

## **Position of the Republic of Bulgaria on the Mid-term review of the "Europe 2020" strategy**

### **Need for reconsidering and / or supplementing the "Europe 2020" targets**

The areas in which the five main headline targets of the strategy are defined are properly identified and continue to be valid also in the period of gradual recovery from the crisis. There is a need for strengthening the coordinated implementation of structural reforms in these areas to facilitate the achievement of the three priorities of the strategy for smart, sustainable and inclusive growth. Cancelling some of the existing targets and substituting or supplementing them with new ones would shift the focus of the strategy and would lead to dispersion of the efforts in different directions rather than to the achievement of the targets already set. Assigning a leading role to particular sectoral strategies should fit in the vision and philosophy of the strategy and contribute to the progress of the five targets. This is precisely the role of the flagship initiatives under the strategy that foster sectoral efforts for the achievement of the five headline targets and the nature of which could be reviewed, respectively their implementation could be strengthened by 2020.

Generally, national targets should be balanced between realism and ambition. We would support possible review of some target values, such as the one for employment, in order for them to reflect more realistically the structural and not cyclical developments. At the same time setting sufficiently ambitious targets has a positive impact on the commitment and thereby on the efforts put in policy implementation to achieve the objectives.

### **Need for better strategy governance**

Linking the funding from the EU structural and investment funds with implementation of the strategy through the Partnership agreements and the 2014-2020 Operational Programmes as early as at the stage of funds programming is a step in the right direction for improving the governance of the strategy. The main efforts should be directed towards increasing the commitment to implement the country-specific recommendations and to strengthen their relevance with the ex-ante conditionalities in the Partnership Agreements.

Another area of possible improvement is to find a better consistency between the different Council formations as regards horizontal issues, such as monitoring of competitiveness and its impact on macro-economic and social developments.

The tight time frame for integrated economic policies' governance in the EU does not allow for a genuine dialogue about the choice of appropriate policy

measures in response to the challenges which Member States are facing. At the national level this reduces the level of commitment to address country-specific recommendations, and at the European level, it hinders the implementation of an efficient multilateral surveillance and the exercise of peer pressure, and also eliminates the possibility to share best practices among Member States.

Stronger involvement of social partners during the preliminary discussions on policy measures and achieving a consensus at an early stage is crucial for the progress in conducting reforms and implementing of recommendations. The lack of consensus at national level on specific policy measures and structural reforms should not be an obstacle to the search for alternatives to achieve policy objectives or to address a specific recommendation.

National Reform Programmes should be based more on the partnership among all levels of government in the Member States. In Bulgaria, a challenge to the successful implementation of the strategy is the lack of sufficient communication and efficient participation of all levels of government, especially the regional and the local ones. Long-term economic development has a strong regional dimension and can hardly be managed solely by nationwide solutions. Following a decentralized approach that allows policy adjustment not only according to the national but also to local and regional specificities could ensure ownership of the local authorities for the actual implementation of the objectives.

### **Need for strengthening the tools for assessing the implementation of the strategy**

Due to the existing time lag for the effects of the measures set in the strategy to materialise, as well as due to the big delay in the publication of certain data for structural indicators, currently it is difficult to assess how efficiently the strategy is implemented at EU level. Some of the indicators used to measure progress towards achieving the strategy targets are imperfect and do not allow linking a change in the target values with the outcomes of the reforms carried out (for example, the targets for employment and poverty include both structural and cyclical components). In some cases, the main indicator is not sufficient to assess the efficiency, but in combination with additional indicators this disadvantage is largely overcome (for example, the R & D and the education targets).

### **Need to strengthen policy coordination within the European Semester**

The enhanced coordination and joint action at EU level in some policy areas would lead to better results, including at national level. One aspect of enhanced coordination is the preliminary assessment of the potential impact and spillover effects of planned reforms at the national. This is especially valid for the sectors of climate-energy, industry, innovation and R & D, SMEs, financial sector, ICT and transport. At the same time, there are areas such as

direct taxation, social security and health care, which require policies to reflect mainly national specificities.

The integrated approach of policy coordination imposed by the European Semester should ensure coherence between the different policy areas, including at national level. In reality, however, the process of formulation and discussion of specific recommendations is organized in a way that does not sufficiently reflect the interactions between measures in different areas, as well as the budgetary impact of their implementation in the short run. This can be overcome by stronger prioritization in the sequence of reforms together with shifting the dialogue towards policy outcomes.

We believe that the integrated economic governance to a certain extent shifts the focus of the recommendations to meet the requirements of the Stability and Growth Pact and Macroeconomic Imbalances Procedure, leaving the discussion on the implementation of the "Europe 2020" strategy in the background. For example, one area in which Bulgaria is lagging behind is investment in R & D, but the severity and the extent of the specific recommendations in this area remains largely unchanged. At the same time, the scope of the in-depth reviews of the countries with potential imbalances has gradually expanded by including dimensions inherent to the "Europe 2020" strategy, such as the social dimension and the low growth potential of the economies.

Improving efficiency can be sought in several directions:

- Ensuring consistency between policies aimed at achieving common outcome/result;
- Close monitoring of results (taking into account the existence of a possible time lag as regards outcomes and impact) and implementation of additional measures when realization of the results do not meet the predetermined threshold;
- Providing adequate funding for the respective measures/policies;
- Greater efforts to improve awareness in society and acceptance of the need to conduct structural reforms whose impact usually take time to occur, but lead to significant, sustainable changes in the structure of the economy.

Ensuring a high degree of continuity in the process of planning and implementation of long-term policies by different governments is crucial for the implementation of the strategy. Other shortcomings leading to low efficiency are the gaps in the collection and dissemination of statistical data on key result indicators (late publication, incomplete time series), as well as insufficient administrative capacity in some policy areas, and the tendency to copy foreign practices and experience without taking into account the national specificities.