged with the European Patent Office in 2009, is very small – 1.22 patents per million of residents, compared to the EU average of 115.8. Nevertheless, Bulgaria is well positioned in terms of availability of specialists for scientific and research activities, whereas the share of graduates aged 20–29 in mathematics and applied sciences in Bulgaria is close to the average levels in the EU.

Strengthening the innovative potential and restructuring the economy towards knowledge-intensive, high-tech sectors and sectors with high value added depend, among other things, on human potential development. The main challenge Bulgaria faces is still the lower quality of education, in connection with which, as stipulated in the NRP (2011–2015), measures for better functioning of the factor to sustainable economic growth “Improving the Quality and Efficiency of Education and Training Systems” (GF 4) are being implemented. The planned modernisation of the system, besides increasing the knowledge and skills of the workforce, also enables the achievement of a better conformity of the educational level and qualification of the labour force with the requirements of the labour market. The measures undertaken so far have resulted in reducing the number of school drop-outs – from 6680 in the 2009/2010 school year to 5615 in the 2010/2011 school year. A decrease is also recorded in the number of early school-leavers, since the share of persons aged 18-24 with education lower than

⁶⁰ Measured as GDP per capita level, in PPP

⁶¹ Innovation Union Scoreboard 2011 (February 2012).

secondary, who are not involved in any form of education or training, declined from 14.7% in 2009 to 13.9% in 2010, which is lower than the European average of 14.1%. The last ten years also evidenced an increase in the share of people aged 30–34 years with university degree. This is a good prerequisite for achieving National Target 4 “11% share of early school leavers by 2020 and a 36% share of the people aged 30–34 with higher education by 2020”.

Eurostat data for 2010 show that the share of adults involved in lifelong learning in Bulgaria is 1.2% against the European reference level of medium achievements under this indicator standing at 15% until 2020.⁶² According to data from the latest adult education survey⁶³, which applies a different methodology, the value of this indicator for Bulgaria is 36.4%. The difference between the two surveys is in the duration of the adult training courses – minimum duration of four weeks in the EU Labour Force Survey, and adult courses, irrespective of their duration – according to the Adult Education Survey. In this respect, Bulgaria has repeatedly expressed its opinion that other surveys, besides the EU Labour Force Survey, should be taken into consideration when reporting on progress made by Member States under this indicator.

In the ICT area, which are an important factor for raising the productivity and promoting the competitiveness of the knowledge- and innovations-based economy, Bulgaria is lagging behind the other EU Member States with respect to condition of the broadband infrastructure in terms of a number of indicators. For instance, in terms of the indicators ‘Internet penetration’ and ‘Internet coverage’, 15% of the population in 2010 uses fixed-line broadband access against EU average of 26.6%, and only 3.5% of the population uses mobile network broadband access against the EU average of 7%. The access of households to Internet is more than twice lower. This is one of the reasons the country to report low values on other related indicators – 51% of the population have never used Internet, only 5.1% of the population order goods and services via Internet, and only 24.2% of the population use on-line administrative services. Nevertheless, a positive trend of development with regard to the high-speed broadband access is being observed since 98% of the broadband Internet users in Bulgaria use speeds that are not lower than 2Mb/sec.

3.2 Scientific Research and Innovation

3.2.1 Promoting R&D Investments

Increasing the R&D investments will be supported by encouraging the cooperation between the enterprises and the scientific centres, more focused government policy in support of innovations, as well as by increasing public spending in the implementation of the 2020 National Strategy for Scientific Research Development, as well as by attracting external financing from the Structural Funds and the new Framework Programme Horizon 2020. Thereby a favourable environment for scientific research and innovation activity at enterprises and more targeted government support for R&D activities will be promoted.

A draft of the Law on Innovations was elaborated in 2011, which will provide for the institutionalisation of the Bulgarian Innovations Fund (successor to National Innovations Fund). It will ensure complementarity of financing sources for innovations, channelled to both SMEs and well-performing large enterprises. All national, bilateral and multilateral innovation promoting programmes (such as EUREKA, EUROSTARS, EU Framework Programmes) will be covered. The draft law also intends to ensure better coordination of the science, technology, education and innovation development policies, to regulate the responsibilities of government

⁶² Data from EU Labour Force Survey

⁶³ Adult Education Survey (2007)

authorities in implementing the national innovation policy and to guarantee sustainable support for the innovative activities of the enterprises. The law will be enacted in 2012.

The drafting of a new Innovation Strategy is underway, which will foresee an assessment of the efficiency of applied so far measures in the area of innovation policies and will propose an improved mechanism of coordination of the scientific and innovation policies. The Strategy, which will replace the 2004 National Innovation Strategy and which should be adopted and enter into force by the end of 2014 will set the national priorities in the innovation area, guarantee the effectiveness of public spending on encouraging innovations and will contribute to the cohesion of the planning regions in the area of innovations.

The smart growth objectives will be achieved also by implementing the incentives provided for in the Law on Investment Promotion (LIP) for creating high-tech production lines and services, as well as for providing specialised training for newly appointed employees under projects, certified under LIP. LIP will be amended in 2012 with a view to provide for additional opportunities for certification and promotion of investment projects in the sector of services, more specifically in the outsourcing. A new certification criterion related to the number of created new jobs (applied so far with respect only to priority investment projects) is to be introduced, which will help in achieving NT 1 and NT 5. A new incentive measure in the form of partial coverage of the employers' social security contributions for a definite period of time will be also introduced. The objective of the changes is to create additional competitive advantages for attracting high value added investments.

3.2.2 Improving the Access to Financing and Institutional Support for Enterprises, including SMEs

Given the high risk profile of innovative activities, realised by innovative enterprises, particularly by SMEs, specific actions were undertaken in 2010 within the framework of OPDCBE for improving the access of the enterprises to financing through the application of financial engineering instruments – a special Holding Fund JEREMIE Bulgaria EAD responsible for the implementation of these instruments was established. The currently applied financial instruments for improving the SMEs access to financing are five: Seed Fund, Venture Fund, Growth Fund, Mezzanine Fund and Guarantee Fund. Another instrument in support of SMEs' access to financing is to be structured in 2012 – Funded Risk Sharing Product (FRSP). The objective of the new instrument will be to reduce the levels of interest rates on new loans to SMEs by at least 50%. The funds for its implementation amount to EUR 300 million, EUR 150 million of which will be provided under OPDCBE. JEREMIE Bulgaria EAD will use these instruments through a mix of public support and private investment in order to contribute to the financing of micro-, small, medium and mid caps enterprises by EUR 862 million, of which EUR 349 million will be provided under OPDCBE until 2015, while the rest, predominantly private funds, will be provided in a longer term.

The amount of guaranteed new loans by the Guarantee Fund, under which 5 commercial banks extend loans to SMEs at more favourable conditions, is expected to reach EUR 200 million in 2012. The total amount of the financial resource for lending, for which the Fund will provide guarantees, is EUR 392 million. This measure, which is in full compliance with the priority guidelines of the 2012 Annual growth survey, provides for significant public and private resources in support of SMEs, where the use of the abovementioned equity and capital instruments covers all stages of the enterprises' life-cycle.

The entry into force of the Law on Innovations will provide for the establishment of an administrative structure (while observing the provisions of §16 of the Law on the Amendment of the Law on Administration), which will realise the financial measures in implementing the

national innovation policy and which is expected to improve the access of the innovative enterprises to financial resources.

In supporting the enterprises' investment activities, under OPDCBE by 31.12.2011 altogether five calls for proposals for technological upgrade of SMEs, two calls for proposals for technological upgrade of large enterprises and one for technological upgrade of enterprises and cooperations of people with disabilities have been launched. The implementation of the projects under these grant procedures will continue until 2015.

Another measure supporting the enterprises' investments activities is the grant procedures "Meeting the internationally recognised standards and introducing management systems in the enterprises", which are being implemented under OPDCBE. Four calls for proposals under this measure have been launched so far. The implementation of projects under these procedures will continue until 2015.

3.2.3 Improving the Quality of Scientific Activity, including by Developing Human Potential for Scientific Research and Innovations and Realising the Science-Business Connection

The development of scientific research as part of the innovation process is also supported by the reform in higher education and science as long as the scientific research units and higher education institutions constitute an important part of the 'knowledge triangle'. Improving the quality of scientific research and enhancing its applied orientation is achieved by reforming the system of higher education and science, as well as by creating stable connections between science and business, which is fundamental in the context of the new Horizon 2020 Programme, particularly in sectors identified as major challenges – sustainable development, green and eco technologies, climate change. The latter determines the key role higher schools have to play for arousing the interest of the students in scientific career, including by joint PhD programmes and programmes between the academia and industry, by voucher schemes and support for spin-off companies of young entrepreneurs.

Draft regulations for monitoring and evaluation of scientific research activities carried out at the higher education institutions and scientific organisations in compliance with the provisions of the Law on Promotion of Scientific Research has been elaborated. The draft is in process of approval. The introduction by MEYS as of 2013 of the system of regular internal and international evaluation of scientific activity will contribute to raising the efficiency of scientific activities, but will also make it possible to introduce a differentiated approach in defining the state subsidy for higher education institutions and scientific organisations.

A project "Science-Business" is being implemented under OPHRD, with a total value of EUR 2.5 million and main objective to assist the participants in the scientific-innovative system in maintaining sound and flexible dialogue on issues and problems of common interest with a view to overcome the imperfect information and the lack of adequate environment, including a digital one. This will be achieved by educating young scholars in organisations where the so called "knowledge triangle" exists; developing sectoral analyses and conducting thematic meetings of the representatives of certain sectors, etc.

3.2.4 Building and Improving the Scientific Research and Innovation Infrastructure

One of the objectives set in the 2020 National Scientific Research Development Strategy⁶⁴, adopted in August 2011, is the establishment of a modern scientific infrastructure as a fundamental factor for achieving significant scientific results. Building a modern scientific

⁶⁴ Promulgated in SG Issue 62 as of 12 August 2011

infrastructure will be instrumental in binding the three key factors, necessary for putting in place a dynamic economic model of sustainable development and employment – education, scientific research and innovations, and will secure the strategic and effective development of science and innovations, thus increasing the competitiveness of the scientific products.

The priority areas for development of scientific infrastructure were defined in the National Roadmap for Scientific Infrastructure⁶⁵, which covers large research complexes, servicing specific economic and social needs of the country, the region of south-eastern Europe and the pan-European infrastructures in which Bulgaria will participate. Such are the energy, maritime explorations, new materials for various applications, ICT and social research. Bulgaria has already signed Memorandums of Understanding for participation in three pan-European scientific infrastructure projects – EURO-ARGO, BBMRI, CLARIN. In addition to these projects ECNISEA, MTITC and MEYS cooperate in building the pan-European high-performance computing infrastructure (PRACE) and in the development of a national high-performance computing centre, which will provide access to computing services for scientists and researchers. This will be realised through targeted public investments, including by allocations from the EU budget, for both developing research and engineering national capacity and constructing new computing capacities for the attainment of the target set by Europe to double the investments in high-performing computing technologies by 2020⁶⁶. Different types of financial instruments will be used for achieving the priorities of the Roadmap, relying to a great extent on the EU Structural and Cohesion Funds.

Projects for development and improvement of the scientific and innovation infrastructure will be financed under the following grant procedures of OPDCBE until 2013:

- ▶ Procedure “Developing Applied Research in Research Organisations in Bulgaria”, aimed at supporting the provision of necessary equipment for the applied research and development activities carried out by research organisations in Bulgaria. The results of this activity will guarantee access to new knowledge and technologies, which will promote the sustainability and competitiveness of the Bulgarian economy. The total budget foreseen for projects under this procedure amounts to EUR 10 million. So far the package of documents for application for grant financing has been elaborated so that the project proposals can be submitted electronically. The procedure is in the process of notification before the European Commission for ascertaining that the funds to be provided under it will not be state aid.
- ▶ Pilot project for construction of a science and technology park in Sofia will start in 2012. The project will be financed by EUR 50 million. The science and technology park will focus on high-technological developments in the area of ICT, as well as in health science (pharmaceutics, medicine, microbiology, production of laboratory equipment, etc.). This project is in compliance with the guidelines of 2012 Annual Growth Survey.
- ▶ Two grant procedures for building and expanding the innovative infrastructure and fulfilling the country’s commitments under Euro+ Pact are underway – they are currently at the stage of evaluation of project proposals (as defined in NRP 2011–2015) – the procedure Establishing New and Strengthening the Existing Technology Transfer Offices in the amount of EUR 5 million, and Procedure Establishing New and Strengthening the Existing Technological Centres in the amount of EUR 20 million.

⁶⁵ CoM Decision № 692 as of 21 September 2010

⁶⁶ “Europe’s annual investment should grow from EUR 630 million per year for high-performance technologies now to EUR 1.2 billion per year by 2020” – EC Communication: High-Performance Computing – Europe’s place in a Global Race”, Brussels, 15.02.2012.

- ▶ Project proposals are currently being collected under the included in the NRP (2011–2015) procedure “Support for the Development of Clusters in Bulgaria”. A total of 21 project proposals were submitted by 31.12.2011 and 7 contracts in the total amount of EUR 0.8 million were concluded, which currently are being implemented.

The development of scientific infrastructure and of modern integrated centres of excellence in the priority sectors as per the National Strategy for the Development of Scientific Research is foreseen for the next programme period 2014–2020. The building and extension of the innovative infrastructure will continue, including with regard to the creation of new science and technology parks in priority economic development sectors. The main headings of scientific research for the next programme period will be:

- ▶ Scientific research, technological development and innovations aimed at competitiveness
 - Investment in scientific infrastructure and centres of excellence in priority areas, as well as maintaining the competences of the country to participate and have access to the pan-European research infrastructures;
 - Scientific and innovative partnerships between the universities/research organisations and enterprises with a view to generating knowledge and results to be applied in the economy;
 - Creating regional applied research and innovation centres to service regional, trans-regional and cross-border priority headings of assistance to the Bulgarian regions in coping with the regional divergences and achieving higher and more sustainable economic results.
- ▶ Supporting and building ICT infrastructure
 - Support for building and maintaining high-performing computing infrastructure;
 - Access to different network infrastructures like GRID networks, European digital data bases.

3.3 Education and Training

3.3.1 Increasing the Access to Education, Retaining the Pupils in the Educational System and Raising the Education Level

Including and retaining the pupils and young people in the educational system is a premise for raising the overall educational level of the population and for better social and professional integration of citizens. The provision of equal opportunities for education, including for people in difficult social and disadvantaged position, is an important element of the policy for ensuring conditions for quality education and motivation of the young people to participate in the educational process.

Two already implemented measures in the pre-school and school education area are instrumental in this respect. After the compulsory pre-school education for children aged 5 years was initially introduced in the 2010/2011 school year, all municipalities will introduce it in the 2012/2013 school-year. Likewise, the gradual introduction of full-day organisation of the educational process for pupils from the primary school started in the 2010/2011 school year (currently including the willing pupils from the first and second class), as of the next school the needed financial resources for including the pupils from the third class will be also provided.

The implementation of the new Law on Pre-school and School Education (LPSSE) will have a significant positive effect in the long term. Some of the key measures of the pre-school and

school reform are: including the children aged 4 years in pre-school education as of the 2016/2017 school year; extending the possibilities for full-day school organisation for pupils up to the seventh class; efficient funding of the access and quality at all stages and steps of school education; optimising the self-dependent and individual education form; developing distance learning and introduction of combined education forms, which will guarantee more opportunities for access of different categories of people and prevention of the drop-outs and the early-school leaving; regulating the support centres for individual development with a view to integrate the care for children and pupils, as well as to develop their interests and talents. The legal obstacles to pupils' mobility will be also eliminated and possibilities for validating competences acquired through informal and self-dependent learning will be created.

In implementing the Council recommendation as of 28 June 2011 on the policies aimed at reducing early school leaving⁶⁷, a National Programme on assisting the schools, which implement their own strategies for prevention and overcoming the absenteeism and early school leaving started as of April 2012, together with an Action Plan depending on the specific conditions and difficulties in each school. The school strategies must also include a component 'work with pupils' parents'.

A National Strategy for Reducing the Number of Early School Leavers by 2020 will be elaborated by the end of 2012. The draft of the Strategy envisages the following possible areas of intervention: monitoring of early school leaving including a detailed analysis of data and developing long-term policies for prevention, intervention, compensation of early school leaving, as well as specific work with teachers, trainers and people working with young people, with the parents and local communities. The Strategy will improve the coordination and interaction between the institutions.

Among the measures for ensuring accessibility to higher education are those for increasing the opportunities for scholarships and student loans, developing efficient higher education funding models, based on the outcomes of the educational process and the realisation of the graduates on the labour market, endorsing flexible forms of education, promoting mobility in the educational, youth and scientific system, ensuring the transition between secondary and higher education and compatibility of the system of credits in the higher education and the vocational education and training.

In order to promote educational mobility, in line with the European target for up to 20% of the university graduates to have passed a period of education abroad by 2020, Bulgaria participates in the Lifelong Learning Programme (2007-2013) and in the Youth in Action Programme of the European Commission. The absorption of the funds foreseen for the country under these programmes is 100%. The draft of LPSSE contains provisions in respect to the reduction of the administrative obstacles to pupils' mobility.

The forthcoming amendments to the Law on Higher Education, which will complete the initiated in July 2010 higher education and science reform, will be in line with CSR 6 and the recommendations of the Council and the Commission in the 2012 Joint Report on Education and Training in Smart, Sustainable and Inclusive Europe.

3.3.2 Improving the Quality of Education

The higher quality of the educational system encourages the young people to continue their education and thus plays decisive role in attaining the national targets in this area. The modernisation of the system in Bulgaria will bring about better consistency between the

⁶⁷ *OJ of EU, C 191/1, 01.07.2011*

educational level and qualification of the labour force and the labour market demand, in response to CSR 5.

Being a major element of the education reform, the Law on Pre-school and School Education is a key step for transition from a centralised institutional model to a relatively autonomous one where rights and responsibilities are delegated to both kindergartens and schools and to the structures of the participants in the educational process – teachers, parents, students, local communities with a view to their needs and personal development.

The main measures in the pre-school and school education, are: introducing a new educational structure and consolidating the institutions in the system of pre-school and school education; updating the standards for the educational content and of the general educational programmes for by including key competences; redefining the types of school education with a view to raising the literacy and employability, as well as raising the results in PISA; career guidance of students; ensuring a compulsory periodical qualification courses for the teachers, designed to improve the performance and education results of both children and students; carrying out reforms in the vocational school education in order to raise its quality, attractiveness and consistency with the labour market; using the results of external evaluation as an instrument for improving the students' competences, including in areas like reading, natural science and mathematics; creating and applying systems of quality management in kindergartens and schools, as well as introducing the inspections as an overall external evaluation of the quality of the provided in kindergartens and schools education.

Projects for improving the quality of education will be financed under OPHRD:

- ▶ A pilot project worth EUR 0.5 million aimed at developing and improving the system of inspections of the education started in January 2012;
- ▶ A project for updating the general educational content by including the key competences, which the students need for their future realisation and for the introduction of the updated and new state educational standards (SES) for the educational content and curricula started in January 2012;
- ▶ A project “System of Career Orientation in School Education” in the amount of EUR 5 million was opened in January 2012. The project will be implemented in 2012–2013 and will contribute to ensuring equal access to quality services of career orientation for all students in the system of school education. Information, methodological and diagnostic resources will be created within the project;
- ▶ A project “Qualification of Pedagogical Specialists” aimed at raising the level of their professional competences in the scientific, pedagogical, methodological and managerial training and at creating motivation for self-development and perfection started in January 2012. The project will provide training to 42230 teachers, 1500 assistant directors in charge of the educational activity and 2200 directors of schools and kindergartens;
- ▶ Another two procedures in the amount of EUR 45 million, which finance the elaboration of mechanisms for conducting practices for students in secondary and in higher education in real work environment⁶⁸ were launched in January 2012;

⁶⁸ The Head of the Contracting Authority has issued orders № ПД09-67/ 18.01.2012 and № ПД09-68/ 18.01.2012 to start the implementation of activities under projects BG051PO001-3.3.07-0001 Secondary School Student Practices and BG051PO001-3.3.07-0002 University Student Practices, within the scheme for direct grants BG051PO001-3.3.07 Secondary School and University Student Practices.

- ▶ A special operation for improving the quality of education in line with the labour market demand with budget of EUR 3.1 million is being prepared. The objective is to satisfy the businesses' demand for specialists with specific qualification, which will be achieved by updating the curricula in higher education in line with the labour market requirements, thus also achieving more efficient utilisation of the labour potential (GF 2). The period of implementation of the scheme is 2012–2014.

3.3.3 Raising Knowledge and Skills through Lifelong Learning

In implementing the National Strategy for Lifelong Learning (2008-2013), an Action Plan for 2012–2013⁶⁹, containing measures relating to the implementation of the thematic ex-ante conditionalities under the Multiannual Financial Framework (2014–2020) was adopted. The main measures in the Plan are expanding the programmes' scope to the disadvantaged groups, providing for mechanisms for validating the results of informal training and self-dependent learning, introducing generally recognised practices in the system of professional education and training, and building closer ties between the universities and the business with a view to improving the consistency between the demand of new/modernised skills at the local and regional level and their supply.

A Lifelong Learning Strategy for the period 2014–2020 will be elaborated until the end of 2013, whereas by the end of 2012 an interim evaluation of the impact of the current strategy will be carried out. The draft strategy will encompass the entire educational system in the context of lifelong learning, including the system of higher education while at the same time responding to the need for longer stay of elder workers on the labour market and for increasing labour productivity.

In order to integrate illiterate and less educated unemployed people on the labour market the scheme "Literacy Courses for Adults" funded under OPHRD will provide for the inclusion of 10,500 people in literacy courses and for studying the educational content of primary school classes.

In order to improve the quality of adult training, 200 teachers of adults, including mentors of unemployed people hired as apprentices, will be included in specialised training for raising their qualification in 2012 – which is financed by the project "Increasing the Employment Opportunities for the Unemployed people by ensuring high quality vocational training", which is part of the 2012 NAPE and is financed by the state budget,.

3.4 Information and Communication Technologies

In implementing the commitments under NRP (2011–2015), the update of the National Strategy for Development of Broadband Access in the Republic of Bulgaria until 2020 and the elaboration of a National Operational Plan for the Strategy implementation was started in 2011; in addition, in 2011 also started the preparation of the draft of National Programme Digital Bulgaria 2015, which is expected to be approved by the Council of Ministers in May 2012. This will ensure the development of the information society in Bulgaria and will support the implementation of the European guidelines and tasks, described in the Flagship Initiative "Digital Agenda for Europe" concerning the social and economic potential of both the information and communication technologies, and Internet. These documents will define the medium-term and long-term strategic objectives for building the needed infrastructure to improve the access to the Single market (GF 5) and will take into account the priorities of the Flagship Initiative "Digital Agenda for Europe" for accelerated construction of high-speed next-

⁶⁹ Minutes of Council of Ministers meeting on 25 January 2012, point 3.1.

generation electronic communication networks. Part of the foreseen measures are aimed at building broadband access for remote and sparsely populated regions, and at satisfying the society needs for modern broadband electronic services within the framework of e-governance.

In implementing the priorities laid down in current National Strategy for Broadband Access, an investment initiative for the construction of broadband infrastructure in remote and sparsely populated rural areas, including settlements which are “white areas” in the meaning of the Community Guidelines for the application of State aid rules in relation to rapid deployment of broadband networks⁷⁰, will be realised. The investment project will amount of EUR 20 million, to be provided under OPRD.

Effective actions within the second implementation stage of the National Strategy for Development of Broadband Access aimed at integrating the public electronic communication networks and their integral management, including the creation of a single electronic communication network of the state administration and the national security services⁷¹ have been undertaken. The activities and measures for technological support of the provision of administrative e-services within the e-government are described in detail in Section “Business Environment”, part 4.4.3 *Deployment and Efficient Implementation of E-governance*. ▼

⁷⁰ EU Official Journal, C 235/7, 30.09.2009

⁷¹ CoM Decree №196/08.07.2011

4 SUSTAINABLE GROWTH

4.1 Policy Strategy for Achieving Sustainable Growth

The standard of living in Bulgaria is below the EU average. Provided the successful realisation of the measures and reforms set in NRP 2011–2015, which will be implemented until 2020, the average income level⁷² in the country is expected to rise from 44% of the EU average in 2010 to 60% in 2020. The factors which will contribute most to the achievement of that objective are linked with providing favourable conditions for the development of economic activity by ensuring macroeconomic stability and improving the business environment. The implemented measures in response to the long-term challenges the Bulgarian economy faces such as the ageing population and the energy dependence and intensity can also make a significant contribution.

As reconfirmed by GF 1 identified in NRP 2011–2015, the government works in line with one of the 2012 AGS guidelines, namely: pursuing a growth-friendly fiscal consolidation. The policies and reforms aimed at increasing the public sector efficiency and effectiveness are also important because of the fact that the sector's contribution to the gross value added of the economy is around 13%.⁷³ The policy strategy in the medium term is to maximise the effects of public spending reallocation while keeping these expenditures at levels of up to 40% of GDP, in line with the Financial Stability Pact. Like in a number of other European countries, the pension reform is aimed at overcoming the negative impact of ageing population on the public finance sustainability. The implementation of the pension reform should also take into account the low life expectancy in Bulgaria – 77.4 years for women and 70.3 years for men.

In times of fiscal consolidation and high uncertainty of the external environment, boosting the competitiveness of Bulgarian enterprises is crucial to ensuring high and sustainable growth and employment. Bulgaria preserves as main policy priority and a factor to sustainable economic growth the improvement of the business environment, including by improving administrative services and the infrastructure. Thereby, Bulgaria addresses two of the 2012 AGS guidelines which refer to enhancing SMEs access to financing and the administrative reform. According to the *Doing Business* ranking of the World Bank⁷⁴, Bulgaria is one of the countries making moderate efforts to improve the business environment. Providing conducive to doing business conditions will enable the country to retain and increase the inflow of foreign direct investments in growth-enhancing sectors. According to the same ranking, in terms of doing business, Bulgaria ranks slightly above the average for Central and Eastern Europe countries, but our country shows a relatively weak rate of converging to the optimal level of doing business in the period 2005–2011 and lags behind in terms of issuance of building permits, electricity market liberalisation, cross-border trade development and insolvency procedures.

⁷² GDP per capita, in purchasing power standard, Eurostat

⁷³ Share of General Government Sector in GVA total for the economy. Data from NSI for 2010

⁷⁴ *Doing Business* 2012, <http://www.doingbusiness.org/reports/global-reports/doing-business-2012>

The implementation of the measures set out in NRP (2011–2015) will continue to play an important role in improving the business environment. Many of the measures in this area will also contribute to promoting employment by job creation, which in its turn will facilitate the achievement of NT 1 and NT 5. On the other hand, the on-going public administration reform will support the implementation of priorities presented in the 2012 Annual Growth Survey for a differentiated and growth-friendly fiscal consolidation, as well as for modernising the and improving the capacity of the public administration. This will also contribute indirectly to addressing GF 1.

The construction and maintenance of adequate infrastructure is a national policy priority as long as it plays a decisive role in the cohesion processes between regions and administrative districts in Bulgaria, thus enabling the development of growth centres around which economic activity can be concentrated. To take full advantage of the economic revival in its trading partners, our country needs to successfully integrate into the European infrastructure.

In the area of Climate and Energy, the Bulgarian economy faces three major challenges related to the efficient use of natural resources: high energy intensity of GDP (89% higher than the EU average), dependence on energy resources imports (70% of the gross consumption of natural gas, crude oil and nuclear fuel is provided by imports, which shows almost full dependence on external supplies), and the need for a ecologically-friendly economic development by reducing the greenhouse gas emissions – currently, Bulgaria outperforms the set intermediate targets for energy efficiency, and will aim at maintaining a high rate of improvement in the medium term.

As one of the main pillars of sustainable development, environmental protection is a key factor in promoting socio-economic development by providing for environmentally-friendly economic growth, high quality of life, security and social equity.

The economic transformation aimed at a more efficient use of resources which will ensure savings as a result of the improved efficiency, innovations commercialisation and better resource management throughout their life cycle will be conducive to increasing the competitiveness and identifying new sources of growth and jobs, as well as to achieving the identified in NRP (2011–2015) NT 3. The measures in that regard correspond to the priorities of Flagship Initiative “Resource efficient Europe”; the implementation of some of them will ensure the achievement of the target for a minimum share of 10% of the renewable energy in the energy consumption in transport.

4.2 Efficiency and Sustainability of Public Spending

4.2.1 Pension Reform and Social Security

The pension and social security systems reform is aimed at addressing the challenge related to the ageing population and its effects on the long-term sustainability of public finances, and hence, on macroeconomic stability and economic growth. In this connection, the minimum insurance thresholds for the main economic activities and occupational groups are by 6.9% on average in 2012 in comparison with 2011, and the average insurance income is increased by 4.5% in comparison with 2011.

At the same time, the reform aims to increase the adequacy of pensions related to labour activity through the following new measures.

- ▶ As of 2013 pensions will be indexed by a percentage equal to the consumer price index for the preceding calendar year. The amendment to Article 100 of the Social Security

Code concerning the pension indexation method was effected by paragraph 6, item 22 of the Transitional and Final Provisions (TFPs) of the Law on the Budget of the Public Social Security System for 2012.⁷⁵ Despite the fact that the Law on the Budget of the Public Social Security System is effective as of 1 January 2012, since it provides that pensions for 2012 shall not be indexed according to the procedure set in Article 100 of SSC (paragraph 4 of TFPs of the Law on the Budget of the Public Social Security System for 2012), the pension indexation under the specified new method will take place in 2013 at the earliest;

- ▶ Paying social pensions for old age and disability from the republican budget by the Agency for Social Assistance (ASA) instead by the National Social Security Institute according to a procedure provided in the Law on Social Assistance and the Law on the Integration of People with Disabilities. Thus those payments will acquire the nature of the respective type of assistance as of 01.01.2013;
- ▶ Increasing the minimum amount of the pension for length of service and old-age from BGN 136.08 to BGN 145.00, which results into higher minimum amount of all pension benefits related to labour activity as of 1 June 2012.

In addition to the pension system reform measures (described in NRP 2011–2015), the following new measures to reform the social security system are envisaged:

- ▶ As of 2012, the period on which basis the short-term benefits are calculated is extended by 6 months. For benefits for temporary work incapacity, the extension is from 12 to 18 calendar months, and for benefits for pregnancy and childbirth, and unemployment – from 18 to 24 months;
- ▶ As of 1 January 2013, the first working day of a sickness leave will be at the expense of the employer in the amount of 100% of the gross daily wage, and the second, third and subsequent days will be paid by the General Disease and Maternity Fund of the Public Social Security System (PSSS).

The planned in the medium term pension reform measures remain unchanged, as set out in NRP (2011–2015).

4.2.2 Improving Public Spending Effectiveness

In order to improve the fiscal framework and financial management in the public sector, in 2012 the National Assembly will consider amendments to the Constitution of the Republic of Bulgaria which will limit the government discretionary powers to modify tax policy by introducing the requirement that any new kinds of direct taxes on income or profit, or any change to the tax rates, can be adopted only by a qualified majority of two-thirds of all members of the National Assembly.

The healthcare reform is among the measures considered as a priority, and the objective is to ensure the long-term financial sustainability of the healthcare system while, at the same time, improving the quality of and access of population to health services. The reform implementation is closely related to improving the health status of the population, which, on its part, will influence the life expectancy and the work capacity of the population, and will contribute to the achievement of NT1 and NT 5, and will support the successful implementation of the pension reform.

⁷⁵ Promulgated in SG Issue 100 as of 20.12.2011, effective as from 1 January 2012

With a view to increase the effectiveness of public spending and improving public spending control, the following measures in healthcare have an important role:

- ▶ Improving the various mechanisms of financing, payment and control of expenditures.
- ▶ Developing e-healthcare: by 2014, the electronic registers of the various activities will be integrated into a single register. Subsequently, a personal health insurance card and a personal electronic health record will be set up, in line with the priorities for the next programme period (2014–2020). The idea is for the personal health insurance card to serve also as an electronic identity card.
- ▶ Restructuring the hospital sector on the basis of the adopted in February 2011 National Healthcare Map of Health Institutions⁷⁶. A Working Group to develop rules for financial management and reporting of hospitals by the end of 2012, and for the development of pre-hospital and hospital care was set up under the Ministry of Health (MH).
- ▶ Establishing, by the end of 2012, a Unified Information System for Medical Expertise, using ESF financing in the amount of EUR 0.4 million. The system will integrate the National Expert Medical Commission (NEMC), the Regional Medical Expertise Registers (RMERs) and the Territorial Medical Expert Commissions (TMECs). This will ensure a connection among the data held by all bodies and will establish a centralised register of all citizens whose cases have been considered by TMECs. Connection with other stakeholder institutions such as NSSI, NHIF, MLSP will also be created in order to ensure more effective control of both TMECs and NEMC operations, and of the NHIF, TMECs, NSSI and MLSP financial resources which are spent as part of the medical certification processes, authorisation of various social benefits and disability pensions.

4.3 Climate and Energy

4.3.1 Increasing Energy Efficiency and Reducing Energy Dependence

To enable the transformation to a 'green' economy, which efficiently uses natural resources and preserves them, it is necessary to set up an institutional and policy framework to create economic opportunities for higher security of supplies, sustainable management of environmental resources, multiple use of raw materials, better recycling, use of alternative materials and resource savings.

The National Energy Strategy until 2020⁷⁷ is aligned with the current European Energy Policy Framework and global trends in the development of energy technologies. It addresses the main challenges faced by the Bulgarian energy sector: low energy efficiency and high energy intensity, high dependence on imported energy resources and the need for ecologically-friendly development.

The amendments to the Law on Energy Efficiency, which are to be approved by the National Assembly by 19.06.2012 at the latest, will transpose the provisions of Directive 2010/31/EU of the European Parliament and the Council of 19 May 2010 on the energy performance of buildings. The purpose of the amendments is to reduce energy consumption and increase the use of energy from renewable sources. Buildings with a useful total built-up area (TBA) over 500 square metres and which are occupied by a public body or frequently visited by citizens will be subject to an obligatory energy efficiency audit and certification with the provision to

⁷⁶ Adopted by CoM Decision No. 103 of 24.02.2011

⁷⁷ Promulgated in SG Issue No. 43 of 7.06.2011 (National Assembly Decision as of 1 June 2011)

become effective as from 9 January 2013. In addition, as of 9 July 2015, the TBA of buildings subject to obligatory certification is reduced to 250 square metres

The National Energy Efficiency Strategy of the Republic of Bulgaria, which is presented in the NRP (2011–2015), is expected to be adopted by CoM by May 2012. The implementation of measures and policies for improving energy efficiency aims at increasing the energy efficiency by 25%, or achieving savings of over 5 million tonnes of oil equivalent (TOE) of primary energy in comparison with the baseline scenario for development until 2020. One of the main instruments in implementing the long-term national policy of energy efficiency is the National Action Plan on Energy Efficiency for the period 2008-2016. It is divided in short-term three-year plans which set the intermediate indicative targets. According to the report on the implementation of the first National Action Plan on Energy Efficiency, as of 2010, Bulgaria has outperformed its intermediate target for the period. On the basis of the results of the evaluation of the implementation of the first National Action Plan on Energy Efficiency, actions for the next intermediate period have been identified.

The implementation of the 60 measures identified in the second National Action Plan on Energy Efficiency for the period 2011–2013⁷⁸ will constitute a major tool for applying in practice the national energy efficiency policy in the short term. An intermediate indicative target of 6% of the average value of final energy consumption⁷⁹ for the period 2001–2005 has been set for the period 2011–2013. Among the more significant measures in the second plan are updating the National Housing Renovation Programme of the Republic of Bulgaria 2006-2020 to align it to the harmonised EU policies for energy efficiency and the new policy of the government of the Republic of Bulgaria for large-scale renovation of multi-family residential buildings. Other important measures in the Plan are introducing obligatory measures for efficient lighting, labelling household appliances, developing energy efficiency standards for electric equipment, improving procedures and rules for sharing distribution, regulating and reporting heating in multi-family residential buildings, as well as implementing the Residential Energy Efficiency Credit Line (REECL).

In transposing Directive 2009/28/EU, the Law on Energy from Renewable Sources (LERS)⁸⁰ provides for measures for promoting energy generation from renewable sources while taking into account the impact of improving energy efficiency and the introduction of energy efficient technologies. LERS also defines the rules for connecting renewable sources power plants to the electric power transmission/distribution grid. Until 2020, efforts will focus on developing further the relevant regulatory mechanisms by setting up incentives for investments in power grid infrastructure and for developing grids adequate to meet the needs of their users, including by applying the “smart grid” concept. With regard to consumption of biofuels and biomass liquid fuels, obligatory sustainability criteria (which is also an eligibility requirement for financial support to economic operators) will be introduced, thus making it possible to take them into account when monitoring the progress towards the achievement of the national target for the share of energy from renewable sources in energy consumption of transport. Provisions are also made to audit the information on the sustainability criteria and the overall balance system, to ensure reduction of greenhouse gas emissions over the entire life-cycle of biofuels and biomass liquid fuels.

A National Public Information System on RES will be created not later than in 2015. It will contain information on the potential, generation and consumption of energy from renewable

⁷⁸ Adopted by CoM Minutes on its meeting on 28 September 2011, point 36.

⁷⁹ 4 860 GWh (418 kTOE) annual savings of fuel and energy.

⁸⁰ Promulgated in SG Issue No. 35 as of 03.05.2011.

sources and will provide transparency with regard to relevant activities, make information available to all stakeholders and improve the business climate in the RES sector. The information system will cover the available renewable sources, power plants using renewable sources, producers of biofuel and other renewable fuels, as well as the capacity for connecting to the grid.

In addition to legislative changes, promoting energy efficiency and the use of RES in enterprises is supported by financial and tax incentives, including by funding from the EU Structural Funds and the Cohesion Fund (detailed out in Annex 4).

Some of the specific projects supported with funding from OPDCBE for increasing energy efficiency and promoting the use of RES in enterprises are.

- ▶ In November 2011, a procedure for grant financing “Investments in Green Industry” which is aimed at providing investment support for large enterprises in Bulgaria to mitigate their negative environmental impact was announced. The total amount of support for implementing projects under that grant procedure is EUR 40 million, and actual implementation of the projects will start in 2012.
- ▶ In 2012, another grant procedure “Energy Efficiency and Green Economy” will be announced – it will provide support to micro, small and medium-sized enterprises in Bulgaria for investments in energy-saving technologies and RES technologies. The realisation of the procedure will be enabled also by the signed Memorandum of Understanding⁸¹ between MEET and the European Bank for Reconstruction and Development (EBRD), according to which alongside the grants available under the abovementioned procedure (in the amount of EUR 150 million), EBRD will additionally extend credit lines (lending component) in the amount of another EUR 150 million via its partner banks, thus providing support for a successful project implementation.

4.3.2 Electricity Market Liberalisation

Electricity market liberalisation will be ensured through the implementation of the Third Energy Liberalisation Package and, respectively, the enforcement of the draft Law on the Amendment of the Law on Energy⁸², which is being considered in the specialised committees of the National Assembly (see Section “Implementation of Programmes and Measures in 2011”).

In line with the new Rules on trading in electricity and the Roadmap (see Section “Implementation of Programmes and Measures in 2011”), introducing exchange trading in electricity will ensure transparent pricing, flexibility in contracting, maximum use of interconnectivity transmission capacity and a possibility for simultaneous distribution of energy and capacity. A key requirement is to set up a functioning hourly market by bilateral negotiations covering the entire volume of traded energy. The responsible stakeholders for realising that process are SEWRC, the National Electric Company (NEC), ESO, the power distribution companies, final providers and trade participants (power generating companies, traders, consumers). The actual introduction of an hourly market depends on the adoption of a Law on the Amendment of the Law on Energy, licensing the balancing group coordinators, registration by ESO of balancing group coordinators, contracting and providing guarantee collaterals. When testing the model in 2011, ESO received and registered hourly time-schedules within 36 balancing groups (standard and special) registered for participation in the

⁸¹ Signed on 2 March 2011

⁸² Approved by the Council of Ministers on 17.01.2012

trial operation. The Electric Power Exchange, which will be part of ESO, will be launched in 2012.

4.3.3 Environmental Protection, including Development of Technological Infrastructure

Environmental protection measures which also contribute to achieving the national target of reducing harmful emission shape up the institutional and policy framework for addressing the challenges related to climate change.

In implementing the European policy on climate change adaptation, the drafting the National Strategy on Climate Change Adaptation will start in 2012. The strategy will focus on creating precondition for adapting the economy, ecosystems and society as a whole to the already inevitable consequences of climate change. The measures in the strategy will cover various sectors, among which the most vulnerable are agriculture, tourism, healthcare, water and soil resources, the forest stock, biodiversity.

By April 2012, the draft of the Third National Action Plan on Climate Change 2013–2020, implementing the commitments undertaken under the United Nations Framework Convention on Climate Change, the Kyoto Protocol and the EU Climate & Energy Package, will be elaborated. The Action Plan will be elaborated in co-operation with, and with the financial support of, the Norwegian Grant Programme. The Plan will elaborate a comprehensive policy for reducing greenhouse gas emissions and a transition to a low-carbon economy, including by promoting energy efficiency and the use of RES.

In connection with the expansion of the scope of European legislation in the area of climate change, a Law on Activities Related to Climate Change will be drafted by the end of 2012. This will enable the prioritisation of the climate change policy⁸³, by regulating the participation in the European Emission trading scheme and the national Green Investment Scheme, the national inventories and the monitoring of greenhouse gas emissions.

In the area of water protection and the water sector development, the following strategic actions will be undertaken:

- ▶ By the end of 2012, a National Strategy for Management and Development of Water Sector will be elaborated – it will introduce an optimal model with regard to water infrastructure ownership and management, and possibilities for financing, rational use and equitable allocation of water resources to the population, the economy and the ecosystems, and preservation and restoration of the quantity and quality of water resources.
- ▶ By mid-2012, an Initial Assessment of the marine waters will be elaborated, on the basis of which a National Maritime Strategy will be drafted by the end of 2014. As part of the strategy, by the end of 2014, Monitoring Programmes for the assessment of the environmental status of the marine waters and Programmes of Measures to achieve better environmental status in the marine waters will be elaborated. Financing allocated for the preparation of these three documents amounts to EUR 1.7 million for 2012–2014.
- ▶ In order to reduce water pollution and water loss and ensure efficient use of water resources, and in implementing the requirements of Directive 91/271/EEC concerning urban waste-water treatment, a call for proposals for the procedure “Improvement and

⁸³ At present, those activities are regulated by the Law on Environmental Protection.

development of potable and water infrastructure in agglomerations of over 2 000 population equivalents”, under OPE, was opened. The successful procedure will ensure the (environmentally-friendly) treatment and discharge of municipal waste water from agglomerations between 2 000 and 10 000 population equivalents. The financing for the period 2012–2014 is in the amount of EUR 150 million.

In order to improve waste management and promote investment in environmentally-friendly industry, the following measures will be undertaken:

- ▶ In 2012, a new Law on Waste Management, transposing the requirements of Directive 2008/98/EC, will be adopted. The Law has been approved at first reading by the National Assembly. Further elaboration, improvement and simplification of the legal provisions in the new law contribute to a clear regulation of the overall management of residential waste on the territory of municipalities, an improvement and optimisation of waste collection and disposal operations, simplification of procedures for issuing permits for waste-handling activities, introduction of stricter requirements for activities involving ferrous and non-ferrous scrap metal, and applying a new approach in the construction waste management. It also introduces measures promoting waste reuse, recycling and recovery. This approach is in line with the Roadmap to a Resource Efficient Europe.
- ▶ In line with Directive 2008/98/EC on waste and on repealing certain directives, a National Programme on the Prevention of Waste Generation will be elaborated by the end of 2013, which will become an integral part of the National Waste Management Plan for the period 2014–2020, also to be prepared by the end of 2013.
- ▶ In 2012, an Ordinance on Construction Waste Management will be drafted and adopted. It will ensure a consistent approach in construction waste management in Bulgaria, encourage investments in the sector and facilitate the achievement of 70% recycling by 2020. Also in 2012, the National Plan for Management of Sewage Sludge Generated by Waste Water Treatment Plants (WWTPs) will be updated, which will enable compliance with the requirements of Directive 91/27/EEC and Directive 1999/31/EC. In 2013, an Ordinance on Bio Waste Management will be drafted and adopted, which will introduce an integrated approach to the management of biodegradable waste – in order to ensure its implementation (which will enable the diversion of up to 65% of this waste stream from residential landfilling by 2020, in accordance with Directive 1999/31/EC), the technical requirements for the installations for processing this waste stream and a model to ensure the quality of the produced compost will be developed; a national authority for testing products from bio waste disposal will be accredited.
- ▶ Within the framework of procedure “Investments in Green Industry” worth EUR 40 million under OPDCBE, where projects implementation is to begin in 2012, a special component to support activities aimed at more efficient use of waste products and the production of products which yield themselves to recycling is planned; the objective is to expand the operations and diversify product ranges of large enterprises in Bulgaria.

4.4 Business Environment

4.4.1 Strengthening Administrative Capacity

In order to design a long-term vision for the public administration modernisation, a Strategy for Development of the Public Administration until 2020 will be prepared in 2012. It will address the main objectives in the three main areas of the administrative reform: development of administrative entities, human resource development, and improvement of the administrative services. The new strategy will incorporate and build upon the objectives

set in the existing Strategy for Human Resource Management in the Public Administration and Strategy for Training Public Administration Personnel. Thereby the number of strategic documents will be reduced and preconditions for ensuring consistency of policy management, development and strengthening the administrative capacity of human resource in the public administration will be provided. In addition, regular, at every three years, functional reviews of all administrations in order to adapt the structural administrative bodies of the administration to the actual needs of citizens and business, and the planned policies, will be carried out.

In 2012, ordinances on implementing the Law on Civil Servants (LCS), which has been approved at first reading by the National Assembly, will be drafted. These ordinances will enter in force following the adoption of the amendments to the LCS. They will introduce a new performance-based model of remuneration and evaluation of personnel in the public administration, whereby the remuneration will consist of a basic salary and bonuses. The remuneration for length of service will be eliminated and will be incorporated in the basic monthly salary of the employee which will be raised only depending on the result of the evaluation of performance on official duties. In addition to the measures envisaged in NRP (2011–2015) for public administration human resource development, the following activities will be implemented in 2012 through OPAC projects:

- ▶ General framework rules on planning the needed human resources (in terms of both numbers and competences) and a system ensuring continuity in the public administration will be put in place. The existing system for personnel selection in the administration will be developed with regard to designing new instruments to ensure hiring the most suitable applicant for a given position. The new system for ensuring continuity will allow the identification of key positions in each administration, and the establishment of a mechanism for identifying the civil servants to ensure this continuity.
- ▶ The programme offering traineeships at all levels in the public administration will continue, which will support the built-up of the future cadre for public administration.
- ▶ In 2012, functional analyses of three large systems: MI, NHIF and NSSI will be carried out.
- ▶ The structure of central and municipal administrations will be streamlined in order to avoid duplication of functions and increase efficiency (using a grant procedure launched in February 2012 in the amount of EUR 2.6 million); similarly, the structure of central administrations entrusted with supervisory functions (using a grant procedure launched in March 2012 at the amount of EUR 1.5 million) will be optimised. The maximum duration of the projects funded under the two procedures is 18 months.

4.4.2 Reducing the Administrative Burden and Improving the Quality of Administrative Services

In pursuing the objectives of the Better Regulation Programme 2010–2013⁸⁴, the impact assessments on two key laws: the Law on Territorial Planning and the Law on Independent Valuers will be completed. The impact assessment of the Law on Independent Valuer will help eliminate violations in charging fees in the absence of an adopted by the Council of Ministers price tariff.

The reduction of the administrative burden by 20% in selected priority areas is being carried out in two stages. The measures set out in the Action Plan for reducing the administrative

⁸⁴ According to Decision No. 361 of 01.06.2010 and item 2 of the Better Regulation Programme 2010-2013, the annual report is being prepared by the end of March of the respective year.

burden stemming from national legislation which does not transpose European requirements by 20% will be implemented by the end of 2012⁸⁵, and the reduction of administrative burden stemming from national legislation setting up national and transposed European requirements is to take place by the end of 2014. The Action Plan for the period 2012–2014 is to be complemented and considered by CoM by June 2012 – complementing the Action Plan will be based on the results of the public procurement “Measuring the administrative burden stemming from the informational obligations to do business and proposals for its reduction” with the proposals for the administrative burden reduction focusing on priority areas of national legislation selected jointly with the business community.

Amendments to the Commercial Law in order to transpose the requirements of Directive 2011/7/EU on combating late payment in commercial transactions are to be adopted by CoM in April 2012. Transposing the Directive requirements is aimed at setting up mechanisms for improving sales turnover. Alongside these amendments, proposals for measures to strengthen the insolvency legal framework, thus reducing the legal uncertainty and improving the conditions for financing of enterprises, were also drafted. The planned amendments to the Commercial Law are aimed at preventing the existing practices of declaring retroactive insolvency of merchants, thus invalidating the collateral set up in favour of creditors, which results in serious losses and uncertainties in turnover and credit relations.

In 2012, an analysis of regulatory regimes with a focus on eliminating inexpedient and unnecessary procedures, alleviating the existing procedures by reducing the number of required documents and the deadlines will be elaborated. The objective is to eliminate regimes, which create obstacles to entrepreneurship and economic growth. Another emphasis will be reducing regulation-related costs and the government interference in the economic activity.

During the period 2012–2013, the following measures to support the activities of SMEs will be implemented:

- ▶ The Law on the Amendment of the Law on SMEs will introduce a “SMEs test” which will provide for an obligatory impact assessment of any legal amendment on SMEs, in line with the principles of smart regulation and the Small Business Act initiatives (“Think Small First”).
- ▶ By the end of 2012, the National Strategy for Promoting SMEs for the period 2013-2020 will be updated in order to take into account the Small Business Act requirements. Ten priority measures depending on the degree of urgency and their contribution to growth will be identified. One of these will be support for the internationalisation of SMEs through active participation in international programmes, projects and initiatives with a view of gaining experience and easier access to international markets, which is in line with the EU Innovation Union Flagship Initiative.

In 2012, within the framework of projects under OPAC and OPDCBE, the following initiatives will be launched:

- ▶ Improvement and development of the system and the centralised portal for e-justice set up by the Ministry of Justice and the Supreme Judicial Council under a public procurement procedure in the amount of EUR 1.5 million. In result of its implementation the quality of the services provided by the judicial system to the citizens and business will be improved by ensuring interoperability and possibility for data and/or documents

⁸⁵ Information on progress made in implementing the Action Plan for the period until the end of 2012 can be found in Part II of the NRP.

exchange between the information systems within the judicial system on the one hand, and between those and the integrated document exchange environment of the public administration, on the other. The system will also enable the direct data and documents exchange with the respective systems across the EU. The procedure was launched in March 2012, with a maximum implementation period of 18 months.

- ▶ Development of a basic model for an integrated delivery of administrative services. The model will define the substance of the integrated delivery of administrative services, as well as the needed steps, mechanisms and technology of cooperation within and among the administrative bodies in organising integrated delivery of administrative services. The model will describe the procedures for organising integrated delivery of administrative services via each of the channels for access to the respective services. Proposals for optimisation and reengineering of the work process in order to introduce at least 50 integrated services will be elaborated. At the same time, actions to launch the provision of 10 pilot integrated services will be undertaken, with the preparations being synchronised with the development of e-governance.
- ▶ Improving the business environment for the Bulgarian enterprises and the quality of Bulgarian products by strengthening and improving the supervisory services provided by the State Agency for Metrological and Technical Surveillance (SAMTS). The procedure was opened in February 2012, with EUR 3 million allocated to project implementation.
- ▶ In order to strengthen the international market positions of the Bulgarian economy, 5 contracts⁸⁶ are being implemented in total value of EUR 31.8 million, aimed at improving the quality and the quantity of services provided to businesses by public institutions responsible for attracting investments, promoting exports and improving the quality of national infrastructure.

In order to improve the administrative services delivery of citizens and business the following schemes under OPHRD will be implemented in 2012:

- ▶ Scheme “Building integrated information system of MLSP” – it is to be implemented by 2013 with a budget of EUR 8 million. The scheme will ensure general communication connectivity of MLSP and the structures to the ministry, consolidation of data from the information systems and the establishment of a system for the provision of information-consultative services.
- ▶ Scheme “Building and commissioning national system for electronic data exchange in the area of social security in relation to Regulations 883/2004 and 987/2009” – it is to be implemented by 2013 with a budget of EUR 2 million. The implementation of the scheme, which started in the end of 2011, will introduce new technologies for exchange, access and processing data necessary for enforcing the EU Regulations in the area of social security coordination, including by using the so called ‘structured electronic documents’.
- ▶ Scheme “Developing and introducing information systems and data bases servicing the welfare system, provision of social services and social inclusion” – it is to be implemented by 2013 with a budget of EUR 6.4 million. The implementation of the scheme will allow for the creation of national social assistance data base. The introduction of the integrated information system will guarantee the establishment of regional data bases in the regional directorates “Social Assistance” and of a national

⁸⁶ *The InvestBulgaria Agency, the Bulgarian Small and Medium Enterprises Promotion Executive Agency, the Bulgarian Institute for Standardisation, the Bulgarian Institute of Metrology, the Bulgarian Accreditation Service.*

social assistance data base in the Agency for Social Assistance, as well as a national child protection data base and a centralised data base on national child adoptions.

4.4.3 Deployment and Effective Implementation of e-Governance

The national policy for the development of e-Governance is based on four strategic objectives⁸⁷ set out in the General Strategy for e-Governance in the Republic of Bulgaria (2011–2015)⁸⁸ and consists of seven sectoral policies, among which the introduction of e-Government and e-Healthcare. The horizontal nature of the Strategy supports the achievement of the targets set in the Better Regulation Programme of the Republic of Bulgaria (2010–2013), the Action Plan for Implementing the Measures for Optimisation of Public Administration 2010–2011, and the National Strategy for Developing Broadband Access in the Republic of Bulgaria.

The work on developing base infrastructure for providing e-services for the citizens, business, employees in the central, municipal and local administration, and for users beyond the borders of the Republic of Bulgaria will continue in 2012. Public terminals for information services are to be gradually built, the existing and newly acquired terminals with the automated information systems (AIS) of the various administrations will be integrated and will be put in operation. Thereby, a “digital administration” will be built and the gradual switch from paper-based to electronic document exchange and electronic provision of administrative services will be ensured

Until 2013, two integrated projects under OPAC will be implemented. They will be crucial for the implementation of e-Governance and will contribute for upgrading the single portal for access to electronic administrative services:

- ▶ Project “Development of electronic delivery of administrative services”, with a total budget of EUR 9.2 million. The project includes 5 activities aimed at automating the data exchange between 30 key registers (among which the Commercial Register, the Cadastre Register and ESGRAON) using electronic services ex-officio. The expected savings to be generated by linking only 20 of the main registers exceed EUR 40.9 million per year.
- ▶ Project “Improving the delivery of administrative services to users by upgrading central e-Government systems”, with a budget of EUR 6.1 million. Under that project, a register of electronic IDs of users and certain basic infrastructure electronic services will be set up, a central document-flow system, which is currently at initial development stage, will be deployed. A centralised system for monitoring and management of information security and interoperability will be established. A centralised management system for managing the communications and hardware infrastructure is also planned to be built. At least 5 administrations are expected to be integrated with the central system for mobile (SMS) notification and information and enquiry response for citizens and businesses.

⁸⁷ *The four strategic directions are: electronic services for citizens and business, digital administration, public awareness, access and participation, and institutional capacity building.*

⁸⁸ *CoM Decision No. 958 as of 29.12.2010*

4.5 Infrastructure

4.5.1 Road and Transport Infrastructure

The scope of OPT has been extended⁸⁹ with the inclusion of additional projects under all priority axes with the main objective being to improve and achieve higher absorption of the funds under the programme.

Table 3: PROGRESS IN FINANCIAL IMPLEMENTATION OF OPT BY PRIORITY AXIS AND PRIORITY PROJECT, as of 31.12.2011

Priority Axis/Project under the Respective Axis	Total Indicative Budget for the Axis /Project (EUR million)	Number of approved projects	Total amount of contracted financial assistance, by axis/ contracted financial assistance and financing of projects under OPT (EUR million)	Disbursed contracted financial assistance (EUR million)
1. Development of railway infrastructure	640	6	600.7	141.1
2. Development of road infrastructure	929.6	7	909.1	157.4
3. Improving intermodality in passenger and freight transportation	211.1	2	185.4	143
4. Improving navigation conditions	157	2	18.4	2.6
5. Technical assistance	66	48	30.5	10.2
TOTAL:	2 003.5	65	1 744.2	454.2

Source: MTITC

Box 1: PRIORITY PROJECTS UNDER OPT FOR WHICH DIRECT GRANT AWARD PROCEDURES HAVE BEEN LAUNCHED

Priority Axis 1 “Development of railway infrastructure along the Trans-European and major national transport axes”:

- Project “Electrification and reconstruction of Svilengrad – Turkish border railway line”. Financing in the amount of EUR 29.8 million;
- Project “Rehabilitation of railway infrastructure in sections of the Plovdiv – Burgas railway line”. Financing in the amount of EUR 218.6 million;
- Project “Modernisation of the Septemvri – Plovdiv railway section, part of the Trans-European railway network”. Financing in the amount of EUR 102.2 million;

- Project “Extension of the Sofia Metro, Stage II, lot 1 „Obelya Residential District – Road Junction Nadezhda” and lot 2 „Residential District Mladost I – Residential District Mladost III – Tsarigradsko Chaussee Blvd. Financing in the amount of EUR 250 million;

Priority Axis 2 “Development of road infrastructure along the Trans-European and the main national transport axes”:

- Project “Completion of the construction of the Trakia Motorway, lots 2, 3 and 4”. Financing in the amount of EUR 357.7 million;
- Project “Construction of the Maritza Motorway, lot 1 and lot 2”. Financing in the amount of EUR 203.8 million;
- Project “Road E-85 (I-5) “Kurdzhali – Podkova”. Financing in the amount of EUR 23.2 million;
- Project “Hemus Motorway, section Sofia Ring Road – Road Junction Yana”. Financing in the amount of EUR 24.3 million;
- Project “Struma Motorway, lot 1, lot 2 and lot 4”. Financing in the amount of EUR 297.5 million;

Priority Axis 3 “Improvement of intermodality for passenger and freight transportation”:

- Project “Extension of the Sofia Metro – Stage I, Road Junction Nadezhda – Cherni Vruh Blvd.”. Financing in the amount of EUR 323.2 million⁹⁰;

Priority Axis 4 “Improvement of the maritime and inland-waterway navigation”:

- Project “Establishment of a river information system in the Bulgarian part of the Danube”. Financing in the amount of EUR 18.1 million.

⁸⁹ Under a decision of the 8th session of the OP Transport Monitoring Committee held on 7 and 8 June 2010.

⁹⁰ Pursuant to a Decision of OPT Monitoring Committee as of December 2011, EUR 110 million (national co-financing and EU financing) are transferred from Priority Axis 4 “Improvement of the maritime and inland-waterway navigation” to Priority Axis 3 “Improvement of intermodality for passenger and freight transportation”.

4.5.2 Sustainable and Integrated Urban Development

Towns and cities are regarded major drivers of growth and development of regions in Bulgaria. The measures for sustainable and integrated urban development will contribute to the achievement of the national targets under the Europe 2020 Strategy by being included in NUTS 2 regional development plans for the period until 2020 and the National Regional Development Strategy, which will be elaborated in 2012.

By the end of 2013, the integrated plans for urban regeneration and development for 36 municipalities in agglomeration areas will be drafted, thereby defining the long-term vision for urban development (described in *Part II „Implementation of Programmes and Measures in 2011”*). During this period, district development strategies and municipal development plans for the period 2014–2020 will also be elaborated, thus implementing the ex-ante thematic conditionalities for the allocation of funds under the MFF for the period 2014–2020.

In 2012, the following projects under OPRD are to be implemented:

- ▶ “Support for integrated urban transport in 5 cities” (Plovdiv, Varna, Rouse, Stara Zagora and Pleven), with a total budget of EUR 104.2 million.
- ▶ “Green and accessible urban environment”, with a budget of EUR 92 million, for the improvement of the physical and living environment of 36 municipalities, centres of agglomeration areas, as a prerequisite for ensuring a sustainable and environmentally-friendly urban environment conducive to higher quality of life and new opportunities for economic and social development.
- ▶ To improve the quality of health services and the existing infrastructure, the purchase of specialised medical equipment and carrying out respective rehabilitation of health institutions is planned with a budget of EUR 190 million. The list of eligible health institutions which can use funds from the programme was extended at the end of 2011 by an amendment to the Concept Paper on Restructuring the Hospital Care System, which is approved by the Council of Ministers. ▼

5 INCLUSIVE GROWTH

5.1 Policy Strategy for Achieving Inclusive Growth

Despite the negative impact of the financial and economic crisis on the labour market, Bulgaria retains its National Target “Reaching 76% employment of the population aged 20–64 by 2020”. In line with the key priority identified in the 2012 Annual Growth Survey to tackle unemployment and the social consequences of the crisis with a special focus on youth unemployment and long-term unemployment, Bulgaria reconfirms both of its sub-targets on employment as identified in NRP (2011–2015). The programmes and measures implemented in these areas will also contribute to delivering on the commitments undertaken under the Euro+ Pact and strengthen the operation of the factor to sustainable economic growth “Ensuring better and more efficient utilisation of the economy’s labour potential”.

The strong economic growth during the pre-crisis years enabled the improvement of labour market conditions and was conducive to the considerable increase in the employment rate to 70.7% (20–64 years of age) in 2008, or almost 10 pp. higher than in 2004. As a result of the financial and economic crisis, the employment rate dropped by 6.8 pp. to 63.9% in 2011, and the unemployment rate went up from 5.6% in 2008 to 11.2% in 2011. This calls for additional efforts in order to reach the two sub-targets concerning employment. In order to achieve the sub-target for reaching an employment rate for elderly people (55–64 years of age) of 53% in 2020, it is necessary to increase their employment rate by 9.5 pp. over the period 2010–2020 as compared to 2008, while the originally planned increase against the 2008 level was 7 pp. In 2011, a slight increase of 0.4 pp. in the employment rate of elderly people (55–64 years of age) was observed, thus going up from 43.5% in 2010 to 43.9% in 2011. The young people are the hardest hit by the crisis, where in the period 2008–2010 the youth unemployment rate more than doubled. To reach the sub-target of reducing youth unemployment to 7% in 2020, it is necessary to reduce the unemployment of young people by 10.6 pp. in the period 2010–2020 as compared to 2008, while the originally planned reduction against the 2008 level was 2.4 pp.

The key instrument for implementing the labour market policy is the National Action Plan on Employment for 2012 (NAPE)⁹¹, which is elaborated and implemented each year. The programmes, measures and initiatives within the 2012 NAPE framework are aimed at integrating the socially disadvantaged groups into the labour market and will contribute to overcoming inequality and reducing young people and elderly people unemployment on the labour market, as well as to reducing the long-term unemployment.

Bulgaria is one of the countries where the risk of poverty for the population is above the EU average. According to data from the 2009 EU Statistics on Income and Living Conditions (EU-

⁹¹ CoM Decision No. 957 of 29 December 2011.

SILC)⁹², the poverty rate in Bulgaria was 20.7% and 35% of Bulgarians were living in severe material deprivation. The main poverty risk for the prevailing part of households is determined by their economic activity and participation in the labour market. In terms of age groups, the poverty risk is the highest for children aged up to 18 (26.7%) and for the population at above-working age (32.2%). In terms of economic status, the poverty risk is the highest for the unemployed, pensioners and other economically inactive people. The working poor account for 7.7% of the employed people, which inevitably also affects the poverty rate among children. Inequality in the income distribution according to the Gini coefficient is 33.2%, and the ratio between the income levels of the poorest and the richest 20% of households is 5.9.

These data confirm the relevance of the adopted in 2010 National Target 5 “Reducing the number of people living in poverty by 260 thousand by 2020”, under which four specific sub-targets have been identified, aiming at children, elderly people, the unemployed and the working poor. Defining those specific sub-targets also establish a link with National Target 1 of reaching 76% employment of the population aged 20–64 by 2020 and the sub-targets set up for it.

The achievement of the specific sub-targets on employment will contribute to reducing the poverty rate, both among the unemployed and the employed people at working age, as well as among children and elderly people who are members of the formers’ families. Reducing poverty in the country will also be supported by achieving the educational targets. Poverty reduction will be also pursued by the successful implementation of national-level initiatives under the European Flagship Initiatives “European Platform against Poverty”, “New Skills and Jobs” Agenda and “Youth on the Move”.

Pursuing active policy with regard to incomes is an essential measure for maintaining social equilibrium and providing support to low-income people. The increase of the minimum monthly wage to BGN 270 (EUR 138) as from September 2011 and to BGN 290 (EUR 149) as from May 2012 will have a favourable effect on reducing the number of the working poor. According to NSI data, the average household income in the fourth quarter of 2011 was BGN 2419.92 (EUR 1241), which is 6.4% higher than that in the same period of 2010. The average household spending was BGN 2266.36 (EUR 1,162) for the same period, the highest share having consumer expenditure (84.4%), which includes expenditure on foods and non-alcoholic beverages (35.7%). Achieving sustainability of and adequacy in the pension system will be also conducive to addressing the challenges in the area of poverty and social exclusion.

5.2 Employment

5.2.1 Promoting Employment and Reducing Unemployment

For the period 2012–2015 a total of EUR 250.5 million from the national budget will be spent on active labour market policy interventions under programmes and measures for promoting employment and reducing unemployment, and as co-financing of OPHRD projects.

In the area of employment and labour mobility, an updated Employment Strategy of the Republic of Bulgaria for the period 2013–2020 is currently being elaborated and will be adopted in November 2012. The updated Strategy will present the main directions, activities and initiatives which will be conducive to increasing the employment and, respectively, to recovering economic growth and achieving the national targets by 2020.

⁹² *European Union Statistics on Income and Living Conditions (EU-SILC) 2010, NSI.*

To ensure the implementation of all the measures supporting young people in finding their “first job” and reducing youth unemployment, EUR 18.8 million has been earmarked in 2012. In addition to measures set in NRP (2011–2015) for activating of young people on the labour market and their inclusion in employment, the following measures will be undertaken:

- ▶ In implementing the National Youth Strategy⁹³ (2010–2020), the measures set out in the Action Plan⁹⁴ to the Strategy will be implemented in 2011, with EUR 132.4 million having been earmarked to this purpose. In 2012, priority will be given to investing the highest amount of money in the following direction: “Promoting the economic activity and career development of young people” (expected funding in the amount of EUR 106.3 million), “Improving the access to information and quality services” (expected funding in the amount of EUR 12.3 million) and “Developing the inter-cultural and international dialogue” (expected funding in the amount of EUR 10.2 million). The measures which will be included in the draft of the second Action Plan are currently being planned, and the document is expected to be approved in May 2012.
- ▶ In 2012–2013, the National Initiative “Jobs for young people in Bulgaria” will be implemented. It will provide opportunities for young people to find their “first job”, including by providing training for young people with a low education level and with no qualification. The initiative will cover a package of measures, programmes and services for activation, information, counselling, training and employment of young people up to 29 years of age, including through a simplified access to registration with labour offices and the applying new practices in the provision of mediation services to young people.
- ▶ A scheme for “Support for institutional capacity building on the labour market, social inclusion and healthcare” will be implemented under OPHRD. Under this scheme, unemployed young people of up to 29 years of age from disadvantaged groups on the labour market will do a 9-month traineeship at certain government institutions. The indicative budget of the scheme for 2012 amounts to EUR 0.5 million (the total budget for the period 2012–2014 is EUR 1.5 million).
- ▶ Under OPHRD, a scheme for “School and university students’ practices” will be implemented, with an operation period 2012–2014 and a budget of EUR 46 million, which will provide opportunities to involve over 50 000 school students and over 70 000 university students in applied training on a concrete job to acquire work experience.
- ▶ The scheme “Back to Work” under OPHRD, promoting earlier return to work of parents by providing jobs to unemployed persons as child-carers will continue. For the period 2009–2012, the financing planned under the programme is EUR 32.7 million.
- ▶ In 2012, two new schemes for training unemployed and employed persons under OPHRD will be launched. The scheme “Qualification services and training for employed persons, phase 3” has a budget of EUR 17.4 million, and will enable the inclusions of some 35,000 employed persons in occupational training or acquisition of key competences. The training will focus both on the development of job-specific knowledge and skills, and on the acquisition of competences to enhance these people adaptation to the changing economic conditions. The scheme will be implemented by the end of 2013 and currently, project proposals from employers are being collected. The scheme “Qualifications and motivation for competitive inclusion on the labour market” has a budget of EUR 3.5 million and will enable the inclusion of 3 000 unemployed people

⁹³ Adopted by Minutes of CoM, meeting of 6 October 2010, point 35.

⁹⁴ Adopted by Minutes of CoM meeting of 29 June 2011, point 35.

simultaneously in motivational training and in occupational training and training for acquiring key competences.

- ▶ Grants for launching business projects up to EUR 10225.8 are extended under Component 2 of the “Promoting the start of projects for development of independent business operations” scheme and providing consultancy services aimed at supporting successful business (under Component 3 of the scheme). Under Component 1 of the scheme 1,923 persons were trained in 2011. The indicative budget of Component 1 is EUR 8.9 million for 2012, while the total budget in the period 2008-2014 is EUR 38.3 million.

In response to the demographic changes, the labour force decrease and the changes in the pension system, the active interventions aimed at increasing the quality of the labour force and providing employment opportunities for the unemployed people aged over 50 years will continue in 2012. Bulgaria’s active participation in the activities under the 2012 European Year for Active Ageing and Solidarity among Generations will be the basis for upgrading the measures for better governance of demographic challenges. In 2012, about 1000 people are expected to be included in employment under the National Programme “Assistance for Retirement” and the encouragement measure which stimulates employers to hire unemployed people aged over 50 years⁹⁵. This group of unemployed people is given priority access to the OPHRD schemes “Development” and “Back to Work”.

A key measure for supporting the employment and social inclusion of people from vulnerable groups of the population is to carry out information campaigns assisted by Roma mediators in their registration at the labour offices and inclusion in programmes and measures for employment of inactive persons of Roma origin. Roma mediators are hired under the National Programme “Activation of Inactive Persons”, and in 2012 the already hired 62 Roma mediators will continue their work and 30 new ones will be appointed.

In implementing CSR 5 and in order to improve matching between labour demand and supply, the activities for improving the quality of services and for upgrading the services provided by the Employment Agency (EA) will continue in 2012, through the following:

- ▶ Under the scheme “Modernisation of the service provision system” with an indicative 2012 budget of EUR 1 million (total budget for the period 2007-2013 of EUR 2.6 million), public terminals (purchasing, deployment and installation in all Labour Office Directorates) are being set up, thus enabling the access to the database on job vacancies and job seekers, to the official EA website, and to information regarding ESF-funded initiatives. The service will be accessible for the registered unemployed people.
- ▶ Regular training and flexible working hours for the EA personnel.
- ▶ Increasing the number of labour mediators by another 100 in addition to the 250 already hired under Scheme “Improving the quality of the provided by EA services for citizens and business with a focus on the vulnerable groups on the labour market”. Altogether 1550 labour mediators will be trained under the scheme in order to enhance their professional development.
- ▶ Improving the organisation and the public awareness of labour exchanges which will provide direct contact and negotiation between job seekers and employers through attracting more employers in order that more job vacancies are announced and through more active contracts with the media and the social partners at the local level, and through including training institutions in the labour exchanges.

⁹⁵ Pursuant to Article 55a of the Law on Employment Promotion.

- ▶ Expansion of the EA participation in the European Employment Services network EURES. This will enable a better use of the opportunities for reducing unemployment and for efficient intermediation for job seekers and employers through job exchanges in the European Economic Area, particularly in regions with limited supply of job vacancies. The activities related to the participation of the Employment Agency in the European Employment Services network EURES will follow the EURES priorities for 2010–2013 adopted by the European Commission, and the annual specific grant agreements for 2011/2012 and for 2012/2013.

The implementation of the Law on Investment Promotion is conducive to creating new jobs. In 2012, apart from priority projects, additional opportunities to certify and promote projects which create large number of jobs will be created. For the forecasted period (until 2020), the application of these measures is expected to result in the implementation of new investment projects worth some EUR 800 million per year and creating and retaining around 1000 jobs in new and existing enterprises.

5.2.2 Improving the Match between Supply and Demand on the Labour Market

By the end of 2013, by applying the improved in 2012 medium-term model for forecasting Bulgaria's future needs of knowledge and skills (as described in Section "Implementation of Programmes and Measures in 2011"), an Electronic National Qualifications Barometer will be set up, which will aggregate quantity and quality information from various sources on education, employment, unemployment, labour demand, and will provide regular updates on professions, occupations, qualifications and job vacancies.

In 2012, using OPHRD financing, measures for reducing the undeclared work and introducing flexible forms of employment, which will ensure better utilisation of the labour potential, including through measures for improving the health status of the workforce, will be undertaken.

- ▶ By 2012, in order to achieve better match between labour demand and supply the scheme "Social innovations in enterprises" will be implemented. Its budget amounts to about EUR 19.3 million and will provide opportunities for small, medium and large enterprises to invest in human resource development of their personnel. The scheme activities include training elderly workers aged over 55 years for trainers, organising on-the-job training on part of the trainers, introducing flexible forms of employment for the staff of the enterprise, as well as ensuring perks for the employees and workers (such as recreation places and children playground, etc.). Under the scheme some 20000 trainings will be carried out and 21200 people will be preferentially included in flexible forms of employment.
- ▶ Under the scheme "Increasing the efficiency of GLIEA control activities", almost EUR 3.3 million will be invested until 2014. Part of the money will be used for basic and follow-up staff training in quality management of control activities for 400 GLIEA employees.
- ▶ For the scheme "Improving labour control" will be allocated about EUR 1.3 million for the period 2011–2013. The scheme will enable the hiring of 110 assistant inspectors and training of 570 labour inspectors in order to strengthen GLIEA's capacity.
- ▶ Under the scheme "Developing services for a flexible labour market", which will be launched in 2012 with a budget of EUR 3.1 million, 10 career centres will be established by 2014 to the Regional Employment Office and the Employment Agency headquarters. The centres will provide support for the occupational development of employed and

self-employed people with at least 10 000 employed people expected to benefit from the services of these career centres.

- ▶ Under a public procurement procedure “Prevention for safety and health at work” with a total budget of EUR 7.7 million, the management systems for safety and health at work will be upgraded.
- ▶ Under a public procurement procedure “Safety at work” with a budget of EUR 35.8 million, 350 employers will receive financial assistance for upgrading the systems for safety and health at work in their enterprises.
- ▶ Under the scheme “Health information campaigns” with a budget of EUR 2.4 million, a national campaign against occupational injuries will be carried out. Its objective is to raise the public awareness of the importance of the proper implementation of labour standards with regard to safety and health at work.

Measures for improving the match between the labour supply and demand are also undertaken at both the education area – by updating the educational plans and programmes in the higher education in line with the labour market requirements, and the training area – by regulating the mechanisms for validating the results of the informal training and independent learning.

5.3 Poverty and Social Inclusion

5.3.1 Poverty Reduction and Social Inclusion of Vulnerable Social Groups

The social inclusion policy in 2012–2020 will aim at the adoption of focused and targeted actions to achieve the long-term priorities and objectives for promotion of social inclusion and poverty reduction. To achieve these priorities, a number of measures were defined in NRP (2011–2015), some of which remain valid also for the next programme period (2014–2020). The main strategic approach will focus on formulating and implementing policies for preventing poverty and social exclusion. The main priorities will be achieved through reforms and the adoption of innovative measures, which to enable the development of new approaches and models for dealing with poverty and social exclusion can be developed and/or adjust the currently implemented policies. Some of the new areas for which financing in the next programme period will be sought include: impact assessment of policies and legislation dealing with material support to vulnerable groups; development of methodology for determining the scope of “the working poor”; conducting a survey on homelessness and setting up a statistical database on homelessness and its dimensions, as well as development of a comprehensive strategy against homelessness; improving the planning of services in different sectors, including at the regional level, and introduction of new approaches in service provision – multidisciplinary approach, services individualisation, comprehensive assessment; development of innovative cross-sector services for children, families, and people from vulnerable groups, etc.

In addition to the presented in the NRP (2011–2015) measures for poverty reduction and social inclusion of vulnerable groups, the following measures are planned:

- ▶ Development of a National Strategy for Long-Term Care, to be launched in the second half of 2012. The main objective of the strategy is to create preconditions for independent and decent life of for elderly people and people with disabilities by improving the access to social services and their quality, expand the network of such services across the country, including of existing services, and promote interaction between health and the social services. The strategy implementation will also contribute

to the provision of integrated support for families providing care to people with disabilities and elderly people.

- ▶ Implementation of the Action Plan to the National Strategy of the Republic of Bulgaria for Roma Integration (2012–2020)⁹⁶, whereby in the short-term (2012–2014) the municipalities will provide financial assistance for covering crèche and kindergarten fees for Roma children to enhance their integration in pre-school education; literacy training will be provided to adult Roma under the OPHRD programme “A New Chance to Succeed” (EUR 7.7 million); and alternative housing will be provided through municipal budgets.
- ▶ The scheme “Take Your Life in Your Hands” under OPHRD is in process of realisation and focuses on the identification, motivation of and support to people from vulnerable groups through inclusion in training and subsequent 3-month traineeships. The total budget for 2010–2013 is EUR 5.6 million. In 2011, a call for project proposals was launched and 42 project proposals were approved – the projects will be launched in 2012.

Over the period 2012–2015, about EUR 1.6 billion (national and EU financing) will be spent on poverty reduction and social inclusion of vulnerable social groups, of which EUR 241.3 million on social protection and ensuring equal opportunities, EUR 335.2 million on supporting people with disabilities, and EUR 1 billion – on social inclusion.

5.3.2 Improving the Quality of and Access to Healthcare Services

In addition to the measures for reforming the healthcare system and ensuring its financial sustainability (described in *Part V.2. “Efficiency and Sustainability of Public Spending”*), the following measures for improving the quality of and access to healthcare services for all citizens will also be implemented during the period till 2020:

- ▶ To improve prevention, screening and out-patient monitoring, a national oncology screening centre with territorial divisions and an IT system will be established by October 2013 under the project “STOP and examine yourself” (National Campaign for Early Diagnostics of Oncology Diseases) financed under OPHRD with a total budget of EUR 10 million.
- ▶ In implementing the Council Recommendation for a Smoke-Free Environment⁹⁷, legislative changes are being introduced to forbid the smoking in indoor public places and in certain open-air public places. The draft Law on the amendment of the Law on Health was submitted to the National Assembly on 16.12.2011 and the prohibition is expected to come into effect as of 1 June 2012.
- ▶ Covering all age groups subject to immunisation according to an Immunisation Calendar. At present, 90% of age groups are covered. Through public awareness campaigns on prevention, this percentage is to reach 95% by 2020.
- ▶ Introducing modern treatment methods allowing the performance of one-day activities within the core package of hospital medical care. By the end of 2012, the medical standards in surgical areas, medical oncology and clinical haematology will be updated.

⁹⁶ Adopted with CoM Decision No. 1 as of 5 January 2012, currently considered by the following parliamentary committees of the National Assembly: Committee on Labour and Social Policy, Committee on Human Rights, Religious Denominations, Citizens’ Complaints and Petitions, Committee on Regional Policy and Local Government, Committee on Healthcare.

⁹⁷ 2009/C296-02

- ▶ Increasing rapid response readiness and the efficiency of emergency portals in hospitals by improving payment mechanisms and the requirements for the operation of emergency wards. By the end of 2012, the medical standards in emergency care will be updated.
- ▶ Optimisation of the policy in the area of medicines and medical products in order to improve the control in the allocation and distribution of medicinal products and to improve patient awareness about the medicinal products. By the end of October 2012, under a ESF-funded project worth EUR 0.07 million, an electronic register of medical products will be established, with the objective of improving the transparency and control in the procurement of necessary products for the patients' treatment. By the end of 2012, pharmacological and therapeutic manuals, and recommendations on treatment algorithms for medicinal products will be developed.
- ▶ Development of the systems for professional qualification and upgrading and continuous training, including specialisation of medical professionals within the healthcare system. Within the framework of the project "Practical introduction to the treatment of emergency conditions" (with a total budget of EUR 3.2 million) funded by ESF, by December 2013 measures aimed at increasing the professional capacity and introducing good clinical practices in the area of emergency medical care will be implemented.

With a view to encourage the introduction of modern technologies and methods in healthcare management, including for advance e-healthcare, a number initiatives will be supported by OPHRD, in particular under the following schemes:

- ▶ Scheme "National health-information system with a budget of EUR 2.6 million to be implemented by 2013. The system will enable the introduction of policy and measures which encompass the entire healthcare system – from medical prevention and diagnostics to treatment completion. The establishment of the system creates the necessity for elaborating uniform standards for healthcare products, systems and services, solving the problems linked to the safety and security of technologies and human resources, legal enforcement of the e-healthcare and protection of personal information, ensuring patients' mobility, analysis of the effectiveness of the decision and sharing good practices.
- ▶ Schemes "Improving the healthcare services by creating information and distance learning platform" (budget of EUR 5.1 million, to be implemented by 2014); "Uniform information system for medical expertise in Bulgaria (budget of EUR 0.4 million, to be implemented by the end of 2012); "National information system for transfusion haematology" (budget of EUR 0.3 million, to be implemented by 2013); "Setting up electronic data base on the medical products paid by public funds" (budget of EUR 0.08 million, to be implemented by the end of 2012). ▼

6 CONTRIBUTION OF THE STRUCTURAL FUNDS AND THE COHESION FUND TO THE IMPLEMENTATION OF THE NRP UNTIL 2015

6.1. Measures for Improving the Absorption of the Structural Funds and the Cohesion Fund

6.1.1 Measures in process of implementation

- ▶ At the end of June 2011 the Council of Ministers adopted amendments to the Decree laying down the mechanism for coordination of EU funds management⁹⁸, aimed at streamlining the mechanism and improving the management and monitoring effectiveness. The amendments state in detail the functions and powers of the Minister of EU Funds Management, determine a mechanism for coordination of the technical assistance provided by international financial institutions and make changes in the composition and functions of the Council for Coordination of European Union Funds Management (CCEUFM);
- ▶ In April 2011 the legislative base⁹⁹ was amended with the purpose of simplifying and streamlining the provisions for awarding grants under the operational programmes co-financed by the Structural Funds and the Cohesion Fund. The key amendments are aimed at introducing a unified procedure for dealing with appeals, creating an opportunity to increase the amount of assistance provided through direct award procedures, introducing rules for conducting a project selection procedure at shortened period of time, developing unified application form templates;
- ▶ In 2011 the standard document templates for participation in contractor selection procedures¹⁰⁰ were updated. Thereby the management of projects co-financed under the relevant programmes will be improved, their implementation will be sped up, the procedures for contractor selection by the beneficiaries of agreed grants will be streamlined, and the administrative burden – reduced;
- ▶ Based on the experience gained in the implementation of the operational programmes and given the need to make the requirements and rules more precise and/or detailed, in 2011 amendments to the Decrees laying down the national rules on the eligibility of expenditures for all operational programmes, as well as to the detailed rules on the

⁹⁸ CoM Decree No 197 of 08.07.2011 amending and supplementing CoM Decree No 70 of 2010 on coordination of EU funds management.

⁹⁹ CoM Decree No 104 of 18.04.2011 amending and supplementing CoM Decree No 121 of 2007 laying down the provisions for awarding of grants under the operational programmes co-financed by the Structural Funds and the Cohesion Fund of the European Union.

¹⁰⁰ In accordance with CoM Decree No 269 of 17.11.2010 amending and supplementing CoM Decree No 55 of 2007 on the terms and procedure for contractor selection by beneficiaries of agreed grants from the Structural Funds of the European Union, the PHARE Programme of the European Union and the Financial Mechanism of the European Economic Area

eligibility of expenditures for some of the operational programmes (OPTA, OPDCBE, OPRD, OPT, OPAC)¹⁰¹ were introduced;

- ▶ In 2011 the preparation process for the elaborations of the Partnership Contract and the operational programmes under the EU Common Strategic Framework for the programme period 2014–2020 was initiated.¹⁰²
- ▶ Bulgaria signed Memoranda of Understanding with the World Bank and the European Investment Bank on Support in the Structural Funds and the Cohesion Fund absorption¹⁰³, as well as a Memorandum of Understanding with the European Bank for Reconstruction and Development¹⁰⁴.
- ▶ Improvement of the coordination of operational programmes' activities through carrying out regular coordination meetings under the OPs under the direction of the Minister of EU Funds Management, and optimisation of the contracting, disbursement and control processes with the participation of the National Association of Municipalities in the Republic of Bulgaria (NAMRB), branch organisations and the social and economic partners.

6.1.2. Planned measures

- ▶ Launching of the “Bulgarian Jaspers”¹⁰⁵ initiative for the provision of specific expertise to beneficiaries to resolve specific issues in the implementation and management of infrastructure projects.
- ▶ Establishment of 27 regional information centres and one centralised information centre to promote the EU Cohesion Policy in Bulgaria in the current and the forthcoming programme period. Most of them have been built and will be fully operational by mid-2012. The projects for their establishment are financed by OPTA with a total budget of EUR 5.6 million, with the beneficiaries being the municipalities. The objective is to overcome the negative attitude and the falling number of applicants under the programmes, and to provide opportunity for a feedback from citizens to the institutions.
- ▶ Further development of the Single Information Web Portal¹⁰⁶ for general information about the management of the Structural Funds and the Cohesion Fund of the European Union in the Republic of Bulgaria, the Unified Management Information System of the funds under the EU structural instruments in Bulgaria (UMIS) by building new functionalities of the system and establishing a specialised Geographic information system for EU funds management. The projects will be launched in 2012 and will be finalised in 2014–2015. They are funded by OPTA, with a total budget of EUR 3.6 million.

¹⁰¹ CoM Decree No 54 of 9.03.2011 amending and supplementing CoM Decree No 215 of 2007 – OPTA; CoM Decree No 258 of 7.09.2011 amending CoM Decree No 236 of 2007 – OPDCBE; CoM Decree No 270 of 27.09.2011 amending and supplementing CoM Decree No 245 of 2007 – OPRD; CoM Decree No 303 of 11.11.2011 supplementing CoM Decree No 258 of 2007 – OPT; CoM Decree No 282 of 17.10.2011 amending and supplementing CoM Decree No 231 of 2007.

¹⁰² CoM Decree No 5 of 18.01.2012 on the development of Republic of Bulgaria's strategic and programme documents for management of the resources from the Funds under the EU Common Strategic Framework for the programme period 2014-2020.

¹⁰³ Signed on 22 January 2012.

¹⁰⁴ Signed in March 2012.

¹⁰⁵ A grant has been provided to the “Establishment of a mobile expert unit to support local and regional administrations in the implementation and management of projects financed by the Structural Funds and the Cohesion Fund” project pursuant to an Order of the Head of OPTA Managing Authority as of 11 August 2011.

¹⁰⁶ <http://www.eufunds.bg/>

6.2 Contribution of the Structural Funds and the Cohesion Fund to the financing of the NRP measures at present and projections until 2015

Approximately 60% (EUR 4.08 billion) of the financial resources under the Operational Programmes in Bulgaria for the period 2007-2013 are used to finance measures for higher growth and more jobs¹⁰⁷. These resources are allocated to five of the Operational Programmes – “Transport”, “Development of the Competitiveness of the Bulgarian Economy”, “Human Resources Development”, “Regional Development” and “Administrative Capacity”.

According to UMIS data on the resources under the EU Structural Funds and the Cohesion Fund as of 20.03.2012:

- ▶ Under OP “Human Resources Development” 72 procedures on priority themes have been launched, contributing to the achievement of higher growth and more jobs. Under these procedures so far 1907 contracts in total value of the European funding of EUR 687.21 million have been signed.
- ▶ Under OP “Development of the Competitiveness of the Bulgarian Economy” so far 22 procedures on priority themes have been launched, contributing to the achievement of higher growth and more jobs. Under these procedures 1402 contracts in a total value of the European funding of EUR 378.58 million have been signed.
- ▶ Under OP “Regional Development” 9 procedures contributing to the achievement of higher growth and more jobs have been launched. Under these procedures 113 contracts in a total value of the European funding of EUR 84.09 million have been signed.
- ▶ Under OP “Transport” 16 contracts under 5 procedures, contributing to the achievement of higher growth and more jobs have been concluded. The total value of the European funding amounts to EUR 1187.81 million.
- ▶ Under OP “Administrative Capacity” until now 5 procedures on priority themes, contributing to the achievement of higher growth and more jobs have been launched. Under this procedure 51 contracts have been concluded with a total value of the European funding of EUR 24.67 million.

The contracted funds under the priority themes contributing to the achievement of higher growth and more jobs have a total value of EUR 2362.36 million, which represents 57.89% of the earmarked funds for the achievement of the objectives of growth and employment under the operational programmes, and 50.34% of the total amount of the European funding for all currently signed contracts under the operational programmes.

¹⁰⁷ It should be emphasised that the allocation of the SCF here is in accordance with the special codification, made by the European Commission, by priority areas under the Operational Programmes, which contribute to the implementation of the Lisbon Strategy. Until now the European Commission has not provided information about the transition from the Lisbon Strategy to the “Europe 2020” Strategy under the corresponding priority subject areas by Operational Programmes, which might result in overstated/understated values.

6.3 Projections for the funds' absorption under priority themes contributing to the achievement of the NRP targets by 2020

Within the current programme period funds are expected to be absorbed as follows:

- ▶ In addressing the business environment weaknesses and improving the administrative effectiveness under OPAC EUR 5.1 million will be absorbed in the framework of the procedures „Standard information and communication environment and interoperability” and “Improvement of the service delivery provided by the bodies of the judiciary through development of information technologies” under priority axis III “Quality administrative service delivery and e-governance development” in 2012.
- ▶ In supporting investments in R&D and innovations and improving the innovative infrastructure under OPDCBE by 2015 EUR 210.7 million provided in the form of grants and EUR 349 million for developing financial instruments to improve the enterprises' access to funding will be absorbed. Along with the attracted private capital, the managed resources by the European Investment Fund (EIF) under the JEREMIE initiative, which will be allocated to SMEs in Bulgaria, is estimated at over EUR 862.4 million which represents a leverage of twice and a half more than the allocated public resources through financial engineering instruments.
- ▶ In increasing the energy efficiency and investing in 'green' economy EUR 189.7 million will be absorbed by 2015 under OPDCBE.
- ▶ In implementing measures for the improvement of business environment EUR 51 million are expected to be absorbed by 2015 under OPDCBE.

As regards the implementation of the regional development policy, the following directions will be developed in the next programme period (2014–2020):

- ▶ Infrastructure programme supporting investments in infrastructure, energy efficiency, tourism and financial engineering instruments for realising smart investments;
- ▶ Improving energy efficiency in public and residential buildings;
- ▶ Implementation of financial engineering instruments such as JESSICA in support of the sustainable and integrated urban development, which is an important incentive for attracting investment and promoting public-private partnership in cities;
- ▶ Sectoral policies of regional importance for the public educational infrastructure, healthcare and social infrastructure, which go beyond the scope of the integrated plan for urban reconstruction and development and which impact goes beyond urban areas.

As regards the implementation of the policy on competitiveness, the funds in the next programme period (2014–2020) will be allocated to the following priority directions:

- ▶ Improving SMEs access to financing;
- ▶ Supporting activities aimed at the development of a 'green' economy and increasing the resource efficiency;
- ▶ Supporting entrepreneurship and infrastructure for SMEs development;
- ▶ Positioning Bulgarian products and increasing the attractiveness for investment.

As regards the implementation of the R&D and innovation policy in the next programme period (2014–2020) it is envisaged:

- ▶ Stimulating R&D and innovation in enterprises and research organisations;

- ▶ Investing in innovation and development infrastructure.

As regards the implementation of the social inclusion policy in the next programme period (2014–2020), the key priorities will be achieved through reforms and application of innovative measures. Some of the new directions for which funding will be sought in the next programme period are:

- ▶ Development of a methodology for determining the scope of “working poor”; conducting a survey on homelessness and creating a statistical database on homelessness and its dimensions, as well as development of an overall strategy for fight against homelessness;
- ▶ Improvement of the planning of services in the individual sectors, including at regional level, and introduction of new approaches for their provision – a multidisciplinary approach, services individualisation, application of a comprehensive assessment;
- ▶ Development of innovative inter-sectoral services for children and families, as well as for people from the vulnerable groups, and others.

As regards the implementation of the environment and energy efficiency policy in the next programme period (2014–2020), the funds will be allocated to the following priority directions:

- ▶ Reducing water pollution and losses, and efficient use of water resources;
- ▶ Supporting activities to improve the infrastructure for collection/storage of sludge generated by existing and/or newly-built waste water treatment plants; construction of regional centres for treatment/composting of sludge generated by urban waste water treatment plants.
- ▶ Supporting activities to build adequate co-generation energy infrastructure (biogas, electricity and/or heating) while using organic waste from agriculture and/or sludge generated by urban waste water treatment plants.
- ▶ Improving energy efficiency and introducing renewable energy sources in enterprises; stimulating energy producers to invest in technologies and production processes optimisation with the objective to improve energy efficiency, as well as to implement infrastructure projects for construction/modernisation of the energy system.

In the next programme period 12 road infrastructure projects divided into main and alternative projects, which also cover part of the extended TEN-T network (Box 2) are planned.

**Box 2: LIST OF MAIN AND ALTERNATIVE PROJECTS, WHICH ALSO COVER PART OF
THE EXTENDED TEN-T NETWORK**

Main projects:

1. Construction of Struma Motorway – Lot 3, “Blagoevgrad – Sandanski”

Struma Motorway is part of Trans-European Transport Corridor (TETC) No 4 “Sofia – Kulata – Thessaloniki”. The construction of Struma Motorway is performed in 4 sections, three of them being implemented in the period 2007-2013. The “Blagoevgrad – Sandanski” section (Lot 3) has approximate length of 64.5 km, including a 13 km long tunnel.

2. Hemus Motorway

“Yablanitsa – Veliko Tarnovo” section – motorway with indicative length of 143 km, and “Veliko Tarnovo – Shumen” section – speedway with an indicative length of 137 km.

3. “Sofia Ring Road” from km 50 + 560 to km 58 + 520 – extension of the Western Arc

The section is an extension of the “Western Arc of Sofia Ring Road” project, which is located along Pan-European Corridor No IV. Sofia Municipality has prepared a detailed transport and communication plan for the project. There are two options for the route – one with an overhead road, and the other one with a tunnel. An agreement for joint financing has been concluded with the Sofia Municipality. Indicative length: 7.6 km.

4. “Road Bypass of the town of Gabrovo” – stage V, including a tunnel under Shipka peak

The “Road Bypass of the town of Gabrovo” is provisionally divided into five stages (sections) – rehabilitation and reconstruction with a total length of 14 km, new construction with a total length of 13 km, road along a new route with a total length of 4.7 km and a tunnel under Shipka peak with a length of 3.2 km. Stages from I to IV, including the connection among the stages, are to be built over the period 2007-2013. Stage V, which includes a tunnel under Shipka peak, will be built in the period 2014–2020.

5. Speedway “Ruse – Veliko Tarnovo”, part of the “Ruse – Makaza” project

This section is located along TETC No 9. The construction of a speedway is planned for the entire route of TETC No 9 on the territory of Bulgaria. The “Ruse – Veliko Tarnovo” section will connect Danube Bridge 1 with the motorway ring of the Republic of Bulgaria (Hemus Motorway, Trakia Motorway via speedway Cherno More). Indicative length: 107 km.

6. Speedway “Ruse – Shumen”

The construction of a speedway from Ruse to Shumen will enable the improvement of the transport communications between the Danube River and the Black Sea, between the international ports of Varna and Ruse, respectively. Indicative length: 105 km.

Alternative projects:

7. Construction of speed way “Vidin – Montana”

The road is part of Corridor No 4 of the TETC. This road section serves the traffic from and to Danube Bridge 2 at the town of Vidin. It connects the Republic of Bulgaria with the countries from the Northern and Western Arc. Indicative length: 126 km.

8. Speedway “Rila”

Speedway “Rila” may be considered an alternative section of part of Corridor No 8 and a remote southern bypass road of Sofia. It provides a strategic connection between Trakia Motorway, Struma Motorway, Hemus Motorway and speed way “Gyueshevo-Sofia”. Indicative length: 105 km.

9. Speedway “Gyueshevo – Dupnitsa”

The road is part of TETC No 8, which serves the traffic from and to the Adriatic Sea. At the same time, it is the main thoroughfare which serves the road communications with Macedonia and provides Western Balkan countries with an access to the Black Sea ports – Varna and Burgas. Indicative length: 85 km.

10. Speedway “Cherno More”

Speedway “Cherno More” is part of TETC No 8 and a key element of the national and European transport network. It is a natural extension of Trakia Motorway, connecting the main eastern centres for development – Burgas and Varna. Indicative length: 110 km.

11. Speedway “Varna – Durankulak”

The construction of the project will allow for taking advantage of tourism potential in the northern Black Sea coast. Indicative length: 105 km.

12. Speedway “Plovdiv – Assenovgrad”

The project will contribute to developing the cross-border cooperation from and to Greece through border-crossing checkpoint “Rudozem – Xanthi”. It provides connection for the transit traffic from and to Trakia Motorway via the ring road of the town of Plovdiv along the directions “Plovdiv-Assenovgrad-Smolyan-Rudozem-Xanthi” and “Plovdiv-Assenovgrad-Kardjali-Makaza border-crossing checkpoint”. Indicative length: 25.

7 HORIZONTAL AND METHODOLOGICAL ISSUES

The elaboration and implementation of the National Reform Programme of the Republic of Bulgaria is carried out within the framework of a specially established and functioning Working Group “Europe 2020” pursuant Council of Ministers’ Decree 85/2007, in which the state administration and all stakeholders are represented.

7.1 Political Participation (Parliament, Regional and Local Authorities) and Participation of the Social Partners

The Deputy Prime Minister and Minister of Finance has been appointed national co-ordinator for the “Europe 2020” Strategy¹⁰⁸. In this capacity he oversees the co-ordination of the national and the European economic and financial policies.

A preliminary version of the update of the National Reform Programme of the Republic of Bulgaria (2012–2020) has been published on the website of the Ministry of Finance and the Council of Ministers’ Portal for Public Consultations www.strategy.bg in order to obtain specific proposals from all stakeholders.

On 27 March 2012 the Programme was presented and discussed at a public debate with the participation of representatives of the state administration, non-governmental organisations, academia and the social partners. The prevailing view expressed during the discussion was that the quality of the Programme has been improved as well as that the Programme reflects the criticisms to the previous NRP (2011–2015). The document is made more specific as regards the timetable for measures’ implementation and their financing. The necessity to carry out more public discussions of the documents of national importance, including the NRP, and to involve the stakeholders to a higher extent, was emphasised. The need for more concrete measures and a strengthened control over their implementation was also underlined. Suggestions for including further measures in the field of state administration, business environment, education and infrastructure, including social infrastructure, were made. A sustainable relationship among education, science and business, lifelong learning, upgrading teachers’ qualification and, last but not the least, measures to overcome the effects of the processes of population ageing should be ensured.

The Bulgarian Chamber of Commerce and Industry recommended that the scope of tacit assent in all administrative services is extended and that the ex-ante impact assessments when drafting new legislation or amending the existing one are applied.

The Institute for New Economic Progress paid tribute to the realistic macroeconomic scenario.

The Bulgarian Industrial Association underlined that the main objective of all economic development policies should be the attainment of 60% of the EU average GDP per capita. It

¹⁰⁸ By the amendment of the Statutes of the Ministry of Finance, adopted by the Council of Ministers on 9 June 2010.

also expressed readiness to develop a database for the educational status of pre-school age children in the Law on Pre-school and School Education.

The Institute for Market Economics drew attention to the need of strengthening the direct relationship between the proposed in the Programme measures and the effects of their implementation, on the one hand, and the attainment of the national targets, on the other. According to them it is important to set more large-scale measures with a greater effect, underlining the need to apply the legislation impact assessment as a method to alleviate the rules and regulations for businesses.

Most of the recommendations and comments received during the public debate have been reflected in the final version of the Programme.

7.2 Coordination of Sectoral Policies at Regional and Local Level

An important moment with regard to the sectoral policies is the requirement for strengthening their territorial and regional context so that they can better reflect the needs of the individual regions for specific actions and initiatives. A system for strategic planning of regional development¹⁰⁹ has been created exactly with the purpose to achieve coordination of sectoral policies at regional and local level; this system includes preparation of strategic documents – National Regional Development Strategy of the Republic of Bulgaria (2012–2022), Regional Development Plans (2014–2020), District Development Strategies (2014–2020) and Municipal Development Plans (2014–2020). Strengthening of the territorial and regional context of the sectoral policies will contribute both to accelerating the processes of growth and cohesion at European and regional level, as well as to attaining the national priorities under the “Europe 2020” Strategy.

The National Regional Development Strategy of the Republic of Bulgaria for the period 2012–2022 will be adopted by the end of 2012. In this period the draft Regional Development Plans for NUTS 2 regions (2014–2020), including their ex-ante evaluation and the compatibility evaluation with the subject matter and the objectives of protected areas’ protection under the Law on Biodiversity will be also elaborated. The District Development Strategies and the Municipal Development Plans for the period 2014–2020 will be elaborated by the end of 2013, which fulfils the ex-ante thematic conditionalities for the allocation of funds under the Multiannual Financial Framework for the period 2014–2020.

A National Spatial Development Concept Paper will be approved by the end of 2012. The Concept will serve to better align, coordinate and complement the activities implemented under various sectoral policies in the same territory, and, on this basis, to intensify the territorial focus and to make distinction among the interventions while coordinating, at territorial level, the operational programmes for the next programme period.

The synergies among the individual sectoral policies will be additionally ensured by means of elaborating Integrated Plans for Urban Recovery and Development.

The mechanism for regional and inter-sectoral coordination is implemented not only on the level of strategic documents but also within the implementation of the functions of the Regional Development Councils in the NUTS 2 regions, members of which are representatives of all stakeholders, who participate in the formulation and implementation of the regional policy and of the key sectoral policies. In order to strengthen regions’ contribution to the achievement of the national targets for development by 2020, the role of the Regional

¹⁰⁹ Regulated in the Law on Regional Development and in the Regulation on its Implementation.

Development Councils as public consultative bodies for pursuing the government regional development policy will be enhanced.

7.3 Instruments for Monitoring

In 2011 the mechanism for monitoring the progress in achieving the targets and implementing the reforms in the National Reform Programme was strengthened¹¹⁰. The responsible Ministers and Heads of institutions are obligated to define and undertake further actions to accelerate the implementation of the measures in risk of default in case that any measures are not implemented within the set deadlines. Each quarter the National Assembly receives for information a report on the progress in the implementation of the measures included in the NRP.

In line with the instrument for enhanced economic policy coordination in the EU, a new approach¹¹¹ has been adopted to reflect the recommendations of the Council of the European Union in the policies pursued at national level to attain the objectives and priorities of the “Europe 2020” Strategy. To this end, the line ministries and institutions review and complement the measures laid down in the NRP.

The National Statistical Institute (NSI) of the Republic of Bulgaria included in the National Statistical Programme the regular provision of official statistical information on the indicators measuring the progress in achieving the targets and in implementing the reforms defined in the National Reform Programme. The information is published on the NSI website. ▼

¹¹⁰ CoM Decision No 692 of 15 September 2011 determining the mechanism of reporting on the implementation of the measures and actions set out in the National Reform Programme, as well as the mechanism of exercising control over their reporting and implementation. The coordination process is laid down in the National Reform Programme (2011–2015).

¹¹¹ CoM Decision No 605 of 5 August 2011 on the approval of a report on the achieved results and the required further actions in response to the Council recommendations on the National Reform Programme 2011 of the Republic of Bulgaria and delivering a Council opinion on the updated Convergence Programme Bulgaria.

8 ANNEXES

Annex 1: Assessment of the country-specific recommendations and key macro-structural reforms in the 2012 update of the National Reform Programme of the Republic of Bulgaria

Annex 2: Report on the implementation of the National Targets in pursuance of the “Europe 2020” Strategy targets and other key commitments, set forth in the 2012 update of the National Reform Programme of the Republic of Bulgaria

Annex 3: Information on the Project Implementation under Priority Axis 2 “Development of road infrastructure along the Trans-European and national transport axes” under OPT:

Annex 4: Sources of financing of measures promoting the use of RES and increasing the energy efficiency, as well as tax incentives to promote the use of RES and increasing the energy efficiency

Annex 5: Absorbed and Contracted Funds for financing measures related to the achievement of higher growth and more jobs, UMIS data as of 20.03.2012 (EUR million)

Annex 1: Assessment of the country-specific recommendations and key macro-structural reforms in the 2012 update of the National Reform Programme of the Republic of Bulgaria

Main areas of intervention (1)	CSR	Measures	Quality Information about Measures Planned and Already Implemented						Macro impact of structural reform				
			Description of Measures				Impact on public finance	Quantitative information		Methodological Elements			
			Description of the measure	Legislative/Administrative Instruments	Formal Objectives	State of Progress (including the implementation stage, the sequence and timing of the measure)	Risk of implementation (if relevant)	Overall and yearly change in government revenue and expenditure (EUR million)	Yearly and cumulated effect on GDP and other main macroeconomic variables (3)	Description of the model used	Assumptions of the model, including variables and parameters		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)		
Public Finance	CSR 1	Measure 1	Improving accountability and control over expenditures and liabilities of state-owned enterprises	Law on the Amendment of the Law on Financial Management and Control in the Public Sector	Improving the legal, effective and optimal management of commercial enterprises with state ownership and of state-owned enterprises; maintaining the country's commitments for avoiding excessive budget deficit.	The Law on the Amendment was passed in 2011. The assignment of questors in enterprises with state ownership is pending							
		Measure 2	Establishing an information system for control of liquid fuels		Introducing a more effective control over the entire chain of liquid fuel realisation on the territory of the Republic of Bulgaria; this will be achieved by monitoring the compliance of the freed-up for consumption fuels and the actually consumed ones.	Deadline for implementation – 2012							
		Measure 3	Efficient financial control and transparency of the financial management of public funds	Law on the Amendment of the Law on Internal Audit in the Public Sector	Achieving compliance with the internal audit standards of the International Institute of Internal Auditors; regulate the possibility for conducting internal audit by physical entities external to the organisation who meet certain conditions; expands the scope of the activities performed by internal audit units in first-level spending units (FLSUs) in view of the efficient spending of public funds.	The Law on the Amendment was passed in 2011							
	CSR 2	Measure 1	Timely submission of detailed information on the forecast of macroeconomic and budgetary indicators and on the assumptions in defining economic and fiscal policies		Transparency of the budgetary procedure	2013 budgetary procedure							
		Measure 2	Introduction of fiscal rules	Law on the Amendment of the Statutory State Budget Law and Law on the Amendment of the Constitution of the Republic of Bulgaria	Application of fiscal rules – limiting budget expenditures to 40% of GDP and of budget deficit to 2% of GDP	A Financial Stability Pact has been elaborated. The Law on the Amendment of the Statutory State Budget Law has been passed. A draft Law on the Amendment of the Constitution of the Republic of Bulgaria is to be considered by the National Assembly in 2012.							
		Measure 3	Using most recent macroeconomic, fiscal and budgetary forecasts and limit set by the expenditure ceilings of FLSUs, a long-term strategy on tax and social security policy and a new procedure for amendments to tax legislation – direct taxes as laid down in the Financial Stability Pact and in the draft Law on the Amendment of the Constitution of the Republic of Bulgaria when preparing the draft Law on the State Budget and the consolidated fiscal programme estimates	Law on the State Budget for 2012; Ordinance on the Elaboration of the Three-Year Budgetary Forecast	Predictability of budgetary planning	The 2012 budgetary procedure adopted by CoM Decision No 40 as of 2011 envisages further deepening of the process of coordination and predictability in preparing the budget, and sustainability of budgetary decisions. When drafting the Law on the State Budget for 2012 and the CFP estimates, most recent (revised) macroeconomic forecasts, scenarios and assumptions for sectoral and horizontal policies have been used. Drafting the budget, as final stage of the 2012 budgetary procedure was linked to the fiscal targets for the deficit and the expenditure limits approved by CoM Decision No 246 as of 15 April 2011 on the approval of the budgetary forecast and the adoption of expenditure ceilings for FLSUs for the period 2012–2014. The abovementioned principles are also maintained in the budgetary procedure for 2013, adopted by CoM Decision 41 as of							

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
						20.01.2012 and are applied in the process of preparation of budgetary documents, including the Three-Year Budgetary Forecast for 2013-2015, and subsequently, for the preparation of the draft Law on the State Budget for 2013.						
Labour market	CSR 3	Measure 1	Increasing the weight of each year of length of service from 3% to 4% after the person already meets the conditions for retirement without being granted an old-age pension	Article 70, paragraph 1 of the Social Security Code	Increasing the effective retirement age	Effective as of 1 January 2012						
		Measure 2	Introducing a rule that an employer may terminate the labour contract of a person who has acquired the right to pension for social insurance length of service and old-age not earlier than the attainment of 63 years of age for women and 65 years of age for men; preserving the right of the authority of appointment to terminate the relationship of civil servants upon attainment of the right to pension for social insurance length of service and old-age	Article 328, paragraph 1, item 10 of the Labour Code	Increasing the effective retirement age	Effective as of 2012						
		Measure 3	Increasing the retirement age for men and women by 4 months for each year until reaching 63 years for women in 2020 and 65 years for men in 2017	Article 68, paragraph 1 and 2 of the Social Insurance Code	Speeding up the pension reform by increasing the statutory retirement age	Effective as of 1 January 2012						
		Measure 4	Increasing by 2 years the length of service needed for acquiring right to old-age pension for employees in special institutions (military and police) from 25 to 27 years	Article 69 of the Social Insurance Code	Reducing early retirement	Effective as of 1 January 2012						
	CSR 4	Measure 1	Supporting the innovative activities in enterprises	OP "Development of the Competitiveness of the Bulgarian Economy"	Increasing the investments in R&D and innovation as a factor for enhancing the competitiveness	6 procedures for support of R&D and innovations in enterprises have been announced. 85 contracts providing grants worth EUR 33.5 million have been signed. The funds for setting up and developing innovations in enterprises are expected to amount to EUR 135 million by 2015. Supporting the implementation of this measure is planned to continue in the period 2014–2020.	Lack of funds for co-financing on part of the applicants; lack of enough experience in performing projects, especially with regard of start-ups	The funds are provided under ERDF and the corresponding national co-financing				
		Measure 2	Improving the innovation infrastructure	OP "Development of the Competitiveness of the Bulgarian Economy"	Creating favourable business environment, which encourages and supports R&D development and innovation as a factor for enhancing the competitiveness	2 procedures with a total budget of EUR 25 million are in process of selecting projects and another two procedures aimed at improving the country's innovation infrastructure are to be launched. The funds for improving the innovation infrastructure are expected to amount to EUR 75 million by 2015. Supporting the implementation of this measure is planned to continue in the period 2014–2020.	Lack of funds for co-financing on part of the applicants; lack of enough experience in performing projects	The funds are provided under ERDF and the corresponding national co-financing				
		Measure 3	Financial instruments for improving the access to financing of enterprises	OP "Development of the Competitiveness of the Bulgarian Economy"	Improving the access to financing of Bulgarian enterprises through capital and borrowing instruments	So far 5 financial instruments ensuring better access to financing mostly for SMEs have been structured: Fund for Seed Fund, Venture Fund, Growth Fund, Mezzanine Fund and Guarantee Fund. The structuring of 6th financial instrument – Funded Risk Sharing Product is forthcoming. The overall financial resource for implementing this measure (funds under OPDCBE and private financing) amounts to over EUR 862 million. The measure will be implemented by 2015 and it is planned to continue in the period 2014–2020 as well.	Lack of enough quality business ideas, which to attract the interest of the financial intermediaries providing equity financing	The funds are provided under ERDF, the corresponding national co-financing and attracted private funds				
		Measure 4	Increasing the competitiveness and developing favourable business environment for the enterprises	OP "Development of the Competitiveness of the Bulgarian Economy"	Providing support with a view to increasing the competitiveness of enterprises by improving the technologies and management in the enterprises, increasing the energy efficiency, diversifying energy sources, encouraging the cooperation in clusters and providing broad range of services for in support of business	14 procedures, which provide investment and consultancy support to Bulgarian enterprises in order to support their development, business cooperation and growth have been announced, and 3 procedures aimed at improving the business environment have been opened. The funds for supporting Bulgarian enterprises and for improving the business environment are expected to amount to EUR 566 million by 2015. Supporting the implementation of this measure is planned to continue in the period 2014–2020 as well.	Lack of funds for co-financing on part of the applicants; lack of enough experience in performing projects	The funds are provided under ERDF and the corresponding national co-financing				

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
CSR 4	Measure 5	Participation of Bulgarian enterprises in joint projects implemented under EU initiatives and programmes	Law on the ratification of Bulgaria's accession to EUREKA, EUROSTARS (accession to ECA is to take place in the next programme period)	Internationalisation of the Bulgarian innovative enterprises	The necessary documents have been affirmed to allow for the application of Bulgarian enterprises	Lack of experience of Bulgarian entrepreneurs to participate in international projects.	"Bulgaria has committed itself before the EC to co-finance projects by at least EUR 1 million. In addition, membership contribution to organisations to the amount of EUR 130 000 per year (after accession to ECA).					
	Measure 6	Establishing modern scientific-research infrastructure	National Scientific Research Development Strategy 2020	Introducing national priorities for the development of science in the following years	The Strategy was adopted in August 2011 and is to be implemented							
	Measure 7	Horizontal functional analysis of the system for defining and implementing science policy	OP "Administrative Capacity"	Optimising the structures and institutions, which participate in the definition and implementation of the national science policy; ensuring better coordination among them, and identification of the need for amending primary and secondary legislation.	The project was launched in 2011 and will be finalised by end-2012.							
	Measure 8	Modernising higher education	Law on the Amendment of the Law on Higher Education	Reforming higher education in order to improve the quality of and access to education. The Bulgarian higher education and science system is being opened to cross-border activities, which is expected to contribute to improving the quality of education and scientific research in Bulgarian higher schools. The restraints for paid education for bachelor's, master's and PhD's degrees are also removed, which is expected to provide additional financial resources for scientific research development in higher schools.	Laws on the Amendment of the Law on Higher Education were passed in August and December 2011. The modernisation of the higher education will continue via amendments to the existing legislation as an effective method for initiation of changes.							
	CSR 5	Measure 1	Integrated promotion of investments and job creation in all sectors including in municipalities with an unemployment rate higher than country average	Law on Investment Promotion (LIP) and Rules for its implementation	Mobilising growth factors through integrated promotion of capital and labour; Improving the economy's sectoral structure.	Permanent deadline. In 2011 4 A class investment certificates were granted for projects totalling EUR 47.2 million, whereunder 338 new jobs were opened. For the same period and under the same law, two LIP-certified projects for construction of municipal road infrastructure have been promoted by MEET funds (EUR 1.3 million); the investments amount to EUR 25.8 million, with 355 new jobs being created. Amendments to the Law are to be made in 2012 in order to expand the possibilities for financial and tax incentives for job-creating investments. High-tech services will also be included.	Insufficient investors' interest resulting from the global crisis and the stronger competition for attracting investments					
		Measure 2	Provision of appropriate and effective public social infrastructure for the development of sustainable urban areas	OP "Regional Development"	Energy savings – 12000 MWh; number of registered persons benefiting from the renewal of buildings/premises – 50000; population benefiting from the improved social infrastructure – 2000000	16 contracts totalling EUR 2.2 million are being implemented as of 31.12.2011						
		Measure 3	Reconstruction/Modernisation and Equipping the Municipal Health Institutions in Urban Agglomerations	OP "Regional Development"	Provision of appropriate and effective municipal health infrastructure in municipalities outside urban agglomerations in order to improve access to diagnostics, treatment and curing of population in small municipalities. Indicators measuring the results in accordance with the target: – number of patients benefiting from the improved healthcare infrastructure; number of patients benefiting from the purchased apparatuses/equipment; energy savings from the modernisation of the hospitals' premises (MWh/annual average); total number of population benefiting from the modernised buildings of hospitals; number of temporary jobs; improved healthcare infrastructure – m2 of TBA; number of closed municipal hospitals for hospital care; number of created/supported medical centres (specialised in pre-hospital/outpatient care institutions with at least three doctors with various acknowledged specialties and up to 10 beds for patients staying up to 48 hours)	In process of implementation – the project proposals are being evaluated						
		Measure 4	Deinstitutionalisation of care for children at risk	"Vision for the Deinstitutionalization of Children in the Republic of Bulgaria" National Strategy and OP "Regional Development" and OP "Human Resource Development"	Prevention of abandoning children, deinstitutionalisation of care for children and ensuring the bringing-up of children in good family environment. Closing the houses for children and setting up family-type placement centres; Indicators on the progress achieved: – number of institutions for decentralised care for children. Opening alternative community services for	As of 31.12.2011, 25 contracts totalling EUR 16.3 million are being implemented, with the number of social services delivered to children and families being 303. Under the "Childhood for All" project aimed at children with disabilities from the 24 institutions in the country, a National Map of Resident and						

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	CSR 5				children leaving the specialised institutions; Indicators: – number of children from specialised institutions, which have been reintegrated in the community; – number of children, benefiting from community services.	Accompanying Services has been developed; additional medical interventions for children in critical situation within which the measure is implemented by 2014, with the measure planned to be implemented in the period 2014–2020 as well. Various new community social services are to be created as an alternative to institutional care. In addition, various activities under "I Have a Family" project to develop foster care in order to support the process of deinstitutionalisation through developing and applying a sustainable model for replacing family care for children will be launched. 3 contracts under 3 grant schemes "Chance for happy future – Component 1" (for reforming the Homes for Medico-Social Care for Children); "Leave no child behind" – Component 1" (for deinstitutionalisation of children with disabilities); "Accept me" (for developing foster care) have been concluded. The total value of the contracts amounts to EUR 11.7 million. With the exception of scheme "Accept me", the other procedures are aimed at preparing the next stage of the deinstitutionalisation. In this regard, by the end of 2012 another 3 procedures worth about EUR 34.1 million will be launched – their implementation will support the creation of replacing community services for the children leaving the specialised institutions.					
	Measure 5	Provision of temporary social housing for vulnerable, minority and socially-weak groups of the population and other disadvantaged groups	OP "Regional Development"	Reducing poverty of vulnerable groups. Indicator on the progress achieved – number of supported people		A grant scheme was announced on 04.08.2010 with a deadline for proposals submission 01.03.2012. The implementation of the measure will start in the second half of 2012.					
	Measure 6	Investment in integrated services for early development of children aged from 0 to 7 years	Loan Agreement 7612 BG with the World Bank as of 18.11.2008 under the Social Inclusion Project;	Introduction of an integrated system for supporting children and families with a view to social inclusion		As of 31.12.2011, financing agreements with 58 beneficiary municipalities have been signed. 52 public procurement procedures for the selection of construction works contractor totalling EUR 10.2 million have been carried out, with construction works contracts for 48 projects in the amount of over EUR 9.7 million already signed. The second stage of application under the Social Inclusion Project started in January 2012. 10 applicant municipalities have been invited. The deadline for preparation and submission of proposals was 29.02.2012.		EUR 7.1 million external financing from MLSP budget for 2012; as of 31.12.2011 the project totals EUR 29.6 million, of which EUR 27.1 million from loan financing and EUR 2.5 million – co-financed by the beneficiary municipalities.			
	Measure 7	Supporting families with children	Law on the Family Allowance for Children	Improving the quality of life and security of families		Benefits paid as of 31.12.2011 total EUR 250.5 million.		Budgetary funds planned for 2012 total EUR 247.8 million			
	Measure 8	Establishing a network for long-term care services	"Article 19 of the Law on Social Assistance; National Demographic Strategy of the Republic of Bulgaria (2006-	Measure 8		Establishing a network for long-term care services					
	Measure 9	Elaboration of a Comprehensive Strategy for Fighting Homelessness	Declaration of the European Parliament on removing street homelessness as of 22 April 2008, Written declaration of EP on the EU Homeless People Strategy as of December 2010 and European Platform Against Poverty and Social Exclusion; A European Framework for Social and Territorial Cohesion as of 16 December 2010, as well as the Madrid International Plan of Action on Ageing 2002.	Implementing a comprehensive policy for fighting homelessness with the aim to reduce homelessness. Collection of up-to-date data of the number of homeless people; establishment of statistical database; elaboration of an overall strategy for fighting homelessness.		Planned for 2014. Possibility for EU financing will be sought in the next programme period.					
	Measure 10	Establishment of integrated social, health and educational services for homeless people	Declaration of the European Parliament on removing street homelessness as of 22 April 2008, Written declaration of EP on an EU Homeless People Strategy as of December 2010 and European Platform Against Poverty and Social Exclusion; A European Framework for Social and Territorial Cohesion as of 16 December 2010, as well as the Madrid International Plan of Action on Ageing 2002.	Improving health and educational culture and the access to healthcare, educational and social care of homeless people. Indicators – number of health, educational and social care for one person		As of 31.12.2011 the number of temporary placement centres is 10, with capacity of 613 places. Possibility for EU financing will be sought in the next programme period.					

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
CSR 5	Measure 11	Elaboration of a National Strategy for Poverty Reduction and Promotion of Social Inclusion 2020	Draft National Strategy for Poverty Reduction and Promotion of Social Inclusion	Poverty reduction and provision of conditions for the promoting social inclusion.	The draft Strategy has been elaborated. The final version of the Strategy is expected to be ready by 30.06.2012.							
	Measure 12	Improving the control and the joint activities of the social partners and improving the quality of jobs	OP "Human Resource Development"	Reducing undeclared employment	Almost EUR 1.8 million will be allocated under the "Improving the Effectiveness of Control" scheme for basic and advanced training in quality management of control activities for 400 employees of the General Labour Inspectorate Executive Agency; About EUR 5.1 million will be allocated under the "Improving Labour Control" for the recruitment of 110 assistants in inspection activity and training of 570 labour inspectors in order to strengthen the capacity of the General Labour Inspectorate Executive Agency; actions under the "Improving Labour Market Flexibility and Effectiveness through Active Actions by the Social Partners" scheme to reduce informal economy in a number of sectors will be undertaken. Deadline - 2015							
	Measure 13	Active inclusion on the labour market of unemployed people from vulnerable groups (people with disabilities, people on social benefits, unemployed people from vulnerable ethnic groups, etc.)	Law on Social Assistance; National Action Plan on Employment	Supporting persons and families from vulnerable groups	276790 persons and families were supported in 2011.	The envisaged budgetary funds for 2012 amount to EUR 72.3 million.						
	Measure 14	Providing material support and accessible environment for people with disabilities	Law on the Integration of People with Disabilities; Rules of Procedure of the Agency for People with Disabilities	Integration of people with disabilities in all areas of social life	The integration allowances paid under the Law on the Integration of People with Disabilities amounts to EUR 81.4 million as of 31.12.2011. The budget for 2012 envisages material support funds for 494400 people. EUR 0.21 million was spent in 2011 to provide accessible environment for people with disabilities.							
	Measure 15	Updating the Strategy on Providing Equal Opportunities for Disabled People 2008-2015 and elaborating an Action Plan for its implementation 2012-2013	CoM Decision as of 29 June 2011; UN Convention on the Rights of Persons with Disabilities, UN Standard Rules on the Equalisation of Opportunities for Persons with Disabilities, UN Convention on the Rights of the Child	Integration of people with disabilities in all areas of social life	The Strategy update will be elaborated by April 2012 and the Action Plan will be prepared by May 2012.							
	Measure 16	Regulating temporary work and flexible types of employment	Labour Code; Law on Employment Promotion (LEP)	Equality between home workers, distance workers and the rest of workers by taking into account the specific character of this kind of work.	The amendments to the Labour Code and LEP were adopted in 2011 and in the beginning of 2012.							
	Measure 17	Provision of employment and training to young people, including through the realisation of: - Career Start Programme; - "Increasing youth employment through their permanent inclusion on the labour market in Bulgaria" Scheme; - "Creating employment opportunities for young people through offering opportunities for traineeships" Scheme; - "Support for the institutional development of the institutions on the labour market, social inclusion and healthcare" Scheme; - Measures under LEP - Article 36, paragraph 1 and 2, Article 41	"National Action Plan on Employment; National Youth Programme 2011-2015				Measure 17	Provision of employment and training to young people, including through the realisation of: - Career Start Programme; - "Increasing youth employment through their permanent inclusion on the labour market in Bulgaria" Scheme; - "Creating employment opportunities for young people through offering opportunities for traineeships" Scheme; - "Support for the institutional development of the institutions on the labour market, social inclusion and healthcare" Scheme; - Measures under LEP - Article 36, paragraph 1 and 2, Article 41				

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
CSR 5	Measure 18	Provision of employment to unemployed people, including from the disadvantaged groups on the labour market, including through: – National Programme "From social assistance to employment and Scheme "Development"; – National Programme "Assistants for people with disabilities" and National Programme for employment and training of people with permanent disabilities; Scheme "Back to Work"; – Scheme "Training and Adaptation"	"National Action Plan on Employment;				Measure 18	Provision of employment to unemployed people, including from the disadvantaged groups on the labour market, including through: – National Programme "From social assistance to employment and Scheme "Development"; – National Programme "Assistants for people with disabilities" and National Programme for employment and training of people with permanent disabilities; Scheme "Back to Work"; – Scheme "Training and Adaptation"			
	Measure 19	Support for creating new jobs and promotion of geographic mobility with the purpose of working, including through the realisation of: – Measures under Law on Employment Promotion; – Scheme "Encouraging projects for developing independent business activity"; – Scheme "Closer to work"	"National Action Plan on Employment;			Measure 19	Support for creating new jobs and promotion of geographic mobility with the purpose of working, including through the realisation of: – Measures under Law on Employment Promotion; – Scheme "Encouraging projects for developing independent business activity"; – Scheme "Closer to work"	"National Action Plan on Employment;			
	Measure 20	Provision of opportunities for training of unemployed and employed people for acquiring key competences and professional qualification in line with business needs, through the realisation of: – Scheme "I can" and Scheme "I can more"; – Scheme "Qualification services and training for employed people" – phase 1, 2 and 3; – Scheme "Adaptability"	"National Action Plan on Employment;				Measure 20	Provision of opportunities for training of unemployed and employed people for acquiring key competences and professional qualification in line with business needs, through the realisation of: – Scheme "I can" and Scheme "I can more"; – Scheme "Qualification services and training for employed people" – phase 1, 2 and 3; – Scheme "Adaptability"			
	Measure 21	Modernising the intermediation services for employment through the realisation of Scheme "Modernising the system for services provision"	"National Action Plan on Employment;				Measure 21	Modernising the intermediation services for employment through the realisation of Scheme "Modernising the system for services provision"			
	Measure 22	Support for enterprises in the area of social economy	OP "Human Resource Development"		Number of newly-created social enterprises; Number of supported existing social enterprises	88 projects were funded in 2011					
	Measure 23	New Law on Pre-School and School Education	Draft Law on Pre-School and School Education		Reforming school education in order to improve the quality of and access to education. A better access to quality education and detention in the educational system is achieved through the elaboration of new educational standards for acquiring uniform general educational preparation regardless of the location or the type of school, offering flexible types of education (alternative, parallel, distance) that comply with the various capabilities and needs of children, general and additional support, organisation of the learning process in out-of-class activities and preparation, and improving the system's possibility. The Law introduces a new educational structure that provides equal access to quality education for all pupils in line with the objectives and priorities of the strategic framework for European cooperation "Education and Training 2020" and the Flagship Initiative "Youth on the Move".	The discussions of the draft Law on Pre-School and School Education were launched at the beginning of 2012. The draft Law has been approved with CoM Decision 271 as of 05.04.2012. The concept of the law, as presented in March 2011, is based on an organisation of the educational environment oriented towards the child and pupil as well as towards their capabilities and culture. The Law is to be passed by mid-2012.					

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
		Measure 24	Modernising higher education	Law on the Amendment of the Law on Higher Education	Reforming higher education in order to improve the quality of and access to education. The Bulgarian higher education and science system is opened-up to cross-border activities, which is expected to contribute to improving the quality of education and research in Bulgarian higher education institutions. The restraints for paid education for bachelor's, master's and PhD's degree are also removed, which is expected to provide additional resources for development of R&D activities in higher education institutions.	The Law on the Amendment of the Law on Higher Education was passed in August and December 2011. Modernising higher education will continue via amendments to existing legislation as an effective method for initiation of changes.					
		Measure 25	Medium-term model of forecasting future knowledge and skills in Bulgaria		Improving the match between labour supply and demand	The model was tested in 2011 receiving the first data on the demand for labour force with certain qualitative characteristics for the period up to 2020					
		Measure 26	Social Roma integration	National Roma Inclusion Strategy (2012–2020) and the Action Plan for Implementation of the National Roma Inclusion Strategy (2012–2020)	Framework policy document outlining the guidelines for implementing the policy of Roma social integration	The Strategy was adopted by CoM Decision 1 as of 05.01.2012 and unanimously approved by the National Assembly in March 2012.					
Product and services market	CSR 6	Measure 1	Repealing/simplification/harmonisation of regimes with the Law on Limiting the Administrative Regulation and Administrative Control over Economic Activity	Decision of the Council for Administrative Reform; Law on Limiting the Administrative Regulation and Administrative Control over Economic Activity	Reducing the administrative burden on business, including shortening deadlines, simplification of procedures	Reviewing the current and most frequently used regulatory regimes in view of eliminating the unnecessary regimes, simplification of procedures, shortening the deadlines and expanding the scope of tacit consent in registration regimes. The relevant amendments will be made and submitted to the Council of Ministers for approval.					
	Measure 2	Aligning all tariffs with the adopted Methodology for Determining the Cost-Based Amount of Fees	CoM Decree No 1 as of 5 January 2012; Law on Limiting the Administrative Regulation and Administrative Control over Economic Activity	Reducing the fees for administrative services related to economic activity; reducing the costs for the business, which will allow for improving the business environment	Reviewing all fee tariffs approved by the CoM and aligning thereof with the Methodology. Possible integration with the initiative under measure 1. Surveying the business processes, preparing an assessment of costs and pf proposals for amendments for alignment with the Methodology. The Council for Administrative Reform launched the procedure in January 2012, with the first stage being to determine the team of experts by heading. The second stage will be to consider the amendments by CoM, with the proposals for alignment with the new Methodology expected by end-June 2012 and to be effective as of 1 January 2013.	Methodology for Determining the Cost-Oriented Amount of Fees; A possible decrease of revenues from fees by EUR 25.6-102.3 million					
	Measure 3	Conducting functional analyses of MI, NHIF and NSSI	OP "Administrative Capacity"	Conducted functional analyses in three big public structures so as to adapt their structure to the actual needs of citizens and businesses and the policies implemented in the future.	Selection of contractors under the Law on Public Procurement. Preparing the respective legislative amendments. The analyses will use the Methodology for making functional analyses by preparing comparative reviews according to the relevant systems of other EU Member States. The objective is to introduce the practice of carrying out functional analyses in all public administration systems at every 3 three years. The project is being implemented in 2012.	EUR 1 million provided by OPAC					
	Measure 4	Establishing a system for planning the human resource needs and developing the personnel selection system in public administration	OP "Administrative Capacity"	Established uniform system for planning and human resources selection improving the quality of administrative services and ensuring the administrative capacity at key positions in the public administration.	Developing the systems for recruitment and selection of human resources in the administration and elaboration of a system for planning human resources in the administration. The results from OPAC projects will be built upon. The current systems will be reviewed and a comparative analysis with other EU Member States will be elaborated. Legislative amendments will be proposed. The tender documentation for selection of contractors under the LPP is being affirmed. As a result, a uniform model will be endorsed. The deadline of this project is January 2013.	EUR 1 million provided by OPAC					
	Measure 5	Establishment of a basic model for integrated administrative services	OP "Administrative Capacity"	A basic model has been developed to apply the "one-stop shop" principle among several administrations; improving administrative services. This measure is part of a more large-scale measure for the introduction of e-governance.	A basic model for integrated administrative services will be established by upgrading the existing model for administrative "one-stop shop" services among several administrations. It will be disseminated, including through the						

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	CSR 6					Internet, and will be the basis for further reviews of administrative services and development. The tendering documentation for selection of contractors under the LPP is being affirmed.					
		Measure 6	Drafting a Methodology for re-engineering of operational processes	OP "Administrative Capacity"	A uniform methodology has been elaborated to improve administrative services provision	The current practices will be reviewed and a uniform methodology will be devised to be used for subsequent reviews of the level of administrative services provision and making it an integrated one. This measure, together with the previous one, are both part of a large-scale project for introduction of e-governance. It will be disseminated, including through the Internet. The tendering procedure is being affirmed.					
		Measure 7	Improving the effectiveness and enhancing the ex-post control in the area of public procurement and improving interaction and cooperation among the controlling bodies in the area of awarding and implementing public procurement	Law on the Amendment of the Law Public Financial Inspection	Better control of awarding and implementing public procurement; better product/price received when awarding public procurement and effectiveness of public expenditures	The Amending Law was passed in 2011.					
		Measure 8	Establishing a single regulatory framework for all types of public procurement regimes and procedures, improving the 'ex-ante' control of public procurement for EU-funded projects	Law on the Amendment of the Law on Public Procurement	Better control of awarding and implementing public procurement; better product/price received when awarding public procurement and timely finding of irregularities when implementing public procurement funded by EU SCFs.	The Amending Law was passed in 2011.					
		Measure 9	Efficient financial control and greater transparency in the financial management of public funds	Law on the Amendment of the Law on Internal Audit in the Public Sector	Reaching compliance with the internal audit standards of the International Institute of Internal Auditors and the good European practices. Some of the amendments regulate the possibility for conducting internal audit by physical entities external to the organisation who meet certain conditions; expand the scope of the activities performed by internal audit units in First-Level Spending Units (FLSUs) in view of the efficient spending of public funds	The Amending Law was passed in 2011.					
		Measure 10	Enhancing the accountability and control of expenditure and liabilities of enterprises with state ownership	Law on the Amendment of the Law on Financial Management and Control in the Public Sector	Improving legal, effective and optimal management of commercial enterprises with state ownership and state-owned enterprises; keeping the country's commitments for avoiding excessive budget deficit	The Amending Law was passed in 2011. The assignment of questors in enterprises with state ownership is pending.					
		Measure 11	Limiting the increase of the number of staff in public administration and regulating the activities of consultative bodies to the executive power	Law on the Amendment of the Law on the Administration	Improving the quality and efficiency of using public funds	The Amending Law was adopted in February 2012. The relevant secondary legislation is to be aligned within six months after its entry into force.					
		Measure 12	Optimising public administration functions	Plan for implementing the measures for public administration optimisation for 2010-2011	Improving the effectiveness and efficiency of administrative structures and abolishing/alleviating administrative regimes	Monitoring of the implementation will continue in 2012 as well					
		Measure 13	Effective control of the financial management of hospitals	OP "Human Resource Development"	Introduction of an integrated health information system for real-time connection of institutions and contractors in the area of healthcare	Two-year project funded by ESF launched in 2011 – will be finalised at the end of 2013	EUR 5 million under OPHRD – ESF, and national co-financing				
		Measure 14	Improving the payment methods and control over the operation of hospitals	Ratification on the grounds of the Constitution of the Republic of Bulgaria and CoM Decision No 836/17.11.2011	Introduction of diagnostically-related groups using the AR-DRG system of classification	The contract for using the system of classification was ratified on 14 December 2011. The introduction of the system is forthcoming.					
		Measure 15	Optimising hospital expenditures	Law on the Amendment of the Law on the Healthcare Establishments; National Healthcare Map of medical institutions	Even territorial distribution of healthcare services financed by NHIF and making precise the activities and minimum requirements to hospitals	The National Healthcare Map was adopted in February 2011, while the Law on the Healthcare Establishments was passed by the national Assembly at first hearing in February 2012. According to CoM Decision No 103 as of 24.02.2011 adopting the National Healthcare Map, it may be updated by amending the Law on the Healthcare Establishments in 2015					
		Measure 16	Drafting a Concept Paper for Reforms at Regional Level	Concept Paper for Reforms at Regional Level by Decision No 3 as of 13.07.2011 of the Council for Decentralisation of state governance	Model for future regionalisation and preparation for introduction of second level of self-governance	In order to enable the application of the Concept Paper, amendments needed to be made, i.e. the Law on Administrative and Territorial Governance of the Republic of Bulgaria, the Law on Regional Development, the Law on Administration and the Administrative Procedure Code.					
		Measure 17	Making precise and expanding the possibilities for public-private partnerships and supplementing	Law on Public-Private Partnership	Transparency in relations between state and business and application of forms of public-private partnerships	Approved by CoM Decision No 685 as of 13 September 2011					

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
CSR 6			legislation in the area of public procurement and concessions		for all social infrastructure sites (hospitals, schools, kindergartens, prisons, sports facilities, etc.), as well as for the maintenance of roads, railways, waste collection, landfilling and processing. Improving the quality, efficiency and transparency in using public funds.						
	Measure 18		Consultative Mechanism in connection with imposing financial corrections in case of infringements of OPs	Methodology for determining financial corrections CoM Decree No 134/2010	Harmonising the practice of imposing financial corrections by OP Contracting Authorities concerning violations related not only with the implementation of grant contracts/orders but with the implementation of the Methodology for Determining Financial Corrections.	The Mechanism was set up in October 2011					
	Measure 19		Developing a concept for a new Law on Fees	OP "Administrative Capacity"	Aligning the fee policy with the public relations as a precondition for good governance	The OPAC-funded "Fees Policy in Line with Public Relations – a Condition for Good Governance" project was launched in September 2011, with the Law concept is to be elaborated by the beginning of 2013 and is planned to be approved by mid-2013.					
	Measure 20		Introduction of a system for electronic exchange of documents in the public administration	Digital Administration strategic direction	Expected to save time and financial resources, and to enhance the effectiveness of the administration and the efficiency in using public funds	All central administrations joined the system in March 2012, with all local government administrations expected to start joining the system by mid-year					
	Measure 21		Introducing a requirement for maintaining public registers	Law on the Amendment of the Law on Limiting Administrative Regulation and Administrative Control over Economic Activity (LLARACEA)	Improving the quality of administrative services	Law on the Amendment of the Law on Limiting Administrative Regulation and Administrative Control over Economic Activity (LLARACEA) enters into force as from 20 May 2012					
	Measure 22		E-Governance Development	OP "Administrative Capacity"	Improving the quality of administrative services	46 projects were implemented in 2011 under Priority Axis 3 "Quality Administrative Service Delivery and E-Governance Development" of OPAC for central, regional and local government administrations including re-engineering of processes and updating internal rules governing the delivery of electronic administrative services by administrations, as well as introducing electronic services for citizens and businesses. The Licensing and Registers information system was introduced in 2011 in the Communications Regulatory Commission (CRC) under the same procedure					
	Measure 23		National Action Plan for Encouraging "Green" Public Procurement" 2012-2014	Minutes from Council of Ministers' meeting on 13.10.2011, point 38.2.	The objective is to raise the stakeholders' awareness of the benefits from "green" public procurement, to urge buying commodities and services with higher value added and to cooperate for the effective award of "green" public procurement	The Plan was adopted in 2011 and is effective as of 01.01.2012					
CSR 7	Measure 1		Increasing energy efficiency in multifamily residential buildings	OP "Regional Development"	"Providing better living conditions for residents of multifamily residential buildings in urban centres. Indicators on progress achieved – reduction of GHG (CO2 and equivalents) –kt/average per year; electricity saving in renovated residential buildings (MWh/per year); number of residents benefiting from improved residential infrastructure; improved residential infrastructure – m2 TBA; number of renovated multifamily residential buildings/block sections."	Implementing energy efficiency measures in multifamily residential buildings in 36 urban centres. In process of implementation – a grant scheme announced on 18.07.2011 in the amount of EUR 25.5 million and deadline for calls for proposals: 31.01.2012					
	Measure 2		Increasing energy efficiency in the municipal educational infrastructure in urban agglomerations	OP "Regional Development"	Indicators to be achieved – reduction of GHG (CO2 and equivalents); electricity saving from modernising educational infrastructure	In process of implementation – as of 31.12.11, 23 contracts totalling EUR 42.5 million are being implemented under OPRD					
	Measure 3		Increasing energy efficiency in the municipal educational infrastructure in 178 small municipalities	OP "Regional Development"	Indicators to be achieved – reduction of GHG (CO2 and equivalents); electricity saving from modernising educational infrastructure (MWh/average per year)	In process of implementation – as of 31.12.11, 35 contracts totalling EUR 13.8 million are being implemented under OPRD					
	Measure 4		Construction of an intersystem gas connection Bulgaria – Serbia and Bulgaria – Romania	OP "Regional Development"; European Energy Recovery Programme	Constructed intersystem gas connection Bulgaria – Serbia and Bulgaria-Romania; security of gas supplies, diversification of the sources of supply	A feasibility study worth EUR 2.5 million was launched in January 2012 concerning the construction of an intersystem gas connection Bulgaria – Serbia. EUR 48 million has been provided by OPDCBE for the actual construction of the gas connection. The contract signed between Bulgartransgaz EAD and Trakia Gaz Proekt EAD on 27.09.2011 on the design of the ground part of the project on Bulgarian territory and on the Geographic Information System Russe Iztok is being implemented. Works are					

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	CSR 7					planned to commence in August 2012 and be finalised at end-2012, with the gas pipeline becoming operational at the start of 2013.					
		Measure 5	Provision of appropriate and cost-effective infrastructure of higher schools in urban agglomerations	OP "Regional Development"	"Indicators to be achieved – reduction of GHG (CO2 and equivalents) –kt/average per year; electricity saving from modernising the buildings of higher education institutions (MWh/per year); number of persons /students, officials and lecturers/ benefiting from the improved educational infrastructure; improved educational infrastructure – m2 of TBA.	Measure 5					
		Measure 6	Setting up an Agency for Sustainable Energy Development (ASED), a uniform coordinating administrative authority in the field of RES	Rules of Procedure of ASED were adopted by CoM Decree No 296 as of 30.10.2011	Encouraging investments in renewable energy technology, generation and consumption. ASED is the legal successor of the Energy Efficiency Agency	Set up in October 2011					
		Measure 7	Setting up an Electric Power Exchange	Law on the Amendment of the Law on Energy; Directive 2009/72/EC concerning common rules for the internal market in electricity; Directive 2009/73/EC concerning common rules for the internal market in natural gas; Third Energy Liberalisation Package	Electricity market liberalisation	Pilot testing of the new model has been in place since the start of 2011 which is to introduce an hourly market that will enable electricity trade through an electric power exchange. The measure will be implemented by mid-2012 through the adoption of the Law on the Amendment of the Law on Energy, licensing the balancing group coordinators, registration of balancing group coordinators by ESO, signing of contracts and granting collaterals. The draft Law was passed by the National Assembly at first reading on 8 March 2012 and is being discussed in the parliamentary committees.					
		Measure 8	Separation of transmission system operators from power generators	Law on the Amendment of the Law on Energy; Directive 2009/72/EC concerning common rules for the internal market in electricity; Directive 2009/73/EC concerning common rules for the internal market in natural gas; Third Energy Liberalisation Package	Energy sector restructuring – separation of transmission system operators with a view to speeding up the establishment of an integrated and fully operating internal energy market so as to ensure the flow of electricity and gas, to guarantee free and equal access of all stakeholders to the energy networks, as well as development of network infrastructure to the benefit of all participants. Division by network ownership is part of this model while the transmission network and all the required assets will be owned by the independent transmission operator (Electric System Operator (ESO).	The Law on the Amendment of the Law on Energy is to be passed by mid-2012. The draft Law was passed by the National Assembly at first hearing on 8 March 2012 and is being discussed in the parliamentary committees.					
		Measure 9	Second National Action Plan on Energy Efficiency 2011-2013 (NAPEE)	Minutes of the Council of Ministers' meeting on 28.09.201, point 36	60 individual measures for increasing energy efficiency in all sectors	Adopted in September 2011					
		Measure 10	Housing Renovation Fund (HRF)	OP "Regional Development"	Using financial engineering instruments for funding energy efficiency measures by granting loans and collaterals.	EUR 6.4 million is provided by OPRD for the Fund management, with HRF co-financing amounting to EUR 0.5 million.					
	Measures influencing the economic scenario (2)	Measure 1	Integrated promotion of investment and creation of new jobs in all sectors including municipalities with an unemployment rate higher than the average for the country	Law on Investment Promotion (LIP) and Rules for its implementation	Mobilising growth factors through integrated promotion of capital and labour; Improving the economy's sectoral structure.	Permanent deadline. Amendments to the Law are to be made in 2012 in order to expand the possibilities for financial and tax incentives for job-creating investment. Hi-tech services will also be included.	Insufficient investors' interest resulting from the global crisis and the stronger competition for attracting investments				
<p>(1) This classification is in line with that already used within the framework of CSRs monitoring under the first European Semester.</p> <p>(2) Regardless the main area of intervention, it includes any sort of structural measures planned or enacted by Member States that are not under a previous CSRs, but have an impact on macroeconomic scenario</p> <p>(3) Other macroeconomic variables mainly refer to the main components of domestic demand (private consumption and investment) and employment.</p>											

Annex 2: Report on the implementation of the National Targets in pursuance of the “Europe 2020” Strategy targets and other key commitments, set forth in the 2012 update of the National Reform Programme of the Republic of Bulgaria

Progress on implementation	List of measures and their state of play, that were implemented in response to commitments (implemented or in process of implementation as 31 March 2012)		Estimated impacts of the implementation of the measures (qualitative and/or quantitative)
	Measure	Implementation state of play	
<i>National targets related to the Flagship Initiatives in pursuance of the “Europe 2020” Strategy</i>			
National target for Reaching 76% employment of the population aged 20–64 by 2020	Support and creating opportunities for first employment of young people	Scheme “Creating employment for young people through providing opportunities for work experience” under OPHRD – in process of implementation until 2013. Scheme “Increasing the employment of young people by their permanent inclusion on the labour market in Bulgaria” under OPHRD – in process of implementation until 2013.	Smooth transition of young people from the education system to the labour market As of the end of February 2012, 1330 people were included in employment under Scheme “Creating employment for young people through providing opportunities for work experience”. The number of included after training under Scheme “Increasing the employment of young people by their permanent inclusion on the labour market in Bulgaria” are 1336 people.
	Establishing direct contact between young people and employers	In pursuance of the 2011 National Employment Action Plan	Carrying out 27 specialised employment exchanges in 2011
	Creating opportunities for traineeships of young people	Scheme “Creating employment for young people through providing opportunities for work experience” under OPHRD – in process of implementation during the period 2010–2013.	Subsidising of 6-monthly paid traineeships with private sector employers; for the period January 2011 – January 2012, 948 unemployed young people aged up to 29 with secondary and higher education were included
	Creating opportunities for acquiring length of service in the public administration	“Career start” Programme – implemented each year	Employment provided to 1040 young people over a 9-month period in 2011
	Activating unemployed and economically inactive people at working age	In process of implementation under the scheme “Take your life in your own hands” under OPHRD by 2013 45 contracts have been concluded under the scheme	Offering a “new start” in the form of training and employment to unemployed young people aged up to 29 and to unemployed people aged over 29. Target value 27% of the unemployed young people and 35% of the unemployed people in 2015. Providing employment – as at the end of 2011, 97 mediators were hired and 1587 inactive individuals have started work or training.
	Increasing the employment among elderly people by including them in training and employment	National Programme “Assistance for retirement”; encouragement measures under the Law on Employment Promotion (Article 55a and b).	In 2011 subsidised employment was provided to 1108 unemployed people in pre-retirement age. Since 2012 the period of subsidised employment is increased to 2 years prior to reaching the necessary retirement age. In support of the target for 47% employment in the age group 55–64 in 2015.
	Increasing the knowledge and improving the skills of employed and unemployed people	Schemes “I can”, “I can more” – in process of implementation by 2013. Scheme “Qualified services and training for employed people”, phase 1 – implemented Scheme “Qualified services and training for employed people” scheme, phase 2 – in process of implementation by 2013 Scheme “Adaptability” – in process of implementation by 2013	Increasing the knowledge and skills of employed people, included in training since the start of the projects until 31.03.2012 under: Schemes “I can”, “I can more” – 97662 people; Scheme “Qualified services and training for employed people”, phase 1 – 1768 people Scheme “Qualified services and training for employed people” scheme, phase 2 – 35035 people Scheme “Adaptability” – 1992 people
	Integrating the groups in a disadvantaged position on the labour market: - long-term unemployed people - people with disabilities - mothers with children - unemployed people who have served a custodial sentence	National Programme “From social benefits to employment” – in process of implementation as part of the NAPE 2012. Scheme “Development” – in process of implementation until 2013. In process of implementation is the National Programme “Assistants to people with disabilities” and the National Programme for employment and training of people with	Reducing the unemployment. Under National Programme “From social benefits to of employment” 9677 were employed in 2011. Number of unemployed included in Scheme “Development” since the start of the projects by 31.03.2012 – 30056 people In 2011 under the two programmes altogether 5512 people were included.

Progress on implementation	List of measures and their state of play, that were implemented in response to commitments (implemented or in process of implementation as 31 March 2012)		Estimated impacts of the implementation of the measures (qualitative and/or quantitative)
	Measure	Implementation state of play	
		<p>permanent disabilities as part of NAPE 2012.</p> <p>Long-term strategy for employment of people with disabilities 2011-2020 and an Action plan to it for the period 2013-2015 – adopted in 2011.</p> <p>Scheme “Back to work” – in process of implementation until 2013.</p> <p>Scheme “Training and Adaptation” under OPHRD – in process of implementation by 2013</p>	<p>Fostering labour and social integration and improving the quality of life of people with disabilities.</p> <p>Since the start of the projects by 31.03.2012 2089 people were included under the scheme.</p> <p>The scheme started in January 2012 and is in progress of implementation</p>
	Support for creating new jobs and encouraging geographic mobility for work purpose	<p>In process of implementation until 2013 under the following schemes of OPHRD:</p> <ul style="list-style-type: none"> - Scheme “Promoting the launch of projects for development of independent business” – in process of implementation as of October 2011 until 2013; - Scheme “Closer to work” – in process of implementation as of October 2011 until 2013; - Measures under the Law on Employment Promotion - “Beautiful Bulgaria” project - Measures under LIP 	<p>Creating new jobs through encouraging the start of independent business and geographic mobility of the labour force through granting preferences for transport to the workplace for the purpose of increasing employment</p> <p>Under OPHRD</p> <ul style="list-style-type: none"> - Number of individuals included in training since the beginning of the projects until 31.03.2012 – 7731 people. - Since the beginning of the project until 31.03.2012 in training under the scheme were included 103 people; - Under measures in LEP in employment were included 6747 people - in employment under Beautiful Bulgaria project were included 683 people in 2011. - Measures under the LIP – Mobilising the growth engines through integrated promotion of capital and labour; improving the sectoral structure of the economy: 4 certificated for class A investments were issued in 2011 for projects totalling EUR 47.2 million, under which 338 new jobs were created. Two projects for construction of municipal road infrastructure, certified under the LIP, were promoted with funds from the MEET budget (EUR 1.3 million) in 2011 – the value of the investments amounted to EUR 25.8 million and 355 new jobs were created. The total volume of the foreign direct investments, attracted in 2011, was EUR 1340 million, based on preliminary data.
	Modernisation of the provided employment intermediation services and increasing the efficiency of the employment services, provided by the Employment Agency	<p>In process of implementation until 2015 under the Scheme “Modernising the system for provision of services”, OPRD – new measures for “one-stop shop”, publishing data for the vacancies in all public sector organisations, single web-page for vacancies, training of the EA staff.</p> <p>Under Scheme “Increasing the quality of the provided by the Employment Agency services to citizens and business with a focus on the vulnerable groups on the labour market;</p> <p>Scheme “Improving the quality of services in the system of the Ministry of Labour and Social Policy”</p>	<p>Introducing new approaches for providing services in the process of employment intermediation, building the administrative capacity of the institution and implementing a quality management system for the services provided.</p> <ol style="list-style-type: none"> 1. Number of “Labour Office” Directorates (LOD), in which the “one-stop shop” principle of work has been introduced – 36 as at 2011 (35%); 2. Number of carried out labour exchanges – 114 as at 2011, 411, including 96 under an OP scheme, as of 2013. 3. Number of vacancies announced through the information system – 123887 as of 2011. 4. Training of the EA staff – 2417 officials as of 2011.
	Reducing the share of undeclared employment by improving	In process of implementation until 2015	Improving of the working conditions in enterprises while complying with the norms and

Progress on implementation	List of measures and their state of play, that were implemented in response to commitments (implemented or in process of implementation as 31 March 2012)		Estimated impacts of the implementation of the measures (qualitative and/or quantitative)
	Measure	Implementation state of play	
	the control activities and joined actions of the social partners, and increasing the quality of jobs		requirements of the legislation in the field of health and safety at work. Reducing the share of undeclared employment and improving the working conditions in enterprises. Targets to be reached in 2015: - 110 assistants hired for inspection activities; - Reducing the frequency of occupational accidents and diseases by at least 10%; - Increasing the number of inspections on the legal recruiting, working hours and remuneration of labour by 15% as compared to 2010.
	Reducing the undeclared employment through introducing sanctions for workers or employee working without labour contracts.	Implemented in 2011.	Reducing the share of undeclared employment. The sanctions amount to three health insurance and pension contributions.
	Implementing the medium-term model for forecasting the future needs of knowledge and skills	In process of implementation in 2012 (the model was successfully tested in 2011, the first results by 2020 are obtained).	Improving the match between the demand for and supply of labour with certain qualifications.
	Developing a National Reference Network for Competence Assessment of the Labour Force in terms of branches and regions	In process of implementation under OPHRD	Improving the match between the demand for and supply of labour with certain qualifications. In 2011 professional standards for 72 positions in seven key economic activities were developed.
	National Strategy for Roma Integration (2012–2020) and Action Plan for its implementation.	Implemented in January 2012.	Integrating of the disadvantaged groups of the population on the labour market.
National target for investments in R&D of 1.5% of GDP	Law on Innovations	In process of elaboration until the end of 2012	Improving the financial framework for promotion of innovations. Bulgarian Innovation Fund will be institutionalised (successor of the National Innovation Fund) and complementarity will be ensured between the sources of financing of innovations, orientated both at SMEs and well well-functioning large enterprises. All national, bilateral and multilateral programmes for promotion of innovations will be covered (including EUREKA, EUROSTARS, EU Framework Programmes). Better coordination of the policies in the field of development of science, technologies, education and innovations will be ensured, the responsibilities of the public authorities in the implementation of the national innovation policy will be regulated, and sustainable support for innovation activities of enterprises will be guaranteed.
	Support for innovation activities in enterprises	In process of implementation under OPDCBE until 2015. 6 procedures for support of R&D and innovation activities in enterprises have been launched. 85 contracts have been signed with a total value of the grants awarded amounting to EUR 33.5 million - Procedure “Development of start-up innovative enterprises through support for introduction of innovative products, processes and services”; - Procedure “Support for introduction in production of innovative products and processes and provision of innovative services”; Procedure “Development of start-up innovative enterprises through support for introduction of innovative products, processes and services”; - Procedure “Development of innovations by start-up enterprises”; - Procedure “Support for research and development activities of Bulgarian enterprises” The procedure was launched for submission of project proposals.	Increasing the investments in R&D and innovations, Encouraging the research and development activities and the introduction innovations on part of the enterprises; Increasing the number of R&D projects, implemented by the Bulgarian enterprises; Providing support for starting-up innovative enterprises.
	Financial instruments for easing the access to financing of enterprises	In process of implementation under OPDCBE until 2015 Three equity funds are established: Venture Fund,	Improving the access of Bulgarian enterprises to financing through capital and hybrid instruments.

Progress on implementation	List of measures and their state of play, that were implemented in response to commitments (implemented or in process of implementation as 31 March 2012)		Estimated impacts of the implementation of the measures (qualitative and/or quantitative)
	Measure	Implementation state of play	
		Growth Fund and Mezzanine fund. The managers of the three funds have identified 26 potential projects for investments in the amount of EUR 68.7 million. The selection of a fund manager for a fourth equity fund – Seed Fund, is forthcoming. A guarantee fund is functioning, under which 5 commercial banks are extending loans to SMEs at lower collateral and less stringent conditions.	Improving the access to financing for implementing high-risk innovative projects; Provided equity financing to enterprises at initial or early stage of development in the amount of EUR 51 million; Provided equity financing to enterprises at growth and expansion stage of development in the amount of EUR 120 million; Provided credit financing to enterprises in the amount of EUR 392 million; In 2012 the amount of the newly-guaranteed loans is expected to reach EUR 200 million.
	Improving the innovative infrastructure	In process of implementation under OPDCBE until 2015 Two procedures (“Establishing new and supporting the existing technology centres”, “Establishing new and supporting the existing technology offices transfer” are in the process of project selection, another 2 procedures orientated towards improving the innovative infrastructure in Bulgaria (“Developing the applied research in the scientific organisations in Bulgaria” and “Establishing science and technology park”) will be launched.	Promoting innovation-friendly environment in support of business; Strengthening the science-business connection; Supporting the creation and development of new knowledge and its transfer to the enterprises.
	Support for cluster development in Bulgaria	In process of implementation under OPDCBE by 2015 The procedure is open for applications. 6 contracts are in process of implementation	Encouraging business cooperation and connection in clusters as a tool for increasing the national competitiveness and settling market-oriented and internationally opened business environment through taking advantage of the amalgamation for increasing the productivity, more efficient use of the existing resources, entry to new markets and producing products and services with high value added
	Improving the technologies and management in the enterprises	In process of implementation under OPDCBE until 2015. 5 calls for proposals for SMEs technological modernisation (one of which under evaluation), 2 calls for proposals for large enterprises and 1 for support of enterprises and co-operations of people with disabilities have been opened. 519 grant contracts, which are in process of implementation, have been concluded. 4 calls for proposals for the introduction of internationally recognised standards and for introduction of management systems in the enterprises (one of which is in process of evaluation) have been opened. 458 contracts, which are currently in process of implementation, have been concluded. The measure implementation will continue by 2015.	Providing support for investments in modern tangible and non-tangible assets, which represent innovations at enterprise level; Encouraging the introduction of new products, processes and services on part of the enterprises.
	Connecting the Bulgarian supercomputing centre to the Single network of European high-performance centres (Distributed European Infrastructure for Supercomputing Applications – DEISA) and subsequent provision of computing resources to European research teams	In process of implementation until 2015	- Transforming Bulgaria into a regional supercomputing centre providing access and expertise to scientists and researchers both from the Balkans and from all over Europe; - Developing a national capacity capable of managing and administering European-level research projects; - Preparing Bulgarian scientific-research teams to apply for and win DEISA projects; Targets for 2015 (as at 2011 – 0 for both): - 10 Gbps “shared” connectivity to the DEISA network - 8 scientific-research teams
	Participation in the initial stage of establishing the most powerful pan-European supercomputing infrastructure through the Pan-European Association PRACE (Partnership for Advanced Computing in Europe)	In process of implementation until 2015	Ensured access to unique installations – the 4 most powerful high-performance systems in Europe, and the opportunity for Bulgarian scientists and researchers to be part of European teams which work in the field of energy, medicine, pharmacology, bio-informatics, transport, telecommunications and other areas with strong application in the economy;

Progress on implementation	List of measures and their state of play, that were implemented in response to commitments (implemented or in process of implementation as 31 March 2012)		Estimated impacts of the implementation of the measures (qualitative and/or quantitative)
	Measure	Implementation state of play	
			Participation of Bulgarian scientists and researchers in the creation of a European series of supercomputers and the provision of software for them; Opportunity for additional access of Bulgarian researchers to 19 national high-performance centres in Europe, their huge software resources, and active joint work with the teams of these centres Targets: - scientific-research teams – 7 as of 2011, 10 by 2015; - Bulgarian scientists and researchers – 31 as of 2011, 35 by 2015; - publications – 3 as of 2011, 10 as of 2015; - organisations – 0 as of 2011, 8 as of 2015.
	Conducting a horizontal functional analysis of the system for defining and implementing the policy in the field of science	Project under OPAC in process of implementation until 2012	Streamlining the structures and institutions, participating in the definition and implementation of the national policy in the field of science.
	Establishment and development of entrepreneurship centres in the higher schools in Bulgaria	In process of implementation until the end of 2012	Strengthening the capacity of higher schools for training in entrepreneurship; encouraging entrepreneurial activity of students. Entrepreneurship centres were established in 4 universities, 6 start-up companies of students were supported, handbooks for Manual of Entrepreneurs were developed.
	“Science – Business” Project	In process of implementation under OPHRD	Supporting the participants in the system of science and innovations for strong and flexible dialogue
Target for reducing the greenhouse gas emissions	Support for integrated urban transport in Burgas Municipality, Sofia Municipality and the 5 large cities.	In process of implementation under OPRD until 2013 As of 31.12.2011, under OPRD one contract was being executed by Burgas Municipality and 1 contract by Sofia Municipality. The scheme for the 5 large cities was launched on 15.11.2011 with a deadline for submission of project proposals 15.03.2012.	Establishing more effective and faster urban transport consuming less energy, development of a more accessible secondary infrastructure of the public transport networks and introducing environmentally friendly modes of urban transport
	Third National Action Plan on Climate Change 2013-2020 Law on activities related to climate change	In process of preparing a draft until April 2012 Planned drafting of a law by the end of 2012.	Limiting greenhouse gas emissions and transition to a low carbon economy Prioritising the policy in the field of climate change
National target for a 16% share of renewable energy in the gross final consumption of energy and increasing the energy efficiency by 25% by 2020	Introducing energy saving technologies and using renewable energy sources in enterprises	In process of implementation under OPDCBE until 2015 In November 2011 1 procedure for large enterprises (“Investments in green industry”) was launched; the launch of 1 procedure for SMEs (Energy efficiency and green economy) is forthcoming in 2012	Increasing energy efficiency and introducing RES in the supported enterprises Reducing the adverse impact of enterprises on the environment; Increasing the number of energy efficient technologies/processes/solutions, introduced by the enterprises; Supporting enterprises for RES introduction for their own purposes Number of supported projects – none as of 2011, as at 2015 – 332.
	Progress report on the commitments made in the National Action Plan for energy from renewable sources	Prepared in December 2011. The report contains information of the total consumed energy from renewable sources in 2009-2010, the implemented and planned measures for encouraging generation and consumption of energy from renewable sources, the achieved progress in carrying out administrative procedures in relation to removing regulatory and non-regulatory obstacles linked to the realisation of projects for generation of energy from renewable sources	Increasing the use of RES The RES share is 12.6%, which is higher than the defined national target for period 2015–2016
	Establishing ASED	Implemented in October 2011.	Establishment of uniform administrative coordinating body in the area of energy efficiency and RES
	Support for the implementation of energy efficiency measures in the municipal educational infrastructure in urban agglomerations.	In process of implementation under OPRD until 2012 As at 31.12.2011, 23 contracts are being implemented	Providing municipal educational infrastructure with high level of energy efficiency, contributing to the development of sustainable urban areas. Reducing the greenhouse gas emissions (CO2 and equivalent) Energy savings following the renovation of the buildings in the educational infrastructure

Progress on implementation	List of measures and their state of play, that were implemented in response to commitments (implemented or in process of implementation as 31 March 2012)		Estimated impacts of the implementation of the measures (qualitative and/or quantitative)
	Measure	Implementation state of play	
	Support for the implementation of energy efficiency measures in the municipal educational infrastructure of 178 small municipalities	In process of implementation under OPRD until 2012 As at 31.12.2011, 35 contracts are being implemented	Municipal educational infrastructure with high level of energy efficiency, contributing to sustainable local development. Energy savings as a result of the renovation of the buildings of the educational infrastructure (MWh / average per year);
	Support for ensuring an appropriate and profitable infrastructure for higher schools in urban agglomerations.	In process of implementation under OPRD until 2012 As at 31.12.2011, 13 contracts are being implemented	Improving the conditions for providing educational services in state higher schools, contributing to the development of sustainable urban areas. Energy savings as a result of the renovation of the buildings of higher schools (MWh / average per year); Number of people (students, employees and professors) benefiting from the improved educational infrastructure; Improved educational infrastructure (m2 TBA)
	Support for energy efficiency in multifamily residential buildings.	In process of implementation under OPRD until 2013 A grant scheme was launched on 18.07.2011 with a deadline for submission of project proposals 31.01.2012	Introducing energy efficiency measures in multifamily residential buildings in 36 municipalities within the urban agglomerations Number of buildings
	Financing energy efficiency measures through the Housing Renovation Fund	In process of implementation under OPRD A Housing Renovation Fund has been set up, through which credits and collaterals in the total value of EUR 5.4 million will be provided in the period April 2012 – 30.06.2015	Provided credits and collaterals in the amount of EUR 5.4 million for providing up to 50% of the needed investments in energy efficiency in the multifamily residential buildings (see the previous measure) Introducing energy efficiency measures in multifamily residential buildings in 36 municipalities in urban agglomeration areas Number of buildings
	Second National Action Plan Energy Efficiency Action Plan for the period 2011-2013	Adopted in September 2011	Increasing the energy efficiency in all sectors on the basis of the results from the assessment of the first NAPEE for the period 2008-2010.
	Law on the Amendment of the Law on Energy	In process of implementation until 2012 (adopted by the CoM in 2011)	Independent performance of the activities related to the generation and supply, transmission and distribution of electricity and natural gas; facilitating the cross-border trade in energy; increasing the transparency in the market
	National Action Plan for Encouraging “Green” Public Procurement for the period 2012–2014	Adopted in 2011	Increasing the awareness of the stakeholders of the benefits from awarding green procurement, stimulating the purchase of goods and services with higher public value
	Law on the Amendment of the Law on Energy Efficiency	In process of implementation, will be adopted by June 2012	Realising the energy savings potential, increasing the consumption of energy from renewable sources in the buildings, regulating the elaboration of a National plan for increasing the number of buildings with close to 0 energy consumption
	National Energy Efficiency Strategy	In process of implementation – will be adopted by the CoM by May 2012	Increasing the energy efficiency by 25%, or saving more than 5 million tonnes of oil equivalent primary energy compared to the baseline scenario for development until 2020.
National target for 11% share of the early school leavers	Law on Pre-school and School Education	In process of implementation until 2012 (approved by CoM Decision 271 as of 05.04.2012)	Equal access to education and retaining children in the education system Improving the quality of school education Raising of the level of knowledge and skills of pedagogic specialists
	Launching of programmes for “second chance” schools	In process of implementation until the end of 2013 Since March 2011 a project “New chance for success” for including people aged over 16 years in education for literacy and developing key competencies is being implemented.	The validation of the results from the conducted training provides an opportunity for the person to continue his/her education in the next class of the formal education system or in training for acquiring a professional qualification degree. Focused support for integration of young people with low qualification on the labour market.
	Project for modernising the curriculum with key competencies	In process of implementation since January 2012	Improving the correspondence between the demand for and supply of work force with certain qualifications, more successful realisation of pupils
	“Career orientation system within the school education” Procedure	In process of implementation since January 2012	Improving the match between the demand and supply of labour force with certain qualifications, more successful realisation of pupils
	“System for career orientation in school education” Procedure	In process of implementation since January 2012	Improving the match between the demand and supply of labour force with certain qualifications, more successful realisation of pupils
	“Qualification of pedagogic specialists” Project	In process of implementation since January 2012	Improving the quality of education
National target for a 36% share of the people aged 30–34 with higher education	Implementing the Bulgarian University Ranking System for the determining the state subsidy	In process of implementation – permanent In 2011 the best faculties received additional funding in	Increasing the efficiency and effectiveness of public expenditures in the field of higher education by allocating expenditure in line with the results from the implementation of the

Progress on implementation	List of measures and their state of play, that were implemented in response to commitments (implemented or in process of implementation as 31 March 2012)		Estimated impacts of the implementation of the measures (qualitative and/or quantitative)
	Measure	Implementation state of play	
		the amount of up to 10%; in 2012 they will receive additional funding in the amount of further up to 25%	ranking system.
	Using the Register of graduates with “bachelor’s” and “master’s” degrees to ensure better links between the labour market and the education system.	In process of implementation – permanent	The Register contains information about specialities completed and professional fields, which will be used in analyses of the educational level and competencies of the supplied labour and for achieving better links between education and the requirements of the labour market.
	Student credits programme in line with the Law on Credits to Undergraduate and Postgraduate Students, and Doctoral Candidates.	In process of implementation until 2015 As of 31.03.2012 the three banks participating in the programme had extended a total of EUR 18.5 million as students’ loans.	Sharing the costs of education between the state and the people trained Loans extended – EUR 18.5 million Number of students to whom loans have been extended – 8400
	Campaign for promoting the student credits programme under the slogan “Invest in you” with the cooperation of the National Representation of Student Councils	In process of implementation – permanent	Specialised Internet website has been developed, containing information in support of the current and future students Identifying the development of current and future students with a view to following their professional development
	“Student scholarships and awards” project	In process of implementation under OPHRD with a total value of EUR 24 million, provided under the European Social Fund (ESF).	Sharing the costs of education between the state and the people trained
	Establishment and development of entrepreneurship promotion centres in the higher schools in Bulgaria	In process of implementation until 2012	Support for students’ entrepreneurship and ensuring smoother transition to the world of business, establishing the connection science – business - Number of people trained – 1000 as at 2011 - Number of supported start-up student companies– 11 as of 2011 - As of 2011 several competitions for “Best business idea for a start-up company” and for “Best young entrepreneur” were held, diverse literature was published. In 2012 it is planned that meetings between successful entrepreneurs and students for exchanging good practices and encouraging the spirit of entrepreneurship among young people will be organised.
Reducing the number of people living in poverty by 260 thousand	Investments in integrated services for early child development (for children aged 0 – 7);	In process of implementation until 2014	Ensuring sustainability, quality and accessibility of social services and introducing prevention of social exclusion of children and families at risk. Municipalities, providing a package of integrated social, health and educational services for early child development – 0 as of 2011, 60 as of 2014; As at the end of 2011, financing agreements were signed with 60 municipalities-beneficiaries under the Project with a total value of EUR 31.5 million, of which EUR 29 million loan financing and EUR 2.5 million co-financing from the beneficiary municipalities. 52 public procurement procedures for selection of contractors for construction works with a total value of over EUR 10.2 million were carried out, and construction works contracts are already concluded for 48 projects with a value of over EUR 9.7 million. In January 2012 the second stage of the application under the Social Inclusion Project started. 10 applicant municipalities were invited, of which 9 applied. The project proposals amount to EUR 7.2 million, of which EUR 6.9 million from loan 7612BG.
	Adoption of a new Law on Child	In process of implementation until 2012 In draft of the Law on Child was elaborated in 2011 and will be adopted in 2012	Guaranteeing the rights of all children, not only of children at risk
	Deinstitutionalisation of childcare (network of community social services, programmes for children leaving specialised institutions, foster care, etc.)	In process of implementation under OPHRD and OPRD until 2014	Developing and implementing a sustainable model for provision of services in a family or close to the family environment as an alternative to institutional care. The number of community social services as of 29.02.2012 reached 646, and the services for children and families were 307.
	Support for deinstitutionalisation of social institutions providing services to children at risk	In process of implementation under OPRD until 2013	Construction / reconstruction / renovation / equipping of infrastructure for services within family environment and the community. As of 31.12.2011, 25 contracts are being implemented under OPRD.
	Support for families with children	In process of implementation until 2014	Ensuring the bringing-up of children in a family environment, thus directly protecting some of

Progress on implementation	List of measures and their state of play, that were implemented in response to commitments (implemented or in process of implementation as 31 March 2012)		Estimated impacts of the implementation of the measures (qualitative and/or quantitative)
	Measure	Implementation state of play	
			<p>the fundamental rights of children, guaranteed by the UN Convention.</p> <p>As of the end of 2011, with one-off pregnancy benefits a total of 17,669 women were supported; one-off benefits for childbirth were given to 69,736 children; one-off cash benefits for raising twins until they reach 1 year of age – benefits were paid to 2028 twins; one-off cash benefits for raising children until the age of one year by full-time student mothers – 2344 supported student mothers; monthly benefits for children until they complete secondary school, but not after they reach the age of 20: 554883 families with 820892 children were supported on the average each month; monthly benefits for raising children until the age of one year: 21557 mothers were supported on the average each month; monthly allowances for children with permanent disabilities until the age of 18 and until completion of secondary school, but not later than the age of 20: 21205 children were supported on the average each month; target support for free travel with railway and bus transport in the country of mothers with three or more children: 14719 individuals were supported on the average each month; target benefits for pupils: 45434 children were supported.</p> <p>The total value of the benefits paid under the Law on Family Allowances for Children as of 31.12.2011 amounted to EUR 250.4 million.</p>
	Creating a network of long-term care services	In process of implementation until 2015	<p>Improving the quality of life of elderly people after they retire from the labour market.</p> <p>As of 29.02.2012 the number of social services in the community for elderly people was 158. The total capacity of the services was 4866 places, and these occupied were 4298. The homes for elderly people are 81, with a capacity of 5735 places, and 5255 places were occupied as of 29.02.2012.</p>
	Developing integrated social, healthcare and educational services for homeless people	In process of implementation until 2015	<p>Improving the health culture of and the access to healthcare for homeless people.</p> <p>As of 29.02.2012 there were 10 Centres for temporary placement with a capacity of 613 places.</p>
	Development of a draft National Strategy for reducing poverty and promoting social inclusion (2012–2020)	In process of implementation until June 2012 The first draft of the strategy was elaborated.	Promotion of social inclusion and decreasing the number of people living in poverty by 260 thousand by 2020.
	Update of the National Strategy for Demographic Development of the Republic of Bulgaria for the period (2012–2030)	Implemented – adopted with a CoM Decision as of 01.02.2012.	Improving the demographic balance, slowing down the rate of decline in the number of population with a trend for its stabilisation in the long term, ensuring a high-quality human capital, equal opportunities for all and cohesion in society.
	Developing a National Concept Paper for active life of elderly people	Implemented – a National Concept Paper for active life of elderly people was developed within the Interdepartmental Working Group on Demographic Issues.	Improving the quality of life of elderly people after they retire from the labour market. Ensuring favourable living conditions.
	Increasing the weight of the acquired length of service from 3% to 4% for each year (Article 70 (1) of the SSC), after the individual already satisfies the conditions for retirement, without being granted an old-age pension	Implemented – the Law on the Budget of the Public Social Security for 2012, in which the proposed amendment to Article 70 (1) of the Social Security Code is included, was adopted by the National Assembly (promulgated, SG, No. 100 of 2011).	<p>Increasing the incomes of people employed after retirement and encouraging their longer stay on the labour market.</p> <p>Indirect impact on increasing the effective retirement age and decreasing early retirement.</p>
	Introducing a rule, that the employer may terminate the labour contract of a person, who has become eligible for old-age pension shall arise not earlier than upon the completion of 63 years of age for women and 65 years of age for men (Article 328, paragraph 1, sub-paragraph 10 of the Labour Code), preserving at the same time the right of the employing authority to terminate the official employment relationships of civil servants at the time when they become eligible for retirement for old-age pension	Implemented Amendments to the Labour Code were adopted (promulgated, SG, No. 7 as of 2012), pursuant to which the possibility for employers to terminate the labour contract of individuals, who have become eligible for old-age pension, was eliminated, and the amended text of Article 328, paragraph 1, sub-paragraph 10 of the LC is as follows: “10. for Professors, Associate Professors and Doctors of Science – upon completion of 65 years of age;”.	<p>Encouraging longer stay on the labour market.</p> <p>Indirect impact on increasing the effective retirement age and decreasing early retirement.</p>
	Providing social benefits, family benefits and benefits for	In process of implementation until 2014	Increasing the adequacy of social allowance for better quality of life of the most vulnerable

Progress on implementation	List of measures and their state of play, that were implemented in response to commitments (implemented or in process of implementation as 31 March 2012)		Estimated impacts of the implementation of the measures (qualitative and/or quantitative)
	Measure	Implementation state of play	
	people with disabilities		groups of the society As of 31.12.2011, 276790 individuals and families were supported.
	Providing material support for people with disabilities	In process of implementation until 2014	Improving the quality of life of people with disabilities. The provision of material support to people with disabilities is made under the Law on the State Budget for 2011. In 2011, under the Rules of Procedure for implementing the Law on Integration of People with Disabilities, on the average each month, support has been provided to 480565 people with disabilities, including 17852 children with disabilities. The total amount of the paid resources is EUR 81.4 million. For purchasing and repairs of assisting devices, appliances, equipment and medical products EUR 19 million are paid. In 2011 the state budget has provided EUR 1.4 million for securing activities linked to the employment of people with disabilities in general and specialised work environment. With a view to expand the possibilities for providing employment to people with disabilities, an Action Plan for the implementation of the Long-term Strategy for employment of people with disabilities (2011-2020) for the period 2012-2013 was adopted.
	Providing accessible environment for people with disabilities	In process of implementation until 2015	Appropriate environment created for integrating the people with disabilities on the labour market. In 2011 activities worth nearly EUR 0.2 million were implemented to ensure an accessible environment
	Development of social economy	In process of implementation under OPHRD until 2014	Development of social economy At the end of 2011 three measures, financed under OPHRD, were directed towards the social economy. A total of 88 projects were financed, which aim at establishing at least 63 new social enterprises (target value 100 as of 2014) and supporting 25 existing social enterprises (target value 40 as of 2014).
	Developing and introducing a mechanism for determining the amount of the minimum wage, which takes into account its social functions	In process of implementation until 2012	Increasing the incomes from employment. Reducing the number of the "working poor". Improving the living standards in low-income areas. Effective 1 September 2011, the minimum wage was increased from BGN 240 to BGN 270 with CoM Decree No. 180 of 29.06.2011 A CoM Decree was adopted, by the virtue of which the minimum wage is increased from BGN 270 to BGN 290 as of 1 May 2012.
<i>"Euro Plus Pact" commitments</i>			
Foster competitiveness	This commitment is achieved through the implementation of the measures under national target 2 for investments in R&D and national target 4 for education, as well as the measures for improving the business environment (GF 3).		
Foster employment	This commitment is achieved through the implementation of the measures under national target 1 for employment and national target 4 for education.		
Strengthening fiscal consolidation	This commitment is achieved through actions included in the Convergence Programme.		
<i>Factors to Sustainable Economic Growth</i>			
Efficiency of Public Spending and Ensuring Reallocation of Public Expenditure towards Growth-enhancing Items	Law on the Amendment of the Law on Internal Audit in the Public Sector	Implemented in 2011	Effective financial control and higher transparency in the financial management of public resources.
	Law on the Amendment of the Law on Financial Management and Control in the Public Sector	Implemented in 2011, effective as of 2012	Better financial management of public resources, strengthening the governance of managers of public enterprises, limiting the illegal and inefficient spending of public resources.
	Law on the Amendment of the Law on Administration	Implemented in 2011	Increasing the effectiveness and efficiency of public expenditure
	Project for development and introduction of an integrated health information system	In process of implementation under OPHRD (ESF funding) until 2013	Increasing the effectiveness of public expenditure
	Restructuring of hospitals	In process of implementation on the basis of the National Healthcare Map adopted in 2011.	Balanced territorial distribution of medical institutions financed by the NHIF. Improving the planning of medical institutions, determining the maximum number of medical institutions for hospital care, financed by the NHIF / the republican budget.
	Amendments to the Constitution of the Republic of Bulgaria	In process of implementation by the end of 2012	Increasing the effectiveness of public expenditure by limiting the discretion of the state to

Progress on implementation	List of measures and their state of play, that were implemented in response to commitments (implemented or in process of implementation as 31 March 2012)		Estimated impacts of the implementation of the measures (qualitative and/or quantitative)
	Measure	Implementation state of play	
			change existing or introduce new direct taxes
	Development of a Single information system of the medical expertise	In process of implementation by the end of 2012	Increasing the efficiency of public expenditure and improving the control over them.
Business environment and enhancing the administrative efficiency	Implementation of the Action Plan for implementing the measures for optimisation of the state administration for the period 2010–2011	In process of implementation – permanent	Optimisation of functions, enhancing the efficiency and effectiveness of the administrative structures, elimination and simplification of administrative regimes. The monitoring of the implementation will continue in 2012.
	Reforms at district level	In process of implementation by the middle of 2012 The concept paper for the reform was considered by the Council for Decentralisation of State Governance in 2011; the consideration of the paper in the Council for Administrative Reform is forthcoming.	Improving the business environment and enhancing the administrative efficiency at district level.
	Law on the Amendment of the Law on Public Financial Inspection	Implemented in 2011	Enhancing the efficiency and strengthening the ex-post control in the field of public procurement; improving the interaction and cooperation among the control bodies in the field of awarding and implementing public procurement contracts.
	Law on the Amendment of the Law on Public Procurement	Implemented in 2011	Single regulatory framework for all types of public procurement regimes and procedures; improving the ex-ante control over public procurement under projects, financed from the SCF.
	Law on Public Private Partnership	In process of implementation – 2012 (approved by the CoM in 2011)	Establishing clear procedures in the relationships between the state and the business, expanding the opportunities for PPPs, so that they cover all social infrastructure projects.
	Consultative mechanism in connection with imposing of financial corrections	Implemented in 2011	Unification of the practice of imposing financial corrections
	Grant scheme “Technical assistance for preparation, management, monitoring, evaluation, information, control and strengthening and management of the administrative capacity”	In process of implementation under OPRD	Strengthening the administrative capacity and the capacity of beneficiaries for absorption of the funds from the SCF The total budget is EUR 54.1 million, as of December 2011 funds in the amount of EUR 28.9 million were contracted, and EUR 5.8 million were disbursed
	Action Plan for achieving the national target for reducing the administrative burden by 20% by the end of 2012	In process of implementation until the end of 2012	Improving the business environment As of the end of 2011, 70% of the measures were implemented.
	Methodology for determining cost-based amount of fees	Implemented in 2011	Introducing of a cost-based approach for setting fees. Cost savings for enterprises in the amount of EUR 25.6-102.3 million.
	Drafting a concept paper for a Law on fees	Project under OPAC “Fee policy in line with the public relationships – conditions for good management” The contract for the project implementation is signed in September 2011 and is to be implemented within 18 months.	Improving the business environment
	Qualitative administrative services and development of electronic governance	In 2011, 46 projects were implemented under OPAC.	Enhancing the quality of administrative services
	Establishment and development of regional business incubators	In process of implementation under OPDCBE In 2011 17 contracts in the total value of EUR 7.2 million have been concluded and are in process of implementation. In 2012 the announcement of new procedure is forthcoming.	Establishing new and developing existing business incubators for the provision of a wider range of services for business development.
	Strengthening the international market positions of the Bulgarian economy	In process of implementation under OPDCBE until 2015 Contracts with 5 public institutions – BIA, BSMEPA, BIS, BIM, BASEA. One direct grant procedure, under which SAMTS is expected to submit project proposal.	Improving the business environment through: - Increasing the attracted investments and their economic effect; - Facilitating the access to foreign markets of the Bulgarian enterprises through overall services for the enterprises and up-to-date information for the exports; - Ensuring compliance of Bulgarian products with the international quality standards; - Encouraging the production of Bulgarian enterprises of high-quality products.
	Law on the Amendment of the Law on Small and Medium-sized Enterprises	In process of implementation (will be submitted to the Council of Ministers in November 2012)	Introducing the “think small first” principle by introducing a SME test – impact assessment, and thus improving the business environment for SMEs
Updating the National Strategy for Promotion of SME for	In process of implementation until the end of 2012	Supporting the entry of SMEs on foreign markets, incorporating the Small Business Act in the	

Progress on implementation	List of measures and their state of play, that were implemented in response to commitments (implemented or in process of implementation as 31 March 2012)		Estimated impacts of the implementation of the measures (qualitative and/or quantitative)
	Measure	Implementation state of play	
	2013-2020		national strategy
	“Development of the delivery of administrative services by electronic means” Project	In process of implementation until 2013	The expected savings only from connecting 20 of the main registers exceed EUR 40.9 million.
	Improving the delivered services on the labour market, social inclusion and healthcare	<p>Scheme “Establishing integrated information system of MLSP” with total budget of EUR 8 million – to be implemented by 2013</p> <p>Scheme “Establishing and introducing of national system for electronic data exchange in the area of social security in order to implement Regulations 883/2004 and 987/2009” with a total budget of EUR 2 million – the scheme started at the end of 2011 and will be implemented by 2013.</p> <p>Scheme “Developing and introducing information systems and data bases for social assistance, provision of social services and social inclusion” with a total budget of EUR 6.4 million – to be implemented by 2013.</p>	<p>The scheme implementation will provide for common communication connection of MLSP and its structural bodies will consolidate the data from the information systems and will create system for the provision of information-consultative services.</p> <p>The scheme will enable the introduction of new technologies for exchange, access and processing of data, which are needed for the implementation of EU Regulations in the area of coordination of social security, including using the so-called ‘structured electronic documents’-</p> <p>The scheme will enable the creation of a data base for social assistance. The introduction of the integrated information system will guarantee the establishment of regional data base in the Regional Directorates “Social Assistance” and a national data base for social assistance in the Agency for Social Assistance, as well as of a national data base for child protection and a centralised data base for national adoptions.</p>
	“Improving the delivery of administrative services to consumers through upgrading the central systems of the electronic government” Project	In process of implementation until 2013	Improving the business environment by enhancing the quality of the administrative services delivered
Infrastructure	Support for the development of critical, protected, secure and reliable public ICT infrastructure.	In process of implementation under OPRD until 2013 A grant scheme was launched under OPRD with a deadline for submission of project proposals 19.04.2012.	<p>Development of broadband connections to the urban surroundings and the less urbanised territories and rural regions;</p> <p>Overcoming the digital segregation;</p> <p>Encouraging the economy of the target regions</p> <p>Settlements covered and target value:</p> <ul style="list-style-type: none"> - municipalities – 92 - remote settlements – 870 - population covered – 500000 people
	Support for Integrated plans for urban recovery and development	In process of implementation under OPRD until 2013 – 36 contracts were in process of implementation as of 31.12.2011	<p>Ensuring synergies between the individual sectoral policies and their integrated management at local level; integrating policies and bringing together different participants for the realisation of the vision and strategy for urban development</p> <p>Promoting growth and employment at regional level</p>
	Joint European Support for Sustainable Investment in City Areas JESSICA:	In process of implementation under OPRD until 2013 Financing Agreement under JESSICA in force; Holding Fund (EIB) established. Invitation for selection of funds for urban development published. Procedure for selection of Urban Development Funds completed. An operating agreement was signed with a City Development Fund for the 6 large cities.	Attracting investments and encouraging PPPs in towns by implementing financial engineering instruments in support of the sustainable and integrated urban development
	Support for rehabilitation and reconstruction of the municipal road network.	In process of implementation	<p>Improving the access within urban agglomeration areas</p> <p>86 municipalities are beneficiaries, as of 2011 the total amount of the contracted funds (grants) was EUR 59.9 million, and EUR 48.5 million were disbursed.</p>
	Strategic paper “Priorities for building the road infrastructure in Bulgaria by 2020, for roads with pan-European and national importance”	Implemented in 2011	Setting national objectives and priorities for the development of the road infrastructure.
	Support for the reconstruction / modernisation and equipping the municipal medical institutions in the urban	In process of implementation under OPRD until 2012 The project proposals are at the stage of evaluation.	Reconstruction / renovation / equipping of medical institutions – municipal property, improving the access of people with disabilities in urban agglomeration areas.

Progress on implementation	List of measures and their state of play, that were implemented in response to commitments (implemented or in process of implementation as 31 March 2012)		Estimated impacts of the implementation of the measures (qualitative and/or quantitative)
	Measure	Implementation state of play	
	agglomerations.		Project proposals for financing 9 oncology centres and specialised hospitals and 9 large municipal hospitals with a total value of EUR 44 million
	Support for providing appropriate and effective state social infrastructure, contributing to the development of sustainable urban areas	In process of implementation under OPRD until 2012 As at 31.12.2011, 16 contracts are being implemented under OPRD	Creating of an accessible architectural environment and modernising the buildings / premises in which the "Social Assistance" Directorates of the ASA are accommodated - reconstructed / renovated buildings for the Social Assistance Directorates of ASA - improved architectural environment for people in a disadvantaged position - realised energy efficiency measures Target values: - Energy savings – 12000 MWh - Number of registered individuals benefiting from the renewal of the buildings / premises – 50 thousand people - Population, benefiting from the improved social infrastructure – 2 million people
	Construction of Bulgaria – Serbia inter-system gas connection.	In process of implementation under OPRD until 2013 As at 31.12.2011, one contract for feasibility studies is being implemented under OPRD. After the successful completion of the feasibility studies, the start of construction of intersystem gas connection is planned with funds from OPDCBE.	Diversification of the energy sources / supplies; increased energy independence
	Construction of an inter-system gas connection Bulgaria – Romania	At present, the contract signed by and between "Bulgartransgas" EAD and "Trakia gas project" EAD for design of the ground section of the project in the territory of Bulgaria, as well as of the Geographic Information System Ruse-East, is being implemented. The construction works are planned to start in August 2012 and be completed at the end of 2012, and the gas pipeline is expected to become operational at the beginning of 2013.	Diversification of the energy sources / supplies; increased energy independence

Main (new or updated) commitments in the NRP for the next 12–18 months	Foreseen main measures (starting in the period 2012–2013)		Estimated impacts of the implementation of the measures (qualitative and/or quantitative)
	Measure	Deadline and implementation state of play	
National target for 76% employment among the population aged 20–64 by year 2020	Support for first employment of young people	National initiative "Employment for young people in Bulgaria" – will be implemented in 2012–2013 "Creating employment for young people through providing opportunities for work experience" scheme under OPHRD – in process of implementation until 2013. "Increasing the employment of young people by their permanent inclusion in the labour market in Bulgaria" scheme under OPHRD – in process of implementation until 2015.	Providing opportunities for first employment of young people, including through training young people with low educational degrees and without qualification, and easier access to registration at employment offices Smoother transition of young people from the system of education to the labour market for the purpose of decreasing unemployment among young people to 7% in 2015. The target values for the implementation of this action are as follows: 76 thousand young people included in training and 73 thousand young people included in employment. For the period 2011-2013 these values are respectively 29 thousand people and 14 thousand people.
	Ensuring direct contact between young people and employers	Annual implementation for the period 2011-2015	Further 297 labour exchanges are planned to be organised by 2015.
	Creating opportunities for acquiring length of service in the public administration	"Career start" Programme – annual implementation in accordance with the National Action Plan on Employment "Support for institutional development of the labour market, social inclusion and healthcare institutions"	In 2013, the subsidised length of service under the programme will be increased from 9 to 12 months.

Main (new or updated) commitments in the NRP for the next 12-18 months	Foreseen main measures (starting in the period 2012-2013)		Estimated impacts of the implementation of the measures (qualitative and/or quantitative)
	Measure	Deadline and implementation state of play	
		Scheme	Under the scheme, unemployed young people in a disadvantaged position on the labour market will participate in traineeships for a period of 9 months
	Providing opportunities for training of unemployed and employed people for acquiring key competencies and professional qualification in line with the requirements of the business	<p>“Qualification services and training for employed people – phase 3” Scheme – will be launched in 2012 and will be implemented until the end of 2013. Currently project proposals from employers are accepted</p> <p>“Qualification and motivation for competitive inclusion on the labour market” Scheme – will be launched in 2012.</p>	<p>Under the “Qualification services and training for employed people – phase 3” Scheme about 35 thousand employed people will be included in professional training or acquiring key competencies.</p> <p>Under the “Qualification and motivation for competitive inclusion in the labour market” Scheme 3000 unemployed individuals will be included simultaneously in motivation training, professional training and training for acquiring key competencies.</p>
	Employment Strategy of the Republic of Bulgaria for the period 2013-2020	The update will be carried out in 2012	Outlining the main directions for increasing employment
	Action Plan for the National Youth Strategy	Will be adopted in May 2012	Encouraging the economic activity and career development of young people, improving the access to information and high-quality services, development of cultural and international dialogue
	School and students’ practices	Scheme under OPHRD with duration 2012-2014	Over 50 thousand pupils and 70 thousand students included in practical training in real work environment
	Enhancing the human resources management at the Employment Agency	In 2012	1550 labour mediators included in training in 2012 100 new labour mediators appointed Introducing flexible working hours
	Developing 108 public terminals for access to the database of vacancies and people looking for jobs	In 2012 for all labour offices	Improving the services delivered by the Employment Agency to registered unemployed people Faster taking of vacancies
	Creating additional opportunities for certification and promotion of projects creating jobs	In implementing the Law on Investment Promotion	1000 new jobs by 2020
	Strengthening the control over undeclared employment	<p>“Enhancing the effectiveness of the control activity of CLIEA Scheme – by 2014.</p> <p>“Enhancing the control of labour” Scheme – 2011-2013.</p>	<p>400 officials of CLIEA trained</p> <p>Hiring of 110 assistants in inspection activities and training of 570 labour inspectors at CLIEA</p>
	Establishing career centres for professional development of employed and self-employed people	“Development of services for a flexible labour market” Scheme will be launched in 2012 and will continue until 2014.	At least 10000 employed people using the services of 10 career centres, which will be set up to the Regional Labour Office and the central administration of the Employment Agency
	Enhancing the professional qualification of unemployed people	Project part of the National Action Plan on Employment 2012	Enhancing the quality of education for adults through specialised training of adult trainers, including mentors of unemployed people. In 2012, 200 trainers will be included in training.
	Integrating the illiterate unemployed people and unemployed people with low educational degrees on the labour market through lifelong learning	In process of implementation “Literacy for adults” Scheme under OPHRD	In 2012, 10500 unemployed people will be included in literacy courses and courses for studying the curriculum of the primary education classes, and 770 unemployed people will be included in training courses in crafts
	Increasing the flexibility and security on the labour market	“Social innovations in enterprises” Scheme under OPHRD with a total budget of about EUR 19.3 million – in process of implementation by 2013	Organising training on the workplace Creating opportunities for small, medium and large enterprises to invest in their personnel human resources development. The activities under the scheme include training elderly workers above 55 years of age, introducing flexible forms of employment for the employed in the enterprise people, as well as providing material benefits for the workers and the employees (recreational places, children corner, etc). The scheme provides conditions to organise 20000 trainings and 21200 people to be preferentially included in flexible forms of employment.
	National Lifelong Learning Strategy 2014 – 2020	Will be elaborated by the end of 2013	Facilitating the access to the labour market, reducing long-term unemployment, providing opportunities for longer stay on the labour market for elderly workers and increasing labour productivity.

Main (new or updated) commitments in the NRP for the next 12–18 months	Foreseen main measures (starting in the period 2012–2013)		Estimated impacts of the implementation of the measures (qualitative and/or quantitative)
	Measure	Deadline and implementation state of play	
Improving and developing the information system in healthcare		<p>Planned under OPHRD for 2012–2014</p> <p>- Scheme “National health-information system with a budget of EUR 2.6 million to be implemented by 2013.</p> <p>- Schemes “Improving the healthcare services by creating information and distance learning platform” (budget of EUR 5.1 million, to be implemented by 2014); “Uniform information system for medical expertise in Bulgaria (budget of EUR 0.4 million, to be implemented by the end of 2012); “National information system for transfusion haematology” (budget of EUR 0.3 million, to be implemented by 2013); “Setting up electronic data base on the medical products paid by public funds” (budget of EUR 0.08 million, to be implemented by the end of 2012).</p>	<p>Introduction of modern technologies and methodologies in healthcare management, including encouraging electronic healthcare, which will allow for improving the health status of the population and higher employment</p> <p>- The system will enable the introduction of policy and measures which encompass the entire healthcare system – from medical prevention and diagnostics to treatment completion. The establishment of the system creates the necessity for elaborating uniform standards for healthcare products, systems and services, solving the problems linked to the safety and security of technologies and human resources, legal enforcement of the e-healthcare and protection of personal information, ensuring patients’ mobility, analysis of the effectiveness of the decision and sharing good practices.</p> <p>- improving the access to healthcare services, increasing the quality of medical expertise</p>
National target for investments in R&D of 1.5% of GDP in 2020	New innovation strategy	In process of elaboration until the end of 2014	Improving the mechanism for coordination between the scientific and the innovation policies. The strategy will set the national priorities in the field of innovations, ensure effectiveness in the spending of public resources on innovation promotion and contribute to the regional cohesion among the planning regions in the field of innovations.
	Law on the Amendment of the Law on Investment Promotion	In process of elaboration until the end of 2012	Creating additional opportunities for certification and promotion of investment projects in the services sector, in particular in the outsourcing. Introducing partial coverage of social security contributions at the expense of employers for a certain period of time in order to attract investments in sectors with high value added.
	Improving the innovative infrastructure	Announcing procedure “Development of applied research in research organisations in Bulgaria” with a budget of EUR 10 million and procedure “Establishing scientific-technological park” with a budget of EUR 50 million (in process of notification before the EC for legal certainty that the funds, which will be provided does not constitute state aid)	Developing favourable innovation environment in support of business; Enhancing the connection science-business; Support for the establishment and development of new knowledge and its transfer to enterprises.
	Financial instruments for supporting enterprises	In process of implementation 4 financial instruments have been structured so far under OPDCBE within the JEREMIE initiative The structuring of a new instrument “Funded Risk Sharing Product” is forthcoming in 2012.	“JEREMIE BULGARIA” EAD Holding Fund will provide a total of EUR 349 million under OPDCBE by 2015 and EUR 150 million attracted private funds
	Introducing a system for monitoring and assessment of the research activity in higher schools and scientific organisations	Planned for 2013. At present draft rules for monitoring and assessment have been developed in accordance with the Law on Promotion of Scientific Research.	Enhancing the effectiveness of scientific activity. Introduction of a differentiated approach for government subsidies in higher schools and scientific organisations.

Main (new or updated) commitments in the NRP for the next 12–18 months	Foreseen main measures (starting in the period 2012–2013)		Estimated impacts of the implementation of the measures (qualitative and/or quantitative)
	Measure	Deadline and implementation state of play	
			Enhancing the effectiveness of public expenditure on R&D.
	Enhancing the connection between science and business	A “Science – business” project is implemented under OPHRD	Enhancing the information and the dialogue among the participants in the science and innovation system through training of young scientists in organisations, where the “knowledge triangle” occurs, and carrying out sectoral analyses.
Target for reducing the greenhouse gas emissions by 2020	Draft Third National Action Plan on Climate Change 2013 – 2020	Will be developed by April 2012 and its implementation will start from 2013	Overall policy for limiting greenhouse gas emissions and transition to a low carbon economy
	Law on activities related to climate change	The draft will be developed by the end of 2012	Prioritisation of activities in the policy on climate change by regulating the scheme for trade in quotas of greenhouse gas emissions and the National Scheme for Green Investments, taking inventory of greenhouse gas emissions and monitoring
National target for a 16% share of renewable energy in the gross end consumption of energy by 2020 and increasing the energy efficiency by 25% by 2020	National Action Plan on Energy Efficiency for the period 2011-2013	In process of implementation during the period 2011-2013	Intermediate indicative target as of 2013 – annual savings of fuels and energy in the amount of 4860 GWh (418 ktOE) during the period 2011-2013, i.e. increasing the energy efficiency by 6% compared to the average value of the energy final consumption during the period 2001-2005.
	Transposing Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings	A Law on the Amendment of the Law on Energy Efficiency will be adopted by the National Assembly by 19.06.2012 A provision for mandatory survey and energy efficiency certification of public buildings with an area of over 500 sq. m. will become effective on 9 January 2013.	Reducing the energy consumption and using energy from renewable sources
	Introducing energy-saving technologies and using RES in the enterprises	Announcing in 2012 “Energy efficiency and green economy” procedure under OPDCBE, which will provide support to micro, small and medium enterprises in Bulgaria to invest in energy-saving production and RES technologies	Encouraging SMEs projects directly linked to the application of energy-saving production technologies and introduction of technologies for reducing the energy intensity of the production, as well as measures for improving the processes in the enterprises and the energy management, which will contribute to sustainable ecological development and reduction of the adverse impact on the environment. The funds provided for this procedure amount to EUR 300 million, half of which in the form of grants and the other half – in the form of credit facilities from EBRD through its partner banks
	Programme for incentives for the implementation of EE measures by households and purchase of energy efficient appliances and equipment	Planned (REECL finances the purchase of energy efficient appliances by the households)	Increasing the energy efficiency in consuming energy
	Introducing a training and qualification programme for experts in energy, new technologies and energy management	Planned (the schemes of the Energy Efficiency Fund)	Increasing the energy efficiency
	Development of mechanisms related to the integration of the generators of electricity from renewable sources into the electricity networks.	In process of implementation in line with the Law on Energy from Renewable Sources	Easier access to the electricity grid of the producers of electricity from renewable sources, streamlining the activities related to the transmission and distribution of electricity from renewable sources
	Creating streamlined procedures for construction of small renewable sources installations and incentives for generators of energy for heating and cooling, and gas from renewable sources	In process of implementation. Alleviated procedures are defined in Law on Energy from Renewable Sources, Law on Spatial Development and secondary legislation, adoption of Law on the amendment of the Law on Energy is forthcoming	The advantages of the construction of individual systems are related to reduced or deferred investment costs for the development of the grid, reduced loss from undelivered energy, improved regime of the grid voltage, reduced losses in the course of transmission and distribution. An analysis will be carried out and, if it is proved possible, additional tax relieves or financial incentives will be proposed for the owners of buildings, who construct and commission installations for production of heat and energy for cooling purposes from renewable sources. Schemes will be developed for supporting local heating systems for residential and public buildings, which may include, but will not be limited to, subsidies for the installations for production of energy from renewable sources, low-interest loans, etc.
	National target for 11% share of the early school leavers by 2020	Mandatory pre-school training for children aged 5 years	In process of implementation as of school year 2010/2011, but starting to be applied in all municipalities as of school year 2012/2013. During school year 2016/2017, this will be also introduced for the children aged 4 years (in pursuance of the Law on Pre-school and School Education)
Introducing full day organisation of the school day for the		In process of implementation as of school year 2010/2011	Retaining in the educational system of disadvantaged children and children living in settlements

Main (new or updated) commitments in the NRP for the next 12–18 months	Foreseen main measures (starting in the period 2012–2013)		Estimated impacts of the implementation of the measures (qualitative and/or quantitative)
	Measure	Deadline and implementation state of play	
	third class pupils	for first and second classes pupils (optional), and starting as of school year 2012/2013 also for the third class pupils (optional). Will be gradually introduced for pupils up to seventh class.	without a primary school Improving the quality of education in the initial stages of training
	Supporting schools in the implementation of their own strategies for overcoming the absences and the early school leaving	In April 2012 a National Programme with this goal will be launched	Reducing the number of early school leavers by applying a differentiated approach for fight against early school leaving – depending on the specific conditions and difficulties in each school, including working with parents
	National Strategy for Reducing Early School Leaving by 2020	Will be elaborated by the end of 2012	Improving the coordination and interaction among institutions involved in the policy for fighting early school leaving Overall monitoring of the process through detailed analyses of data, defining long-term policies and working with teachers, pupils, parents and local communities.
	Enhancing the system for inspecting the education.	A pilot project was launched at the beginning of 2012	Improving the quality of education
	Modernising the curriculum for general education	A project was launched in January 2012. The introduction of the new state educational standards is forthcoming.	Acquiring key competencies by pupils for the purpose of facilitating their future realisation
	Career orientation in secondary education	In January 2012 a procedure was launched, and the project will be implemented in 2012–2013	Facilitating the transition between the different stages of education, as well as promoting professional orientation at an early stage by creating information, methodological and diagnostic resources
	Qualification of pedagogic specialists	The project was launched in January 2012	Improving professional competence and better approach to the needs of children and pupils Under the project 42230 teachers, 1500 assistant headmasters and 2200 headmasters of schools and kindergartens will be trained
National target for a 36% share of the people aged 30–34 with higher education by 2020	Carrying out pupil and student practices in real work environment	Two procedures were launched in January 2012	Gaining professional experience in the process of education for the purpose of increasing motivation, orientation and career development of graduates
	Updating the curricula and syllabi in higher education in line with the requirements of the labour market	The scheme will be implemented in 2012–2014	More efficient utilisation of labour potential
Decreasing the number of people living in poverty by 260 thousand by 2020	Developing an overall strategy for combating homelessness	Planned by 2014	Planning, development and implementation of an overall policy for fight against homelessness Systematisation of up-to-date data on the characteristics of homelessness (developing a statistical database)
	Elaborating a National Strategy for Long-term Care	The second half of 2012	Creating conditions for independent and dignified life of elderly people and people with disabilities by improving the access to social services and of their quality, expanding the network of these services in Bulgaria, including the services in existing institutions, as well as encouraging the interaction between healthcare and social services
	Developing a consolidated Manual of the legal provisions in the field of social economy	In process of implementation by 2013	Creating a favourable environment for enterprises and organisations in the social economy
	Support for the provision of modern social homes for the vulnerable, minority and socially-weak groups of the population, and for other disadvantaged groups	Will be implemented in 2012–2013	Number of supported people
	Providing financial assistance for paying nursery school and kindergarten fees of Roma children, for training of adult Romas and providing housing to Roma families	In pursuance of the Action Plan to the National Strategy of the Republic of Bulgaria for Roma Integration for the period 2012–2014	Integration of Roma population
Factors to Sustainable Economic Growth			
Efficiency of Public Spending and Reallocation of Public Expenditure towards Growth-enhancing Items	New method for pension indexation based on the consumer price index	In pursuance of Article 100 of the Social Security Code, the method will be applied as from 1 January 2013.	Improving the financial stability of pension system
	Increasing the minimum amount of the pension for length of service and old-age	As of 1 June 2012	Better adequacy of pensions From BGN 136 to BGN 145
	Transferring the social pensions for old-age and disability to the Social Assistance Agency	As of 1 January 2013	The payment of these types of pensions will have the nature of social allowances
	Increasing by 6 months the period used as a basis for calculation of compensations for temporary disability, pregnancy and childbirth, and unemployment	As of 2012	Improving the functioning of the welfare system
	Development of rules for financial management and	By the end of 2012, in pursuance of the National	Streamlining the expenditures in the healthcare sector

Main (new or updated) commitments in the NRP for the next 12–18 months	Foreseen main measures (starting in the period 2012–2013)		Estimated impacts of the implementation of the measures (qualitative and/or quantitative)
	Measure	Deadline and implementation state of play	
	reporting of hospitals	Healthcare Map of medical institutions	
	Development of a Single information system of the medical expertise	The project will be completed at the end of 2012.	Strengthening the control over the activity of the TEMC and NEMC and the financial resources of the NSSI, NHIF, TEMC and MLSP
Business environment and enhancing the administrative efficiency	National Strategy for Broadband Internet Access in the Republic of Bulgaria until 2020	The update started in 2011	Implementation of the electronic government and access to electronic services
	Development of National Programme “Digital Bulgaria 2015”	Approval by the CoM in May 2012	Developing an information society in Bulgaria, including development of electronic trade
	Framework rules for planning the needs of human resources and continuity in the state administration	In 2012 under OPAC	Enhancing the quality of work of the administration
	Streamlining the central and municipal administrative structures	Two procedures were launched at the beginning of 2012, and the projects will be implemented by the end of 2013	Avoiding duplicating functions and simplifying and efficiency of the work of the administration
	Supplement to the Action Plan for reducing the administrative burden in the period 2012–2014	Will be put forward for consideration at the CoM by June 2012	Reducing the administrative burden stemming from national legislation, containing national and transposed European requirements by 20% by the end of 2014
	Drafting a Law on the Amendment of the Law on Civil Servants and ordinances on its implementation	In process of implementation until the end of 2012	Enhancing the motivation of civil servants, strengthening their administrative capacity
	Law on the Amendment of the Commercial Law	Will be adopted by the CoM in April 2012	Improving the commercial turnover and strengthening the framework concerning insolvency by introducing the requirements of Directive 2011/7/EU on combating late payment in commercial transactions and preventing existing practices for backdated declaring of insolvency by traders
	Law on the Amendment of the Law on Small and Medium-sized Enterprises	The draft law will be submitted to the CoM in November 2012	Introducing a SME test, which will guarantee the mandatory impact assessment of changes in statutory regulations on SMEs Implementation of the Small Business Act
	National Strategy for Promotion of SME for the period 2013-2020	Update by the end of 2012	Deriving priority measures depending on the degree of urgency and in accordance with the requirements of the Small Business Act
	Improving and developing the system and the centralised portal of e-justice	The procedure will be implemented in 2012–2013	Enhancing the quality of the services delivered to the citizens by the judicial system – direct exchange of data and documents Increasing transparency and shortening the time necessary for the delivery of services
	Developing a basic model for delivery of integrated administrative services	The project is being implemented in 2012	The model will propose ways for optimising and reengineering of working processes for the introduction of at least 50 integrated administrative services. In parallel, the needed actions for the delivery of 10 pilot integrated services will be undertaken, simultaneously with the e-governance.
	Establishing and developing regional business incubators	In 2012 the launch of second grant procedure for establishing and developing regional business incubators under OPDCBE is forthcoming. The total budget of the procedure is EUR 10 million.	Improving the business environment through providing support and specialised services of enterprises in their starting-up phase in order to guarantee their long-term sustainability and competitiveness.
	Improving the single point of access to administrative services	“Development of the delivery of administrative services by electronic means” Project – by 2013	Automation of the exchange of data from 30 key registers. The savings from the connecting of 20 of the 30 registers are expected to exceed EUR 41 million per annum.
“Improving the delivery of administrative services to consumers through upgrading the central systems of the electronic government” Project – by 2013		Creating a register of electronic identity of users and implementation of the central system for document turnover	
Improving and developing MLSP information system	The following schemes will be implemented under OPHRD:	Improving the quality of the administrative service delivery to citizens and business	
	- Scheme “Building integrated information system of MLSP” –to be implemented by 2013 with a budget of EUR 8 million. - Scheme “Building and commissioning national system for electronic data exchange in the area of social security in	- The scheme will ensure general communication connectivity of MLSP and the structures to the ministry, consolidation of data from the information systems and the establishment of a system for the provision of information-consultative services. - The implementation of the scheme will introduce new technologies for exchange, access and processing data necessary for enforcing the EU Regulations in the area of social security coordination, including by using the so called ‘structured electronic documents’.	

Main (new or updated) commitments in the NRP for the next 12–18 months	Foreseen main measures (starting in the period 2012–2013)		Estimated impacts of the implementation of the measures (qualitative and/or quantitative)
	Measure	Deadline and implementation state of play	
		<p>relation to Regulations 883/2004 and 987/2009” – it is to be implemented by 2013 with a budget of EUR 2 million.</p> <p>- Scheme “Developing and introducing information systems and data bases servicing the welfare system, provision of social services and social inclusion” – it is to be implemented by 2013 with a budget of EUR 6.4 million.</p>	- The implementation of the scheme will allow for the creation of national social assistance data base. The introduction of the integrated information system will guarantee the establishment of regional data bases in the regional directorates “Social Assistance” and of a national social assistance data base in the Agency for Social Assistance, as well as a national child protection data base and a centralised data base on national child adoptions.
Infrastructure	Integrated urban transport in 5 cities	The projects will be implemented under OPRD in 2012	Plovdiv, Ruse, Varna, Stara Zagora and Pleven
	Green and accessible urban environment	The projects will be implemented under OPRD in 2012	Improving the physical and living environment of 36 municipalities, centres of agglomeration areas
	Purchasing specialised medical equipment and repair of medical establishments	The projects will be implemented under OPRD in 2012	Enhancing the quality of the healthcare services and improving the existing infrastructure

**Annex 3: Information on the Project Implementation under Priority Axis 2
“Development of road infrastructure along the Trans-European and national transport
axes” under OPT:**

1. Project: “Trakia Motorway Lot 2, Lot 3 and Lot 4” – Grant award contract signed on 23.04.2010.

- Lot 2 Stara Zagora – Nova Zagora. Construction works started on 09.06.2010, with deadline for completion by July 2012. Physical implementation of the project – 73% of the total contract value.

- Lot 3 Nova Zagora – Yambol. Construction works started on 02.08.2010, with deadline for completion by September 2012. Physical implementation of the project – 72% of the total contract value.

- Lot 4 Yambol – Karnobat. Construction works started on 06.10.2010, with deadline for completion by January 2013. Physical implementation of the project – 72% of the total contract value.

2. Project: “Construction of Maritza Motorway, Lot 1 and Lot 2” . Grant award contract signed on 09.08.2011.

- Lot 1 Orizovo – Dimitrovgrad. Construction works started on 20.10.2011, with deadline for completion January to November 2013. Physical implementation of the construction and assembly works (CAW) is currently at 2.58%. Work is on-going on stages 1 and 2.

- Lot 2 Dimitrovgrad – Harmanli. Construction works started on 26.07.2011 with deadline for completion by August 2013. Physical implementation of CAW is currently at 7.21%.

3. Project: “Struma Motorway”. Construction works started on 01.10.2011 with deadline for completion by August 2013.

- For Lot 1, allotment plans have been prepared, land appropriation procedures have been completed, and a building permit has been issued. Physical implementation of CAW is currently at 9.12%.

- For Lot 2, currently a tender procedure to select a contractor for the conceptual design project is under way. Twelve archaeological sites have been registered, which ought to be explored additionally, once the conceptual design project is ready. According to Article 70 of the Law on Public Procurement, the Contracting Agency requested an explanation from the lowest bidder. On 16.01.2012, the explanation was presented to the Contracting Agency (RIA) for approval. No physical progress has been made during the reporting period.

- For Lot 4, allotment plans have been prepared and approved¹¹². No physical progress has been made during the reporting period due to a delay in the procedure for land appropriation for the purposes of construction of that road section. The procedure is in the process of coordination of approvals, and a building permit will be issued once the land appropriation amounts have been paid to the former owners and the investment project has been approved.

4. Project: “Hemus Motorway – Sofia Ring Road – Road Junction Yana” . Grant award contract signed on 14.10.2011. Construction works started on 21.10.2011, with deadline for completion by August 2013. The start of CAW is running behind the original schedule but the delay is expected to be eliminated by the time of completion of Stage IV (21.05.2012).

5. Project: “Road E-85 (I-5) „Kurdzhali – Podkova” . Grant award contract signed on 30.09.2011. A building permit for ancillary infrastructure is yet to be issued. The project is divided into 2 parts: Section 1 “Kurdzhali – Dzhebel Road Fork”, rehabilitation and reconstruction, length of the section 8.219 km, and Section 2 “Dzhebel Road Fork – Podkova”, new construction, 24.2 km, and a linking road to the village of Fotinovo, 2.4 km. The overall physical progress to date, according to the performance contract, is 4%.

¹¹² Order No. ПД-02-14-417/22.02.2012 of the Minister of Regional Development and Public Works, promulgated in SG Issue No. 16/24.02.2012.

Annex 4: Sources of financing of measures promoting the use of RES and increasing the energy efficiency, as well as tax incentives to promote the use of RES and increasing the energy efficiency

1. Operational Programme “Environment” 2007-2013;

2. Rural Development Programme, 2007–2013. For the period 2009–2010, 289 projects were approved. The approved subsidies total EUR 58.3 million. Funding under the Rural Development Programme (RDP) is designed to support projects for the generation of electricity from renewable sources of up to 1 MW, and of heat for in-house needs of the enterprise.

3. Credit lines extended via the Energy Efficiency and Renewable Sources Fund (EERSF). The Fund provides financing in the form of low-interest loans primarily for energy efficiency projects in the amount of BGN 30 000 to BGN 3,000 000 and a repayment period of up to 5 years. During the period 2009-2011, it provided project financing in the area of renewable sources totalling EUR 1.3 million. The credit and credit guarantee portfolio of the Fund financed a total of 29 energy efficiency projects in 2009. The total value of projects amounted to EUR 6.7 million, and the loans extended by the Fund in 2009 amounted to EUR 2.6 million. The expected annual energy savings only from implementing the projects for improving energy efficiency in industry approved by the end of 2009 are estimated as follows: electricity – 777.27 GWh/year; heat – 247.25 GWh/year; total energy savings – 1,024.52 GWh/year.

4. In 2010, 10 projects worth EUR 2 million were financed under an **ESCO contracting scheme**¹¹³. The Energy Efficiency and Renewable Sources Fund disposes of EUR 2.5 million for financing projects in 2012, offering loans of up to 75% of the total project value.

5. Energy Efficiency and Renewable Energy Sources Credit facility (EERES credit facility). Since the launch of the project in 2004 to August 2010, the funding available under the EERES Credit Facility in the amount of EUR 155 million was used to provide support to 203 sustainable energy projects, including EUR 104 million in extended credits, and EUR 18 million in grants. Grant support to borrowers is available for any successfully implemented project and can range between 15% and 20% of the credit financing. In 2011, 3 projects for small hydro power plants (SHPPs) were brought to completion, with a total value of EUR 11.1 million, with credit financing from the EERES Credit Facility of EUR 5.5 million.

6. Residential Energy Efficiency Credit Line (REECL). EBRD extended a credit line for households and homeowner associations for energy efficiency and RES projects, through a network of partner banks. In addition to credits, REECL provides free technical assistance and grants of up to 35% of the credit value. The programme will extend loan financing until 31 July 2014.

7. EIB Energy Efficiency Programme (EEP). The Programme combines loans at favourable terms from the EIB, a donation from international financial corporations (IFCs) (20% of the loan amount in case of investments in RES) and free technical assistance. Loans are extended with the intermediation of partner banks participating in the Programme. Programme financing is available for projects for the construction of small heat and electricity co-generation power plants from RES, wind power generation, photo-voltaic systems and solar thermal collectors, hydro and geothermal power plants.

8. Kozloduy International Fund. The EU grant support agreed for the period 2006-2009 amounts to EUR 550 million, of which EUR 238.3 million has been extended to the non-nuclear energy sector. For the period 2010–2013, EUR 300 million has been contracted, of which EUR 120 million for the non-nuclear energy sector.

9. Enterprise for Management of Environmental Protection Activities (EMEPA) for small and micro hydro power plants. Financing is available for projects in the area of environmental protection, including projects for the construction of SHPPs. Financing comes in the form of interest-free 5-year loans for enterprises in an amount of up to 70% of the total project value but cannot exceed EUR 0.8 million. In 2009 and 2010 no projects have been financed in the area of renewable energy.

11. Financing for a range of climate change adaptation measures is expected to become available also through the **Green Investment Scheme (GIS).**

¹¹³ ESCO (energy service) companies specialise in providing energy saving services. Their core business involves developing complete engineering works for reducing energy consumption, whereby the ESCO company assumes the entire financial, technical and commercial risk. To perform the service, a special type of contract is signed between the contracting agency and the contractor, called ESCO contract – a contract with guaranteed result.

Tax Reliefs

1. According to the Law on **Excise Duties and Tax Warehouse**¹¹⁴, excise duty rates on motor fuels are lower for fuels containing at least 4% of biofuel. For unleaded gasoline, the presence of such a percentage of bio ethanol reduces the applicable rate from BGN 710 to BGN 688 per 1,000 litres. Similarly, the excise duty rate for gas oil containing at least 4% bio diesel is reduced from BGN 630 to BGN 596 per 1,000 litres.

2. According to the **Law on Local Taxes and Fees**¹¹⁵, buildings commissioned into operation prior to 01.01.2005 and granted a certificate for Category A under the procedure established in the Law on Energy Efficiency are tax exempt for a period of 7 years, which can be extended to 10 years, if also applying measures for using renewable sources to meet the energy requirements of the building. Similar provisions exist for buildings certified as Category B, with tax exemption periods being 3 and 5 years, respectively, depending of the use of renewable sources.

¹¹⁴ Promulgated in SG Issue No. 91 of 15.11.2005, last amendments SG No. 99 of 16.12.2011.

¹¹⁵ Promulgated in SG Issue No. 117 of 10.12.1997, last amendments SG No. 39 of 20.05.2011.

Annex 5: Absorbed and Contracted Funds for financing measures related to the achievement of higher growth and more jobs, UMIS data as of 20.03.2012 (EUR million)

Priority Theme Code	Priority Theme	Financing measures for higher growth and employment as of 20.03.2012 (EUR million)		Operational programme	NT, GF, R, CSR in NRP
		Absorbed amount	Contracted amount		
01	R&TD activities in research centres	0.0	41.1	OPDCBE	NT 2; GF 3, 4, 1, 5
02	RTD infrastructure (including equipment, installations, instrumentation and high-speed computer networks linking research centres) and centres of competence in a specific technology	0.8	1.0	OPRD	NT 2
03	Technology transfer and improvement of co-operation networks among small and medium-sized enterprises (SMEs), between SMEs and other enterprises and universities, higher education institutions	0.0	0.7	OPDCBE	NT 2
04	Assistance to research, technology and development activities (RTD), particularly in small and medium-sized enterprises (including access to RTD services in research centres)	2.9	15.8	OPDCBE	NT 2; CSR 3
05	Advanced support services for companies and groups of companies	0.3	0.3	OPDCBE	NT 2; CSR 3; R 2 of AGS; GF 3;
07	Investment in companies directly linked to research and innovation (innovative technologies, establishment of new companies by universities, existing RTD centres and companies, etc.)	170.0	173.9	OPDCBE	NT 2; CSR 3; R 2 of AGS
08	Other investments in companies	54.6	141.0	OPDCBE	NT 2; CSR 3; R 2 of AGS
09	Other measures to stimulate research and innovation and entrepreneurship in SMEs	2.1	5.8	OPDCBE	CSR 3; R 2 of AGS
10	Telephone infrastructures (including broad-band networks)	2.5	3.9	OPRD	NT 2
13	Services and applications for the citizen (e-health, e-government, e-learning, e-inclusion, etc.)	6.4	24.7	OPAC	NT 4, 5; GF 3
16	Railways	0.02	0.02	OPT	GF 5
17	Railways (TEN-T)	47.4	246.1	OPT	GF 5
21	Motorways (TEN-T)	147.1	741.8	OPRD, OPT	GF 5
22	National roads	48.9	198.9	OPRD	NT 3; GF 5
23	Regional/local roads	40.2	50.5	OPRD	NT 3/ GF 5
25	Urban transport	126.3	243.0	OPRD, OPT	NT 3, GF 5
26	Multimodal transport	91.0	200.2	OPT	GF 5
28	Intelligent transport systems	0.02	0.02	OPT	NT 3
35	Natural gas	-	0.7	OPRD	NT 5; GF 5; CSR 7
40	Renewable energy: solar	0.7	1.3	OPRD	NT 4; CSR 7
43	Energy efficiency, cogeneration, energy management	11.4	65.7	OPRD	NT 3, 5; CSR 7
44	Management of household and industrial waste	22.9	153.2	OPE	NT 3, GF 5
45	Management and distribution of water (potable water)	20.8	338.7	OPE	NT 3
46	Water treatment (waste water)	73.8	332.8	OPE	NT 3
50	Rehabilitation of industrial sites and contaminated land	-	0.1	OPRD	NT 3
51	Promotion of biodiversity and nature protection (including Natura 2000)	8.6	34.9	OPE, OPRD	NT 3
53	Risk prevention (including development and implementation of natural disaster and technology risk management plans and measures)	9.2	49.2	OPRD	NT 3
55	Promotion of natural assets	0.4	0.4	OPRD	NT 3; CSR 5
56	Protection and development of natural heritage	0.1	2.7	OPRD	NT 3; CSR 5
57	Other assistance to improve tourist services	0.3	3.4	OPRD	NT 1; CSR 5
58	Protection and preservation of the cultural heritage	0.8	79.6	OPRD	NT 1, 3; CSR 5
59	Development of cultural infrastructure	10.0	23.7	OPRD	NT 1; GF 5
60	Other assistance to develop cultural infrastructure	2.1	8.4	OPRD	NT 1; GF 5
61	Integrated projects for urban and rural regeneration	59.6	114.4	OPRD	GF 5

Priority Theme Code	Priority Theme	Financing measures for higher growth and employment as of 20.03.2012 (EUR million)		Operational programme	NT, GF, R, CSR in NRP
		Absorbed amount	Contracted amount		
62	Development of lifelong learning systems and strategies in companies; training and services for employees	22.3	92.4	OPHRD	NT 1
63	Design and dissemination of innovative and more productive ways of organising work	0.02	16.1	OPHRD	NT 1
65	Modernisation and strengthening labour market institutions	0.7	11.1	OPHRD	NT 1
66	Implementing active and preventive measures on the labour market	14.9	161.3	OPHRD	NT 1
67	Measures encouraging active ageing and prolonging working lives	2.6	12.0	OPHRD	NT 1
68	Support for self-employment and business start-up	0.5	8.7	OPHRD	NT 1
69	Measures to improve access to employment and increase the participation and progress of women	0.6	9.5	OPHRD	NT 1, 5
71	Pathways to integration and re-entry into employment for disadvantaged people: combating discrimination in accessing and progressing on the labour market as well as promoting acceptance of diversity at the workplace	52.7	67.8	OPHRD	NT 5
72	Design, introduction and implementing reforms in education and training systems in order to develop employability, improving the labour market relevance of primary and vocational education and training, continuous updating skills of training personnel with a view to participate in innovative- and a knowledge-based economy	13.9	110.5	OPHRD	NT 4
73	Measures to increase participation in education and training throughout the life-cycle, including through action to achieve a reduction in early school leaving, gender-based segregation of subjects and increased access to and quality of primary vocational and tertiary education and training	39.7	147.2	OPHRD	NT 4
74	Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between higher schools, research centres and enterprises	5.6	49.4	OPHRD	NT 4
75	Education infrastructure	68.2	111.5	OPRD	NT 4, 5; GF 4
76	Health infrastructure	-	108.3	OPRD	NT 5; GF 5
77	Childcare infrastructure	0.5	4.9	OPRD	NT 5
78	Housing infrastructure	0.03	0.03	OPHRD	NT 5; GF 5
79	Other social infrastructure	6.6	50.1	OPRD	NT 5; GF 5
80	Promoting the partnerships, pacts and initiatives through networking of relevant stakeholders	-	2.2	OPHRD	NT 1, GF 3
81	Mechanisms for improving good policy and programme design, monitoring and evaluation	72.7	209.7	OPE, OPAC, OPTA, OPRD, OPHRD	GF 4; CSR 3
85	Preparation, implementation, monitoring and inspection	20.1	88.3	OPE, OPAC, OPTA, OPRD, OPHRD, OPT, OPDCBE	
86	Evaluation and studies, information and communication	4.1	32.2	OPAC, OPTA, OPRD, OPHRD, OPT, OPDCBE	
TOTAL		1286.99	4591.17		